Skillshort

Self-Study Preparation Pack

CA INTERMEDIATE

Paper 3: Taxation

Mock Test 2 – 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**; figures relate to **P.Y. 2025-26 (A.Y. 2026-27)**.

CASE LAW **Case Scenario I – Mrs. Sunita Rao (MCQs 1–5)**

Mrs. Sunita Rao (aged 61, resident) retired on **30 November 2025** from Zenith Pvt. Ltd. (covered by the Payment of Gratuity Act) after **25 years and 7 months** of service. Her basic salary was ₹80,000 p.m. and DA ₹20,000 p.m. (forming part of salary for retirement benefits) throughout the year. On retirement she received: **gratuity ₹18,00,000**; **leave encashment ₹15,00,000** for 450 days of earned leave to her credit (entitlement 30 days for every year of service; she availed 300 days during service). From 1 December 2025 she gets a pension of ₹45,000 p.m.; on 1 January 2026 she commuted one-third of it for **₹18,00,000**, after which her monthly pension is ₹30,000. She also earned interest on fixed deposits of ₹1,00,000. She has never received gratuity or leave encashment before.

1. The amount of gratuity exempt u/s 10(10) is

(a) ₹18,00,000
(b) ₹15,00,000
(c) ₹14,42,308
(d) ₹20,00,000

2. The amount of leave encashment chargeable to tax is

(a) Nil
(b) ₹5,00,000
(c) ₹10,00,000
(d) ₹12,50,000

3. The taxable portion of the commuted pension of ₹18,00,000 is

(a) ₹12,00,000
(b) ₹6,00,000
(c) Nil
(d) ₹18,00,000

4. Mrs. Sunita's income chargeable under "Salaries" is

(a) ₹16,60,000
(b) ₹17,35,000
(c) ₹14,60,000
(d) ₹16,10,000

5. Mrs. Sunita's tax liability for A.Y. 2026-27 is

(a) ₹1,52,000
(b) ₹1,58,080
(c) ₹1,47,680
(d) ₹2,09,040

6. Mr. Rakesh's minor son earned interest of ₹25,000 on a fixed deposit gifted by his grandfather. Mr. Rakesh's income is higher than his wife's, and he pays tax under the default regime. The amount to be included in Mr. Rakesh's total income is

(a) ₹23,500
(b) ₹25,000
(c) Nil – the gift was from the grandfather
(d) ₹22,000

7. Dr. Mehra, a resident medical practitioner, has gross receipts of ₹70 lakh in P.Y. 2025-26, of which 4% was received in cash. Under s. 44ADA, her presumptive income is at least

(a) Not eligible, as receipts exceed ₹50 lakh
(b) ₹35,00,000
(c) ₹56,00,000
(d) ₹5,60,000

8. (1 mark) The return of income of a company (not under liquidation) must be verified by

(a) Its company secretary
(b) Its managing director; where he is unable to verify or there is none, any director
(c) Its chief financial officer
(d) Any shareholder holding 10% shares

Section A – Answer key with reasons

Q	Ans	Explanation / working
1	(b)	Least of: actual ₹18,00,000; **₹20,00,000**; 15/26 × last drawn salary (basic + DA) ₹1,00,000 × 26 years (7 months > 6 months counts as a full year) = **₹15,00,000**. Exempt ₹15,00,000; taxable ₹3,00,000.
2	(b)	s. 10(10AA)(ii) – least of: actual ₹15,00,000; **₹25,00,000**; 10 months' average salary ₹10,00,000; cash equivalent of leave to credit (450 days × ₹1,00,000 ÷ 30) ₹15,00,000. Exempt **₹10,00,000**; taxable **₹5,00,000**. The exemption is available in the default regime too.
3	(c)	Non-Government employee **receiving gratuity** – one-third of the full commuted value is exempt u/s 10(10A). One-third commuted for ₹18,00,000 → full value ₹54,00,000 → exempt one-third = ₹18,00,000. **Nil** is taxable.
4	(a)	Salary for 8 months 8,00,000 + taxable gratuity 3,00,000 + taxable leave encashment 5,00,000 + uncommuted pension (45,000 for December + 30,000 × 3) 1,35,000 = 17,35,000 – standard deduction 75,000 = **₹16,60,000**.
5	(b)	Total income = 16,60,000 + FD interest 1,00,000 = 17,60,000. Tax at default slabs: 20,000 + 40,000 + 60,000 + 20% × 1,60,000 = 1,52,000 + cess 6,080 = **₹1,58,080**. Section 80TTB is not allowed in the default regime, and the default slabs do not depend on age.
6	(b)	s. 64(1A): a minor's income is clubbed in the hands of the parent whose total income is **higher**, whoever made the gift. The **₹1,500 exemption u/s 10(32) is not available in the default regime**, so ₹25,000 is clubbed.
7	(b)	Limit is **₹75 lakh** where cash receipts do not exceed **5%** of gross receipts. Presumptive income = **50%** × ₹70 lakh = **₹35,00,000** (or higher if declared).
8	(b)	s. 140(c): the **managing director**; where for any unavoidable reason he cannot verify or there is no MD, **any director**.

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**.

CASE LAW Case Scenario II – Arogya Multi-speciality Hospital, Kolkata (MCQs 9–13)

Arogya Hospital is registered under GST in West Bengal. In October 2026 it received: (1) OPD consultations and treatment ₹40,00,000; (2) room charges for non-ICU rooms at ₹6,000 per day – 500 room-days (₹30,00,000); (3) ICU room charges at ₹8,000 per day – 200 room-days (₹16,00,000); (4) sale of medicines to out-patients from its pharmacy ₹10,00,000; (5) cafeteria sales to visitors ₹5,00,000; (6) rent of ₹50,000 from a bank for an ATM space; (7) ambulance services ₹2,00,000. Rates: room rent 5%, medicines 12%, cafeteria 5%, other services 18%. It also hired a GTA to carry medical supplies – freight of ₹1,200 for a single carriage.

1. The value of exempt supplies for October 2026 is

(a) ₹58,00,000
(b) ₹88,00,000
(c) ₹42,00,000
(d) ₹56,00,000

2. The total GST payable on outward supplies for October 2026 is

(a) ₹2,54,000
(b) ₹3,04,000
(c) ₹3,13,000
(d) ₹4,84,000

3. Common input tax credit (C2) for October is ₹1,00,000. The amount to be reversed as attributable to exempt supplies under Rule 42 (D1) is about

(a) ₹56,039
(b) ₹43,961
(c) ₹58,000
(d) ₹5,000

4. The GTA service for medical supplies (freight ₹1,200 for a single carriage) is

(a) taxable under RCM @ 5%
(b) taxable under forward charge @ 12%
(c) exempt, as freight for a single carriage does not exceed ₹1,500
(d) exempt only if the hospital is unregistered

5. A hospital room is charged at ₹4,800 per day (non-ICU). The room charge is

(a) taxable @ 5%
(b) exempt, being ≤ ₹5,000 per day
(c) taxable @ 18%
(d) exempt only for senior citizens

6. A regular monthly filer must furnish GSTR-1 for October 2026 by

(a) 10 November 2026
(b) 11 November 2026
(c) 13 November 2026
(d) 20 November 2026

7. Under s. 10(2A), a supplier of services with turnover up to ₹50 lakh opting for the composition scheme pays tax at

(a) 1% (0.5% CGST + 0.5% SGST)
(b) 6% (3% CGST + 3% SGST)
(c) 5% (2.5% CGST + 2.5% SGST)
(d) 2% (1% CGST + 1% SGST)

8. (1 mark) Interest on tax paid late under s. 50(1) is charged at

(a) 12% p.a.
(b) 15% p.a.
(c) 18% p.a.
(d) 24% p.a.

Section B – Answer key with reasons

Q	Ans	Explanation / working
1	(a)	Exempt: health care services ₹40,00,000; ICU room charges (ICU/CCU/ICCU/NICU are exempt whatever the charge) ₹16,00,000; ambulance services ₹2,00,000 – total **₹58,00,000**. Non-ICU rooms above **₹5,000 per day** are taxable.
2	(b)	Rooms 30,00,000 × 5% = 1,50,000; medicines 10,00,000 × 12% = 1,20,000; cafeteria 5,00,000 × 5% = 25,000; ATM rent 50,000 × 18% = 9,000. Total **₹3,04,000**.
3	(a)	D1 = E ÷ F × C2 = 58,00,000 ÷ 1,03,50,000 × 1,00,000 = **₹56,039**, where F = exempt 58,00,000 + taxable 45,50,000.
4	(c)	Notification 12/2017 exempts GTA services where the consideration for transport in a **single carriage ≤ ₹1,500** (or ≤ ₹750 for a single consignee).
5	(b)	Only non-ICU room charges **exceeding ₹5,000 per day** are excluded from the exemption for health care services; ₹4,800 per day is **exempt**.
6	(b)	s. 37 / Rule 59: **11th** of the following month for monthly filers (13th of the month after the quarter under QRMP).
7	(b)	Notification 2/2019-CT(R): **3% CGST + 3% SGST** for service providers and mixed suppliers with aggregate turnover of the preceding year up to **₹50 lakh**.
8	(c)	**18% p.a.** on the tax paid late, calculated on the portion paid through the **electronic cash ledger**.

Section A – Descriptive Questions (35 marks)

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

Q1 (15 marks). Mr. Dev Kapoor (aged 52, resident) works for a private company in **Mumbai**. For P.Y. 2025-26:

#	Particulars	₹
1	Basic salary ₹1,50,000 p.m.	18,00,000
2	HRA ₹60,000 p.m.; he pays rent of ₹70,000 p.m. for a flat in Mumbai	7,20,000
3	Professional tax paid	2,500
4	Employer's and employee's contributions to the recognised PF – 12% of basic each	2,16,000 each
5	Interest credited to RPF @ 10% on the balance of ₹10,00,000	1,00,000
6	Dividend from Indian companies	50,000
7	Interest – savings account ₹18,000; fixed deposits ₹70,000	88,000
8	Winnings from a TV game show (gross)	1,00,000
9	STCG on listed equity shares (STT paid) – s. 111A	2,00,000

House property: (a) **House 1 – Pune:** he cannot occupy it because of his employment in Mumbai, where he lives in a rented flat; it remains vacant. Interest on the housing loan ₹1,50,000. (b) **House 2 – Mumbai (let out):** municipal value ₹4,80,000, fair rent ₹5,40,000, standard rent ₹5,00,000; rent ₹50,000 p.m.; municipal taxes paid ₹40,000; interest on loan for the year ₹2,20,000; pre-construction interest ₹1,50,000 (construction completed in P.Y. 2023-24).

Payments: NPS (s. 80CCD(1B)) ₹50,000; mediclaim – self and wife ₹22,000; parents (senior citizens) ₹55,000; donation by cheque to a charitable trust approved u/s 80G (50%, subject to qualifying limit) ₹40,000.

Compute total income and tax liability under both regimes and advise.

Q2 (a) (6 marks). Mr. Peter, a US citizen, came to India for the first time in P.Y. 2018-19. He was in India for 100 days in each of P.Y.s 2018-19 to 2024-25 and for 190 days in P.Y. 2025-26. His incomes for P.Y. 2025-26: (i) salary from an Indian company for services rendered in India, received in the USA ₹12,00,000; (ii) dividend from a UK company received in the UK ₹1,50,000; (iii) profit from a business in London controlled from India ₹4,00,000; (iv) rent from a house in Paris received in Paris and later remitted to India ₹3,00,000; (v) interest on debentures of an Indian company received abroad ₹80,000; (vi) past untaxed foreign income brought into India ₹5,00,000. Determine his residential status and gross total income. Also compute GTI if he were (a) ROR and (b) non-resident.

(b) (4 marks). Ms. Kavita's tax on returned income is ₹2,00,000 and TDS ₹20,000. She paid advance tax: 15 June ₹20,000; 15 September ₹50,000; 15 December ₹40,000; 15 March ₹60,000. Compute interest u/s 234B and 234C.

Q3 (a) (6 marks). Mr. Tarun, a resident trader, has a turnover of ₹2.80 crore in P.Y. 2025-26, of which ₹11.20 lakh was received in cash and the rest through account payee cheques/digital modes before the due date of return. He wishes to declare income under s. 44AD. (i) Is he eligible? (ii) Compute presumptive income. (iii) By when must he pay advance tax? (iv) What happens if he declares income below the presumptive rate in P.Y. 2026-27 after opting in P.Y. 2025-26?

(b) (4 marks). Who will verify the return of income for A.Y. 2026-27 in these cases: (i) an individual who is abroad; (ii) a HUF whose karta is mentally incapacitated; (iii) a company being wound up; (iv) an LLP; (v) a political party?

Q4 (a) (6 marks). Mr. Sharma holds 25% of the shares in Nexa Pvt. Ltd. His wife, who has no technical or professional qualification, is employed by Nexa at a salary of ₹6,00,000. Mr. Sharma's income from salary from another employer (computed) is ₹15,00,000. On 1-4-2025 he gifted ₹10,00,000 to his wife, which she deposited in a 7% fixed deposit (interest ₹70,000); she also earned ₹3,000 of interest by re-investing the interest of earlier years. She has business income of ₹2,00,000. Their minor son earned ₹30,000 of interest on an FD gifted by his grandfather, and their minor daughter won ₹50,000 in a singing competition. Both spouses pay tax under the default regime. Compute the total income of Mr. and Mrs. Sharma.

(b) (4 marks). List the persons who must file a return even though their total income does not exceed the basic exemption limit (seventh proviso to s. 139(1) and related rules).

Section B – Descriptive Questions (35 marks)

Question 5 is compulsory. Answer any two of Questions 6, 7 and 8. Rates are hypothetical.

Q5 (a) (10 marks). Shree Events Pvt. Ltd. is registered in Chennai, Tamil Nadu (event management, GST @ 18%). Details for October 2026 (amounts exclusive of GST unless stated):

#	Transaction	₹
1	Business conference organised in Chennai for a client registered in Bengaluru	10,00,000
2	Wedding event in Goa organised for an unregistered person living in Chennai	6,00,000
3	Tickets to a classical dance show in Chennai at ₹400 per person	3,00,000
4	Fee paid to a classical artist for performing at the dance show	1,20,000
5	Sponsorship money received from ABC Ltd. (body corporate) for a festival	5,00,000
6	Advance received (GST inclusive) from a registered Chennai client for a December event	2,36,000
7	Event in Chennai for an unregistered Chennai resident	3,00,000
8	Security services received from a proprietorship security agency	1,00,000
9	Legal services received from a firm of advocates	50,000

Input tax: outdoor catering used for the events – CGST ₹30,000 and SGST ₹30,000; equipment hired from Bengaluru – IGST ₹40,000; motor car for the MD – CGST ₹50,000 and SGST ₹50,000; club membership for directors – CGST ₹5,000 and SGST ₹5,000; services used only for the dance show – CGST ₹2,000 and SGST ₹2,000. Opening ITC nil. Compute the minimum GST payable in cash.

(b) (5 marks). Mr. Ravi, a trader in Lucknow, opted for composition for 2026-27 (preceding year turnover ₹1.2 crore). For the quarter July–September 2026: taxable goods sold ₹40,00,000; exempt goods sold ₹5,00,000; legal services received from an advocate ₹20,000. Compute his tax for the quarter, state the return he files, and state whether he may supply services of ₹6,00,000 during the year without losing eligibility.

Q6 (a) (5 marks). Determine the place of supply: (i) hotel accommodation in Shimla for a registered person of Delhi; (ii) transport of goods by a Chennai GTA for a registered person of Mumbai, from Chennai to Hyderabad; (iii) air travel for an unregistered person who boards at Kolkata for Delhi; (iv) training at Delhi for employees of a registered company of Pune; (v) beauty treatment in Jaipur for a tourist from Delhi.

(b) (5 marks). For October 2026, a registered person reports total ITC (T) ₹2,00,000, of which: used for non-business purposes (T1) ₹10,000; exclusively for exempt supplies (T2) ₹20,000; blocked u/s 17(5) (T3) ₹15,000; exclusively for taxable supplies (T4) ₹60,000. Exempt turnover ₹30 lakh; total turnover ₹1.2 crore. Compute the eligible ITC under Rule 42.

Q7 (a) (5 marks). Determine the time of supply: (i) Noor Foods buys **raw cashew nuts** from an agriculturist (taxable under RCM) – goods received 10 August 2026, supplier's invoice 5 August 2026, payment 20 September 2026; (ii) Shiv Steels removes goods for delivery on 12 August 2026 but issues the invoice on 15 August 2026; payment is received on 30 August 2026; (iii) Zen Ltd. issues an invoice on 25 August 2026 for consulting services completed on 10 August 2026 and receives payment on 5 September 2026.

(b) (5 marks). Explain the provisions for cancellation of registration by the proper officer and for revocation of cancellation.

Q8 (a) (5 marks). Distinguish between composite and mixed supply with two examples each, and state how tax is determined.

(b) (5 marks). Who must issue e-invoices? Which entities are exempt? What is the time limit for reporting to the IRP?

OR (b) (5 marks). State the restrictions on furnishing GSTR-1 and the provisions for rectifying errors in GSTR-1/GSTR-3B.

Solutions – Section A

SOLUTION **Q1 Mr. Dev Kapoor – total income and tax, A.Y. 2026-27**

Particulars	Optional (₹)	Default (₹)
Basic salary	18,00,000	18,00,000
HRA received 7,20,000 less exempt (least of 7,20,000; rent – 10% salary = 8,40,000 – 1,80,000 = 6,60,000; 50% of salary 9,00,000) – optional regime only	60,000	7,20,000
Employer's PF contribution 12% – not taxable (aggregate with NPS/superannuation within ₹7,50,000)	–	–
Interest on RPF above 9.5% (0.5% × 10,00,000)	5,000	5,000
Gross salary	18,65,000	25,25,000
Less: standard deduction	(50,000)	(75,000)
Less: professional tax – s. 16(iii)	(2,500)	–
Salaries	**18,12,500**	**24,50,000**
House 2: GAV – ER = higher of MV and FR (5,40,000) limited to SR = 5,00,000; actual rent 6,00,000 is higher → **6,00,000**; NAV 5,60,000; less 30% 1,68,000; less interest 2,20,000 + 1/5 of pre-construction interest 30,000	1,42,000	1,42,000
House 1 (s. 23(2)(b) – annual value nil): interest ₹1,50,000 – optional regime only	(1,50,000)	–
House property	**(8,000)**	**1,42,000**
Other sources: dividend 50,000 + interest 88,000	1,38,000	1,38,000
Winnings from game show (s. 115BB)	1,00,000	1,00,000
STCG u/s 111A	2,00,000	2,00,000
Gross total income	**22,42,500**	**30,30,000**
Less: 80C (employee PF 2,16,000 – limited) 1,50,000; 80CCD(1B) 50,000; 80D 22,000 + 50,000; 80TTA 10,000; 80G 20,000	(3,02,000)	–
Total income	**19,40,500**	**30,30,000**
Tax on normal income (16,40,500 / 27,30,000)	3,04,650	3,99,000
STCG @ 20% + winnings @ 30%	70,000	70,000
Total; add cess @ 4%	3,74,650 + 14,986	4,69,000 + 18,760
Tax liability (rounded)	**3,89,640**	**4,87,760**

80G working: adjusted GTI = 22,42,500 − STCG 2,00,000 − winnings 1,00,000 − other VI-A deductions 2,82,000 = 16,60,500; qualifying limit 10% = 1,66,050; donation 40,000 is within it → deduction 50% = **₹20,000**. **Advice:** the **optional regime** saves **₹98,120**; as he has no business income, he can opt for it in his return filed by the due date u/s 139(1).

SOLUTION Q2(a) Mr. Peter – residential status and GTI

Status: 190 days in P.Y. 2025-26 ≥ 182 → **resident**. He is **not ordinarily resident** because his stay in the 7 preceding years is 700 days (≤ **729 days**) – s. 6(6)(a). (He was resident in P.Y.s 2022-23 to 2024-25 under the 60 + 365-day test, so the "non-resident in 9 of 10 years" limb does not apply; the 729-day limb alone makes him RNOR.)

Income	RNOR (actual)	ROR	NR
Salary for services in India (accrues in India)	12,00,000	12,00,000	12,00,000
Dividend from UK company received in UK	–	1,50,000	–
Business in London controlled from India	4,00,000	4,00,000	–
Paris rent received abroad (later remittance is irrelevant)	–	3,00,000	–
Interest on Indian company's debentures	80,000	80,000	80,000
Past untaxed foreign income brought into India	–	–	–
Gross total income	**16,80,000**	**21,30,000**	**12,80,000**

SOLUTION Q2(b) Interest u/s 234B and 234C

Assessed tax = 2,00,000 − TDS 20,000 = **₹1,80,000**. **s. 234B:** advance tax paid ₹1,70,000 ≥ 90% (₹1,62,000) – **no interest**.

Instalment	Required	Paid (cumulative)	Shortfall (rounded down to ₹100)	Interest
15 June (15%; no interest if ≥ 12% = 21,600)	27,000	20,000	7,000	1% × 3 = 210
15 Sept (45%; no interest if ≥ 36% = 64,800)	81,000	70,000	– (≥ 36%)	Nil
15 Dec (75%)	1,35,000	1,10,000	25,000	1% × 3 = 750
15 March (100%)	1,80,000	1,70,000	10,000	1% × 1 = 100

Interest u/s 234C = ₹1,060.

SOLUTION Q3(a) Mr. Tarun – s. 44AD

(i) Turnover ₹2.80 crore exceeds ₹2 crore, but cash receipts (₹11.20 lakh = **4%**) do not exceed **5%**, so the higher limit of **₹3 crore** applies – **eligible**. (ii) Presumptive income = 6% × 2,68,80,000 (digital/banking receipts) + 8% × 11,20,000 = 16,12,800 + 89,600 = **₹17,02,400**; no further deduction for expenses or depreciation (deemed allowed). (iii) Advance tax – **100% by 15 March 2026** (s. 211(1)(b)). (iv) s. 44AD(4): if he opts in a year and then declares income below the presumptive rate in any of the **next five years**, he cannot use s. 44AD for the **five years** after that year; he must keep books u/s 44AA and get them audited u/s 44AB if total income exceeds the basic exemption limit.

SOLUTION Q3(b) Verification – s. 140

(i) Individual absent from India – the individual or a person holding a **valid power of attorney** (attached to the return). (ii) HUF whose karta is mentally incapacitated – **any other adult member** of the HUF. (iii) Company being wound up – the **liquidator**. (iv) LLP – a **designated partner** (or any partner if there is no DP). (v) Political party – its **chief executive officer** (secretary or other title).

SOLUTION Q4(a) Clubbing – Mr. and Mrs. Sharma

Total income before clubbing: Mr. Sharma ₹15,00,000; Mrs. Sharma 5,25,000 (6,00,000 − 75,000) + 70,000 + 3,000 + 2,00,000 = ₹7,98,000.

Particulars	Mr. Sharma (₹)	Mrs. Sharma (₹)
Own salary	15,00,000	–
Wife's salary from Nexa – Mr. Sharma has substantial interest (≥ 20%), she has no technical qualification – s. 64(1)(ii) (6,00,000 − 75,000)	5,25,000	–
Interest on FD from money gifted by husband – s. 64(1)(iv)	70,000	–
Interest on re-investment of earlier interest (accretion – not clubbed)	–	3,000
Her business income	–	2,00,000
Minor son's interest – clubbed with the parent with higher income; no ₹1,500 exemption in default regime	30,000	–
Minor daughter's prize – earned by her **skill**, not clubbed (taxed in her own hands)	–	–
Total income	**21,25,000**	**2,03,000**

SOLUTION Q4(b) Compulsory filing

A person must file a return if, during the P.Y., he (i) deposited more than **₹1 crore** in one or more **current accounts**; (ii) spent more than **₹2 lakh on foreign travel** (self or another person); (iii) spent more than **₹1 lakh on electricity**; or (iv) meets the conditions of Rule 12AB: business turnover > **₹60 lakh**; professional gross receipts > **₹10 lakh**; TDS + TCS ≥ **₹25,000** (₹50,000 for resident senior citizens); or deposits in **savings accounts** ≥ **₹50 lakh**. Also: a resident (other than RNOR) with an **asset or signing authority outside India**, or who is a beneficiary of a foreign asset; and anyone whose income **before exemptions u/s 54–54GB** exceeds the basic exemption limit.

Solutions – Section B

SOLUTION Q5(a) Shree Events Pvt. Ltd. – GST payable, October 2026

#	Particulars and reason	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
1	Organising a conference for a **registered** recipient – PoS = recipient's location (Karnataka) → inter-State	10,00,000	–	–	1,80,000
2	Organising an event for an **unregistered** person – PoS = where the event is held (Goa) → inter-State	6,00,000	–	–	1,08,000
3	Admission to a dance show at ≤ ₹500 per person – **exempt**	3,00,000	–	–	–
4	Inward service by a classical artist ≤ ₹1,50,000 – exempt; no output tax	–	–	–	–
5	Sponsorship to a body corporate – tax payable by ABC Ltd. under **RCM**	–	–	–	–
6	Advance for **services** – taxable on receipt: 2,36,000 × 100/118	2,00,000	18,000	18,000	–
7	Event in Chennai for an unregistered person – PoS Tamil Nadu	3,00,000	27,000	27,000	–
	Forward-charge tax		**45,000**	**45,000**	**2,88,000**
8	Security services from a non-body-corporate to a registered person – RCM	1,00,000	9,000	9,000	–
9	Legal services by a firm of advocates – RCM	50,000	4,500	4,500	–
	RCM tax (cash only)		**13,500**	**13,500**	–

Eligible ITC: outdoor catering used in a taxable **composite** supply of event management – allowed (proviso to s. 17(5)(b)): CGST/SGST 30,000 each; equipment hire IGST 40,000; RCM tax paid 13,500 each. **Not allowed:** motor car (s. 17(5)(a)), club membership (s. 17(5)(b)(ii)), services used only for exempt supplies (s. 17(2)). ITC: CGST **43,500**, SGST **43,500**, IGST **40,000**.

Utilisation	CGST (₹)	SGST (₹)	IGST (₹)
Forward-charge tax	45,000	45,000	2,88,000
Less: IGST credit	–	–	(40,000)
Less: CGST / SGST credit	(43,500)	(43,500)	–
Balance + RCM tax in cash	1,500 + 13,500	1,500 + 13,500	2,48,000
Cash payable	**15,000**	**15,000**	**2,48,000**

Minimum GST payable in cash = ₹2,78,000.

SOLUTION Q5(b) Mr. Ravi – composition

Tax for a **trader** = 0.5% CGST + 0.5% SGST on turnover of **taxable** goods only (exempt goods excluded – proviso to Rule 7): 1% × 40,00,000 = **₹40,000** (₹20,000 + ₹20,000). RCM on legal services at the **normal rate**, without ITC: 18% × 20,000 = **₹3,600**. Total **₹43,600**, paid through **CMP-08** by **18 October 2026**; annual return **GSTR-4** by 30 April 2027. Services: a composition supplier may supply services (other than restaurant) up to the **higher of 10% of turnover in the State in the preceding year (₹12 lakh) and ₹5 lakh** – ₹6 lakh of services is allowed.

SOLUTION Q6(a) Place of supply – s. 12 IGST Act

(i) Hotel accommodation – location of the **immovable property**: **Himachal Pradesh**. (ii) Transportation of goods for a **registered** person – location of the recipient: **Maharashtra**. (iii) Passenger transport for an unregistered person – where he **embarks**: **West Bengal**. (iv) Training for a **registered** person – location of the recipient: **Maharashtra**. (v) Beauty treatment – where **actually performed**: **Rajasthan**.

SOLUTION Q6(b) Rule 42

Step	Computation	₹
C1 = T − (T1 + T2 + T3)	2,00,000 − 45,000	1,55,000
C2 = C1 − T4 (common credit)	1,55,000 − 60,000	95,000
D1 = E ÷ F × C2	30 ÷ 120 × 95,000	23,750
D2 = 5% of C2 (non-business)	5% × 95,000	4,750
C3 = C2 − D1 − D2		66,500
Eligible ITC = T4 + C3	60,000 + 66,500	**1,26,500**

SOLUTION Q7(a) Time of supply

(i) RCM on goods – s. 12(3): **earliest** of receipt of goods (10 August), payment (20 September) and the day after 30 days from the supplier's invoice (5 September) → **10 August 2026**. (ii) Forward charge – s. 12(2): **earlier** of the invoice date and the **last date by which the invoice should have been issued** (s. 31 – at or before removal, 12 August) → **12 August 2026**; for goods, payment is irrelevant (Notification 66/2017). (iii) Services – invoice was issued within **30 days** of completion → s. 13(2)(a): earlier of invoice date (25 August) and payment (5 September) → **25 August 2026**.

SOLUTION Q7(b) Cancellation and revocation – ss. 29, 30

By the proper officer (s. 29(2)): where the registered person (a) contravenes the Act or rules; (b) composition taxpayer – has not furnished the return for a financial year beyond **three months** from its due date; (c) any other person – has not furnished returns for a continuous period of **six months** (two tax periods under QRMP); (d) voluntary registrant has not commenced business within **six months**; (e) registration was obtained by **fraud, wilful misstatement or suppression of facts**; (f) avails ITC in violation of s. 16 or furnishes GSTR-1 details exceeding GSTR-3B (Rule 21). A **show cause notice** (REG-17) and opportunity of hearing are required; registration may be **suspended** meanwhile (Rule 21A). Cancellation does not affect liability for earlier periods; tax on stock and capital goods must be paid (s. 29(5)). **Revocation (s. 30):** where cancelled by the officer on his own motion, the person may apply in **REG-21 within 30 days** of service of the order (extendable by up to **180 days**), after furnishing pending returns and paying tax, interest and penalty. The officer revokes (REG-22) or rejects (REG-05) after notice.

SOLUTION Q8(a) Composite vs mixed supply – s. 2(30), 2(74), s. 8

Composite: two or more taxable supplies **naturally bundled** and supplied together in the ordinary course of business, one being the **principal supply**; taxed at the **rate of the principal supply**. Examples: goods supplied with packing, transport and insurance (principal – goods); hotel stay with breakfast; works contract (deemed service). **Mixed:** two or more supplies made together for a **single price** that are **not naturally bundled** and could be supplied separately; taxed at the **highest rate** among them. Examples: a Diwali hamper of sweets, chocolates and dry fruits; a combo pack of a water bottle and a tiffin box sold for one price. Test: would the supplies normally be sold separately in the ordinary course? If yes and they are priced as a single unit → mixed.

SOLUTION Q8(b) E-invoicing – Rule 48(4)

Who: a registered person whose **aggregate turnover in any financial year from 2017-18 exceeds ₹5 crore** must issue e-invoices (IRN and QR code from the **Invoice Registration Portal**) for **B2B supplies, exports, and credit/debit notes**. **Exempt:** SEZ units (not developers), insurers, banking companies and financial institutions including NBFCs, GTAs, passenger transport service providers, suppliers of admission to cinema exhibitions, Government departments and local authorities, persons registered under Rule 16 (UIN). **Time limit:** taxpayers with AATO of **₹10 crore or more** must report invoices to the IRP within **30 days** of the invoice date VERIFY. An invoice not reported does not count as a valid invoice (ITC denied to the recipient).

SOLUTION **Q8 OR (b) GSTR-1 restrictions and rectification**

Restrictions: GSTR-1 cannot be filed (i) **before the end of the tax period** (except for casual taxable persons and on cancellation of registration); (ii) if **GSTR-3B for the preceding tax period** has not been filed (Rule 59(6)); (iii) under QRMP, if GSTR-3B for the preceding quarter is not filed; (iv) where registration is **suspended**; (v) after **three years** from the due date (s. 37(5)) VERIFY. **Rectification:** an error or omission (other than one found in audit/scrutiny) is rectified in the return for the month/quarter in which it is noticed, **not later than 30 November** following the end of the financial year or the date of the annual return, whichever is earlier; tax and interest are paid if the correction increases liability.