

Mock Test Paper - Series II: December, 2025

Date of Paper: 10th December, 2025

Time of Paper: 10 A.M. to 1 P.M.

INTERMEDIATE COURSE: GROUP - I

PAPER – 3: TAXATION

Time Allowed – 3 Hours

Maximum Marks – 100

SECTION – A: INCOME TAX LAW (50 MARKS)

Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.

The relevant assessment year is A.Y.2025-26.

Division A – Multiple Choice Questions

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

1. Mr. Rohan Mehta, aged 45 years, a resident individual, is a retail trader. He is an eligible assessee under section 44AD of the Income-tax Act, 1961 and follows the mercantile system of accounting.

For the financial year 2024-25, his total turnover amounts to ₹ 130 lakhs. The breakup of turnover and mode of receipts are as follows:

- ₹ 25 lakhs received by account payee cheque during the previous year;
- ₹ 50 lakhs received by cash during the previous year;
- ₹ 25 lakhs received by account payee bank draft before the due date of filing of return under section 139(1);
- ₹ 30 lakhs not received till the due date of filing of return.

Rohan had taken a housing loan of ₹ 15,00,000 on 1st April 2021 from a nationalized bank at 10% per annum for constructing his self-occupied residential house. The construction commenced in June 2021 and was completed on 30th June 2024. No repayment of the loan has been made so far.

During the year, he sold two pieces of land:

1. On 4th October 2024, he sold a piece of agricultural land for ₹ 52 lakh which he had acquired on 13th September 2023 at a cost of ₹ 49.25 lakh. The land is located 7 km away from the municipal limits of a town having a population of 4,00,000.
2. On 12th December 2024, he sold another agricultural land for ₹ 53 lakh which he had acquired on 15th February 2023 at a cost of ₹ 46 lakh. The said land is located 1.5 km from the municipal limits of an area having a population of 12,000.

CII for F.Y. 2022-23: 331; 2023-24: 348; 2024-25: 363

From the information given above, choose the most appropriate answer to the following questions –

- (i) The amount of interest deduction u/s 24(b) for A.Y. 2025-26, if he has exercised the option of shifting out of the default regime provided under section 115BAC(1A), is
 - (a) ₹ 1,50,000
 - (b) ₹ 1,80,000
 - (c) ₹ 2,00,000
 - (d) ₹ 2,10,000
- (ii) What shall be the amount of deemed profits of Mr. Rohan under section 44AD(1) for A.Y. 2025-26?
 - (a) ₹ 10.40 lakhs
 - (b) ₹ 7 lakhs
 - (c) ₹ 5.50 lakhs
 - (d) ₹ 9.40 lakhs
- (iii) What would be the amount of capital gain chargeable to tax in the hands of Mr. Rohan for the A.Y. 2025-26?
 - (a) Short-term capital gain of ₹ 9.75 lakhs
 - (b) Short-term capital gain of ₹ 7 lakhs
 - (c) Long-term capital gain of ₹ 2,72,212
 - (d) Long-term capital gain of ₹ 2,50,158

(3 x 2 = 6 Marks)

2. Mr. Mahesh Verma, aged 64 years, is a resident individual running a small trading business and maintaining regular books of account. On 1st April 2021, he gifts ₹ 3,00,000 to his wife, Nisha, and ₹ 2,00,000 to his daughter, Ria, who is 20 years old. Both Nisha and Ria invest the gifted amounts on the same date in Government of India 11% Taxable Bonds. The interest on these bonds accrues annually and is automatically reinvested in the same bonds in their respective names.

In the financial year 2024-25, Mahesh maintains a savings bank account with a co-operative land development bank, from which he earns interest of ₹ 20,000. He further holds a fixed deposit and a recurring deposit with Mani Finance Ltd., a Non-Banking Finance Company (NBFC), earning interest of ₹ 25,000 and ₹ 10,000, respectively.

During the scrutiny assessment of A.Y. 2025-26, the Assessing Officer examines Mahesh's balance sheet and bank statements and discovers investments of ₹ 7,00,000 not recorded in the books of account. Mahesh is unable to offer a satisfactory explanation regarding the nature and source of these investments.

From the information given above, choose the most appropriate answer to the following questions –

- (i) What is the amount of interest taxable in hands of Nisha for A.Y. 2025-26.
- (a) ₹ 4,473
 - (b) ₹ 12,132
 - (c) ₹ 33,000
 - (d) ₹ 36,630
- (ii) Determine the amount of tax payable by Mahesh on the value of investments considered to be deemed income as per section 69?
- (a) ₹ 2,18,400
 - (b) ₹ 55,000
 - (c) ₹ 5,46,000
 - (d) ₹ 54,600
- (iii) What would be the deduction allowable to Mr. Mahesh under Chapter VI-A if he has exercised the option of shifting out of the default regime provided under section 115BAC(1A) for the A.Y. 2025-26?
- (a) ₹ 55,000

(b) ₹ 10,000

(c) ₹ 20,000

(d) ₹ 50,000

(3 x 2 = 6 Marks)

3. Mr. X, aged 61 years, earned dividend of ₹ 12,00,000 from ABC Ltd. in P.Y. 2024-25. Interest on loan taken for the purpose of investment in ABC Ltd., is ₹ 3,00,000. Income included in the hands of Mr. X for P.Y. 2024-25 would be -

(a) ₹ 12,00,000

(b) ₹ 9,60,000

(c) ₹ 9,00,000

(d) ₹ 2,00,000

(2 Marks)

4. Mr. Shivam made a donation of ₹ 50,000 to PM Cares Fund and ₹ 20,000 to Prime Minister's Drought Relief Fund. He made a cash donation of ₹ 10,000 to a public charitable trust registered under section 80G. The deduction allowable to him under section 80G for A.Y.2025-26 is -

(a) ₹ 80,000

(b) ₹ 70,000

(c) ₹ 60,000

(d) ₹ 35,000

(1 Mark)

Division B – Descriptive Questions

Question No. 1 is compulsory

*Attempt any **two** questions from the remaining **three** questions*

1. Mr. Kamal, a resident and ordinarily resident aged 58 years, is engaged in the business of manufacturing steel. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

Profit & Loss account for the year ended 31st March, 2025

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	6,45,000	By Gross Profit	88,45,000
To Salaries & wages	30,00,000	By Winning from lottery (Net of TDS @30%)	47,250

To Interest on loan	11,25,000		
To loss on sale of asset of scientific research	1,00,000		
To Depreciation	9,25,500		
To Professional fees	4,05,000		
To Rent, rates & taxes	4,20,000		
To Travelling & conveyance	2,10,000		
To Net Profit	20,61,750		
Total	88,92,250	Total	88,92,250

Additional information:

- (i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock ₹ 3,30,000 and Closing stock ₹ 4,38,000 was shown.
- (ii) Salaries & wages include following items:
 - a. Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD for an employee Mr. Ganesh who has withdrawn basic salary of ₹ 4,00,000 and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.
 - b. Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 3,50,000 was paid to them on 1st January, 2025.
- (iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 18,00,000 which was taken from State Bank of India on 01.07.2022 for purchase of new electric car of ₹ 20,00,000. The car is used for personal purpose.
- (iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 5,50,000 but during the calculation of such depreciation following addition was not considered:
Motor car purchased for ₹ 3,50,000 for supply of finished goods to dealers on 25-09-2024.
- (v) An asset was purchased for ₹ 7,00,000 on 17-11-2023 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-10-2024 for a consideration of ₹ 6,00,000.

Other information:

A plot of Industrial land which was used by Mr. Kamal for business purposes for last 10 years was compulsorily acquired by Central Government on 07.04.2024. The compensation of ₹ 15,00,000 was received on 13.07.2024. Such property was purchased

by him on 08.10.2010 for ₹ 2,50,000. He purchased another plot of industrial land on 15.04.2025 for ₹ 7,00,000. Government has also paid ₹ 1,05,000 as interest on such compensation on 28.10.2024.

Cost Inflation Indices: F.Y. 2024-25: 363, F.Y. 2010-11: 167

Compute the total income and tax liability of Mr. Kamal for the assessment year 2025-26 assuming that he has opted out of the provisions of section 115BAC. **(15 Marks)**

2. (a) Determine the residential status and total income of Mr. Arvind under optional tax regime for the A.Y.2025-26 based on the following details:

- Mr. Arvind, aged 62, is a Canadian citizen employed in a senior research position with a multinational corporation based in Gurugram since 2009.
- To share his research expertise, he traveled to group companies abroad while remaining based at the Gurugram office.
- His travel schedule for Financial Year 2024-25 was as follows:

Country	Period of stay
USA	25 th August, 2024 to 10 th November, 2024
UK	20 th November, 2024 to 23 rd December, 2024
Germany	10 th January, 2025 to 24 th March, 2025

Additional information on his stay in India:

- Present in India for 380 days during the last 4 years preceding P.Y. 2024-25
- Present in India for 700 days during the last 7 years preceding P.Y. 2024-25

Income earned during P.Y 2024-25:

1. Salary of ₹ 15,80,000 fully credited to his Indian bank account.
2. Dividend of ₹ 48,000 from Treat Ltd., a Singapore-based company, deposited in his Singapore bank account.
3. Interest income of ₹ 10,500 credited to his savings account in Punjab National Bank (Delhi branch).

(6 Marks)

- (b) Examine TDS implications in case of following transactions, briefly explaining provisions involved; state the rate and amount to be deducted, assuming that the deductees are residents and having a PAN which they have duly furnished to the respective deductors.

- (i) Rohit, a resident individual in India who does not have any income from business or profession, made payments of ₹ 10 lakhs in January 2025,

₹ 25 lakhs in February 2025, and ₹ 25 lakhs in March 2025 to Suresh, a contractor, towards the reconstruction of his residential house.

- (ii) ABC Pvt. Ltd. made a payment of ₹ 2,00,000 to Rajesh, an individual transporter who owned 6 goods carriages throughout the P.Y. 2024-25. Rajesh did not furnish his PAN to ABC Pvt. Ltd. **(4 Marks)**

3. (a) Mr. Krishna, aged 38 years, is entitled to a salary of ₹ 40,000 per month. He is given an option by his employer either to take house rent allowance of ₹ 8,000 per month or a rent free accommodation which is owned by the company. The monthly rent for the hired accommodation is ₹ 6,500.

Advice Mr. Krishna whether it would be beneficial for him to avail HRA or Rent Free Accommodation. Give your advice on the basis of "Net Take Home Cash benefits". Assume Mr. Krishna opts out from the provisions of section 115BAC?

(6 Marks)

- (b) Examine the following transactions in the context of Income-tax Act, 1961:

- (i) Ms. Ritu transferred 100 shares of PQR (P) Ltd. to M/s. LMN Co. (P) Ltd. on 10th September 2024 for ₹ 3,00,000 when the market value of the shares was ₹ 5,00,000. Ms. Ritu purchased these shares in 2018 for ₹ 2,50,000. The transfer was not subjected to securities transaction tax.

Determine the income chargeable to tax in the hands of Ms. Ritu and M/s. LMN Co. (P) Ltd. as a result of this transaction.

- (ii) Mr. Rajat, who has a taxable salary income of ₹ 5,50,000, received a sum of ₹ 1,00,000 from "Sankalp Charitable Trust" (registered under section 12AB) by account payee cheque in December 2024 to cover his medical expenses.

Is the sum of money so received from the trust chargeable to tax in the hands of Mr. Rajat? **(4 Marks)**

4. (a) Mr. Sanjeev, aged 30 years, submits the information of following transaction/ income during the P.Y. 2024-25

- (i) Mr. Sanjeev had a house in Delhi. During financial year 2022-23, he had transferred the said house to Ms. Veena, daughter of his brother without any consideration. House would go back to Mr. Sanjeev after the life time of Ms. Veena. The transfer was made with a condition that 15% of rental income from such house shall be paid to Mrs. Sanjeev. Rent received by Ms. Veena during the previous year 2024-25 from such house property is ₹ 6,50,000.

- (ii) Mr. and Mrs. Sanjeev forms a partnership firm with equal share in profits. Mr. Sanjeev transferred a fixed deposit of ₹ 50 lakhs to such firm. Firm had no income or expense other than the interest of ₹ 6,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs. Sanjeev at the end of the year.
- (iii) Mr. Sanjeev holds preference shares in M/s A Pvt. Ltd. He instructed the company to pay dividends to Ms. Chanchal, daughter of his servant. The transfer is irrevocable for the life time of Chanchal. Dividend received by Ms. Chanchal during the previous year 2024-25 is ₹ 2,00,000 (Gross).
- (iv) Mr. Sanjeev has a short term capital loss of ₹ 16,000 from sale of property and long term capital gain of ₹ 15,000 from sale of property.
- (v) Other income of Mr. Sanjeev includes
- Interest from saving bank account of ₹ 2,00,000
 - Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.
 - Income from betting of ₹ 34,000
 - Income from card games of ₹ 46,000
 - Loss on maintenance of race horses of ₹14,600

Compute the total income of Mr. Sanjeev for the A.Y.2025-26 and the losses to be carried forward assuming that he opts out from default regime under section 115BAC. **(6 Marks)**

- (b) What are the consequences of failure to intimate Aadhar Number. Is there any fee for such default? **(4 Marks)**

OR

- (b) Briefly discuss the provisions relating to payment of advance tax on income arising from capital gains and casual income. **(4 Marks)**

SECTION B – GOODS AND SERVICES TAX (50 MARKS)

QUESTIONS

- (i) *Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.*
- (ii) *Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of notes.*
- (iii) *All questions in Section B should be answered on the basis of position of GST law as amended by Finance (No. 2) Act 2024, which became effective till 30.06.2025, and significant notifications and circulars issued upto 30.06.2025.*

Division A –Case Scenario based MCQs (15 Marks)

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

Case Scenario 1

Jyoti Transport Co., a Goods Transport Agency, is registered under GST. It did not exercise the option to pay GST itself on the services supplied by it in the preceding financial year. It provided goods transport services to the following persons in February of preceding financial year-

- (a) Gaurav Traders, an unregistered partnership firm
- (b) Mr. Amar, a casual taxable person, who is not registered under GST
- (c) Vyapar Mandal Co-Operative Society registered under Societies Registration Act

In a particular consignment in March of preceding financial year, Jyoti Transport Co. transported the following-

- (a) Defence Equipments
- (b) Railway Equipments
- (c) Organic Manure

Jyoti Transport Co. exercises the option to itself pay GST on services supplied by it @ 12% from April, of the current financial year. It provided goods transport services to Rathi Industries Pvt. Ltd. on 1st April and issued an invoice dated 5th May. Payment was received on 6th May.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 3 below:

1. Which of the following persons are liable to pay GST under reverse charge in respect of the GTA services provided by Jyoti Transport Co. in February of the preceding financial year?

- (i) Gaurav Traders
 - (ii) Mr. Amar
 - (iii) Vyapar Mandal Co-operative society
 - (a) i & ii
 - (b) ii & iii
 - (c) i & iii
 - (d) i, ii & iii
2. Transportation of _____ by Jyoti Transport Co. is exempt from GST.
- (i) Defence Equipments
 - (ii) Railway Equipments
 - (iii) Organic Manure
 - (a) i
 - (b) i & ii
 - (c) i & iii
 - (d) i , ii & iii
3. What will be the time of supply in respect of the services provided by Jyoti Transport Co. to Rathi Industries Pvt. Ltd.?
- (a) 6th May
 - (b) 5th May
 - (c) 30th May
 - (d) 1st April
- (2 Marks x 3 = 6 Marks)**

Case Scenario 2

Anjani was engaged in providing various services within the State of Rajasthan since April. His Aggregate turnover crossed the threshold limit on 04th June He applied for registration under GST on 2nd July. He got his GST registration on 10th July.

After taking registration, Anjani started a business across India including supply of goods also. He dispatched goods pan India based on orders he got for the goods dealt by him.

He received an order from Delhi for which he supplied taxable goods valuing ₹ 45,000. The applicable rate of IGST was 12%. He also supplied certain exempted goods valuing ₹ 4,000. He made one invoice for both taxable as well as exempted supply made to Delhi.

He asked his tax consultant for the requirement of the generation of e-way bill for this order. The tax consultant informed him that the requirement of e-way bill is based on consignment value of goods supplied.

Even being a micro enterprise, Anjani did not receive timely payment from his customers because of which he ran into severe cash crunch and eventually could not make on-time payment to his suppliers. As a result, he decided to shut down his business and got placed in a software company as a senior programmer executive.

While shutting down his business, he informed his tax consultant to cancel the GST registration. The tax consultant surrendered his registration online on GST Portal on 25th September and his application for cancellation was approved by the Proper Officer on 31st September.

All the amounts given above are exclusive of taxes wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 4 to 6 below:

4. Effective date of registration of Anjani is _____.
 - (a) 04th June
 - (b) 02nd July
 - (c) 03rd July
 - (d) 10th July
5. Consignment value of goods supplied to Delhi by Anjani is ₹ _____.
 - (a) 45,000
 - (b) 49,000
 - (c) 50,400
 - (d) 54,400
6. Due date by which Anjani is supposed to file Final return under GST is _____.
 - (a) 25th October
 - (b) 30th October
 - (c) 25th December
 - (d) 31st December

7. Udit Associates, Delhi dealing in garments has ordered ladies suits from Pakiza Garments in Ludhiana (Punjab) which is 350 km away from its warehouse. E-way bill is generated by Sahiba Garments and the order is coming by a normal cargo. For how many days will the e-way bill be valid from the time it is generated?
- (a) 24 hours
(b) 2 days
(c) 5 days
(d) 7 days **(2 Marks)**
8. Harjeet Kaur, a resident of Punjab, is having a residential property in Amritsar, Punjab which has been given on rent to a family for ₹ 72 lakh per annum for residence purposes. Determine whether Harjeet Kaur is liable to pay GST on such rent.
- (a) Yes, as services by way of renting is taxable supply under GST.
(b) No, service by way of renting of residential property is exempt.
(c) No, service by way of renting of residential property does not constitute supply.
(d) Harjeet Kaur, being individual, is not liable to pay GST. **(1 Mark)**

PART II - Descriptive Questions (35 Marks)

Question No. 1 is compulsory.

Attempt any two questions out of remaining three questions.

1. (a) Resty Ltd., Delhi, a registered supplier, manufacturing machineries has made a taxable supply of machinery during the month of March. It furnished the following details for each such machinery supplied:

S. No.	Particulars	Amount (₹)
(i)	List price of machinery (exclusive of taxes)	10,00,000
(ii)	Subsidy received from the Central Government for supply of machinery to Government School (exclusively related to supply of machinery included at S. No. 1)	2,10,000
(iii)	Subsidy received from an NGO for supply of machinery to an old age home (exclusively related to supply of goods included at S. No. 1)	2,00,000
(iv)	Tax levied by Municipal Authority	2,50,000
(v)	Packing charges	1,25,000

Additional information:

The list price of the machinery is after considering the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price.

Further, the company has provided the following information pertaining to purchases made/services availed by it in respect of supply of said machinery during the month of March:

S. No	Particulars	GST (₹)
(1)	Raw material (to be received in the month of April)	8,50,000
(2)	Membership of a club availed for employees working in the factory (not obligatory to be provided under any law)	4,00,000
(3)	Inputs to be received in 6 lots, out of which 1st lot was received during the month	3,50,000
(4)	Trucks used for transport of raw material	1,50,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those items is ₹ 2,82,000)	3,50,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled, subject to the information given above.
- (iv) All inward and outward supplies are inter-State supplies.

Compute the net GST payable in cash, by Resty Ltd. for the month of March.

(10 Marks)

- (b) Punto Ltd. procured the following goods in the month of January:

Inward Supplies	GST (₹)
(1) Goods used in constructing an additional floor of office building. The cost of construction of additional floor has been capitalized.	96,200
(2) Trucks used for transportation of inputs in the factory	11,000
(3) Inputs used in trial runs	8,350

(4)	Confectionery items for consumption of employees working in the factory	4,325
(5)	Cement used for making foundation and structural support to plant and machinery	9,550

Note: Depreciation has not been claimed on tax component in case of trucks.

Compute the amount of ITC available with Punto Ltd. for the month of January by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled. **(5 Marks)**

2. (a) Comment on the taxability or otherwise of the following transactions under GST law. Also state the correct legal provisions for the same.

S. No.	Description of Services provided
(i)	Service provided by a private transport operator to Kanya Shiksha Girls Higher Secondary School by way of transportation of students to and from the school.
(ii)	Services provided by way of vehicle parking to general public in a shopping complex.
(iii)	Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.
(iv)	An RWA in a housing society, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member.

(4 Marks)

- (b) Determine the time of supply from the given information in each of the following independent cases:

(i)

Particulars	Date
Supplier invoices goods taxable on reverse charge basis to Mithlesh & Sons	May 4
Mithlesh & Sons receives the goods	May 12
Mithlesh & Sons makes the payment	May 30

(ii)

Particulars	Date
Supplier invoices goods taxable on reverse charge basis to Prompts & Co.	May 4

Prompts & Co. receives the goods, which were held up in transit	June 12
Payment made for the goods	July 3

(6 Marks)

3. (a) Examine whether the supplier of goods is liable to get registered in the following independent cases:

Examine whether the supplier of goods is liable to get registered in the following independent cases:

- (i) Mohit of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 33 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY.
- (ii) Shobhit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.

(5 Marks)

- (b) M/s. Virtus Trans of Kolkata is engaged in the trading of transmitters. On 20th May, M/s. Virtus Trans has sent 500 units of transmitters for exhibition at Chennai on sale or return basis. Out of the said 500 units, 300 units have been sold on 28th August at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25th November and balance 50 units have neither been sold nor brought back.

Explain the provisions under GST law relating to issue of invoices with exact dates on which tax invoices need to be issued by M/s. Virtus Trans.

(5 Marks)

4. (a) Are post-supply discounts eligible for deduction from the value of supplies in all situations? Explain.

(5 Marks)

OR

- (a) What is the place of supply for mobile connection? Can it be the location of supplier?
- (b) Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act, 2017?

(5 Marks)