



PAPER – 3: TAXATION

SECTION A: INCOME TAX LAW

The Income-tax law, as amended by the Finance Act, 2025, including significant notifications/ circulars issued upto 30th June, 2026, is applicable for January, 2027 examination. The relevant assessment year for January, 2027 examination is A.Y. 2026-27. The July, 2025 edition of the Study Material is based on the provisions of Income-tax law as amended by the Finance Act, 2025 and significant notifications/circulars issued up to 15.07.2025. The said study material has to be read along with the Statutory Update containing notifications and circulars issued up to 30.6.2026 but not covered in the study material webhosted at <https://resource.cdn.icai.org/92919bos-aps2378-int-p3a-statutory-sep2026.pdf>.



QUESTIONS

Case Scenario

Mr. Aarav Sharma (52 years old), an Indian citizen and employed as a member of the crew of a Vietnam bound Indian ship engaged in carriage of passengers in international traffic departing from Cochin Port on 6th June 2025. Accordingly, date entered into the Continuous Discharge certificate in respect of joining and signing off the ship by Mr. Aarav is 6th June 2025 and 5th December 2025, respectively. He leaves India in earlier years as a member of crew for less than 180 days and for remaining time in those years he stayed in India. Since 2010 he is working as a member of crew.

Mr. Aarav is also a working partner in M/s Satyam Enterprises, a firm engaged in manufacturing business whose turnover for the financial year

2024-25 was ₹ 90,00,000. During the previous year 2025-26, he earned salary of ₹ 25,00,000 as a member of the crew and remuneration of ₹ 5,00,000 from the firm. The remuneration is allowable as a deduction in computing the firm's business income. He also earned interest of ₹ 12,500 from Indian savings bank account.

During the previous year 2025-26, Mr. Aarav has sold equity shares of ABC Ltd. listed on a recognised stock exchange for ₹ 15,00,000. These shares were received by him as bonus shares on 31.01.2018. The fair market value (FMV) of such shares on that date was ₹ 10,00,000. STT is paid at the time of transfer of such shares. He also incurred loss of ₹ 2,00,000 from trading in eligible derivatives transactions carried out in a recognised stock exchange.

On 1st November 2025, Mr. Aarav gifted ₹ 10,00,000 to his wife on her 50th Birthday. She invested that money in a fixed deposit with State bank of India at Interest rate of 6% p.a. on the same date.

Mr. Aarav is paying tax under the default tax regime.

Based on the above information, choose the correct option in respect of below mentioned MCQ's 1 to 5:

1. Determine the residential status of Mr. Aarav for the P.Y 2025-26.
 - (a) Resident and ordinarily resident
 - (b) Resident but not ordinarily resident
 - (c) Non-resident
 - (d) Deemed resident
2. What would be the amount of capital gains/loss includible under the head "Capital Gains"?
 - (a) Loss from derivatives of ₹ 2,00,000 and long-term capital gains of ₹ 5,00,000
 - (b) Only long-term capital gains of ₹ 5,00,000
 - (c) Loss from derivatives of ₹ 2,00,000 and long-term capital gains of ₹ 15,00,000

- (d) Loss from derivatives of ₹ 2,00,000 and long-term capital gains of ₹ 10,00,000
3. What is the amount of income chargeable under the head "Salaries" and "Profits and gains of business or profession"?
- (a) ₹ 29,25,000 taxable under the head "Salaries" and ₹ 2,00,000 would be loss under the head "Profits and gains of business or profession"
- (b) ₹ 29,50,000 taxable under the head "Salaries" and ₹ 2,00,000 would be loss under the head "Profits and gains of business or profession"
- (c) ₹ 24,25,000 taxable under the head "Salaries" and ₹ 3,00,000 taxable under the head "Profits and gains of business or profession"
- (d) ₹ 24,25,000 taxable under the head "Salaries" and ₹ 5,00,000 taxable under the head "Profits and gains of business or profession"
4. What would be the total income of Mr. Aarav for the A.Y 2026-27?
- (a) ₹ 31,37,500
- (b) ₹ 34,62,500
- (c) ₹ 32,62,500
- (d) ₹ 32,37,500
5. What would be the tax liability (ignore TDS/TCS, if any) of Mr. Aarav for A.Y. 2026-27?
- (a) ₹ 4,81,650
- (b) ₹ 5,42,100
- (c) ₹ 5,81,100
- (d) ₹ 4,73,850
6. Priya is an Indian citizen. She is a doctor by profession. She started her clinic in India in 2019 with the name "Priya Medical Clinic". In May 2024, she got married to Mr. Nick, an American citizen. Mr. Nick came

to India for the first time on 1st August 2023 when he joined an MNC in India. He got a promotion and was transferred to Dubai. He left for Dubai on 1st October, 2024. Mrs. Priya accompanied him to Dubai. She started providing consultancy there. Both of them came to India for 3 months from June to August 2025 to spend time with Priya's family. Following incomes were earned by Mr. Nick and Mrs. Priya during the P.Y. 2025-26.

Income of Mr. Nick		₹
1	Salary from a company in Dubai (not liable to tax in Dubai)	13,00,000
2	Long term capital gain on sale of unlisted shares of an Indian company	2,50,000
3	Income from house property in Delhi (computed)	4,60,000
4	Dividend from shares of an Indian company	65,000
5	Income from House Property in Dubai, deposited in a bank in Dubai, later on remitted to India in Priya's mother account	50,000
Income of Mrs. Priya		₹
1	Profit from consultancy profession in Dubai which was set up in India (not liable to tax in Dubai)	10,00,000
2	Profit from consultancy profession in India	3,00,000
3	Long term capital gain on sale of shares of British company, credited to her Dubai bank account	60,000
4	Short term capital loss on sale of unlisted shares of an Indian company	(42,000)
5	Short term capital gain on sale of listed shares of an Indian company	1,42,000
6	Interest on saving bank deposit with an Indian Bank	1,00,000

Determine the residential status of Mr. Nick and Mrs. Priya and their gross total income for the A.Y. 2026-27. Assuming both of them have not shifted out of the default tax regime.

7. Mr. Dev Malhotra, aged 42 years, is employed as a Senior Manager with Zenith Industries Ltd., an Indian company. In addition to his regular salary, he receives certain allowances and benefits from his employer. The details of his salary and perquisites for the previous year 2025-26 is given below:

Particulars	₹
Basic salary	8,40,000
Dearness allowance (forming part of salary for retirement benefits)	4,20,000
Commission	84,000
Entertainment allowance	12,000
Medical expenses reimbursed by the employer	32,000
Profession tax (of this, 50% paid by employer)	4,800
Health insurance premium paid by employer	12,000
Life insurance premium of Mr. Malhotra paid by employer	36,000
Laptop provided by the employer for use at home; children of Mr. Malhotra also use the laptop. Cost of the laptop to the employer	60,000
Free education is provided to the children of Mr. Malhotra in the educational institute of the employer [cost of such education in similar institutions is ₹ 850 p.m per child]	-
Mobile phone expenses of employee paid by the employer	10,000
Annual credit card fee paid by the employer; the credit card is not used exclusively for official purposes	7,500

Apart from the above, Mr. Malhotra has provided with a motor car owned by Zenith Industries Ltd. for both official and personal use. The employer bears all running and maintenance expenses. The engine cubic capacity is less than 1.6 litres, and no chauffeur is provided.

The same car was transferred to him on 1st January 2026 for ₹ 3,00,000. This car was purchased by the company on 30.9.2022 for ₹ 15,00,000.

Compute the income chargeable under the head "Salaries" in the hands of Mr. Dev Malhotra for the assessment year 2026-27. He is paying tax as per the default tax regime.

8. Mr. Arjun, a resident individual, furnishes the following particulars of his income and losses for the previous year ended 31 March 2026, relevant to the assessment year 2026-27:

Particulars	Amount (₹)
Long-term capital gain from sale of urban land	3,60,000
Long-term capital loss on sale of shares (STT not paid)	90,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid both at the time of acquisition and sale)	1,20,000
Loss from speculative business "A"	32,000
Income from speculative business "B"	20,000
Income from salary (computed)	4,80,000
Loss from let-out house property	2,40,000
Income from trading business	90,000

Following are details of unabsorbed depreciation and the brought forward losses:

- (1) Unabsorbed depreciation of ₹ 14,000 pertaining to A.Y. 2024-25.
- (2) Loss from activity of owning and maintaining race horses pertaining to A.Y. 2022-23 ₹ 6,000.
- (3) Brought forward loss from trading business ₹ 12,000 relating to A.Y. 2022-23.

Mr. Arjun gifted ₹12,00,000 to his wife, Mrs. Kavya, on her birthday on 1 February 2025. Mrs. Kavya lent ₹ 6,00,000 out of the gifted amount to Ms. Karuna on 1st April 2025 for six months, on which she received interest of ₹ 60,000. On 3rd October 2025, Mrs. Kavya invested the said interest of ₹ 60,000 in shares of a listed company. These shares were sold for ₹ 85,000 on 30th March 2026. Securities transaction tax (STT) was paid on the sale of shares.

The balance amount of the gift was invested by Mrs. Kavya as capital in her new business on 1 April 2025. She incurred a loss of ₹ 25,000 from the business during the previous year 2025-26.

Compute the total income of Mr. Arjun for A.Y. 2026–27 assuming he is paying tax under the default tax regime. Also specify the losses eligible for carry-forward and the last assessment year up to which each item may be carried forward.

9. Mr. Raghav Mehta, a resident individual aged 53 years, is engaged in providing tax consultancy and accountancy services. His Income and Expenditure Account for the year ended 31 March 2026 is as follows:

**Income and Expenditure account for the year
ending 31st March, 2026**

Expenditure	Amount (₹)	Income	Amount (₹)
To Salary	4,80,000	By Consulting fees	82,00,000
To Motor car expenses	1,20,000	By Share of Profit from HUF	70,000
To Depreciation	1,05,000	By Interest on savings bank deposits	32,000
To Medical expenses	90,000	By Interest on income tax refund	18,000
To Purchase of computer	1,20,000	By Rental income from house property	5,40,000
To Municipal taxes paid for let-out house property	36,000		
To Interest on housing loan for let-out property	2,10,000		
To Interest on housing loan for self-occupied property	2,00,000		
To Bonus	36,000		

To General expenses	1,40,000		
To Office & administrative	1,25,000		
To Excess of income over Expenditure	71,98,000		
	88,60,000		88,60,000

The following other information relates to the financial year 2025-26:

- (1) Salary includes a payment of ₹ 28,000 per month to his sister-in-law who is in-charge of the marketing department. However, in comparison to similar business, the reasonable salary of a marketing supervisor is ₹ 23,000 per month.
- (2) Written down value of the assets as on 1st April, 2025 are as follows:

Motor Car (20% used for personal use)	₹ 4,20,000
Furniture and Fittings	₹ 1,10,000
- (3) Medical expenses includes:
 - Family planning expenditure ₹ 28,000 incurred for the employees which was revenue in nature.
 - Medical expenses for his father ₹ 62,000. (Father's age is 67 years and he is not covered under any medical insurance policy). ₹ 3,000 incurred in cash and remaining by credit card.
- (4) The computer was purchased on 20th June 2025 for ₹ 1,20,000. An amount of ₹ 25,000 was paid in cash as a down payment on the date of purchase, and the balance was paid by account-payee cheque on 12 August 2025.
- (5) Bonus was paid on 30th September, 2026.
- (6) General expenses include commission of ₹48,000 paid to Mr. Nitin for procuring professional assignments on 18 September 2025. Tax was not deducted at source from this payment.

- (7) On 20 December 2025, Mr. Raghav received gold coins worth ₹ 92,000 from a family friend on the occasion of his wedding anniversary.

The consultancy fees for the previous year 2024-25 was ₹ 54,80,000.

Compute the total income and the tax liability of Mr. Raghav Mehta in the most beneficial manner for the assessment year 2026-27.

10. (i) Examine the applicability of tax deducted/ collected at source as per the provisions of the Income-tax Act, 1961 and calculate the amount of TDS/TCS for A.Y. 2026-27 in the following independent situations:
- (a) On 1st August 2025, Mr. Sharma remitted ₹ 15,00,000 (out of his own savings) under the Liberalised Remittance Scheme (LRS) to his son, Mr. Karthik, who is pursuing higher studies at the University of California, USA, towards payment of his university fees. Subsequently, on 12th December 2025, Mr. Sharma remitted a further sum of ₹ 12,00,000 under the LRS towards payment of his son's university fees. To make the second remittance, Mr. Sharma obtained loan from State Bank of India (SBI) at an interest rate of 6% per annum.
 - (b) M/s Payal Enterprises, a firm engaged in manufacturing of steel utensils. It sold waste and scrap generated during its manufacturing process for ₹ 12,00,000 to Sai Traders Ltd., a public sector company, through an auction. The turnover of the firm for the F.Y. 2024-25 and 2025-26 is ₹ 85 lakhs and ₹ 95 lakhs, respectively. No declaration is furnished by Sai Traders Ltd. regarding the usage of scrap.
- (ii) Ms. Geetha submits her return of income on 29-06-2026 for A.Y 2026-27 declaring of income under the head "Salaries", "Income from House Property", Income from Other Sources" (comprising bank interest) and "Capital Gains" (comprising of long-term capital gains of ₹ 1,00,000).

For A.Y. 2025-26, she filed her return of income on 28.10.2025 declaring income under the heads "Salaries", "Income from

House Property", "Income from Other Sources" (comprising bank interest) and "Capital Gains" (comprising of short-term capital loss of ₹ 80,000).

On 01-12-2026, she realized that she had not set-off the short-term capital loss of A.Y. 2025-26 against long-term capital gains of A.Y. 2026-27. Accordingly, she wishes to revise her return of income for A.Y. 2026-27. Can she do so? Examine.

Would your answer be different, if she had furnished her return of income for the A.Y. 2025-26 on 28.7.2025.



SUGGESTED ANSWERS

Question No.	Answer
1.	(a) Resident and ordinarily resident
2.	(b) Only long-term capital gains of ₹ 5,00,000
3.	(c) ₹ 24,25,000 taxable under the head "Salaries" and ₹ 3,00,000 taxable under the head "Profits and gains of business or profession"
4.	(c) ₹ 32,62,500
5.	(d) ₹ 4,73,850

6. Determination of residential status of Mr. Nick

Mr. Nick is an American citizen who came on a visit to India during the P.Y. 2025-26 for 3 months. He was in India from 1st August 2023 to 1st October 2024. Since Mr. Nick has been in India for a period of 60 days or more (i.e., 92 days) during the P.Y. 2025-26 and for a period of 365 days or more (i.e., 428 days) during the 4 immediately preceding previous years, he satisfies one of the basic conditions and he is a resident for the A.Y. 2026-27.

Since his period of stay in India during the preceding 7 previous years is less than 730 days (i.e., 428 days), he is a resident but not-ordinarily resident in India during the A.Y. 2026-27.

Since Mr. Nick is a resident but not-ordinarily resident, income which accrues or arises in India, deemed to accrue or arise in India, received in India, deemed to be received in India and income derived from business controlled in or a profession set up in India is chargeable to tax in India in his hands.

Computation of gross total Income of Mr. Nick for the A.Y. 2026-27

Particulars of income		(₹)
1	Salary from a company in Dubai [Not taxable, since it accrues and arises outside India]	-
2	Long term capital gain on sale of unlisted shares of an Indian company [Taxable, since it accrues and arises in India]	2,50,000
3	Income from house property in Delhi [Taxable, since it accrues and arises in India]	4,60,000
4	Dividend from shares of an Indian company [Taxable, since it accrues and arises in India]	65,000
5	Income from House Property in Dubai, deposited in a bank in Dubai, later on remitted to India in Priya's mother account. [Not taxable, since it accrues and arises outside India]	-
Gross Total Income		7,75,000

Determination of residential status of Mrs. Priya

Mrs. Priya is an Indian citizen who comes on a visit to India during the P.Y. 2025-26 for 3 months i.e., 92 days. She will be a resident in India if she stays in India during the P.Y. 2025-26 for 182 days or 120 days and 365 days or more during the four previous years immediately preceding the P.Y. 2025-26, if her total income other than the income from foreign sources exceeds ₹ 15 lakhs.

Since she stayed only for 92 days during the P.Y. 2025-26, she does not satisfy any of the basic conditions. Hence, she is not a resident in India as per section 6(1).

Mrs. Priya would be a deemed resident under section 6(1A) if her total income other than the income from foreign sources exceeds ₹ 15 lakhs during the P.Y. 2025-26 as she is an Indian citizen and is not liable to tax in Dubai.

Computation of total Income other than the income from foreign sources of Mrs. Priya

Particulars of income		(₹)
1	Profit from consultancy profession in Dubai which was set up in India [Includible]	10,00,000
2	Profit from consultancy profession in India [Includible]	3,00,000
3	Long term capital gain on sale of shares of British company [Not includible, since it is a foreign source income]	-
4	Short term capital loss on sale of unlisted shares of an Indian company [It accrues and arises in India. Thus, the same can be set-off from STCG on sale of listed shares of Indian company]	-
5	Short term capital gain on sale of listed shares of an Indian company [₹ 1,42,000 Less ₹ 42,000].	1,00,000
6	Interest on saving bank deposit with an Indian Bank	1,00,000
Gross Total Income		15,00,000
Less: Deduction under section 80TTA [No deduction allowed under the default tax regime]		Nil
Total Income		15,00,000

Since, total income other than the income from foreign sources of Mrs. Priya does not exceed ₹ 15 lakhs, she would not be a deemed resident. Hence, Mrs. Priya is a non-resident during the A.Y. 2026-27.

Since Mrs. Priya is a non-resident, income which accrues or arises in India, deemed to accrue or arise in India, received in India and deemed to be received in India is chargeable to tax in India in her hands.

Particulars of income		(₹)
1	Profit from consultancy profession in Dubai which was set up in India [Not taxable]	-
2	Profit from consultancy profession in India [Taxable, since it accrues and arises in India]	3,00,000
3	Long term capital gain on sale of shares of British company [Not taxable, since it accrues and arises outside India]	-
4	Short term capital loss on sale of unlisted shares of an Indian company [It accrues and arises in India. Thus, the same can be set-off from STCG on sale of listed shares of Indian company]	
5	Short term capital gain on sale of listed shares of an Indian company [1,42,000 Less 42,000].	1,00,000
6	Interest on saving bank deposit with an Indian Bank	1,00,000
Gross Total Income		5,00,000

7. Computation of income chargeable under the head "Salaries" of Mr. Dev Malhotra for A.Y. 2026-27

Particulars	₹
Basic Salary	8,40,000
Dearness allowance	4,20,000
Commission	84,000
Entertainment allowance	12,000
Medical expenses reimbursed by the employer are fully taxable.	32,000
Professional tax paid by the employer is a taxable	2,400

perquisite as per section 17(2)(iv), since it is an obligation of the employee which is paid by the employer	
Health insurance premium of ₹ 12,000 paid by the employer is an exempt perquisite [Clause (iii) of proviso to section 17(2)]	Nil
Life insurance premium of Mr. Malhotra paid by employer is a taxable perquisite as per section 17(2)(v)	36,000
Laptop provided for use at home is an exempt perquisite as per Rule 3(7)(vii)	Nil
No perquisite would arise for educational facility provided to children of Mr. Malhotra, since cost of similar education is ₹ 850 per month per child, which does not exceed ₹ 1,000 per month per child.	Nil
Mobile phone expenses paid by the employer (exempt perquisite)	Nil
Annual credit card fees paid by employer is a taxable perquisite as per Rule 3(7)(v) since the credit card is not exclusively used for official purposes.	7,500
Provision of motor car (engine cubic capacity less than 1.6 litres) owned by the employer to employee for both official and personal purposes – perquisite value would be ₹ 16,200 [₹1,800 × 9] as per Rule 3(2)	16,200
Perquisite on transfer of motor car to Mr. Malhotra	4,68,000
Original cost of motor car	15,00,000
Less: Depreciation for F.Y. 2022-23 @ 20%	3,00,000
	12,00,000
Less: Depreciation for F.Y. 2023-24 @ 20%	2,40,000
	9,60,000
Less: Depreciation for F.Y. 2024-25 @ 20%	1,92,000
	7,68,000
Less: Amount paid by Mr. Malhotra	3,00,000
Taxable perquisite on transfer of motor car	4,68,000
Gross Salary	19,18,100

Less: Deductions under section 16	
Standard deduction under section 16(ia)	75,000
Professional tax paid not allowable as deduction under default tax regime	Nil
Income chargeable under the head "Salaries"	18,43,100

8. Computation of total income of Mr. Arjun for the A.Y. 2026-27

Particulars	₹	₹
Salaries		
Income from Salary		4,80,000
Loss from House Property		
Loss from house property cannot be set-off against any other head under default tax regime nor it can be carried forward	-	-
Profits and gains of business or profession		
Income from trading business	90,000	
Less: Brought forward loss from trading business of A.Y. 2022-23 can be set off against current year income from trading business, as per section 72(1), since the eight-year time limit as specified under section 72(3), within which set-off is permitted has not expired.	12,000	
Less: Unabsorbed depreciation	14,000	
Less: Loss from new business of his wife [As per <i>Explanation 2</i> to section 64, income includes loss. Thus, clubbing provisions would be attracted even if there is loss and not income. Thus, the entire loss of ₹ 25,000 from the business carried on by Mrs. Kavya would be includible in the total income of Mr. Arjun, since as on 1st April 2025, the capital invested was entirely out of the funds gifted by her husband].	<u>25,000</u>	39,000
Income from speculative business B	20,000	

Less: Loss from speculative business A to be set-off as per section 73(1)	<u>32,000</u>	
Loss from speculative business A to be carried forward to A.Y.2027-28 as per section 73(2)	12,000	
Capital Gains		
Long term capital gain on sale of urban land	3,60,000	
Less: Long term capital loss on sale of shares (STT not paid) set-off as per section 70(3)]	90,000	
Less: Long-term capital loss of ₹ 1,20,000 on sale of listed shares on which STT is paid both at the time of acquisition and sale can be set-off against long-term capital gain on sale of urban land	<u>1,20,000</u>	1,50,000
Income from other Sources		
Interest on loan lent by his wife [₹ 60,000, being the amount of interest on loan received by Mrs. Kavya, would be includible in the total income of Mr. Arjun, since such loan was given by her out of the sum of money received as gift from her husband]		60,000
Total Income		7,29,000

Note - The short-term capital gain of ₹ 25,000 (₹ 85,000, being the sale consideration less ₹ 60,000, being the cost of acquisition) arising in the hands of Mrs. Kavya from sale of shares acquired by investing the interest income of ₹ 60,000 earned by her (from the loan given out of the sum gifted to her by her husband), would not be included in the hands of Mr. Arjun. Income from the accretion of the transferred asset is not liable to be included in the hands of the transferor and, therefore, such income is taxable in the hands of Mrs. Kavya.

Items eligible for carried forward to A.Y.2027-28

Particulars	₹
<u>Loss from speculative business A</u> Loss from speculative business can be set-off only against profits from any other speculation business. As per section 73(2), balance loss not set-off can be carried forward to the next year for set-off against speculative business income of that year. Such loss can be carried forward for a maximum of four assessment years i.e., upto A.Y.2030-31, in this case, as specified under section 73(4).	12,000
<u>Loss from the activity of owning and maintaining race horses</u> Losses from the activity of owning and maintaining race horses (current year or brought forward) can be set-off only against income from the activity of owning and maintaining race horses. However, since it cannot be so set-off for a maximum of four assessment years, i.e., upto A.Y. 2026-27, it cannot be carried forward further. It will be lapsed.	Nil

9. **Computation of total Income and tax liability of Mr. Raghav Mehta under the default tax regime as per section 115BAC for the A.Y. 2026-27**

Particulars	₹	₹	₹
Income from house property			
Let-out portion			
Gross Annual Value (GAV) ¹	5,40,000		
Less: Municipal tax	36,000		
Net Annual Value	5,04,000		

¹ In the absence of any information regarding municipal value, fair market value and standard rent, the rental income is considered as GAV.

Less: Deduction @30%	1,51,200		
Less: Deduction for interest on loan	2,10,000		
		1,42,800	
Self-occupied property			
Net Annual Value	Nil		
Less: Deduction for interest on loan [Not allowed under the default tax regime]	Nil		
Loss from self-occupied property		Nil	
Income from house property			1,42,800
Profit and gains from business or profession			
Net income as per Income and Expenditure Account		71,98,000	
Add: Expenses debited but not allowable			
- Excess salary of ₹ 5,000 per month to sister-in-law [not disallowed since sister-in-law does not fall within the definition of 'relative' under section 2(41)]	-		
- Motor car expenses attributable to personal use not allowable (₹ 1,20,000 x 20%)	24,000		
- Depreciation as per books of account	1,05,000		
- Medical expenses of ₹ 28,000 for family planning expenditure for the employees [disallowed,	28,000		

since such expenditure is allowable to company assessee only]			
- Medical expenditure of ₹ 62,000 incurred for his father, not allowable, since it is personal in nature]	62,000		
- Purchase of computer (not allowable since it is capital in nature)	1,20,000		
- Bonus (allowed since it is paid before due date of filing of return of income i.e., on 31.10.2026)	-		
[For the P.Y. 2025-26, the gross receipts i.e., fees of Mr. Raghav Mehta from consultancy services is ₹ 82 lakhs (exceeding ₹ 50 lakhs), he has to get his books of account audited under section 44AB, in which case, his due date for filing return of income would be 31.10.2026]			
- Commission paid without deduction of tax at source [Mr. Raghav Mehta would be liable to deduct tax at source under section 194-H on commission paid during the P.Y. 2025-26, since his gross receipts from profession during the P.Y. 2024-25 exceeded the monetary limit of ₹ 50 lakhs.	14,400		

Thus, 30% disallowance would be attracted since he has not deducted tax at source on the commission]			
- Municipal taxes paid [the amount is not deductible as a business expense because it relates to the house-property computation; the eligible municipal tax is already considered under that head.]	36,000		
- Interest on housing loan for let-out property	2,10,000		
- Interest on housing loan for self-occupied property	2,00,000	7,99,400	
		79,97,400	
Less: Income credited but not taxable or taxable under any other head			
- Share of profit from HUF (Exempt)	70,000		
- Interest on savings bank deposit	32,000		
- Interest on income-tax refund	18,000		
- Rental Income	5,40,000	6,60,000	
		73,37,400	
Less: Depreciation allowable under the Income-tax Act, 1961		99,400	
On Motor Car			
₹ 4,20,000 x 15% x 80%	50,400		

On Furniture and fittings ₹ 1,10,000 x 10%	11,000		
On Computer ₹ 95,000 x 40% [Actual cost of the computer is ₹ 95,000 (i.e., ₹ 1,20,000 – ₹ 25,000). ₹ 25,000 paid otherwise than by way of account payee cheque/bank draft or use of ECS is not includible in actual cost.]	38,000		
			72,38,000
Income from Other Sources			
- Interest on savings bank deposits		32,000	
- Interest on income-tax refund		18,000	
- Value of gold coins received from a family friend on the occasion of marriage anniversary (taxable under section 56(2)(x), as the fair market value of such coins exceeds ₹ 50,000)		92,000	
			1,42,000
Gross Total Income			75,22,800
Less: Deduction under Chapter VI-A [Not allowed under the default tax regime]			Nil
Total Income			75,22,800
Computation of tax liability			
Particulars	₹	₹	
Tax on total income of ₹ 75,22,800			

Upto ₹ 4,00,000	Nil	
₹ 4,00,001 – ₹ 8,00,000 @5%	20,000	
₹ 8,00,001 – ₹ 12,00,000 @10%	40,000	
₹ 12,00,001 – ₹ 16,00,000 @15%	60,000	
₹ 16,00,001 – ₹ 20,00,000 @20%	80,000	
₹ 20,00,001 – ₹ 24,00,000 @25%	1,00,000	
Above ₹ 24,00,000 i.e., 51,22,800 @30%	<u>15,36,840</u>	18,36,840
Add: Surcharge @10% [Since his total income exceed ₹ 50,00,000 but does not exceed ₹ 1 crore]		<u>1,83,684</u>
		20,20,524
Add: Health & Education cess@4%		<u>80,821</u>
Tax liability		<u>21,01,345</u>
Tax liability (rounded off)		21,01,350

Computation of total income and tax liability of Mr. Raghav Mehta as per the normal provisions of the Act for A.Y. 2026-27

Particulars	₹	₹
Gross Total Income computed above as per default tax regime		75,22,800
Less: Loss from self-occupied house property [₹ 2,00,000 arising on account of allowability of interest on loan for self-occupied property, there would be loss from house property under the normal provisions of the Act]	2,00,000	
Less: Deduction under Chapter VI-A		
Section 80D		
Medical expenses for father (Deduction allowable to the extent of ₹ 50,000 since father, aged 67 years, is a senior citizen and is not covered under any medical insurance policy)	50,000	

Section 80TTA	<u>10,000</u>	<u>2,60,000</u>
Interest on savings account allowable to the extent of ₹ 10,000		
Total Income as per normal provisions		<u>72,62,800</u>
Tax on total income of ₹ 72,62,800		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 @5%	12,500	
₹ 5,00,001 – ₹ 10,00,000 @20%	1,00,000	
Above ₹ 10,00,001 i.e., 62,62,800 @30%	18,78,840	19,91,340
Add: Surcharge @10% [Since his total income exceed ₹ 50,00,000 but does not exceed ₹ 1 crore]		1,99,134
		21,90,474
Add: Health & Education cess@4%		87,619
Tax liability		22,78,093
Tax Liability (rounded off)		22,78,090
Since tax liability under the default tax regime is lower than the normal provisions of the Act, Mr. Raghav Mehta should not opt to shift out of the default tax regime.		

10. (i) (a) As per section 206C(1G), an authorised dealer is required to collect tax at source (TCS) on LRS remittances exceeding ₹ 10,00,000 in a financial year, at the applicable rate of 5% where the remittance is for the purpose of education or medical treatment. No tax is required to be collected where the remittance for the purpose of education is out of a loan obtained from a financial institution as defined in section 80E.

Mr. Sharma remitted ₹ 15,00,000 under the LRS towards his son's university fees. Since the first remittance is from his own saving, TCS is applicable on the amount exceeding ₹ 10,00,000. However, no TCS is required to be

collected on second time remittances since it was made for the purpose of education out of a loan obtained from a financial institution.

Accordingly, TCS of ₹ 25,000 is collectible by the authorised dealer from Mr. Sharma.

- (b)** As per section 206C(1), tax is required to be collected at source @1% on the sale of scrap. The definition of "seller" inter alia includes a firm, without prescribing any turnover threshold for a firm. Accordingly, M/s Payal Enterprises qualifies as a seller under this provision, irrespective of its turnover.

However, the definition of "buyer" under section 206C(1) specifically excludes a public sector company. Since Sai Traders Ltd. is a public sector company, it is not treated as a buyer for the purpose of this provision.

Accordingly, no TCS is required to be collected by M/s Payal Enterprises on the sale of waste and scrap for ₹ 12,00,000 to Sai Traders Ltd.

- (ii)** A return of loss is a return which shows certain losses. Section 80 provides that the losses specified therein cannot be carried forward, unless such losses are determined in pursuance of return filed under the provisions of section 139(3).

Section 139(3) states that to carry forward the losses specified therein including loss under the head "Capital Gains"; the return should be filed within the time specified in section 139(1)

In the present case, the due date for filing return of income is 31st July of the assessment year, since she has income only under the heads "Salaries", "Income from house property", "Capital gains" and "Income from other sources", she does not fall under the category of a person whose accounts are required to be audited under the Income-tax Act, 1961.

Further, as per section 139(5) revised return for A.Y. 2026-27 can be filed upto 31st December 2026, being 3 months prior to the end of the assessment year or completion of assessment, whichever is earlier.

(i) Return for A.Y. 2025-26 filed on 28.10.2025

Ms. Geetha filed her return of income for A.Y. 2025-26 on 28.10.2025, after the due date prescribed under section 139(1). Accordingly, the return is a belated return.

Since the return was not filed within the prescribed due date, the short-term capital loss of ₹ 80,000 cannot be carried forward to A.Y. 2026-27 by virtue of section 139(3) read with section 80. Therefore, Ms. Geetha cannot claim the set-off of this loss against the long-term capital gains of A.Y. 2026-27 by revising her return for that assessment year.

(ii) Return for A.Y. 2025-26 filed on 28.7.2025

In this case, Ms. Geetha filed her return of income for A.Y. 2025-26 on 28.7.2025, within the due date prescribed under section 139(1).

Accordingly, the short-term capital loss of ₹ 80,000 is eligible for carry forward and set off against long-term capital gains of A.Y. 2026-27.

Since Ms. Geetha realised the omission on 1st December 2026, she can file a revised return for A.Y. 2026-27 under section 139(5) and can claim the set-off of the short-term capital loss of ₹ 80,000 against the long-term capital gains of A.Y. 2026-27.

SECTION B: GOODS AND SERVICES TAX

- (1) *All questions should be answered on the basis of the position of GST law as amended by the Finance Act, 2025 including significant notifications and circulars and other legislative amendments made, which are effective up to 30th June 2026.*
- (2) *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.*
- (3) *Unless otherwise specified, the section numbers and rules referred in questions and answers pertain to the Central Goods and Services Tax Act, 2017 and the Central Goods and Services Tax Rules, 2017 respectively.*



QUESTIONS

Case Scenario

Aravali Ventures Pvt. Ltd. (AVPL), registered under GST in Jaipur, Rajasthan, operates in diversified business areas. It also owns three residential flats in Jaipur and lets them out. It has obtained registration under GST in each State where it operates. AVPL's aggregate turnover in the preceding financial year was ₹ 140 crore. The following are details of the activities/transactions undertaken by AVPL during the month of July:

1. **Hospitality division:** AVPL offers a special "Golden Triangle" package to its guests, covering stay at its three properties in Jaipur, Agra and Delhi, for a consolidated price of ₹ 90,000. As per the itinerary, the guest stays for 5 nights at its property in Jaipur (Rajasthan), 3 nights at its property in Agra (Uttar Pradesh) and 1 night at its property in Delhi. The contract with the guest does not specify any city-wise break-up of the package price.
2. **Transport division:** AVPL's transport division, registered as Goods Transport Agency (GTA), transported office furniture by road, in a goods carriage, for the Public Works Department (PWD) of the Rajasthan Government. PWD has obtained GST registration only for the purpose

of deducting tax at source under section 51 on payments made to its contractors, and not for making any taxable supply of goods or services.

- 3. Research and Development (R & D) Department:** R & D department of AVPL is developing a new herbal formulation. AVPL has entered into an agreement with Shekhawati Innovation Foundation, a company incorporated under section 8 of the Companies Act, 2013 and a Technology Business Incubator (TBI) recognised by the National Science and Technology Entrepreneurship Development Board (NSTEDB), Department of Science and Technology, Government of India. TBI provides AVPL with shared laboratory space, mentoring support and access to advanced prototyping facilities, for which it charged a nominal facility fee for July. AVPL is a recognised incubatee located within the TBI's premises.
- 4. Herbal products division:** The division undertook the following sales during the month (all amounts are exclusive of GST):
- (i) It sold 5,000 units of herbal tonic to Bharat Pharma Ltd. at ₹ 300 each. Further, late fees of ₹ 1,500 (exclusive of GST) is levied on Bharat Pharma Ltd. for delayed payment. However, these charges were subsequently waived by AVPL during the same month.
 - (ii) Under a contract with the Rajasthan Government, it sold 2,000 units of herbal tonic (normal unit price is ₹ 300) at ₹ 150 per unit to families of the Economically Weaker Section (identified by the State Government). The balance of ₹ 150 per unit is to be paid to AVPL by the State Government as price-linked subsidy.
 - (iii) It sold 480 units of herbal tonic to Global Old Age Home at ₹ 250 each (normal unit price is ₹ 300). RAMSETU, an NGO, gave AVPL a lump-sum subsidy of ₹ 30,000 to acknowledge its services to the elderly people living in the old age home.
- 5. Renting of residential flats:** AVPL let out its three residential flats in Jaipur as follows:
- (a) Flat A was let out to Mr. Sandeep Joshi, an unregistered salaried individual who works as a chef at a hotel located in Jaipur, for use as his residence.

- (b) Flat B was let out to Ruhaan Ltd., registered under GST, for providing residential accommodation to its manager.
- (c) Flat C was let out to Mr. Rohit Malhotra, who is registered under GST as the proprietor of Malhotra Traders (a supplier of packaging material to AVPL). He took the flat on rent in his personal capacity, for residing with his family. The rent is paid by him personally and is not debited to the books of Malhotra Traders.

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

1. The place of supply of accommodation services provided under "Golden Triangle" package is _____ and the value of services attributable to Rajasthan is _____.
 - (a) Rajasthan only, being the location of the supplier; ₹ 90,000
 - (b) each of the three States in equal proportion (1:1:1); ₹ 30,000
 - (c) each of the three States, in proportion to the nights of stay (5:3:1); ₹ 50,000
 - (d) location of the recipient, since the contract does not specify any city-wise value; the value attributable to Rajasthan cannot be ascertained.
2. Which of the following statements is most appropriate in respect of the transport services provided by AVPL to PWD?
 - (a) The services are exempt from GST. Therefore, GST is neither payable by AVPL nor by PWD.
 - (b) AVPL is liable to pay GST under forward charge, being a GTA.
 - (c) PWD is liable to pay GST under reverse charge, being a registered recipient of GTA services.
 - (d) PWD is liable to pay GST under reverse charge, since it is a Department of the State Government.

3. Which of the following statements is most appropriate in respect of the services provided by Shekhawati Innovation Foundation to AVPL?
 - (a) The services are taxable at the applicable rate, since a facility fee is charged, even though the amount is nominal.
 - (b) The services are taxable under reverse charge in the hands of AVPL, being a registered incubatee.
 - (c) The services are exempt only if AVPL is not registered under GST.
 - (d) The services are exempt from GST, being services provided by a Technology Business Incubator recognised by NSTEDB to its incubatees.
4. Which of the following statements is most appropriate?
 - (a) Renting of Flat A to Mr. Sandeep Joshi is taxable and AVPL is liable to pay GST under forward charge.
 - (b) Renting of Flat A to Mr. Sandeep Joshi is exempt from GST, since the flat is rented to an unregistered individual for use as his residence.
 - (c) Renting of Flat B to Ruhaan Ltd. is exempt, since the flat is used as a residence by Ruhaan Ltd.'s manager, unregistered under GST.
 - (d) Renting of Flat C to Mr. Rohit Malhotra is taxable and GST is payable by Mr. Rohit Malhotra under reverse charge, since he is a registered person.
5. The value of taxable supply made by the herbal products division of AVPL on which GST is payable by it for the month of July is _____.
 - (a) ₹ 19,21,500
 - (b) ₹ 19,20,000
 - (c) ₹ 19,51,500
 - (d) ₹ 22,51,500
6. Trinity Appliances Pvt. Ltd., a registered supplier of goods and services in Indore, Madhya Pradesh (M.P.), provides the following details of transactions undertaken in the month of January:

Outward supplies

Particulars	Amount (₹)
Advance received from Mr. Keshav (registered in Indore, M.P.) for business advisory services to be supplied in February	3,00,000
Supply of goods to Omkar Traders, a registered person in Indore, MP. Trinity is contractually liable to arrange transportation and separately charged ₹ 40,000 as freight, not included in the amount given hereunder.	12,00,000
List price of goods supplied to Divine Mart, a registered person in Bhopal, MP. (A discount of ₹ 25,000 on above price was offered at the time of supply and recorded in the invoice.)	15,00,000
Delivered goods to Falcon Industries, a registered person in Ujjain, MP, on the direction of Metro Distributors, a registered person in Pune, Maharashtra; tax invoice is issued by Trinity to Metro Distributors.	1,80,000
Stock transferred without consideration to its own branch in Gwalior, MP (the branch holds the same GSTIN). Value of goods transferred is ₹ 5,00,000.	

Inward supplies

Particulars	Amount (₹)
Intra-State purchase of raw materials from a registered supplier in Indore, MP. Out of this, goods worth ₹ 60,000 were not received during the month due to delay in transit	10,00,000
Rent paid for a residential dwelling taken on rent for commercial use as a guest house, from an unregistered owner (intra-State)	35,000

Additional information

- (i) Paid ₹ 40,000 as sitting fees to Mr. Rohan, an independent director of the company, registered in M.P.
- (ii) Donated ₹ 3,00,000 to a charitable trust (not registered under GST) for setting up a drinking-water unit at a public park, with the company's name inscribed on the structure merely in acknowledgement of the donation and not for any marketing purpose.
- (iii) Purchased a car (seating capacity 5) for the official use of a whole-time director, from a registered dealer in Indore, MP, for ₹ 8,00,000.
- (iv) Entered into an ex-works contract with Bhavya Engineering Works – Original Equipment Manufacturer (OEM), registered in Vadodara, Gujarat, for purchase of 5 units of a machine at ₹ 2,00,000 each. As per the ex-works terms, the OEM handed over the machines to the transporter at its factory gate on 28th January and Trinity recorded the invoice the same day. The machines were physically received at Trinity's factory on 3rd February and payment was made the same day. One machine was damaged beyond repair during unloading and was written off in the books in February.

Opening balance of ITC for the relevant tax period is CGST - ₹ 15,000, SGST - ₹ 15,000 and IGST - ₹ 40,000.

Rates of GST:

Goods – CGST 2.5%, SGST 2.5%, IGST 5%;

Services – CGST 9%, SGST 9%, IGST 18%; Car – CGST 20%, SGST 20%, IGST 40%;

Machine – CGST 9%, SGST 9%, IGST 18%.

All figures are exclusive of GST. All conditions for availing ITC are fulfilled, unless stated otherwise.

You are required to compute the minimum net GST payable in cash by Trinity Appliances Pvt. Ltd. for the month of January. Calculate GST for each point separately and provide legal explanations for each point

should form part of the answer but detailed provisions for place of supply are not required.

7. Ravi Textiles applied for GST registration under rule 8 on 5th August and opted for the simplified registration under rule 14A, completing Aadhaar authentication successfully. Its monthly GST liability is ₹ 2.30 lakh on supplies to registered persons (B2B) and ₹ 6 lakh on supplies to unregistered persons (B2C). The firm has two branches in Gujarat and one in Maharashtra, all under the same PAN, and wants separate registration under rule 14A for each branch. You are required to answer the following:
 - (a) Is Ravi Textiles eligible for registration under rule 14A? Within how many working days will the registration be granted?
 - (b) Can Ravi Textiles obtain separate registration under rule 14A for each of its three branches?
 - (c) Subsequently, B2B output tax liability of Ravi Textiles increases, and the proper officer approves its application for withdrawal from rule 14A on 12th December. From which date, can it report B2B output tax liability exceeding ₹ 2.5 lakh?
8. The Municipal Corporation of Jaipur awards a works contract (taxable under GST) worth ₹ 6,00,000 (excluding all taxes and cesses) to M/s Suraj Builders, a contractor registered in Rajasthan, for construction of a community hall in Jaipur. It makes a payment of ₹ 2,40,000 (exclusive of GST) to M/s Suraj Builders in the month of October. Examine, with reference to the relevant GST provisions:
 - (a) Whether the Municipal Corporation of Jaipur is required to deduct tax at source while making payment of ₹ 2,40,000 in the month of October, and if so, how much?
 - (b) Determine the last date by which TDS deducted, if any, for the month of October by Municipal Corporation of Jaipur be remitted to the Government. Also determine, the last date to furnish the return for the month of October.
 - (c) Discuss the manner in which the TDS certificate is generated.

9. M/s Alpha Ltd., a registered supplier in Maharashtra, enters into the following transactions during the month of September:
- (a) It sells a machine to Beta Ltd., a registered person in Karnataka, for ₹ 8,00,000. The machine is transported by Alpha Ltd. from its factory in Maharashtra and delivered to Beta Ltd. at its factory in Karnataka. In another transaction, Alpha Ltd. sells a machine to Gamma Ltd. and assembles and installs it at Gamma Ltd.'s factory in Maharashtra.
 - (b) Alpha Ltd. also engages a consultant registered in Maharashtra to provide consultancy services to its registered branch in Maharashtra. Separately, Alpha Ltd. provides consultancy services to an unregistered customer residing in Rajasthan, whose address is available in Alpha Ltd.'s records.

Determine the place of supply in respect of each of the above supplies.

10. Girish is a registered dealer in the State of Punjab. In the month of July, he decides to apply for Quarterly Return Monthly Payment (QRMP) scheme.

Explain briefly to Girish regarding the following aspects:

- (A) Conditions and restrictions of QRMP scheme.
- (B) Manner of exercising option of QRMP scheme.

**SUGGESTED ANSWERS**

Question No.	Answer
1.	(c) each of the three States, in proportion to the nights of stay (5:3:1); ₹ 50,000
2.	(a) The services are exempt from GST. Therefore, GST is neither payable by AVPL nor by PWD.
3.	(d) The services are exempt from GST, being services provided by a Technology Business Incubator recognised by NSTEDB to its incubatees.
4.	(b) Renting of Flat A to Mr. Sandeep Joshi is exempt from GST, since the flat is rented to an unregistered individual for use as his residence
5.	(b) ₹ 19,20,000

6. Computation of minimum net GST payable in cash for January

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Advance received for services	3,00,000	27,000	27,000	–
[GST on advance received for supply of services will be payable at the time of receipt of advance. Further, it is an intra-State supply since place of supply and location of supplier is in Madhya Pradesh.]		[3,00,000 × 9%]	[3,00,000 × 9%]	

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Supply of goods to Omkar Traders [Since arranging transport is the liability of supplier, it is a composite supply and thus, freight charges are added to the value of principal supply. Further, it is an intra-State supply since place of supply and location of supplier is in Madhya Pradesh.]	12,40,000 (12,00,000 + 40,000)	31,000 [12,40,000 × 2.5%]	31,000 [12,40,000 × 2.5%]	–
Goods supplied to Divine Mart [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value. Further, it is an intra-State supply since place of supply and location of supplier is in Madhya Pradesh.]	14,75,000 (15,00,000 – 25,000)	36,875 [14,75,000 × 2.5%]	36,875 [14,75,000 × 2.5%]	–
Supply of goods on the direction of Metro Distributors [It is an inter-State supply since place of supply is Maharashtra]	1,80,000	–	–	9,000 [1,80,000 × 5%]

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(being principal place of business of the third person on whose direction goods are delivered to recipient) and location of supplier is Madhya Pradesh.]				
Branch transfer to Gwalior [Stock transfer between 2 units of a legal entity under single registration is not a deemed supply under GST and hence, the same is not liable to tax under GST since branch with same GSTIN is not a distinct person.]	–	–	–	–
Total output tax		94,875	94,875	9,000
Less: IGST credit utilized - first against IGST liability, then CGST and SGST liability [Refer working note]		(94,875)	(94,875)	(9,000)
Net GST payable		Nil	Nil	Nil
Add: GST payable under reverse charge (payable in cash) [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]				
Sitting fees of	40,000	3,600	3,600	

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
independent director [Tax on services provided by a director to a company in the capacity of the director is payable under reverse charge.]				
Rent of residential dwelling [Renting of residential dwelling for use as residence to a registered person is not exempt ¹ . Tax on renting of a residential dwelling to a registered person is payable under reverse charge, irrespective of whether the supplier is registered or not and irrespective of the purpose for which the dwelling is used by the tenant. Hence, tax is payable by Trinity under reverse charge.]	35,000	3,150	3,150	
Net GST payable in		6,750	6,750	Nil

¹ except when said registered person is the proprietor of a proprietorship concern, rents the dwelling in his personal capacity for use as his own residence and does so on his own account and not that of the proprietorship concern.

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
cash				

Working Note - Computation of input tax credit available for January

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	–	15,000	15,000	40,000
Intra-State purchase of raw materials [ITC in respect of goods worth ₹ 60,000 not received during the month is not available in January.]	9,40,000 (10,00,000 – 60,000)	23,500 [9,40,000 × 2.5%]	23,500 [9,40,000 × 2.5%]	–
Renting of residential dwelling [ITC on services used in the course or furtherance of business is available.]	35,000	3,150 [35,000 × 9%]	3,150 [35,000 × 9%]	–
Director's sitting fees [ITC on services used in the course or furtherance of business is available.]	40,000	3,600 [40,000 × 9%]	3,600 [40,000 × 9%]	–
Donation to charitable trust [Since the name of donor – the company - is displayed in such a manner: • which can be said to be an expression of gratitude and	3,00,000	–	–	–

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
public recognition of donor's act of philanthropy • which is not aimed at giving publicity/ advertisement/ promotion to the donor's business, it does not amount to supply and thus, no GST is payable. Resultantly, no ITC is available.]				
Purchase of car [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for specified purposes (further supply, passenger transportation or imparting driving training).]	8,00,000	—	—	—
Ex-works contract for purchase of machines [In an ex-works contract, the goods are considered to have been delivered to the recipient (in other	10,00,000 (2,00,000 $\times$ 5)	—	—	1,80,000 [10,00,000 $\times$ 18%]

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
words, recipient is considered to have received said goods) when handed over by supplier to the transporter at the OEM's factory gate, (i.e., on 28 th January), though physically received only in February ² . Thus, ITC on said goods can be availed in January itself.]				
Total ITC available		45,250	45,250	2,20,000

7. (a) Rule 14A provides an optional simplified GST registration to an applicant who has applied for registration under rule 8, whose monthly output tax liability on supplies made to registered persons (CGST, SGST / UTGST, IGST and cess taken together) does not exceed ₹ 2.5 lakh and who has opted for and undergone successful Aadhaar authentication. In the given case, Ravi Textiles applied for registration under rule 8, its monthly GST output liability on B2B supplies does not exceed ₹ 2.5 lakh and it completed Aadhaar authentication. Hence, it is eligible for registration under rule 14A.

The registration is to be granted electronically within 3 working days of submission of the application, upon successful Aadhaar authentication.

² ITC already availed in January on the machine which was damaged and written off in February (₹ 36,000 (₹ 2,00,000 × 18%) has to be reversed in the return for February as ITC is not available on goods written off [Section 17(5)(h)]. However, this does not affect the amount of ITC available for January.

- (b) No. A taxpayer can have only one registration per State/UT under rule 14A against same PAN. Hence, Ravi Textiles can have one GST registration in Gujarat and one in Maharashtra.
- (c) A person registered under rule 14A can opt out of the simplified registration through an application for withdrawal in prescribed form which after verification by the proper officer, is accepted by an order in prescribed form. The registered person shall be able to furnish the details of output tax liability on supply of goods and/or services made to registered persons, exceeding ₹ 2.5 lakh from the first day of succeeding month in which the said order has been issued.

Since in the given case the order was issued on 12th December, Ravi Textiles can report B2B output tax liability exceeding ₹ 2.5 lakh only from 1st January.

8. (a) In case of intra-State supply by a supplier to a local authority, TDS @ 1% each under CGST and SGST is liable to be deducted by said local authority only when the total value of supply under a contract exceeds ₹ 2,50,000 (exclusive of tax & cess), from the payment made or credited to the supplier.

Accordingly, in the given case, since the value of supply under the contract excluding taxes and cesses is ₹ 6,00,000, TDS @ 1% on payment of ₹ 2,40,000, i.e. ₹ 2,400 each under CGST and SGST is to be deducted even though the payment is less than ₹ 2,50,000.

- (b) The amount of TDS deducted shall be paid to the Government by Municipal Corporation of Jaipur within 10 days after the end of the month in which such deduction is made or by 10th of the succeeding month, i.e. by 10th November.

Further, it shall furnish a monthly return in Form GSTR-7 for the deductions made in October on or before 10th November.

- (c) Form GSTR-7A is a system generated TDS Certificate which is generated once Municipal Corporation of Jaipur furnishes a return in Form GSTR-7 on the GST Portal and M/s Suraj Builders accepts the details uploaded by Municipal Corporation of Jaipur and files its return, within 5 days of crediting the amount to the

Government. This TDS certificate is available to both Municipal Corporation of Jaipur and M/s Suraj Builders.

9. (a) The place of supply of machine transported from Alpha Ltd.'s factory in Maharashtra to Beta Ltd.'s factory in Karnataka is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, i.e. Karnataka.

Further, place of supply of machine assembled and installed by Alpha Ltd. at Gamma Ltd.'s factory in Maharashtra is the place of such installation or assembly, i.e. Maharashtra.

- (b) The place of supply of consultancy service provided by the consultant to Alpha Ltd.'s registered branch in Maharashtra is the location of the registered recipient, i.e. Maharashtra.

Further, place of supply of consultancy service provided by Alpha Ltd. to the unregistered customer in Rajasthan is the location of the recipient where the address on record exists, i.e., Rajasthan.

10. (a) **Conditions and restrictions of QRMP scheme** - Girish has to fulfil the following conditions and restrictions for opting for QRMP scheme:

- His aggregate annual turnover (PAN based) is up to ₹ 5 crore in the preceding financial year.
- He has furnished the return for the preceding month, as due on the date of exercising such option.

- (b) **Manner of exercising option of QRMP scheme** - Registered person – Girish - intending to opt for QRMP scheme for any quarter should indicate his preference for furnishing of return on a quarterly basis from 1st day of the 2nd month of the preceding quarter till the last day of the 1st month of the quarter for which the option is being exercised.