Skillshort

Self-Study Preparation Pack

CS EXECUTIVE

Paper 7: Tax Laws and Practice (TLP)

Chapter-wise Detailed Notes

For the December 2026 examination (Sun 27 Dec 2026, 2:00–5:15 pm incl. 15 min reading) · ICSI Syllabus 2022 · Group 2 · Income-tax Act, 1961 as amended by the Finance Act, 2025 – A.Y. 2026-27 (P.Y. 2025-26) · GST and Customs as amended up to 31 May 2026

100 marks · 3 hours | Part I Direct Tax 60 · Part II Indirect Tax 40 | Computation case studies in Q1 and Q5 | New regime s.115BAC is the default | GST 2.0 rates 5/18/40 from 22-9-2025

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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

How to use these notes

These notes follow the **20 lessons of the ICSI study material** for Tax Laws and Practice (Syllabus 2022). Lessons with many topics are split into parts (2A–2B, 9A–9B, 16A–16C, 17A–17C, 19A–19B, 20A–20C) so each part fits one revision session. Every computation should show **working notes**, the **section**, and a clear **final figure** rounded under s.288A/288B.

Paper at a glance

Item	Detail
Marks / time	100 marks, 3 hours (2:00–5:15 pm with 15 minutes' reading time)
Part I – Direct Tax (60 marks)	Lessons 1–13: Q1 computation case study (several parts), Q2, Q3, Q4 or Q4A – salary, house property, business, capital gains, other sources, clubbing, set-off, deductions, residential status, TDS, returns, advance tax
Part II – Indirect Tax (40 marks)	Lessons 14–20: Q5 GST computation case (several parts), Q6 or Q6A – time, value and place of supply, ITC, registration, composition, returns, e-way bill, customs valuation and duties
Choice	Internal choice in **Q4 / Q4A** and **Q6 / Q6A** (pattern of recent papers) VERIFY
Applicable law	**Income-tax Act, 1961** as amended by the **Finance Act, 2025** – **A.Y. 2026-27**; GST and Customs amendments up to **31 May 2026**. The **Income-tax Act, 2025 is not applicable** to the December 2026 session
Pass	40% in each paper and 50% aggregate in the group

Recent papers (December 2024 – June 2026) were fully written answers – no OMR or MCQ section was seen VERIFY. Check the instructions printed on your question paper.

NOTE **Applicability card - December 2026 exam**

Area	Law examined	Cut-off
Income-tax	**Income-tax Act, 1961** as amended by **Finance Act 2025**	**A.Y. 2026-27** (P.Y. 2025-26); CBDT rules/circulars up to **31-05-2026**
GST	CGST/IGST/UTGST Acts, Rules & notifications	up to **31-05-2026**
Customs	Customs Act 1962 & Customs Tariff Act 1975	up to **31-05-2026**

- Source: ICSI Supplement (Dec 2026) Part I: "**Income Tax Act, 2025 will not be applicable for December 2026 session**"; study material updated to **31 May 2025**.
- New ICSI Tax book (Income-tax Act 2025, Finance Act 2026, **Tax Year 2026-27**) is for **June 2027 onwards** - do not mix.

How sections are written in these notes

Note: s.115BAC [2025: s.202] = 1961 Act section 115BAC (**write this in the exam**); corresponding Income-tax Act 2025 section 202 (awareness only)

- Use "**previous year / assessment year**" language (not "tax year").
- Where no 2025 mapping is shown, only the 1961 section is cited, e.g. s.2(31), s.40(b), s.13A.
- 2025 Act: **536 sections, 23 chapters, 16 Schedules**; s.10 exemptions move to **s.11 + Schedules II-VII**; TDS in **s.392-394** tables.

NOTE ICSI Supplement - Direct Tax (1-6-2025 to 31-5-2026)

- **Lesson 4 Salary - Rules 3C & 3D** (Notfn 133/2025, 18-8-2025): salary limit for "specified employee" perquisites u/s 17(2)(iii)(c) **₹4,00,000**; GTI limit for proviso (vi) to s.17(2) (medical treatment abroad) **₹8,00,000**.
- **Lesson 7 CG - Capital Gains Accounts (2nd Amendment) Scheme 2025** (Notfn 161/2025, 19-11-2025): covers **s.54GA**; deposits by **electronic mode** (UPI, NEFT, RTGS, cards); date of deposit = date of receipt by deposit office; e-passbooks.
- **Lesson 13 TDS**: Notfn 67/2025 - no TDS on specified payments to **IFSC units**; **Circular 9/2025** - no higher TDS/TCS (206AA/206CC) if PAN made operative within the time allowed.

NOTE ICSI Supplement - GST & Customs (1-6-2025 to 31-5-2026)

- **GST 2.0 rates w.e.f. 22-9-2025**: Notfn 9/2025-CT(R) (supersedes 1/2017) - slabs **5% / 18%** + **40%** (demerit goods); goods exemptions Notfn 10/2025.
- **Individual life & health insurance exempt** (Notfn 16/2025-CT(R), 17-9-2025); **GTA** definition exclusions; ECO services list amended (eff. 22-9-2025).
- **Vouchers**: s.12(4) & 13(4) omitted; anti-profiteering ends; "local authority" amended (Notfn 16/2025-CT).
- **Intermediary services**: s.13(8)(b) IGST omitted (Finance Act 2026) w.e.f. **30-03-2026** → POS = location of recipient s.13(2).
- **Post-sale discounts** Circular 251/08/2025; **RSP valuation** s.15(5) for notified goods (Notfn 19/2025); GSTR-9 exemption (Notfn 15/2025); **GSTAT Principal Bench** for s.101B appeals (Notfn 02/2026).
- Customs: **Provisional Assessment Regulations 2025**, **Voluntary Revision of Entries Post Clearance Regulations 2025**, master exemption **Notfn 45/2025-Cus**, **SWIFT 2.0** single window (Circular 29/2025).

EXAM TIP Answer-writing (computation)

Residential status > 5 heads > Clubbing > Set-off > GTI > Deductions (old regime) > Total income (round to ₹10) > Tax @ slab + special rates > Rebate/surcharge/cess > Less TDS/advance tax

- Default regime = **new regime s.115BAC [2025: s.202]**; old regime only if opted (business income: Form 10-IEA).
- GST Q: list each supply → taxable/exempt/non-GST → value → rate → output tax → less eligible ITC (IGST first) → net cash.
- Company Q: normal tax vs **MAT s.115JB** (unless s.115BAA/115BAB) → pay higher; MAT credit 15 AYs.

Chapter 1: Direct Tax at a Glance

In this chapter: Introduction · Characteristics of taxes · Objectives of taxation · Direct vs indirect tax · Background of taxation system in India · Tax structure & administration

1.1 Tax - meaning & characteristics

- Tax = **compulsory contribution** to the State **without direct quid pro quo**; levied by **authority of law** (Art. **265**: no tax save by authority of law).
- Characteristics: compulsory; no direct benefit; for public purpose; levied on income, property or transactions; legal sanction.
- Canons (Adam Smith): **equity, certainty, convenience, economy**; modern: productivity, elasticity, simplicity, flexibility.

1.2 Objectives of taxation

- **Revenue** for public expenditure; **redistribution** of income (progressive slabs).
- **Economic growth** (incentives: 80-IAC, 10AA, 35AD); price stability; discouraging harmful goods (40% GST, cess).
- Regional balance & social welfare (CSR, housing deductions).

1.3 Tax structure in India

- **Union List (Sch VII List I)**: Entry 82 income-tax (other than agricultural income), Entry 83 customs, Entry 85 corporation tax.
- **State List**: Entry 46 tax on agricultural income; Entry 49 land & buildings.
- **Art. 246A** (101st Amendment 2016) - GST powers to Union & States; **Art. 269A** IGST.
- Income-tax law = Act 1961 + Income-tax Rules 1962 + annual **Finance Act** + circulars/notifications + case law.

1.4 Income-tax administration

Ministry of Finance (Dept of Revenue) → **CBDT** (Central Boards of Revenue Act 1963) → Pr. Chief Commissioner / Chief Commissioner → Pr. Commissioner / Commissioner → Joint / Addl. Commissioner → Assessing Officer (DCIT/ACIT/ITO) → TRO / Inspectors

- **Faceless** assessment (s.144B), faceless appeals (CIT(A)) & **CPC Bengaluru** processing (s.143(1)).
- Appeals: AO → **CIT(A)/JCIT(A)** → **ITAT** → High Court (substantial question of law) → Supreme Court.

EXAM TIP FAQ

- Who can levy tax on agricultural income? **States** (Entry 46, List II); Centre uses it only for **rate purposes** (partial integration).
- Finance Act of a year gives rates for current AY (Part I of First Schedule) and **TDS / advance tax rates** for the year.
- Circulars bind the **department**, not the assessee or courts.

Chapter 2A: Basic Concepts of Income Tax

In this chapter: Overview of Finance Bill · Definitions - person, assessee, income, AY, PY · Capital vs revenue receipts & expenditure · Rates, surcharge, cess, rebate · Agricultural income · Rounding off

2A.1 Charge & key definitions

- **s.4 [2025: s.4]**: tax charged for each **assessment year** at rates in Finance Act on **total income** of every **person**.
- **s.3** (PY) & **s.2(9)** (AY) **[2025: s.3 'tax year']**: income of **P.Y. 2025-26** (1-4-2025 to 31-3-2026) taxed in **A.Y. 2026-27**; new business: PY from date of setting up to 31 March.
- **Person** (s.2(31)): individual, HUF, company, firm (incl. LLP), AOP/BOI, local authority, artificial juridical person.
- **Income** (s.2(24)) inclusive: profits, dividend, perquisites, capital gains, winnings, gifts u/s 92(2) (s.56(2)(x)), etc.
- Exceptions to "PY income taxed in AY" [1961: 172-176]: shipping NR, persons leaving India, AOP for event, transfer to avoid tax, discontinued business.

2A.2 Slab rates - new regime s.115BAC [2025: s.202] (default)

Total income (₹)	Rate
0 - 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%

- **Rebate s.87A [2025: s.156]**: resident individual, TI ≤ **₹12 lakh** → rebate up to **₹60,000** + **marginal relief** just above ₹12 lakh; not against special-rate incomes (111A/112A etc.) VERIFY.
- Applicable to individual, HUF, AOP, BOI, AJP. Opt-out: non-business - each year in ROI; business - once (Form 10-IEA) VERIFY.

2A.3 Old regime slabs (if opted)

Age	Nil up to	5%	20%	30%
< 60 yrs	2.5 lakh	2.5-5 lakh	5-10 lakh	> 10 lakh
60-80 (resident)	3 lakh	3-5 lakh	5-10 lakh	> 10 lakh
≥ 80 (resident)	5 lakh	-	5-10 lakh	> 10 lakh

- Rebate (old) TI ≤ **₹5 lakh** → up to **₹12,500**.
- **Surcharge** (individuals): 10% (> 50 lakh), 15% (> 1 cr), 25% (> 2 cr), 37% (> 5 cr, old regime only; **new regime max 25%**). On 111A/112A/112 & dividend capped **15%**. **HEC 4%** on tax + surcharge.

2A.4 Other assessees - rates (AY 2026-27)

Assessee	Rate
Firm / LLP	30% (+12% surcharge if TI > 1 cr)
Domestic co. (turnover ≤ ₹400 cr in PY 2023-24)	25%
Other domestic co.	30%
s.115BAA [2025: s.200] opted	**22%** + 10% surcharge (MAT not applicable)
Foreign company	35%
Co-op society s.115BAD [2025: s.203]	22%
MAT s.115JB [2025: s.206]	15% of book profit

- Domestic co. surcharge: 7% (> 1 cr), 12% (> 10 cr).

2A.5 Agricultural income (s.2(1A))

- Exempt: **s.10(1)** [2025: Sch II Sl.1] VERIFY. Includes rent/revenue from agri land in India, income from agri operations, farm house (conditions).
- **Partial integration** for rate (individual/HUF/AOP/BOI/AJP) if agri income > **₹5,000** and non-agri income > basic exemption limit.

Step 1 = Tax on (non-agri + agri income)

Step 2 = Tax on (agri income + basic exemption limit)

Tax payable = Step 1 − Step 2 (then rebate, surcharge, cess)

- Composite income: tea grown & manufactured **60% agri** / 40% business; rubber 65:35; coffee 75:25 / 60:40 (cured & roasted) [Rule 7A/7B/8] VERIFY.

EXAM TIP Exam points

- Rounding off TI to nearest **₹10**; tax to nearest ₹10 - s.288A/288B [2025: s.516].
- Rebate under new regime not allowed against **STCG u/s 111A / LTCG 112A** (FA 2025) VERIFY.
- Marginal relief - tax payable on income just above ₹12 lakh can't exceed excess income over ₹12 lakh.

2A.6 Capital vs revenue - receipts & expenditure

Item	Capital	Revenue
Receipt	Sale of fixed asset, loan taken, compensation for loss of source of income - **taxable only if specifically charged** (e.g. capital gains)	Sale of stock, fees, interest - **taxable** unless exempt
Expenditure	Acquiring/improving asset, enduring benefit (*Assam Bengal Cement*) - depreciation route	Day-to-day running, maintaining asset - **deductible** s.30-37

Chapter 2B: Residential Status, Basis of Charge & Scope of Total Income

In this chapter: Residential status s.6 [2025: s.6] · Scope of total income s.5 [2025: s.5] · Deemed receipt & accrual s.7, 9 · Basis of charge

2B.1 Individual – residential status

Basic condition 1: in India **≥ 182 days** in PY? OR Basic condition 2: **≥ 60 days** in PY + **≥ 365 days** in 4 preceding PYs? → Neither → **Non-resident** (unless **deemed resident**) → Either satisfied → **Resident** → Additional: NR in **9 of 10** preceding yrs OR ≤ **729 days** in 7 preceding yrs → **RNOR**; else **ROR**

- 60 days → **182 days** for Indian citizen leaving for employment/crew; for Indian citizen/PIO **visiting**: **120 days** if Indian income > **₹15 lakh** (→ RNOR).
- **Deemed resident** (s.6(1A)): Indian citizen, Indian income > ₹15 lakh, not liable to tax elsewhere → **RNOR**.

2B.2 Scope of total income s.5 [2025: s.5]

Income	ROR	RNOR	NR
Received/deemed received in India	✓	✓	✓
Accrues/deemed to accrue in India	✓	✓	✓
Outside India from business controlled/profession set up in India	✓	✓	×
Outside India - other	✓	×	×
Past untaxed foreign income brought to India	×	×	×

2B.3 Other persons & deemed accrual

- **HUF/firm/AOP**: resident unless **control & management wholly outside** India. HUF R/RNOR based on karta.
- **Company**: resident if **Indian company** or **POEM** in India in that year.
- **s.9 [2025: s.9]** deemed accrual: business connection, property/asset/source in India, transfer of capital asset in India, salary for services in India, salary from Govt to Indian citizen abroad, dividend by Indian co., interest/royalty/FTS (conditions), gift > ₹50,000 by resident to NR.
- **s.7 [2025: s.7]**: employer's contribution to RPF in excess etc. deemed received.

WORKED EXAMPLE Worked illustration: residential status

- Mr. A (Indian citizen) left for job in Dubai on 10-Oct-2025 (first time). Stay in PY 2025-26: 1-Apr to 9-Oct = **192 days**.
- ≥ 182 days → **resident**. Preceding 10 years always in India → **ROR**.
- If he left on 20-Sep-2025 (173 days): leaving for employment → 60-day rule replaced by 182 → **NR**.
- Mr. B (PIO) visits India 130 days; Indian income ₹18 lakh; 400 days in preceding 4 yrs → resident under 120-day rule → **RNOR**.

COMMON MISTAKE Common mistakes

- Counting days: **both arrival & departure** days counted as days in India (generally).
- Residential status is **per PY** and **per head of income? NO** - per person per year.
- Dividend from foreign company received abroad by RNOR → **not taxable**.
- Foreign income of NR received in India **after** first receipt abroad → not taxable (remittance ≠ receipt).

Chapter 3: Incomes which do not form part of Total Income (s.10, 10AA, 11-13A)

In this chapter: Agricultural income s.10(1) · HUF receipts & share of profit s.10(2), 10(2A) · Allowances, gratuity, leave, VRS · Scholarships & awards · Interest exemptions · Dividend/mutual fund units · Political parties s.13A · SEZ units s.10AA

3.1 SEZ units s.10AA [2025: s.144]

- Deduction for units commencing **on or before 31-3-2021**: **100%** of export profits for 5 yrs, **50%** next 5, **50%** next 5 (if reinvested in SEZ Re-investment Reserve).

Deduction = Profits of unit × Export turnover of unit / Total turnover of unit

- Return by **due date** s.139(1); audit report (Form 56F).

3.2 Political parties & electoral trusts s.13A / 13B [2025: s.12]

- **s.13A**: income from house property, other sources, capital gains & **voluntary contributions** exempt if: books maintained; record of donors **> ₹20,000**; audited; **no cash donation > ₹2,000**; return filed by due date; contribution report (Form 24A) by due date.
- **s.13B**: electoral trust - voluntary contributions exempt if **≥ 95%** distributed to registered political parties in the PY.
- Donor relief: **80GGB** (company) / **80GGC** (others) - not in cash.

3.3 Key exemptions s.10 [2025: s.11 + Sch II-VII]

Clause	Exempt receipt
10(1)	**Agricultural income** (partial integration for rates)
10(2)	Sum received by member **from HUF**
10(2A)	**Share of profit** of partner from firm/LLP (firm taxed)
10(4)/(4B)	Interest to non-residents on specified bonds/NRE a/c
10(10)/(10AA)	Gratuity / leave encashment (limits ₹20 L / ₹25 L)
10(10C)/(10D)	VRS up to ₹5 lakh; **life insurance** sums (premium ≤ 10% of SA; ULIP ≤ ₹2.5 L; non-ULIP > ₹5 L taxable)
10(11)/(12)	PPF / statutory PF; recognised PF (interest on employee contribution > ₹2.5 L taxable)
10(13A)	**HRA** (least of three)
10(14)	Special allowances (helper, uniform, transport for disabled)
10(15)	Interest on specified bonds & securities
10(16)	**Scholarships** for education
10(17A)	Govt-approved **awards**
10(19)	Family pension of armed forces killed in action
10(23C)	Funds/universities/hospitals (substantially financed)
10(26)	ST members in specified areas
10(34A)	Buy-back proceeds in shareholders' hands (buy-back **up to 30-9-2024** only)
10(37)	Compensation on compulsory acquisition of urban **agricultural land**
10(46)/(46A)	Notified statutory bodies
10(48) etc.	Notified sovereign/foreign entities

MEMORY TRICK **Exempt-income families - "A-HUF-SPA"**

AHSPA – A Agricultural income 10(1); H HUF receipts 10(2); U Units/insurance 10(10D); S Share of profit 10(2A); P Political party 13A; A Awards & scholarships 10(16)/(17A)

Chapter 4: Income under the Head Salary s.15-17 [2025: s.15-19]

In this chapter: Basis of charge s.15 · Salary, perquisites & profits in lieu s.17 · Allowances · Retirement benefits · Standard deduction & professional tax s.16 · Rules 3C/3D (Supplement)

4.1 Basis & structure

- **s.15 [2025: s.15]**: salary **due** or **paid/allowed** (earlier of), arrears not taxed earlier. Employer-employee relationship essential.
- **s.17(1) [2025: s.16]** salary incl. wages, annuity, pension, gratuity, fees, commission, perquisites, advance salary, leave encashment, employer's RPF excess, employer's NPS contribution.
- **s.17(2) [2025: s.17]** perquisites; **s.17(3) [2025: s.18]** profits in lieu (compensation on termination, keyman insurance, etc.).
- **s.16, 10(10)-(10C) [2025: s.19]**: deductions/exemptions table - standard deduction, entertainment allowance (Govt, old regime), professional tax (old regime), gratuity, leave encashment, commuted pension, VRS, retrenchment.

4.2 Standard deduction & key limits (AY 2026-27)

Item	New regime	Old regime
Standard deduction	**₹75,000**	₹50,000
Family pension deduction	₹25,000 / 1/3	₹15,000 / 1/3
Professional tax	×	✓ (actual)
Employer NPS 80CCD(2)	14% of salary	10% (pvt) / 14% (Govt)
HRA, LTA, 80C etc.	×	✓

- Employer contribution to RPF + NPS + superannuation > **₹7.5 lakh** → excess (+ accretion) taxable perquisite.

4.3 Retirement benefits - exemption

- **Gratuity** (covered by Gratuity Act): least of actual, **₹20 lakh**, **15/26 × last salary × completed years** (> 6 months = 1 yr). Not covered: least of actual, ₹20 lakh, **½ × average salary (10 months) × completed years**.
- **Leave encashment** (non-Govt): least of actual, **₹25 lakh**, 10 months' average salary, cash equivalent of unavailed leave (30 days/yr). Govt employees fully exempt.
- **Commuted pension**: Govt - fully exempt; others - **1/3** (if gratuity received) or **1/2** of full value.
- **VRS s.10(10C)**: up to ₹5 lakh; **Retrenchment s.10(10B)**: least of ₹5 lakh, ID Act formula.

4.4 HRA & allowances (old regime)

HRA exempt = Least of (i) actual HRA, (ii) **50%** (Delhi/Mumbai/Kolkata/Chennai) or **40%** of salary, (iii) rent paid − 10% of salary

- Salary = basic + DA (retirement-linked) + commission at fixed % of turnover.
- Children education ₹100 pm/child (2), hostel ₹300 pm/child; transport for disabled ₹3,200 pm.
- **Fully taxable**: dearness, city compensatory, overtime, servant, warden?, tiffin, project allowance etc.

4.5 Perquisites - valuation (Rule 3)

Perquisite	Taxable value (gist)
Rent-free accommodation (owned, pvt)	**10%** of salary (pop. > 40 lakh); 7.5% (15-40 lakh); 5% (others) VERIFY
Leased accommodation	lower of actual lease rent or 10% of salary
Motor car (official + personal)	Study material: ₹1,800/2,400 pm + ₹900 driver; Notfn 133/2025 revised values (₹5,000/7,000 + ₹3,000) - ICSI SM (May 2025) shows old values; apply revised values from 18-8-2025 VERIFY
Interest-free loan	SBI rate on 1-Apr − rate charged; exempt if ≤ ₹20,000 or medical

Perquisite	Taxable value (gist)
Gift voucher	exempt up to **₹5,000** p.a.
Free meals	exempt up to ₹50 per meal

- **Specified employee (Rule 3C)**: salary (excl. non-monetary perks) > **₹4,00,000** NEW → car, servant, gas/electricity/water, education perks taxable.

WORKED EXAMPLE **Worked illustration: new regime salary**

- Basic ₹9,60,000; DA (retirement) ₹1,20,000; HRA ₹2,40,000; employer NPS 10% of (B+DA) = ₹1,08,000.

Gross salary = 9,60,000 + 1,20,000 + 2,40,000 + 1,08,000 = ₹14,28,000

- Less std deduction 75,000 → ₹13,53,000; less **80CCD(2)** 1,08,000 → TI **₹12,45,000**.

Tax (new regime) = 20,000 + 40,000 + 45,000 × 15% (6,750) = ₹66,750

- TI > 12 lakh → no rebate; marginal relief: tax limited to 45,000 (excess over 12 lakh) → **₹45,000** + HEC 4% = **₹46,800**.

Chapter 5: Income under the Head House Property s.22-27 [2025: s.20-25]

In this chapter: Annual value s.23 · Self-occupied property · Deductions s.24 · Arrears & unrealised rent s.25A · Co-ownership s.26 · Deemed owner s.27

5.1 Conditions & annual value

- **s.22 [2025: s.20]**: building or land appurtenant; assessee is **owner** (incl. deemed owner (s.27)); not used for own business/profession.
- **s.23 [2025: s.21]** GAV (let-out): higher of **Expected rent** (higher of municipal value & fair rent, restricted to standard rent) and **actual rent received/receivable** (less unrealised rent per Rule 4); vacancy → actual rent if lower due to vacancy.
- **Self-occupied**: annual value **Nil** for up to **2 houses** (FA 2025 - no condition of employment elsewhere).
- Deemed owner: transfer to spouse (w/o adequate consideration)/minor child, holder of impartible estate, member of co-op society, power of attorney holder (possession), lease > 12 years.

5.2 Computation

Gross Annual Value (GAV) → Less municipal taxes **paid by owner** during the year → = Net Annual Value (NAV) → Less s.24(a) [2025: s.22] **30% of NAV** (standard deduction) → Less s.24(b) [2025: s.22] **interest on borrowed capital** (pre-construction interest in **5 equal instalments** from year of completion) → = Income from HP

- SOP interest limit: **₹2,00,000** (acquisition/construction within 5 yrs) / ₹30,000 (repairs) - **old regime only**.

5.3 New vs old regime - HP

Point	New regime	Old regime
Interest on SOP	× not allowed	✓ up to ₹2 lakh
Interest on let-out	✓ allowed	✓
HP loss set-off with other heads	×	✓ up to ₹2 lakh
Carry forward HP loss	✓ 8 yrs (vs HP) VERIFY	✓ 8 yrs

5.4 Arrears, unrealised rent & co-owners

- **s.25A [2025: s.23]**: arrears/unrealised rent received later → taxable in year of receipt (even if not owner) after **30% deduction**.
- **s.26 [2025: s.24]**: co-owners with definite shares → each taxed separately on his share; each can claim SOP benefit & interest limit.
- Composite rent (building + services) → separate; services under business/IFOS.
- Property held as stock-in-trade unsold: annual value **nil** for **2 years** from end of FY of completion certificate.

WORKED EXAMPLE Worked illustration

- MV 3,00,000; FR 3,60,000; SR 3,40,000; actual rent ₹30,000 pm (let 10 months, vacant 2); municipal tax paid 30,000; interest on loan 1,20,000.
- ER = higher of (MV, FR) limited to SR = **3,40,000**; actual rent = 3,00,000 (lower due to vacancy) → **GAV = 3,00,000**.

NAV = 3,00,000 − 30,000 = 2,70,000

Income from HP = 2,70,000 − 81,000 (30%) − 1,20,000 = **₹69,000**

Chapter 6: Profits & Gains from Business / Profession s.28-44DB [2025: s.26-66]

In this chapter: Chargeable incomes s.28 · Admissible deductions s.30-37 · Depreciation s.32 · Disallowances s.40, 40A · Actual payment s.43B · Books & audit s.44AA, 44AB · Presumptive taxation s.44AD/44ADA/44AE · CSR expenditure

6.1 Key deductions

- **s.30, 31 [2025: s.28]** rent, rates, repairs, insurance; **s.36(1)(iv)/(v), 40A(9) [2025: s.29]** employee welfare: employer's PF/superannuation/gratuity fund contributions; **employees' contribution** deposited by **due date under PF Act** - else disallowed (s.2(24)(x)).
- **s.36(1)(vii) [2025: s.31]** bad debts written off; **s.35 [2025: s.45]** scientific research (100% for in-house capital/revenue VERIFY); **s.35D [2025: s.44]** preliminary expenses 1/5 over 5 yrs; **s.35AD [2025: s.46]** specified business 100% capital (excluding land, goodwill, financial instruments).
- **s.37(1) [2025: s.34]** general: not capital/personal; wholly & exclusively for business; **CSR not allowed**; expense for offence/prohibited by law not allowed.

6.2 Depreciation s.32 [2025: s.33]

Block	Rate
Building - residential	5%
Building - others	10%
Furniture & fittings	10%
Plant & machinery (general)	15%
Motor car (non-hire)	15%
Computers & software	40%
Intangibles (know-how, patents...)	25% (**goodwill not depreciable**)

- Asset used **< 180 days** in year of acquisition → **half rate**.
- **Additional depreciation** 20% (35% in notified backward areas) on new P&M by manufacturer (half if < 180 days; balance next year) - **not** under new regime/115BAA VERIFY.
- Block: WDV can't be negative → excess = STCG s.50 [2025: s.74]; block empty → STCL/STCG.

6.3 Disallowances s.40 [2025: s.35] & s.40A [2025: s.36]

Payment	Disallowance
Payment to resident w/o TDS / not paid	**30%** of sum (allowed in year TDS paid)
Payment to NR w/o TDS	**100%**
Partner's interest > **12%** simple p.a.	excess
Partner remuneration > limit	excess: on first ₹6 lakh book profit: higher of ₹3 lakh / 90%; balance 60%
Cash payment > **₹10,000** a day (₹35,000 transporter)	100%
Excessive payment to related person	excess over FMV
Provision for gratuity (unapproved)	100%

6.4 Actual payment basis s.43B [2025: s.37]

- Tax, duty, cess; employer's contribution to PF/gratuity; bonus/commission; interest on loans from banks/FIs/NBFCs (not if converted into loan); leave encashment; railway use charges; **payment to MSE beyond time limit of MSMED Act (15/45 days)**.
- Allowed if paid on/before **due date of return**; else in year of payment (MSE - only in year of actual payment).

6.5 Presumptive taxation s.44AD/44ADA/44AE [2025: s.58]

Scheme	Eligibility	Income
44AD business	Resident individual/HUF/firm (not LLP); turnover ≤ **₹2 cr** (**₹3 cr** if cash receipts ≤ 5%)	**8%** (6% digital receipts) or higher
44ADA profession	Resident individual/firm (not LLP) in specified professions; receipts ≤ **₹50 lakh** (**₹75 lakh** if cash ≤ 5%)	**50%** or higher
44AE goods carriages	≤ **10 vehicles** at any time	Heavy: **₹1,000/ton/month**; others **₹7,500/month**

- 44AD opt-out → can't re-enter for **5 years** (44AD(4)); advance tax by **15 March** in one instalment.

6.6 Deemed profits & books/audit

- **s.41 [2025: s.38]**: remission/cessation of trading liability; recovery of bad debts allowed earlier; balancing charge for power units.
- **s.43CA [2025: s.53]**: land/building stock sold below SDV → SDV deemed (110% tolerance).
- **s.44AA [2025: s.62]**: books mandatory - professionals with gross receipts > **₹1.5 lakh** (all 3 preceding yrs); business income > **₹2.5 lakh** or turnover > **₹25 lakh** (individual/HUF) VERIFY.
- **s.44AB [2025: s.63] tax audit**: business turnover > **₹1 cr** (**₹10 cr** if cash ≤ 5%); profession receipts > **₹50 lakh**; presumptive lower income cases. Report due **1 month before** ROI due date (30 Sept).

Chapter 7: Capital Gains s.45-55A [2025: s.67-91]

In this chapter: Capital asset & transfer · STCG/LTCG · Computation s.48 · Rates s.111A, 112, 112A · Exemptions s.54-54GA · Capital Gains Accounts Scheme (Supplement)

7.1 Capital asset & holding period

- **Capital asset** (s.2(14)): property of any kind - excludes stock-in-trade, personal effects (except jewellery, archaeological collections, drawings, paintings, sculptures, works of art), **rural agricultural land**, specified gold bonds.

Asset	Long-term if held
Listed securities, units of equity MF, zero coupon bonds	**> 12 months**
All other assets (incl. unlisted shares, land, building)	**> 24 months**

- Specified MF/market-linked debentures/unlisted bonds → always **short-term** s.50AA [2025: s.76].

7.2 Computation s.48 [2025: s.72] & rates

Capital gain = Full value of consideration − transfer expenses − cost of acquisition − cost of improvement

Gain	Rate (transfers on/after 23-7-2024)
STCG - listed equity/equity MF (STT) s.111A [2025: s.196]	**20%**
STCG - others	Slab
LTCG - listed equity/equity MF s.112A [2025: s.198]	**12.5%** on gain > **₹1.25 lakh**
LTCG - others s.112 [2025: s.197]	**12.5% without indexation**

- **Option** for resident individual/HUF: land/building **acquired before 23-7-2024** → lower of 12.5% (no indexation) or **20% with indexation** VERIFY.
- Indexed cost = Cost × CII (year of transfer) ÷ CII (year of acquisition or 2001-02); **CII 2025-26 = 376** VERIFY.

7.3 Not a transfer s.47 [2025: s.70] - top items

- Distribution on **partition of HUF**; transfer under **gift/will/irrevocable trust** (gift may be taxed under IFOS for recipient).
- Transfer by **holding co. to wholly owned Indian subsidiary** (and vice versa).
- Transfer in **amalgamation/demerger** to Indian company (shareholders' shares too).
- Conversion of **bonds/debentures into shares**; conversion of firm/private co. into LLP (conditions).
- Transfer of agricultural land in India before 1-3-1970; work of art to Govt/University.

7.4 Exemptions (reinvestment)

Section	Asset sold → invest in	Limit / time
s.54 [2025: s.82]	LT residential house (Ind/HUF) → 1 (or 2 if gain ≤ ₹2 cr, once) house in India	Buy 1 yr before/2 yrs after; build 3 yrs; cap **₹10 cr**
s.54B [2025: s.83]	Agri land (used 2 yrs) → agri land	2 yrs
s.54D [2025: s.84]	Compulsory acquisition of industrial land/building → same	3 yrs
s.54EC [2025: s.85]	LT land/building → NHAI/REC etc. bonds	6 months; **₹50 lakh**; lock-in 5 yrs
s.54F [2025: s.86]	Any LT asset other than house → residential house	Exempt = gain × invested/net consideration; cap **₹10 cr**; ≤ 1 other house owned

- Capital Gains Account Scheme deposit before ROI due date.

7.5 Special provisions

- **s.50 [2025: s.74]**: depreciable assets → always **STCG** (block computation).
- **s.50C [2025: s.78]**: land/building - SDV > 110% of consideration → **SDV** deemed consideration.
- **s.50CA [2025: s.79]**: unquoted shares - FMV (Rule 11UAA); **s.50B [2025: s.77]** slump sale - net worth = cost; LTCG if > 36 months.
- **s.55 [2025: s.90]**: cost of acquisition for assets acquired before 1-4-2001 → option FMV on 1-4-2001 (land/building limited to SDV).
- **Grandfathering 112A**: cost of equity acquired before 1-2-2018 = higher of cost & lower of (FMV 31-1-2018, sale price).
- **Buy-back (from 1-10-2024)**: sum paid = **deemed dividend** in shareholder's hands; cost of shares = capital loss VERIFY.

WORKED EXAMPLE Worked illustration

- House bought **2015-16** for ₹40 lakh (CII 254); sold **Jan 2026** for ₹1.2 cr (SDV ₹1.25 cr - within 110% → consideration ₹1.2 cr).

Without indexation (12.5%) = (120 − 40) × 12.5% = **₹10.00 lakh**

With indexation (20%) = Indexed cost 40 × 376/254 = 59.21; LTCG 60.79 × 20% = **₹12.16 lakh**

- Tax payable = lower → **₹10 lakh** (+cess). Invest in 54EC bonds ₹50 lakh → LTCG reduced accordingly.

Chapter 8: Income from Other Sources s.56-59 [2025: s.92-95]

In this chapter: Dividends · Gifts s.56(2)(x) · Interest · Family pension · Deductions s.57 · Disallowances s.58

8.1 Specific incomes

- **Dividend** (taxable in shareholders' hands; deemed dividend 2(22)); interest on securities; rent of P&M/furniture let separately; **winnings** from lottery, crossword, races, games, online games (flat **30%** s.115BB/115BBJ [2025: s.194], no deduction/exemption limit); **family pension**; interest on compensation/enhanced compensation (50% deduction); keyman insurance (if not salary/business).
- **Employees' PF contribution received by employer** (if not business income).

8.2 Gifts s.56(2)(x) [2025: s.92(2)(m)]

Received	Taxable if	Amount
Money	Aggregate > **₹50,000** in year	Whole amount
Immovable property (no consideration)	SDV > ₹50,000	SDV
Immovable property (inadequate)	SDV – consideration > higher of ₹50,000 or 10%	SDV – consideration
Movable property (shares, jewellery, art...) w/o consideration	FMV > ₹50,000	FMV

- **Exempt**: from **relatives**, on **marriage**, under will/inheritance, in contemplation of death, from local authority, from charitable trust, by HUF from members, amalgamation/demerger transfers.

8.3 Deductions & disallowance

- **s.57 [2025: s.93]**: dividend/interest - **interest on borrowings up to 20%** of dividend/MF income; family pension - **1/3 or ₹15,000** (old) / **₹25,000** (new); interest on compensation - **50%**; rent of P&M - repairs, depreciation.
- **s.58 [2025: s.94]**: personal expenses, interest payable outside India without TDS, expenditure on winnings - **not deductible**.
- Interest on securities/deposits taxable on accrual or receipt per method.

EXAM TIP Exam points

- Gift of ₹60,000 from a friend + ₹40,000 from uncle (relative) → only **₹60,000** considered → exceeds 50,000 → **₹60,000 taxable**.
- Online game winnings - TDS & tax @ 30% on **net winnings**.
- Dividend from foreign company - taxable at slab (old: 115BBD repealed).

COMMON MISTAKE Mistakes

- Treating **cousin's** gift as relative gift - cousins (uncle/aunt's children) are **not** "relatives" for 56(2)(x).
- Allowing basic exemption/80C against **lottery winnings** - not allowed.
- Charging **wedding gifts** - exempt on occasion of marriage of the individual.

Chapter 9A: Clubbing of Income s.60-65 [2025: s.96-100]

In this chapter: Income of other persons included in assessee's total income · Spouse, minor child, son's wife · Revocable transfers

9A.1 Clubbing matrix

Situation	Clubbed in hands of
Income transferred w/o asset (s.60)	Transferor
Revocable transfer of asset (s.61)	Transferor
Remuneration of spouse from concern where individual has **substantial interest** (≥20% voting/profit) (s.64(1)(ii)) - unless technical/professional qualification	Individual with substantial interest (both - higher total income)
Asset transferred to **spouse** w/o adequate consideration (s.64(1)(iv)) (not in connection with agreement to live apart)	Transferor
Asset to **son's wife** w/o adequate consideration (s.64(1)(vi))	Transferor
Minor child's income (s.64(1A))	Parent with **higher** income (after marriage - parent who maintains)
Self-acquired property converted to HUF (s.64(2))	Individual

9A.2 Minor - exceptions & exemption

- Not clubbed: minor's income from **manual work** or **skill, talent, specialised knowledge**; minor suffering from **disability u/s 80U**.
- Accretion (income on clubbed income) **not** clubbed - taxed in transferee's hands.
- Exemption to parent: **s.10(32)** [2025: s.11 + Schedule]: up to **₹1,500 per minor child** whose income is clubbed (old regime) VERIFY.
- Once clubbed under one parent - continue same unless AO decides otherwise.

MEMORY TRICK Clubbing - "SAD MRH"

SAD – S Spouse remuneration; A Asset to spouse; D Daughter-in-law asset

MRH – M Minor child; R Revocable transfer; H HUF conversion

Note: Loss also clubbed (clubbing includes loss - CIT v. J.H. Gotla).

Chapter 9B: Aggregation, Set-off & Carry Forward of Losses s.68-80 [2025: s.101-121]

In this chapter: Aggregation & unexplained credits s.68-69D · Inter-source & inter-head set-off · Carry forward & set-off · Return of loss

9B.1 Deemed income s.68-69D [2025: s.102-106]

- Cash credits (s.68), unexplained investments (s.69), money/bullion/jewellery (s.69A), investments not fully disclosed (s.69B), unexplained expenditure (s.69C), hundi (s.69D).
- Taxed **@ 60% + 25% surcharge + 4% cess** (≈ 78%) s.115BBE [2025: s.195]; **no deduction, no set-off** of any loss.

9B.2 Set-off order

Intra-head s.70 [2025: s.108] (same head, different sources) → Inter-head s.71 [2025: s.109] (other heads current year) → Carry forward s.72-74 [2025: s.111-117] (subsequent years, same head only)

- **Restrictions**: LTCL only vs LTCG; STCL vs STCG/LTCG; speculation loss only vs speculation; specified business (s.35AD) loss only vs 35AD income; lottery/race - **no loss**; HP loss vs other heads ≤ **₹2 lakh**; business loss **not vs salary**.

9B.3 Carry forward table

Loss	C/F years	Set-off against	ROI in time?
House property (s.71B)	8	HP	Not required
Business (non-spec.) (s.72)	8	Business income	Required
Unabsorbed depreciation (s.32(2))	Indefinite	Any head (except salary)	Not required
Speculation (s.73)	4	Speculation	Required
Specified business (s.73A)	Indefinite	Specified business	Required
Capital loss (s.74)	8	STCL: STCG/LTCG; LTCL: LTCG	Required
Owning race horses (s.74A)	4	Same	Required

9B.4 Special points

- Change in shareholding of **closely held company** > 49% → business loss lapses (s.79) (not unabsorbed depreciation); start-ups relaxation.
- Order of set-off: current depreciation → brought forward business loss → unabsorbed depreciation.
- New regime s.115BAC [2025: s.202]: **no** inter-head set-off of HP loss; losses from additional depreciation (earlier years) can't be c/f.

WORKED EXAMPLE Illustration

- Salary 8,00,000; HP loss (let-out) 2,50,000; business loss 1,00,000; STCG 50,000; LTCL 70,000 (old regime).

GTI = Salary 8,00,000 − HP loss 2,00,000 (cap) = 6,00,000; STCG 50,000 − business loss 50,000 = 0

- C/F: HP 50,000; business 50,000; LTCL 70,000 (only vs LTCG). **GTI = ₹6,00,000**.

Chapter 10: Deductions s.80A–80U [2025: s.122–154]

In this chapter: Deductions in respect of certain payments · Deductions in respect of certain incomes · Donations & CSR expenditure (s.80G vs s.37) · New-regime allowed deductions

10.1 Investment & insurance deductions

Section [2025]	Item	Limit
80C, 80CCC, 80CCE [2025: 123]	LIC, PPF, ELSS, principal of home loan, tuition fees (2 children), NSC, SSY, 5-yr FD	**₹1.5 lakh** (combined)
80CCD(1) [2025: 124]	Employee NPS	10% salary (20% GTI others) within 1.5 L
80CCD(1B) [2025: 124]	Additional NPS	**₹50,000**
80CCD(2) [2025: 124]	Employer NPS	**14%** (new regime) / 10% (old) of salary - **also in new regime**
80D [2025: 126]	Medical insurance (self+family / parents)	**₹25,000** each (**₹50,000** senior); preventive check-up ₹5,000 within
80DD [2025: 127]	Dependant with disability	**₹75,000 / 1,25,000** (severe)
80DDB [2025: 128]	Specified disease	₹40,000 / **₹1 lakh** (senior)

10.2 Loans, donations & others

Section	Item	Limit
80E [2025: 129]	Interest on higher education loan	Full interest, **8 years**
80G [2025: 133]	Donations	100%/50%, with/without 10% of adjusted GTI; cash > **₹2,000** not allowed
80GG [2025: 134]	Rent paid (no HRA)	Least: ₹5,000 pm; 25% ATI; rent – 10% ATI
136-137 (s.80GGB/GGC)	Political contribution (non-cash)	100%
80JJAA [2025: 146]	New employees	**30%** of additional employee cost for 3 yrs - **new regime** ✓
80TTA [2025: 153]	Savings interest (not senior)	**₹10,000**
80TTB [2025: 153]	Deposit interest - senior citizen	**₹50,000**
80U [2025: 154]	Assessee with disability	**₹75,000 / 1,25,000**

10.3 Rules

- Deductions **can't exceed GTI**; not from **STCG 111A, LTCG 112/112A, winnings, 115BBE** income.
- **New regime s.115BAC [2025: s.202]**: only **80CCD(2), 80CCH (Agniveer), 80JJAA** allowed.
- 80D: cash payment not allowed (except preventive check-up); payment for senior parents without insurance - medical expenditure up to ₹50,000.
- 80G 100% without limit: PM National Relief Fund, PM CARES, National Defence Fund; 50% without limit: PM Drought Relief, Jawaharlal Nehru Memorial Fund.

MEMORY TRICK **New regime allowed - "2-H-JJ"**

2HJ – 2 80CCD(2) employer NPS; H 80CCH Agniveer; J 80JJAA new employment

Note: Plus standard deduction ₹75,000 & family pension ₹25,000.

WORKED EXAMPLE **80G illustration**

- GTI ₹10 lakh (incl. LTCG 112A ₹1 lakh); 80C ₹1.5 lakh; donations: PM CARES ₹20,000; approved trust (50% with limit) ₹1.2 lakh.

Adjusted GTI = 10,00,000 − 1,00,000 − 1,50,000 = 7,50,000; 10% = 75,000

80G = 20,000 + 50% × lower(1,20,000, 75,000) = **₹57,500**

10.4 CSR expenditure & donations

- **s.37(1) Expl. 2 [2025: s.34]**: CSR expenditure u/s 135 Companies Act is **not** business expenditure → disallowed.
- **80G [2025: s.133]** on CSR contributions: allowed **only if** the fund is not excluded - donations to **Swachh Bharat Kosh** & **Clean Ganga Fund** made as CSR are **not** deductible; PM CARES / PM National Relief Fund - deduction available VERIFY.
- CSR spent on assets for **s.35 research / 35AC** - claim only under specific section, not twice.

COMMON MISTAKE **Deduction traps**

- 80G cash donation > **₹2,000** - not allowed; 80GGB/80GGC - **no cash at all**.
- 80-IAC startup: **3 consecutive of 10 years**, incorporated by **31-3-2030** (FA 2025) - certificate from IMB VERIFY.
- Chapter VI-A deductions **cannot exceed GTI** and not on STCG 111A / LTCG 112/112A / casual income.

Chapter 11: Computation of Total Income & Tax Liability of Various Entities

In this chapter: Individual · HUF · Alternate Minimum Tax s.115JC · Partnership firm / LLP · Co-operative societies · AOP & BOI · Political parties & electoral trusts · Exempt organisations - trust registration s.12A/12AA/12AB · Tax rates

11.1 10-step computation

Determine **residential status** → Compute 5 heads (incl. clubbed income) → Set-off & carry forward → = GTI → Less Chapter VI-A (old) / allowed in new → = Total income (round off to nearest **₹10**) → Tax on special-rate income + slab income → Less rebate s.87A [2025: s.156] (not on 111A/112/112A in new regime) → Add surcharge (marginal relief) + 4% cess → Less relief, TDS/TCS/advance tax → **Tax payable** (round to ₹10)

11.2 Regime choice s.115BAC(6) [2025: s.202]

Point	No business income	Business income
Default	New regime	New regime
Opt out	Every year **in ROI** by due date	Form **10-IEA** before due date; switch back only **once**
Typical break-even	Old better only if deductions are large (~₹4-8 lakh+) VERIFY	Same; consider 10-IEA lock-in

WORKED EXAMPLE Comprehensive illustration

- Resident individual, 45 yrs, AY 2026-27: Salary (after SD) ₹14,25,000; savings interest 15,000; LTCG 112A ₹2,25,000.

Slab tax on ₹14,40,000 = 20,000 (4-8 L) + 40,000 (8-12 L) + 36,000 (15% on 2.4 L) = **₹96,000**

LTCG 112A = (2,25,000 − 1,25,000) × 12.5% = ₹12,500

Total = (96,000 + 12,500) × 104% = **₹1,12,840**

- Rebate 87A not available (TI > 12 lakh).

11.3 Alternate Minimum Tax s.115JC [2025: s.206]

- Applies to **non-corporate** assessees (individual, HUF, AOP, firm, LLP) claiming deductions u/s 80-IA-80RRB (except 80P), 10AA, 35AD.
- Not applicable to individual/HUF/AOP/BOI if **adjusted total income ≤ ₹20 lakh**; not applicable under **s.115BAC** new regime.

Adjusted total income = Total income + Chapter VI-A (Part C) deductions + 10AA + 35AD (net of depreciation)

AMT = 18.5% of ATI (+ surcharge & cess); 9% for IFSC unit (convertible forex)

- Tax payable = **higher** of regular tax and AMT.
- **AMT credit** s.115JD [2025: s.206] VERIFY: excess AMT over regular tax c/f **15 AYs**; set off when regular tax > AMT.

11.4 Taxation of HUF

- HUF = family of common ancestor incl. wives & unmarried daughters; **karta** manages; coparceners (incl. daughters after 2005).
- HUF is a separate "person"; new regime default. Old regime: **80C, 80D, 80DD, 80G, 80TTA** available; **80CCC/80CCD, 80E, 80U** not available (individual only) VERIFY.
- **Partition**: total partition recognised u/s 171; partial partition after 31-12-1978 **not recognised**.

- Income from property converted to HUF by member → clubbed in member's hands (s.64(2)).
- Residence of HUF: control & management; ROR/RNOR depends on karta.

EXAM TIP Computation - FAQ

- New regime: no 80C/80D/HRA/LTA/HP interest on SOP; allowed - SD ₹75,000, 80CCD(2), 80JJAA, family pension ₹25,000.
- Marginal relief on surcharge where income just crosses ₹50 L / 1 cr.
- Special-rate incomes (111A, 112, 112A, 115BB) taxed separately; basic exemption shortfall adjustable for **residents** only.
- Round TI to ₹10 (s.288A); tax to ₹10 (s.288B).

11.5 Firms & LLPs s.184 / 40(b)

- Firm/LLP taxed @ **30%** (+ 12% surcharge if TI > ₹1 cr, + 4% cess); **no** basic exemption, **no** s.115BAC.
- **s.184**: assessed as firm if **written deed**, certified copy filed; deduction for interest/remuneration only if **authorised by deed**.
- **s.40(b)**: interest to partner max **12% p.a. simple**; remuneration only to **working partners**.

Max remuneration (FA 2024) = On first **₹6 lakh** of book profit (or loss): **₹3,00,000 or 90%**, whichever higher; balance **60%**

- **s.194T**: TDS **10%** on salary, remuneration, commission, interest to partners > **₹20,000** (from 1-4-2025).
- Partner: share of profit exempt **s.10(2A)**; interest/remuneration (as allowed) taxable as **PGBP**.

WORKED EXAMPLE Firm illustration

- Book profit (before partner remuneration) ₹15,00,000; deed allows remuneration ₹12,00,000.

Max allowed = 90% × 6,00,000 = 5,40,000 (> 3 L) + 60% × 9,00,000 = 5,40,000 → **₹10,80,000**

Allowed = Lower of actual 12,00,000 and 10,80,000 = **₹10,80,000**

Taxable income of firm = 15,00,000 − 10,80,000 = **₹4,20,000** → tax 30% + 4% cess = **₹1,31,040**

11.6 Other entities - rates

Entity	Rate / rule
Co-operative society	Slab 10% (≤ 10,000), 20% (10,000-20,000), 30% above; **s.115BAD 22%**; **s.115BAE 15%** new manufacturing (commenced by 31-3-2024); AMT 15% VERIFY
AOP / BOI	Shares **determinate** & no member above max limit → slab rates; **indeterminate** → **max marginal rate s.167B**; member's share exempt s.86
Local authority	30%
Political party	Exempt u/s 13A if conditions met; ITR-7
Electoral trust	Exempt u/s 13B (95% distributed)

11.7 Charitable & religious trusts s.11-13 [2025: Ch. XVII-B VERIFY]

- **s.11**: income from property held for charitable/religious purposes exempt if **≥ 85%** applied in India in the PY; balance **15%** may be set apart.
- **Accumulation** beyond 15%: Form **10** - up to **5 years** for specified purpose; unutilised → taxed.
- **s.12**: voluntary contributions = income (corpus donations with specific direction - excluded, but must be invested in s.11(5) modes).
- **s.13**: no exemption for benefit to **specified persons** (author, trustee, substantial contributor, relatives); **business** income only if incidental & separate books.
- **s.115BBC**: anonymous donations taxed @ **30%** (beyond higher of 5% of total donations or ₹1 lakh).
- **s.115TD**: accreted income tax on conversion / merger / dissolution.

11.8 Registration s.12A / 12AB

New trust → **provisional registration** (Form 10A) valid **3 years** → Apply for regular (Form 10AB) within 6 months of commencement or 6 months before expiry → Regular registration valid **5 years** (10 years for trusts with income ≤ ₹5 cr - FA 2025) VERIFY → Renew 6 months before expiry

- s.12AA (old) registrations migrated to s.12AB from 1-4-2021.
- Audit (Form **10B / 10BB**) if total income (before exemption) > basic exemption limit; ITR-7 by due date.

Chapter 12: Classification & Tax Incidence on Companies

In this chapter: Domestic vs foreign company · Computation of taxable income & tax liability incl. foreign company · s.115BAA / 115BAB · Taxation of dividend income · Minimum Alternate Tax s.115JB · Other special provisions · Equalisation levy · Carbon credit s.115BBG

12.1 Company tax rates - AY 2026-27

Company	Rate	Surcharge
Domestic, turnover **≤ ₹400 cr** (PY 2023-24)	**25%**	7% (> 1 cr), 12% (> 10 cr)
Other domestic	**30%**	7% / 12%
s.115BAA [2025: s.200] (opt)	**22%**	**10% flat** → effective **25.168%**
s.115BAB [2025: s.201] new manufacturing (production by 31-3-2024)	**15%**	10% flat → **17.16%**
Foreign company	**35%** (from AY 2025-26)	2% (> 1 cr), 5% (> 10 cr)

- Health & education cess **4%** on tax + surcharge, all companies.
- **115BAA/BAB**: no 10AA, 32(1)(iia), 35AD, 80-IA etc. (except 80JJAA, 80M); **MAT not applicable**; option irreversible.

12.2 MAT s.115JB [2025: s.206]

- Applies where tax on total income < **15% of book profit** → deemed TI = book profit; tax @ **15%** (+ surcharge + cess); **9%** for IFSC units.

Book profit = Net profit as per P&L (Schedule III) + income-tax, deferred tax, reserves, provisions for unascertained liabilities, dividend proposed, exempt-income expenses, depreciation, revaluation-related depreciation – Withdrawal from reserves, exempt income, **lower of** b/f loss or unabsorbed depreciation, book depreciation (excl. revaluation)

- **MAT credit s.115JAA**: excess MAT over normal tax c/f **15 AYs**; usable when normal tax > MAT.
- Not applicable: **115BAA/115BAB** companies; foreign companies without PE (on specified income) VERIFY.

12.3 MAT illustration

- Domestic co. (TO ₹500 cr): taxable income ₹1 cr → normal tax 30% + 4% cess (no surcharge, TI not > ₹1 cr) = **₹31,20,000**; book profit ₹3 cr → MAT 15% = **₹45,00,000**.

Payable = higher → MAT ₹45,00,000 + surcharge 7% (BP > 1 cr) + cess 4% = **₹50,07,600**

MAT credit s.115JAA = ₹50,07,600 – 31,20,000 = **₹18,87,600** c/f (15 AYs)

12.4 Dividend taxation & buy-back

- Dividend taxable in **shareholders' hands** (IFOS, normal rates) since 1-4-2020; TDS **s.194 @ 10% > ₹10,000** (FA 2025).
- **s.80M [2025: s.148]**: inter-corporate dividend deduction to the extent **distributed** ≥ 1 month before due date of return.
- **Deemed dividend s.2(22)(e)**: loan to shareholder (≥ 10% voting) or concern where he has ≥ 20% - to the extent of accumulated profits.
- **Buy-back** (from 1-10-2024): consideration = **deemed dividend s.2(22)(f)** in shareholders' hands; cost of shares → **capital loss**; s.115QA tax on company ceased.
- Expenses: only **interest** up to **20%** of dividend deductible (s.57).

12.5 Other special provisions

Provision	Rule
Carbon credit s.115BBG	**10%** on gross income from transfer of carbon credits; no deduction/expense
Equalisation levy (Finance Act 2016)	**6%** on online advertisement (B2B to non-resident) - **abolished w.e.f. 1-4-2025** (FA 2025); 2% e-commerce levy abolished from 1-8-2024 VERIFY
s.79	Closely held company: loss c/f only if **≥ 51%** voting continues (startups - relaxations)
s.72A	Amalgamation: accumulated loss & unabsorbed depreciation of amalgamating co. allowed (conditions)
s.115BBE	Unexplained credits s.68-69D: **60%** + 25% surcharge + 4% cess
s.115-O	Old DDT - not applicable post 1-4-2020

Chapter 13: Procedural Compliance: TDS, TCS, Advance Tax, Returns, Fee & Interest

In this chapter: TDS s.192-194T [2025: s.392-393] · TCS s.206C [2025: s.394] · Advance tax s.207-211 [2025: s.403-408] · Self-assessment tax s.140A [2025: s.266] · Filing of returns s.139 [2025: s.263] · Fee & interest s.234A-234F [2025: s.423-428]

13.1 TCS s.206C [2025: s.394] & no-PAN

- Sale of scrap 1%; alcoholic liquor 1%; tendu leaves 5%; forest produce 2.5%; minerals 1%; **motor vehicle > ₹10 lakh 1%**; specified luxury goods > ₹10 lakh 1% (from 22-4-2025) VERIFY.
- **LRS** remittance: TCS only beyond **₹10 lakh** (FA 2025); education via loan - **nil**; education/medical - 5%; overseas tour package 5% up to ₹10 lakh, 20% above.
- **206C(1H) omitted** from 1-4-2025.
- **s.206AA [2025: s.397]**: no PAN → TDS at higher of **20%** or applicable rate (5% for 194O/194Q); (s.206AB/206CCA) **omitted** by FA 2025.
- Inoperative PAN → higher rate; relief Circular **9/2025** if linked by due date VERIFY.

13.2 Advance tax s.207-211 [2025: s.403-408]

15 Jun **15%** > 15 Sep **45%** > 15 Dec **75%** > 15 Mar **100%**

- Liability if tax payable ≥ **₹10,000**; **resident senior citizen without business income** - exempt.
- 44AD/44ADA → **100% by 15 March**.

13.3 Key TDS rates & thresholds (FA 2025)

Section [2025]	Payment	Threshold	Rate
192 [2025: 392]	Salary	Basic exemption	Average rate
192A [2025: 392]	EPF premature withdrawal	₹50,000	10%
193 [2025: 393]	Interest on securities	₹10,000 (specified)	10%
194 [2025: 393]	Dividend	**₹10,000**	10%
194A [2025: 393]	Other interest (bank)	**₹50,000** (senior **₹1 lakh**); others ₹10,000	10%
194B/BB [2025: 393]	Lottery/horse race	**₹10,000 per transaction**	30%
194C [2025: 393]	Contractors	₹30,000 single / ₹1 lakh agg.	1% Ind/HUF; 2% others
194H [2025: 393]	Commission	**₹20,000**	**2%**
194-I [2025: 393]	Rent	**₹50,000 per month**	2% P&M; 10% L&B
194J [2025: 393]	Professional / technical fees	**₹50,000**	10% / 2%
194Q [2025: 393]	Purchase of goods	> ₹50 lakh (buyer TO > ₹10 cr)	0.1%
194R [2025: 393]	Perquisite of business	₹20,000	10%
194S [2025: 393]	VDA transfer	₹50,000/10,000	1%
194T [2025: 393]	Partner salary/interest etc.	₹20,000	10%

- Thresholds per Finance Act 2025 VERIFY; **194-IA** property ≥ ₹50 lakh 1%; **195** non-residents - rates in force.

13.4 Interest & fee

Section [2025]	Default	Interest
234A [2025: 423]	Late filing of return	1% pm on tax due from due date
234B [2025: 424]	Advance tax paid < 90% of assessed tax	1% pm from 1 April to date of determination
234C [2025: 425]	Deferment of instalment	1% pm × 3 months (1 month for March)
234D [2025: 426]	Excess refund	0.5% pm

Section [2025]	Default	Interest
234F [2025: 428]	Late fee for return	**₹5,000** (₹1,000 if income ≤ ₹5 lakh)
201(1A) [2025: 398]	Failure to deduct / pay TDS	1% pm / **1.5% pm**

13.5 Statements & certificates

- TDS returns quarterly: **31 Jul, 31 Oct, 31 Jan, 31 May**; late fee (s.234E) ₹200/day (max TDS).
- **Form 16** salary - by **15 June**; Form 16A - quarterly; Form 26AS / AIS - credit check.
- Deductor in default s.201 [2025: s.398]; disallowance in business s.40(a) [2025: s.35].
- Employee may furnish other income & TDS/TCS details to employer (s.192(2B)).

EXAM TIP FAQ

- Bank interest ₹60,000 to senior citizen - TDS? **No**, threshold ₹1 lakh.
- Rent ₹45,000 pm to individual landlord - TDS 194-I? **No** (threshold ₹50,000 per month).
- Advance tax for 44AD assessee? **Single instalment by 15 March**.

13.6 Who must file s.139(1) [2025: s.263]

- Company & firm - **always** (even loss/nil).
- Individual/HUF - total income (before deductions & 54/54B etc.) > **basic exemption limit**.
- Seventh proviso (even if below limit): deposits > **₹1 cr** in current a/c; > **₹2 lakh** foreign travel; > **₹1 lakh** electricity; turnover > ₹60 lakh; professional receipts > ₹10 lakh; TDS/TCS ≥ ₹25,000 (₹50,000 senior); savings deposits ≥ ₹50 lakh.
- Resident (ROR) holding foreign asset/signing authority - must file.

13.7 Due dates

Assessee	Due date (AY 2026-27)
Non-audit individuals/HUF	**31 July** VERIFY (extended for AY 2025-26 to 15 Sep)
Audit cases / companies	**31 October**
Transfer pricing report cases	**30 November**
Belated / revised return	**31 December** of AY (or before assessment)
Updated return (s.139(8A))	**48 months** from end of AY (FA 2025)

13.8 Updated return additional tax

Filed within (end of AY)	Additional tax on tax + interest
12 months	25%
24 months	50%
36 months	60%
48 months	70%

- Not allowed: loss return, decreasing liability, increasing refund, search cases, after assessment initiated.

13.9 Other points

- **Defective return** (s.139(9)): AO allows **15 days** to rectify.
- **Signing** (s.140): individual himself (or authorised); company - MD/director; LLP - designated partner; firm - managing partner.
- **Self-assessment tax** s.140A [2025: s.266]: pay before filing; order: fee 234F → interest → tax.
- **PAN-Aadhaar linking** s.139AA [2025: s.262] - else PAN inoperative; fee ₹1,000.

MEMORY TRICK **Forms – "1-2-3-4"**

ITR – 1 Sahaj - resident ind, income ≤ 50 L (salary, 1 HP, other sources, LTCG 112A ≤ 1.25 L); 2 individual/HUF no business; 3 business/profession; 4 Sugam presumptive

Note: ITR-5 firms/LLP/AOP; ITR-6 companies; ITR-7 trusts/political parties.

13.10 PAN & Aadhaar s.139A / 139AA [2025: s.262]

- PAN compulsory: total income > basic exemption limit, business turnover > ₹5 lakh, persons filing ROI, specified financial transactions (Rule 114B).
- **Aadhaar-PAN linking** mandatory; unlinked PAN → **inoperative** → higher TDS/TCS (s.206AA/206CC), no refund interest.
- Penalty for not obtaining / quoting PAN: **s.272B ₹10,000**.
- Quote PAN/Aadhaar interchangeably where Aadhaar allowed (s.139A(5E)).

13.11 Self-assessment & intimation

- **s.140A [2025: s.266]**: pay tax + interest (234A/B/C) + fee (234F) **before** filing return; payment first against fee, then interest, then tax.
- **s.143(1) [2025: s.270]** - processing (CPC): arithmetical errors, incorrect claims apparent from return, disallowance of loss/deduction for belated return, etc.
- **Intimation** u/s 143(1): demand / refund / no change; time limit **9 months** from end of FY in which return filed.
- Adjustments only after **intimation to assessee** (response in 30 days).

Chapter 14: Concept of Indirect Taxes at a Glance

In this chapter: Background · Constitutional powers of taxation · Indirect taxes in India - overview · Pre-GST structure & deficiencies · Administration of indirect taxation (CBIC)

14.1 Indirect tax - features

- **Incidence** (legal liability) on supplier; **burden** (impact) shifted to consumer through price.
- Levied on **transactions/consumption** (supply, import), not on income.
- **Regressive** in nature (same rate for rich & poor); wide base; difficult to evade at each stage with ITC trail.
- Tool for **economic & social policy** (sin tax at 40%, exemptions for essentials).

14.2 Direct vs indirect

Basis	Direct	Indirect
Incidence & impact	Same person	Different persons
Shifting	Cannot shift	Shifted to consumer
Nature	Progressive	Regressive
Example	Income-tax	GST, Customs
Collection	Assessee pays	Supplier collects & deposits

14.3 Constitutional validity of GST

- **101st Amendment Act, 2016**: inserted **Art. 246A** (concurrent power), **269A** (IGST), **279A** (GST Council); amended Art. 366 (12A, 26A).
- **Seventh Schedule**: Entry 84 (Union) & 54 (State) amended; Entry 92C (service tax) omitted.
- **Art. 265**: no tax without authority of law → CGST/SGST/IGST/UTGST Acts.
- *Union of India v. Mohit Minerals (2022)*: GST Council recommendations **persuasive, not binding** VERIFY.

EXAM TIP Exam points

- Taxes **outside GST**: BCD, excise on petroleum & tobacco, VAT on liquor/petroleum, stamp duty, electricity duty.
- Cascading effect removed by **seamless ITC** across goods & services and States.
- Destination-based consumption tax - revenue goes to consuming State.

Chapter 15: Basics of Goods and Services Tax

In this chapter: Basic concepts & overview of GST · GST model - CGST / SGST / UTGST / IGST · GST Council · GST compensation to States

15.1 Framework

- **101st Constitution Amendment Act, 2016**; GST from **1-7-2017**.
- **Art. 246A**: Parliament & States both levy GST; inter-State supply - **Parliament exclusively**.
- **Art. 269A**: IGST on inter-State supply & imports - levied by Centre, apportioned.
- **Art. 279A**: **GST Council** - Union FM (chair), MoS Finance, State FMs; quorum **50%**; decision by **3/4 weighted votes** (Centre 1/3, States 2/3).
- **Art. 366(12A)**: GST = tax on supply of goods/services **except alcoholic liquor for human consumption**.
- Petroleum crude, HSD, petrol, natural gas, ATF - GST from date notified by Council (currently **not levied**).

15.2 Who levies what

Supply	Tax	Collected by
Intra-State	CGST + SGST/UTGST	Centre + State
Inter-State / import	IGST	Centre (shared)
Imports	IGST under Customs Tariff Act s.3(7)	Customs

- Compensation cess: **not payable from 1-2-2026** (cess regime wound up) VERIFY.

NOTE GST 2.0 rate structure (w.e.f. 22-9-2025) NEW

Slab	Examples
5%	Essential goods, many food items, GTA (no ITC)
18%	Standard rate - most goods & services
40%	Sin/luxury - pan masala, aerated drinks, luxury cars, tobacco VERIFY

- 12% & 28% slabs largely merged; specific goods 0.25%/3% (diamonds, gold) remain.

MEMORY TRICK Subsumed taxes - Central "CEASE"

CEASE – C Central excise; E Excise (medicinal & toilet prep.); A Additional customs (CVD) & SAD; S Service tax; E Excise additional (goods of special importance, textiles)

Note: State: VAT, CST, entry tax, entertainment (not by local bodies), luxury tax, lottery/betting tax, purchase tax, advertisement tax.

15.3 Important definitions

- **Goods** s.2(52): every movable property except money & securities; includes actionable claims, growing crops.
- **Services** s.2(102): anything other than goods, money, securities; includes activities relating to use of money/conversion (for consideration).
- **Aggregate turnover** s.2(6): all-India, same PAN - taxable + exempt + exports + inter-State; **excludes** inward RCM supplies & taxes.
- **Business** s.2(17) includes trade, frequency/volume irrelevant, club services, Govt activity as public authority.
- **Actionable claims** taxable: only lottery, betting, gambling, horse racing, online gaming, casinos @ 28%/40% VERIFY.

Chapter 16A: Levy & Collection of GST - Supply

In this chapter: Taxable event · Concept of supply s.7 · Schedules I-III · Composite & mixed supply s.8

16A.1 Scope of supply s.7

- (a) all forms - sale, transfer, barter, exchange, licence, rental, lease, disposal - **for consideration** in course or furtherance of **business**.
- (aa) **Club/association to members** (deemed separate persons).
- (b) **import of services** for consideration - **whether or not** in business.
- (c) Schedule I activities **without consideration**.
- Schedule II classifies goods vs services; Schedule III - **neither supply of goods nor services**.

16A.2 Schedule I - supply without consideration

Para	Activity
1	Permanent transfer/disposal of **business assets** where ITC availed
2	Supply between **related** or **distinct persons** in course of business (**gifts by employer ≤ ₹50,000** per year per employee not supply)
3	Principal ↔ **agent** (agent supplies/receives on behalf)
4	Import of services from **related person/own establishment outside India** in business

16A.3 Schedule III - not supply

Entry	Activity
1	Services by **employee to employer**
2	Services by court/tribunal
3	MP/MLA/panchayat/municipal functions; Constitutional posts; Central/State Govt officers
4	Funeral, burial, crematorium, mortuary
5	**Sale of land & building** (completed after completion certificate)
6	Actionable claims (other than specified)
7	Out-and-out supply between non-taxable territories (merchant trade)
8	High-seas sale; sale in **bonded warehouse** before home clearance

16A.4 Schedule II - goods or services

- Transfer of **title** in goods → goods; title transfer at future date (hire purchase) → goods.
- Transfer of **right to use** goods / without title → **services**.
- Lease, letting out of building → services; **works contract** → service; **construction of complex** (before CC) → service.
- Goods put to private use/ business assets given free → supply of services; **renting of immovable property** → service.
- Restaurant/food supply (as part of service) → service.

16A.5 Composite vs mixed s.8

Feature	Composite	Mixed
Nature	**Naturally bundled**, principal supply	**Not naturally bundled**
Tax	Rate of **principal supply**	**Highest** rate in the bundle
Example	Goods + insurance + transport (goods)	Diwali gift box (sweets + chocolates + dry fruits)

- Works contract & restaurant service - composite (deemed service).

EXAM TIP FAQ

- Free gift of ₹30,000 to employee? **Not supply** (≤ ₹50,000).
- Branch transfer between Mumbai & Delhi (same PAN) → **supply** (distinct persons) even without consideration.
- Donation with no quid pro quo → **not** supply.
- Sale of used car by individual (non-business) → **not** supply.

Chapter 16B: Levy, Composition, Forward & Reverse Charge

In this chapter: Levy & collection s.9 CGST / s.5 IGST · Forward charge · Reverse charge s.9(3)/(4) · ECO s.9(5) · Composition scheme s.10

16B.1 Levy & RCM

- s.9(1): CGST on intra-State supplies at rates notified (max 20%); collected **on value u/s 15**; supplier pays.
- **s.9(3)**: notified categories - **recipient** pays (RCM).
- **s.9(4)**: notified class of registered persons on supplies from **unregistered** persons (currently - **promoter** for specified real estate inputs) VERIFY.
- **s.9(5)**: ECO liable for notified services - passenger transport (radio taxi, motorcab), accommodation, housekeeping, **restaurant services via ECO** (from 1-1-2022), **local delivery via ECO** (from GST 2.0) VERIFY.
- **Omnibus via ECO**: where supplier is **company**, supplier pays; others - ECO pays NEW VERIFY.

16B.2 Composition levy s.10

Category	Turnover limit (PY)	Rate (CGST+SGST)
Manufacturer (not notified items)	**₹1.5 cr** (₹75 L special cat.)	**1%**
Trader	₹1.5 cr	1% (on taxable turnover)
Restaurant (no alcohol)	₹1.5 cr	**5%**
Services/mixed s.10(2A)	**₹50 lakh**	**6%**

- Can supply services up to **10% of turnover or ₹5 lakh** (higher) under s.10(1).

16B.3 Key RCM services s.9(3)

Service	Supplier → Recipient
GTA (when supplier hasn't opted FCM)	GTA → factory, society, co-op, registered person, body corporate, firm, casual taxable person
Legal services by advocate/firm	Advocate → business entity (TO > threshold)
Arbitral tribunal	→ business entity
Sponsorship	Any person → body corporate/firm
Govt services (not excluded)	Govt → business entity
Director's services	Director → **company/body corporate**
Insurance agent / recovery agent	→ insurer / bank/NBFC
Renting of **residential dwelling** to registered person	Any → registered person
Renting of **commercial property** by unregistered person	→ registered person (not composition)
Security services (by non-body corporate)	→ registered person (not composition)
Author/music composer copyright	→ publisher/producer

COMMON MISTAKE Composition - not eligible

- Inter-State outward supplies; supplies of goods through **ECO** required to collect TCS u/s 52 VERIFY; non-taxable supplies; manufacturers of **ice cream, pan masala, tobacco, aerated water, bricks** (special rate), casual/non-resident.
- Can't collect tax, can't claim ITC; issue **bill of supply**; mention "composition taxable person" on board.
- Annual return **GSTR-4** (30 April); quarterly **CMP-08** (18th of next month).

MEMORY TRICK **RCM services – "GLASS DIRECT"**

GLASS – G GTA; L Legal; A Arbitral; S Sponsorship; S Security

DIRCG – D Director; I Insurance & recovery agents; R Renting (residential/commercial); C Copyright; G Government services

Note: Memory hook only - in answers name the service, supplier & recipient.

Chapter 16C: Exemptions under GST

In this chapter: Exemption power s.11 · Key service & goods exemptions · Insurance exemption (Supplement)

NOTE Insurance entries 36C/36D/36E NEW

- **36C**: individual life insurance (term, ULIP, endowment) incl. reinsurance - exempt.
- **36D**: individual health insurance (incl. family floater, senior citizens) - exempt.
- **36E**: reinsurance of the above VERIFY.
- Impact: ITC reversal for insurers on exempt supplies.

16C.1 Goods exemptions

- Fresh fruits & vegetables, unbranded food grains, milk, curd, eggs, meat (unpackaged), bread (incl. paratha/roti from GST 2.0) VERIFY, salt, books/newspapers, khadi, human blood, contraceptives, hearing aids.
- **Pre-packaged & labelled** (Legal Metrology) food → taxable 5%.
- Absolute/conditional exemptions - registered person may **not** collect tax on absolute exemption.

16C.2 Key service exemptions

Category	Exempt service
Charitable (12AB)	Public health, advancement of religion/spirituality/yoga, education/skill programmes for abandoned/children/disabled/aged/tribal
Religious place	Renting of rooms < **₹1,000/day**; shops < ₹10,000/month; halls < ₹10,000/day
Education	Pre-school up to higher secondary (incl. transport, catering, security, cleaning by contract); approved vocational courses
Health	Clinical establishment, doctors; ambulance; animal care (vet clinics)
Agriculture	Cultivation, supply of farm labour, warehousing of agri produce, rental of machinery
Transport	Passengers by non-AC contract carriage/metro/railway (non-AC class) ; goods - GTA for agri produce, milk, relief material; goods by road (non-GTA)
Financial	Interest on loans/deposits (not credit card); RBI services; **life insurance (individual) & health insurance (individual, incl. family floater) - exempt from 22-9-2025** NEW
Renting	**Residential dwelling** for residence (unless to registered person - RCM); accommodation ≤ ₹20,000 pm/person for 90+ days (entry 12A)
Others	Services by **individual artist** ≤ ₹1.5 lakh per event; sports by players to recognised body; Govt to business ≤ ₹5,000 VERIFY

EXAM TIP FAQ

- Hostel accommodation at ₹15,000/month per student for 90+ days → **exempt** (entry 12A: ≤ ₹20,000 pm per person, continuous 90 days) VERIFY.
- Coaching for competitive exams → **taxable** (not "education as part of curriculum").
- Interest on credit-card dues → **taxable**.

Chapter 17A: Time of Supply s.12–14

In this chapter: Time of supply of goods & services · RCM · Vouchers (Supplement) · Change in rate s.14

17A.1 Forward charge

Item	Goods s.12(2)	Services s.13(2)
Rule	Date of **invoice** (or last date to issue)	Earlier of invoice (if issued in time - **30 days**) / receipt of payment
Advances	**No GST on advance for goods** (Notfn 66/2017)	Taxable on receipt
Excess ≤ ₹1,000	Supplier may opt invoice date	Same
Residual	Date of entry in books / tax paid	Same

- Invoice timing for services: **30 days** (banks/insurers 45 days).

17A.2 Reverse charge

Item	Goods s.12(3)	Services s.13(3)
Earliest of	Receipt of goods; payment; **30 days** after invoice	Payment; **60 days** after invoice
Associated enterprise (import of service)	-	Earlier of entry in books / payment

17A.3 Vouchers, rate change & interest

- **Vouchers**: identifiable supply → date of issue; otherwise → date of **redemption**.
- **Interest, late fee, penalty** for delayed payment → date of **receipt**.
- **s.14 rate change**: two of three events (supply, invoice, payment) decide; e.g. supply before, invoice & payment after → **new rate**; date of payment = credit in bank if **> 4 working days** later.

WORKED EXAMPLE Illustration

- Service completed **10 Aug**; invoice **25 Aug**; payment **5 Sep** (forward charge).
- Invoice issued within 30 days → TOS = earlier of invoice (25 Aug) & payment (5 Sep) = **25 August**.
- If invoice issued 20 Sep (late) → earlier of completion (10 Aug) & payment = **10 August**.

Chapter 17B: Value of Supply s.15 & Rules 27-35

In this chapter: Transaction value · Inclusions & discounts · Valuation rules · RSP valuation (Supplement)

17B.1 s.15 value

Value = Transaction value (unrelated, price sole consideration)

- **Include**: taxes other than GST (cess, local levies); amounts liable by supplier but paid by recipient; incidental expenses (commission, packing); **interest/late fee** for delayed payment; **subsidies linked to price** (except Govt subsidies).
- **Exclude discounts**: (a) before/at supply - recorded on invoice; (b) after supply - **agreement known beforehand**, linked to invoices, recipient reverses ITC.

NOTE **Post-sale discounts - Circular 251/08/2025** NEW

- Discount under **pre-agreed** terms → no GST via credit note; unless dealer provides promotional service.
- Discount via **financial/commercial credit note** without GST adjustment - allowed; recipient need not reverse ITC.
- Manufacturer's discount to end-customer through dealer - not consideration for dealer VERIFY.

17B.2 Valuation rules 27-35

- **Rule 27**: non-money consideration → OMV; else like-kind value; else **cost + 10%** (R.30) or **residual** (R.31).
- **Rule 28**: related/distinct persons → OMV; **ITC-eligible recipient - invoice value deemed OMV**; agent - 90% of price option.
- **Rule 32**: money changer - buying/selling rate difference × currency (or slabs); air travel agent **5% of basic fare (domestic) / 10% (international)**; life insurance - premium – investment portion (or 25%/12.5%/10%); second-hand dealer - margin (if no ITC).
- **Rule 33 pure agent**: reimbursements excluded if conditions (contract, no title, separate indication).
- **Rule 35**: value including tax → tax = value × rate/(100+rate).

Chapter 17C: Place of Supply (IGST Act s.10-13)

In this chapter: POS of goods · POS of services - both in India · Supplier/recipient outside India · Intermediary (Supplement)

17C.1 POS - goods s.10

Case	Place of supply
Movement of goods	Location where movement **terminates** for delivery
Bill-to-ship-to (third person's direction)	**Principal place of business of third person** (who directs)
No movement	Location of goods at delivery
Installed/assembled at site	Place of **installation**
On board conveyance	Place where goods **taken on board**
Import	Location of **importer**; Export - location outside India

17C.2 Services - recipient/supplier outside India s.13

- **General**: **location of recipient**; if not available - supplier.
- **Performance based** (goods physically made available, services to individual in person) → where performed.
- **Immovable property** → where property located; **events** → where held.
- Banking services to account holders and hiring of means of transport up to 1 month → **location of supplier**; **intermediary** services → **location of recipient** from 30-3-2026 (s.13(8)(b) omitted by Finance Act 2026) NEW.
- Goods transport (other than mail/courier) → **destination** of goods.
- OIDAR to non-taxable online recipient → recipient's location (supplier pays IGST).

17C.3 POS - services s.12 (both in India)

Service	Place of supply
General rule	Registered recipient's location; else recipient's address on record; else **supplier's location**
Immovable property, hotel, boat	Location of **property**
Restaurant, personal grooming, health/fitness, beauty	Where **actually performed**
Training (B2B) / (B2C)	Recipient location / where performed
Events - admission	Where **event** held
Event organisation	B2B - recipient; B2C - event place (outside India → recipient's location)
Goods transport (incl. courier)	B2B - recipient; B2C - where goods **handed over**
Passenger transport	B2B - recipient; B2C - **where passenger embarks**
Telecom (post-paid)	Billing address
Banking/financial	Recipient's location on record; else supplier
Insurance	B2B - recipient; B2C - location on record
Advertising to Govt	Each State proportionately

EXAM TIP Inter-State tests

- Supplier & POS in **different States** → inter-State (IGST). Same State → intra-State (CGST+SGST).
- Supply to/by **SEZ** unit/developer → always **inter-State** (IGST).
- Supply to tourist (s.15 IGST refund) & imports → inter-State.
- Tax paid wrongly as CGST+SGST instead of IGST → pay correct tax, claim **refund** s.77 (no interest).

Chapter 18: Input Tax Credit & Computation of GST Liability

In this chapter: Eligibility & conditions s.16 · Apportionment & blocked credits s.17 · Transitional provisions · Input Service Distributor s.20 · Order of utilisation s.49A/49B

18.1 Conditions s.16(2)

Possession of **tax invoice/debit note** → Details furnished by supplier in **GSTR-1** & reflected in **GSTR-2B** → **Goods/services received** (bill-to-ship-to - deemed) → Tax **actually paid** to Govt → Return **GSTR-3B** filed

- Pay supplier within **180 days** else reverse ITC + interest (re-avail on payment).
- **Time limit s.16(4)**: earlier of **30 Nov** following FY or annual return.
- Depreciation claimed on tax component → ITC not allowed.

18.2 Blocked credits s.17(5)

Item	Blocked except
Motor vehicles ≤ 13 seats (and their insurance, repairs)	Further supply, passenger transport, driving training, goods transport
Vessels & aircraft	Same uses
Food, outdoor catering, beauty treatment, health, cosmetic, plastic surgery, life & health insurance, club membership, travel benefits to employees	Same category outward / composite / **obligatory under law** for employer
Works contract for immovable property	Input service for further WC
Construction of immovable property (own account)	**P&M** (plant & machinery) - ITC allowed
Composition tax paid; non-resident (except imports); gifts/free samples; goods lost, stolen, destroyed, written off	-
Tax paid on demand (fraud) s.74	-

18.3 Apportionment & reversal

- **Rule 42**: common inputs → ITC attributable to exempt/non-business reversed; **Rule 43**: capital goods - 5-year life (60 months).
- **s.18**: new registration/composition exit → ITC on stock (within 1 year of invoice).
- **Rule 86B**: 99% cap on use of ECL - not for persons paying > ₹1 lakh income-tax, refunds > ₹1 lakh, etc.; exception **(f)** added NEW VERIFY.
- **Utilisation order (s.49)**: IGST → IGST, CGST, SGST (any order after IGST exhausted); CGST → CGST, IGST; SGST → SGST, IGST; **CGST ↔ SGST never**.

18.4 Job work s.19 & ISD s.20

- Goods to job worker without tax → returned within **1 year** (inputs) / **3 years** (capital goods); else deemed supply on day sent. Moulds, dies, jigs - no limit.
- **ISD** (mandatory from 1-4-2025 for common input services incl. RCM) distributes to units pro rata **turnover of preceding month/quarter** VERIFY.

WORKED EXAMPLE ITC illustration

- ITC: inputs 2,00,000 (incl. food for staff 10,000, car for MD 50,000); capital goods - machinery 1,00,000.

Eligible ITC = 2,00,000 − 10,000 − 50,000 + 1,00,000 = **₹2,40,000**

- If 20% of turnover exempt → reverse 20% of common credit (Rule 42/43).

Chapter 19A: Procedural Compliance – Registration, Invoices, Records, E-way Bill

In this chapter: Registration s.22-30 · Tax invoice, debit & credit notes s.31-34 · Accounts & records s.35-36 · E-way bill Rule 138

19A.1 Threshold s.22

Supplier	Goods only	Services / mixed
Normal States	**₹40 lakh** (if opted; not ice cream, pan masala, tobacco)	**₹20 lakh**
Special category (Manipur, Mizoram, Nagaland, Tripura)	₹10 lakh	₹10 lakh
Arunachal, Meghalaya, Puducherry, Sikkim, Telangana, Uttarakhand (₹40 lakh goods option not adopted)	₹20 lakh VERIFY	₹20 lakh

- Apply within **30 days** of becoming liable; casual/non-resident - **5 days before** commencement.
- **s.23 not liable**: exclusively exempt/non-taxable supplies; agriculturist (own cultivation); RCM-only recipients; inter-State **services** ≤ threshold; ECO sellers of services ≤ threshold.

19A.2 Compulsory s.24 (no threshold)

- Inter-State **taxable supply of goods** (services exempt up to threshold); casual taxable persons; RCM recipients; ECO operators & persons supplying **goods** through ECO (TCS) - (small sellers relaxation with conditions VERIFY); non-resident; TDS deductors; agents; ISD; OIDAR from outside India.

NOTE Registration procedure NEW

- **Rule 8**: PAN-based; Aadhaar authentication / **biometric** verification at GSK; Rule **9**: approval within 7 working days (30 with physical verification).
- **Rule 9A**: automated registration within **3 working days** for low-risk applicants with output tax liability ≤ **₹2.5 lakh/month** (from 1-11-2025) VERIFY.
- **Rule 14A**: simplified registration (ITC ≤ ₹2.5 lakh pm) - opt-in, withdraw conditions VERIFY.

19A.3 Cancellation & revocation

Point	Cancellation s.29	Revocation s.30
Who	Proper officer / taxpayer (business closed, transfer, not liable)	Taxpayer on officer-cancelled registration
Grounds (officer)	Contravention, not filing returns (composition 3 returns; others 6 months), no business at place, fraud	-
Time	-	Apply within **90 days** of order (+180 days extension by Commissioner) VERIFY
Effect	Final return **GSTR-10** within 3 months; pay ITC on stock	Registration restored

EXAM TIP FAQ

- Turnover ₹25 lakh of exempt goods only → **not** liable (s.23).
- ₹5 lakh inter-State supply of **services** by Delhi consultant → **not** compulsory.
- ₹3 lakh inter-State supply of **goods** → compulsory (s.24) (unless notified handicraft etc.).

19A.4 Invoice rules

- **Goods**: before/at removal (movement) or delivery; continuous supply - on statement/payment.
- **Services**: within **30 days** (banks/NBFC/insurers **45 days**).

- **Copies**: goods - **triplicate** (original for recipient, duplicate for transporter, triplicate for supplier); services - duplicate.
- **Bill of supply**: exempt supplies / composition dealers; **consolidated invoice** for B2C < **₹200** per supply.
- Receipt voucher on advance; refund voucher; payment voucher for RCM.

19A.5 Credit vs debit notes

Point	Credit note s.34(1)	Debit note s.34(3)
When	Taxable value/tax **excess** charged; goods returned; deficient services	Taxable value/tax **short** charged
Time limit to declare	Earlier of **30 Nov** following FY or annual return	**No time limit**
Liability	Reduced if recipient reverses ITC	Increased

19A.6 E-invoicing Rule 48(4)

- Mandatory if aggregate turnover in any FY since 2017-18 > **₹5 crore** - B2B invoices, exports, credit/debit notes → **IRN + QR code** from IRP.
- Report to IRP within **30 days** for AATO ≥ **₹10 cr** VERIFY.
- **Exempt**: insurer, banking/NBFC, GTA, passenger transport, multiplex admission, SEZ units, Govt departments.
- B2C dynamic QR code - AATO > ₹500 cr.

19A.7 Accounts & records s.35-36

- At principal place (and each additional place): production/manufacture, inward/outward supply, stock, ITC, output tax, advances, RCM; electronic audit trail.
- Retain **72 months** from due date of annual return (or 1 year after final order in appeal).
- Agents, warehouses, transporters - specific records.

19A.8 E-way bill Rule 138

- Required for movement of goods value > **₹50,000** (incl. tax; excl. exempt goods) - supply/non-supply/inward from unregistered.
- **Part A** (supplier/recipient details, HSN, value) & **Part B** (vehicle no.); transporter can generate.
- Mandatory irrespective of value: inter-State **job work** consignment; **handicraft goods** by exempt persons.

Distance	Validity
Up to 200 km	1 day
Every additional 200 km (part)	+1 day
ODC	20 km per day

- Distance **< 50 km** within State from place of business to transporter - Part B not required.

19A.9 Not required

- Non-motorised conveyance; from port/airport/ICS to ICD for customs clearance; goods under customs seal; exempt goods (Annexure) / LPG for household, kerosene PDS, currency, jewellery, used personal effects; empty cargo containers; defence goods; transit to/from Nepal/Bhutan.
- Validity extension: within 8 hours before/after expiry.

Chapter 19B: Procedural Compliance – Payment, Returns, Refund, Assessment, Demand, GSTP, QRMP

In this chapter: Payment of tax s.49 · TDS/TCS s.51-52 · Returns s.37-48 · QRMP scheme · Refund s.54 · Assessment s.59-64 · Demand & recovery s.73/74/74A · GST practitioners s.48

19B.1 Three ledgers

Ledger	Contains
Electronic Cash Ledger	Deposits (PMT-06) - tax, interest, penalty, fee; minor heads tax/interest/penalty/fee/others
Electronic Credit Ledger	ITC (GSTR-3B) - **only for output tax** (not interest, fee, RCM)
Electronic Liability Register	All liabilities

- **RCM tax must be paid in cash.**
- Order of discharge: self-assessed tax & dues of previous periods → current period → demand.

19B.2 Interest s.50

Default	Rate
Delayed payment of tax	**18% p.a.** on **net cash liability** (portion paid via cash)
Undue/excess ITC availed **and utilised**	**18% p.a.**

- ITC "utilised" when ECL balance falls below wrongly availed amount (Rule 88B).

19B.3 TDS s.51 vs TCS s.52

Point	TDS s.51	TCS s.52
By	Govt departments, local authority, Govt agencies, notified persons	**ECO** (where it collects consideration)
On	Supplies > **₹2.5 lakh** per contract	Net value of taxable supplies
Rate	**2%** (1% CGST + 1% SGST / 2% IGST)	**0.5%** (0.25%+0.25% or 0.5% IGST) VERIFY
Return	GSTR-7 (10th)	GSTR-8 (10th)
Not deducted	Where supplier's location & POS are in a State **different** from recipient's State of registration	Services under s.9(5) (ECO pays tax)

19B.4 Returns calendar

Return	For	Due date
GSTR-1 / IFF	Outward supplies	**11th** monthly; QRMP - 13th of month after quarter (IFF 1-13)
GSTR-2B (auto) / IMS	ITC statement	14th
GSTR-3B	Summary + payment	**20th** monthly; QRMP **22nd/24th**
CMP-08 / GSTR-4	Composition	18th after quarter / **30 April**
GSTR-5	Non-resident	13th
GSTR-6	ISD	13th
GSTR-7 / 8	TDS / TCS	10th
GSTR-9 / 9C	Annual / reconciliation	**31 December**
GSTR-10	Final	3 months of cancellation

19B.5 Key rules

- **QRMP**: AATO ≤ **₹5 crore**; pay monthly via **PMT-06** (fixed sum/self-assessment) by 25th.
- **GSTR-9 optional** up to AATO **₹2 crore**; **9C** self-certified for AATO > **₹5 crore**.

- **Time-barring**: no return after **3 years** from due date (s.37(5), 39(11), 44(2)) VERIFY.
- **Rectification**: up to **30 Nov** of next FY or annual return (earlier).
- **GSTR-3B** to be filed even if nil; **GSTR-1** before 3B (sequential); 3B tax liability auto-populated & hard-locked VERIFY.

19B.6 Late fee s.47

Return	Late fee per day (CGST + SGST)
GSTR-1 / 3B (nil)	₹20 (max ₹500) VERIFY
GSTR-1 / 3B (others)	₹50 (max slab by turnover: ₹2,000 / 5,000 / 10,000)
GSTR-9	₹200 (max 0.04%/0.5% of turnover slabs)
GSTR-4	₹50 (nil ₹20), max ₹2,000/500

- Interest s.50 additional; GST practitioner (s.48) can file on authorisation.

19B.7 Refund s.54–56

- Apply in **RFD-01** within **2 years** from relevant date (export - date of shipment; inverted duty - due date of return).
- Cases: export / SEZ (zero-rated, s.16 IGST), **inverted duty structure**, excess cash ledger, finalisation of provisional assessment, appeal outcome.
- **Provisional refund 90%** for zero-rated supplies (within **7 days**); final order within **60 days**; else interest **6%** (s.56); **9%** on refund from appellate order.
- **Unjust enrichment**: refund to Consumer Welfare Fund unless incidence not passed on (except exports/SEZ).
- Supplement: Notfn 14/2025 - specified persons **not** allowed provisional refund VERIFY.

19B.8 Assessment s.59–64

Section	Type
59	**Self-assessment** (taxpayer)
60	**Provisional** (bond; finalise in 6 months)
61	**Scrutiny** of returns (ASMT-10)
62	**Best judgement** - non-filer after notice (ASMT-13)
63	Unregistered / cancelled registration
64	**Summary** - protect revenue (Addl./Jt. Commissioner)

19B.9 Demand & recovery s.73 / 74 / 74A

Point	s.73 (non-fraud)	s.74 (fraud)	s.74A (FY 2024–25 onwards)
Notice limit	2y 9m	4y 6m	**42 months** from due date of annual return
Order limit	3 years	5 years	**12 months** from notice (+6 m)
Penalty	10% or ₹10,000	100%	non-fraud 10%/₹10,000; fraud 100%

- Pay before notice: s.73 - nil penalty; s.74 - 15%; within 30 days of SCN - 25% (s.74).
- Recovery s.79: deduct from refunds, attach property, garnishee.

19B.10 QRMP & GST practitioners

Point	Rule
QRMP eligibility	AATO **≤ ₹5 cr**; GSTR-1 & 3B **quarterly**
Monthly payment	**PMT-06** by **25th** of next month (fixed-sum 35% or self-assessment)
IFF	Invoice Furnishing Facility (B2B) for first 2 months, up to **₹50 lakh**/month

Point	Rule
GSTP s.48 / Rule 83	Enrolment **GST PCT-1**; graduate / CA / CS / cost accountant / advocate or retired officer; may file returns, refund claims, appear before authority

Chapter 20A: Overview of Customs Act – Levy, Types of Duty, Classification

In this chapter: Overview of customs law · Levy & collection s.12 · Types of customs duties · Classification of goods (CTA & HSN rules) · Exemption s.25 · Officers of Customs s.3-5

20A.1 Basics & definitions

- **Levy s.12** Customs Act: duty on goods **imported into / exported from India** at rates in Customs Tariff Act 1975 (First Schedule imports; Second Schedule exports).
- **India** includes territorial waters (**12 nautical miles**); **s.2(23) import** = bringing into India from outside; **s.2(18) export** = taking out of India.
- **Taxable event**: import - goods cross customs barrier (*Garden Silk Mills*); warehoused goods - on clearance for home consumption.
- **s.25**: Central Government may exempt duty (general notification / special order).

20A.2 Rate & date for duty

- **s.15** (import): rate on date of **filing bill of entry**; if BoE filed before **entry inward** of vessel → rate on date of entry inward.
- Warehoused goods: date of filing **ex-bond BoE** for home consumption.
- **s.16** (export): date of **let export order**.
- **Exchange rate**: CBIC notified rate on date of filing BoE (s.14 explanation).

Note: Anti-dumping duty: imposed **≤ margin of dumping**; valid **5 years** (extendable by sunset review).

20A.3 Types of customs duties

Duty	Basis
Basic Customs Duty (BCD)	s.12 + First Schedule CTA
IGST on imports	CTA s.3(7) on (AV + BCD + SWS)
GST compensation cess	CTA s.3(9) - check post 1-2-2026 VERIFY
Social Welfare Surcharge (SWS)	10% of BCD (exemptions) VERIFY
Safeguard duty	CTA s.8B / 8C - surge in imports
Countervailing (subsidy)	CTA s.9 - foreign subsidy
Anti-dumping	CTA s.9A - export price < normal value
Protective duty	CTA s.6
Export duty	Second Schedule (few items)
AIDC	Agriculture Infrastructure & Development Cess on select goods VERIFY

MEMORY TRICK Additional duties – "SCAP"

SCAP – S Safeguard (surge); C Countervailing (subsidy); A Anti-dumping (dumping margin); P Protective (domestic industry)

COMMON MISTAKE Customs traps

- IGST on imports is **inter-State supply** (s.7(2) IGST) but levied under CTA - ITC available.
- SWS is calculated on **BCD only**, not on IGST.
- Rate date for import ≠ date of arrival when BoE filed later.
- Anti-dumping & safeguard are **not** exempted by general exemption from BCD unless specifically stated.

20A.4 Classification & officers

- **Classification**: Customs Tariff Act First Schedule (HSN-based, 8-digit); **General Interpretative Rules 1-6** (Rule 1 headings; 2(a) incomplete/unassembled; 2(b) mixtures; 3(a) most specific, 3(b) essential character, 3(c) last in numerical order; 4 akin goods; 5 cases; 6 subheadings).
- **Officers** (s.3): Principal Chief / Chief Commissioner, Principal Commissioner / Commissioner (Appeals), Joint / Addl. Commissioner, Deputy / Asst. Commissioner, Appraiser, Superintendent, Preventive Officer; **CBIC** supervises (s.4-5 appointment & powers).
- **Supplement**: master exemption **Notfn 45/2025-Cus** consolidates conditional exemptions; Notfn 44/2025 aligns AIDC/health cess/SWS references VERIFY.

Chapter 20B: Customs Valuation & Computation of Duty

In this chapter: Valuation s.14 · CVR 2007 Rules 3-10 · Export valuation · Computation illustration

20B.1 Import valuation sequence (CVR 2007)

Rule 3 - **Transaction value** (+ Rule 10 additions) → Rule 4 - Identical goods → Rule 5 - Similar goods → Rule 7 - **Deductive** value → Rule 8 - **Computed** value → Rule 9 - **Residual** (reasonable means)

- Rules 7 & 8 order **reversible** at importer's request.
- Rule 12: proper officer may **reject** declared value (reasonable doubt).

20B.2 Rule 10 additions

- Commission & brokerage (**except buying commission**); cost of containers & packing.
- Assists (materials, tools, dies, engineering/design work done outside India) supplied free/reduced cost.
- **Royalty & licence fees** related to imported goods (condition of sale).
- Value of subsequent resale proceeds accruing to seller.

Freight = Actual; if not ascertainable **20% of FOB**; air freight cap **20% of FOB**

Insurance = Actual; if not ascertainable **1.125% of FOB**

- Loading/unloading/handling charges **excluded** from CIF (from 2017) VERIFY.

WORKED EXAMPLE Computation illustration

- FOB USD 10,000; freight USD 1,500; insurance not known; exchange rate ₹85 (CBIC); BCD 10%; SWS 10%; IGST 18%.

Insurance = 1.125% × 10,000 = USD 112.50

AV = (10,000 + 1,500 + 112.50) × 85 = **₹9,87,063**

BCD = 10% = ₹98,706; **SWS** := 10% of BCD = ₹9,871

IGST = 18% × (9,87,063 + 98,706 + 9,871) = **₹1,97,215**

Total duty = ₹3,05,792 (IGST credit available)

20B.3 Transaction value - conditions (Rule 3)

- Sale for export to India; no restriction on use (except legal/area/not affecting value).
- Not subject to condition whose value can't be determined.
- No part of resale proceeds to seller (unless adjusted).
- Buyer & seller **not related**, or relationship did **not influence** price (test values).

20B.4 Export valuation (Rules 2007)

- **s.14**: transaction value at time & place of exportation (FOB), price actually paid/payable.
- Sequence: transaction value → comparison with **identical/similar goods** → computed value → residual.
- Rate of exchange: date of filing **shipping bill**.

EXAM TIP Customs - FAQ

- Free samples/gifts - value per Rules 4-9 (no transaction value).
- Demurrage, ship demurrage charges - **not** added (post-2017) VERIFY.
- Buying commission excluded; selling commission (to seller's agent) added.
- Duty computed on AV rounded to nearest rupee; duty rounded to nearest rupee (s.154A) VERIFY.

Chapter 20C: Customs Procedures: Import, Export, Transport, Warehousing, Baggage, Drawback, Demand & Confiscation

In this chapter: Import & export procedures · Transportation (transit & transhipment) · Warehousing s.57-73 · Baggage · Duty drawback s.74-75 · Demand & recovery s.28 · Confiscation of goods & conveyances s.111-127

20C.1 Import procedure

Arrival - **IGM** filed by carrier (s.30) before arrival → **Bill of Entry** s.46 (home consumption / warehousing / ex-bond) - by end of day preceding arrival VERIFY → Self-assessment s.17 (RMS) → Duty paid (within 1 day of return of BoE) → **Out of charge** s.47

- Late BoE: charges per Regulations; **ICEGATE / SWIFT 2.0** single window.

Export: **Shipping bill** s.50 → Assessment & examination → **Let Export Order** s.51 → EGM s.41

20C.2 Transport & warehousing

- **s.53 Transit**: goods in conveyance to a place outside India - **no duty**.
- **s.54 Transhipment**: to another customs station/ outside India - bill of transhipment; no duty at first port.
- **Warehousing (s.57-73A)**: public (s.57), private (s.58), special (s.58A - duty-free shops, gold etc.); **s.59** warehousing bond (thrice the duty VERIFY); goods may remain **until cleared** (capital goods / EOU till end of use; others **1 year** VERIFY); interest **15%** after **90 days** for home consumption; **s.65** manufacture in bond (MOOWR - no duty on export).
- **Supplement**: Customs (Provisional Assessment) Regulations 2025 - finalisation in **2 years** (extendable 1 yr) VERIFY; Voluntary Revision of Entries Post Clearance Regulations 2025.

20C.3 Baggage (Baggage Rules 2016)

Passenger	Free allowance
Resident / tourist of Indian origin (not from Nepal, Bhutan, Myanmar)	**₹50,000** + used personal effects VERIFY
Tourist of foreign origin	₹15,000 VERIFY
Jewellery (resident abroad > 1 year)	Gentleman **20 g (≤ ₹50,000)**; lady **40 g (≤ ₹1 lakh)** VERIFY

- Duty on excess baggage **38.5%** (+ SWS) VERIFY; **s.77** declaration by owner; **s.80** temporary detention on request.
- Baggage not "goods imported" for tariff - separate heading 9803.

20C.4 Duty drawback s.74 & 75

- **s.74**: imported goods **re-exported** (identifiable) within **2 years** → drawback **98%** of duty if **not used**; if used - reduced % per rules.
- **s.75**: drawback of duty on **inputs** used in manufacture of **export goods** - **All Industry Rates (AIR)** or brand rate; not if export value < value of imported inputs.
- Claim on shipping bill; interest **6%** if not paid in 1 month (s.75A); recovery of erroneous drawback with 15% interest.

EXAM TIP Customs - FAQ

- Goods lost before clearance from warehouse? Duty **remitted** if lost/destroyed (s.23 - pilferage s.13; abandonment s.23(2)).
- Exported goods re-imported? Duty-free if re-imported within **3 years** with no remanufacture (Notfn VERIFY).
- Is drawback allowed on goods sold in DTA? **No**, only on actual export.

20C.5 Demand, refund & confiscation

Section	Provision
s.28	Short-levy / non-levy: SCN in **2 years**; **5 years** (collusion, wilful mis-statement, suppression)
s.28AA	Interest **15% p.a.** (10%-36% range) on delayed duty
s.27	Refund claim within **1 year**; unjust enrichment applies
s.111 / s.113	Confiscation of **improperly imported / exported** goods
s.115	Confiscation of **conveyances** (used in smuggling)
s.118-121	Packages, contents, sale proceeds & goods used to conceal
s.125	**Redemption fine** in lieu of confiscation (≤ market value less duty)
s.112 / 114	Penalty on persons

Last-Day Revision Sheet

In this chapter: Numbers to remember - Income-tax · Numbers to remember - GST & Customs · Answer-writing checklist · Top traps

Income-tax numbers

87A: ₹12 L / ₹60,000 (new) · SD ₹75,000 / 50,000 · Gratuity ₹20 L · Leave enc. ₹25 L · 80C ₹1.5 L · 80CCD(1B) ₹50,000 · 80D ₹25k/50k · 80TTA 10k / TTB 50k · 44AD ₹2 cr/3 cr, 8%/6% · 44ADA ₹50 L/75 L, 50% · 44AB ₹1 cr/10 cr · 111A 20% · 112A 12.5% > 1.25 L · 112 12.5% · CII 2025-26 = 376 VERIFY · HP interest ₹2 L · Loss c/f 8 yrs · Speculation 4 yrs · 234F ₹5,000/1,000 · Updated return 48 months · Advance tax 15/45/75/100

GST numbers

Customs: freight 20% FOB, insurance 1.125%, SWS 10% of BCD, rate s.15 BoE date · Threshold ₹40 L / 20 L / 10 L · Composition ₹1.5 cr (1%/5%), services ₹50 L (6%) · E-way bill ₹50,000 · 200 km/day · E-invoice > ₹5 cr · IRP 30 days ≥ ₹10 cr · TDS 2% > ₹2.5 L · TCS 0.5% · Interest 18% · ITC time limit 30 Nov · 180-day payment rule · Records 72 months · Revocation 90 days · QRMP ₹5 cr · GSTR-9 optional ≤ ₹2 cr · 9C > ₹5 cr · Rates 5/18/40 from 22-9-2025

Answer framework

Write **provision** with section (Dec 2026: 1961 Act section; 2025 Act in brackets only) → Apply to **facts** → Show **working notes** & round off (₹10) → Write **conclusion** with amount

Note: Check "verify" items with the ICSI Supplement (Dec 2026) & Student Company Secretary e-journal.

MEMORY TRICK **Heads of income - "SHiP-CO"**

SHPCO – S Salaries; H House property; P PGBP; C Capital gains; O Other sources

Note: GST ITC order: **IGST first**, then CGST/SGST in any order - CGST↔SGST cross-utilisation never.

COMMON MISTAKE **Top 8 exam traps**

- Giving 87A rebate on 112A LTCG (new regime) - ×
- Allowing 80C in new regime - ×
- Setting off business loss against salary - ×
- Charging GST on advance for **goods** - ×
- ITC on motor car used by staff - blocked
- Paying RCM tax via credit ledger - × cash only
- Omitting 30% std deduction on arrears (s.23 [25A]) - ×
- Treating SEZ supply as intra-State - × always inter-State