Skillshort

Self-Study Preparation Pack

CA INTERMEDIATE

Paper 3: Taxation

Chapter-wise Detailed Notes

For January 2027 attempt · Section A: Income-tax Act, 1961 as amended by Finance Act 2025 (A.Y. 2026-27) + notifications to 30 June 2026 · Section B: GST law effective up to 30 June 2026

100 marks · 3 hours | Section A Income tax 50 | Section B GST 50 | 30 MCQ + 70 descriptive

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This subject pack has 6 parts

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Prepared by Skillshort for self-study. Original explanations and questions; not an official ICAI/ICMAI/ICSI publication. Items marked VERIFY should be checked against the latest official material.

How to use these notes

Paper 3 has two sections of 50 marks each: **Section A – Income-tax Law** and **Section B – Goods and Services Tax**. Each section has **15 MCQ marks** and **35 descriptive marks**. For January 2027, income tax is tested on the **Income-tax Act, 1961** as amended by the **Finance Act, 2025**, for **A.Y. 2026-27 (P.Y. 2025-26)**. GST is tested on the law as amended by the Finance Act, 2025 and notifications/circulars **effective up to 30 June 2026**; rates in questions are **hypothetical**.

Paper at a glance

Item	Detail
Marks / time	100 marks, 3 hours (+15 minutes advance reading)
Section A – Income tax (50)	~8 MCQs (15 marks) + Q1 compulsory (15 marks) + **any 2 of Q2–Q4** (10 marks each)
Section B – GST (50)	~7–8 MCQs (15 marks) + Q5 compulsory (15 marks) + **any 2 of Q6–Q8** (10 marks each)
ICAI weightage – Income tax	I Basic concepts, residential status, scope **10%–20%** · II Heads of income **25%–30%** · III Clubbing, set-off and carry forward, deductions **15%–20%** · IV Advance tax, TDS, TCS, returns **15%–20%** · V Computation of total income and tax under alternative regimes **20%–25%**
ICAI weightage – GST	I GST in India – introduction **0%–5%** · II Supply, charge, exemptions, time and value of supply, ITC, place of supply, computation **50%–80%** · III Registration, tax invoice, credit/debit notes, e-way bill, accounts, payment, returns **20%–45%**

NOTE Statutory update for January 2027 (income tax)

- **Rule 3C:** salary limit for "specified employee" under s. 17(2)(iii) raised to **₹4,00,000** (Notification 133/2025, 18-8-2025).
- **Rule 3D:** expenditure on **travel abroad for medical treatment** of the employee/family is not a perquisite if the employee's **GTI** (before including it) does not exceed **₹8,00,000**.
- **Unified Pension Scheme (UPS):** s. 80CCD(3A), (6) – UPS corpus received is income when received (not when transferred to pool corpus); **s. 10(12AA)** – payment from NPS Trust to a UPS subscriber exempt up to **60% of the individual corpus**; **s. 10(12AB)** – UPS lump sum exempt.
- **Circular 9/2025:** no higher TDS/TCS under s. 206AA/206CC where an inoperative PAN becomes operative (Aadhaar linkage) – for payments from 1-4-2024 to 31-7-2025 if operative by 30-9-2025; for payments on or after 1-8-2025 if operative within **two months from the end of the month** of payment/credit.

Chapter 1 (Section A – Income Tax): Basic Concepts

1.1 Key terms

- **Assessment year (AY)** – the 12 months from 1 April in which income of the previous year is assessed (s. 2(9)). **Previous year (PY)** – the financial year immediately preceding the AY (s. 3); a new business/source – from the date of setting up to 31 March. Exceptions where income is taxed in the PY itself: shipping business of non-residents (s. 172), persons leaving India (s. 174), AOP/BOI formed for a particular event (s. 174A), persons likely to transfer property to avoid tax (s. 175), discontinued business (s. 176).
- **Person** (s. 2(31)): individual, HUF, company, firm (including LLP), AOP/BOI, local authority, every artificial juridical person.
- **Assessee** (s. 2(7)): a person by whom tax or any sum is payable, including deemed assessee and assessee-in-default.
- **Income** (s. 2(24)): inclusive – includes profits, dividend, perquisites, capital gains, winnings from lotteries/crossword puzzles/races/card games/online games, gifts under s. 56(2)(x), etc. **Gross total income** = total of the five heads after clubbing and set-off; **total income** = GTI − Chapter VI-A deductions, rounded off to the nearest ₹10 (s. 288A); tax rounded off to the nearest ₹10 (s. 288B).
- **Agricultural income** (s. 2(1A)) is exempt (s. 10(1)), but for individuals/HUF/AOP/BOI/AJP it is aggregated for rate purposes (**partial integration**) if net agricultural income exceeds **₹5,000** and non-agricultural income exceeds the basic exemption limit. Income from saplings/seedlings grown in a nursery is agricultural income; **Rule 7A/7B/8** apportion composite income (rubber 35:65, coffee 25:75 or 40:60, tea **40% business : 60% agricultural**).

1.2 Rates of tax for A.Y. 2026-27

Default tax regime – s. 115BAC(1A) (individual, HUF, AOP, BOI, AJP)	Rate
Up to ₹4,00,000	Nil
₹4,00,001 – ₹8,00,000	5%
₹8,00,001 – ₹12,00,000	10%
₹12,00,001 – ₹16,00,000	15%
₹16,00,001 – ₹20,00,000	20%
₹20,00,001 – ₹24,00,000	25%
Above ₹24,00,000	30%

Optional (old) regime – individual below 60 / HUF	Rate
Up to ₹2,50,000 (resident senior citizen 60–79: ₹3,00,000; resident super senior 80+: ₹5,00,000)	Nil
₹2,50,001 – ₹5,00,000	5%
₹5,00,001 – ₹10,00,000	20%
Above ₹10,00,000	30%

- **Rebate u/s 87A (resident individual):** default regime – total income ≤ **₹12,00,000**: rebate = tax or **₹60,000**, whichever is less, with **marginal relief** (tax payable cannot exceed income above ₹12 lakh); the rebate is **not available against tax on income chargeable at special rates** (e.g. ss. 111A, 112, 112A) VERIFY. Old regime – total income ≤ **₹5,00,000**: rebate up to **₹12,500**.
- **Surcharge (individuals/HUF):** 10% (TI > ₹50 lakh), 15% (> ₹1 crore), 25% (> ₹2 crore), 37% (> ₹5 crore – old regime only; **capped at 25% under the default regime**). Surcharge on dividend and capital gains u/s 111A, 112, 112A is capped at **15%**. **Marginal relief** on surcharge.
- **Health and education cess: 4%** of income-tax plus surcharge.
- **Firm/LLP:** 30%; surcharge 12% if TI > ₹1 crore. **Domestic company:** 25% if total turnover/gross receipts of **P.Y. 2023-24 ≤ ₹400 crore**, else 30%; surcharge 7% (> ₹1 crore), 12% (> ₹10 crore). **s. 115BAA:** 22% + 10% surcharge (flat); **s. 115BAB** (new manufacturing companies set up on or after 1-10-2019 and commencing manufacture by 31-3-2024): 15% + 10% surcharge. Co-operative societies: normal slab rates 10%/20%/30%; **s.**

115BAD 22%; **s. 115BAE** (new manufacturing co-operatives commencing by 31-3-2024) 15%; surcharge 10% under these sections.

- **Special rates:** STCG on STT-paid equity/equity MF/business trust units (s. 111A) **20%** (transfers on or after 23-7-2024); LTCG on such assets (s. 112A) **12.5%** on gains exceeding **₹1,25,000**; other LTCG (s. 112) **12.5%** without indexation; casual income – lotteries, crossword puzzles, races, card games, gambling (s. 115BB) **30%**; net winnings from **online games** (s. 115BBJ) **30%**; unexplained income (s. 115BBE) **60%** + 25% surcharge.

1.3 Comparison of regimes – what is not allowed under the default regime (s. 115BAC(2))

Not allowed under the default regime	Still allowed under the default regime
LTC (s. 10(5)), HRA (s. 10(13A)), most s. 10(14) special allowances, minor's income exemption (s. 10(32)), s. 10AA	**Standard deduction ₹75,000** (salary) and **family pension deduction ₹25,000**
Entertainment allowance and professional tax (s. 16(ii), (iii))	Transport allowance to a specially-abled employee; conveyance allowance for official duty; travelling/daily allowance on tour or transfer
Interest on **self-occupied** house property (s. 24(b)); **set-off of HP loss against other heads**	Interest on **let-out** property (loss can be carried forward under HP)
Additional depreciation (s. 32(1)(iia)); ss. 33AB, 33ABA, 35(1)(ii)/(iia)/(iii), 35(2AA), 35AD, 35CCC	Normal depreciation u/s 32
Chapter VI-A deductions	**Only s. 80CCD(2)** (employer's NPS contribution, up to **14%** of salary), **s. 80CCH(2)** (Agnipath) and **s. 80JJAA**
Set-off of brought-forward losses/depreciation attributable to the above	Other brought-forward losses

Opting out: an individual/HUF **without business income** may choose the optional regime **every year** in the return filed by the due date u/s 139(1). An assessee **with business/professional income** must file **Form 10-IEA** on or before the due date u/s 139(1); having opted out, he may **re-enter the default regime only once** and then can never opt out again (unless he ceases to have business income).

Chapter 2: Residential Status and Scope of Total Income

2.1 Individual – s. 6(1)

Basic conditions (any one → resident): (a) in India for **182 days or more** in the PY; or (b) **60 days or more** in the PY **and 365 days or more** in the 4 preceding PYs.

Exceptions to condition (b):

- An **Indian citizen who leaves India** in the PY **for employment** outside India, or **as a member of the crew of an Indian ship** – only condition (a) applies. For such crew, the period of stay excludes the days between the dates of joining and signing off entered in the **Continuous Discharge Certificate** for an eligible voyage (Rule 126).
- An **Indian citizen or person of Indian origin** who **comes on a visit** to India – condition (b) is replaced by **120 days in the PY and 365 days in the 4 preceding PYs if** his total income **other than income from foreign sources** exceeds **₹15 lakh**; otherwise only condition (a) applies.

Deemed resident – s. 6(1A): an Indian citizen whose total income (other than from foreign sources) exceeds **₹15 lakh** and who is **not liable to tax in any other country** by reason of domicile or residence. He is always **RNOR**.

ROR vs RNOR – s. 6(6): a resident individual is **RNOR** if (i) he was **non-resident in 9 out of 10** preceding PYs, **or** (ii) his stay in India in the **7 preceding PYs** is **729 days or less**, **or** (iii) he is a citizen/PIO visitor with Indian income > ₹15 lakh resident by virtue of **120 days + 365 days**, **or** (iv) he is a deemed resident u/s 6(1A). Otherwise **ROR**.

2.2 Other persons

Person	Resident if	ROR/RNOR
HUF	Control and management wholly or partly in India	ROR if the **karta** satisfies both: resident in 2 of 10 preceding PYs (i.e. not NR in 9 of 10) and stay ≥ 730 days in 7 preceding PYs; else RNOR
Firm, LLP, AOP, BOI, local authority, AJP	Control and management wholly or partly in India	Only resident/non-resident
Company	**Indian company**, or **place of effective management (POEM)** in India in that year	Only resident/non-resident

2.3 Scope of total income – s. 5

Income	ROR	RNOR	NR
Received or deemed received in India	Taxable	Taxable	Taxable
Accrues or arises (or deemed) in India	Taxable	Taxable	Taxable
Accrues and received outside India from a business **controlled in** or a profession **set up in** India	Taxable	Taxable	Not taxable
Other income accruing and received outside India	Taxable	Not taxable	Not taxable
Past untaxed foreign income remitted to India	Not taxable	Not taxable	Not taxable

Deemed to accrue in India (s. 9): business connection (including significant economic presence), property/asset/source in India, transfer of a capital asset situated in India, salary for services rendered in India, Government salary to an Indian citizen abroad (allowances/perquisites outside India exempt u/s 10(7)), dividend by an Indian company, interest/royalty/fees for technical services payable by the Government or residents (subject to exceptions), and gifts above ₹50,000 by a resident to a non-resident/RNOR.

Chapter 3: Income under the Head "Salaries"

3.1 Charge and basis (ss. 15–17)

- Employer–employee relationship is essential; salary from more than one employer is aggregated. Partner's remuneration from a firm is **PGBP**, not salary.
- Taxable on **due or receipt basis, whichever is earlier**: salary due (paid or not), advance salary, arrears not taxed earlier. Relief u/s 89 for arrears (old regime and default regime) – Form 10E.
- Salary includes wages, annuity/pension, gratuity, fees, commission, perquisites, profits in lieu of salary, advance salary, leave encashment, **employer's contribution to recognised PF in excess of 12% of salary**, interest credited to RPF in excess of **9.5% p.a.**, employer's contribution to NPS/Agniveer corpus.

3.2 Allowances

Allowance	Treatment
DA, city compensatory, overtime, tiffin, servant, project, non-practising, warden, deputation	Fully taxable
HRA – s. 10(13A) (optional regime)	Exempt = **least of** (i) actual HRA; (ii) rent paid – 10% of salary; (iii) **50% of salary** (Delhi, Mumbai, Kolkata, Chennai) or **40%** elsewhere. Salary = basic + DA forming part of retirement benefits + commission at fixed % of turnover, for the period of rented accommodation
Children education allowance	₹100 p.m. per child (max 2 children) – optional regime
Hostel expenditure allowance	₹300 p.m. per child (max 2 children) – optional regime
Transport allowance – blind/deaf-dumb/orthopaedically handicapped employee	₹3,200 p.m. – **both regimes**
Allowances for official duties (s. 10(14)(i)) – travelling, daily, conveyance, helper, research, uniform	Exempt to the extent actually spent (conveyance, travel on tour/transfer and daily allowance allowed in default regime)
Entertainment allowance	Fully included; Government employees deduct least of ₹5,000, 20% of basic, actual (optional regime)
Allowances to Government employees abroad (s. 10(7))	Exempt

3.3 Perquisites – s. 17(2) and Rule 3

Perquisite	Valuation (key rule)
Rent-free accommodation – non-Government employee, owned by employer	**10%** of salary (city population > 40 lakh per 2011 census), **7.5%** (15–40 lakh), **5%** (other places) – from 1-9-2024; salary = basic + DA (if in terms) + bonus + commission + taxable allowances + monetary payments
Accommodation **taken on lease** by the employer	Lower of **actual lease rent** or **10% of salary**
Furnished accommodation	Add **10% p.a. of cost** of furniture (or actual hire charges)
Government employee	Licence fee as per Government rules
Hotel accommodation	24% of salary or actual charges, whichever is lower (exempt if ≤ 15 days on transfer)
Motor car (owned by employer, used partly for private purposes, expenses met by employer)	**₹1,800 p.m.** (engine ≤ 1.6 litres) / **₹2,400 p.m.** (> 1.6 litres) + **₹900 p.m.** for chauffeur
Interest-free/concessional loans	Interest at **SBI lending rate on 1 April** less interest recovered; exempt if aggregate loans ≤ **₹20,000** or loan for specified diseases (Rule 3A)
Free food/beverages	Exempt up to **₹50 per meal** during working hours; tea/snacks exempt

Perquisite	Valuation (key rule)
Gifts/vouchers	Exempt if aggregate value < **₹5,000** in a year
Use of movable assets	10% p.a. of cost (computers/laptops exempt)
Transfer of movable assets	Cost – depreciation (computers 50% WDV, cars 20% WDV, others 10% SLM per completed year) – amount recovered
Medical treatment	Not a perquisite: employer's hospital; Government/approved hospital; treatment **abroad** – medical and stay as permitted by RBI; **travel abroad** only if **GTI ≤ ₹8,00,000** (Rule 3D)
ESOP/sweat equity	FMV on the date of exercise – amount paid (tax deferment for eligible start-ups)
Employer's contribution to RPF, NPS and approved superannuation fund	Excess over **₹7,50,000** in aggregate is a perquisite, with accretion (Rule 3B)
Obligations of the employee met by the employer (income tax, school fees, club bills, LIC premium)	Fully taxable

Specified employee (s. 17(2)(iii)): a director-employee, an employee with substantial interest (≥ 20% voting power), or any employee whose **monetary salary** exceeds **₹4,00,000** (Rule 3C). Only specified employees are taxed on: motor car for private use (if not obligation of employee), sweeper/gardener/watchman/attendant, gas/electricity/water, free or concessional education.

3.4 Retirement benefits

Benefit	Exempt amount (non-Government employee unless stated)
Gratuity – s. 10(10)	Government: fully exempt. Covered by **Payment of Gratuity Act**: least of **15/26 × last drawn salary × completed years** (part > 6 months = full year; 15/26 × 7 days for seasonal), **₹20,00,000**, actual. Not covered: least of **½ × average salary of last 10 months × completed years** (ignore fraction), ₹20,00,000, actual
Commuted pension – s. 10(10A)	Government: fully exempt. Others: **1/3** of full commuted value if gratuity is also received, else **1/2**; uncommuted pension fully taxable
Leave encashment – s. 10(10AA)	Government: fully exempt at retirement. Others: least of (i) **10 months' average salary**, (ii) **₹25,00,000**, (iii) actual, (iv) cash equivalent of leave to credit (max **30 days per completed year**). During service – fully taxable
Retrenchment compensation – s. 10(10B)	Least of amount under the Industrial Disputes Act (15 days' average pay × completed years/part > 6 months), **₹5,00,000**, actual
VRS compensation – s. 10(10C)	Up to **₹5,00,000** (no relief u/s 89 if claimed)
Recognised PF – s. 10(12)	Accumulated balance exempt on 5 years' continuous service (or termination due to ill-health etc.); interest on employee contribution exceeding **₹2,50,000** p.a. (₹5,00,000 if no employer contribution) is taxable
NPS – s. 10(12A)	60% of total corpus on closure/opt-out exempt; **UPS – s. 10(12AA)** 60% of individual corpus; **s. 10(12AB)** UPS lump sum exempt

3.5 Deductions – s. 16

Deduction	Default regime	Optional regime
Standard deduction – s. 16(ia)	**₹75,000** or salary, if less	**₹50,000** or salary, if less
Entertainment allowance (Government employees) – s. 16(ii)	Not allowed	Least of ₹5,000, 20% of basic, actual
Professional tax – s. 16(iii)	Not allowed	Actual paid (max ₹2,500)

FORMULA **Income under the head Salaries**

Gross salary = Basic + DA + bonus/commission + taxable allowances + taxable perquisites + taxable retirement benefits + employer's contributions (excess)

Net salary = Gross salary − s. 16 deductions (standard deduction; professional tax and entertainment allowance in the optional regime)

Chapter 4: Income from House Property

4.1 Charge – s. 22

Annual value of **buildings or land appurtenant** owned by the assessee (including **deemed owner** u/s 27 – transfer to spouse/minor child without adequate consideration, holder of an impartible estate, member of a co-operative housing society, person in possession under s. 53A of the Transfer of Property Act, lessee for ≥ 12 years), **except** property used for own business/profession. Composite rent for building + other services is split (services under PGBP/IFOS).

4.2 Computation

Step	Rule
Expected rent (ER)	Higher of **municipal value** and **fair rent**, but not exceeding **standard rent** (Rent Control Act)
Gross annual value (GAV) – let-out property	Higher of **ER** and **actual rent received/receivable** (excluding unrealised rent satisfying Rule 4). If actual rent is lower than ER **because of vacancy**, GAV = actual rent
Less: **municipal taxes**	Only if **borne and paid by the owner** during the PY (any year's tax)
= **Net annual value (NAV)**	
Less: **s. 24(a)**	**30% of NAV** (flat, regardless of actual repairs)
Less: **s. 24(b)**	**Interest on borrowed capital** (accrual basis) for purchase, construction, repair or reconstruction; **pre-construction interest** (from borrowing to 31 March before completion) in **5 equal instalments** from the year of completion

Self-occupied property (s. 23(2)): annual value **nil** for up to **two** houses occupied by the owner for residence or not occupied **for any reason** (A.Y. 2026-27 onwards). Interest deduction (**optional regime only**): up to **₹2,00,000** if the loan is for acquisition/construction taken on or after 1-4-1999 and construction/acquisition is completed within **5 years** from the end of the FY of borrowing; otherwise up to **₹30,000** (including pre-construction interest). **Default regime: no interest deduction on SOP.**

Other rules: more than two SOPs – others are **deemed let-out** (ER taken as GAV); **arrears of rent and unrealised rent recovered (s. 25A)** – taxable in the year of receipt (even if no longer owner) with **30% deduction**; property held as **stock-in-trade** and not let – annual value **nil** for **two years** from the end of the FY in which the completion certificate is obtained (s. 23(5)); co-owners with definite shares assessed separately (s. 26).

Loss under HP: optional regime – set off against other heads up to **₹2,00,000**; balance carried forward for **8 AYs** (set off only against HP income). Default regime – **no set-off against other heads**; may be carried forward.

WORKED EXAMPLE **Let-out house (A.Y. 2026-27)**

MV ₹3,60,000; FR ₹4,20,000; SR ₹4,00,000; rent ₹40,000 p.m.; vacant for 3 months; municipal tax ₹30,000 (paid by owner); interest on loan ₹1,50,000.

ER = higher of 3,60,000 and 4,20,000, limited to SR = **4,00,000**. Actual rent = 40,000 × 9 = 3,60,000. Without vacancy it would be 4,80,000 (> ER); actual is lower than ER **because of vacancy** → GAV = **3,60,000**.

NAV = 3,60,000 − 30,000 = 3,30,000; s. 24(a) 30% = 99,000; s. 24(b) 1,50,000 → Income from HP = **₹81,000** (same under both regimes for a let-out property).

Chapter 5: Profits and Gains of Business or Profession

5.1 Chargeable income (s. 28) and principles

Profits of any business/profession; compensation on termination/modification of agency or management; income of trade associations from specific services to members; export incentives; value of benefits/perquisites (cash or kind) arising from business (including the value of a **capital asset** received – s. 28(iv)); interest/salary/bonus/commission received by a **partner** from the firm (to the extent allowed to the firm); non-compete/know-how fees; sums under a keyman insurance policy; FMV of inventory converted into a capital asset (s. 28(via)); **remuneration of partners includes amounts on reconstitution** (s. 9B/45(4)). Deemed profits (s. 41): recovery of an allowed loss/expense or **remission of a liability**; recovery of bad debts allowed earlier.

5.2 Depreciation – s. 32 (block of assets)

Block	Rate (WDV)
Building – residential	5%
Building – others (office, factory)	10%
Furniture and fittings	10%
Plant and machinery – general (incl. motor cars other than for hire)	15%
Motor vehicles used in the business of running them on hire; buses/lorries/taxis	30%
Computers and software	40%
Intangibles – know-how, patents, copyrights, trademarks, licences, franchises (**not goodwill**)	25%

- **Half rate** if the asset is **acquired and put to use for less than 180 days** in the PY.
- **Additional depreciation – s. 32(1)(iia)** (optional regime): **20%** of cost of **new plant and machinery** (not ships, aircraft, second-hand, office/residential use, vehicles) acquired by a **manufacturing or power** undertaking (35% in notified backward areas of AP/Telangana/Bihar/WB VERIFY); half allowed in the year if used < 180 days, balance next year.
- **Actual cost (s. 43(1)):** includes interest up to the date put to use; **excludes** GST credit claimed, subsidies/grants, and expenditure paid in cash exceeding **₹10,000** to a person in a day; a power undertaking may opt for SLM.
- **WDV:** opening WDV + additions − moneys payable on assets sold (not exceeding WDV + additions). If the **block ceases** or WDV becomes nil, no depreciation: **s. 50** – surplus is **STCG**; deficit when block ceases is STCL.

5.3 Specific deductions

Section	Deduction (optional regime unless stated)
s. 35(1)(i)	In-house **revenue** expenditure on scientific research related to business – 100% (including 3 years' pre-commencement salary and materials)
s. 35(1)(iv)/35(2)	**Capital** expenditure on scientific research (other than land) – 100% in the year incurred
s. 35(1)(ii), (iia), (iii)	Contributions to research associations/companies/universities – 100% (not allowed under the default regime)
s. 35D	Preliminary expenses – **1/5th for 5 years**, limited to **5%** of cost of project or capital employed (Indian company)
s. 35DDA	VRS payments – **1/5th** for 5 years
s. 36(1)(iv), (iva)	Employer's contribution to RPF/superannuation fund; to **NPS up to 14%** of salary VERIFY
s. 36(1)(va)	**Employee's contribution** received by the employer – deductible **only if deposited by the due date under the relevant Act** (EPF/ESI)
s. 36(1)(vii)	**Bad debts** written off as irrecoverable (debt taken into income earlier)
s. 36(1)(ix)	Family planning expenditure by a company – revenue 100%; capital 1/5th for 5 years

Section	Deduction (optional regime unless stated)
s. 37(1)	General deduction: revenue expenditure wholly and exclusively for business, not personal or capital. **Not allowed:** expenditure for an offence or prohibited by law (including settlement of proceedings for contravention), **CSR expenditure**, advertisement in political party souvenirs

5.4 Disallowances and deemed incomes

- **s. 40(a)(i):** payments to a **non-resident** without TDS – **100%** disallowed; **s. 40(a)(ia):** payments to a **resident** without TDS or not deposited by the due date of return – **30%** disallowed; allowed in the year TDS is deposited. s. 40(a)(ii): income tax; wealth tax; s. 40(a)(iib): royalty/levy by a State on a State PSU.
- **s. 40(b) – firms:** interest to partners up to **12% p.a. simple**; remuneration only to **working partners**, authorised by the deed, within: on the first **₹6,00,000 of book profit or in case of loss – ₹3,00,000 or 90% of book profit, whichever is more**; on the balance – **60%**.
- **s. 40A(2):** excessive or unreasonable payments to **related persons** – excess disallowed.
- **s. 40A(3), (3A):** payment to a person in a day **otherwise than by account payee cheque/draft or electronic mode** exceeding **₹10,000** (**₹35,000** for plying, hiring or leasing goods carriages) – **100%** disallowed; subsequent payment of an allowed liability in cash – deemed income; exceptions in Rule 6DD (banks, Government, agriculturists, village without bank, etc.).
- **s. 40A(7):** provision for gratuity disallowed (except for approved gratuity fund contribution or actual payment).
- **s. 43B – deduction on actual payment:** taxes/duties/cess; employer's contribution to PF/superannuation/gratuity funds; bonus/commission to employees; interest on loans from PFIs/State financial corporations/scheduled banks/co-operative banks/NBFCs (unless converted into a new loan); leave encashment; railway dues; allowed if paid **on or before the due date of the return**. **s. 43B(h):** sums payable to a **micro or small enterprise** beyond the time limit of **s. 15 of the MSMED Act** (15 days without agreement; max **45 days** with agreement) – allowed **only in the year of actual payment**.
- **s. 43(5):** speculative transaction (settled otherwise than by delivery) – speculation business; exceptions: hedging, derivatives on recognised exchanges, commodity derivatives.

5.5 Books, audit and presumptive taxation

- **s. 44AA:** compulsory books – specified professions with gross receipts > ₹1,50,000 in all 3 preceding years; other business/profession with income > ₹2,50,000 or turnover > ₹25,00,000 in any of 3 preceding years (individual/HUF), or when presumptive income is declared lower.
- **s. 44AB tax audit:** business turnover > **₹1 crore** (**₹10 crore** if cash receipts and cash payments each ≤ **5%**); profession gross receipts > **₹50 lakh**; persons declaring lower presumptive income. Report by **30 September** of the AY (one month before the due date of the return).

Scheme	Eligible	Limit	Presumptive income
s. 44AD	Resident individual, HUF, **firm (not LLP)**; eligible business (not commission/brokerage/agency, not specified professions)	Turnover ≤ **₹2 crore** (**₹3 crore** if cash receipts ≤ 5%)	**6%** of turnover received by digital/banking modes (by due date of return), **8%** of others; no further deduction (not even partner's salary/interest). If he opts out within 5 years, cannot opt in for the next 5 years; advance tax by **15 March**
s. 44ADA	Resident individual, **firm (not LLP)** in specified professions (s. 44AA(1))	Gross receipts ≤ **₹50 lakh** (**₹75 lakh** if cash ≤ 5%)	**50%** of gross receipts
s. 44AE	Any person owning **≤ 10 goods carriages** at any time	–	**Heavy goods vehicle** (> 12 MT GVW): **₹1,000 per ton of GVW per month** or part; others **₹7,500 per vehicle per month** or part

Chapter 6: Capital Gains

6.1 Capital asset and transfer

- **Capital asset (s. 2(14))** excludes stock-in-trade, consumable stores, raw materials; **personal effects** (but jewellery, archaeological collections, drawings, paintings, sculptures and works of art are capital assets); **rural agricultural land** – land outside any municipality/cantonment with population ≥ 10,000, and beyond **2 km** (population > 10,000 – 1 lakh), **6 km** (> 1 lakh – 10 lakh) or **8 km** (> 10 lakh) measured **aerially** from the local limits; specified gold bonds/deposit bonds. Securities held by FPIs are capital assets.
- **Not transfer (s. 47):** distribution on partition of HUF; **gift, will or irrevocable trust** (other than ESOP shares); transfer between a holding company and its **wholly owned Indian subsidiary** (and vice versa) if not stock-in-trade; transfers in **amalgamation/demerger** (shares to shareholders, assets to the Indian amalgamated/resulting company); conversion of bonds/debentures/preference shares into shares; transfer of agricultural land in India before 1-3-1970; conversion of a firm/private company into an LLP satisfying conditions; transfer of work of art to Government/university/museum.

6.2 Period of holding (transfers on or after 23-7-2024)

Asset	Long-term if held for more than
Listed securities (other than units) listed on a recognised stock exchange in India; units of UTI and **equity-oriented funds**; zero coupon bonds	**12 months**
All other assets – land, building, unlisted shares, debt MF units, jewellery, etc.	**24 months**
Market-linked debentures, specified mutual funds (≤ 65% in debt – s. 50AA)	Always **short-term**

Special rules: shares on **amalgamation/demerger** – include holding of original shares; **bonus/right shares** – from date of allotment; **renounced rights** – from the date of **offer** (always short-term practically); asset acquired by **gift/will/inheritance** – include period of holding of the previous owner.

6.3 Computation (s. 48)

√x FORMULA Capital gains

STCG = Full value of consideration − expenditure on transfer − cost of acquisition − cost of improvement

LTCG = Full value of consideration − expenditure on transfer − cost of acquisition − cost of improvement (indexed only where the 20%-with-indexation option is available)

Indexed cost = Cost × CII of year of transfer ÷ CII of year of acquisition (or 2001-02 if acquired earlier)

- **Cost inflation index:** 2001-02 **100**; 2002-03 105; 2003-04 109; 2004-05 113; 2005-06 117; 2006-07 122; 2007-08 129; 2008-09 137; 2009-10 148; 2010-11 167; 2011-12 184; 2012-13 200; 2013-14 220; 2014-15 240; 2015-16 254; 2016-17 264; 2017-18 272; 2018-19 280; 2019-20 289; 2020-21 301; 2021-22 317; 2022-23 331; 2023-24 348; 2024-25 363; **2025-26 376**.
- **Asset acquired before 1-4-2001:** cost = actual cost or **FMV on 1-4-2001** at the option of the assessee (for land/building, FMV not exceeding stamp duty value on 1-4-2001); improvements before 1-4-2001 ignored.
- **Indexation option (proviso to s. 112):** for **land or building (or both)** acquired **before 23-7-2024** and transferred by a **resident individual/HUF** – tax is the **lower of** (a) 12.5% of LTCG **without** indexation and (b) 20% of LTCG **with** indexation. All other LTCG – 12.5% without indexation.
- **s. 50C:** for land/building, if **stamp duty value** exceeds **110%** of the consideration, SDV is the full value of consideration (SDV on the date of agreement if part consideration was received by banking mode on or before that date). **s. 50CA** – unquoted shares at FMV; **s. 50D** – FMV where consideration is indeterminable.
- **s. 55(2)(ac) – grandfathering for s. 112A:** for equity shares/units acquired before 1-2-2018, cost = **higher of** actual cost **and lower of** (FMV on 31-1-2018, full value of consideration).

- **Buy-back of shares (from 1-10-2024):** the entire sum received is **deemed dividend** u/s 2(22)(f) taxable under **IFOS** (no deduction of expenses), and the **cost of the shares** bought back is a **capital loss** of the shareholder (s. 46A).
- **Special cases:** conversion of capital asset into stock-in-trade (s. 45(2)) – FMV on conversion is the FVC; taxed in the year the stock is **sold**; **compulsory acquisition (s. 45(5))** – taxed in the PY in which the **compensation (or part) is first received**; enhanced compensation taxed in the year of receipt (cost nil; litigation expenses deductible); **insurance claim** on destruction (s. 45(1A)); **transfer to a firm** as capital contribution (s. 45(3)) – amount credited to partner's capital is FVC; **depreciable assets** (s. 50) – always STCG; **slump sale** (s. 50B) – capital gain = **FMV of the undertaking** (Rule 11UAE) **minus net worth**; net worth = total assets (depreciable assets at **WDV of the block**, s. 35AD assets at **nil**, others at **book value**; revaluation ignored; **self-generated goodwill nil**) **minus** liabilities; LTCG if the undertaking is held **> 36 months**, else STCG; **no indexation**.
- **Cost of bonus shares** – nil (FMV on 1-4-2001 if allotted before); **rights shares** – amount paid; **renounced rights** – cost nil, sale price = STCG; **shares of the resulting company in demerger** – cost of original shares × net book value of demerged undertaking ÷ net worth of demerged company before demerger.

6.4 Exemptions

Section	Asset transferred / assessee	Investment and time	Exemption
s. 54	LT **residential house** – individual/HUF	One residential house in India – purchase **1 year before or 2 years after**, or construct within **3 years** (option for **two houses once in a lifetime** if LTCG ≤ ₹2 crore)	LTCG or cost of new house, lower; cost over **₹10 crore** ignored
s. 54B	Agricultural land used for agriculture for **2 years** – individual/HUF (STCG or LTCG)	Agricultural land within **2 years**	Capital gain or cost, lower
s. 54D	Compulsory acquisition of industrial land/building used for **2 years**	Land/building for industrial undertaking within **3 years**	Capital gain or cost, lower
s. 54EC	LT **land or building** – any assessee	Bonds of NHAI, REC, PFC, IRFC (notified) within **6 months**; max **₹50 lakh** in a FY; lock-in **5 years**	LTCG or amount invested, lower
s. 54F	Any LT asset **other than a residential house** – individual/HUF, owning ≤ 1 other house	One residential house – as in s. 54	LTCG × cost of new house ÷ **net consideration**; cost over ₹10 crore ignored
s. 54G/54GA	Shifting industrial undertaking from urban area / to SEZ	Within 1 year before or 3 years after	Capital gain or cost, lower

Unutilised amounts must be deposited in the **Capital Gains Accounts Scheme** before the due date of return u/s 139(1); amounts not used within the period are taxed in the year the period expires. Transfer of the new asset within **3 years** reverses the exemption (cost reduced or gain taxed).

6.5 Rates and adjustments

- **s. 111A:** STCG on STT-paid listed equity shares/equity-oriented fund/business trust units – **20%** (15% for transfers before 23-7-2024).
- **s. 112A:** LTCG on the same assets – **12.5%** on the amount exceeding **₹1,25,000** (10% above ₹1 lakh for transfers before 23-7-2024; the aggregate exemption for the year is ₹1,25,000).
- **s. 112:** other LTCG – **12.5%** without indexation (with the indexation option above).
- Resident individuals/HUF may **adjust the unexhausted basic exemption limit** against these gains; **no Chapter VI-A deduction** against them.

Chapter 7: Income from Other Sources

7.1 Specific incomes (s. 56(2))

- **Dividends** (including **deemed dividend** u/s 2(22): distribution of accumulated profits, loans to substantial shareholders/concerns (s. 2(22)(e)), **buy-back proceeds (s. 2(22)(f)) from 1-10-2024**) – taxable at slab rates; deduction of **interest** paid on money borrowed to earn dividend up to **20%** of dividend (no other expense, e.g. commission).
- **Interest on securities**, **interest on bank deposits** (if not business income); **interest on compensation/enhanced compensation** (s. 56(2)(viii)) with **50% deduction** u/s 57(iv) – taxable in the year of receipt.
- Income from letting **machinery, plant or furniture**, and from **letting them along with buildings** where the letting is inseparable (if not business income) – deductions for repairs, insurance and depreciation (s. 57(ii), (iii)).
- **Casual income** – winnings from lotteries, crossword puzzles, races, card games, gambling: taxed at **30%** (s. 115BB); **online games** (s. 115BBJ) 30% on net winnings; no deduction or basic exemption adjustment.
- **Family pension:** deduction u/s 57(iia) – **1/3rd** of the pension or **₹25,000** (default regime) / **₹15,000** (optional regime), whichever is less.
- Advance money forfeited on a negotiation for transfer of a capital asset (s. 56(2)(ix)); compensation in connection with termination of employment (s. 56(2)(xi)); sums under a keyman insurance policy (if not salary/business).

7.2 Gifts – s. 56(2)(x) (any person)

Received without consideration / for inadequate consideration	Taxable amount
Money – aggregate in the PY exceeds **₹50,000**	Whole amount
Immovable property without consideration – SDV > ₹50,000	Stamp duty value
Immovable property for inadequate consideration – SDV – consideration > **higher of ₹50,000 and 10% of consideration**	SDV – consideration
Specified movable property (shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures, works of art, **bullion**, **VDAs**) without consideration – FMV > ₹50,000	Aggregate FMV
Specified movable property for inadequate consideration – FMV – consideration > ₹50,000	FMV – consideration

Not taxable when received: from a **relative** (spouse, brother/sister, brother/sister of spouse, brother/sister of either parent, any lineal ascendant/descendant, lineal ascendant/descendant of spouse, spouse of any of these); on the occasion of the **marriage** of the individual; under a **will/inheritance**; in contemplation of death; from a local authority, fund, trust, university or charitable institution; by an individual from a trust created solely for him; under transactions not regarded as transfer u/s 47; by a **HUF from its members**. (Gifts from friends at birthdays/anniversaries are taxable.)

7.3 Unexplained incomes – ss. 68 to 69D read with s. 115BBE

- **s. 68** unexplained **cash credits** in books; **s. 69** unexplained **investments**; **s. 69A** unexplained **money, bullion, jewellery** or other valuable article (e.g. gold bars not recorded in books); **s. 69B** investments not fully disclosed; **s. 69C** unexplained **expenditure**; **s. 69D** amount borrowed/repaid on a **hundi** otherwise than by account payee cheque.
- Taxed u/s **115BBE** at **60%** + surcharge **25%** + cess 4% (effective **78%**); **no deduction** of any expenditure or allowance and **no set-off of any loss** against such income; no basic exemption adjustment.

Chapter 8: Income of Other Persons Included in Assessee's Total Income (Clubbing)

Section	Situation	Clubbed in the hands of
s. 60	Transfer of **income** without transfer of the asset	Transferor
s. 61–63	**Revocable transfer** of assets	Transferor
s. 64(1)(ii)	**Remuneration of spouse** from a concern in which the individual has **substantial interest** (≥ 20% equity/voting or profit share, with relatives) – not clubbed if the spouse has **technical or professional qualification** and the income is attributable to it	Individual with substantial interest; if both spouses have substantial interest – the spouse whose total income (before clubbing) is **higher**
s. 64(1)(iv)	Income from assets transferred to **spouse** without adequate consideration (not in connection with an agreement to live apart)	Transferor
s. 64(1)(vi)	Income from assets transferred to **son's wife** without adequate consideration	Transferor
s. 64(1)(vii), (viii)	Transfer to a person/AOP for the benefit of spouse/son's wife	Transferor
s. 64(1A)	Income of a **minor child**	Parent whose total income (before clubbing) is **higher**; after divorce/separation – the parent maintaining the child; if marriage does not subsist – that parent
s. 64(2)	Individual converts self-acquired property into **HUF property**	Individual (income from the converted property to the extent of spouse's share on partition)

Minor's income not clubbed: income from **manual work** or activity involving **skill, talent or specialised knowledge**; income of a minor suffering from a disability specified u/s 80U. **Exemption u/s 10(32): ₹1,500 per minor child** (optional regime only) whose income is clubbed. **Income from accretion** (income on clubbed income, e.g. interest on interest) is **not clubbed**; clubbing applies to **losses** as well. **Cross transfers** are treated as direct transfers (*C.I.T. v. Keshavji Morarji*).

Chapter 9: Aggregation, Set-off and Carry Forward of Losses

9.1 Set-off in the same year

- **Intra-head (s. 70):** loss from one source is set off against income from another source under the same head, **except**: **LTCL** only against **LTCG**; **STCL** against STCG or LTCG; **speculation loss** only against speculation profit; loss from **specified business u/s 35AD** only against such business; loss from **owning and maintaining race horses** only against such income; no loss set off against **casual income** (s. 58(4)); loss from an exempt source cannot be set off.
- **Inter-head (s. 71):** loss under one head against income under another head, **except**: **business loss** cannot be set off against **salary**; **capital loss** cannot be set off against any other head; **HP loss** against other heads limited to **₹2,00,000** (optional regime; nil under default regime).

9.2 Carry forward

Loss	Set off against	Years	Return by due date needed?
House property (s. 71B)	HP income	8 AYs	**No**
Business (non-speculative) (s. 72)	PGBP income (business need not continue)	8 AYs	Yes
Speculation (s. 73)	Speculation income	**4 AYs**	Yes
Specified business u/s 35AD (s. 73A)	Specified business income	Indefinite	Yes
Capital loss (s. 74)	STCL – STCG/LTCG; LTCL – LTCG	8 AYs	Yes
Race horses (s. 74A)	Race horse income	4 AYs	Yes
Unabsorbed depreciation (s. 32(2))	Any head except salary (in subsequent years)	**Indefinite**	**No**

Order of set-off: current year depreciation → brought-forward business loss → unabsorbed depreciation. **s. 79:** a closely-held company carries forward losses only if **≥ 51% of voting power** is held by the same persons on the last day of the year of loss and of set-off (start-ups – all original shareholders continue). **s. 80:** a **return of loss** filed within the due date u/s 139(1) is required (except HP loss and unabsorbed depreciation).

Chapter 10: Deductions from Gross Total Income (Chapter VI-A)

Deductions cannot exceed GTI and are **not** allowed against **LTCG, STCG u/s 111A, casual income** (s. 80A, 80AB). Under the **default regime** only **ss. 80CCD(2), 80CCH(2) and 80JJAA** are allowed.

Section	Who / for what	Limit
80C	Individual/HUF: LIC premium (≤ 10% of sum assured for policies from 1-4-2012), PF/PPF, ELSS, NSC, 5-year bank FD, **tuition fees** for 2 children (full-time, in India), **housing loan principal**, stamp duty/registration, Sukanya Samriddhi, SCSS	₹1,50,000
80CCC	Pension fund of LIC/other insurer	Within ₹1,50,000
80CCD(1)	Employee: 10% of salary (14% Central Government); self-employed: 20% of GTI – NPS	Within ₹1,50,000 (s. 80CCE aggregate of 80C, 80CCC, 80CCD(1))
80CCD(1B)	Additional NPS contribution (including **NPS Vatsalya** for minor children VERIFY)	₹50,000
80CCD(2)	**Employer's** contribution to NPS	**14%** of salary (Government employers; and all employers in the default regime); **10%** (other employers, optional regime)
80D	Health insurance (not cash, except preventive check-up): self/spouse/children ₹25,000 (₹50,000 if any is senior); parents ₹25,000 (₹50,000 if senior); preventive health check-up ₹5,000 within the limit; medical expenditure for uninsured senior citizens within ₹50,000	Up to ₹1,00,000
80DD	Maintenance/medical treatment of a dependant with disability (resident)	**₹75,000**; severe disability ₹1,25,000 (flat)
80DDB	Medical treatment of specified diseases (self/dependant)	₹40,000; senior citizen ₹1,00,000; less insurance reimbursement
80E	Interest on loan for **higher education** of self, spouse, children, or student for whom the assessee is legal guardian	Full interest; **8 AYs** from the year repayment starts
80EE / 80EEA	Interest on first home loan sanctioned 2016-17 (₹50,000) / affordable house (SDV ≤ ₹45 lakh) sanctioned 1-4-2019 to 31-3-2022 (₹1,50,000)	Over and above s. 24(b)
80EEB	Interest on loan for **electric vehicle** sanctioned 1-4-2019 to 31-3-2023	₹1,50,000
80G	Donations: 100%/50% without limit (e.g. PM National Relief Fund, PM CARES – 100%); 100%/50% subject to **10% of adjusted GTI**; cash donations above **₹2,000** not allowed	As per category
80GG	Rent paid by a person **not getting HRA** and not owning a house at the place of work	Least of ₹5,000 p.m., 25% of adjusted total income, rent – 10% of adjusted total income
80GGA	Donations for scientific research/rural development (no PGBP income)	100%
80GGB / 80GGC	Contributions to political parties by companies / other persons (not cash)	100%
80JJAA	Business liable to audit – **additional employee cost** of new employees (salary ≤ ₹25,000 p.m.; employed ≥ 240 days – 150 days in apparel/footwear/leather)	**30%** for **3 AYs** (both regimes)
80QQB / 80RRB	Royalty to resident authors / patent holders	₹3,00,000
80TTA	Interest on **savings** accounts (non-senior individuals/HUF)	₹10,000
80TTB	Interest on deposits – **resident senior citizen**	₹50,000
80U	Resident individual with disability	₹75,000; severe ₹1,25,000

Section	Who / for what	Limit
80-IAC	Eligible start-up incorporated before 1-4-2030, turnover ≤ ₹100 crore	100% of profits for any **3 consecutive AYs out of 10** (optional regime)

Chapter 11: Advance Tax, TDS and TCS

11.1 Advance tax (ss. 207–211) and interest

- Payable if tax liability (after TDS/TCS) is **₹10,000 or more**; a **resident senior citizen without business/profession income** is exempt.

Due date	Cumulative % (general)	s. 44AD/44ADA assessees
15 June	15%	–
15 September	45%	–
15 December	75%	–
15 March	100%	100%

- **s. 234C** (deferment): 1% p.m. on the shortfall – 3 months each for June (no interest if paid ≥ **12%**), September (≥ **36%**) and December instalments; 1 month for March. Capital gains/casual income arising after an instalment date may be paid in remaining instalments.
- **s. 234B** (default): if advance tax paid is **less than 90%** of assessed tax – 1% p.m. from **1 April** of the AY to the date of determination/payment.
- **s. 234A** (late return): 1% p.m. on tax unpaid from the day after the due date to the date of filing.

11.2 TDS – key provisions for F.Y. 2025-26 (thresholds revised by Finance Act 2025 from 1-4-2025)

Section	Payment	Threshold	Rate
192	Salary	Basic exemption (regime chosen)	Average rate
192A	Premature EPF withdrawal	₹50,000	10%
193	Interest on securities	₹10,000 (listed debentures etc.)	10%
194	Dividend (individual shareholder)	**₹10,000**	10%
194A	Interest other than on securities – bank/co-operative bank/post office	**₹50,000** (senior citizen **₹1,00,000**)	10%
194A	Interest – others	**₹10,000**	10%
194B / 194BB	Lottery, crossword puzzle / horse race winnings	> **₹10,000 per single transaction**	30%
194BA	Net winnings from online games	No threshold	30%
194C	Contractors	₹30,000 single; ₹1,00,000 aggregate	1% (individual/HUF), 2% (others)
194D	Insurance commission	**₹20,000**	2% (other than company)
194G / 194H	Lottery ticket commission / commission or brokerage	**₹20,000**	2%
194-I	Rent	**₹50,000 per month or part of a month**	2% (P&M, equipment), 10% (land, building, furniture)
194-IA	Transfer of immovable property (not rural agricultural land)	Consideration ≥ ₹50 lakh	1% of higher of consideration and SDV
194-IB	Rent by individuals/HUF not liable u/s 194-I	> ₹50,000 per month	2%
194J	Fees for professional/technical services, royalty, non-compete fees	**₹50,000** per type (no threshold for director's fees)	2% (FTS, film royalty, call centre); 10% (others)
194K	Income from mutual fund units	₹10,000	10%
194LA	Compensation on compulsory acquisition	**₹5,00,000**	10%

Section	Payment	Threshold	Rate
194M	Contract/commission/professional fees by individuals/HUF not covered above	₹50 lakh	2%
194N	Cash withdrawal	₹1 crore	2%
194-O	E-commerce operator to participants	₹5 lakh (resident individual/HUF with PAN)	**0.1%**
194Q	Purchase of goods by buyer with turnover > ₹10 crore	₹50 lakh	0.1%
194R	Business benefit/perquisite	₹20,000	10%
194S	Transfer of virtual digital asset	₹50,000 (specified persons) / ₹10,000	1%
194T (new, from 1-4-2025)	**Salary, remuneration, commission, bonus, interest by a firm to its partner**	**₹20,000** aggregate	10%

- **No PAN (s. 206AA):** higher of twice the rate, the specified rate, or **20%** (5% for 194-O/194Q). s. 206AB/206CCA (non-filers) **omitted from 1-4-2025**.
- **Deposit:** by the **7th** of the next month (March – **30 April**); Government deductors – same day without challan. **Interest u/s 201(1A):** 1% p.m. (not deducted) / 1.5% p.m. (deducted but not deposited). **Fee u/s 234E:** ₹200 per day for late TDS statements. Certificates: Form 16 (salary) by **15 June**; Form 16A quarterly.
- **Declarations u/s 197A** (Form 15G/15H) where income is below taxable limit (not for companies/firms).

11.3 TCS – s. 206C (F.Y. 2025-26)

Nature	Rate
Alcoholic liquor for human consumption; **scrap**; minerals (coal, lignite, iron ore)	1%
Tendu leaves	5%
Timber; other forest produce (not tendu)	2.5%
Parking lot, toll plaza, mining and quarrying (lease/licence)	2%
Motor vehicle of value > ₹10 lakh; notified **luxury goods** > ₹10 lakh (from 22-4-2025)	1%
LRS remittance – s. 206C(1G) – education financed by **loan from a financial institution**	**Nil**
LRS – education (own funds) or medical treatment	**5%** on amount exceeding **₹10 lakh** in the FY
Overseas tour programme package	5% up to ₹10 lakh; **20%** above
LRS – any other purpose	**20%** on amount exceeding **₹10 lakh**
s. 206C(1H) – sale of goods	**Omitted from 1-4-2025**

"Buyer" for TCS excludes public sector companies, Government, embassies, etc.; "seller" includes a firm irrespective of turnover. No PAN: higher of twice the rate or 5% (s. 206CC).

Chapter 12: Return of Income and Self-assessment

12.1 Who must file and due dates (A.Y. 2026-27)

- **Compulsory filing (s. 139(1)):** companies and firms (even with loss/nil income); individuals/HUF/AOP/BOI whose **total income before exemptions u/s 54–54GB/10(38) and before Chapter VI-A** exceeds the basic exemption limit; a resident with **foreign assets/signing authority** abroad; and any person who in the PY **deposited > ₹1 crore in current accounts**, spent **> ₹2 lakh on foreign travel**, paid **> ₹1 lakh electricity bills**, had business turnover **> ₹60 lakh**, professional receipts **> ₹10 lakh**, TDS/TCS **≥ ₹25,000** (₹50,000 senior citizen) or savings deposits **≥ ₹50 lakh**.

Assessee	Due date for A.Y. 2026-27
Company; person whose accounts must be audited; **working partner** of a firm requiring audit (and spouse covered by s. 5A)	**31 October 2026**
Assessee required to furnish a **transfer pricing** report (s. 92E)	30 November 2026
Any other assessee	**31 July 2026**

- **Belated return (s. 139(4))** and **revised return (s. 139(5))**: up to **31 December 2026** (3 months before the end of the AY) or before completion of assessment, whichever is earlier. **Fee u/s 234F**: ₹5,000 (₹1,000 if total income ≤ ₹5 lakh).
- **Updated return (s. 139(8A))** – within **48 months** from the end of the relevant AY (extended from 24 months by Finance Act 2025); additional tax **25% / 50% / 60% / 70%** of tax + interest if filed within 12 / 24 / 36 / 48 months. Cannot be filed for a loss return, to reduce tax, increase refund, or where search/survey/assessment proceedings are pending.
- **Return of loss (s. 139(3))**; **defective return (s. 139(9))** – rectify within 15 days of intimation; **Self-assessment tax (s. 140A)** – pay tax with interest before filing.
- **ITR forms: ITR-1 (Sahaj)** – resident individual (ROR) with total income ≤ **₹50 lakh** from salary, one house property, other sources (not casual income), agricultural income ≤ ₹5,000 and **LTCG u/s 112A up to ₹1,25,000**; ITR-2 (no business income); ITR-3 (business/profession); **ITR-4 (Sugam)** – presumptive income (ss. 44AD/44ADA/44AE), total income ≤ ₹50 lakh (resident individual/HUF/firm other than LLP); ITR-5 (firms, LLPs, AOPs); ITR-6 (companies); ITR-7 (trusts, political parties).
- **Signing (s. 140):** individual himself (or authorised person if absent/incapacitated); HUF – karta; company – MD (or any director); firm – managing partner; LLP – designated partner.

12.2 PAN and Aadhaar

- **s. 139A:** PAN to be obtained by persons with taxable income, turnover > ₹5 lakh, required to file returns, non-individual residents entering financial transactions ≥ ₹2,50,000, etc.; penalty **₹10,000** (s. 272B).
- **s. 139AA:** quote **Aadhaar**; PAN **inoperative** if not linked (fee ₹1,000 u/s 234H) – no refund or interest on refund during inoperative period; TDS/TCS at higher rates (relief by **Circular 9/2025** if made operative within the specified time).

Chapter 13: Computation of Total Income and Tax Liability under Alternative Tax Regimes

13.1 Steps

1. Determine **residential status** → scope of income.
2. Compute income under each **head** (applying the regime's exemptions/deductions).
3. Apply **clubbing**; set off current-year and brought-forward losses → **GTI**.
4. Deduct Chapter VI-A (optional regime; 80CCD(2)/80JJAA in default regime) → **total income** (rounded to ₹10).
5. Tax at slab rates on normal income + special rates on ss. 111A/112/112A/115BB incomes; less rebate u/s 87A; add surcharge; add **4% cess**; less TDS/TCS/advance tax → tax payable (rounded to ₹10).
6. Compare regimes and advise (individual without business – choose each year; with business – Form 10-IEA).

WORKED EXAMPLE **Comparing the regimes (A.Y. 2026-27) – verified in Python**

Mr. Kapil (45, resident), non-Government employee in Pune: basic ₹12,00,000; DA ₹2,40,000 (not forming part of retirement benefits); HRA ₹3,60,000 (rent paid ₹3,00,000); professional tax ₹2,500; employer's NPS contribution ₹1,20,000 (10% of basic). Let-out house – income ₹81,000 (as computed in Chapter 4); self-occupied house – interest on loan ₹2,00,000. Interest on FD ₹60,000 and on savings account ₹12,000. Investments: 80C ₹1,50,000; NPS u/s 80CCD(1B) ₹50,000; health insurance (self) ₹28,000.

Particulars	Optional regime (₹)	Default regime (₹)
Gross salary (12,00,000 + 2,40,000 + 3,60,000 + 1,20,000)	19,20,000	19,20,000
Less: HRA exempt – least of 3,60,000; 3,00,000 − 1,20,000; 40% × 12,00,000	(1,80,000)	–
Less: standard deduction	(50,000)	(75,000)
Less: professional tax	(2,500)	–
Income from salary	16,87,500	18,45,000
House property: let-out 81,000; SOP interest (2,00,000) – optional only	(1,19,000)	81,000
Other sources (60,000 + 12,000)	72,000	72,000
Gross total income	**16,40,500**	**19,98,000**
Less: 80C 1,50,000; 80CCD(1B) 50,000; 80CCD(2) 1,20,000; 80D 25,000; 80TTA 10,000	(3,55,000)	(1,20,000) – 80CCD(2) only
Total income	**12,85,500**	**18,78,000**
Tax on total income	1,98,150	1,75,600
Add: cess @ 4%	7,926	7,024
Tax liability (rounded)	**2,06,080**	**1,82,620**

Mr. Kapil should **stay in the default regime** (saving ₹23,460).

Chapter 14 (Section B – GST): GST in India – An Introduction

- **Article 246A** (101st Amendment Act, 2016) gives Parliament and State Legislatures concurrent power to levy GST; **Parliament exclusively** for **inter-State** supplies (IGST). **Article 269A** – IGST levied and collected by the Centre and apportioned. **Article 279A** – **GST Council** (Union FM – Chairperson; MoS Finance; State FMs). Decisions by **¾ majority** of weighted votes present and voting – Centre ⅓ weight, States together ⅔.
- **Dual GST:** intra-State supply – **CGST + SGST/UTGST**; inter-State supply and imports – **IGST** (imports – IGST under the Customs Tariff Act, s. 3(7)).
- **Outside GST:** alcoholic liquor for human consumption (State excise/VAT); **petroleum crude, HSD, petrol, natural gas, ATF** – GST to be levied from a date notified on Council recommendation (s. 9(2)); electricity – exempt. Tobacco – GST plus Central excise.
- **Article 366(12A)** – "goods and services tax" means any tax on supply of goods or services or both **except alcoholic liquor for human consumption**. Art. 366(26A) – services: anything other than goods. Art. 366(12) – goods include all materials, commodities and articles.
- Laws: CGST Act, 2017; IGST Act, 2017; UTGST Act, 2017; GST (Compensation to States) Act, 2017; SGST Acts of each State.
- Syllabus note: GST rates in questions are **hypothetical** – use the rate given in the question. Law as amended up to **30 June 2026** for Jan 2027 VERIFY.

Chapter 15: Supply under GST

15.1 Scope of supply – s. 7 CGST Act

s. 7(1)(a): all forms of supply of goods or services or both such as **sale, transfer, barter, exchange, licence, rental, lease or disposal** made or agreed to be made **for a consideration** by a person **in the course or furtherance of business**.

- **s. 7(1)(aa):** activities between a **person (other than an individual) and its members or constituents** for consideration (clubs, associations – retrospective from 1-7-2017).
- **s. 7(1)(b): import of services** for consideration, whether or not in the course or furtherance of business.
- **s. 7(1)(c): Schedule I** – supply **even without consideration**:

1. **Permanent transfer/disposal of business assets** on which ITC has been availed.
2. Supply between **related persons** or **distinct persons** (s. 25) in the course or furtherance of business – **gifts by employer to employee up to ₹50,000** in a year are **not** supply.
3. Supply of goods by a **principal to agent** (agent to supply on principal's behalf) or by agent to principal (agent receives on principal's behalf).
4. **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.

Schedule II – classifies activities as supply of goods or services:

Activity	Treated as
Transfer of **title** in goods	Goods
Transfer of title under an agreement that property passes at a **future date** on full payment (hire purchase)	Goods
Transfer of **right to use** goods / any transfer of goods **without transfer of title**	Services
Lease, tenancy, licence to occupy land/building	Services
Job work (treatment or process on another's goods)	Services
Business goods put to **private use** / for non-business purposes (for or without consideration)	Services
Renting of immovable property; construction of complex (except where entire consideration received after completion certificate/first occupation); IPR; IT software; **agreeing to refrain/tolerate**; **works contract**; **restaurant/catering** supply	Services
Supply of goods by an **unincorporated association/club** to members for consideration	Goods
Goods forming part of business assets transferred/disposed of by the business (for consideration or not)	Goods

Schedule III – neither goods nor services: (1) services by **employee to employer** in the course of employment; (2) services by **courts/tribunals**; (3) functions of MPs, MLAs, members of Panchayats/municipalities, constitutional posts, Chairpersons/members of statutory bodies (not as employees); (4) **funeral, burial, crematorium, mortuary** services; (5) **sale of land** and, subject to clause 5 of Schedule II, **sale of building**; (6) **actionable claims other than specified actionable claims** (betting, gambling, lottery, horse racing, online money gaming and casinos are taxable); (7) supply of goods from a place outside India to another place outside India without entering India; (8)(a) **high-sea sales** (before clearance for home consumption); (8)(b) supply of warehoused goods before clearance; **merchant trading** (non-taxable territory to non-taxable territory). From 2025 – **supply of goods warehoused in SEZ/FTWZ** to any person before clearance for exports or DTA is in Schedule III VERIFY.

s. 7(2): activities **notified** as neither supply – including activities of **Central/State Government or local authority as public authorities** (Schedule III/Notification); **s. 7(1A):** once something is a supply, Schedule II decides whether it is goods or services.

15.2 Composite and mixed supply – s. 2(30), 2(74), s. 8

	Composite supply	Mixed supply
Meaning	Two or more taxable supplies **naturally bundled** and supplied in conjunction with each other in the **ordinary course of business**, one being a **principal supply**	Two or more individual supplies made together for a **single price**, **not naturally bundled**
Tax treatment	Rate of the **principal supply**	**Highest rate** among the supplies
Example	Goods packed, transported and insured – goods principal; hotel accommodation with breakfast	Gift hamper of sweets, chocolates, dry fruits and juice for a single price

- **Works contract** and **restaurant service** are composite supplies deemed to be **services** (Schedule II).

Chapter 16: Charge of GST

16.1 Levy – s. 9 CGST, s. 5 IGST

- CGST on **intra-State** supplies at rates notified (max **20%**); IGST on **inter-State** supplies (max **40%**). Value u/s 15. Paid by the **taxable person**.
- **s. 9(3) – Reverse charge (notified categories):** recipient pays tax (see table). **s. 9(4)** – specified classes of registered recipients for supplies from **unregistered** persons (e.g. promoters buying goods/services for real estate projects to make up the 80% shortfall). **s. 9(5)** – **electronic commerce operator (ECO)** liable as if supplier for notified services: passenger transport by radio taxi/motor cab/motorcycle; hotel/accommodation services (unless supplier is registered); housekeeping (plumbing, carpentry, unless supplier registered); **restaurant services** through ECO (from 1-1-2022).

Service (s. 9(3) – key items)	Supplier	Recipient liable
GTA (goods transport agency) – where GTA has not opted for forward charge @ 12%/5%	GTA	Factory, society, co-operative society, registered person, body corporate, partnership firm, casual taxable person (located in taxable territory)
Legal services by an individual advocate/firm of advocates	Advocate	Any business entity in taxable territory (with turnover above threshold of the preceding FY)
Arbitral tribunal services	Arbitral tribunal	Business entity
Sponsorship services	Any person	Body corporate or partnership firm
Services by **Government/local authority** to a business entity (other than postal, transport of goods/passengers, airport/port services and renting of immovable property to **unregistered** persons); includes renting of immovable property to a **registered** person	Government	Business entity
Renting of residential dwelling to a registered person	Any person	Registered person
Renting of commercial immovable property by an **unregistered** person to a registered person (from 10-10-2024) VERIFY	Unregistered person	Registered person (other than composition taxpayer – later excluded) VERIFY
Services of a **director** to the company/body corporate (not as employee)	Director	Company / body corporate
Insurance agent services	Insurance agent	Insurance company
Recovery agent services	Recovery agent	Banking company / FI / NBFC
Transfer of **copyright** by author, music composer, photographer, artist (literary, dramatic, musical, artistic works)	Author etc.	Publisher, music company, producer (unless author opts to pay)
Security services (supply of security personnel) by a person other than body corporate	Any person other than body corporate	Registered person (not composition taxpayer)
Services of a **business facilitator** / **agent of business correspondent**	BF / BC agent	Banking company / BC
Import of services from a person in a non-taxable territory (IGST)	Overseas supplier	Recipient in India

- **Goods under RCM (s. 9(3)):** cashew nuts (not shelled/peeled), bidi wrapper leaves, tobacco leaves, silk yarn, raw cotton (by agriculturist), supply of lottery (distributor), used vehicles/seized goods by Government, **metal scrap by unregistered person to registered person (from 10-10-2024)** VERIFY.

16.2 Composition levy – s. 10

- **Eligibility:** registered person whose **aggregate turnover in the preceding FY ≤ ₹1.5 crore** (**₹75 lakh** in special category States – Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura). A composition supplier may also supply **services** (other than restaurant) up to **10% of turnover in the preceding FY or ₹5 lakh**, whichever is higher.
- **Not eligible:** suppliers of **services** (other than restaurant services – except under s. 10(2A)); supplier of goods **not leviable** to GST; **inter-State outward** suppliers; suppliers of **services** through an **ECO required to collect TCS u/s 52** (intra-State supply of **goods** through ECO allowed from 1-10-2023); **casual taxable person/non-resident taxable person**; manufacturers of **notified goods** (ice cream, pan masala, tobacco, aerated water, fly ash bricks, tiles etc.).
- **Rates (CGST + SGST):** manufacturers **1% + 1%**; restaurant service **2.5% + 2.5%**; other suppliers (traders) **0.5% + 0.5%** of turnover in the State (traders on turnover of **taxable** supplies). **s. 10(2A)** – service providers/mixed suppliers with turnover ≤ **₹50 lakh** – **3% + 3%**.
- **Conditions:** no ITC; cannot collect tax from recipient; issue **bill of supply**; mention "composition taxable person, not eligible to collect tax on supplies" on bill and signboard; pay tax under **RCM** at normal rates; all registrations under the **same PAN** must opt. Return: **CMP-08** (quarterly statement-cum-challan by 18th) and **GSTR-4** annual (by **30 April**). Intimation for opting: **CMP-02** before the start of the FY.
- Validity: ceases from the day turnover exceeds the limit; ITC on stock can be claimed on exit (ITC-01 within 30 days).

Chapter 17: Exemptions from GST

- **s. 11** – power to exempt **absolutely** (registered person cannot pay tax) or **conditionally** by notification; **special order** in exceptional circumstances (not by notification).

Key exempt services (Notification 12/2017-CT(R)):

Category	Exempt services
Charitable & religious	Charitable activities by entities registered u/s 12AA/12AB; conduct of **religious ceremony**; renting of precincts of a religious place by a charitable/religious trust – rooms **< ₹1,000 per day**, shops **< ₹10,000 per month**, community halls **< ₹10,000 per day**
Agriculture	Cultivation, harvesting, supply of farm labour, warehousing of **agricultural produce**, renting of agro machinery, loading/unloading/packing/storage of agricultural produce, services by APMCs; **pre-conditioning, pre-cooling, ripening, waxing**
Education	Services by an **educational institution** to students, faculty, staff; to an educational institution – **transport of students/staff, catering (including mid-day meals), security, cleaning, housekeeping** (up to higher secondary), **admission/examination** services (all levels); online educational journals/periodicals to educational institutions
Health care	**Health care services** by a clinical establishment, authorised medical practitioner or paramedics (**room charges > ₹5,000 per day other than ICU/CCU/ICCU/NICU taxable**); veterinary clinic services; **cord blood bank** preservation of stem cells; transportation of patients in ambulance
Transport (passengers)	**Metro, monorail**; public transport (except tourism/charter) by **railways in non-AC class**, inland waterways, non-AC contract carriage; **stage carriage** other than AC; ferry; **air from/to North-East/Bagdogra** (economy class); air transport to/from airports in the North-East
Transport (goods)	By **road** – except GTA and courier; by **rail/vessel** of specified items: relief materials, defence equipment, newspapers, agricultural produce, milk, salt, food grains (pulses, rice, flour), organic manure; **GTA** – where consideration for a single carriage **≤ ₹1,500**, or for a single consignee in a single carriage **≤ ₹750**; GTA services to **unregistered** persons/Government departments (not registered for taxable supplies)
Government	Services by Government/local authority – except postal services (speed post, express parcel, life insurance, agency services), services for **vessels/aircraft** at ports/airports, transport of goods/passengers, and **business entities** (exempt if turnover ≤ threshold, or consideration **≤ ₹5,000** per service – not for renting of immovable property); services to Government in relation to **Panchayat/Municipality functions** under Articles 243G/243W (pure services and composite supplies with goods ≤ 25%)
Financial	**Interest/discount** on deposits, loans or advances (not credit card interest); **life micro-insurance** (sum assured ≤ ₹2 lakh); specified insurance schemes (PMJJBY, PMSBY, Jan Arogya etc.); **inter-bank foreign exchange**; services by RBI; services of **pension fund** management (NPS); **reinsurance** of exempt schemes
Residential/hotel	**Renting of residential dwelling for use as residence** (except to a **registered person** – RCM; but exempt where a proprietor of a registered proprietorship rents it in personal capacity for own residence); **accommodation services** (hostel, PG etc.) of value **≤ ₹20,000 per month per person** for a continuous period of **≥ 90 days** (from 15-7-2024)
Sports, arts, culture	Services by an artist in **folk or classical art forms** – consideration **≤ ₹1,50,000** per performance (not as brand ambassador); training/coaching in **recreational activities** relating to arts, culture or sports by charitable entities; **right to admission to museum, national park, zoo, monuments** (ASI), sporting events (recognised bodies, ≤ ₹500 per person – circus, dance, theatre etc.)
Legal	Services by an **arbitral tribunal / advocate / senior advocate** to (a) any person other than a business entity, (b) a business entity with aggregate turnover **up to ₹20 lakh** (₹10 lakh special category) in the preceding FY
Others	Services by an **unincorporated body/non-profit entity** to own members – reimbursement of charges/contribution **≤ ₹7,500 per month per member** for housing society; **slaughtering of animals**; services by **Foreign diplomatic mission**; **Business facilitator/correspondent** to banks for rural branches; **Transmission/distribution of electricity**; testing for students; **leasing of plots** by State Industrial Development Corporations (upfront amount); services by **individual tour guides**

Exempt goods (Notification 2/2017-CT(R)) – key: fresh fruits, vegetables, milk, curd, eggs (not branded/pre-packaged and labelled), unpacked food grains/flour/pulses, salt, **fresh** meat/fish, live animals (other than horses), natural honey (unpacked), bread (not pizza bread), **human blood**, contraceptives, printed books, newspapers, **judicial/non-judicial stamp papers**, kajal, bangles (not precious metal), earthen pots, handloom, puja samagri, Khadi from KVIC outlets. Pre-packaged and labelled food items (≤ 25 kg) are **taxable** (from 18-7-2022).

Chapter 18: Classification and Place of Supply (Basic Concepts)

18.1 Classification

- **Goods** are classified under the **HSN** (Harmonised System of Nomenclature) in the Customs Tariff; **services** under the **Scheme of Classification of Services (SAC)** – Chapter 99. The rate notification is read with the HSN/SAC; the **General Rules for the Interpretation** of the tariff apply.
- Rule order: **(1)** headings and section/chapter notes; **(2)(a)** incomplete or unassembled articles take the classification of the complete article; **(2)(b)** mixtures; **(3)(a)** the most **specific** description wins; **(3)(b)** mixtures/composite goods – the material giving **essential character**; **(3)(c)** the heading that occurs **last** in numerical order; **(4)** the goods they are **most akin** to.
- **Services:** the most specific description is preferred; for composite supply, classify by the **principal supply**.

18.2 Inter-State vs intra-State (IGST ss. 7, 8)

- **Inter-State:** supplier location and place of supply are in **different States/UTs**; **imports** into India (till they cross the customs frontier); supplies **to or by an SEZ** developer/unit; supplies to **international tourists** who are taking goods out of India; supplies in the taxable territory not otherwise covered.
- **Intra-State:** supplier location and place of supply in the **same** State/UT. **Hotel accommodation**/services in a State with **SEZ** – inter-State only if supplied to the SEZ unit.
- **Zero-rated supply (IGST s. 16): exports** of goods/services and supplies **to SEZ** units/developers – supplier may (a) supply under **LUT/bond without IGST** and claim refund of unutilised ITC, or (b) pay IGST and claim refund.
- **Examiner's note:** where the question does **not** give details to determine the place of supply, treat the supply as **inter-State** (as stated in ICAI questions).

18.3 Place of supply of goods (IGST s. 10 – supplies within India)

Situation	Place of supply
Supply involves **movement** of goods	Location where **movement terminates** for delivery to the recipient
Bill-to-ship-to – goods delivered to a third person on the direction of the buyer	**Principal place of business of the person on whose direction** the goods are delivered (the buyer)
No movement of goods	Location of the goods at the time of **delivery**
Goods **assembled or installed** at site	Place of **installation/assembly**
Goods supplied **on board a conveyance** (vessel, aircraft, train, motor vehicle)	Location where the goods are **taken on board**

18.4 Place of supply of services (IGST s. 12 – supplier and recipient both in India)

Service	Registered recipient	Unregistered recipient
General rule	Location of the **recipient**	Address on record; else location of the **supplier**
Immovable property – including **hotel/accommodation**, house boat, architects, interior decorators, property valuers, construction	Location of the **property** (if outside India – location of recipient); **property in more than one State** – supply in each State **proportionately** (e.g. by number of nights stayed / area)	Same
Restaurant, catering, personal grooming, fitness, beauty, health services	Where **actually performed**	Same
Training and performance appraisal	Location of recipient	Where performed
Admission to cultural, artistic, sporting, scientific, educational or entertainment events, amusement parks	Place where the **event is held**	Same

Service	Registered recipient	Unregistered recipient
Organisation of such events (including ancillary services, sponsorship)	Location of recipient	Where the event is held (if held outside India – location of recipient)
Transportation of goods (including mail, courier)	Location of recipient	Location where goods are **handed over** for transportation
Passenger transportation	Location of recipient	Place where the passenger **embarks** for a continuous journey
Services **on board a conveyance**	Location of the **first scheduled point of departure** of the conveyance	Same
Banking and financial services (including stock broking)	Location of recipient on supplier's records; else location of supplier	Same
Insurance	Location of recipient	Location of recipient on supplier's records
Advertisement to Central/State Government, statutory body, local authority covering several States	Each State where the advertisement is broadcast/run, **proportionately**	–

REMEMBER **Two numerical traps (ICAI RTP Jan 2027)**

(1) A hotel package covering properties in two or more States with no city-wise break-up – split the consideration in the **ratio of the number of nights** stayed in each State, and tax each part as intra-State supply in that State. (2) A GTA service to a Government department **registered only for TDS u/s 51** is treated as supplied to an **unregistered** person for the GTA exemption – it is **exempt** (GTA services to unregistered persons are exempt).

Chapter 19: Time of Supply

19.1 Goods – s. 12

- **Forward charge: earlier** of (a) **date of issue of invoice** or the last date by which the invoice should have been issued u/s 31; (b) date of **receipt of payment** – but under **Notification 66/2017**, a supplier of **goods** (other than composition) pays tax on **advances** only when the invoice is issued, so **time of supply of goods = invoice date** (or due date of invoice) in practice.
- **Reverse charge (s. 12(3)):** earliest of (a) date of **receipt of goods**; (b) date of **payment** (entered in books or debited in bank, whichever earlier); (c) date immediately after **30 days** from the date of issue of invoice by the supplier. If none can be determined – date of entry in the recipient's books.
- **Vouchers (s. 12(4)):** date of issue if the supply is identifiable; else date of redemption. **Residual (s. 12(5)):** due date of return or date of payment of tax. **Interest, late fee, penalty for delayed payment (s. 12(6)):** date of receipt of such addition.

19.2 Services – s. 13

- **Forward charge:** (a) invoice issued **within 30 days** (45 days for banks/insurers/NBFCs) of supply – **earlier of invoice date and payment date**; (b) invoice **not** issued in time – **earlier of date of provision of service and date of payment**; (c) neither applies – date of receipt of service by the recipient (entry in books). **Advance up to ₹1,000** in excess of invoice amount – supplier may opt for invoice date.
- **Reverse charge (s. 13(3)):** earlier of (a) date of **payment**; (b) date immediately after **60 days** from the date of the supplier's invoice. **Associated enterprises** (supplier outside India) – earlier of entry in the recipient's books and date of payment.
- Vouchers, residual and interest/late fee – same as goods.

19.3 Change in rate of tax – s. 14

Supply completed	Invoice	Payment	Time of supply
Before change	After	After	Earlier of invoice and payment → **new rate**
Before	Before	After	Invoice → **old rate**
Before	After	Before	Payment → **old rate**
After change	Before	After	Payment → **new rate**
After	Before	Before	Earlier → **old rate**
After	After	Before	Invoice → **new rate**

Rule of thumb: if **two of the three events** fall after the change, the **new rate** applies; if two fall before, the **old rate**. Date of receipt of payment = **earlier** of entry in books and credit in bank (if credited after 4 working days of change – date of credit).

Chapter 20: Value of Supply

20.1 Transaction value – s. 15(1)

Value = **transaction value** (price actually paid or payable) where supplier and recipient are **not related** and **price is the sole consideration**.

Includes (s. 15(2)):

1. Taxes, duties, cesses, fees and charges under any law **other than GST** (and GST compensation cess if charged separately by supplier) – e.g. **excise duty on tobacco**, municipal fee; excludes GST itself.
2. Any amount the supplier is liable to pay but **incurred by the recipient** and not included in the price.
3. **Incidental expenses** – commission, packing, and anything charged by the supplier at the time of or before delivery.
4. **Interest, late fee or penalty** for delayed payment of consideration.
5. **Subsidies directly linked to the price** – except subsidies by **Central/State Governments** (Government subsidies excluded).

Discounts excluded (s. 15(3)): (a) given **before or at the time of supply** and **recorded in the invoice**; (b) post-supply discount – established by an **agreement entered into before or at the time of supply**, specifically linked to relevant invoices, and **ITC reversed** by the recipient (via credit note). Cash discount not as per prior agreement – **not deductible**. **Circular 251/08/2025-GST (12-9-2025):** a post-sale discount by a manufacturer to its dealer under a pre-agreed scheme is **not consideration for a separate service** by the dealer (merely reselling is not promotion); it becomes consideration for a **service** only where the dealer undertakes specific activities (co-branded advertising, customised campaigns, exhibitions) under an agreement; where it is passed on to enable a lower price to a **specific end customer** under an agreement, it may be **third-party consideration** for the dealer's supply to that customer VERIFY.

Pure agent (Rule 33): expenses incurred as a **pure agent** of the recipient (e.g. stamp duty, registration fees paid by a CA on behalf of client) are **excluded** if – contractual agreement, no title to goods/services, not used for own interest, separately indicated in the invoice, recovered at actual cost.

20.2 Valuation rules – where transaction value cannot be used (Rules 27–35)

Rule	Situation	Value
27	Consideration **not wholly in money**	Open market value; else money + money-equivalent of non-monetary consideration; else value of like kind and quality; else cost + 10% / residual
28	**Related / distinct persons** (other than agents)	OMV; or like kind; or **cost + 10%**; **if recipient is eligible for full ITC – invoice value deemed OMV**
29	Supply through an **agent**	OMV, or at the option of the supplier **90% of price charged by the recipient** to its unrelated customers (where recipient supplies like kind and quality)
30	Based on cost	**110% of cost** of production/acquisition
31	**Residual**	Reasonable means consistent with s. 15
31A	**Lottery, betting, gambling, horse racing**	Lottery – 100/128 of face value or notified price (higher); betting/gambling/horse racing – **100% of face value of bet** or amount paid into the totalisator
31B / 31C	**Online gaming** / **actionable claims in casinos**	**Total amount paid or payable** to/deposited with the supplier (not winnings returned); casino – amount paid for chips/tokens
32(2)	**Money changer** (purchase/sale of foreign currency)	Buying-selling rate difference × units; if RBI reference rate not available – **1% of gross amount** of INR provided or received; alternatively flat 1% up to ₹1 lakh (min ₹250), ₹1,000 + 0.5% (₹1–10 lakh), ₹5,500 + 0.1% (> ₹10 lakh, max ₹60,000)
32(3)	Air travel agent	**5% of basic fare** (domestic), **10%** (international)
32(4)	Life insurance	Gross premium – investment/savings portion; single premium annuity – 10% of premium; others – **25% of first-year premium, 12.5% of subsequent years**
32(5)	**Second-hand goods** dealer (no ITC availed)	**Selling price – purchase price** (negative ignored)

Rule	Situation	Value
32(6)	**Token, voucher, coupon** redeemable against supply	Money value of goods/services redeemable
35	Value **inclusive of tax**	Tax = value × rate ÷ (100 + rate)

WORKED EXAMPLE **Value of supply – verified in Python**

Raghav Electricals (registered, Maharashtra) sells machines to Sahil Traders (Gujarat) for a list price of ₹5,00,000, with a 2% trade discount shown in the invoice. Also charged: packing ₹8,000; transport by the supplier till the buyer's premises ₹12,000 (charged separately); municipal tax ₹3,000; late-payment interest received later ₹2,500. A State Government subsidy of ₹20,000 was received linked to the price. IGST @ 18% (hypothetical).

Particulars	₹
List price	5,00,000
Less: trade discount 2% (in invoice)	(10,000)
Add: packing (incidental)	8,000
Add: transport charged by supplier (composite supply – principal: machine)	12,000
Add: municipal tax (other than GST)	3,000
Government subsidy – **not** included	–
Value of supply	**5,13,000**
IGST @ 18%	**92,340**

The interest of ₹2,500 is a separate supply valued at ₹2,500 when received (IGST ₹450).

Chapter 21: Input Tax Credit

21.1 Eligibility and conditions – s. 16

- **Registered person** may take ITC on inputs, input services, capital goods **used or intended to be used in the course or furtherance of business**.
- **Conditions (s. 16(2)):** (a) possession of **tax invoice/debit note**; (aa) details furnished by the supplier in **GSTR-1** and communicated in **GSTR-2B**; (ba) not restricted in GSTR-2B (s. 38); (b) **goods/services received** (including "bill-to-ship-to" – deemed received when delivered to a third person on direction; goods received in **lots** – credit on the last lot); (c) tax **actually paid** to the Government by the supplier; (d) **return u/s 39 furnished**.
- **Payment to supplier within 180 days** from the invoice date – else ITC **reversed** with interest; re-availed on payment (not for RCM/deemed supplies).
- **Time limit (s. 16(4)): 30 November** following the end of the FY to which the invoice relates, or date of filing of **annual return**, whichever is earlier.
- **Depreciation claimed on the tax component** – ITC not allowed (s. 16(3)).

21.2 Blocked credits – s. 17(5)

1. **Motor vehicles for transport of persons with seating capacity ≤ 13** (including driver) – **except** when used for (i) further supply of such vehicles, (ii) transport of passengers, (iii) imparting training on driving; vessels and aircraft – same exceptions, plus transport of goods. Related **general insurance, servicing, repair and maintenance** blocked likewise (allowed to manufacturer of vehicles and insurers of such vehicles).
2. **Leasing, renting or hiring** of such motor vehicles, vessels, aircraft – blocked except as above or where obligatory under law for employer.
3. **Food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, life insurance, health insurance** – blocked **except** (a) for making outward taxable supply of the same category or as part of a composite/mixed supply, or (b) **obligatory for an employer** to provide to employees under any law.
4. **Membership of a club, health and fitness centre**; **travel benefits to employees on vacation (LTC/home travel)** – blocked (except obligatory under law).
5. **Works contract service** for **construction of an immovable property** (other than plant and machinery) – except where input service for further supply of works contract.
6. Goods/services received for **construction of immovable property on own account** (other than plant and machinery), even when used in furtherance of business ("plant **or** machinery" read as "plant and machinery" – Finance Act 2025, retrospective from 1-7-2017).
7. Goods or services on which tax paid under **composition** (s. 10).
8. Goods or services received by a **non-resident taxable person** (except imported goods).
9. Goods or services used for **personal consumption**.
10. Goods **lost, stolen, destroyed, written off or disposed of by way of gift or free samples**.
11. Tax paid under **ss. 74, 129, 130** (fraud demand, detention, confiscation).
12. **CSR expenditure** (s. 135 of Companies Act) – blocked.

"**Plant and machinery**" = apparatus, equipment, machinery fixed to earth by foundation/structural support, used for making outward supplies (including foundation) – **excludes** land, building, civil structures, **telecommunication towers**, pipelines laid outside the factory premises.

21.3 Apportionment – s. 17(1), (2) and Rule 42/43

- Where goods/services are used partly for business and partly for other purposes / partly for taxable and partly for **exempt supplies** – credit attributable to business/taxable supplies only.
- **Rule 42 (inputs and input services):** T (total ITC) → T1 (exclusively non-business), T2 (exclusively exempt), T3 (blocked u/s 17(5)) → C1 = T – (T1+T2+T3); T4 (exclusively taxable) → **C2 = C1 – T4** (common credit); **D1 = (E ÷ F) × C2** reversed (E = exempt turnover, F = total turnover of the State); **D2 = 5% of C2** (non-business) reversed; eligible common credit C3 = C2 – D1 – D2. Final adjustment by **September return** of next FY.
- **Exempt supply includes** non-taxable supplies (alcohol, petroleum), **sale of land and completed building** (Schedule III para 5) and **securities** (value = 1% of sale value); it **excludes** the other Schedule III activities,

interest on deposits/loans/advances (except for banks and financial institutions) and **zero-rated exports**.

- **Rule 43 (capital goods):** common capital goods credit **credited to the electronic credit ledger** and the portion attributable to exempt supplies reversed monthly – useful life **5 years**; Tm = ITC ÷ 60; Te = (E ÷ F) × Tr.

21.4 Special circumstances – s. 18

- **New registration / composition exit / becoming liable:** ITC on inputs in stock, semi-finished and finished goods on the **day before** the liability date (application within 30 days); capital goods – reduced by **5 percentage points per quarter**.
- **Switch to composition / supplies become exempt:** reverse ITC on stock and capital goods (cap goods – ITC less 5% per quarter).
- **Sale of capital goods (s. 18(6)):** pay the **higher of** (a) ITC on capital goods reduced by **5 percentage points per quarter** or part thereof, and (b) tax on the **transaction value**.
- **Change in constitution** (merger, sale, amalgamation, transfer of business) – unutilised ITC transferred (ITC-02).

21.5 Utilisation of ITC – s. 49, 49A, 49B; Rule 88A

Credit of	Used first for	Then	Then	Not for
IGST	IGST	**CGST and SGST/UTGST in any order/proportion**	–	–
CGST	CGST	IGST	–	**SGST/UTGST**
SGST/UTGST	SGST/UTGST	IGST (only after CGST credit exhausted)	–	**CGST**

- **IGST credit must be fully exhausted** before using CGST/SGST credit.
- ITC cannot be used to pay **RCM tax, interest, penalty, late fee** – only via the **electronic cash ledger**.
- **Rule 86B:** registered person with taxable supplies **> ₹50 lakh** in a month cannot use ITC to discharge **more than 99%** of output tax (exceptions: income-tax > ₹1 lakh paid in each of the last two years, refunds > ₹1 lakh, tax paid in cash > 1% etc.).

WORKED EXAMPLE **Minimum cash liability – verified in Python**

Output tax: IGST ₹1,20,000, CGST ₹80,000, SGST ₹80,000. Opening ITC: IGST ₹1,50,000, CGST ₹40,000, SGST ₹30,000.

Step 1 – IGST credit ₹1,50,000: IGST ₹1,20,000; balance ₹30,000 used for SGST ₹30,000 (choose the head with higher shortfall).

Step 2 – CGST credit ₹40,000 against CGST → CGST balance ₹40,000. SGST credit ₹30,000 against SGST → SGST balance ₹20,000.

Cash payable: IGST nil, CGST ₹40,000, SGST ₹20,000 – total ₹60,000 (= total output ₹2,80,000 – total credit ₹2,20,000, the minimum possible).

Chapter 22: Registration

22.1 Persons liable – ss. 22, 24

- **s. 22 – threshold (aggregate turnover in a FY):**

Supplier	Threshold
Exclusively **goods** (opted under Notification 10/2019) – other than Special category	**₹40 lakh**
Goods – Manipur, Mizoram, Nagaland, Tripura	**₹10 lakh**
Services, or goods & services – general category	**₹20 lakh**
Services – special category States (Manipur, Mizoram, Nagaland, Tripura)	**₹10 lakh**
Goods – Arunachal Pradesh, Meghalaya, Sikkim, Puducherry, Telangana, Uttarakhand (opted for ₹20 lakh)	**₹20 lakh**

₹40 lakh limit not available for suppliers of ice cream, pan masala, tobacco products, fly ash bricks, sand lime bricks, stone inlay work.

- **Aggregate turnover (s. 2(6)):** aggregate value of all **taxable** supplies, **exempt** supplies (which include **non-taxable** supplies such as alcohol and petrol, and exempt interest on deposits/loans), **exports** and **inter-State** supplies of persons having the **same PAN**, computed on an all-India basis; it **excludes** CGST, SGST/UTGST, IGST and compensation cess and the value of **inward supplies taxed under reverse charge**. Supplies made by a **job worker** on behalf of the principal are included in the **principal's** turnover.
- **s. 24 – compulsory registration irrespective of threshold:** (i) **inter-State taxable supply** of **goods** (services – exempt up to threshold; handicraft goods exempt up to threshold); (ii) **casual taxable persons**; (iii) persons liable under **reverse charge**; (iv) **ECOs** liable u/s 9(5); (v) **non-resident taxable persons**; (vi) persons required to **deduct TDS u/s 51**; (vii) **agents** supplying on behalf of others; (viii) **Input Service Distributor**; (ix) persons supplying through an **ECO required to collect TCS** (except services below threshold; goods – intra-State through ECO, subject to conditions, from 1-10-2023); (x) **every ECO** required to collect TCS; (xi) **OIDAR** service providers from outside India to non-registered recipients in India.
- **s. 23 – not liable:** person exclusively supplying **exempt/non-taxable** goods or services; **agriculturist** for supply of produce from cultivation of land; persons making only **RCM-taxable** supplies (where recipient is liable).

22.2 Procedure – s. 25 and Rules 8–26

- Apply within **30 days** of becoming liable (**casual/non-resident taxable person – at least 5 days before** commencing business) in **REG-01**, after PAN verification; **Aadhaar authentication** or biometric at a **GST Suvidha Kendra** for high-risk applicants; physical verification if needed.
- **Approval:** within **7 working days** (if Aadhaar authenticated); **30 days** where physical verification/no Aadhaar authentication; deemed approval if no action. Certificate **REG-06**; **GSTIN** – 15 characters (2 State code + 10 PAN + entity number + Z + checksum).
- **Separate registration** for each **State/UT** where liable; **separate registration** for each **place of business** within a State optional (distinct persons).
- **Casual taxable person / non-resident taxable person:** registration valid for **90 days** (extendable by 90 days); advance deposit of **estimated tax liability**.
- **Voluntary registration (s. 25(3))** – treated as a regular registered person.
- **Rule 14A – simplified registration (from 1-11-2025):** an applicant who determines that its output tax on supplies to **registered persons** will not exceed **₹2.5 lakh per month** (CGST + SGST/UTGST + IGST + cess) may opt in REG-01; registration is granted **electronically within 3 working days** after Aadhaar authentication; only **one registration per PAN per State** under this option; withdrawal by application in REG-32 VERIFY.
- **Unregistered suppliers of goods through an ECO** (Notification 34/2023, from 1-10-2023) are exempt from registration if: aggregate turnover is within the threshold; **no inter-State** supply; supply through ECO in **only one State/UT**; they have a **PAN**; they declare place of business and State on the portal; and they obtain an **enrolment number**.
- **Amendment (s. 28):** core fields (name, address of principal place, partners/directors) – approved by officer within **15 working days**; non-core – self-amendment.

- **Cancellation (s. 29):** by the person on **discontinuance**, transfer, amalgamation, change in constitution (new PAN), no longer liable; by the officer for **contravention**, non-filing of returns for a continuous period of **6 months** (monthly filers) / **2 tax periods** (QRMP); composition taxpayer – annual return not filed for **3 months** beyond its due date, voluntary registrant not commencing business within 6 months, registration obtained by **fraud**. **Final return (GSTR-10)** within **3 months** of cancellation; pay tax on stock and capital goods (higher of ITC and tax on transaction value).
- **Revocation (s. 30):** apply within **30 days** of service of the cancellation order (extendable by up to **180 days** by the appropriate authority).
- **Suspension (Rule 21A):** during pendency of cancellation proceedings – no taxable supplies, no refund.

Chapter 23: Tax Invoice, Credit and Debit Notes

23.1 Tax invoice – s. 31

Supply	Time of issue
Goods – involving movement	**Before or at the time of removal** of goods
Goods – other cases	Delivery / making available to the recipient
Continuous supply of goods (successive statements/payments)	Before or at the time each statement is issued or payment received
Services	**Within 30 days** of supply (**45 days** for insurance, banking, NBFC); banks/telecom/insurers for distinct persons – before or at the time of recording in books or before the expiry of the quarter
Continuous supply of services	Due date of payment ascertainable – on/before due date; not ascertainable – on/before receipt of payment; linked to milestone – on/before completion of milestone
Goods sent on approval / sale or return	Earlier of supply or **6 months** from removal
RCM supply from unregistered person	Recipient issues **self-invoice** within **30 days** of receipt of goods/services (from 1-11-2024) VERIFY

- **Bill of supply** – for **exempt** supplies or by **composition** dealers (instead of tax invoice). **Revised tax invoice** – within **1 month** of the date of registration for supplies made between the effective date and grant of registration. **Receipt voucher** on advance; **refund voucher** if no supply; **payment voucher** for RCM.
- **Consolidated invoice:** invoice **not required** where value **< ₹200** and recipient unregistered (consolidated invoice at end of day).
- **Copies:** goods – **triplicate** (original for recipient, duplicate for transporter, triplicate for supplier); services – **duplicate**.
- **Particulars (Rule 46):** name, address, GSTIN of supplier; consecutive serial number (up to **16 characters**, unique for the FY); date; recipient's name, address, GSTIN (if registered); **HSN/SAC** (turnover ≤ ₹5 crore – 4 digits for B2B; > ₹5 crore – 6 digits); description, quantity, value, taxable value, rate and amount of tax; **place of supply** (with State name for inter-State); address of delivery; whether tax is payable on reverse charge; signature (not required for e-invoice).
- **E-invoicing (Rule 48(4))** – mandatory for B2B and export invoices if **aggregate turnover in any FY from 2017-18 > ₹5 crore**; report to IRP within **30 days** of invoice date for taxpayers with turnover ≥ ₹10 crore VERIFY. Exempt: SEZ units, insurers, banks/NBFCs, GTA, passenger transport, cinema admission, Government departments.

23.2 Credit and debit notes – s. 34

- **Credit note** – where taxable value/tax charged in the invoice **exceeds** the actual, or goods **returned**, or services found **deficient**. Declare in the return for the month in which issued, **not later than 30 November** following the end of the FY, or the date of the annual return, **whichever is earlier**; output tax reduction allowed only if the **recipient has not taken ITC** or has reversed it.
- **Debit note** – where taxable value/tax charged is **less** than actual. No time limit for declaration; recipient's ITC on a debit note – time limit u/s 16(4) linked to the **date of the debit note** (not the original invoice).
- One credit/debit note may cover **multiple invoices** (Finance Act 2022).

Chapter 24: Accounts and Records; E-way Bill

24.1 Accounts and records – s. 35, 36; Rules 56–58

- Kept at the **principal place of business** (and each additional place); records of production/manufacture, inward/outward supply, stock, ITC, output tax, payable/paid tax. Electronic records allowed.
- **Retention: 72 months** from the due date of the **annual return** for the year; where the person is party to an appeal/proceedings – **1 year after final disposal** or 72 months, whichever later.
- **Owner/operator of warehouse/godown** and **transporters** must maintain records; transporters (not registered) obtain an **enrolment number**.
- If accounts not maintained – goods not accounted are deemed **supplied**, and tax determined (ss. 73/74).

24.2 E-way bill – s. 68, Rule 138

- Required for **movement of goods** of consignment value **> ₹50,000** (inclusive of tax, excluding value of exempt goods) – (i) in relation to supply, (ii) for reasons other than supply (e.g. job work, return), (iii) inward supply from **unregistered** person.
- **Mandatory irrespective of value:** inter-State movement of goods by a **principal to job worker**; inter-State transport of **handicraft goods** by a dealer exempt from registration.
- **Part A** (details of goods, GSTIN, place of delivery, invoice number, value, HSN, reason) – by supplier/recipient/transporter; **Part B** (vehicle number) – by transporter. Movement within **50 km** to/from transporter's place – Part B need not be filled.
- **Validity: 1 day per 200 km** or part (normal cargo); over-dimensional cargo – 1 day per 20 km. Extension within **8 hours** before/after expiry. Validity counted from the time Part B is first updated; ends at **midnight** of the last day.
- **Cancellation** within **24 hours** of generation (if not verified in transit). **Acceptance/rejection** by recipient within **72 hours**.
- **Not required:** non-motorised conveyance; goods from port/airport/ICD to customs station; goods under customs bond; **Schedule III** transactions, goods exempt (fresh fruits/vegetables, LPG, kerosene, jewellery, currency, used household effects, **empty cargo containers**); **defence** goods; movement within 20 km to weighbridge with delivery challan VERIFY.
- **Generation blocked** if returns (GSTR-3B/CMP-08) not filed for **2 consecutive tax periods**. Documents in transit: invoice/bill of supply/delivery challan + e-way bill (physical or RFID/EWB number).
- **Detention/seizure (s. 129):** goods released on penalty of **200% of tax** (owner comes forward) or higher of 50% of value / 200% of tax (owner does not come forward) VERIFY.

Chapter 25: Payment of Tax; TDS and TCS under GST

25.1 Electronic ledgers – s. 49

Ledger	Content
Electronic cash ledger	Deposits via PMT-06 challan (net banking, NEFT/RTGS, OTC up to **₹10,000** per challan); used for **tax, interest, penalty, fee**
Electronic credit ledger	Self-assessed ITC; used only for **output tax** (not RCM, interest, penalty, fee)
Electronic liability register	Total tax, interest, late fee, penalty liabilities

- **Order of discharge (s. 49(8)):** (a) self-assessed tax and other dues of **previous** tax periods; (b) self-assessed tax of the **current** period; (c) any other amount **demanded** (ss. 73/74).
- Deposit is made on **date of credit** to the Government account. Due date – **20th** of the next month (GSTR-3B); quarterly (QRMP) taxpayers – **PMT-06 by 25th** of each of the first two months (fixed-sum: 35% of last quarter's cash tax, or self-assessment).
- **Interest (s. 50): 18% p.a.** on tax not paid in time – on the **net cash liability** (portion paid through cash ledger) except in case of returns filed after s. 73/74 proceedings; on ITC **wrongly availed and utilised** – **18% p.a.** (rate notified u/s 50(3); Rule 88B – interest only where **ITC wrongly availed and utilised**, from date of utilisation to reversal; utilisation when the balance in the credit ledger falls below the wrongly-availed amount).

25.2 TDS – s. 51

- **Deductors:** departments of Central/State Government, local authorities, Government agencies, notified persons (PSUs, bodies with ≥ 51% Government equity/control).
- Deduct **2%** (1% CGST + 1% SGST, or 2% IGST) on payments to suppliers of taxable goods/services where **total value of the contract > ₹2,50,000** (excluding taxes). **Not** where location of supplier and place of supply is **different from the State of registration of recipient** VERIFY; not on exempt supplies, RCM, or between Government departments.
- Deposit by the **10th** of the next month; return **GSTR-7** by 10th; TDS certificate auto-generated on the portal.

25.3 TCS by ECO – s. 52

- **E-commerce operator** collects **0.5%** (CGST 0.25% + SGST 0.25%, or IGST 0.5%) of **net value of taxable supplies** made through it by other suppliers (from 10-7-2024; earlier 1%), where consideration is collected by the ECO. Not for supplies notified u/s 9(5).
- Deposit by the **10th**; statement **GSTR-8** by 10th of next month; annual statement **GSTR-9B** by 31 December.

Chapter 26: Returns

Return	Who	Frequency / Due date
GSTR-1	Outward supplies – regular taxpayers	Monthly – **11th**; QRMP – **13th** of month after the quarter; **IFF** for B2B invoices in first two months – 13th (optional)
GSTR-3B	Summary return with payment	Monthly – **20th**; QRMP – **22nd/24th** of month after quarter (by State category)
GSTR-4	Composition taxpayer – annual	**30 April** following the FY
CMP-08	Composition – quarterly statement-cum-challan	**18th** of month after quarter
GSTR-5	Non-resident taxable person	**13th** of next month (or within 7 days after expiry of registration)
GSTR-5A	OIDAR supplier	20th of next month
GSTR-6	**Input Service Distributor**	**13th** of next month
GSTR-7 / GSTR-8	TDS deductor / TCS collector (ECO)	**10th** of next month
GSTR-9	Annual return – regular taxpayer (optional if turnover ≤ **₹2 crore**)	**31 December** following the FY
GSTR-9C	Reconciliation statement – self-certified (turnover > **₹5 crore**)	31 December
GSTR-10	Final return on cancellation	Within **3 months** of cancellation
GSTR-11	UIN holders (embassies, UN bodies)	28th of month following the month of inward supply

- **GSTR-2B** – auto-drafted ITC statement (static), available by **14th**; **GSTR-2A** – dynamic. **QRMP scheme** – aggregate turnover **≤ ₹5 crore** in preceding FY.
- **Time bar (from 1-10-2023 / notified):** GSTR-1, GSTR-3B, GSTR-9 etc. cannot be filed after **3 years** from the due date (from 1-7-2025 on the portal) VERIFY.
- **Restrictions:** GSTR-1 cannot be filed if GSTR-3B for the previous period is not filed (s. 37(4)/Rule 59(6)); **GSTR-3B is to be filed even if nil**; GSTR-3B Table 3 auto-populated from GSTR-1 – **hard-locked** from July 2025 VERIFY.
- **Late fee (s. 47):** GSTR-1/3B – **₹50 per day** (₹25 CGST + ₹25 SGST); **₹20 per day** for nil returns; capped by turnover (e.g. ₹2,000 for turnover ≤ ₹1.5 crore VERIFY); GSTR-9 – reduced late fee notified by turnover slab VERIFY.
- **Rectification:** errors in GSTR-1/GSTR-3B can be rectified in the return for the month in which noticed – **not later than 30 November** after the end of the FY or the date of the annual return, whichever earlier.
- **GST practitioner** (s. 48) – may file returns on authorisation (GST PCT forms); taxpayer remains responsible.

REMEMBER Most-asked GST numbers

Composition ₹1.5 crore / ₹75 lakh, services ₹50 lakh @ 6%; registration ₹40/20/10 lakh; GTA exemption ₹1,500 / ₹750; e-way bill ₹50,000, 200 km per day; invoice for services 30 days (45 for banks); ITC time limit 30 November; payment to supplier 180 days; record retention 72 months; GSTR-1 11th, GSTR-3B 20th, GSTR-9 31 December; TDS 2% (contract > ₹2.5 lakh); TCS 0.5%; interest 18% p.a.

Formula and number sheet

Income tax (A.Y. 2026-27)

Item	Number
Default regime slabs	0–4 L nil; 4–8 L 5%; 8–12 L 10%; 12–16 L 15%; 16–20 L 20%; 20–24 L 25%; > 24 L 30%
Optional regime slabs (below 60)	0–2.5 L nil; 2.5–5 L 5%; 5–10 L 20%; > 10 L 30% (senior 3 L; super senior 5 L)
Rebate u/s 87A	Default: TI ≤ ₹12 L – up to ₹60,000 (+ marginal relief); Optional: TI ≤ ₹5 L – up to ₹12,500 (not on special-rate incomes)
Standard deduction	₹75,000 (default); ₹50,000 (optional); family pension ₹25,000 / ₹15,000
Surcharge	10% (> 50 L), 15% (> 1 cr), 25% (> 2 cr), 37% (> 5 cr – optional regime only); max 15% on 111A/112/112A and dividend
Capital gains rates	STCG 111A **20%**; LTCG 112A **12.5%** above **₹1,25,000**; LTCG 112 **12.5%** without indexation
Residence	182 days; or 60 days + 365 days in 4 PYs (60 → 182 for Indian citizens leaving for employment / crew; 120 days if income > ₹15 L for visiting citizens/PIO)
HP	Standard deduction 30% of NAV; SOP interest ₹2,00,000 (optional regime); pre-construction interest – 5 equal instalments
Depreciation	Half rate if used < 180 days; additional 20% (10% if < 180 days)
s. 40A(3)	Cash > ₹10,000 per day (₹35,000 for transporters) disallowed
s. 44AD / 44ADA	8% (6% digital) – turnover ≤ ₹2 cr (₹3 cr if cash ≤ 5%); 50% – receipts ≤ ₹50 L (₹75 L)
s. 44AB	Turnover > ₹1 cr (₹10 cr if cash ≤ 5%); professionals > ₹50 L
Gift u/s 56(2)(x)	Aggregate > ₹50,000 from non-relatives taxable
Clubbing exemption u/s 10(32)	₹1,500 per minor child
Advance tax	15% / 45% / 75% / 100%; interest 234B, 234C – 1% p.m.

GST

Item	Number
Registration threshold	₹40 L goods / ₹20 L services / ₹10 L special category
Composition	₹1.5 cr (₹75 L special); 1% / 5% / 0.5% (CGST+SGST total 2% / 5% / 1%); s. 10(2A) – ₹50 L, 6%
Time of supply (RCM)	Goods – 30 days; services – 60 days from supplier's invoice
Invoice – services	30 days (45 days banks/insurers/NBFC)
ITC	30 November time limit; pay supplier in 180 days; capital goods – 5 percentage points per quarter
E-way bill	> ₹50,000; 1 day per 200 km; cancel 24 h; reject 72 h
Records	72 months from due date of annual return
Interest	18% p.a. (s. 50)
TDS / TCS	2% (contract > ₹2.5 L) / 0.5% of net taxable supplies
Value inclusive of tax	Tax = value × r ÷ (100 + r)

Common mistakes in answers

1. **Not stating the regime.** Unless told otherwise, compute under the **default regime u/s 115BAC**; if asked to compare, show both and advise.
2. Allowing **HRA, LTA, professional tax, s. 24(b) on SOP or 80C** in the default regime.
3. Forgetting **rebate u/s 87A is not available** against tax on **STCG u/s 111A / LTCG u/s 112A** in the default regime.
4. Applying the **HP ₹2 lakh inter-head limit** in the default regime (no inter-head set-off of HP loss there).
5. Treating **unabsorbed depreciation** as time-limited, or setting off **LTCL** against STCG.
6. Not rounding **total income and tax to ₹10** (s. 288A/288B).
7. GST: including **GST itself** or **Government subsidy** in value; excluding **packing, interest for late payment** or **municipal taxes**.
8. GST: claiming ITC on **motor cars, food, club membership, works contract for building** – blocked u/s 17(5); or using **CGST credit for SGST**.
9. GST: confusing **composite** (principal-supply rate) and **mixed** supply (highest rate).
10. Answering a "whether liable to register" question without computing **aggregate turnover** (include exempt and inter-State supplies; exclude taxes and RCM inward supplies).
11. GST: paying tax on an **advance received for goods** (not payable – Notification 66/2017) – but tax **is** payable on advances for **services**.
12. GST: reversing ITC for **non-payment within 180 days** on an **RCM** supply – the 180-day condition does not apply to reverse-charge supplies.
13. GST: treating a **stock transfer to a branch under the same GSTIN** as a supply – it is not (distinct persons need separate registrations).
14. Income tax: setting off **loss from an exempt source** (e.g. share of loss from a firm) or **betting loss**; restricting **let-out** property interest to ₹2 lakh (the ₹2 lakh cap applies only to SOP).
15. Income tax: computing LTCG on land/building acquired before 23-7-2024 only one way – compute **both** (12.5% without indexation vs 20% with indexation) and pay the **lower** tax, but include the **non-indexed** gain in total income for surcharge purposes.