Skillshort

Self-Study Preparation Pack

CA INTERMEDIATE

Paper 3: Taxation

Mock Test 1 – Full Paper with Detailed Solutions

ICAI new-scheme pattern: 100 marks · 3 hours · Section A Income tax (15 MCQ + Q1 compulsory + any 2 of Q2–Q4) · Section B GST (15 MCQ + Q5 compulsory + any 2 of Q6–Q8) · Original Skillshort questions · A.Y. 2026-27 / GST law to 30 June 2026

Time: 3 hours | Max marks: 100 | No negative marking | All numbers verified in Python | Solutions follow the paper

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This subject pack has 6 parts

1 Chapter-wise notes

2 Important topics & weightage

3 Past papers: trends & links

4 Mock tests + solutions

5 Chapter practice questions

6 Last-week plan & strategy

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.

Section A – Income-tax Law: Multiple Choice Questions (15 marks)

Instructions: MCQs 1–7 carry 2 marks each and MCQ 8 carries 1 mark. Unless stated otherwise, the assessee pays tax under the **default regime u/s 115BAC** and all figures relate to **P.Y. 2025-26 (A.Y. 2026-27)**.

CASE LAW **Case Scenario I – Mr. Rohit Malhotra (MCQs 1–5)**

Mr. Rohit Malhotra, an Indian citizen aged 40, had always lived in India. He left India on **15 September 2025** to take up employment in Toronto, Canada, and did not return during the year. Particulars for P.Y. 2025-26:

(1) Salary from his Indian employer for 1 April – 14 September 2025: ₹9,00,000. (2) Salary from the Canadian employer, received in Canada: ₹30,00,000. (3) A flat in Delhi let out at ₹30,000 per month throughout the year; municipal taxes paid by him ₹12,000. (4) Interest on a savings bank account in India ₹14,000 and on a fixed deposit in India ₹40,000. (5) On 10 August 2025 he sold listed equity shares (STT paid at acquisition and transfer) for ₹6,00,000. They were bought in June 2017 for ₹2,00,000; the highest quoted price on 31 January 2018 was ₹3,50,000.

1. The residential status of Mr. Rohit for P.Y. 2025-26 is

(a) Resident and ordinarily resident, as he was in India for more than 60 days and 365 days in the preceding 4 years
(b) Resident but not ordinarily resident
(c) Non-resident, as he stayed in India for only 167 days
(d) Deemed resident u/s 6(1A)

2. The amount of long-term capital gains taxable at 12.5% u/s 112A is

(a) ₹4,00,000
(b) ₹2,50,000
(c) ₹1,25,000
(d) Nil

3. Mr. Rohit's gross total income (including capital gains) is

(a) ₹13,72,600
(b) ₹43,72,600
(c) ₹14,48,200
(d) ₹11,22,600

4. Mr. Rohit's tax liability for A.Y. 2026-27 is

(a) Nil – total income other than LTCG is within ₹12 lakh, so rebate u/s 87A applies
(b) ₹54,350
(c) ₹70,600
(d) ₹86,180

5. If Mr. Rohit opts for the optional (old) regime, the deduction available for the savings bank interest is

(a) Nil – non-residents are not eligible
(b) ₹10,000 u/s 80TTA
(c) ₹14,000 u/s 80TTA
(d) ₹50,000 u/s 80TTB

6. XYZ Ltd. pays rent of ₹45,000 per month for an office building to Mr. Sen (resident) from April 2025 to March 2026. Tax to be deducted at source is

(a) ₹54,000 u/s 194-I @ 10%
(b) ₹10,800 u/s 194-I @ 2%
(c) Nil, as rent does not exceed ₹50,000 per month
(d) ₹5,400 u/s 194-IB

7. A loss from a speculation business for A.Y. 2026-27 can be carried forward for

(a) 4 assessment years and set off only against speculation income
(b) 8 assessment years against any business income
(c) Indefinitely
(d) It cannot be carried forward

8. (1 mark) The due date for filing the return of income for A.Y. 2026-27 of a working partner of a firm whose accounts are required to be audited is

(a) 31 July 2026
(b) 31 October 2026
(c) 30 November 2026
(d) 31 December 2026

Section A – Answer key with reasons

Q	Ans	Explanation / working
1	(c)	He was in India from 1 April to 14 September 2025 = **167 days**. For an Indian citizen who leaves India **for employment** outside India, the 60-day condition of s. 6(1)(c) is replaced by **182 days** (Explanation 1(a)). As 167 < 182, he is a **non-resident**. Deemed residence u/s 6(1A) does not apply as he is liable to tax in Canada (and his Indian income does not exceed ₹15 lakh).
2	(c)	Cost u/s 55(2)(ac) = higher of actual cost ₹2,00,000 and [lower of FMV on 31-1-2018 ₹3,50,000 and sale price ₹6,00,000] = **₹3,50,000**. LTCG = 6,00,000 − 3,50,000 = ₹2,50,000; the first **₹1,25,000** is exempt, so **₹1,25,000** is taxed at 12.5%.
3	(a)	Salary 9,00,000 − 75,000 = 8,25,000; HP: GAV 3,60,000 − municipal tax 12,000 = NAV 3,48,000 − 30% (1,04,400) = 2,43,600; other sources 14,000 + 40,000 = 54,000; LTCG 2,50,000. Total = **₹13,72,600**. The Canadian salary is earned and received outside India – **not taxable** for a non-resident.
4	(c)	Rebate u/s 87A is available only to a **resident** individual. Tax on ₹11,22,600 at default slabs = 20,000 + 32,260 = 52,260; tax on LTCG 1,25,000 × 12.5% = 15,625; total 67,885 + 4% cess 2,715 = **₹70,600** (rounded). A non-resident cannot adjust the basic exemption limit against LTCG.
5	(b)	s. 80TTA applies to **any individual or HUF** (resident or not) other than resident senior citizens, up to **₹10,000** of savings account interest; FD interest does not qualify. s. 80TTB is only for resident senior citizens.
6	(c)	From 1-4-2025, the threshold u/s 194-I is **₹50,000 for a month or part of a month**. Rent of ₹45,000 p.m. is below the threshold – **no TDS**.
7	(a)	s. 73(4): speculation loss is carried forward for **4 assessment years** and set off **only against speculation profits** (return of loss within the due date required).
8	(b)	Explanation 2 to s. 139(1): a **working partner** of a firm whose accounts are required to be audited – **31 October** of the assessment year.

Section B – Goods and Services Tax: Multiple Choice Questions (15 marks)

Instructions: MCQs 9–15 carry 2 marks each and MCQ 16 carries 1 mark. GST rates are **hypothetical**. Unless stated otherwise, amounts exclude GST.

CASE LAW **Case Scenario II – Kavya Traders, Jaipur (MCQs 9–13)**

Kavya Traders is registered under GST in Jaipur, Rajasthan as a regular taxpayer and trades in electrical goods (GST @ 18%). In August 2026:

(1) It sold goods to a retailer in Jaipur: list price ₹2,00,000, trade discount 5% shown on the invoice, packing ₹4,000 and freight for delivery ₹6,000 charged in the same invoice. (2) Goods were sent by road to a buyer in Pune, 620 km away (normal cargo). (3) It received legal services from an individual advocate for ₹50,000; the advocate's invoice is dated 1 August 2026 and payment was made on 20 August 2026. (4) Inward supplies with GST: a motor car (5 seats) for the proprietor's use – GST ₹1,12,000; laptops for office use bought from Delhi – IGST ₹36,000; food and beverages for a staff party – CGST ₹2,500 and SGST ₹2,500; air-conditioners for the showroom – CGST ₹5,000 and SGST ₹5,000. (5) Output tax for the month (other than RCM): CGST ₹18,000, SGST ₹18,000, IGST ₹30,000. Opening balance in the electronic credit ledger is nil.

1. The value of supply for item (1) and the CGST on it are

(a) ₹2,10,000 and ₹18,900
(b) ₹2,00,000 and ₹18,000
(c) ₹1,90,000 and ₹17,100
(d) ₹2,10,000 and ₹9,450

2. The minimum validity of the e-way bill for item (2) is

(a) 3 days
(b) 4 days
(c) 6 days
(d) 1 day

3. The time of supply of the legal services in item (3) is

(a) 1 August 2026
(b) 20 August 2026
(c) 30 September 2026
(d) 1 October 2026

4. The input tax credit available to Kavya Traders from item (4) is

(a) ₹1,63,000
(b) ₹51,000
(c) ₹46,000
(d) ₹41,000

5. Ignoring the RCM liability, the minimum amount of output tax (other than RCM) payable in cash for August 2026 is

(a) ₹20,000
(b) ₹26,000
(c) ₹30,000
(d) ₹66,000

6. A trader in Manipur wants to opt for composition levy. The maximum aggregate turnover in the preceding financial year is

(a) ₹1.5 crore
(b) ₹75 lakh
(c) ₹50 lakh
(d) ₹40 lakh

7. A registered person who is not party to any appeal or proceeding must retain books of account

(a) for 6 years from the end of the financial year
(b) until 72 months from the due date of furnishing the annual return for the year
(c) for 8 years
(d) until 60 months from the date of the last entry

8. (1 mark) The rate of TDS under s. 51 of the CGST Act on an intra-State contract with a Government department valued above ₹2,50,000 is

(a) 1% CGST + 1% SGST
(b) 1% IGST
(c) 2% CGST + 2% SGST
(d) 0.5% CGST + 0.5% SGST

Section B – Answer key with reasons

Q	Ans	Explanation / working
1	(b)	Value = 2,00,000 − 10,000 (discount shown in invoice, s. 15(3)(a)) + 4,000 packing + 6,000 freight (incidental/composite supply, s. 15(2)(c)) = **₹2,00,000**; CGST @ 9% = **₹18,000**.
2	(b)	Normal cargo – **1 day for every 200 km or part thereof**: 620 ÷ 200 = 3.1 → **4 days** (Rule 138(10)).
3	(b)	Legal services by an advocate to a business entity are taxed under **reverse charge**. s. 13(3): time of supply is the **earlier of** the date of payment (20 August) and the date immediately after 60 days from the supplier's invoice – i.e. **20 August 2026**.
4	(c)	Motor car for transport of persons (≤ 13 seats) used by the proprietor – **blocked** u/s 17(5)(a); food and beverages – **blocked** u/s 17(5)(b). Eligible: laptops IGST 36,000 + air-conditioners 5,000 + 5,000 = **₹46,000**. (Legal services RCM tax is also eligible once paid in cash – not part of item (4).)
5	(a)	IGST credit 36,000 → IGST 30,000; balance 6,000 → CGST 3,000 and SGST 3,000 (s. 49A/Rule 88A). CGST credit 5,000 → CGST; SGST credit 5,000 → SGST. Cash: CGST 18,000 − 8,000 = 10,000; SGST 10,000; IGST nil – **₹20,000** (= output 66,000 − credit 46,000).
6	(b)	s. 10(1) proviso: **₹75 lakh** in the special category States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura (₹1.5 crore elsewhere).

Q	Ans	Explanation / working
7	(b)	s. 36: **72 months from the due date of the annual return** for the year to which the accounts relate.
8	(a)	s. 51: **2%** – 1% CGST + 1% SGST (or 2% IGST for inter-State) on payments where the total contract value exceeds **₹2,50,000**.

Section A – Descriptive Questions (35 marks)

Question 1 is compulsory. Answer any two of Questions 2, 3 and 4.

Q1 (15 marks). Mr. Nikhil Bansal (aged 50, resident) runs a manufacturing proprietorship (turnover ₹4.5 crore; accounts audited). His Statement of Profit and Loss for P.Y. 2025-26 shows a net profit of **₹12,00,000** after the following items:

#	Item	₹
1	Depreciation as per books (debited)	4,00,000
2	Cash paid to a supplier of raw materials in a single day (debited in purchases)	60,000
3	Employees' contribution to PF deducted from salaries, deposited after the due date under the PF Act but before the due date of return (debited)	80,000
4	Bonus to employees – provision; ₹1,00,000 paid on 25-10-2026 and ₹50,000 on 10-12-2026 (debited)	1,50,000
5	Income-tax paid (debited)	1,20,000
6	Salary drawn by Mr. Nikhil himself (debited)	6,00,000
7	Donation to the PM CARES Fund by cheque (debited)	50,000
8	Payment to a resident contractor for repairs; no tax was deducted at source (debited)	2,50,000
9	Dividend from an Indian company (credited)	40,000
10	Interest on fixed deposits (credited)	60,000

Other information: (a) WDV of the plant and machinery block (15%) on 1-4-2025 was ₹20,00,000; a new machine costing ₹6,00,000 was acquired and put to use on 10-10-2025. (b) On 1-12-2025 he sold a plot of land (bought in P.Y. 2010-11 for ₹8,00,000) for ₹30,00,000; SDV ₹31,50,000; brokerage ₹50,000. CII: 2010-11 – 167; 2025-26 – 376. (c) He paid LIC premium ₹1,00,000, PPF ₹50,000, mediclaim for himself ₹30,000 and for his parents (both above 60) ₹45,000 – all by cheque.

Compute his total income and tax liability for A.Y. 2026-27 under the **default** and the **optional** regimes, and advise which is beneficial.

Q2 (a) (6 marks). Ms. Ritu, aged 38, is employed with a private company in Bengaluru. For P.Y. 2025-26: basic salary ₹1,00,000 p.m.; DA 20% of basic (forms part of salary for retirement benefits); children education allowance ₹3,000 p.m. for her two children; rent-free unfurnished accommodation owned by the employer in Bengaluru; a 2.0-litre car owned by the employer with a chauffeur, used for official and private purposes, all expenses borne by the employer; a gift voucher of ₹6,000 on her birthday; employer's contribution to NPS at 10% of basic + DA. Compute her income chargeable under "Salaries" under both regimes.

(b) (4 marks). Examine TDS for P.Y. 2025-26: (i) M/s Patel & Co. (a firm) credits salary ₹3,00,000 and interest on capital ₹40,000 to its partner Mr. Patel; (ii) SBI pays FD interest ₹45,000 to Mr. Gupta (aged 45); (iii) Pixel Ltd. pays ₹40,000 as fees for technical services and ₹30,000 as royalty to Mr. Iyer; (iv) Mr. Sharma, a salaried individual, pays rent of ₹60,000 p.m. for his residence for the whole year.

Q3 (a) (6 marks). Mrs. Meera (resident, default regime) acquired a residential house on 1-4-2000 for ₹10,00,000; its FMV on 1-4-2001 was ₹15,00,000 and SDV on that date ₹13,00,000. She spent ₹4,00,000 on improvement in P.Y. 2012-13 (CII 200). She sold it on 15-11-2025 for ₹1,20,00,000 (SDV ₹1,30,00,000), paying 1% brokerage. She bought another residential house for ₹40,00,000 in March 2026 and invested ₹10,00,000 in NHAI bonds in January 2026. Compute the capital gains chargeable and the tax on them under the beneficial option (ignore surcharge and cess). CII 2001-02: 100; 2025-26: 376.

(b) (4 marks). Examine the taxability in the hands of Mr. Karan for P.Y. 2025-26: (i) ₹60,000 received from a friend on his birthday; (ii) ₹2,00,000 received from his sister's husband; (iii) a plot bought from an unrelated person for ₹20,00,000 with SDV ₹23,00,000; (iv) shares with FMV ₹80,000 received from a colleague on his marriage.

Q4 (a) (6 marks). Mr. Arjun (resident, aged 45, default regime) furnishes: income from salary (computed) ₹9,00,000; house A (let out) – income ₹1,20,000; house B (let out) – loss ₹3,00,000; business income ₹2,50,000; loss from speculation business ₹60,000; STCG on listed shares (s. 111A) ₹1,00,000; LTCL on unlisted shares ₹80,000; LTCG on land ₹50,000; lottery winnings ₹40,000; brought-forward business loss of A.Y. 2020-21

₹1,00,000 and STCL of A.Y. 2024-25 ₹30,000. Compute his gross total income and the losses to be carried forward.

(b) (4 marks). State with reasons whether TRUE or FALSE: (i) A resident individual aged 66 having only pension and interest income need not pay advance tax. (ii) An updated return for A.Y. 2026-27 can be filed up to 31 March 2031. (iii) A belated return for A.Y. 2026-27 can be filed up to 31 March 2027. (iv) Fee u/s 234F for a return filed late with total income of ₹4,50,000 is ₹5,000.

Section B – Descriptive Questions (35 marks)

Question 5 is compulsory. Answer any two of Questions 6, 7 and 8. Rates are hypothetical; where details for place of supply are not given, treat the supply as intra-State.

Q5 (a) (10 marks). Pratham Industries Ltd., registered in Pune (Maharashtra), manufactures machine parts (GST @ 18%). Details for September 2026:

#	Transaction	₹
1	Intra-State supply of goods (net of discount shown on invoices)	20,00,000
2	Inter-State supply of goods to Gujarat	15,00,000
3	Export of goods under LUT	10,00,000
4	Advance received for goods to be supplied in October 2026	3,00,000
5	Free samples distributed to dealers (cost)	50,000
6	Gift of goods to an employee	40,000
7	Goods sent to its Bengaluru branch (separately registered, eligible for full ITC) – invoice value	5,00,000
8	Legal services received from a senior advocate	1,00,000
9	Transport of goods by a GTA (GTA has not opted for forward charge; RCM @ 5%)	50,000

Input tax on purchases: inputs – CGST ₹1,00,000 and SGST ₹1,00,000 (including CGST ₹5,000 and SGST ₹5,000 on inputs used in the free samples); inputs from other States – IGST ₹90,000; machinery – IGST ₹54,000; motor car for directors – CGST ₹70,000 and SGST ₹70,000; outdoor catering for the annual function – CGST ₹6,000 and SGST ₹6,000; works contract for the factory building – CGST ₹20,000 and SGST ₹20,000. Opening ITC balance – nil; all conditions of ITC are satisfied. Compute the minimum GST payable in cash.

(b) (5 marks). Raj Machines Ltd. (Delhi) sells a machine to Sita Ltd. (Delhi) at ₹6,00,000. Also: (i) installation charges ₹20,000 billed separately; (ii) interest of ₹5,000 for late payment recovered; (iii) the price is reduced by ₹30,000 because an NGO paid that amount to Raj Machines as a price-linked subsidy; (iv) a Central Government subsidy of ₹40,000 was received for the machine; (v) a 2% discount recorded on the invoice; (vi) design charges of ₹25,000 that Raj Machines was liable to pay were paid by Sita directly to the designer; (vii) municipal fee ₹2,000 charged. Compute the value of supply and GST @ 18%.

Q6 (a) (5 marks). Mr. Vikas of Haryana (opted for the ₹40 lakh limit for goods) gives the following for 2026-27 till date: intra-State taxable goods ₹28 lakh; exempt goods ₹8 lakh; consultancy services (intra-State) ₹3 lakh; GST charged on the taxable supplies ₹4 lakh; inward supplies taxed under reverse charge ₹2 lakh. Is he liable to registration? Would your answer change if he did not supply any services?

(b) (5 marks). The GST rate on a service changes from 12% to 18% with effect from 1 October 2026. Determine the time of supply and rate in each case: (i) service provided in September, invoice 5 October, payment 10 October; (ii) service provided in September, invoice 25 September, payment 15 October; (iii) service provided in October, invoice 28 September, payment 3 October; (iv) service provided in October, payment 29 September, invoice 2 October.

Q7 (a) (5 marks). Shakti Ltd. bought a machine on 10 April 2024 and availed ITC of ₹1,80,000. It sold the machine on 15 August 2026 for ₹6,00,000 (GST @ 18%). Compute the amount payable on the sale.

(b) (5 marks). Mr. Om filed GSTR-3B for June 2026 (due date 20 July 2026) on 29 August 2026. Tax liability ₹5,00,000 was discharged by ITC ₹3,20,000 and cash ₹1,80,000 (deposited on 29 August 2026). Compute the interest and late fee payable.

Q8 (a) (5 marks). List any **ten** activities in Schedule III of the CGST Act that are treated neither as a supply of goods nor a supply of services.

(b) (5 marks). State any **ten** situations in which an e-way bill is **not** required to be generated.

OR (b) (5 marks). When can a registered person issue a credit note? What is the time limit for declaring it, and when will the output tax liability not be reduced?

Solutions – Section A

SOLUTION **Q1 Computation of total income of Mr. Nikhil Bansal – A.Y. 2026-27**

Particulars	Default (₹)	Optional (₹)
Net profit as per P&L	12,00,000	12,00,000
Add: book depreciation	4,00,000	4,00,000
Add: cash payment > ₹10,000 in a day – s. 40A(3) (100%)	60,000	60,000
Add: employees' PF contribution deposited after due date – s. 36(1)(va)	80,000	80,000
Add: bonus paid after due date of return (31-10-2026) – s. 43B	50,000	50,000
Add: income-tax – s. 40(a)(ii)	1,20,000	1,20,000
Add: proprietor's own salary (not an expense)	6,00,000	6,00,000
Add: donation (not a business expense)	50,000	50,000
Add: 30% of contractor payment without TDS – s. 40(a)(ia)	75,000	75,000
Less: dividend and FD interest (taxed under IFOS)	(1,00,000)	(1,00,000)
Less: normal depreciation – 15% × 20,00,000 + 7.5% × 6,00,000 (used < 180 days)	(3,45,000)	(3,45,000)
Less: additional depreciation 10% × 6,00,000 (half of 20%) – not allowed in default regime	–	(60,000)
PGBP	**21,90,000**	**21,30,000**
Income from other sources (40,000 + 60,000)	1,00,000	1,00,000
LTCG on land – without indexation (30,00,000 − 50,000 − 8,00,000); SDV within 110% so actual price is taken (s. 50C)	21,50,000	21,50,000
Gross total income	**44,40,000**	**43,80,000**
Less: 80C 1,50,000; 80D 25,000 + 50,000; 80G (PM CARES – 100%) 50,000	–	(2,70,000)
Total income	**44,40,000**	**41,10,000**
Tax on income other than LTCG (22,90,000 / 19,60,000) at slab rates	2,72,500	4,00,500
Tax on LTCG – lower of 12.5% × 21,50,000 = 2,68,750 and 20% × indexed LTCG 11,48,802 = 2,29,760	2,29,760	2,29,760
Total (no surcharge – total income ≤ ₹50 lakh)	5,02,260	6,30,260
Add: cess @ 4%	20,090	25,210
Tax liability (rounded)	**5,22,350**	**6,55,470**

Indexed cost = 8,00,000 × 376 ÷ 167 = 18,01,198; indexed LTCG = 30,00,000 − 50,000 − 18,01,198 = 11,48,802. **Advice:** the default regime saves **₹1,33,120** – Mr. Nikhil should not exercise the option (Form 10-IEA) for A.Y. 2026-27. Normal slab tax under default regime: 20,000 + 40,000 + 60,000 + 80,000 + 25% × 2,90,000 = 2,72,500.

SOLUTION Q2(a) Income from salary – Ms. Ritu

Particulars	Default (₹)	Optional (₹)
Basic salary (1,00,000 × 12)	12,00,000	12,00,000
DA (20%)	2,40,000	2,40,000
Children education allowance 72,000 – exempt ₹100 p.m. per child (2,400) only under optional regime	72,000	69,600
Rent-free accommodation – 10% of salary (Bengaluru population > 40 lakh): 10% × 15,12,000 / 15,09,600	1,51,200	1,50,960
Motor car > 1.6 litres with chauffeur – (2,400 + 900) × 12	39,600	39,600
Gift voucher (₹5,000 or more – fully taxable)	6,000	6,000
Employer's NPS contribution (10% of basic + DA) – s. 17(1)(viii)	1,44,000	1,44,000
Gross salary	18,52,800	18,50,160
Less: standard deduction	(75,000)	(50,000)
Income from salary	**17,77,800**	**18,00,160**

She is a specified employee (salary > ₹4,00,000), so the car perquisite is taxable. The NPS contribution of ₹1,44,000 is deductible u/s **80CCD(2)** under both regimes (within 14% / 10% of salary).

SOLUTION Q2(b) TDS

(i) **s. 194T** (from 1-4-2025): firm paying salary, remuneration, interest etc. to a partner – aggregate 3,40,000 > ₹20,000 → TDS **10% = ₹34,000**. (ii) **s. 194A**: threshold for bank interest is **₹50,000** (non-senior) – ₹45,000 → **no TDS**. (iii) **s. 194J**: threshold of ₹50,000 applies **separately** to FTS and royalty – both below → **no TDS**. (iv) **s. 194-IB**: individual not liable to audit paying rent > ₹50,000 p.m. – **2%** of ₹7,20,000 = **₹14,400**, deducted from the rent of the last month of the year (March 2026).

SOLUTION Q3(a) Capital gains – Mrs. Meera

Cost of acquisition: asset acquired before 1-4-2001 – FMV on 1-4-2001, **not exceeding SDV** on that date = **₹13,00,000** (higher than actual cost ₹10,00,000). Full value of consideration: SDV ₹1,30,00,000 is within **110%** of ₹1,20,00,000 (108.3%) – actual consideration taken.

Particulars	Without indexation (₹)	With indexation (₹)
Sale consideration	1,20,00,000	1,20,00,000
Less: brokerage 1%	(1,20,000)	(1,20,000)
Less: cost (13,00,000 / × 376 ÷ 100)	(13,00,000)	(48,88,000)
Less: improvement (4,00,000 / × 376 ÷ 200)	(4,00,000)	(7,52,000)
LTCG	1,01,80,000	62,40,000
Less: s. 54 – new house	(40,00,000)	(40,00,000)
Less: s. 54EC – NHAI bonds within 6 months	(10,00,000)	(10,00,000)
Taxable LTCG	**51,80,000**	**12,40,000**
Tax @ 12.5% / 20%	6,47,500	**2,48,000**

Total income includes LTCG of **₹51,80,000** (without indexation), but tax on it is the **lower** amount, **₹2,48,000** (proviso to s. 112(1)), as she is a resident individual and the house was acquired before 23-7-2024.

SOLUTION Q3(b) Gifts – s. 56(2)(x)

(i) Sum of money from a non-relative exceeding ₹50,000 – **₹60,000 taxable**. (ii) Sister's husband is a "relative" (spouse of a sister) – **exempt**. (iii) SDV – consideration = ₹3,00,000 exceeds the higher of ₹50,000 and 10% of consideration (₹2,00,000) – **₹3,00,000 taxable**. (iv) Received on the occasion of **marriage** – **exempt**. Total taxable under IFOS: **₹3,60,000**.

SOLUTION Q4(a) Gross total income – Mr. Arjun

Head	₹
Salaries	9,00,000
House property: 1,20,000 – 3,00,000 = loss 1,80,000 – cannot be set off against other heads under the default regime (s. 115BAC(2)); carried forward	Nil
PGBP: 2,50,000 – b/f loss 1,00,000 (A.Y. 2020-21 – within 8 years)	1,50,000
Speculation loss 60,000 – only against speculation income; carried forward	Nil
STCG 1,00,000 – b/f STCL 30,000	70,000
LTCG on land 50,000 – LTCL 80,000 (LTCL only against LTCG)	Nil
Lottery winnings (no set-off allowed – s. 58(4))	40,000
Gross total income	**11,60,000**

Losses carried forward: HP loss ₹1,80,000 (8 A.Y.s, against HP income) VERIFY; speculation loss ₹60,000 (4 A.Y.s); LTCL ₹30,000 (8 A.Y.s, only against LTCG).

SOLUTION Q4(b) True / False

(i) **True** – s. 207(2): a resident senior citizen not having income under PGBP is not liable to pay advance tax. (ii) **True** – s. 139(8A) (Finance Act 2025): within **48 months** from the end of the relevant A.Y. (A.Y. ends 31-3-2027 → by 31-3-2031), with additional tax of 25%–70%. (iii) **False** – s. 139(4): **31 December 2026** (three months before the end of the A.Y.) or before completion of assessment, whichever is earlier. (iv) **False** – s. 234F: where total income does not exceed ₹5 lakh, the fee is **₹1,000**.

Solutions – Section B

SOLUTION Q5(a) Pratham Industries Ltd. – GST payable for September 2026

#	Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
1	Intra-State supply	20,00,000	1,80,000	1,80,000	–
2	Inter-State supply	15,00,000	–	–	2,70,000
3	Export under LUT – zero-rated (s. 16 IGST)	10,00,000	–	–	–
4	Advance for goods – no tax at the time of advance (Notification 66/2017)	–	–	–	–
5	Free samples – not a supply (no consideration, not in Schedule I)	–	–	–	–
6	Gift to employee ≤ ₹50,000 – not a supply (Schedule I para 2)	–	–	–	–
7	Branch transfer to distinct person – Schedule I; invoice value is OMV (Rule 28)	5,00,000	–	–	90,000
	Forward-charge tax		**1,80,000**	**1,80,000**	**3,60,000**
8	Legal services – RCM (CGST 9% + SGST 9%)	1,00,000	9,000	9,000	–
9	GTA – RCM @ 5%	50,000	1,250	1,250	–
	RCM tax (payable only in cash)		**10,250**	**10,250**	–

Eligible ITC: CGST 1,00,000 − 5,000 (free samples – s. 17(5)(h)) + RCM 10,250 = **1,05,250**; SGST **1,05,250**; IGST 90,000 + 54,000 (machinery) = **1,44,000**. Motor car (s. 17(5)(a)), outdoor catering (s. 17(5)(b)) and works contract for a building (s. 17(5)(c)) are **blocked**. No reversal is required for exports (zero-rated).

Utilisation	CGST (₹)	SGST (₹)	IGST (₹)
Forward-charge liability	1,80,000	1,80,000	3,60,000
Less: IGST credit (used fully against IGST first)	–	–	(1,44,000)
Less: CGST / SGST credit	(1,05,250)	(1,05,250)	–
Balance payable in cash	74,750	74,750	2,16,000
Add: RCM tax (cash)	10,250	10,250	–
Cash payable	**85,000**	**85,000**	**2,16,000**

Minimum GST payable in cash = ₹3,86,000.

SOLUTION Q5(b) Value of supply – Raj Machines Ltd.

Particulars	₹
Price of the machine	6,00,000
Add: installation charges (incidental – s. 15(2)(c))	20,000
Add: interest for delayed payment (s. 15(2)(d))	5,000
Add: subsidy from NGO linked to price (s. 15(2)(e) – only Government subsidies are excluded)	30,000
Central Government subsidy – excluded	–
Less: discount 2% recorded on the invoice (s. 15(3)(a))	(12,000)
Add: design charges – supplier's liability paid by the recipient (s. 15(2)(b))	25,000
Add: municipal fee – tax/fee under another law (s. 15(2)(a))	2,000
Value of supply	**6,70,000**
CGST @ 9% / SGST @ 9%	**60,300 each** (total ₹1,20,600)

SOLUTION Q6(a) Registration – Mr. Vikas

Aggregate turnover (s. 2(6)) = taxable goods 28 + exempt goods 8 + services 3 = **₹39 lakh** (GST charged and RCM inward supplies are **excluded**). The higher limit of ₹40 lakh is only for persons **exclusively** supplying goods; as he also supplies services, the limit is **₹20 lakh** – he is **liable** to register (within 30 days of crossing ₹20 lakh). If he supplied no services, turnover would be ₹36 lakh, below **₹40 lakh** – **not liable** (unless he makes inter-State supplies or falls under s. 24).

SOLUTION Q6(b) Change in rate – s. 14

Case	Events after 1-10-2026	Time of supply	Rate
(i) Service before; invoice and payment after	2 of 3 after	Earlier of invoice and payment – **5 October**	**18%**
(ii) Service and invoice before; payment after	2 of 3 before	Invoice – **25 September**	**12%**
(iii) Service and payment after; invoice before	2 of 3 after	Payment – **3 October**	**18%**
(iv) Service and invoice after; payment before	2 of 3 after	Invoice – **2 October**	**18%**

SOLUTION Q7(a) Sale of capital goods – s. 18(6)

Amount payable is the **higher of** (a) ITC on the machine reduced by 5 percentage points per quarter or part thereof from the date of invoice – 10-4-2024 to 15-8-2026 = **10 quarters** → 1,80,000 × (100% − 50%) = **₹90,000**; and (b) tax on the transaction value = 18% × 6,00,000 = **₹1,08,000**. Shakti Ltd. must pay **₹1,08,000**.

SOLUTION Q7(b) Interest and late fee

Delay from 21 July to 29 August 2026 = **40 days**. Interest u/s 50(1) is on the **net tax paid in cash** (proviso): 1,80,000 × 18% × 40 ÷ 365 = **₹3,551**. Late fee u/s 47: ₹50 per day (₹25 CGST + ₹25 SGST) × 40 = **₹2,000**, subject to the turnover-based cap notified for GSTR-3B.

SOLUTION Q8(a) Schedule III

(1) Services by an **employee to the employer** in the course of employment; (2) services by any **court or tribunal**; (3) functions of **MPs, MLAs, members of Panchayats/Municipalities**; (4) duties of persons holding **constitutional posts**; (5) duties of a **Chairperson/member/director** of a body set up by Government (not as employee); (6) services of **funeral, burial, crematorium or mortuary**, including transportation of the deceased; (7) **sale of land** and, subject to Schedule II para 5(b), **sale of a building**; (8) **actionable claims** other than specified actionable claims (betting, gambling, lottery, horse racing, online money gaming, casinos); (9) supply of goods from one place **outside India to another** without their entering India (**merchant trade**); (10) supply of **warehoused goods** before clearance for home consumption; (11) **high-sea sales** – supply of goods by the consignee to any person after dispatch from the port of origin and before clearance for home consumption; (12) supply of goods **warehoused in an SEZ/FTWZ** to any person before clearance for exports or to the DTA (inserted by Finance Act 2025) VERIFY.

SOLUTION Q8(b) E-way bill not required (Rule 138(14))

(1) Goods in Annexure (LPG for household use, kerosene under PDS, postal baggage, natural or cultured pearls, precious stones, **jewellery**, currency, **used personal and household effects**); (2) goods carried by a **non-motorised conveyance**; (3) goods from a port, airport, air cargo complex or land customs station to an ICD/CFS for clearance by Customs; (4) goods under **customs supervision or customs seal**; (5) goods in **transit** to/from Nepal or Bhutan; (6) movement by **defence formations** under the Ministry of Defence; (7) **empty cargo containers**; (8) consignor transporting goods to/from a **weighbridge** within 20 km, with a delivery challan; (9) goods transported by **rail** where the consignor is the Government; (10) **exempt goods** under Notification 2/2017 (fresh vegetables, fruits, milk, etc.); (11) **Schedule III** transactions; (12) consignment value ≤ ₹50,000.

SOLUTION **Q8 OR (b) Credit note – s. 34**

When: taxable value or tax charged in the invoice **exceeds** the actual, goods supplied are **returned** by the recipient, or goods/services are found **deficient**. **Time limit:** declare in the return for the month in which issued, but **not later than 30 November** following the end of the financial year of the supply, or the date of furnishing the **annual return**, whichever is earlier. **No reduction** of output tax if the **incidence of tax has been passed on** to any other person (unjust enrichment) or the **recipient has not reversed** the ITC (s. 34(2) read with s. 42 / Rule 53). One credit note may cover **several invoices**.