

ANSWERS OF MODEL TEST PAPER 8
INTERMEDIATE COURSE: GROUP-I

PAPER – 3: TAXATION

SECTION – A: INCOME TAX LAW

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(c)	3.	(c)
	(ii)	(b)	4.	(d)
	(iii)	(b)		
2.	(i)	(c)		
	(ii)	(c)		
	(iii)	(a)		

Division B – Descriptive Questions

1. **Computation of total income and tax liability of Mr. Raman for A.Y. 2025-26 under default tax regime**

	Particulars	₹	₹
I	Income from house property		
	Gross Annual Value of first floor (Rent received has been taken as gross annual value in the absence of other information) [₹ 35,000 x 12]	4,20,000	
	Less: Municipal taxes (paid by tenant, Mr. Aman, hence not deductible)	Nil	
	Net Annual Value	4,20,000	
	Less: Deduction @30% of NAV	1,26,000	
			2,94,000
II	Profits and gains of business or profession		
	Net Profit	9,25,000	
	Add: Expenses debited to Profit and loss A/c but not allowable as deduction or to be considered under other heads of income		
	- Interest on delay in deposit of GST [Interest on delay in deposit in GST is compensatory in nature and hence, allowable as expenditure]	Nil	
	- Fee for technical services to non-resident [100% disallowed under section 40(a)(i) since the TDS was not deducted]	3,88,000	

- Fire insurance premium [Fire insurance premium for ground floor which is occupied for business purpose is allowed since Mr. Raman is following mercantile system of accounting. Remaining half for let out portion is disallowed] [₹ 66,000/2]	33,000
- Contribution to scientific research association approved u/s 35 [Not allowable under section 35(1)(ii) as per default tax regime]	75,000
- Municipal taxes for ground floor [Allowable since the ground floor is occupied for business purpose]	Nil
- Sum payable for purchase of raw material from M/s Paul Industries, a micro enterprise [Not allowable as per section 43B(h) since payment was made to a micro enterprise on 5.4.2025 which is beyond the time limit specified u/s 15 of the MSMED Act, 2006 i.e., within 15 days from 10.3.2025]	49,000
- Sum payable for purchase of raw material from M/s Kal Industries, a small enterprise [Allowable as per section 43B(h) since payment was made to a small enterprise on 5.4.2025 i.e., within 15 days from 31.3.2025. However, since the payment is made in cash on 5.4.2025, ₹ 1,34,000 for purchase of raw material would be the deemed income of P.Y. 2025-26 as per section 40A(3A)]	Nil
	14,70,000
Less: Incomes credited to profit and loss account but not taxable as business income	
- Rent received for let out portion	4,20,000
- Gain on sale of land	4,00,000
	6,50,000
Less: Depreciation	
- On trademark [₹ 2,00,000 x 25% x 50%, since trademark is put to use for less than 180 days]	25,000
- On Car [₹ 5,40,000 x 15%]	81,000

III	- On new Plant & machinery [₹ 2,50,000 x 15%]	37,500	
	- On Building [₹ 8,00,000 x 10%]	80,000	
	Additional depreciation		
	- On new Plant & machinery [Not allowable under default tax regime]	Nil	
	Income from Business		4,26,500
	Capital Gains		
	Full value of consideration	44,00,000	
	Less: Cost of acquisition	40,00,000	
	Short term capital gains on land [Since land is held for less than 24 months]		4,00,000
	Gross Total Income		11,20,500
	Less: Deduction under Chapter VI-A [Not allowable under default tax regime]		Nil
	Total Income		11,20,500
	Tax Liability		
	Up to ₹ 3,00,000	Nil	
	From ₹ 3,00,001 to ₹ 7,00,000 @5%	20,000	
	From ₹ 7,00,001 to ₹ 10,00,000 @10%	30,000	
	From ₹ 10,00,001 to ₹ 11,20,500 @15%	18,075	
			68,075
	Add: Health and education cess @4%		2,723
	Tax Liability		70,798
	Tax Liability (Rounded off)		70,800

**Computation of total income and tax liability of Mr. Raman for
A.Y. 2025-26 under normal provisions of the Act**

	Particulars	₹	₹
	Gross Total Income as per default tax regime		11,20,500
	Less: Additional depreciation on new Plant & machinery [₹ 2,50,000 x 20%]		50,000
	Less: Contribution to scientific research association approved u/s 35		75,000
	Gross Total Income as per normal provisions of the Act		9,95,500

Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Tuition fees to a college for daughter's education	25,000	
Deduction under section 80D		
Preventive health check-up for self and parents restricted to	5,000	
Deduction under section 80GGC		
Donation to a registered political party since the payment is made otherwise than by cash	20,000	
		50,000
Total Income as per normal provisions of the Act		9,45,500
Tax Liability		
Up to ₹ 3,00,000	Nil	
From ₹ 3,00,001 to ₹ 5,00,000 @5%	10,000	
From ₹ 5,00,001 to ₹ 9,45,500 @20%	89,100	
		99,100
<i>Add: Health and education cess @4%</i>		3,964
Tax Liability		1,03,064
Tax Liability (Rounded off)		1,03,060

2. (a) Residential Status of Mr. Madan

Mr. Madan, an Indian citizen who left India on 1st September 2024 for the purpose of employment to USA, would be non-resident in India, since he stayed in India for 169 days (30+31+30+31+31+1+15) only during the P.Y. 2024-25 which is less than 182 days.

Residential Status of HUF

Since Mr. Madan is managing the HUF for part of the year from India, control and management of its affairs is situated partly in India.

Hence, the HUF would be resident in India for the P.Y. 2024-25.

A HUF is said to be "Resident and ordinarily resident" in India during the previous year 2024-25, if Karta (Mr. Madan, in this case) satisfies both the following conditions:

- He is a resident in at least 2 out of 10 previous years preceding the relevant previous year; and
- His stay in India in the last 7 years preceding the relevant previous year is 730 days or more.

Mr. Madan has satisfied both the above conditions as he had never gone out of India except for 99 days and 201 days in the P.Y. 2023-24 and P.Y. 2022-23, respectively, the HUF would be ROR in India.

**Computation of Gross Total Income of Mr. Madan
for the A.Y. 2025-26**

	Amount in ₹
Income under the head “Salaries”	
<u>Salary earned in India:</u> [₹ 65,500 x 5 + ₹ 65,500 x15/31]	3,59,194
<u>Salary paid in USA:</u> [Not taxable as Mr. Madan is a non-resident and such income does not accrue or arise or received in India]	Nil
<u>Less: Standard Deduction</u>	50,000
	3,09,194
Income from other sources	
Difference between the consideration of ₹ 18 lakhs and stamp duty value of ₹ 23 lakhs of the residential property acquired [Taxable, since the difference of ₹ 5 lakhs exceed ₹ 1,80,000, being the higher of 10% of the consideration and ₹ 50,000]	5,00,000
Sculpture received as gift from Rajeev, his friend in India [Not taxable as the value does not exceed ₹ 50,000]	Nil
Gross Total Income	8,09,914

- (b) (i) M/s PQR & Co. is required to deduct tax at source under section 194J @10% on the professional fees paid to Mr. Amit of ₹ 30,500 and ₹ 60,000 on 1st June 2024 and 30th January 2025, respectively, since M/s PQR & Co. turnover/gross receipts exceeds the prescribed threshold limit of ₹ 1 crore during the P.Y. 2023-24.

For non-deduction of tax at source, interest @1% would be leviable under section 201(1A)(i) for every month or part of the month on the amount of tax from the date on which such tax was deductible to the date such tax was paid by the payee i.e., 2.5.2025.

Interest @1% on ₹ 3,050 (10% of ₹ 30,500) from June 2024 to May 2025 = ₹ 366 and on ₹ 6,000 (10% of ₹ 60,000) from January, 2025 to May 2025 = ₹ 300 is payable by M/s PQR & Co.

- (ii) M/s. Fastest Ltd. is not required to collect tax at source u/s 206C(1F) on sale of cars of ₹ 150 lakhs to M/s. Race LLP, since such sale is to a distributor and sale price of each car does not exceed ₹ 10 lakhs.

M/s. Race LLP is also not required to deduct tax at source u/s 194Q, since its turnover, being a buyer in the P.Y. 2023-24 does not exceed ₹ 10 crores.

However, M/s Fastest Ltd. is required to collect tax at source u/s 206C(1H) @0.1% on the sale consideration exceeding ₹ 50 lakhs

i.e. on ₹ 100 lakhs since turnover of M/s Fastest Ltd. exceeds ₹ 10 crores and TCS u/s 206C(1F) and TDS u/s 194Q is not applicable.

3. (a) **Computation of taxable salary of Mr. Radhey for A.Y.2025-26**

Particulars	₹
Basic Pay [₹ 35,000 x 10 + ₹ 40,000 x 2]	4,30,000
Dearness Allowance [₹ 4,30,000 x 30%]	1,29,000
Value of Rent-free accommodation	
Value of Rent-free accommodation {10% of ₹ 4,99,660 i.e., [₹ 4,30,000, basic salary) + ₹ 69,660 (₹ 1,29,000 x 54%, DA)}	49,966
Add: Value of furniture [₹ 1,50,000 x 10% p.a.]	<u>15,000</u>
Facility of use of electricity [Electricity and water bills paid by the employer would be taxable as perquisite] [₹ 4,000 x 12]	48,000
Refresher course for upgrading skills [Tax free perquisite]	Nil
Value of medical treatment [Exempt, since medical treatment for wife is in notified hospital]	Nil
Gross Salary	6,71,966
Less: Deduction under section 16 - Standard deduction	75,000
Taxable Salary	5,96,966

(b) **Computation of Capital Gains of Mr. Raj for A.Y.2025-26**

Particulars	₹
Capital gain on sale of urban agricultural land	
Actual sale consideration	75,00,000
Stamp duty value as on date of agreement i.e., on 15.7.2024 [Since part consideration is received through IMPS on the date of agreement]	85,00,000
Full Value of Consideration [Stamp duty value on the date of agreement since it exceeds 110% of the actual sale consideration]	85,00,000
Less: Expenditure in connection with transfer [1% of sale consideration i.e., ₹ 75 lakhs]	75,000
Net Sales Consideration	84,25,000
Less: Cost of acquisition	10,85,000
	73,40,000
Less: Exemption u/s 54B – In respect of rural agricultural land purchased on 1.1.2025. Mr. Raj is eligible to claim exemption u/s 54B since he has used	40,00,000

the urban agricultural land for agricultural purposes for more than 2 years preceding the date of its transfer.	
Long term capital gain	33,40,000

4. (a) **Computation of total income of Mr. Suraj, Mrs. Megha and minor son Dev for A.Y. 2025-26**

Particulars	Mr. Suraj [Under default tax regime] ₹	Mrs. Megha [Under normal provisions] ₹	Dev [Under normal provisions] ₹
Income from house property			
Annual Value [As per section 27, Mrs. Megha is the deemed owner of the house property transferred to minor son, Dev without consideration though such property is acquired from her "Stridhan"] [₹ 35,000 x12]		4,20,000	
Less: Deduction @30% of NAV		1,26,000	
		2,94,000	
Brought forward loss from House A [Not allowed to be set-off against income from other heads]	-		
Current year loss of Mr. Suraj from House – B [Not allowed to be set-off against income from other heads since Mr. Suraj is paying tax under default tax regime]	-		
Profits and gains from business or profession			
Salary from partnership firm	6,15,000		
Less: As per section 70, set off of current year loss from business of ₹ 8,10,000 to the extent of [Current year loss from business of his wife is allowed to be set off in the hands of Mr. Suraj since	6,15,000		

funds for business is gifted by him]			
Income from Other Sources	-		
Interest on enhanced compensation [Taxable in the year it is received]	2,00,000		
Less: Deduction @50%	1,00,000		
	1,00,000		
Gift from grandfather's sister [Taxable under section 56(2)(x), since grandfather's sister is not a relative and the amount of gift exceeds ₹ 50,000]	1,25,000		
Dividend on shares (gross)	50,000		
Maturity proceeds from LIC [Exempt under section 10(10D) since the annual premium payable does not exceed 10% of sum assured]	-		
	2,75,000		
Less: Set off of remaining business loss of ₹ 1,95,000	1,95,000		
	80,000		
Gift of house property from Mrs. Megha to Dev [Exempt since the gift is from a relative i.e., from his mother]			Nil
Gross total income	80,000	2,94,000	-

(b) First Alternative

- (i) The due date of filing return of income of Vegetable Ltd for the A.Y.2024-25 is 31st October, 2024 since it is a company.

However, it filed its return of income on 15.12.2024, which is a belated return.

If any omission is discovered even in a belated return, the same can also be revised up to 31.12.2024 being the date 3 months prior to the end of the relevant assessment year i.e. 31.03.2025 or completion of assessment, whichever is earlier.

However, it cannot file a revised return on 02.01.2025 since it is beyond 31.12.2024. Hence, the action of accountant of Vegetable Ltd is not valid.

- (ii) Since Mr. Mahendra is a resident individual, not being a company or a person whose accounts are required to be audited under section 44AB for the P.Y. 2024-25, and therefore he can file his return of income for A.Y. 2025-26 through a Tax Return Preparer.

(b) Second Alternative

An updated return can be furnished for the previous year relevant to the assessment year at any time within 24 months from the end of the relevant assessment year.

Accordingly, the following are the suggestions to Rani with respect to updated return on 16.5.2025 for A.Y. 2022-23, A.Y. 2023-24 and A.Y. 2024-25:

A.Y. 2022-23: Since the period of 24 months from the end of A.Y. 2022-23 expired on 31.3.2025 updated return cannot be furnished on 16.5.2025 for A.Y. 2022-23.

A.Y. 2023-24: For A.Y. 2023-24, updated return can be furnished up to 31.3.2026. Thus, updated return can be furnished on 16.5.2025.

Since updated return would be furnished after the expiry of 12 months but before 24 months from the end of 31.3.2024, additional income tax would be payable @50% of aggregate of tax (after taking into consideration tax deducted at source) and interest payable.

In this case, since the refund of ₹ 4,40,000 (₹ 5,60,000, being tax liability - ₹ 10,00,000, being TDS deducted) would arise, updated return cannot be furnished for A.Y. 2023-24.

A.Y. 2024-25: - For A.Y. 2024-25, updated return can be furnished up to 31.3.2027. Thus, updated return can be furnished on 16.5.2025.

Since updated return would be furnished before the expiry of 12 months from the end of 31.3.2025, additional income tax would be payable @25% of aggregate of tax (after taking into consideration tax deducted at source and self-assessment tax paid) and interest payable.

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

ANSWERS OF MODEL TEST PAPER 8
SECTION B – GOODS AND SERVICES TAX (50 MARKS)
SUGGESTED ANSWERS

Division A - Multiple Choice Questions

Question No.	Answer	
1.	(A)	5,000
2.	(B)	₹ 1,00,000
3.	(B)	24-09-2024
4.	(A)	04.07.2024
5.	(C)	50,400
6.	(D)	31.01.2025
7.	(B)	₹ 5,10,000
8.	(C)	₹ 9,999 per day

Division B - Descriptive Questions

1. (a) (i) **Computation of output tax liability of DEF Pvt. Ltd. for January, 2025**

Particulars	Value (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax payable				
Intra-State supply of taxable goods	5,00,000	45,000	45,000	
Service of booking of flight tickets [Taxable since service of booking of air tickets is being provided here. Only the service of transportation of passengers in economy class embarking from Bagdogra is exempt. Further, the place of supply of	20,000			3,600

services made to a registered person is the location of such person, viz. Delhi in given case. Thus, same is inter-State supply.]				
Selling of Pune unit as going concern to H Ltd. [Services by way of transfer of a going concern is exempt.]	10,00,000	-	-	-
Service in relation to business exhibition in Dubai [Services by an organiser to any person in respect of a business exhibition held outside India is exempt.]	5,00,000	-	-	--
Inter-State supply of service	10,00,000	-	-	1,80,000
Total output tax liability		45,000	45,000	1,83,600

(ii) **Computation of input tax credit available to DEF Pvt. Ltd. for January, 2025**

Particulars	Value (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening balance		25,000	25,000	30,000
Issue of debit note for post delivery service [ITC on debit notes issued in a financial year can be availed any time till 30 th November of the succeeding financial year or the date of filing of the relevant annual return, whichever is earlier, irrespective of the	25,000			4,500

date of original invoice/ supply. Further, place of supply being Pune in given case, same is inter-State supply.]				
Receipt of intra-State services [ITC on services used in the course or furtherance of business is allowed.]	6,00,000	54,000	54,000	
Purchase of confectionery items [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply.]	1,00,000	-	-	--
Total		79,000	79,000	34,500

(b) Computation of GST payable by the ABC Infra for February

	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
(i)	Consideration for agreeing to install effluent plant [Taxable since it is a supply of service of agreeing to the obligation to do an act.]	49,500	49,500
(ii)	Distribution of 500 passes of cricket match [Exempt since consideration for services by way of right to admission to unrecognised sporting event is not more than ₹ 500 per person ¹]	-	-
(iii)	Booking air tickets in economy class [Taxable since service of booking of air tickets is being provided here. Only	10,800	10,800

¹ Consideration charged is ₹ 485 per person (₹ 2,42,500/500).

	the service of transportation of passengers in economy class terminating in Manipur is exempt.]		
(iv)	Service of construction of buildings provided to State Government [Taxable since value of supply of goods constitutes more than 25% of the value of the composite supply of goods and services.]	73,800	73,800
	Total GST payable by ABC Infra	1,34,100	1,34,100

2. (a) A registered person is eligible to opt for composition scheme for goods in the current financial year (FY) provided his aggregate turnover does not exceed ₹ 1.50 crore [other than in specified Special Category States] in the preceding FY.

Since aggregate turnover of M/s. T in the preceding FY does not exceed ₹ 1.5 crore, he is eligible for composition scheme for goods under section 10(1) and 10(2) of the CGST Act, 2017 in the current FY.

As per section 10(2A) of the CGST Act, 2017, a registered person who is eligible to pay tax under section 10(1) and (2) is not eligible for opting for composition under section 10(2A) of the CGST Act, 2017.

As per section 10(2A) of the CGST Act, 2017, person engaged in the supply of service is eligible for composition scheme for payment of tax @ 3% CGST and 3% SGST provided his aggregate turnover does not exceed ₹ 50 lakh in the preceding FY.

Since turnover of previous year is ₹ 1.32 crore and firm is not dealing in the service only, M/s T cannot opt for composition scheme under section 10(2A) of the CGST Act, 2017 for FY 2024-25.

A person who opts to pay tax under composition scheme under section 10(1) and 10(2) of the CGST Act, 2017 is also permitted to supply services [other than restaurant services] upto a value not exceeding:

- (a) 10% of the turnover in a State/U.T. in the preceding financial year, or
- (b) ₹ 5 lakh,

whichever is higher.

Thus, M/s T is permitted to supply services upto a value of ₹ 13,20,000 i.e. 10% of ₹ 1.32 crores, in current FY.

Further, there is no restriction on composition supplier to receive inter-State inward supplies of goods or services.

Thus, it can be concluded that M/s T can opt for composition scheme of goods under section 10(1) of the CGST Act, 2017 for FY 2024-25.

- (b) (i) Where the supply of goods is made to an unregistered person, the place of supply is the location as per the address of the unregistered person recorded in the invoice.

Further, recording of the name of the State of the unregistered person in the invoice is deemed to be the recording of the address of the unregistered person.

Thus, place of supply is Bhavnagar, Gujarat.

- (ii) The hoarding/structure erected on the land should be considered as immovable structure/fixture as it has been embedded in earth.

Therefore, the place of supply of service provided by way of supply of sale of space on hoarding/ structure for advertising or for grant of rights to use the hoarding/ structure for advertising is the location where such hoarding/ structure is located.

The place of supply of any service provided by way of supply/sale of space on an immovable property or grant of rights to use an immovable property is the location at which the immovable property is located, i.e. the location where such hoarding/ structure is located.

Thus, for hoarding located in Udaipur, place of supply is Udaipur, Rajasthan and for hoarding located in Gwalior, place of supply is Gwalior, Madhya Pradesh.

3. (a) In case of intra-State supply of goods by a supplier to a PSU, TDS @ 1% each under CGST and SGST is liable to be deducted by PSU only when the total value of supply under a contract exceeds ₹ 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 ₹ 11,50,000 ($₹ 13,57,000 \times 100/118$),

TDS @ 1% on payment of each of the instalment of ₹ 2,30,000 ($₹ 11,50,000/5$), i.e. ₹ 2,300 each under CGST and SGST is to be deducted even though the individual payment is less than ₹ 2,50,000.

The amount of TDS deducted shall be paid to the Government by the deductor within 10 days after the end of the month in which such deduction is made or by 10th of the succeeding month.

- (b) Every registered person executing works contract shall keep separate accounts for works contract showing -

- the names and addresses of the persons on whose behalf the works contract is executed;
- description, value and quantity (wherever applicable) of goods/services received for the execution of works contract;

- description, value and quantity (wherever applicable) of goods/services utilized in the execution of works contract;
 - the details of payment received in respect of each works contract; and
 - the names and addresses of suppliers from whom he received goods or services.
4. (a) As per the provisions of section 7(1)(b), 7(1)(c) and Schedule I of the CGST Act, 2017, import of services for a consideration shall be considered as supply, whether or not in the course or furtherance of business

Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business shall be treated as supply even if made without consideration.

- (b) (i) Following entities are exempt from the mandatory requirement of e-invoicing even if their turnover exceeds ₹ 5 crore in any preceding financial year from 2017-18 onwards:
- Special Economic Zone units
 - Insurer
 - Banking company or financial institution including NBFC
 - GTA supplying services in relation to transportation of goods by road in a goods carriage
 - Supplier of passenger transportation service
 - Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
 - A Government Department
 - A local authority

Note: Any two points may be mentioned.

- (ii) No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of—
- (a) any vacancy in, or any defect in, the constitution of the Council; or
 - (b) any defect in the appointment of a person as a Member of the Council; or
 - (c) any procedural irregularity of the Council not affecting the merits of the case.

(b) Alternative

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

- (a) particulars of authorisation received by him from each principal to receive/supply goods/services on behalf of such principal separately;
- (b) particulars including description, value and quantity (wherever applicable) of goods/services received on behalf of every principal;
- (c) particulars including description, value and quantity (wherever applicable) of goods/services supplied on behalf of every principal;
- (d) details of accounts furnished to every principal; and
- (e) tax paid on receipts/ supply of goods/services effected on behalf of every principal.