

Mock Test Paper - Series II: August, 2025

Date of Paper: 06th August, 2025

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

INTERMEDIATE COURSE: GROUP-I

PAPER – 3: TAXATION

SECTION – A: INCOME TAX LAW

SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Sub-part	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(i)	(c)	3.	(d)
	(ii)	(a)	4.	(a)
	(iii)	(b)		
2.	(i)	(a)		
	(ii)	(c)		
	(iii)	(b)		

Division B – Descriptive Questions

1. Computation of total income of Mr. Rajesh for A.Y. 2025-26 under normal provisions of the Act

	Particulars	₹	₹	₹
I	Income from business or profession Net profit as per profit and loss account <i>Add: Items of expenditure debited but not allowable while computing business income</i> - Donation to Gurudwara in cash [Not allowable as deduction since it is not incurred wholly and exclusively for business purpose. Since the amount is already debited, the same	15,000	3,95,11,290	

has to be added back while computing business income]			
- Contribution to a university approved and notified u/s 35(1)(ii) for scientific research [Eligible for deduction @100%. Since, 100% of the expenditure is already debited to profit and loss account, no adjustment is required]	-		
- Interest on loan taken for purchase of e-vehicle [Interest on loan for purchase of e-vehicle for personal purpose is not allowed as deduction from business income since the same is not incurred wholly and exclusively for business purpose. Since it is already debited, the same has to be added back while computing business income]	1,75,000		
- Employer's contribution to NPS in excess of 14% of salary [Employer's contribution to the extent of 14% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 12,800 [₹ 80,000, being 20% of ₹ 4,00,000 less ₹ 67,200 being 14% of ₹ 4,80,000 (₹ 4,00,000 + 20% of ₹ 4,00,000)] has to be added back	12,800		
- Sale of goods to brother at less than FMV [The provisions of section 40A(2) are not applicable in case of sale transaction, even if the same is to a related party. Therefore, no adjustment is necessary in respect of difference of ₹ 3 lakh]	-	<u>2,02,800</u>	
			3,97,14,090

	Less: Items of income credited but not taxable or taxable under any other head of income - Bad debt recovered [The excess of amount recovered i.e., ₹ 3 lakhs over the amount due after bad debt allowance i.e., ₹ 1,50 lakhs will be taxable as business income. Since the entire ₹ 3 lakhs is credited to the profit and loss account, ₹ 1.50 lakhs has to be reduced] - Short term capital gains on transfer of listed equity shares Add: Undervaluation of Closing stock Less: Allowable expenditure Depreciation on car [₹ 14 lakh x 15%, since car is put to use for more than 180 days in the P.Y.2024-25]	1,50,000 <u>10,00,000</u>	<u>11,50,000</u> 3,85,64,090 <u>25,000</u> 3,85,89,090 <u>2,10,000</u>	3,83,79,090
II	Capital Gain Short term capital gains Short term capital gains on transfer of listed equity shares Long term capital gains Compulsory acquisition of industrial plot by the Central Government taxable as per section 45(5) Compensation received Less: Indexed cost of acquisition [₹ 2,50,000 x 348/122] Long-term capital gain [Since such plot is held for more than 24 months]	15,00,000 <u>7,13,115</u> 7,86,885	10,00,000	

III	Less: Exemption u/s 54D			
	Acquisition of industrial plot within 3 years from the date of transfer	<u>7,00,000</u>	<u>86,885</u>	
				10,86,885
	Income from Other Sources			
	Interest on enhanced compensation		1,05,000	
	Less: 50% as deduction		<u>52,500</u>	<u>52,500</u>
	Gross Total Income			3,95,18,475
	Less: Deduction under Chapter VI-A			
	Deduction under section 80D			
	- Mediciam premium for self and spouse [In case of lump sum premium for medical policy, deduction is allowed for equally for each relevant previous years. [₹ 1,20,000/6 years, being relevant previous years in which the insurance is in force]	20,000		
	- Preventive health check up of self and spouse [Preventive health check up paid in cash allowed to the extent of ₹ 5,000]	<u>5,000</u>	25,000	
	Deduction under section 80EEB		1,50,000	
	[Since the loan is sanctioned by Bank during the P.Y. 2022-23, interest on loan taken for purchase of e-vehicle is allowed to the extent of ₹ 1,50,000]			
	Deduction under section 80G		-	<u>1,75,000</u>
	[Donation of ₹ 15,000 to Gurudwara not allowable as deduction since amount exceeding ₹ 2,000 paid in cash]			
	Total income			<u>3,93,43,475</u>
	Total income (Rounded off)			<u>3,93,43,480</u>

Computation of tax payable by Mr. Rajesh for A.Y.2025-26

Particulars	₹	₹
Tax on ₹ 10 lakhs, being short term capital gains on transfer of listed equity shares @20% u/s 111A		2,00,000
Tax on ₹ 86,885, being long term capital gains on compulsory acquisition of industrial plot @20% u/s 112		17,377
Tax on balance income of ₹ 3,82,56,595		
Upto ₹3,00,000	Nil	
₹ 3,00,001 - ₹ 5,00,000 [@5% of ₹ 2 lakh]	10,000	
₹ 5,00,001 - ₹10,00,000 [@20% of ₹5,00,000]	1,00,000	
₹10,00,001 - ₹ 3,82,56,595 [@30% of ₹ 3,72,56,595]	<u>1,11,76,979</u>	<u>1,12,86,979</u>
		1,15,04,356
Add: Surcharge @15% on ₹ 2,17,377		32,607
Add: Surcharge @25% on ₹ 1,12,86,979		<u>28,21,745</u>
		1,43,58,708
Add: Health and education cess@4%		<u>5,74,348</u>
Total tax liability		1,49,33,056
Less: TCS u/s 206C(1) @2.5% on ₹ 25 lakh i.e., sale of timber	62,500	
TCS u/s 206C(1F) @1% of ₹14 lakh i.e., sale of motor car where consideration exceeds ₹10 lakh	<u>14,000</u>	<u>76,500</u>
Tax payable		<u>1,48,56,556</u>
Tax payable (rounded off)		1,48,56,560

2. (a) Under section 6(1), an individual, being a person of Indian origin or an Indian citizen, who comes on a visit to India and he is having total income other than income from foreign sources exceeding ₹ 15 lakhs during the previous year, such individual is said to be resident in India, if he stays in India during the relevant previous year for 120 days or more and for 365 days or more during the 4 years immediately preceding the relevant previous year. As per section 6(6), such individual whose stay in India is for 120 days or more but less than 182 days in the relevant previous year would be resident but not ordinarily resident.

Ms. Priya is a person of Indian origin who has come on a visit to India during the previous year 2024-25. Her total income other than income from foreign sources for the A.Y. 2025-26 is as below:

**Computation of total income other than income from
foreign sources of Priya for the A.Y. 2025-26**

Particulars	₹
Income from other sources	
Cash gifts received from non-relatives is chargeable to tax as per section 56(2)(x) if the aggregate value of such gifts exceeds ₹ 50,000.	
- ₹ 1,51,000 received from parents of husband would be exempt, since husband's parents fall within the definition of 'relatives' and gifts from a relative are not chargeable to tax.	Nil
- ₹ 21,000 received from sister-in-law is exempt, since sister of husband falls within the definition of relative and gifts from a relative are not chargeable to tax.	Nil
- Gift received from close friends of her husband of ₹ 16,00,000 is taxable under section 56(2)(x) since the amount of cash gifts exceeds ₹ 50,000.	<u>16,00,000</u>
Total Income other than income from foreign sources	<u>16,00,000</u>

Since her total income other than income from foreign sources exceed ₹ 15,00,000, she would be considered a resident of India if she stays in India during the P.Y. 2024-25 for 120 days or more and for 365 days or more during the 4 years immediately preceding the relevant previous year.

Her stay in India during the previous year 2024-25 is as under:

P.Y. 2024-25

01.04.2024 to 10.07.2024 - 101 days

24.02.2025 to 25.03.2025 - 30 days

Total **131 days**

Since she stayed in India for 131 days during the P.Y. 2024-25 and for 400 days during the 4 years immediately preceding the P.Y. 2024-25, she would be a resident but not ordinarily resident in India for the P.Y. 2024-25.

In such case, her total income would be ₹ 16 lakhs and tax liability would be computed in the following manner:

**Computation of tax liability of Priya for the A.Y. 2025-26
under default tax regime under section 115BAC**

Particulars	₹
Tax on total income of ₹ 16,00,000	
Upto ₹ 3,00,000 Nil	
₹ 3,00,001 – ₹ 7,00,000 @5%	20,000
₹ 7,00,001 – ₹ 10,00,000 @10%	30,000
₹ 10,00,001 – ₹ 12,00,000 @15%	30,000
₹ 12,00,001 – ₹ 15,00,000 @20%	60,000
₹ 15,00,001 – ₹ 16,00,000 @ 30%	<u>30,000</u>
Add: Health and Education cess@4%	<u>6,800</u>
Tax liability	<u>1,76,800</u>

- (b) (i) Tax has to be deducted at source by the transport company @10% under section 194A on payment of ₹ 1,51,000 to Ms. Asha, a resident individual, as interest income on compensation awarded by Motor Accidents Claims Tribunal, since the interest paid exceeds the specified threshold of ₹ 50,000.

Tax to be deducted = ₹ 1,51,000 x 10% = ₹ 15,100.

- (ii) Tax has to be deducted @30% under section 194B on payment of ₹ 15,00,000 to Mr. Narsimha for winnings in a TV Serial contest.

Tax to be deducted = ₹ 15,00,000 x 30% = ₹ 4,50,000

3. (a) Computation of gross total income of Mr. Rajeev for the A.Y. 2025-26 under normal provisions of the Act

Particulars	₹	
I Salaries		
Salary [₹ 56,000 x 12]	6,72,000	
Medical facility [in the hospital maintained by the company is exempt]	-	

II	Gift given on the occasion of work anniversary ₹ 4,500 is exempt, since its value is less than ₹ 5,000		-	7,37,000
	Perquisite on use of dining table for 4 months [₹ 90,000 x 10 /100 x 4 /12]		3,000	
	Perquisite on sale of dining table			
	Cost	90,000		
	Less: Depreciation on straight line method @ 10% for 2 years	18,000		
	Written Down Value	72,000		
	Less: Amount paid by the assessee	50,000	22,000	
	Purchase through credit card [covered by section 17(2)(viii) read with Rule 3(7)]		10,000	
	Perquisite on sale of car			
	Original cost of car	2,50,000		
	Less: Depreciation from 16.7.2021 to 15.7.2022 @ 20%	50,000		
		2,00,000		
	Less: Depreciation from 16.7.2022 to 15.7.2023 @ 20%	40,000		
	Value as on 14.07.2024 - being the date of sale to employee	1,60,000		
	Less: Amount received from the assessee on 14.07.2024	80,000	80,000	
	Gross Salary		7,87,000	
	Less: Standard deduction under section 16(ia)		50,000	
	Taxable Salary			
	Income from Other Sources			
	Interest on fixed deposit with a company		5,000	
	Income from specified mutual fund		3,000	

Interest on Fixed Deposit received by minor daughter (₹ 3,000 - ₹ 1500)	1,500	9,500
Gross Total Income		7,46,500

(b) **Computation of taxable income of Mr. Verma for A.Y. 2025-26 under default tax regime**

Particulars	₹	₹	₹
<u>Income from house property</u>	<u>House 1</u>	<u>House 2</u>	
Municipal value (A)	1,24,000	3,90,000	
Fair rent (B)	1,25,000	3,95,000	
Higher of (A) and (B) = (C)	1,25,000	3,95,000	
Actual rent received	1,20,000	2,85,000	
Gross Annual Value [Higher of (C) and Actual rent]	1,25,000	3,95,000	
Less: Municipal tax paid	<u>18,000</u>	<u>70,000</u>	
Net Annual Value (NAV)	1,07,000	3,25,000	
Less: Deductions u/s 24			
30% of NAV	32,100	97,500	
Interest on loan	<u>Nil</u>	<u>57,000</u>	
	<u>74,900</u>	<u>1,70,500</u>	
Income from house property [₹ 74,900 + ₹ 1,70,500]			2,45,400
Income from Other Sources			
Rental income from Car [₹ 20,000 x 12]		2,40,000	
Purchase of rural agricultural land for inadequate consideration a consideration less than stamp duty value [Not taxable under section 56(2)(x), since rural agricultural land is not a capital asset]		<u>Nil</u>	<u>2,40,000</u>
Taxable Income			<u>4,85,400</u>
Note - Expenditure on repairs, insurance premium on building and ground rent are not allowable under the head "Income from house property."			

4. (a) **Computation of total Income of Mr. Shitij for the A.Y. 2025-26 under default tax regime**

Particulars	Amount (₹)	Amount (₹)
Income from Salary		3,40,000
Income from house property		
Loss from let out property	75,000	
Self-occupied property [Interest u/s 24(b) is not allowed in case of self-occupied property since Mr. Shitij is paying tax under default tax regime]	<u>-</u>	
Loss from house property is not allowed to be set off against any other head of income under default tax regime and it cannot be carried forward	75,000	-
Profit and gains from business or profession		
Profit and gains from manufacturing business	96,000	
Add: Additional depreciation not allowable in case of section 115BAC	<u>4,000</u>	
	1,00,000	
Less: Brought forward loss from manufacturing business	35,000	
Less: Unabsorbed normal depreciation	<u>10,000</u>	55,000
Capital Gains		
Long term capital gains on sale of house property	1,40,000	
Less: Long term capital loss on sale of shares on which STT is paid can also be set-off as per section 74(1), since long-term capital gain arising on sale of such shares is taxable under section 112A	<u>(1,15,000)</u>	25,000
Income from Other Sources		
Winnings from lottery tickets [As per section 58, no expenditure is allowed against winnings from lottery tickets]		<u>40,000</u>
Gross Total Income		<u>4,60,000</u>

Losses to be carried forward to A.Y. 2026-27

Particulars	Amount (₹)
Loss from the activity of owning and maintaining the race horses [As per section 74A(3), loss from the activity of owning and maintaining the race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horse.]	50,000

- (b) Any person, being an individual or a Hindu undivided family is an eligible person who can file their return through a Tax Return Preparer (TRP).

However, the following eligible person (an individual or a HUF) cannot furnish a return of income for an assessment year through a Tax Return Preparer:

- (i) who is carrying out business or profession during the previous year and accounts of the business or profession for that previous year are required to be audited under section 44AB or under any other law for the time being in force; or
- (ii) who is not a resident in India during the previous year.

An eligible person cannot furnish a revised return of income for any assessment year through a Tax Return Preparer unless he has furnished the original return of income for that assessment year through such or any other Tax Return Preparer.

OR

- (b) As per section 139(5), if any person, having furnished a return within the due date or a belated return, discovers any omission or any wrong statement therein, he may furnish a revised return at any time –

- (a) before three months prior to the end of the relevant assessment year; or
- (b) before the completion of assessment,

whichever is earlier.

Since Mr. Avinash has filed his return after 31.7.2025, being the due date under section 139(1) in his case, the said return is a belated return under section 139(4).

Mr. Avinash can file a revised return in October, 2025, since he has found an omission in the belated return filed by him for A.Y.2025-26 before 31.12.2025 and assessment is yet to be completed.

SECTION B – GOODS AND SERVICES TAX (50 MARKS)

SUGGESTED ANSWERS

Division A - Multiple Choice Questions

Question No.	Answer
1	(b) ₹ 8,08,000
2	(d) 5 th September; 5 th September
3	(d) ₹ 3,00,000
4	(d) not a supply as gifts not exceeding ₹ 50,000 in value in a financial year by an employer to an employee shall not be treated as supply in terms of Schedule I of the CGST Act, 2017.
5	(d) Nil
6	(b) Mumbai
7	(c) He needs to mandatorily have a place of business in Delhi.
8	(c) 20 th December

Division B - Descriptive Questions

1. (a) Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax liability [Refer Working Note]	31,500	31,500	54,000
Less: ITC available	<u>2,250</u>	<u>2,250</u>	-
Net GST payable	29,250	29,250	54,000
Add: Tax Payable under reverse charge to be paid in cash [The amount available in the electronic credit ledger may be used for making any payment towards output tax. Further, output tax means the tax chargeable on taxable supply of goods and/or services but excludes tax payable on reverse charge basis. Thus, tax liability under reverse charge has to be paid in cash]	<u>2,250</u>	<u>2,250</u>	
Total GST Payable in cash	31,500	31,500	54,000

Working Note**Computation of total value of taxable supplies made by M/s Nithilan & Co. for the month of October**

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Taxable under Forward Charge				
Intra-State taxable supply of DSA service [Since DSA services are provided by partnership firm, so taxable under forward charge]	2,50,000	22,500	22,500	
Information Technology services [Import of services from a non-related person without consideration, in the course or furtherance of business is not a supply.]	Nil			
Training and performance appraisal services to Bhavya Private Limited [Taxable; The place of supply of services in relation to training and performance appraisal to a registered person, shall be the location of such person. Thus place of supply is Kerala and hence an inter-State transaction.]	3,00,000			54,000
Training and performance appraisal services to Ujjwal Cones. [Taxable, The place of supply of services in relation to training and performance appraisal to an unregistered person, shall be the location where the services are actually performed. Thus, place of supply is Bengaluru, hence Intra-State transaction]	1,00,000	9,000	9,000	

Total output tax payable under forward charge		31,500	31,500	54,000
Taxable under Reverse charge				
Rent paid for residential unit [Service by way of renting of residential dwelling to a registered person is taxable under reverse charge mechanism]	25,000	2,250	2,250	
Total tax payable under forward charge and reverse charge		33,750	33,750	54,000

Computation of ITC that can be availed by M/s Nithilan & Co. for the month of October

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Rent paid to residential dwelling [ITC not available as raw material is not received in October]	2,250	2,250	-
Purchase of car [Blocked credit in terms of section 17(5) of the CGST Act, 2017]			Nil
Total ITC	2,250	2,250	-

(b) **Computation of value of taxable supply made by Vishwas Ltd. to Nandan Ltd.**

Particulars	Amount (₹)
Price of machinery (exclusive of taxes and discounts)	5,50,000
Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of the CGST Act, 2017.]	15,000

Amount paid by Nandan Ltd. directly to the supplier for the part fitted in the machinery [Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply in terms of section 15(2)(b) of the CGST Act, 2017.]	30,000
Less: Discount @ 2% on the price of machinery [₹ 5,50,000 x 2%] [Since discount is given at the time of supply of machinery and recorded in the invoice, the same is deductible from the value of the supply in terms of section 15(3)(a) of the CGST Act, 2017..]	11,000
Less: Additional 1% discount at year end [Though the additional discount is established before/at the time of supply, it is not deductible from the value of supply in terms of section 15(3)(b) of the CGST Act, 2017 as the same is not linked to any specific transaction and is adjusted by the parties at the end of the financial year.]	<u>Nil</u>
Value of taxable supply	5,84,000

2. (a) (i) Yes. Services provided to an educational institution by way of transportation of students are exempted from GST. Shaurya Boys Higher Secondary School qualifies as an educational institution. Thus, service provided by a private transport operator to Shaurya Boys Higher Secondary School by way of transportation of students to and from the school is exempt from GST.
- (ii) No. Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, GST is payable on the services provided by way of vehicle parking to general public in a Ruby shopping mall.
- (b) Section 10(1) of the CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore (₹ 75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, as per proviso to section 10(1) of the CGST Act, 2017, person who opts to pay tax under composition scheme may supply services other than restaurant services, of value not exceeding 10% of the turnover in a State or Union territory in the preceding financial year or ₹ 5 lakh, whichever is higher.

In the given case, since Mr. Vivaan is an exclusive supplier of services other than restaurant services [viz. repair services], he is not eligible for composition scheme under section 10(1) & 10(2) of the CGST Act, 2017.

However, section 10(2A) of the CGST Act, 2017 provides an option to a registered person (subject to certain conditions) whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme under section 10(1) & 10(2) of the CGST Act, 2017, to pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State or Union territory.

Thus, in view of the above-mentioned provisions, Mr. Vivaan is eligible to avail the composition scheme under section 10(2A) as his aggregate turnover in the preceding FY does not exceed ₹ 50 lakh and he is not eligible to opt for the composition scheme under section 10(1) & 10(2) of the CGST Act, 2017.

Thus, the amount of tax payable by him as per the composition scheme under section 10(2A) of the CGST Act, 2017 is ₹ 2,10,000 [6% of ₹ 35 lakh].

A registered person cannot opt for composition scheme under section 10(2A), if, *inter alia*, he is engaged in making any inter-State outward supplies. However, there is no restriction on inter-State procurement of goods. Hence, answer will remain the same even if Mr. Vivaan procures few items from neighboring State of Madhya Pradesh.

3. (a) The understanding of Kartik is not correct.

A chartered accountant can become a GST practitioner (GSTP). However, holding a certificate of practice as a chartered accountant and having GST registration does not imply that such chartered accountant is a GST practitioner as well. For becoming a GSTP, even a chartered accountant in practice has to follow the enrolment process of GSTP as provided under the GST law and only upon approval of such enrolment can a chartered accountant represent himself as a GSTP.

- (b) The given statement is invalid. An electronic statement has to be filed by the ECO containing details of the outward supplies of goods and/ or services effected through it, including the supplies returned through it and the amount collected by it as TCS during the month within 10 days after the end of the each month in which supplies are made.

Additionally, the ECO is also mandated to file an Annual Statement on or before 31st day of December following the end of the financial year.

The Commissioner has been empowered to extend the due date for furnishing of monthly and annual statement by the person collecting tax at source.

4. (a) The place of supply of services by way of transportation of goods, including by mail or courier when both the supplier and the recipient of the services are located in India is as under:
- (a) If the recipient is registered, the location of such person is the place of supply.
 - (b) However, if the recipient is not registered, the place of supply is the place where the goods are handed over for transportation.

Or

- (a) In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard.

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with rule 5 of the IGST Rules by the application of generally accepted accounting principles.

- (b) Consignment value of goods shall be the value:
- ◆ determined in accordance with the provisions of section 15 of the CGST Act, 2017,
 - ◆ declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and
 - ◆ also includes the Central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document and
 - ◆ shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.