



CA INTERMEDIATE • PAPER 3 • TAXATION

Scanner Notes 2.0

Topic by Topic • October 2026 Edition



2 Parts • 28 Chapters • 127 Topics • 747 Classified Questions

Based on the ICAI Study Material and the Scanner, Taxation 2026 October Edition (Section A V4, Section B V4, Front Matter V2)

How this book works

For each topic, first read the Study Material paragraphs named in the “Read first” line. Then work down the skill bands — each band names the skill the examiner has actually used on that topic, and lists the exact Scanner questions to practise at it.

The section that follows the Contents — **How to Use These Notes** — explains the question lines, ICAI’s Manner of Assessment, and what the skill mix should change about your preparation. Read it once before you begin.

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BEFORE YOU START

How to Use These Notes

Every question in the Scanner has been read and classified — **747 of them in this paper** — against the skill framework ICAI itself publishes. These notes are built around that classification rather than around the syllabus order. Ten minutes spent on this page will change how you use the rest of the book.

1. How a topic is laid out

Read it like this	
Read first	The exact Study Material paragraphs the topic rests on. Open the Study Material and read them before the notes — the notes assume you have.
Notes	What the topic actually turns on, written for the examination rather than for coverage. Short, and meant to be re-read the night before.
Skill bands	One band for each skill the examiner has actually used on that topic, each with a few lines of guidance and the exact Scanner questions to practise. Work down the bands in the order printed: they run from the least demanding skill to the most.
Concept base	A topic the examiner has not yet reached. It is not optional — it has simply not been asked, and it is examinable.

2. Reading a question line

CSQ 3.4 · PYQ 2025-Sep [1] (b) {C} · 5M · Pg 347 **LEVEL II Application** **Medium**

Part of the line	What it tells you
CSQ 3.4	The Scanner's own question number. CSQ is a case-scenario question, TQ a theory question.
PYQ 2025-Sep [1] (b)	Where it was asked — PYQ past examination, MTP mock test paper, RTP revision test paper — then the sitting, and its number in that paper.
{C}	A compulsory question in that paper.
5M	Marks, as printed in the Scanner. Blank where the source does not print them — RTPs do not.
Pg 347	The page of the Scanner where the question and its answer are printed.
LEVEL II Application	ICAI's skill level, and the sub-skill within it. Section 3 explains these.

Part of the line	What it tells you
Easy	How demanding the question is — judged on the marks it carries and the number of separate things it asks for.

3. The Manner of Assessment — what each skill asks of you

ICAI publishes a **Skill Assessment Specification Grid**. It states three skill levels, and in its **Manner of Assessment of Skills** column it describes each level as two distinct skills. Those six skills are the band headings that run through this book.

Skill	Rolls up to	What the examiner is asking you to do	Directive verbs to watch for
Remembering	Level I	Reproduce what you have learnt, as you learnt it.	Define · List · State · Name · Enumerate · Recognise
Understanding	Level I	Explain it, and place it in context — show you have grasped why the rule is what it is.	Describe · Explain · Distinguish · Identify · Illustrate · Outline
Application	Level II	Use the knowledge — take the stated provision to the stated facts and reach a conclusion.	Apply · Calculate · Determine · Prepare · Reconcile · Record · Perform · Use · Conduct · Demonstrate
Analysis	Level II	Examine the interrelationships between distinct areas to identify root causes and find evidence that supports a judgement.	Analyse · Discuss · Compare and Contrast · Examine · Develop · Monitor · Prioritise · Produce · Align · Communicate
Evaluation	Level III	Assess the problem and use judgement to reach a conclusion.	Advise · Evaluate · Recommend · Review · Select · Assess
Synthesis	Level III	Integrate data and information, separating the relevant facts from the irrelevant.	ICAI lists no verb for synthesis.

ICAI prints the verbs for **Application** and **Analysis** as two separate lists, so that division is the Institute's own. For Level I and for Level III it prints one combined list each — so the line between **Remembering and Understanding**, and between **Evaluation and Synthesis**, follows ICAI's description of the manner of assessment rather than a published list of verbs.

CA Intermediate is assessed at **Levels I and II only** — the Intermediate table carries no Level III column at all, and Evaluation & Synthesis begins at Final. That matters in a tax paper because both Sections ask constantly in the Institute's Level III and Level II-Analysis words: "**EXAMINE the taxability**", "**DISCUSS whether the receipt is chargeable**", "**EXAMINE the levability of GST**". Those are not asking you to judge a rule against a standard, nor to break a subject into its parts. They ask you to take a stated section to stated facts and reach a conclusion, which is **Application**. Every such question in this book is therefore banded at Application, or at **Analysis** where the ask puts several transactions, assessee's or heads to be taken one at a time — which this paper does constantly. That reading is ours, not the Institute's, and it is recorded question by question in the

Question Register.

4. What the skill mix should change about your preparation

ICAI's Skill Assessment Specification Grid gives CA Intermediate **no Level III column at all** — Evaluation and Synthesis enter the scheme only at Final. It also gives this paper **two bands, not one: Income-tax Law 5–20% Level I and Goods and Services Tax 15–45% Level I**. On the classified Scanner questions Section A's marks divide **8% Level I to 92% Level II**, and Section B's **27% to 73%**. **Both sit inside the Institute's own band** — which is not true of every paper. Three things follow that are easy to miss.

- **Do not read "Analysis & Application" as an even split.** Inside Level II this paper puts about **77%** of the marks on Application and about **23%** on Analysis. Most of the work is taking a stated section to a stated set of facts and reaching a conclusion — not writing about the section.
- **Section A is almost all computation.** **92%** of its marks are Level II, and its largest chapter alone — Income Tax Liability — carries **150 marks over the ten sittings**, nearly a third of the Section. Section B is more evenly split at **27%** Level I, because its marks include the lists: the exemptions, the registration thresholds, the return forms.
- **The paper's balance is not each chapter's balance.** Every chapter opens with its own **ICAI Skill Profile** panel, showing how that chapter's marks actually divide and what that means for preparing it. Read the panel before you start the chapter.

5. Two guides at the front of the book

	What it is for
Study Priority Guide	Every examined topic ranked by its share of the classified Scanner questions, and graded A, B or C on cumulative coverage. Category A carries the first 60% of all questions — secure those to full command first.
Importance grade	The A–D grade printed against each chapter in the Contents. This is ICAI's syllabus weightage signal, and it is separate from the question-frequency ranking. Where the two disagree, prepare the chapter to the higher of the two.

STUDY PRIORITY GUIDE

Topic Ranking — Exam Weightage

Read first: Every topic in this booklet that the examiner has actually asked is ranked below by its share of the 747 classified Scanner questions (2026 October Edition, V2), aggregated across all 28 Units — and graded A, B or C on cumulative coverage. **Category A (ranks 1–23)** covers the first 60% of all classified questions: with the passing standard at 50%, a student who prepares the A-topics to full command holds a clear margin above it. **Category B (ranks 24–39)** adds the next 15%, taking coverage to about 75% — work through these as time allows. **Category C (ranks 40–127)** is the remaining 25%: a long tail that is slower to mine for marks, much of which gets covered automatically while preparing A and B. The **Pg.** column cross-references the page on which that topic's study notes begin.

#	CAT.	CHAPTER	TOPIC	SHARE	CUM.	PG.
1	A	Residence and Scope of Total Income	Scope of Total Income	6.2%	6.2%	25
2	A	Input Tax Credit	GST Liability Questions	5.4%	11.5%	159
3	A	Income Tax Liability	Income Tax Liability (no topic sub-division in source)	5.0%	16.5%	104
4	A	Exemptions from GST	Exemptions From GST (no topic sub-division in source)	4.7%	21.2%	136
5	A	Advance Tax, Tax Deduction at Source and Introduction to Tax Collection at Source	Tax Deducted at Source (TDS)	3.5%	24.6%	79
6	A	Supply Under GST	Concept of Supply	3.5%	28.1%	114
7	A	Value of Supply	Value of Supply (no topic sub-division in source)	2.9%	31.1%	148
8	A	Aggregation of Income; Set-Off and Carry Forward of Losses	Set-Off and Carry Forward of Losses	2.8%	33.9%	71
9	A	Income from Salaries	Comprehensive Illustrations	2.4%	36.3%	31
10	A	Charge of GST	Composition Levy	2.4%	38.7%	123
11	A	Charge of GST	Charge of GST	2.3%	41.0%	120
12	A	Place of Supply	Place of Supply of Services	2.1%	43.1%	130
13	A	Advance Tax, Tax Deduction at Source and Introduction to Tax Collection at Source	Tax Collected at Source (TCS)	1.9%	45.0%	83

#	CAT.	CHAPTER	TOPIC	SHARE	CUM.	PG.
14	A	Provisions of Return Filing and Self-Assessment	Compulsory Filing of Return of Income [Section 139(1)]	1.9%	46.9%	88
15	A	Registration Under GST	Persons Liable for Registration [Section 22]	1.7%	48.6%	164
16	A	Tax Invoice, Credit and Debit Notes	E-Invoicing	1.7%	50.3%	178
17	A	Income from Other Sources	Gifts [Section 56(2)(x)]	1.5%	51.8%	59
18	A	Deductions from Gross Total Income	Deductions under Chapter VI-A	1.5%	53.3%	75
19	A	Registration Under GST	Procedure for Registration [Sections 25, 26 & 27]	1.5%	54.8%	169
20	A	Income from House Property	Income from House Property (no topic sub-division in source)	1.3%	56.1%	36
21	A	Income of Other Persons Included in Assessee's Total Income	Clubbing of Minor's Income [Section 64(1A)]	1.3%	57.4%	65
22	A	Place of Supply	Miscellaneous Questions	1.3%	58.8%	133
23	A	Time of Supply	Time of Supply of Services	1.3%	60.1%	144
24	B	Input Tax Credit	Apportionment of Credit & Blocked Credits [Section 17]	1.3%	61.4%	154
25	B	Capital Gains	Taxability of Capital Gains	1.2%	62.7%	55
26	B	Place of Supply	Place of Supply of Goods	1.2%	63.9%	128
27	B	Accounts and Records	Accounts and Records (no topic sub-division in source)	1.1%	64.9%	190
28	B	Advance Tax, Tax Deduction at Source and Introduction to Tax Collection at Source	Advance Tax and Interest u/s 234A/B/C	0.9%	65.9%	85
29	B	Input Tax Credit	How ITC is Utilised	0.9%	66.8%	157
30	B	Tax Invoice, Credit and Debit Notes	Tax Invoice Issued by a Supplier of Taxable Goods/Taxable Services	0.9%	67.7%	176
31	B	Payment of Tax	Electronic Liability Register	0.9%	68.7%	207
32	B	Payment of Tax	Interest on Delayed Payment of Tax	0.9%	69.6%	209
33	B	Basic Concepts	Agricultural Income	0.8%	70.4%	19
34	B	Provisions of Return Filing and Self-Assessment	Updated Return of Income and Tax Thereon [Section 139(8A) and Section 140B]	0.8%	71.2%	94
35	B	Provisions of Return Filing and Self-Assessment	Permanent Account Number (PAN) [Section 139A]	0.8%	72.0%	98

#	CAT.	CHAPTER	TOPIC	SHARE	CUM.	PG.
36	B	Provisions of Return Filing and Self-Assessment	Quoting of Aadhaar Number [Section 139AA]	0.8%	72.8%	99
37	B	Introduction to GST	Framework of GST as Introduced in India	0.8%	73.6%	111
38	B	Registration Under GST	Cancellation or Suspension of Registration [Section 29]	0.8%	74.4%	172
39	B	Capital Gains	Slump Sale [Section 50B]	0.7%	75.1%	49
40	C	Capital Gains	Exemption u/s 54	0.7%	75.8%	50
41	C	Provisions of Return Filing and Self-Assessment	Revised Return [Section 139(5)]	0.7%	76.4%	91
42	C	Time of Supply	Time of Supply of Goods	0.7%	77.1%	143
43	C	E-Way Bill	When is E-Way Bill Required to be Generated? [Rule 138(1)]	0.7%	77.8%	193
44	C	Payment of Tax	Electronic Cash Ledger	0.7%	78.4%	204
45	C	Returns	Late Fees for Delay in Filing Return [Section 47]	0.7%	79.1%	232
46	C	Profits and Gains from Business or Profession	Depreciation [Section 32]	0.5%	79.7%	39
47	C	Profits and Gains from Business or Profession	Combination of House Property and PGBP	0.5%	80.2%	45
48	C	Provisions of Return Filing and Self-Assessment	Fee for Default in Furnishing Return of Income [Section 234F]	0.5%	80.7%	97
49	C	Provisions of Return Filing and Self-Assessment	Scheme for Submission of Returns Through Tax Return Preparers [Section 139B]	0.5%	81.3%	101
50	C	Provisions of Return Filing and Self-Assessment	Persons Authorised to Verify Return of Income [Section 140]	0.5%	81.8%	102
51	C	Registration Under GST	Compulsory Registration in Certain Cases [Section 24]	0.5%	82.3%	166
52	C	Registration Under GST	Revocation of Cancellation [Section 30]	0.5%	82.9%	174
53	C	Tax Invoice, Credit and Debit Notes	Credit and Debit Notes	0.5%	83.4%	188
54	C	E-Way Bill	Blocking of E-Way Bill Generation Facility [Rule 138E]	0.5%	83.9%	202
55	C	Payment of Tax	Electronic Credit Ledger	0.5%	84.5%	206
56	C	Tax Deduction and Collection at Source	Tax Deducted at Source	0.5%	85.0%	212
57	C	Residence and Scope of Total Income	Residential Status of Individuals	0.4%	85.4%	23

#	CAT.	CHAPTER	TOPIC	SHARE	CUM.	PG.
58	C	Capital Gains	Exemption u/s 54F	0.4%	85.8%	54
59	C	Income from Other Sources	Deductions Allowable [Section 57]	0.4%	86.2%	61
60	C	Income of Other Persons Included in Assessee's Total Income	Income Arising to the Spouse from an Asset Transferred Without Adequate Consideration [Section 64(1)(iv)]	0.4%	86.6%	64
61	C	Provisions of Return Filing and Self-Assessment	Defective Return [Section 139(9)]	0.4%	87.0%	95
62	C	Input Tax Credit	Eligibility and Conditions for Taking Input Tax Credit [Section 16]	0.4%	87.4%	152
63	C	Tax Invoice, Credit and Debit Notes	Consolidated Tax Invoice	0.4%	87.8%	182
64	C	E-Way Bill	Validity Period of E-Way Bill/Consolidated E-Way Bill [Rule 138(10)]	0.4%	88.2%	198
65	C	Returns	Goods and Services Tax Practitioners [Section 48]	0.4%	88.6%	233
66	C	Profits and Gains from Business or Profession	Expenditure on Scientific Research [Section 35]	0.3%	88.9%	40
67	C	Profits and Gains from Business or Profession	Inadmissible Deductions [Section 40]	0.3%	89.2%	41
68	C	Profits and Gains from Business or Profession	Special Provisions for Computing Profits and Gains of Business on Presumptive Basis [Sections 44AD/44ADA/44AE]	0.3%	89.4%	44
69	C	Capital Gains	Computation of Capital Gains in Case of Depreciable Assets [Section 50]	0.3%	89.7%	48
70	C	Capital Gains	Exemption u/s 54EC	0.3%	90.0%	52
71	C	Income from Other Sources	Dividend and Deemed Dividend	0.3%	90.2%	58
72	C	Income of Other Persons Included in Assessee's Total Income	Conversion of Self-Acquired Property into the Property of a Hindu Undivided Family [Section 64(2)]	0.3%	90.5%	68
73	C	Deductions from Gross Total Income	Deduction under Section 10AA	0.3%	90.8%	77
74	C	Provisions of Return Filing and Self-Assessment	Return of Loss [Section 139(3)]	0.3%	91.0%	90
75	C	Introduction to GST	Constitutional Provisions	0.3%	91.3%	113
76	C	Supply Under GST	Composite and Mixed Supplies	0.3%	91.6%	118
77	C	Input Tax Credit	Credit in Special Circumstances [Section 18]	0.3%	91.8%	156
78	C	Registration Under GST	Persons Not Liable for Registration [Section 23]	0.3%	92.1%	168

#	CAT.	CHAPTER	TOPIC	SHARE	CUM.	PG.
79	C	Tax Invoice, Credit and Debit Notes	Revised Tax Invoice	0.3%	92.4%	181
80	C	E-Way Bill	Transfer of Goods from One Conveyance to Another	0.3%	92.6%	195
81	C	E-Way Bill	Cancellation of E-Way Bill	0.3%	92.9%	197
82	C	Returns	Cases Where a Registered Person is Debarred from Furnishing Details of Outward Supplies in GSTR-1/IFF [Section 37(4) read with rule 59(6)]	0.3%	93.2%	218
83	C	Returns	Details of Outward Supplies to be Furnished in GSTR-1 and IFF [Explanation to section 37 read with sub-rules (4), (4A) and (5) of rule 59]	0.3%	93.4%	219
84	C	Returns	GSTR-3B [Section 39(1) Read with Rule 61 & 61A] (Includes Validity of Return)	0.3%	93.7%	224
85	C	Returns	Rectification of Errors/Omissions [Section 39(9)]	0.3%	94.0%	227
86	C	Returns	GSTR-4 – Return for Composition Supplier [Section 39(2) and Second Proviso to Section 39(7) Read with Rule 62]	0.3%	94.2%	228
87	C	Returns	GSTR-9/9A and GSTR-9B – Annual Return [Sections 44, 52(5) Read with Rule 80]	0.3%	94.5%	229
88	C	Returns	GSTR -10 – Final Return [Section 45 Read with Rule 81]	0.3%	94.8%	231
89	C	Basic Concepts	Overview of Income-Tax Law in India	0.1%	94.9%	17
90	C	Basic Concepts	Previous Year and Assessment Year	0.1%	95.0%	18
91	C	Basic Concepts	Rates of Tax, Surcharge & Cess	0.1%	95.2%	18
92	C	Basic Concepts	Partial Integration of Agricultural Income with Non-Agricultural Income	0.1%	95.3%	21
93	C	Income from Salaries	Allowances	0.1%	95.4%	30
94	C	Income from Salaries	Relief u/s 89	0.1%	95.6%	34
95	C	Profits and Gains from Business or Profession	Micro and Small Enterprises [Section 43B(h)]	0.1%	95.7%	43
96	C	Profits and Gains from Business or Profession	Computation of Business Income in Cases Where Income is Partly Agricultural and Partly Business in Nature	0.1%	95.9%	45
97	C	Capital Gains	Exemption u/s 54B	0.1%	96.0%	52
98	C	Income of Other Persons Included in Assessee's Total	Cross Transfers	0.1%	96.1%	67

#	CAT.	CHAPTER	TOPIC	SHARE	CUM.	PG.
		Income				
99	C	Aggregation of Income; Set-Off and Carry Forward of Losses	Aggregation of Income	0.1%	96.3%	70
100	C	Aggregation of Income; Set-Off and Carry Forward of Losses	Submission of Return of Losses [Section 80]	0.1%	96.4%	74
101	C	Provisions of Return Filing and Self-Assessment	Self-Assessment [Section 140A]	0.1%	96.5%	93
102	C	Time of Supply	Miscellaneous Questions	0.1%	96.7%	147
103	C	Registration Under GST	Amendment of Registration [Section 28]	0.1%	96.8%	171
104	C	Tax Invoice, Credit and Debit Notes	Quick Response (QR) code	0.1%	96.9%	180
105	C	Tax Invoice, Credit and Debit Notes	Bill of Supply	0.1%	97.1%	184
106	C	Tax Invoice, Credit and Debit Notes	Receipt and Refund Vouchers	0.1%	97.2%	184
107	C	Tax Invoice, Credit and Debit Notes	Invoice and Payment Voucher	0.1%	97.3%	185
108	C	Tax Invoice, Credit and Debit Notes	Insurer/Banking company/Financial Institution, Including NBFC	0.1%	97.5%	186
109	C	Tax Invoice, Credit and Debit Notes	Registered Person Supplying Services by Way of Admission to Exhibition of Cinematograph Films in Multiplex Screens	0.1%	97.6%	186
110	C	Tax Invoice, Credit and Debit Notes	Delivery Challan	0.1%	97.7%	187
111	C	E-Way Bill	When is it Not Mandatory to Furnish the Details of Conveyance in Part-B?	0.1%	97.9%	194
112	C	E-Way Bill	Consolidated E-way Bill	0.1%	98.0%	196
113	C	E-Way Bill	Acceptance of E-Way Bill	0.1%	98.1%	199
114	C	E-Way Bill	E-Way Bill Generated in One State is Valid in Another State	0.1%	98.3%	199
115	C	E-Way Bill	Documents and Devices to be Carried by a Person-in-Charge of a Conveyance [Rule 138A]	0.1%	98.4%	200
116	C	E-Way Bill	Inspection and Verification of Goods [Rule 138C]	0.1%	98.5%	201
117	C	Tax Deduction and Collection at Source	Tax Collected at Source	0.1%	98.7%	214
118	C	Returns	Due Date of Submission of GSTR-1 [Section	0.1%	98.8%	216

#	CAT.	CHAPTER	TOPIC	SHARE	CUM.	PG.
			37(1)]			
119	C	Returns	Invoice Furnishing Facility [IFF] for Taxpayers Opting for QRMP Scheme [Sub-rules (2) and (3) of rule 59]	0.1%	98.9%	217
120	C	Returns	Amendment of Details of Outward Supply Furnished in the Current Period [Proviso to rule 59(1)] (Regarding GSTR-1A)	0.1%	99.1%	220
121	C	Returns	Amendment of Details of Outward Supply Furnished in Prior Periods [Section 37(3)]	0.1%	99.2%	221
122	C	Returns	Nil GSTR-1 [Rule 67A]	0.1%	99.3%	221
123	C	Returns	Manner of Dealing with Difference in Liability Reported in Form GSTR-1 and Form GSTR-3B that Reported in Return [Rule 88C]	0.1%	99.5%	222
124	C	Returns	Manner of Dealing with Difference in ITC Available in Form GSTR-2B and Form GSTR-3B [Rule 88D]	0.1%	99.6%	223
125	C	Returns	Quarterly Return Monthly Payment (QRMP) Scheme	0.1%	99.7%	225
126	C	Returns	Nil GSTR-3B	0.1%	99.9%	226
127	C	Returns	GSTR – 8 - Statement for Tax Collection at Source [Sub-Sections (3), (4), (6) and (7) of Section 52 Read with Rule 67]	0.1%	100.0%	229

Share % is a question-frequency signal drawn from the Scanner — what has actually been asked. The **Importance** grade (A–D) printed against each Chapter and Unit heading is ICAI's own weightage signal, taken from the derived from the Chapter-Wise Marks Analysis in the Scanner's front matter — marks over the ten sittings May 2023 to September 2026; this paper's front matter carries no Chapter Priority Table of its own. The two measure different things, and where they diverge, prepare to the higher of the two standards. A further **0 topics** are declared in the Scanner's frequency tables but carry no question yet; they are badged **CONCEPT BASE** in the notes and are not ranked here.

PART

A

Income-tax Law

13 chapters

SECTION A • INCOME-TAX LAW • CHAPTER 1

Basic Concepts

5 Topics • 10 Classified Questions • Importance: D

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% • Level II 80-95% — this chapter reads **on profile**

Level I — Comprehension & Knowledge **15.4%** 6 of 39 marks

Level II — Analysis & Application **84.6%** 33 of 39 marks

This chapter sits inside ICAI's own band for Income-tax Law — 15% Level I against 5-20%. Prepare it in those proportions: know the method, then drill it.

Topic 1: Overview of Income-Tax Law in India

L2P3-A-C1-T01

Read first Read ICAI Study Material Chapter 1, Basic Concepts — the structure of the Income-tax Act, 1961 and how a section is read with what is attached to it.

NOTES

A section of the Income-tax Act, 1961 is never read on its own. **A proviso specifies the exception to the provision** contained in its own section: it spells out the cases where that provision would not apply, or where it would apply with certain modification. Describe it as the carve-out from the section it sits under, not as a rule of its own.

An Explanation is incorporated to give a clarification relating to the provision contained in that section, and is generally clarificatory in nature. That is the whole distinction the solution draws: a proviso changes what the section catches, an Explanation only tells you how to read words the section already has.

The topic is examined as **a short two-mark theory question**, so answer in two labelled parts — 'Proviso:' and then 'Explanation:' — one sentence of purpose each, and use the word 'exception' for the first and 'clarification' for the second. A single merged paragraph loses the mark for the limb it does not name.

Understanding explain it, and place it in context • 1 question

- Say what each device does to the section it is attached to, not what it looks like. An answer that only says 'a proviso comes after the section' has not stated a purpose.

Q. 1 • PYQ 2018-May • 2M • Pg 1

LEVEL I
Understanding

Easy

Topic 2: Previous Year and Assessment Year

L2P3-A-C1-T02

Read first Read ICAI Study Material Chapter 1, Basic Concepts — previous year, assessment year and the exceptions to assessment in the year following the previous year.

NOTES

The general rule is that **income of the previous year is assessed in the assessment year following it**. Everything examined here is the exception: in those cases the income of the previous year is assessed in the previous year itself, and the Assessing Officer has the power to do so. State the general rule first, then say the facts fall in an exception to it.

Learn the exceptions complete and in the order the solution prints them: shipping business of a non-resident; persons leaving India with no present intention of returning; an AOP, BOI or artificial juridical person formed for a particular event or purpose and likely to be dissolved; and persons likely to transfer property to avoid tax. **Discontinued business is the fifth**, and it is the one the question is normally built on.

Where a business is wound up during the year, the income of the period from 1-4-2025 to the date of discontinuance may, **at the discretion of the Assessing Officer**, be charged to tax in A.Y. 2026-27 itself. Note the word 'discretion': the answer opens '**Yes, he has the power to do so**', not 'he must do so'.

The trap the solution corrects: candidates answer the discretionary-assessment point and stop. The question asks two things — whether the officer has the power, and **whether there are any other exceptions to the general rule**. Answer both, and write the years as the Scanner writes them, P.Y. 2025-26 and A.Y. 2026-27.

Understanding explain it, and place it in context · 1 question

- Open by quoting the general rule in one line, then say which exception the facts attract. A conclusion with no rule in front of it scores half.

Q. 2.1 · PYQ 2022-Nov · 4M · Pg 2

LEVEL I
Understanding

Medium

Topic 3: Rates of Tax, Surcharge & Cess

L2P3-A-C1-T03

Read first Read ICAI Study Material Chapter 1, Basic Concepts — rates of tax, surcharge, marginal relief and health and education cess.

NOTES

Head the answer '**Computation of Tax Liability ... for the A.Y. 2026-27**' and build one table. List each head of income as the question gives it — Income from Salaries, Income from House Property (Computed), Interest Income from FDRs — then a line called **Total Income**, and only then begin the slab working. Do not start slicing slabs before the total income line exists.

Where the assessee opts to shift out of the default tax regime, the solution applies the slabs as: first ₹2,50,000 nil; ₹2,50,001 to ₹5,00,000 at **5%**; ₹5,00,001 to ₹10,00,000 at **20%**; and the balance above ₹10,00,000 at **30%**. On a total income of ₹50,90,000 that is ₹12,500 + ₹1,00,000 + ₹12,27,000 = ₹13,39,500. Show each slab on its own line with the multiplication written out.

Where total income exceeds ₹50,00,000 the solution adds **surcharge @ 10%** and then tests marginal relief. The comparison line is tax on ₹50,00,000 plus the excess of total income over ₹50,00,000, here ₹13,12,500 + ₹90,000 = ₹14,02,500, and you carry forward **the lower of the two figures**.

Health and education cess @ 4% comes last, and it is applied to the figure after marginal relief, not before it: 4% of ₹14,02,500 is ₹56,100 and the tax liability is ₹14,58,600. **Marginal relief** is then stated separately as ₹14,73,450 less ₹14,02,500, that is ₹70,950.

The trap the solution corrects: cess charged on the pre-relief figure, or marginal relief shown as a deduction inside the slab working. Keep the order fixed — slab tax, surcharge, the restricted figure, the lower of the two, cess — and **close on a line called 'Tax Liability'**.

Application use the rule - work the problem · 1 question

- Total income first, then slabs line by line, then surcharge, then the restriction, then cess. Substitute the figures visibly; a bare total with no slab lines cannot be part-marked.

Q. 3.1 · PYQ 2018-Nov · 5M · Pg 3

LEVEL II
Application

Medium

Topic 4: Agricultural Income

L2P3-A-C1-T04

Read first Read ICAI Study Material Chapter 1, Basic Concepts — agricultural income, its definition and the composite income of growing and manufacturing.

NOTES

Agricultural income is exempt under section 10(1) and is defined by section 2(1A). The limbs the solutions cite are **section 2(1A)(a)**, any rent or revenue derived from land situated in India and used for agricultural purposes, and **section 2(1A)(b)(ii)**, income from a process ordinarily employed to render the produce fit to be taken to the market. Cite the limb; the bare word 'agricultural'

earns nothing.

Rent from sub-letting is agricultural income where the sub-lessee uses the land for agriculture. The rent may be received either by the owner of the land or by the original tenant from the sub-tenant, so where land is sublet for grazing of cattle required for agricultural activities the sub-lessor's receipt is exempt under section 10(1). The rent he himself pays to his own landlord is not deductible against it, because **section 14A bars deduction against exempt income**.

In the processing questions the whole test is whether the process is **ordinarily employed to render the produce fit for the market**. Removing hay and chaff from the grain, filtering the grain and finally packing the rice in gunny bags all pass that test, and the solution says plainly that **manual and mechanical operations rank alike**. The entire income earned from the sale of that rice is therefore agricultural income, and the claim that paddy was not saleable in its original form does not need to be argued separately.

Two items recur as the exception. **letting agricultural land for a movie shoot** is not agricultural income, because the land is not being used for an agricultural purpose. Against that, **Explanation 3 to section 2(1A)** deems income from saplings or seedlings grown in a nursery to be agricultural income, whether or not the basic operations were carried out on land; in the composite table the nursery is shown at 0% business.

Where the assessee both grows and manufactures, the income is split on the percentages the solutions use: **rubber 35% business and 65% agricultural**; coffee grown and cured 25% and 75%; tea 40% and 60%; sale of plants from a nursery 0% and 100%. Set it out as a table with columns for gross income, business percentage, business income and agricultural income, and close on '**Total Taxable Income**' — the business column total only, `5,42,500 on the printed facts.

The composite computation has a fixed shape. Sale value of the cured coffee, less expenses for growing, less expenses for curing, less **depreciation at 15% on the car and on the machinery**, gives a line called '**Total Profits**'; the two percentage lines sit underneath it. Depreciation on an asset used for the agricultural operation is still deducted before the split. The written-down value is then a separate table: opening balance as on 01-04-2025, less depreciation, WDV as on 01-04-2026.

The trap in the own-rice-mill question is the hinge figure: **the market value of the paddy, not its cost**. Agricultural income on the milled portion is market value of that paddy less its cost of cultivation; business income is sale proceeds of the rice less that same market value and less the cost of manufacturing. Paddy sold as paddy is taken separately — sale proceeds less cost of cultivation, **wholly agricultural income**.

Application use the rule - work the problem · 3 questions

- Build one table: gross receipts, then each expense on its own line, then the total profit line, then the two percentage lines. Where depreciation is given, deduct it before the split, and give the written-down value working as a separate table when it is asked for.

Q. 4.1 · PYQ 2022-May · 4M · Pg 4	LEVEL II Application	Medium
Q. 4.5 · PYQ 2016-Nov · 4M · Pg 7	LEVEL II Application	Medium
Q. 4.6 · PYQ 2004-Nov · 5M · Pg 8	LEVEL II Application	Medium

Analysis break it down and take the parts separately · 3 questions

- Where several transactions are listed, take them one at a time under their own numbers, each with its own provision and its own conclusion. A single joint paragraph loses the marks for the items it does not name.

Q. 4.2 · PYQ 2021-Jan · 2M · Pg 5	LEVEL II Analysis	Easy
Q. 4.3 · PYQ 2021-Jan · 2M · Pg 5	LEVEL II Analysis	Easy
Q. 4.4 · PYQ 2017-May · 4M · Pg 6	LEVEL II Analysis	Medium

Topic 5: Partial Integration of Agricultural Income with Non-Agricultural Income

L2P3-A-C1-T05

Read first Read ICAI Study Material Chapter 1, Basic Concepts — partial integration of agricultural income with non-agricultural income.

NOTES

Partial integration applies only when both gates are passed: **agricultural income exceeds `5,000 p.a.** and non-agricultural income exceeds the basic exemption limit, `2,50,000 on the solution's facts. Write that eligibility sentence before Step 1; the examiner marks it.

Where the assessee grows tea leaves and manufactures tea in India, **Rule 8 taxes 40% of the profit as business income** under the head Profits and gains of business or profession and **the balance 60% is agricultural income**, exempt from tax. Get the composite figure first: sale value `40,00,000 less growing cost `15,00,000 and manufacturing cost `10,00,000 gives `15,00,000, split as `6,00,000 business and `9,00,000 agricultural.

The tax computation runs in four numbered steps and the solution prints the headings. **Step 1: tax on non-agricultural income plus agricultural income**; Step 2: tax on agricultural income plus the basic exemption limit; Step 3: the difference between the two liabilities; Step 4: add cess and state the total tax payable. Write the headings out even where the arithmetic is short — they are where the marks are allotted.

Apply the same slabs in both steps — nil up to `2,50,000, 5% to `5,00,000, 20% to `10,00,000, 30% above — so Step 1 on `15,00,000 gives `2,62,500, Step 2 on `11,50,000 gives `1,57,500, and Step 3

is ₹1,05,000. **Health and education cess @ 4%** is added only at Step 4: ₹4,200, and total tax payable ₹1,09,200.

The trap: cess added inside Step 1 or Step 2, or the agricultural income left out of Step 1 altogether. **Agricultural income enters both steps and is taxed in neither** — the mechanism only pushes the non-agricultural income into a higher slab. Finish on a line called 'Total Tax Payable'.

Application use the rule - work the problem · 1 question

- Show all four steps with their headings and both slab workings in full. An answer that jumps to the difference figure cannot be part-marked, and cess belongs only to Step 4.

Q. 5.1 · PYQ 2018-May · 7M · Pg 8

LEVEL II
Application

Medium

SECTION A · INCOME-TAX LAW · CHAPTER 2

Residence and Scope of Total Income

2 Topics · 49 Classified Questions · Importance: C

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% · Level II 80-95% — this chapter reads problems first

Level I — Comprehension & Knowledge

2.1%

6 of 287 marks

Level II — Analysis & Application

97.9%

281 of 287 marks

Below this Section's Level I floor: only 2% of this chapter's marks are Comprehension and Knowledge, against ICAI's 5-20% for Income-tax Law. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Residential Status of Individuals

L2P3-A-C2-T01

Read first Read ICAI Study Material Chapter 2, Residence and Scope of Total Income — the residential status of an individual under sections 6(1), 6(1A) and 6(6).

NOTES

Section 6(1) gives two basic conditions, and an individual who satisfies either one is resident: stay in India of **182 days or more during the previous year**, or stay of 60 days or more in the previous year together with 365 days or more in the four immediately preceding previous years. Fail both and he is a non-resident. Count the days month by month and show the addition in brackets, the way the solutions do — 188 days (20 + 17 + 30 + 31 + 31 + 28 + 31) — because the examiner marks the count.

Explanation 1(a) to section 6(1) narrows the test for two classes of Indian citizen: one who **leaves India for the purpose of employment outside India**, and one who leaves as a **member of the crew of an Indian ship**. For them the 60-day plus 365-day condition drops out and only the 182-day test applies. Mr. Prabhjot at 175 days and Mr. Rajesh at 181 days were both non-residents on this rule. The advisory version of the same point tells a candidate joining a New York post to leave **on or before 28th September** so that his stay stays under 182 days.

Explanation 1(b) covers the **Indian citizen or person of Indian origin who comes on a visit to India**. He is resident only if he stays **182 days or more** — unless his total income other than income from foreign sources exceeds **15 lakhs**, in which case he is also resident if he stays 120 days or more in the previous year and 365 days or more in the four immediately preceding previous years. An individual made resident by that 120-day route is, by section 6(6), **resident but not ordinarily resident** by default.

Section 6(1A) deems an Indian citizen resident where his total income other than income from foreign sources **exceeds 15 lakhs** and he is **not liable to tax in any other country** by reason of

domicile, residence or any other criterion of a similar nature, and the period of his stay in India is then irrelevant. **A deemed resident is always RNOR.** Two limits the solutions repeat: the deeming applies only to an Indian citizen, so a person of Indian origin or a citizen of Country X escapes it; and it is not attracted at all where the individual is already resident under section 6(1).

Build the ₹15 lakh test as its own table, headed Total income (excluding income from foreign sources). **Income from a foreign source accrues outside India** and is not deemed to accrue in India, **except income from a business controlled in or a profession set up in India**, which is therefore included even though it accrues and is received abroad. Foreign salary, foreign house property and foreign agricultural income fall out; income accruing in India and income deemed to accrue in India go in. Where the assessee has opted out of the default regime the solutions take off Chapter VI-A — 80C for the life insurance premium paid by cheque in India — before comparing with ₹15 lakhs; under the default regime no such deduction is allowed.

Once the individual is resident, section 6(6) decides which kind. He is **not ordinarily resident** if he was a non-resident in **9 out of the 10 preceding previous years**, or was in India for **729 days or less in the 7 preceding previous years**. The solutions accept either presentation; put positively, an ordinarily resident must have been resident in at least 2 out of 10 preceding previous years and in India for 730 days or more in the 7 preceding ones, and both must hold. Where the facts give a yearly stay, test the earlier years one by one and say so.

Explanation 2 to section 6(1) excludes, for a citizen of India who is a crew member of a foreign bound ship, the period running from the date entered in the **Continuous Discharge Certificate** for joining the ship to the date entered for signing off, in respect of an **eligible voyage** — a voyage by an Indian ship carrying passengers in international traffic from a port in India to a port outside India. For Mr. Damodhar 163 days of voyage came out, and a further 29 days of a private tour abroad, leaving 173 days and a non-resident status. The trap: **once the day count alone makes him non-resident**, his stay in the earlier previous years is irrelevant, so do not go on to the additional conditions.

Application use the rule - work the problem · 3 questions

- Count the days month by month, show the addition in brackets, compare with 182 or 120, then close with a sentence naming the status and the assessment year.
- Where the ₹15 lakh threshold is in play, compute total income other than income from foreign sources in its own table first, because the status follows that figure.

Q. 1.2 · PYQ 2023-May · 3M · Pg 15

LEVEL II
Application

Easy

Q. 1.1 · RTP 2026-May · PRT · Pg 13

LEVEL II
Application

Medium

Q. 1.3 · PYQ 2017-May · 4M · Pg 16

LEVEL II
Application

Medium

Topic 2: Scope of Total Income

L2P3-A-C2-T02

Read first Read ICAI Study Material Chapter 2, Residence and Scope of Total Income — the scope of total income under section 5 and income deemed to accrue or arise in India under section 9.

NOTES

Section 5(1) taxes global income in the hands of a resident and ordinarily resident. Section 5(2) taxes a non-resident only on income received or deemed to be received in India and income accruing or arising or **deemed to accrue or arise in India**. A resident but not ordinarily resident is taxed on those same two limbs plus income from **a business controlled in or a profession set up in India**, even where it accrues outside India. Quote the limb, then the figure, then the conclusion on chargeability.

The computation runs as a table with **one column per residential status** — ROR and RNOR, or RNOR and non-resident — with the reason written into the particulars column against every line, then **Gross Total Income** and, after Chapter VI-A, **Total Income**. Figures the solutions repeat: standard deduction of `75,000 under the default regime and `50,000 where the assessee has opted out; **80TTA up to `10,000** on savings bank interest and 80TTB for a senior citizen; exemption under section 10(15) of `3,500 on post office savings bank interest; interest on money borrowed to earn dividend **restricted to 20% of the gross dividend**; and no 80C at all under the default regime.

Section 9(1)(i) deems income to accrue in India where it arises **from a business connection, property, asset or source in India** or from the **transfer of a capital asset situated in India** — so capital gain on land in India received in Malaysia, and gain on shares of an Indian company credited to a London account, are both taxable. Explanation 1 carves three things out for a non-resident: operations **confined to the purchase of goods in India for export**; the collection of news and views in India for transmission outside India by a news agency; and the shooting of a cinematograph film in India by a non-resident who is not a citizen. Daisy Ltd.'s `75 lakhs of export profit falls in the first.

Section 9(1)(iii) deems **salary payable by the Government to a citizen of India** for services rendered outside India to accrue in India, so the ambassador or the officer posted to a High Commission is taxed on it even as a non-resident, and the standard deduction under section 16(ia) is allowed **irrespective of residential status**. Set against it, **section 10(7) exempts allowances paid outside India** by the Government to a citizen of India for rendering service outside India. The foreign allowance line is always shown at nil, with the exemption named beside it.

Interest, royalty and fees for technical services turn on who pays and where the money or the right is used. Interest payable by a non-resident is deemed to accrue in India **only if the borrowed funds are used for a business in India** — money borrowed to buy shares of an Indian company does not qualify. Royalty or fees payable by a resident is deemed to accrue in India **except where the business is carried on outside India** or the income is from a source outside India; where the payer is a non-resident, ask instead whether the right or service is used for a business in India. These

three heads need **no territorial nexus**: they are included whether or not the non-resident has a residence, place of business or business connection in India, and whether or not the services were rendered in India.

Learn the recurring lines. Income of a business controlled from India is **fully taxable for an RNOR** but for a non-resident **only to the extent received in India** — ₹70,000 of Indonesian profit becomes ₹28,000 where 40% is received here — and the same split governs a foreign business loss and its unabsorbed depreciation. **Past untaxed foreign profits brought in are not taxable**, being no part of the previous year's income, and a remittance of income first received abroad is not a receipt in India. Only agricultural income from land in India is exempt under **section 10(1)**, so Malaysian or Nepalese agricultural income is taxable for an ROR. Foreign house property income received abroad is out for both RNOR and non-resident; dividend paid by an Indian company outside India is in, and dividend from a foreign company received in India is in.

For an HUF, section 6(2) makes it resident where **control and management is wholly or partly in India**, and it is ordinarily resident where the Karta satisfies both additional conditions — resident in at least 2 of the 10 preceding previous years and in India for 730 days or more in the 7 preceding ones. For a company, section 6(3) makes a foreign company resident only if its **place of effective management is in India**, that being where the key management and commercial decisions necessary for the conduct of the business as a whole are in substance made; board meetings held in the USA put it outside India. The trap the solutions name in words: **a profession set up in India is taxable for an RNOR, not a non-resident**, and candidates keep taxing it in the non-resident column.

Remembering reproduce what you have learnt · 1 question

- Hold the negative list ready — purchase of goods in India for export, collection of news and views, shooting of a cinematograph film by a non-resident non-citizen, and past untaxed foreign income brought in. The yes or no questions come straight off it.

Q. 2.23 · PYQ 2024-May · 6M · Pg 58

LEVEL I
Remembering

Medium

Application use the rule - work the problem · 36 questions

- Set the answer out as a table with a column for each residential status, put the reason beside every item, and finish with Gross Total Income and Total Income on their own lines.
- Where residential status has to be found first, do that as a separately headed part, then carry the status into the computation heading so the examiner sees the link.

Q. 2.17 · MTP 2025-Jan S2 · 3M · Pg 47

LEVEL II
Application

Easy

Q. 2.1 · PYQ 2026-Sep [2] (a) · 6M · Pg 17

LEVEL II
Application

Medium

Q. 2.2 · MTP 2026-Sep [3] (a) · 6M · Pg 18	LEVEL II Application	Medium
Q. 2.3 · MTP 2026-Sep [2] (b) · 6M · Pg 20	LEVEL II Application	Medium
Q. 2.5 · PYQ 2026-May [2] (a) · 6M · Pg 25	LEVEL II Application	Medium
Q. 2.7 · MTP 2026-May S1 · 6M · Pg 28	LEVEL II Application	Medium
Q. 2.8 · PYQ 2026-Jan · 6M · Pg 30	LEVEL II Application	Medium
Q. 2.9 · MTP 2026-Jan S2 · 6M · Pg 33	LEVEL II Application	Medium
Q. 2.12 · PYQ 2025-Sep · 6M · Pg 39	LEVEL II Application	Medium
Q. 2.15 · MTP 2025-May S2 · 6M · Pg 44	LEVEL II Application	Medium
Q. 2.19 · PYQ 2024-Sep · 4M · Pg 50	LEVEL II Application	Medium
Q. 2.21 · MTP 2024-Sep S1 · 6M · Pg 53	LEVEL II Application	Medium
Q. 2.24 · MTP 2024-May S2 · 6M · Pg 59	LEVEL II Application	Medium
Q. 2.25 · MTP 2024-May S1 · 6M · Pg 62	LEVEL II Application	Medium
Q. 2.28 · PYQ 2023-Nov · 4M · Pg 66	LEVEL II Application	Medium
Q. 2.30 · MTP 2023-Nov S2 · 6M · Pg 69	LEVEL II Application	Medium
Q. 2.32 · PYQ 2023-May · 4M · Pg 75	LEVEL II Application	Medium
Q. 2.34 · MTP 2023-May S1 · 6M · Pg 80	LEVEL II Application	Medium
Q. 2.36 · MTP 2022-Nov S1 · 6M · Pg 84	LEVEL II Application	Medium
Q. 2.37 · PYQ 2022-May · 4M · Pg 86	LEVEL II Application	Medium
Q. 2.38 · PYQ 2021-Jan · 7M · Pg 88	LEVEL II Application	Medium
Q. 2.42 · PYQ 2019-Nov · 7M · Pg 92	LEVEL II Application	Medium
Q. 2.46 · PYQ 2017-May · 4M · Pg 99	LEVEL II Application	Medium
Q. 2.4 · RTP 2026-Sep · DESC · Pg 22	LEVEL II Application	Hard

Q. 2.6 · MTP 2026-May S2 · 6M · Pg 27	LEVEL II Application	Hard
Q. 2.10 · MTP 2026-Jan S1 · 6M · Pg 35	LEVEL II Application	Hard
Q. 2.11 · RTP 2026-Jan · DESC · Pg 37	LEVEL II Application	Hard
Q. 2.13 · RTP 2025-Sep · DESC · Pg 41	LEVEL II Application	Hard
Q. 2.16 · MTP 2025-May S1 · 6M · Pg 46	LEVEL II Application	Hard
Q. 2.18 · RTP 2025-Jan · DESC · Pg 49	LEVEL II Application	Hard
Q. 2.22 · RTP 2024-Sep · DESC · Pg 55	LEVEL II Application	Hard
Q. 2.26 · RTP 2024-May · DESC · Pg 64	LEVEL II Application	Hard
Q. 2.31 · RTP 2023-Nov · DESC · Pg 72	LEVEL II Application	Hard
Q. 2.33 · MTP 2023-May S2 · 6M · Pg 78	LEVEL II Application	Hard
Q. 2.35 · RTP 2023-May · DESC · Pg 82	LEVEL II Application	Hard
Q. 2.44 · PYQ 2018-May · 10M · Pg 95	LEVEL II Application	Hard

Analysis break it down and take the parts separately · 8 questions

- One set of facts asked for two statuses is one table, not two: work the items down the page once and fill both columns as you go.
- Take a list of independent transactions one at a time under its own number, each with its own provision and its own conclusion on chargeability.

Q. 2.27 · PYQ 2023-Nov · 3M · Pg 66	LEVEL II Analysis	Easy
Q. 2.40 · PYQ 2021-Jan · 3M · Pg 90	LEVEL II Analysis	Easy
Q. 2.14 · PYQ 2025-May · 6M · Pg 43	LEVEL II Analysis	Medium
Q. 2.29 · MTP 2023-Nov S2 · 8M · Pg 67	LEVEL II Analysis	Medium
Q. 2.39 · PYQ 2021-Jan · 3M · Pg 89	LEVEL II Analysis	Medium
Q. 2.45 · PYQ 2017-Nov · 5M · Pg 98	LEVEL II Analysis	Medium

Q. 2.20 · MTP 2024-Sep S2 · 6M · Pg 52

LEVEL II
Analysis**Hard**

Q. 2.43 · PYQ 2018-Nov · 6M · Pg 94

LEVEL II
Analysis**Hard****Synthesis** integrate the material and construct · 1 question

- Where the question asks you to build the computation for all three residential statuses at once, set them out as three columns of one table, not three answers. The examiner reads across the row to see whether each item has been placed consistently.

Q. 2.41 · PYQ 2020-Nov · 5M · Pg 91

LEVEL II
Synthesis**Medium**

SECTION A · INCOME-TAX LAW · CHAPTER 3

Income from Salaries

3 Topics · 20 Classified Questions · Importance: C

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% · Level II 80-95% — this chapter reads problems first

Level I — Comprehension & Knowledge

4.4%

6 of 136 marks

Level II — Analysis & Application

95.6%

130 of 136 marks

Below this Section's Level I floor: only 4% of this chapter's marks are Comprehension and Knowledge, against ICAI's 5-20% for Income-tax Law. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Allowances

L2P3-A-C3-T01

Read first Read ICAI Study Material Chapter 3, Income from Salaries — the allowances chargeable and exempt, and how the two tax regimes change them.

NOTES

The one question printed on this topic is the **transport-system allowance**. Where an employee working in a transport system gets an allowance to meet his personal expenditure during duty and is **not in receipt of any daily allowance**, the exemption is 70% of such allowance or ₹10,000, whichever is less. On ₹12,000 p.m., 70% is ₹8,400, which is less than ₹10,000, so ₹8,400 is exempt and ₹3,600 p.m. is taxable, i.e. ₹43,200 for the year. Write both regimes: the exemption is available only if he exercises the option of shifting out of the default regime under section 115BAC(1A); under the default regime the whole ₹12,000 p.m., i.e. ₹1,44,000, is taxable.

House rent allowance is exempt under section 10(13A), and the solutions always set out three figures and deduct the least of them: HRA received; rent paid less 10% of salary; and 40% of salary. Salary for this purpose is basic salary plus the **DA forming part of retirement benefits**. Set all three lines out in that order even when the least is obvious, because the marks are on the working and not on the answer.

Learn the treatments the illustrations repeat. Children education allowance is **exempt at ₹100 per month for two children**, and no exemption at all is available for allowance received for education or hostel facility of children outside India. Conveyance allowance based on actual reimbursement for official purposes, and travelling allowance towards duty tours, are exempt in full. Research and training allowance, fixed medical allowance, medical allowance and entertainment allowance are taxable in full. **Telephone allowance is exempt to the extent of the expenditure**, so an allowance of ₹12,000 against a bill of ₹15,000 leaves nothing taxable.

Entertainment allowance goes into gross salary in full and then returns as a deduction under

section 16(ii), but **only for Government employees**, i.e. employees of the Central or State Government. The printed answer refuses the deduction to an employee of a **Government company**, because such a company, although owned or controlled by the Government, is a separate legal entity incorporated under the Companies Act. Put that sentence in your note; it is the mark.

The recurring trap is regime blindness. Every exemption above is **withdrawn under the default regime of section 115BAC**, and each printed solution names the regime in its heading before it computes anything. Read the closing line of the question first, then decide whether you are exempting anything at all.

Analysis break it down and take the parts separately · 1 question

- Where several allowances are listed, take them one at a time: name the allowance, give the exemption limb, then the taxable balance. A joint paragraph loses the marks for the allowances it does not name.

Q. 1.1 · PYQ 2018-Nov · 2M · Pg 101

LEVEL II
Analysis

Medium

Topic 2: Comprehensive Illustrations

L2P3-A-C3-T02

Read first Read ICAI Study Material Chapter 3, Income from Salaries — the full computation: salary and bonus, provident fund, perquisites under section 17(2) and Rule 3, retirement benefits, and the deductions under section 16.

NOTES

Every answer here is one table headed **Computation of Taxable Salary of Mr. X for A.Y. 2026-27** and naming the regime. The order does not change: basic salary, dearness allowance, bonus, employer's contribution to RPF in excess of the exempt limit, taxable allowances, then taxable perquisites, to **Gross Salary**; then Less: deduction under section 16 — standard deduction, professional tax paid, entertainment allowance where allowed — to **Taxable Salary**. Standard deduction is `50,000 under the optional regime and `75,000 under the default regime, in each case the lower of salary or that figure, and professional tax is deductible only where the employee has opted out. Salary foregone is still salary: where the employee directs a month's pay to the PM CARES Fund or the Prime Minister's National Relief Fund it is taxed in full and the relief comes as a deduction under section 80G. Advance salary for April received on 31 March is taxable on receipt; arrears already taxed on the due basis in an earlier year are not taxed again.

Employer's contribution to a recognised provident fund is taxable to the extent it **exceeds 12% of salary**, and salary here is basic salary plus the DA that forms part of pay for retirement benefits. Where DA forms no part of it, an 18% contribution simply leaves 6% of basic taxable; where 30% or

40% of the DA counts, the two bases differ and the solutions compute the gross contribution and the exempt figure on their own lines and carry only the difference. Alongside it runs the other standing rule: **any obligation of the employee met by the employer** is a perquisite under section 17(2)(iv) — professional tax paid by the employer, the reimbursed salary of a domestic servant, premium on a life policy on the employee's life, and school fees paid to an outside institution.

Rent-free accommodation **owned by the employer** in a city whose population exceeds 40 lakhs is valued at **10% of salary**, apportioned for the months of occupation; taken on lease it is the lower of 10% of salary and the rent paid by the employer; and where rent is recovered from the employee, deduct it to reach the value of concessional rent. Salary for this purpose is basic pay, DA forming part of retirement benefits, bonus, leave encashment and taxable allowances — exempt allowances and other perquisites stay out. Add **10% p.a. of the original cost of furniture**. Where the same accommodation continues beyond the first previous year, Rule 3 caps the value at the first year's value multiplied by the CII of the year computed and divided by the CII of the year it was first provided, and the answer takes the lower of the two. Hotel accommodation on transfer, for **not more than 15 days in aggregate**, is nil.

The Rule 3(2) car rates are fixed and must be quoted. Car owned by the employer, engine cubic capacity above 1.6 litres, used for both official and personal purposes: **`2,400 p.m. where the employer meets the expenses**, `900 p.m. where the employee meets them, and `900 p.m. more for a chauffeur, so `3,300 in all. Below 1.6 litres, employer meeting the expenses and no chauffeur, it is `1,800 p.m. Apportion for the months the car was provided. Where the car is used **wholly for personal purposes**, value it as actual running and maintenance plus 10% p.a. of the actual cost plus the driver's salary. On sale of a car to the employee, take cost less depreciation at **20% on the written down value for each completed year** from the date of purchase, less the amount recovered; for other assets such as furniture the wear and tear is 10% on the straight line method for each completed year of use. Mere use of a movable asset is 10% p.a. of cost, but **use of a laptop or computer is exempt**, official or personal, and a mobile phone given for personal use is not taxable.

A concessional loan is valued at the **SBI lending rate on the first day of the previous year** for a loan of the same purpose, less the rate charged by the employer, applied to the **maximum outstanding monthly balance** — the balance on the last day of each month — and the solutions set it out month by month in a table. It is a perquisite only where the loan exceeds `20,000, and it is not a perquisite where the loan is **for treatment of a specified disease** such as tuberculosis. On medical benefits: premium paid by the employer on a health or medical insurance policy is exempt under clause (iii) of the proviso to section 17(2); treatment in a notified hospital is exempt; reimbursement of treatment in a private hospital, and a fixed medical allowance, are taxable in full; medical expenditure outside India permitted under RBI guidelines is exempt, but the travel expenditure is exempt only where gross total income before including it **does not exceed `8 lakhs**.

A gift or voucher is exempt only below `5,000 in aggregate during the previous year under Rule 3(7)(iv); above that the printed solutions tax the whole amount and then record the alternative view, resting on Circular No. 15/2001 dated 12.12.2001, that only the excess is taxable, giving both

totals. A crockery set of ₹4,500 is therefore nil. Free education in a school maintained by the employer is exempt where the cost does not exceed **₹1,000 per month per child**; the trap is that this is for the employee's own child, so free schooling for a sister at ₹900 a month is taxable at ₹10,800, and education met in an outside institution is taxable at the cost of similar education. Free food during working hours is exempt up to ₹50 per meal under Rule 3(7)(iii), and only outside the default regime. Credit card fees are taxable under Rule 3(7)(v) where the card is not used exclusively for official purposes and details of usage are not available. **Leave travel concession under section 10(5)** for self, spouse and children by economy class air fare is exempt in full, and the **two-child restriction does not apply to a multiple birth** after the first child.

Three retirement workings recur. **Gratuity under section 10(10)**: least of the amount received, the statutory limit of ₹20,00,000, and, where the Payment of Gratuity Act applies, 15/26 of last drawn salary for each completed year and part in excess of six months, taking basic and DA both even though the DA does not form part of retirement benefits; where the Act does not apply, half a month's salary on the average of the ten months preceding the month of retirement for each completed year. **Leave salary under section 10(10AA)**: least of the amount received, ₹25,00,000 reduced by any exemption claimed on an earlier retirement, ten months' salary on the average salary of the last ten months, and the cash equivalent of leave at credit at a **maximum of 30 days for each year of service**. On an unrecognised provident fund the employer's contribution and the interest on it are salary, the employee's own contribution is not taxable, and **interest on the employee's contribution goes to Income from Other Sources**. Leave encashed while still in employment is taxable in full.

Understanding explain it, and place it in context • 1 question

- Put the reason beside every item in the narration column and name the section or the Rule. 'Exempt' on its own does not score.
- An item that is nil still gets its own line with its reason. The examiner is marking that you saw it.

Q. 2.1 • PYQ 2026-Sep [3] (a) • 6M • Pg 102

LEVEL I
Understanding

Medium

Application use the rule - work the problem • 17 questions

- Name the regime in your heading, then use ₹50,000 or ₹75,000 as the standard deduction accordingly. A correct table under the wrong regime loses most of its marks.
- Where a perquisite needs a sub-working — accommodation, the concessional loan, gratuity, leave salary — put it in a numbered note below and carry only the final figure into the main table.
- Read the dates in the facts and apportion. A car provided from 1 December, an accommodation occupied from 1 December, furniture provided from 1 October: the unapportioned full-year figure is the commonest single loss.

Q. 2.2 • MTP 2026-Sep [3] (a) • 6M • Pg 103	LEVEL II Application	Medium
Q. 2.3 • PYQ 2026-May [3] (a) • 6M • Pg 105	LEVEL II Application	Medium
Q. 2.4 • RTP 2026-May • PRT • Pg 108	LEVEL II Application	Medium
Q. 2.5 • PYQ 2026-Jan • 6M • Pg 110	LEVEL II Application	Medium
Q. 2.6 • PYQ 2025-Sep • 4M • Pg 112	LEVEL II Application	Medium
Q. 2.7 • MTP 2025-May S1 • 5M • Pg 114	LEVEL II Application	Medium
Q. 2.9 • PYQ 2024-Sep • 6M • Pg 120	LEVEL II Application	Medium
Q. 2.11 • MTP 2024-May S1 • 5M • Pg 125	LEVEL II Application	Medium
Q. 2.12 • PYQ 2023-Nov • 6M • Pg 126	LEVEL II Application	Medium
Q. 2.13 • PYQ 2023-May • 7M • Pg 129	LEVEL II Application	Medium
Q. 2.15 • PYQ 2018-Nov • 6M • Pg 133	LEVEL II Application	Medium
Q. 2.18 • PYQ 2017-May • 8M • Pg 140	LEVEL II Application	Medium
Q. 2.8 • RTP 2025-May • DESC • Pg 116	LEVEL II Application	Hard
Q. 2.10 • MTP 2024-Sep S1 • 6M • Pg 122	LEVEL II Application	Hard
Q. 2.14 • PYQ 2022-Nov • 8M • Pg 131	LEVEL II Application	Hard
Q. 2.16 • PYQ 2018-May • 10M • Pg 135	LEVEL II Application	Hard
Q. 2.17 • PYQ 2017-Nov • 10M • Pg 138	LEVEL II Application	Hard

Topic 3: Relief u/s 89

L2P3-A-C3-T03

Read first Read ICAI Study Material Chapter 3, Income from Salaries — relief under section 89 in respect of arrears of salary.

NOTES

Relief under section 89 strips out the extra tax caused by receiving arrears in one lump. The whole working is one comparison repeated: **tax on the arrears in the year of receipt**, less tax on the same arrears in the years to which they relate. The printed solution lays it out in four tables and you should too.

Begin with total income for A.Y. 2026-27 computed in the ordinary way: basic salary, the arrears of salary, dearness allowance, bonus, employer's contribution to RPF in excess of 12% of the retirement-benefit base, then less standard deduction of ₹50,000 and less the deduction under section 80C for the employee's own RPF contribution, **restricted to ₹1,50,000. Round off the total income** before you compute tax; the printed answer reaches ₹15,55,030.

Then compute tax on that year twice, **including the arrears and excluding them**, in two columns side by side, and take the difference as the tax on arrears in the year of receipt: ₹2,90,169 less ₹1,85,649 gives ₹1,04,520. Add **health and education cess at 4%** at every stage before you compare — comparing pre-cess figures is a mark thrown away.

Repeat the identical two-column comparison for each earlier assessment year, adding that year's arrear to that year's declared total income. Use **the slab rates and the regime of each year** as the question gives them: in the printed answer, the section 115BAC slabs for A.Y. 2022-23 and A.Y. 2024-25 and the normal provisions for A.Y. 2023-24. The differences come to ₹22,360, ₹34,320 and ₹21,840, aggregating ₹78,520.

Relief is the **tax on arrears now less the tax on arrears then**: ₹1,04,520 – ₹78,520 = ₹26,000. Then close the answer: tax on total income including arrears ₹2,90,169, less relief ₹26,000, tax payable ₹2,64,169, **rounded off to ₹2,64,170**. A relief figure on its own does not answer a question that asks for the tax payable as well.

Application use the rule - work the problem · 1 question

- Lay the answer out as four labelled tables: total income, tax for the year of receipt with and without arrears, tax for each earlier year with and without, then the relief. The two-column shape is what the examiner follows.
- Finish with tax payable after relief, rounded off, because the question asks for the relief and the tax payable.

Q. 3.1 · RTP 2026-Jan · DESC · Pg 142

LEVEL II
Application

Hard

SECTION A · INCOME-TAX LAW · CHAPTER 4

Income from House Property

1 Topics · 10 Classified Questions · Importance: D

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% · Level II 80-95% — this chapter reads problems first

Level I — Comprehension & Knowledge

0.0%

0 of 55 marks

Level II — Analysis & Application

100.0%

55 of 55 marks

Below this Section's Level I floor: none of this chapter's marks are Comprehension and Knowledge, against ICAI's 5-20% for Income-tax Law. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Income from House Property (no topic sub-division in source)

L2P3-A-C4-T01

Read first Read ICAI Study Material Chapter 4, Income from House Property — the whole chapter: annual value, the deductions under section 24, self-occupied and let-out property, and arrears of rent.

NOTES

Every let-out computation opens with the same six-line ladder, printed in this order: (i) municipal value, (ii) fair rent, (iii) higher of (i) and (ii), (iv) standard rent, (v) **expected rent, being the lower of (iii) and (iv)**, and (vi) actual rent received or receivable. **Gross annual value is the higher of (v) and (vi)**. Write the ladder out even where a figure is missing; where municipal value, fair rent and standard rent are all absent the solution takes the rent receivable as the GAV, and says so in a note.

Below the GAV the format never changes: less **municipal taxes paid during the year** gives net annual value; less **section 24(a), 30% of net annual value**; less section 24(b), interest on borrowed capital; and the closing line is 'Income from House Property'. Municipal taxes are allowed on a paid basis only — tax for P.Y. 2024-25 paid on 1-5-2025 is deducted in A.Y. 2026-27, while tax for P.Y. 2025-26 paid on 5-4-2026 is not. Repairs and maintenance actually spent are a distractor: they are never deducted separately, because they sit inside the 30%.

For a self-occupied house the **annual value is nil**, municipal taxes are not deductible and the 30% deduction does not arise; interest is the only deduction. **The second proviso to section 24(b) restricts that interest to `2,00,000**, so computed figures of `4,70,000, `3,95,000, `2,88,000 and `2,28,000 all come down to `2,00,000 and the income is a loss of `(2,00,000). Where the assessee has two self-occupied houses, one abroad and one in India, the solution allows nil annual value for both.

Pre-construction interest is the computation the chapter turns on. Interest from the date of borrowing to the **31 March preceding the year of completion** is aggregated and **allowed in five**

equal instalments from the year of completion. Show it as its own note: interest year by year, the total, divided by five, then add the current year's interest, and only then restrict it if the house is self-occupied. For a let-out house there is no ceiling — the full `2,55,000 or `2,50,000 is allowed.

Where part of a house is let and part self-occupied, **apportion municipal value, fair rent, standard rent and interest on the same basis** — by units, by floors, or by the fraction the question states — and run the two portions as side-by-side columns headed SOP and LOP. **Municipal taxes go to the let-out portion only**, because none is allowed against a self-occupied portion, and the solution adds that month-wise apportionment is not required since the taxes are allowed on a paid basis. Add the two columns for one net figure, which is often a loss.

Three facts are put in front of you again and again. On **vacancy**, where the actual rent falls below the expected rent only because the property was vacant, **the actual rent is taken as the GAV**; the solutions prove it either by showing what the rent would have been but for the vacancy, or by the test that actual rent plus vacancy rent exceeds expected rent. **Unrealised rent** is deducted from rent receivable only where the conditions of Rule 4 are satisfied, and it is not deducted where the defaulting tenant is in occupation of another property of the same assessee. And where a property is let time-wise for even a single day, it is treated as let out for the entire year, so no vacancy arises at all.

Three closers. **Section 25A** charges arrears of rent in the year of receipt even though the assessee is no longer the owner, with a deduction of **30% under section 25A(2)**. Residential status decides what enters the table: for a resident and ordinarily resident the global income comes in, while for a resident but not ordinarily resident **rent received in India is taxable under section 5(1)** though it accrued abroad — convert at the rate given, and note that both property tax and sewerage tax qualify for deduction. Where construction is completed part-way through the year, take fair rent and municipal value for that part only, 6/12 where completion was on 30.9.2025.

Application use the rule - work the problem · 10 questions

- Run the ladder in full — municipal value, fair rent, higher of the two, standard rent, expected rent, actual rent, then GAV — even when one line is nil. The examiner marks the ladder, not just the GAV.
- Put every derived figure in a numbered note beneath the table: gross annual value, interest on borrowed capital, actual rent. Do not bury the pre-construction working inside the main column.
- Close with a named line, 'Income from House Property' or 'Loss under the head Income from House Property', and show a loss in brackets. A computation that stops at the last deduction loses the final mark.

Q. 1 · MTP 2025-Sep S1 · 6M · Pg 149

LEVEL II
Application

Medium

Q. 2 · PYQ 2025-May · 6M · Pg 151

LEVEL II
Application

Medium

Q. 3 · MTP 2025-May S2 · 5M · Pg 153

LEVEL II
Application

Medium

Q. 4 · MTP 2024-Sep S2 · 5M · Pg 154	LEVEL II Application	Medium
Q. 5 · MTP 2024-May S1 · 5M · Pg 156	LEVEL II Application	Medium
Q. 6 · MTP 2023-Nov S2 · 6M · Pg 158	LEVEL II Application	Medium
Q. 7 · MTP 2023-May S2 · 7M · Pg 160	LEVEL II Application	Medium
Q. 8 · RTP 2022-Nov · DESC · Pg 162	LEVEL II Application	Medium
Q. 9 · PYQ 2018-Nov · 7M · Pg 163	LEVEL II Application	Medium
Q. 10 · PYQ 2017-May · 4M · Pg 165	LEVEL II Application	Medium

SECTION A · INCOME-TAX LAW · CHAPTER 5

Profits and Gains from Business or Profession

7 Topics · 16 Classified Questions · Importance: D

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% · Level II 80-95% — this chapter reads problems first

Level I — Comprehension & Knowledge

4.5%

4 of 88 marks

Level II — Analysis & Application

95.5%

84 of 88 marks

Below this Section's Level I floor: only 5% of this chapter's marks are Comprehension and Knowledge, against ICAI's 5-20% for Income-tax Law. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Depreciation [Section 32]

L2P3-A-C5-T01

Read first Read ICAI Study Material Chapter 5, Profits and Gains of Business or Profession — depreciation under section 32, the block of assets, additional depreciation and actual cost.

NOTES

Every depreciation answer is worked in one format and the marks sit in its lines: **Opening WDV of the block**, add the actual cost of assets acquired in the year, shown separately as **put to use for 180 days or more** and put to use for less than 180 days, less money received on sale, giving WDV for depreciation; then the depreciation, and the closing line is **Closing WDV of the block**. Where the assets carry two rates the solutions run them as parallel columns, plant and machinery at 15% and computer at 40%, and never merge them.

An asset put to use for less than 180 days in the year of acquisition is charged at **half the normal rate** — 7.5% on plant and machinery, 20% on a computer. Before applying any rate the solutions insert a working note headed **Composition of Plant and Machinery in WDV**, which splits the WDV for depreciation into the part put to use for less than 180 days and the balance. Write that note out; the examiner marks the split, not the arithmetic.

Where the asset is partly used for personal purposes the depreciation is scaled by the business proportion, as in $15\% \times 19,20,000 \times 75\%$ where personal use is estimated at 25%, and the **GST paid on the car forms part of its actual cost**. The trap the solution corrects: a rule allowing the car to ply only on alternate days does not halve the depreciation. **Only the 180-day rule halves the rate**; a restriction on use does not.

Additional depreciation is 20% of actual cost under section 32(1)(iia), for new machinery or plant acquired and installed after 31.3.2005 by an assessee engaged in the manufacture or production of any article or thing. It is not allowed on office appliances or road transport vehicles, on any machinery or plant **installed in office premises**, or on machinery previously used by another

person. Where such an asset was put to use for less than 180 days only 10% is allowed in that year, and the **balance 10% in the immediately succeeding year.**

The regime is asked both ways in the same question. Under the **default tax regime of section 115BAC only normal depreciation is allowed**; additional depreciation is available only where the assessee has exercised the option of shifting out of section 115BAC(1A). Answer as the solutions do, with two numbered computations under their own headings, because the first figure of ₹8,88,750 and the second of ₹5,88,750 differ only by the additional depreciation.

Actual cost is adjusted before the rate is applied. For machinery used for scientific research on which section 35 was allowed, take **actual cost less the section 35 deduction** (₹4,00,000 less ₹40,000). For an asset received as a gift, take the **cost to the previous owner less depreciation** that would have been allowable to the assessee had it been his only asset. A temporary wooden structure is depreciated at **40%**, halved where it is put to use for less than 180 days.

Understanding explain it, and place it in context · 1 question

- State the rate and the reason for it in the same line — 7.5% because the asset was put to use for less than 180 days, 40% because it is a computer. A rate given without its reason carries no mark.

Q. 1.1 · RTP 2020-May · DESC · Pg 169

LEVEL I
Understanding

Hard

Application use the rule - work the problem · 3 questions

- Build the block table first, then the composition note, then the rate lines. Substituting into a rate before you have shown the WDV for depreciation loses the method marks even where the answer is right.

Q. 1.2 · PYQ 2016-May · 8M · Pg 170

LEVEL II
Application

Medium

Q. 1.3 · PYQ 2014-May · 8M · Pg 174

LEVEL II
Application

Medium

Q. 1.4 · PYQ 2013-Nov · 4M · Pg 175

LEVEL II
Application

Medium

Topic 2: Expenditure on Scientific Research [Section 35]

L2P3-A-C5-T02

Read first Read ICAI Study Material Chapter 5, Profits and Gains of Business or Profession — deduction for expenditure on scientific research under section 35.

NOTES

The solutions tabulate one row per payment with four columns — **the amount, the section, the**

percentage of deduction and the deduction — and close on the line 'Deduction allowable under section 35'. Cite the clause against every single item, including the items that get Nil, because the marks are given clause by clause and not on the total.

Learn the clauses as a list: **35(1)(i)** for revenue expenditure on scientific research related to the business; **35(1)(ii)** for a contribution to a notified approved research association, 100% of the amount paid; **35(1)(ia)** for a payment to an Indian company whose main object is scientific research and which is approved by the prescribed authority, 100%; **35(1)(iv) read with 35(2)** for capital expenditure, 100%; and **35(2AA)** for a payment to IIT under an approved programme for scientific research.

Two exclusions are tested every time. **Expenditure on the purchase of land is not allowed** at all, though other capital expenditure is allowed in full, so show `2,50,000 of land in the table with a dash against it. A payment to an institution that is not approved — Siya College in the MTP answer — is likewise **Nil**, and saying nothing about it costs the mark.

Revenue expenditure incurred before the commencement of business, such as the salary of research staff certified by the prescribed authority, is allowed under section 35(1)(i) in the previous year in which the business commences, provided it was **expended within the three years immediately preceding** commencement. Where the date of commencement is not given the printed answer states the assumption and adds the alternative view; state your assumption in the same way rather than choosing silently.

The regime changes the table completely. Under the default tax regime of section 115BAC, **deduction under 35(1)(ii) and 35(2AA) is not allowable**, so payments of `15 lakhs to an approved university and `12 lakhs to IIT Bangalore are both struck to Nil and only the **`25 lakhs of in-house machinery** survives. Read the regime named in the question before you write a single figure.

Application use the rule - work the problem · 2 questions

- Give every item in the question a row, including land and unapproved payees, and show Nil against them. Items left out of the table read as items you did not know.

Q. 2.1 · MTP 2024-Sep S1 · 4M · Pg 177

LEVEL II
Application

Medium

Q. 2.2 · PYQ 2024-May · 4M · Pg 178

LEVEL II
Application

Medium

Topic 3: Inadmissible Deductions [Section 40]

L2P3-A-C5-T03

Read first Read ICAI Study Material Chapter 5, Profits and Gains of Business or Profession — amounts not deductible under section 40, including section 40(b) for firms and section 40(a)(ia).

NOTES

The book profit computation under section 40(b) runs in a fixed order: **net profit before depreciation, salary and interest**, less depreciation under section 32, less interest on partners' capital, giving **Book Profit**. Book profit means the net profit as per the profit and loss account computed in the manner laid down in **Chapter IV-D**, increased by the remuneration to partners if it has already been deducted.

Two limits do the work. Interest on partners' capital is allowed at a **maximum of 12% per annum**, so interest authorised at 15% on ₹6,00,000 enters the table as ₹72,000 and not ₹90,000. And a **brought forward loss is not deducted** in arriving at book profit — the ₹50,000 loss of P.Y. 2024-25 is left out of the working, and the answer says so in terms.

Working partners' salary under **section 40(b)(v)** is then capped in two slabs: on the first ₹6,00,000 of book profit, or in case of a loss, **₹3,00,000 or 90% of book profit, whichever is more**; and on the balance of book profit, **60% of that balance**. On a book profit of ₹4,28,000 the ceiling is ₹3,85,200, against salary actually paid of ₹6,00,000, and the excess is disallowed. Show the salary actually paid and the ceiling as separate figures.

Section 37 is the residual test and the solutions state it in full: expenditure not capital, not personal, not covered by sections 30 to 36, and incurred **wholly and exclusively for the purposes of the business**. The recurring exception: expenditure on corporate social responsibility referred to in **section 135 of the Companies Act, 2013** is not deemed to have been incurred for the purpose of business, so ₹5,60,000 spent on a school building is disallowed under section 37.

On non-deduction of tax at source the answer is never the whole amount. Where an individual's turnover in the preceding year exceeds **₹1 crore** he must deduct tax under section 194A, and failure means **30% is disallowed under section 40(a)(ia)** — ₹15,000 of ₹50,000 — while the balance ₹35,000 is **allowed under section 36(1)(iii)** as interest on borrowed capital. Splitting the figure this way is what earns the marks.

Two more items recur. Section 35AD gives a **100% investment-linked deduction** on a building purchased for the specified business of setting up and operating a warehousing facility for storage of food grains commencing operation on or after 1 April 2009, but only where the assessee has **shifted out of the default regime**. Commodities transaction tax paid on sale of bullion is **allowable under section 36(1)(xvi)**, provided the income from those taxable commodities transactions is included under the head Profits and gains of business or profession.

Application use the rule - work the problem · 1 question

- Compute book profit before you touch the salary limit, and quote both slabs of section 40(b)(v) even where only the first one bites. The second slab is worth a mark on its own.

Analysis break it down and take the parts separately · 1 question

- Each disallowance has its own clause of section 40. Give the clause, the reason, and the amount added back on its own line — the examiner marks the line, not the total.

Q. 3.2 · PYQ 2015-Nov · 8M · Pg 181

LEVEL II
Analysis

Medium

Topic 4: Micro and Small Enterprises [Section 43B(h)]

L2P3-A-C5-T04

Read first Read ICAI Study Material Chapter 5, Profits and Gains of Business or Profession — section 43B(h) and the meaning of micro and small enterprises, with the actual cost rules for depreciation.

NOTES

For manufacturing enterprises and enterprises rendering services the printed answer gives the two definitions by their figures. A micro enterprise has investment in plant and machinery or equipment **up to `2.5 crore** and annual turnover **up to `10 crores**. A small enterprise has investment in plant and machinery or equipment **up to `25 crores** and annual turnover up to `100 crores. Both tests apply together, so give the investment limit and the turnover limit for each; one of the two alone is half an answer.

The same question then turns on actual cost. For **machinery used for scientific research on which section 35 was allowed**, depreciation is charged on actual cost less that deduction — 15% on `3,60,000, being `4,00,000 less `40,000, giving `54,000. The section 35 deduction already claimed is not available again through depreciation.

For an asset **received as a gift**, the written down value is the **actual cost to the previous owner less the depreciation** that would have been allowable to the assessee had it been his only asset. A laptop costing `60,000 bought by the friend on 01.04.2024 therefore comes in at `36,000, that is `60,000 less `24,000, and carries 40%.

A **temporary wooden structure is depreciated at 40%**, and where it is erected in December and so put to use for less than 180 days the charge is $40\% \times 50\%$ on `70,000, giving `14,000. Close with a line called Total Depreciation Allowable, `82,400 on these facts; the total line is where the last mark sits.

Application use the rule - work the problem · 1 question

- Show the adjusted actual cost in brackets beside each rate line, as the printed answer does, so the marker can see why the base is not the purchase price.

Q. 4.1 · PYQ 2025-Jan · 6M · Pg 183

LEVEL II
Application

Medium

Topic 5: Special Provisions for Computing Profits and Gains of Business on Presumptive Basis [Sections 44AD/44ADA/44AE]

L2P3-A-C5-T05

Read first Read ICAI Study Material Chapter 5, Profits and Gains of Business or Profession — presumptive taxation under sections 44AD, 44ADA and 44AE, as examined on goods carriages under section 44AE.

NOTES

Eligibility is stated first in every answer: the assessee is eligible for the presumptive scheme because he does **not own more than 10 goods vehicles at any time during the previous year**. Open with that sentence naming the previous year, then compute; an answer that starts with the table has skipped a mark.

The two rates under section 44AE are **`1,000 per ton of gross vehicle weight**, per month or part of a month, for each heavy goods vehicle, and **`7,500 per month** for each goods carriage other than a heavy goods vehicle. A **heavy goods vehicle exceeds 12,000 kg** of gross vehicle weight. The trap: a vehicle of exactly 12,000 kg does not exceed the limit, so vehicle C at 12,000 kg is charged at **`7,500 a month** and not at the per-ton rate.

The table has fixed columns — vehicle, date of purchase, **number of months the vehicle is owned**, rate, tons, and amount as the product of the last three — with the heavy goods vehicles grouped above the light ones. A vehicle owned from an earlier year counts **12 months**; one purchased on 15-05-2025 counts **11 months**, counting part of a month as a month.

The recurring correction is the one the examiner plants twice: **the 'put to use' date is not relevant** under section 44AE, because the income is computed per month or part of a month for which the vehicle is **owned**. So a vehicle lying under repair through the year and a vehicle bought in May but first used in the following May are both charged for the months of ownership. Say this in a closing sentence, as the printed answers do.

Application use the rule - work the problem · 2 questions

- Count the months of ownership vehicle by vehicle and write the count in its own column; then total. Give the closing sentence that the date of putting to use is irrelevant, because one mark is reserved for it.

Q. 5.1 · MTP 2026-Jan S1 · 5M · Pg 184

LEVEL II
Application

Medium

Q. 5.2 · PYQ 2019-Nov · 4M · Pg 185

LEVEL II
Application

Medium

Topic 6: Computation of Business Income in Cases Where Income is Partly Agricultural and Partly Business in Nature

L2P3-A-C5-T06

Read first Read ICAI Study Material Chapter 5, Profits and Gains of Business or Profession — computation where income is partly agricultural and partly business, as in growing and curing coffee.

NOTES

The computation is a single table that runs to total profits before any split: **sale value of the cured coffee**, less expenses for growing, less expenses for curing, less the business share of running and maintenance, less depreciation on each asset, giving **Total Profits**. Only then is the apportionment applied, and each of the two resulting figures is named on its own line.

For a composite business of growing and curing coffee, **25% is business income and 75% agricultural**. On total profits of `12,89,000 this gives business income of `3,22,250 and agricultural income of `9,66,750. Show the apportionment as **its own two lines** with the percentages written in; an answer that stops at total profits has not answered the question asked.

Personal use of an asset cuts both the expense and the depreciation on it. Where disallowance for personal use is 20%, running and maintenance enters as $80\% \times `50,000$  and depreciation on the car as  $80\% \times 15\% \times `3,00,000$, while machinery used wholly in the curing operations takes the full **15% on `15,00,000**. Add the note explaining the 80%, because the solutions do.

The trap is order. **Deduct every expense, including depreciation, before you apportion** — the percentages are applied to total profits and not to the sale value, and not separately to each expense. Applying the split first is the commonest way the whole answer goes wrong.

Application use the rule - work the problem · 1 question

- Run one table down to total profits, then split it in two named lines. Label the closing figures 'Business Income' and 'Agricultural Income' in those words.

Q. 6.1 · PYQ 2010-May · 6M · Pg 186

LEVEL II
Application

Medium

Topic 7: Combination of House Property and PGBP

L2P3-A-C5-T07

Read first Read ICAI Study Material Chapter 5, Profits and Gains of Business or Profession, read with Chapter 4 on Income from House Property — one property used partly for business and partly let out or self-occupied.

NOTES

Every answer of this type is laid out in two headed parts, **Income from House Property** and Profits and Gains from Business or Profession, and closes on Total Taxable Income as the sum of the two. The house property part is always six numbered lines: municipal value; fair rent; the higher of the two; standard rent; **Expected Rent, being the lower** of those two; and actual rent received or receivable. Then **GAV is the higher** of expected rent and actual rent, less municipal taxes, giving Net Annual Value.

The deductions under section 24 are **30% of NAV** and interest on loan. The portion of the property used for the business is not put through the house property computation at all: its share of municipal taxes, light and water charges, repairs, ground rent, fire insurance premium, interest on loan and **depreciation is deducted against business income** instead, each item entered at its own floor-area percentage.

Apportion by **floor area, on every single item**. In the Akash answer 75% of municipal value, fair rent and standard rent go into the let-out computation and 25% of each expense goes into the profession, right down to $25\% \times 12\% \times \text{₹}5,00,000$ of construction loan interest. The commonest lost mark is an expense taken at 100% on one side.

Pre-construction interest is allowed in five equal instalments beginning with the year of completion, and only then added to the current year's interest. Interest on a loan taken for repairs is allowed in full alongside it. Show this as a separate working note ending in Total Interest; only the let-out share of it — 75% of ₹1,29,000, being ₹96,750 — is claimed under the head house property.

Unrealised rent has its own working note: **rent received, add rent receivable, less unrealised rent**, giving actual rent received or receivable. The regime decides the self-occupied unit: under the default regime of section 115BAC interest on the self-occupied portion is **not allowed** and its income is nil, while for an assessee who has shifted out, 25% of ₹60,000 gives a **loss of ₹15,000** from that unit.

Two further items recur in the same question. Rent charged for **amenities is not house property income** — it is assessed under business or other sources, with the related expenses set against it, and a payment made in cash in excess of ₹10,000 is disallowed. On municipal taxes, a rebate for early payment reduces the deduction to the amount actually paid, and **interest on arrears is not deductible**.

Application use the rule - work the problem - 4 questions

- Write the floor-area percentage inside every bracket, as the printed solutions do, so each apportioned figure shows its own working. Then close with Total Taxable Income as the sum of the two heads.

Q. 7.1 · MTP 2026-May S2 · 6M · Pg 188

LEVEL II
Application

Medium

Q. 7.2 · MTP 2025-Jan S2 · 5M · Pg 190

LEVEL II

Medium

	Application	
Q. 7.3 · PYQ 2021-Dec · 6M · Pg 192	LEVEL II Application	Medium
Q. 7.4 · PYQ 2021-Jul · 6M · Pg 194	LEVEL II Application	Medium

SECTION A · INCOME-TAX LAW · CHAPTER 6

Capital Gains

7 Topics · 27 Classified Questions · Importance: C

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% · Level II 80-95% — this chapter reads problems first

Level I — Comprehension & Knowledge

2.7%

4 of 149 marks

Level II — Analysis & Application

97.3%

145 of 149 marks

Below this Section's Level I floor: only 3% of this chapter's marks are Comprehension and Knowledge, against ICAI's 5-20% for Income-tax Law. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Computation of Capital Gains in Case of Depreciable Assets [Section 50]

L2P3-A-C6-T01

Read first Read ICAI Study Material Chapter 6, Capital Gains — computation of capital gains on depreciable assets under section 50 and the working of the block of assets.

NOTES

Section 50 makes the gain short-term whatever the period of holding, and the printed solutions never compute it asset by asset. Build the block first: W.D.V. of the block as on 1.4.2025, add the purchases made during the year, less the sale consideration of what was sold, and call the answer the **W.D.V. of the block as on 31.03.2026**.

Capital gain arises only where the sale consideration exceeds the **opening W.D.V. plus the additions of the year**. In Q.1.1 `10,00,000 against `13,80,000 produces nothing, because the block continues to exist and the price is lower; the same block sold for `15,00,000 throws up a **short term capital gain of `1,20,000**. Give the reason in words, not just the figure.

Depreciation on what is left in the block is **15% restricted to 50% thereon, i.e. 7½%**, where that closing value represents part of the actual cost of an asset put to use for **less than 180 days**. The line reads `3,80,000 × 7.5% = `28,500. Both solutions carry the reasoning inside the table, and the reasoning is worth as much as the arithmetic.

The last part of these questions changes one figure and asks whether the workings differ. Rework only what moves: with the block exhausted there is no depreciation to claim, and the answer becomes **sale consideration less opening W.D.V. less additions**, set out as its own small table.

Where the same question carries a section 35 rider, the solutions tabulate the payment, the section, the percentage of deduction and the deduction. Payment to an approved University is allowed **100% under section 35(1)(ii)**; a college **not stated to be approved** gets **NIL**. Do not read approval into facts the question does not state.

Application use the rule - work the problem · 2 questions

- Lay out the block table first and take both the depreciation and the capital gain from it. An answer that computes gain on the two machines alone scores nothing.
- Write the half-rate reasoning inside the depreciation line, naming the asset put to use for less than 180 days.

Q. 1.1 · MTP 2025-Sep S1 · 4M · Pg 197

LEVEL II
Application

Medium

Q. 1.2 · MTP 2025-Jan S1 · 6M · Pg 199

LEVEL II
Application

Medium

Topic 2: Slump Sale [Section 50B]

L2P3-A-C6-T02

Read first Read ICAI Study Material Chapter 6, Capital Gains — slump sale under section 50B and the computation of net worth.

NOTES

Section 50B charges the profits and gains arising from a slump sale as capital gains of the previous year in which the transfer took place. Where the undertaking was owned and held for **more than 36 months** before the sale the gain is long-term, and **indexation benefit is not available**. Every solution states both of these in words before it opens the table.

The full value of consideration is the higher of the **FMV of the capital assets transferred** by way of slump sale and the FMV of the monetary consideration received. Q.2.1 takes `18,10,000 against `18,00,000; Q.2.2 takes `90 lakhs against `75 lakhs; Q.2.3 takes `40 lakhs against `35 lakhs. Show the comparison, then the figure you picked.

The table runs: full value of consideration; less expenses on sale, being professional fees and brokerage; net full value of consideration; less **cost of acquisition, being the net worth**; long term capital gain on slump sale. Net worth is **deemed to be the cost of acquisition and of improvement** under section 50B, so it appears on the deduction line and nowhere else.

Net worth is the aggregate value of total assets less the liabilities as they appear in the books. Take non-depreciable assets at **book value**, depreciable assets at the **W.D.V. under section 43(6)**, and put self-generated goodwill and an asset allowed in full under section 35AD at **nil**. **Revaluation is never considered**, so strip the revaluation reserve out of the land before you add it in.

Where a cost is given and no depreciation has been provided, work the W.D.V. down yourself before you use it. The solutions apply **10% on furniture and 25% on patents and trademarks**, and **half the rate** where the asset was put to use for less than 180 days in the year of purchase. Q.2.1 takes the patent from `7,25,000 to `6,34,375 to `4,75,781 across two years.

Only the undertaking's own liabilities come off, and the questions hide them behind percentages: a

bank loan **70% for Unit 1 leaves 30% for Unit 2**. Personal items are not liabilities of the undertaking — a bank loan taken for personal purpose, the amount payable for the wife's ornaments, an advance from the wife she has agreed to waive — and each is **deducted from the liability figure** before it is set against the assets.

The trap the solutions keep correcting is the missing conclusion. Each one writes **held for more than 36 months** inside the final line of the table and adds that indexation is not available in a slump sale. A correct net worth with no such sentence still loses the last mark.

Application use the rule - work the problem · 5 questions

- Build net worth as a labelled note below the main table, not inside it, with a separate sub-note for every asset whose depreciated value you had to derive.
- Close with the long-term conclusion naming the 36 month holding and the absence of indexation.

Q. 2.1 · MTP 2026-May S1 · 6M · Pg 200	LEVEL II Application	Medium
Q. 2.2 · MTP 2025-May S2 · 5M · Pg 202	LEVEL II Application	Medium
Q. 2.3 · PYQ 2025-Jan · 6M · Pg 204	LEVEL II Application	Medium
Q. 2.4 · PYQ 2021-Jul · 4M · Pg 205	LEVEL II Application	Medium
Q. 2.5 · PYQ 2018-May · 10M · Pg 207	LEVEL II Application	Hard

Topic 3: Exemption u/s 54

L2P3-A-C6-T03

Read first Read ICAI Study Material Chapter 6, Capital Gains — exemption under section 54 on transfer of a residential house.

NOTES

Section 54 exempts the long term capital gain on transfer of a residential house where the assessee purchases one residential house in India **within one year before or two years after** the date of transfer. The exemption is the **lower of the gain and the cost of the new house**, and the solutions set both figures out under the words 'Lower of'.

The table is always the same: full value of consideration, less expenses on transfer, net consideration, less cost of acquisition and cost of improvement, **gross long term capital gains**, less exemption under section 54, taxable long term capital gains. A residential house held for **more than 24 months** is long-term; write that reason inside the gain line itself.

The full value of consideration comes through **section 50C**. The stamp duty value displaces the actual consideration only where it **exceeds 110% of the consideration**. Where the date of agreement differs from the date of registration, the value **on the date of agreement** may be used, but only if whole or part of the consideration was received by account payee cheque, bank draft, ECS or a prescribed electronic mode on or before that date. Where the assessee appealed and the Valuation Officer fixed a lower value, that lower value becomes the full value of consideration.

Two limits the examiner likes. The exemption reaches **one residential house in India** only — the house in UK in Q.5.2 earns nothing, and where two Indian houses are bought you claim the **more beneficial** one, ₹130 lakhs there. And where the cost of the new house exceeds ₹10 crores the excess is left out of account, so Q.3.3 exempts ₹10 crores out of a ₹13 crore house.

The new house may not be transferred within **three years**. If it is, the **exemption claimed earlier is deducted from its cost of acquisition**, and since it was held for less than 24 months the resulting gain is **short-term**. Q.3.4 reduces the cost to nil and taxes the whole ₹30,00,000; Q.3.3 leaves a cost of ₹3 crores; Q.3.5 carries ₹92,74,324 forward as a reduction of the Panchkula cost.

Where the house was acquired before **1.4.2001** the cost of acquisition is the **higher of actual cost and FMV as on 1.4.2001**. Property inherited or gifted by a relative carries the **cost to the previous owner**, and the gift escapes section 56(2)(x) because a father is a relative.

A residential building **acquired before 23.7.2024** and transferred on or after that date may be taxed at **20% with indexation or 12.5% without**, whichever is more beneficial. The option settles the **rate only**; the capital gain inside the table is still computed without indexation.

Application use the rule - work the problem - 5 questions

- Show the exemption as 'Lower of' with both the capital gain and the cost of the new house on their own lines, then the taxable long term capital gain.
- Where the question runs to a second assessment year, open a fresh table for it and carry the earlier exemption down as a reduction of cost.

Q. 3.1 · MTP 2024-Sep S2 · 5M · Pg 209	LEVEL II Application	Medium
Q. 3.2 · PYQ 2024-May · 4M · Pg 210	LEVEL II Application	Medium
Q. 3.4 · MTP 2023-Nov S2 · 4M · Pg 214	LEVEL II Application	Medium
Q. 3.5 · MTP 2023-Nov S1 · 7M · Pg 215	LEVEL II Application	Medium
Q. 3.3 · RTP 2024-May · DESC · Pg 212	LEVEL II Application	Hard

Topic 4: Exemption u/s 54B

L2P3-A-C6-T04

Read first Read ICAI Study Material Chapter 6, Capital Gains — exemption under section 54B on transfer of agricultural land.

NOTES

Section 54B exempts the capital gain on transfer of agricultural land used by the assessee or his parents for agricultural purposes for **at least 2 years** before the transfer, where new agricultural land, urban or rural, is purchased **within 2 years**. The exempt amount is the lower of the capital gain and the cost of the new land, set out as a 'Lower of' pair.

The printed working runs: full value of consideration ₹85,00,000, less expenses on transfer of ₹75,000, net consideration ₹84,25,000, less cost of acquisition ₹10,85,000, capital gains ₹73,40,000, less exemption of ₹40,00,000, **taxable capital gains ₹33,40,000**. Note that the brokerage is **1% of the actual sale consideration** of ₹75,00,000, not of the substituted stamp duty value.

Full value of consideration is the **stamp duty value on the date of agreement**, ₹85 lakhs, and two findings must both be stated: ₹4 lakhs was paid through IMPS on the date of agreement, and that stamp duty value exceeds **110% of the sale consideration** of ₹75,00,000 under section 50C.

If the newly purchased agricultural land is transferred **within three years**, the exemption claimed earlier is withdrawn. The exception the solution turns on: where the new land is **rural agricultural land** it is **not a capital asset**, so its sale in March 2027 withdraws nothing.

The trap is indexation. Cost inflation indices are supplied and the land was bought in 2002, yet the printed answer deducts the **cost of acquisition of ₹10,85,000** as it stands. Do not index.

Application use the rule - work the problem · 1 question

- Put the exemption on a 'Lower of' pair — capital gains and cost of new agricultural land — and close with the taxable figure named as capital gains.
- Deal with the later sale of the new land in a short reasoned paragraph, saying whether the exemption is withdrawn and why.

Q. 4.1 · PYQ 2024-Sep · 4M · Pg 217

LEVEL II
Application

Medium

Topic 5: Exemption u/s 54EC

L2P3-A-C6-T05

Read first Read ICAI Study Material Chapter 6, Capital Gains — exemption under section 54EC on investment in capital gains bonds.

NOTES

Section 54EC exempts the long term capital gain to the extent it is invested in capital gains bonds, NHAI bonds in every printed question, **within six months from the date of transfer**, subject to a **maximum of `50 lakhs**. The exemption line is the lower of the actual capital gain and the amount so invested.

Count the six months and write the closing date out. Q.5.1 transfers on 10.2.2026, so the window closes on **09.08.2026**, and both `45 lakhs and `15 lakhs fall inside it — yet only **`50 lakhs** of the `60 lakhs is exempt. Q.5.2 closes on **13.1.2026** and caps `90 lakhs at `50 lakhs. The ceiling holds whether the investment falls **in the current or the next financial year**.

The section reaches only a long term capital asset **being land or building or both**. Q.6.3 refuses it outright on unlisted shares, so `3,00,000 of NHAI bonds there earns nothing. An investment made outside the window earns nothing either: Q.7.6 disallows `19,00,000 invested on 21 March 2026 against a transfer on **4 September 2025**.

Where sections 54 and 54EC both apply the solutions take them in that order — gross long term capital gain, less **exemption under section 54**, then less **exemption under section 54EC** on the reduced figure, and only then the taxable long term capital gain. Q.5.2 runs `6,13,90,000 down to `4,83,90,000 and then to `4,33,90,000.

Cost of acquisition in both questions is built in two lines: cost of the vacant land plus **registration and other expenses at 10%**, then the construction cost of the residential building. `80 lakhs plus `8 lakhs plus `100 lakhs makes `1,88,00,000.

Advance money forfeited **on or after 1.4.2014** is taxable under Income from Other Sources by section 56(2)(ix), and is **not deducted from the cost of acquisition**. Only an advance forfeited before that date reduces the cost, under section 51. The solutions correct this slip in Q.5.2 and again in Q.7.5.

Application use the rule - work the problem · 2 questions

- Write the last date of the six month window on its own line, then test each investment against it, then apply the `50 lakh ceiling to the total.
- Where two exemptions apply, deduct section 54 first and take section 54EC on the reduced gain, as the printed solutions do.

Q. 5.1 · MTP 2025-Jan S1 · 4M · Pg 219

LEVEL II
Application

Medium

Q. 5.2 · PYQ 2017-May · 8M · Pg 221

LEVEL II
Application

Medium

Topic 6: Exemption u/s 54F

L2P3-A-C6-T06

Read first Read ICAI Study Material Chapter 6, Capital Gains — exemption under section 54F and deposits in the Capital Gains Accounts Scheme.

NOTES

Section 54F exempts the gain on a long term capital asset other than a residential house where the **net consideration** is invested in a residential house. The exemption is **proportionate**, not the whole cost: $\text{capital gain} \times \text{cost of the new house} \div \text{net consideration}$. Q.6.1 gives $\text{₹}47,30,000 \times \text{₹}40,00,000 \div \text{₹}69,30,000 = \text{₹}27,30,159$.

Write the fraction inside the exemption line exactly as the solutions do, because the proportion is where the mark sits. Q.6.2 exempts $\text{₹}5,00,000 \times \text{₹}7,98,000 \div \text{₹}9,98,000 = \text{₹}3,99,800$ from a gain of $\text{₹}7,98,000$ and leaves **taxable capital gains of ₹3,98,200**. The denominator is the **net consideration** after transfer expenses, never the gross.

A deposit in the **Capital Gains Accounts Scheme** made **on or before the due date of filing the return** is deemed to be the cost of the new asset. Q.6.2 deposits $\text{₹}5,00,000$ on 15.6.2026 for A.Y. 2026-27 and takes the exemption on the deposit itself, before any house is bought.

The unutilised amount is charged as capital gains **on a proportionate basis** in the previous year in which the **three year period from the date of transfer expires**. From 17.5.2025 that period ends on 16.5.2028, so the charge falls in **P.Y. 2028-29, A.Y. 2029-30**, and comes to $\text{₹}50,000 \times \text{₹}7,98,000 \div \text{₹}9,98,000 = \text{₹}39,980$. Name the assessment year; the question asks for it.

Conditions to state before you allow anything. The assessee must **not own another residential house**, which Q.6.3 records before granting the exemption, and the house must be acquired **within 2 years** of the transfer. Section 54EC sits alongside but is refused on shares, since it reaches only **land or building**.

Q.6.1 layers a buy-back on top. From **1 October 2024** the sum received on buy-back is **dividend, taxable under Income from Other Sources**; under **section 46A** the full value of consideration for capital gains is deemed **nil**, so the entire cost of acquisition becomes a long term capital loss. $\text{₹}20,00,000$ of loss set against $\text{₹}19,99,841$ of gain leaves **₹159 to be carried forward** to A.Y. 2027-28.

Remembering reproduce what you have learnt · 1 question

- The conditions of section 54F are a list and the marks follow the count. Name all of them before you apply any.

Application use the rule - work the problem · 2 questions

- Show the proportion as a written fraction inside the table, then the taxable gain, then the assessment year of any unutilised deposit.
- Where the question asks about the unutilised amount, give the expiry date, the previous year and the assessment year, and then the proportionate figure.

Q. 6.1 · MTP 2026-Sep [2] (b) · 6M · Pg 224

LEVEL II
Application

Medium

Q. 6.3 · RTP 2023-May · DESC · Pg 227

LEVEL II
Application

Medium

Topic 7: Taxability of Capital Gains

L2P3-A-C6-T07

Read first Read ICAI Study Material Chapter 6, Capital Gains — taxability of capital gains under sections 112 and 112A, and the full value of consideration under section 50C.

NOTES

Section 112A taxes long term gain on listed equity shares and units of an equity oriented fund on which STT was paid at **12.5%** on the amount exceeding `1,25,000, plus **cess at 4%** and without indexation. Below `1,25,000 nothing is chargeable, which is how Q.7.3 disposes of the `30,000 gain on Fund A.

For such an asset acquired before **1 February 2018**, cost of acquisition is the higher of the actual cost and the **lower of the FMV as on 31.1.2018** and the full value of consideration. FMV is the **highest price quoted** on the recognised stock exchange on 31.1.2018, not the average and not the lowest, or the **net asset value** where the units were unlisted on that date. Set the five lines out as the solutions do: FMV, full value, whichever is lower, actual cost, whichever is higher.

For **land or building acquired before 23.7.2024** and transferred on or after it, tax is the lower of **20% with indexation** and **12.5% without**. Compute both, show both, then write 'Lower of (A) and (B)'. The option decides the **rate only** — the gain itself is computed without indexation. Any other long term asset, such as jewellery held for more than 24 months in Q.7.1, is simply taxed at 12.5%.

Section 50C sets the full value of consideration. The stamp duty value replaces the actual consideration only where it **exceeds 110% of the consideration** — Q.7.2 keeps `80,00,000 because `83,50,000 does not, while Q.7.1 substitutes `90,00,000 because `88,00,000 is crossed. Where the dates of agreement and registration differ, the **value on the date of agreement** applies if part of the consideration came by account payee cheque, bank draft, ECS or a prescribed electronic mode on or before it.

An **unexhausted basic exemption limit** is set against the long term gain before the rate is applied — `4,00,000 in the default regime in Q.7.2, `2,50,000 on shifting out in Q.7.4. A **non-resident gets**

no such benefit, as Q.7.4 records for Mr. Vishal. Then add surcharge at 10% where total income exceeds `50 lakhs but not `1 crore, and cess at 4%.

Where the asset was acquired before 1.4.2001 the cost is the **higher of actual cost and FMV as on 1.4.2001**, and that figure is **restricted to the stamp duty value as on 1.4.2001** where one is given. Q.7.1 therefore takes `10,00,000, not the `10,80,000 FMV. Actual cost includes the brokerage or stamp duty paid on purchase, and any advance forfeited before 1.4.2014 comes off it under **section 51**.

Conversion of a capital asset into stock in trade splits the answer in two. Business profit is **sale proceeds less FMV on the date of conversion**; the capital gain is **FMV on the date of conversion less cost of acquisition**. Q.7.7 takes the **closing price** as that FMV under section 2(22B), reserving the highest-price rule to section 55(2)(ac). Bonus shares allotted after 1.4.2001 carry a cost of **nil**; those allotted earlier take the FMV as on 1.4.2001.

Application use the rule - work the problem · 8 questions

- Compute the gain in one table and the tax in a second. The tax table carries the rate, the basic exemption adjustment, the surcharge and the cess as separate lines.
- Where both the 20% and the 12.5% routes are open, work both and end with the words 'lower of', naming which is beneficial.

Q. 7.1 · MTP 2026-Sep S1 · 4M · Pg 229	LEVEL II Application	Medium
Q. 7.2 · PYQ 2025-Sep · 6M · Pg 231	LEVEL II Application	Medium
Q. 7.3 · MTP 2024-Sep S1 · 4M · Pg 233	LEVEL II Application	Medium
Q. 7.5 · MTP 2023-May S1 · 7M · Pg 237	LEVEL II Application	Medium
Q. 7.7 · PYQ 2020-Nov · 5M · Pg 241	LEVEL II Application	Medium
Q. 7.8 · PYQ 2019-Nov · 6M · Pg 243	LEVEL II Application	Medium
Q. 7.9 · PYQ 2013-May · 8M · Pg 245	LEVEL II Application	Medium
Q. 7.4 · RTP 2023-Nov · DESC · Pg 235	LEVEL II Application	Hard

Analysis break it down and take the parts separately · 1 question

- Where several securities are sold, take each under its own sub-heading with its own cost rule and its own gain, then total. A single merged table loses the items it does not name.
- Read the residence status and the other income before you apply the basic exemption limit; a non-resident and a resident are treated differently on the same facts.

Q. 7.6 · MTP 2022-Nov S1 · 4M · Pg 240

LEVEL II
Analysis**Medium**

SECTION A • INCOME-TAX LAW • CHAPTER 7

Income from Other Sources

3 Topics • 16 Classified Questions • Importance: D

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% • Level II 80-95% — this chapter reads problems first

Level I — Comprehension & Knowledge

0.0%

0 of 78 marks

Level II — Analysis & Application

100.0%

78 of 78 marks

Below this Section's Level I floor: none of this chapter's marks are Comprehension and Knowledge, against ICAI's 5-20% for Income-tax Law. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Dividend and Deemed Dividend

L2P3-A-C7-T01

Read first Read ICAI Study Material Chapter 7, Income from Other Sources — dividend and deemed dividend under section 2(22), and the year in which dividend is charged.

NOTES

Section 2(22)(e) treats any loan or advance given by a **closely held company**, one in which the public are not substantially interested, to a shareholder holding **not less than 10% of voting power** as a dividend, chargeable in the recipient shareholder's hands **to the extent of accumulated profits**. An advance of ₹2,00,000 to a 22% shareholder where accumulated profit is ₹1,00,000 gives ₹1,00,000; a loan of ₹5,00,000 to a 10% shareholder where accumulated profits are ₹2,00,000 gives ₹2,00,000. Both answers close by naming the head: chargeable under Income from Other Sources.

Section 2(22)(c) covers distribution of assets on liquidation, and it is a dividend only **to the extent attributable to accumulated profits**. Where a shareholder receives a building of fair market value ₹1,50,000 and cash ₹50,000 and the general reserve attributable to his share capital is ₹1,25,000, then ₹1,25,000 is deemed dividend and the balance ₹75,000 is the full value of consideration for capital gains. **Section 56(1)(i)** puts dividend under **Income from Other Sources**, and the solutions apply that even to a dealer in shares.

Dividend from shares of an Indian company and from units of an Indian equity oriented mutual fund is **taxable in the hands of the shareholder or unit holder**. Where the sum received is net, **gross it up for TDS at 10% under section 194**: ₹7,65,000 plus ₹3,60,000 is ₹11,25,000, and $₹11,25,000 \times 100/90 = ₹12,50,000$; likewise $₹45,000 \div 90\% = ₹50,000$. The grossed-up figure, not the receipt, is what enters the computation.

On timing, the printed solution charges a dividend **declared at an annual general meeting in October 2024** in A.Y. 2025-26, so a ₹50,000 receipt in April 2025 falls outside A.Y. 2026-27 — and then records the alternative view that dividend may be taxed **on receipt basis**, since the exact

amount can be fixed only on payment or distribution, which would bring it back in and lift the total from ₹2,25,000 to ₹2,75,000. State which view you adopt and give the resulting total; the second figure is itself a mark.

Application use the rule - work the problem • 1 question

- Cap the charge at accumulated profits and say so in words, not just in the arithmetic. The advance may be larger than the amount charged.
- Where the receipt is described as net, gross it up before you carry it in, and show the $\times 100/90$ step on its own line.

Q. 1.1 • PYQ 2024-May • 2M • Pg 249

LEVEL II
Application

Easy

Analysis break it down and take the parts separately • 1 question

- Where the question puts several receipts in front of you, deal with them in the order given, each with its own provision and its own taxable figure.

Q. 1.2 • PYQ 2018-Nov • 2M • Pg 250

LEVEL II
Analysis

Medium

Topic 2: Gifts [Section 56(2)(x)]

L2P3-A-C7-T02

Read first Read ICAI Study Material Chapter 7, Income from Other Sources — gifts and property received without consideration or for inadequate consideration under section 56(2)(x).

NOTES

Section 56(2)(x) has four limbs and each carries its own threshold. A sum of money received without consideration is **taxable in full where the aggregate exceeds ₹50,000** in the year, so four cash gifts of ₹21,000 aggregating ₹84,000 are taxable as ₹84,000 and not as the excess over ₹50,000. Immovable property without consideration is charged where the stamp duty value exceeds ₹50,000. Immovable property for inadequate consideration is charged on the difference where that difference **exceeds the higher of ₹50,000 and 10% of the consideration**. Specified movable property is charged where the aggregate fair market value less the consideration **exceeds ₹50,000**.

The charge bites only on '**property**' as the section defines it: immovable property, and shares and securities, jewellery, drawings, paintings, sculptures, archaeological collections, any other work of art, and bullion. **A car is not property**, so a car worth ₹7,00,000 gifted by a friend, and a car of fair market value ₹5,50,000 bought for ₹2,50,000, are both outside the section. **Rural agricultural land is not a capital asset** and is outside it too. So is stock-in-trade: shares bought below market value

by a dealer in shares, and sold in the course of his business, are not charged, because they are not a capital asset in his hands.

The exclusions to know are receipts from a **relative**, receipts **on the occasion of the individual's own marriage**, and any sum of money or property from a **trust or institution registered under section 12AB**. ₹5,00,000 from a father and ₹51,000 from a sister are exempt whatever the occasion; ₹1,00,000 and ₹5,00,000 received from 12AB trusts to meet medical expenses are exempt. The trap the solutions correct twice: a cash gift of ₹51,000 from a non-relative on the occasion of **the marriage of the assessee's son** is taxable, because the marriage relieved is the assessee's own, not his child's.

Where the date of agreement differs from the date of registration, the **stamp duty value on the date of agreement** may be taken, but only where the whole or part of the consideration was paid on or before that date **by account payee cheque, bank draft or ECS** or other prescribed electronic mode. A down payment of ₹5,00,000 by demand draft or ₹15 lakhs by account payee cheque lets you use the earlier value; **a ₹25 lakh down payment in cash does not**, and the value on the date of registration then governs. The same proviso runs word for word through sections 50C, 43CA and 56(2)(x), so decide it once and apply it to both parties.

Every one of these questions has two sides and the two tests are not the same. The transferor of a capital asset falls under **section 50C**, and of stock-in-trade under **section 43CA**: the stamp duty value is substituted as full value of consideration only where it **exceeds 110% of the consideration**. The recipient falls under section 56(2)(x) and is charged where the difference exceeds the higher of ₹50,000 and 10% of consideration. So a plot sold at ₹45 lakhs against a stamp value of ₹49 lakhs on the date of agreement gives the seller nothing extra and the buyer nothing at all, while ₹45 lakhs against ₹53 lakhs gives the seller a deemed consideration of ₹53 lakhs and the buyer ₹8,00,000 under Income from Other Sources. Unquoted shares sold below fair market value attract **section 50CA** for the transferor and 56(2)(x) for the recipient on the same difference.

Follow the amount through to the next transaction. Where a sum has been charged under section 56(2)(x), that **stamp duty value becomes the cost of acquisition** on a later sale: a plot taxed at ₹53,00,000 and sold for ₹55,00,000 yields short-term capital gains of ₹2,00,000, and land whose ₹6,00,000 stamp value was taxed and which is sold for ₹8,00,000 yields ₹2,00,000. **The previous owner's holding period is not counted** for property received as a gift and charged under this section, so a sale within 24 months is short-term.

Set the answer out under **one heading for each party** — 'Tax consequences in the hands of Mr. A', then Mr. B — and within each, name the section, show the threshold arithmetic, and close on the head and the year: **taxable under the head Income from Other Sources in A.Y. 2026-27**. Where the question only asks whether items are chargeable, the printed answers use a three-column taxable or non-taxable layout with a reason against every line, and a non-taxable line still carries its reason.

Application use the rule - work the problem · 6 questions

- Write the threshold out as a comparison: the difference, then the higher of ₹50,000 and 10% of consideration, then the verdict. The figure without the comparison loses the reasoning mark.
- Where the question then asks for capital gains, carry the taxed value forward as cost of acquisition and state the period of holding before you label the gain short-term or long-term.

Q. 2.2 · MTP 2026-May S1 · 4M · Pg 251	LEVEL II Application	Medium
Q. 2.3 · MTP 2026-Jan S2 · 5M · Pg 252	LEVEL II Application	Medium
Q. 2.5 · PYQ 2025-May · 4M · Pg 255	LEVEL II Application	Medium
Q. 2.8 · PYQ 2022-May · 8M · Pg 259	LEVEL II Application	Medium
Q. 2.9 · PYQ 2019-May · 8M · Pg 261	LEVEL II Application	Medium
Q. 2.10 · PYQ 2018-Nov · 6M · Pg 263	LEVEL II Application	Medium

Analysis break it down and take the parts separately · 5 questions

- Take the parties one at a time under their own headings, and inside each take the transactions one at a time under their own numbers. A joint paragraph loses the marks for the party it does not name.
- Decide the date-of-agreement question first, because it fixes the stamp duty value for the transferor and the recipient alike; the mode of payment, not the amount, decides it.

Q. 2.11 · PYQ 2018-May · 3M · Pg 264	LEVEL II Analysis	Easy
Q. 2.1 · PYQ 2026-May [3] (b) · 4M · Pg 250	LEVEL II Analysis	Medium
Q. 2.4 · MTP 2026-Jan S1 · 5M · Pg 253	LEVEL II Analysis	Medium
Q. 2.6 · MTP 2025-Jan S2 · 5M · Pg 256	LEVEL II Analysis	Medium
Q. 2.7 · RTP 2022-Nov · DESC · Pg 257	LEVEL II Analysis	Hard

Topic 3: Deductions Allowable [Section 57]

L2P3-A-C7-T03

Read first Read ICAI Study Material Chapter 7, Income from Other Sources — the deductions allowable under section 57 and the receipts charged under section 56(2).

NOTES

Interest on enhanced compensation is **chargeable in the year of receipt**, whatever method of accounting the assessee follows and whatever earlier previous years the interest relates to. Against it **section 57 allows a flat deduction of 50%**. So ₹3,00,000 received on 31.3.2026, of which 40% relates to P.Y. 2024-25, is charged as ₹1,50,000 in P.Y. 2025-26, and ₹5,00,000 spread over three earlier years is charged as ₹2,50,000.

The trap is that **the 50% is the only deduction** allowed against that interest. Where the assessee had paid ₹1,00,000 to her advocate for his efforts in the matter, the printed solution still charges ₹2,50,000; the fee is not allowed on top of the statutory half.

Family pension — pension received from the employer of a deceased spouse — is charged under Income from Other Sources after a deduction of **one-third of the pension or a ceiling, whichever is lower**. The solutions use **₹25,000 under the default regime**, so ₹99,000 less the lower of ₹33,000 and ₹25,000 leaves ₹74,000; and **₹15,000 on opting out**, so ₹2,50,000 less the lower of ₹83,333 and ₹15,000 leaves ₹2,35,000. Take the ceiling from the regime the question states.

An advance forfeited falls under section 56(2)(ix) where negotiations for the transfer of a capital asset do not result in a transfer, and it is taxable in full with no deduction: ₹1,00,000 forfeited on 1.5.2025 is charged as ₹1,00,000. It is not reduced from the cost of the asset, because the forfeiture is on or after 1.4.2014.

These questions arrive as a list of unconnected receipts under the instruction that **the reasons should form part of your answer**. Answer in one numbered table: the item and its reason in the narration column, the amount in the money column, nil items included with their reason, closing on **Taxable amount**. Name the provision in every reason — section 56(2)(ix), section 56(2)(x), section 57 — because that is where half of these marks sit.

Application use the rule - work the problem · 1 question

- Show the deduction as its own line under the gross receipt, then the net figure. Writing only the net amount loses the deduction mark.
- Total the table and label the last line, and where the pack's answer records an alternative view on an item, give the revised total as well.

Q. 3.1 · PYQ 2023-Nov · 4M · Pg 265

LEVEL II
Application

Medium

Analysis break it down and take the parts separately · 2 questions

- Separate what is deductible under section 57 from what is not, and say against which income each deduction runs. A single list of expenses without that pairing does not score.

Q. 3.2 · PYQ 2022-Nov · 6M · Pg 266

LEVEL II
Analysis

Medium

Q. 3.3 · PYQ 2020-Nov · 4M · Pg 267

LEVEL II
Analysis**Medium**

SECTION A · INCOME-TAX LAW · CHAPTER 8

Income of Other Persons Included in Assessee's Total Income

4 Topics · 16 Classified Questions · Importance: D

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% · Level II 80-95% — this chapter reads problems first

Level I — Comprehension & Knowledge

0.0%

0 of 82 marks

Level II — Analysis & Application

100.0%

82 of 82 marks

Below this Section's Level I floor: none of this chapter's marks are Comprehension and Knowledge, against ICAI's 5-20% for Income-tax Law. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Income Arising to the Spouse from an Asset Transferred Without Adequate Consideration [Section 64(1)(iv)]

L2P3-A-C8-T01

Read first Read ICAI Study Material Chapter 8, Income of Other Persons Included in Assessee's Total Income — income arising to the spouse from an asset transferred without adequate consideration under section 64(1)(iv).

NOTES

Section 64(1)(iv) includes in the transferor's income the income arising from an asset transferred to the spouse **otherwise than for adequate consideration** and not in connection with an agreement to live apart. The solutions insist that the word **income here includes loss**, so a loss comes back to the transferor exactly as a profit would.

Where the spouse puts the gifted money into a business as capital, only a proportion is clubbed: the value of the investment **as on the first day of the previous year to the total investment in the business**. Q.1.1 clubs `1,20,000 × 6/10 = `72,000 of loss; Q.1.2 clubs `5 lakhs × `4 lakhs ÷ `12 lakhs = `1,66,667 of profit. Write the fraction into the line.

A clubbed business loss does not simply disappear. Q.1.1 states in the computation itself that the `72,000 **cannot be set off against salary income** and **has to be carried forward** to the next year. The figure without that sentence does not carry the mark.

Income arising from the **accretion** of the transferred asset is not clubbed. In Q.1.3 the `50,000 of interest on the money lent is clubbed with the husband, but the **short term capital gain of `25,000** on shares bought out of that interest is **taxable in her own hands**. The gift itself falls outside **section 56(2)(x)**, a spouse being a relative.

Two transfers escape the section altogether. A transfer **for adequate consideration** attracts no clubbing, so the flat in Q.2.7 is taxed to the husband for the five months up to transfer and to the wife thereafter. A house transferred **in connection with an agreement to live apart** makes the **transferee the owner**, and the rent is taxed only in the transferee's hands.

Q.1.2 hangs a section 56(2)(x) limb on the same question. Gifts **received on the occasion of marriage** are not taxable, whether from relatives or non-relatives. On a purchase of immovable property the difference between stamp duty value and consideration is taxed where it exceeds the **higher of `50,000 and 10% of the consideration** — `2,50,000 there, so the `5,00,000 difference is charged, and the **date of agreement** value is used because 2% was paid by account payee cheque.

Application use the rule - work the problem · 2 questions

- Show the proportion of business profit or loss as a written fraction, then the clubbed amount, then what happens to any loss that cannot be set off.
- Where the question asks in whose hands, answer for each receipt separately with its own reason; a single joint paragraph loses the items it does not name.

Q. 1.1 · MTP 2026-Sep [4] (a) · 6M · Pg 269

LEVEL II
Application

Medium

Q. 1.3 · PYQ 2017-Nov · 5M · Pg 272

LEVEL II
Application

Medium

Analysis break it down and take the parts separately · 1 question

- Two people are in play — the transferor and the transferee. Compute the income in the transferee's hands first, then say how much of it is clubbed and in whose hands, with the reason.

Q. 1.2 · PYQ 2026-Jan · 4M · Pg 271

LEVEL II
Analysis

Medium

Topic 2: Clubbing of Minor's Income [Section 64(1A)]

L2P3-A-C8-T02

Read first Read ICAI Study Material Chapter 8, Income of Other Persons Included in Assessee's Total Income — clubbing of a minor child's income under section 64(1A) and the exemption under section 10(32).

NOTES

Section 64(1A) includes all income of a minor child in the income of the **parent whose income, before including it, is higher**. Where the parents are divorced or separated it goes instead to the parent who maintains the child, which is why Q.2.1 clubs the son's `25,000 of interest with Mrs. K

and not with him. A minor married daughter is still clubbed with the parent.

Two exceptions run through every question. Income from manual work, or from an activity involving the application of the child's own **skill, talent, specialised knowledge and experience**, is not clubbed — the reality show winnings, the quiz prize money, the script writing, the debate award. Income of a minor **suffering from a disability specified under section 80U** is not clubbed either, and is taxable in the child's own hands.

The exception stops at the skill income itself: **income earned by investing it is clubbed**. So the ₹19,000 of debenture interest in Q.2.9, the ₹15,000 of savings bank interest in Q.2.4 and the ₹5,000 on a deposit made out of exempt scholarship in Q.2.6 all come back to the parent. Scholarship is exempt under **section 10(16)**; its fruit is not.

Section 10(32) allows ₹1,500 for each child against the income so included — Q.2.3 subtracts it three times, even from Seeta's ₹2,000. It is **not available under the default regime** of section 115BAC: Q.2.2 allows nothing, while Q.2.8 on the same facts outside the regime allows ₹1,500.

A gift to a minor from a non-relative is taxable under **section 56(2)(x)** only where it **exceeds ₹50,000** — ₹21,000 and ₹45,000 are not taxed, ₹70,000 is, and the taxable gift is then clubbed with the parent. Lottery winnings are **grossed up**: $₹1,05,000 \times 100/70 = ₹1,50,000$ is clubbed, and the parent takes **credit for the ₹45,000 deducted at source**.

The same questions run **section 64(1)(ii)** alongside. Salary from a concern in which the individual has **substantial interest**, meaning **20% or more of the voting power**, is clubbed, unless the spouse holds the relevant professional qualification and the income is attributable to it — which is why Savita's accountant's salary in Q.2.5 stays with her. Where **both spouses have substantial interest** and both draw remuneration, both amounts go to the spouse whose income before that remuneration is higher.

Finish in the right order. Clubbing is done **before Chapter VI-A**, so section 80TTA then takes ₹10,000 of savings bank interest and section 80U gives a flat ₹75,000 restricted to gross total income. A loan to a shareholder with substantial interest is **not deemed dividend under section 2(22)(e)** where the company has no accumulated profits, having made losses since inception.

Application use the rule - work the problem · 10 questions

- Set the two spouses in parallel columns, total each before minors' income, then show which parent takes the clubbing and why.
- Deduct section 10(32) inside the clubbing line, once per child, and only where the assessee has shifted out of the default regime.

Q. 2.2 · MTP 2025-May S1 · 6M · Pg 276

LEVEL II
Application

Medium

Q. 2.3 · MTP 2024-Sep S1 · 4M · Pg 277

LEVEL II
Application

Medium

Q. 2.4 · PYQ 2023-May · 6M · Pg 279	LEVEL II Application	Medium
Q. 2.5 · PYQ 2022-Nov · 4M · Pg 282	LEVEL II Application	Medium
Q. 2.6 · PYQ 2021-Jul · 5M · Pg 284	LEVEL II Application	Medium
Q. 2.7 · PYQ 2020-Nov · 6M · Pg 286	LEVEL II Application	Medium
Q. 2.8 · PYQ 2019-Nov · 5M · Pg 288	LEVEL II Application	Medium
Q. 2.9 · PYQ 2018-Nov · 5M · Pg 290	LEVEL II Application	Medium
Q. 2.10 · PYQ 2018-May · 5M · Pg 292	LEVEL II Application	Medium
Q. 2.1 · RTP 2026-Jan · DESC · Pg 273	LEVEL II Application	Hard

Topic 3: Cross Transfers

L2P3-A-C8-T03

Read first Read ICAI Study Material Chapter 8, Income of Other Persons Included in Assessee's Total Income — cross transfers and clubbing in the hands of the deemed transferor.

NOTES

A **cross transfer** is two gifts that are **so intimately connected as to form part of a single transaction**, each transfer being consideration for the other. The income from the assets transferred is then assessed in the hands of the **deemed transferor**, on the reasoning that a circuitous method was adopted as a device to evade tax.

Cite the authority. The solution rests on **CIT vs. Keshavji Morarji (1967) 66 ITR 142**, decided by the Apex Court. An answer on cross transfers that names neither a provision nor a case reads as a guess and is marked as one.

Clubbing is **restricted to the extent of the cross transfer**. Where the counter-gift is larger than the first gift, only the matching amount carries: against a gift of `3 lakhs one way, only the interest on `3 lakhs is clubbed, `3,00,000} \times 9\% \times 8/12 = \text{`18,000 , the eight months running from the 1 August deposit to 31 March.

Where the counter-gift reaches a **minor child**, **section 64(1A)** applies in any case and takes priority over the arithmetic of the cross transfer: `5,00,000} \times 9\% \times 8/12 = \text{`30,000 is included in the income of the parent whose income before it is higher, the wife here, and she also takes the **`1,500 exemption under section 10(32)**.

Analysis break it down and take the parts separately · 1 question

- A cross transfer needs both legs set out before the clubbing is applied. Show the two gifts, identify the connection, then club only to the extent of the smaller transfer.

Q. 3.1 · MTP 2025-Sep S1 · 6M · Pg 293

LEVEL II
Analysis

Medium

Topic 4: Conversion of Self-Acquired Property into the Property of a Hindu Undivided Family [Section 64(2)]

L2P3-A-C8-T04

Read first Read ICAI Study Material Chapter 8, Income of Other Persons Included in Assessee's Total Income — conversion of self-acquired property into property of a Hindu Undivided Family under section 64(2).

NOTES

Section 64(2) catches the member who converts self-acquired property into property of his HUF, or transfers it to the HUF, without adequate consideration. The income from that property **continues to be included in his total income** — ₹50,000 in Q.4.2 — so the conversion buys nothing.

On partition the section reaches further. The income from the converted property **received by the spouse on partition** is deemed to arise to the transferor from property transferred indirectly to her, and is clubbed as well. The transferor is therefore taxed on **his own share and his spouse's share** of the same property.

Q.4.1 works it in three steps. Net annual value ₹1,00,000 less the deduction under **section 24(a)** at 30% gives ₹70,000; **6/12 up to the date of partition**, 30.9.2025, gives ₹35,000 included in full; then 25% for himself and 25% for Juhi of that ₹35,000, ₹8,750 each. Income from house property includible in his hands is **₹52,500**.

The remaining shares fall elsewhere, and the solution says so line by line. The minor daughter's 25% goes to whichever parent's income, before including hers, is higher, with the **₹1,500 exemption under section 10(32)**; the major son's 25% is taxed in his own hands. And **distribution on partition is not a transfer** for the levy of capital gains tax.

Q.4.2 pairs the section with a spouse transfer and tests the accretion rule. The gain on shares gifted by Mrs. R and sold by Mr. R is clubbed with her in the ratio of the **original 5,000 shares to 8,000**, while the gain attributable to the **3,000 bonus shares** is **accretion** and stays with him. The same logic gives Mr. R the ₹44,000 of interest on the gifted ₹4 lakhs and leaves Mrs. R the **₹38,500 of interest on the interest**.

Application use the rule - work the problem · 2 questions

- Apportion the annual value by months up to the date of partition, then by share percentages afterwards, and show each step on its own line.
- Close by naming the amount includible in the transferor's total income and the head of income it falls under.

Q. 4.1 · PYQ 2022-May · 4M · Pg 295

LEVEL II
Application

Medium

Q. 4.2 · PYQ 2021-Dec · 4M · Pg 296

LEVEL II
Application

Medium

SECTION A · INCOME-TAX LAW · CHAPTER 9

Aggregation of Income; Set-Off and Carry Forward of Losses

3 Topics · 23 Classified Questions · Importance: A

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% · Level II 80-95% — this chapter reads **on** profile

Level I — Comprehension & Knowledge **17.1%** 22 of 129 marks

Level II — Analysis & Application **82.9%** 107 of 129 marks

This chapter sits inside ICAI's own band for Income-tax Law — 17% Level I against 5-20%. Prepare it in those proportions: know the method, then drill it.

Topic 1: Aggregation of Income

L2P3-A-C9-T01

Read first Read ICAI Study Material Chapter 9, Aggregation of Income — unexplained investments and unexplained money, and the special rate at which such deemed income is charged.

NOTES

Section 69B applies where you own more than your books admit. The Assessing Officer finds the assessee to be the owner of bullion, jewellery or other valuable article, and the amount recorded in the books as spent on acquiring it falls short of what he finds was actually spent. The excess is deemed to be the income of the assessee for that financial year, but only **if no satisfactory explanation is offered**. Name the section before you touch the figures.

The working is one subtraction, so show it as one. **Market value less the amount recorded:** gold of ₹50,00,000 against ₹10,00,000 recorded gives an addition of ₹40,00,000. Fix the year in two steps — the ownership is found during the financial year ending 31.3.2026, so the addition is **income of the assessee for A.Y. 2026-27**.

The rate is where this topic is examined. Such income is **chargeable to tax @ 78%**, and the printed solution builds it as **@ 60% plus surcharge @ 25% and cess @ 4%**. Write the build-up in brackets beside the 78%; the bare percentage does not show you know what it is made of.

Close the way the solution closes. The Assessing Officer **can add the difference as the income of the assessee** for A.Y. 2026-27 if the assessee offers no satisfactory explanation, and that sum is then charged at the special rate. An answer that explains the provision without carrying the figure and the assessment year into a conclusion sentence loses the last mark.

Understanding explain it, and place it in context · 1 question

- Cite the section, then the condition (no satisfactory explanation), then the deeming. Two of the marks in a two-mark question are for the section number and the rate.

Q. 1.1 · PYQ 2022-May · 2M · Pg 301

LEVEL I
Understanding

Easy

Topic 2: Set-Off and Carry Forward of Losses

L2P3-A-C9-T02

Read first Read ICAI Study Material Chapter 9, Set-Off and Carry Forward of Losses — intra-head and inter-head set-off, the carry forward period for each kind of loss, and the restrictions under the default tax regime.

NOTES

Work down the heads in the order the solutions tabulate them: Salaries, House Property, Profits and Gains of Business or Profession (non-speculative first, then speculative), Capital Gains, Income from Other Sources, then Gross Total Income, and a second table headed Losses to be carried forward. **Section 70 sets off within a head, section 71 across heads**, and current year losses are absorbed before brought forward ones. **Section 71(3A) caps house property loss at `2,00,000** against income of any other head; the balance is carried forward.

Learn the carry forward clock as a list, because the second table is where half the marks sit. **House property loss: section 71B, eight assessment years.** Business loss: section 72, eight years, the limit the solutions cite as section 72(3). **Speculation loss: section 73(4), four years.** Specified business under section 35AD: section 73A(2), indefinitely. Capital loss: section 74(1), eight years. Owning and maintaining race horses: section 74A(3), four years. Unabsorbed depreciation: section 32(2), indefinitely. State the outer year as well — a race horse loss of A.Y. 2026-27 runs **upto A.Y. 2030-31.**

Three losses may be set off only against their own kind: **speculation, specified business and race horse losses.** Three may not be set off or carried forward at all: betting, gambling and card games. No loss of any kind may be set off against winnings from lotteries, card games or betting, and the solutions put that in brackets beside the income rather than leaving it unsaid. A loss from an exempt source, such as **share of loss from a firm exempt under section 10(2A)**, can neither be set off nor carried forward.

Capital losses have their own rule and it is tested every sitting. Short term capital loss **sets off against both short and long term gains**; long term capital loss only against long term gains. A long term loss on STT paid listed shares is allowed to be set off, because the gain on those shares is itself taxable under section 112A. What is left is carried forward under **section 74(1) for eight years**, against capital gains of those years only.

The default tax regime under section 115BAC is where the recent papers turn. **Interest under**

section 24(b) on a self-occupied house is not allowed, so no loss can arise from it. **House property loss cannot be set off against any other head** nor carried forward; section 115BAC(2) deems it to have been given full effect in that very year, so it is extinguished permanently and does not revive when the assessee later opts out. Additional depreciation is added back. A brought forward loss of a specified business is not allowed **if the loss is on account of the section 35AD deduction**; if it is an ordinary business loss, section 73A governs and the set-off stands. The solutions state both assumptions and give both figures, and so should you.

Other Sources is where the grossing up marks are. Take net receipts to gross first: **lottery at net ÷ 70%**, net winnings from online games the same way, dividend at net × 100/90. Then the clubbing items that keep reappearing. **Section 64(1)(ii) clubs a spouse's unqualified salary** from a concern in which there is substantial interest — shares carrying 20% or more of the voting power — and where both spouses have it, the salary goes to the one whose other income is higher. Section 64(1)(iv) clubs income from an asset transferred to a spouse, and **Explanation 2 to section 64 says income includes loss**. A minor's income from his own skill or talent is not clubbed at all.

The traps the solutions correct again and again. Count the eight years before you allow a brought forward business loss: a loss of A.Y. 2018-19 is still alive in A.Y. 2026-27, one of A.Y. 2015-16 is not. **Camels are not race horses** — loss from owning and maintaining camels for races was set off against business income, while the same loss on horses could not be. **Intra-day trading is speculative, futures and options are not**, so an F&O loss sets off against ordinary business profit. A belated return blocks the carry forward of business and capital losses but **not house property loss or unabsorbed depreciation**.

Remembering reproduce what you have learnt • 2 questions

- The set-off order and the carry-forward periods are lists. State the order — intra-head, then inter-head, then carry forward — and the number of years for each loss before you work anything.

Q. 2.10 • PYQ 2025-May • 6M • Pg 323

LEVEL I
Remembering

Medium

Q. 2.11 • PYQ 2025-Jan • 6M • Pg 326

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context • 1 question

- State the section beside every set-off you allow and every one you refuse. A figure with no section number beside it is half an answer.
- Where the question says 'briefly explain the reasons for the treatment of each item', the reason goes in the narration column of the same table, not in a separate note at the end.

Q. 2.3 • RTP 2026-Sep • DESC • Pg 305

LEVEL I
Understanding

Hard

Application use the rule - work the problem · 18 questions

- Build the computation head by head in the printed order, then a separate table of losses to be carried forward with the assessment year up to which each may run. The second table carries its own marks.
- Where the facts allow two assumptions, such as whether a specified business loss is on account of section 35AD, compute the main answer and give the alternative figure in a note, exactly as the solutions do.

Q. 2.1 · PYQ 2026-Sep [4] (a) · 6M · Pg 302	LEVEL II Application	Medium
Q. 2.2 · MTP 2026-Sep S1 [4] (a) · 6M · Pg 303	LEVEL II Application	Medium
Q. 2.4 · PYQ 2026-May [4] (a) · 6M · Pg 308	LEVEL II Application	Medium
Q. 2.5 · MTP 2026-May S2 · 6M · Pg 311	LEVEL II Application	Medium
Q. 2.6 · RTP 2026-May · PRT · Pg 313	LEVEL II Application	Medium
Q. 2.7 · PYQ 2026-Jan · 6M · Pg 315	LEVEL II Application	Medium
Q. 2.8 · MTP 2026-Jan S1 · 6M · Pg 318	LEVEL II Application	Medium
Q. 2.9 · PYQ 2025-Sep · 6M · Pg 321	LEVEL II Application	Medium
Q. 2.12 · PYQ 2024-Sep · 6M · Pg 328	LEVEL II Application	Medium
Q. 2.13 · PYQ 2024-May · 6M · Pg 331	LEVEL II Application	Medium
Q. 2.14 · PYQ 2023-Nov · 7M · Pg 333	LEVEL II Application	Medium
Q. 2.15 · PYQ 2023-Nov · 4M · Pg 335	LEVEL II Application	Medium
Q. 2.16 · PYQ 2022-May · 4M · Pg 336	LEVEL II Application	Medium
Q. 2.17 · PYQ 2021-Jul · 5M · Pg 338	LEVEL II Application	Medium
Q. 2.18 · PYQ 2020-Nov · 8M · Pg 340	LEVEL II Application	Medium
Q. 2.19 · PYQ 2019-Nov · 5M · Pg 343	LEVEL II Application	Medium
Q. 2.20 · PYQ 2018-Nov · 5M · Pg 344	LEVEL II Application	Medium
Q. 2.21 · PYQ 2017-May · 4M · Pg 346	LEVEL II Application	Medium

Topic 3: Submission of Return of Losses [Section 80]

L2P3-A-C9-T03

Read first Read ICAI Study Material Chapter 9, Submission of Return of Losses — section 80 read with section 139(3), and which losses and deductions survive a belated return.

NOTES

Section 80 read with section 139(3) is the whole answer. A specified loss which has not been determined in pursuance of a return of loss filed within the time allowed by section 139(1) cannot be carried forward to the subsequent year for set-off. Fix the dates first: a return filed on 29.9.2026 against a due date of 31 July, 2026 is a **belated return under section 139(4)**, and you should say so before you apply section 80.

Then split the losses into two lists. **Specified losses include business loss under section 72**, and they are lost. House property loss and unabsorbed depreciation are **not specified losses** — they are carried forward under sections 71B and 32(2) respectively, and survive the belated return. In the printed solution `11,20,000 of business loss goes, while `2,50,000 of house property loss and `4,80,000 of unabsorbed depreciation stay.

Section 80AC is the second half of the question and is the part candidates drop. Furnishing the return on or before the due date under section 139(1) is mandatory for claiming any deduction under **Part C of Chapter VI-A**, which includes section 80-IE. A belated return therefore costs the deduction outright — `5,50,000 under section 80-IE in the printed solution, assuming the assessee has opted out of the default tax regime.

Carry the same test into the computation questions of this chapter. Where the return of an earlier year was filed after the due date, the brought forward capital loss of that year is **not allowed to be set off** at all. Where it was filed on time, the specified business loss is carried forward. A brought forward house property loss is allowed **even if that year's return was belated**, provided the eight year period has not lapsed.

Analysis break it down and take the parts separately · 1 question

- Take each loss and each deduction on its own line with its own section, and say carried forward or lost. A single joint paragraph loses the marks for the items it does not name.
- Deal with section 80AC separately from section 80; they answer different halves of the question and the examiner marks them separately.

Q. 3.1 · PYQ 2017-Nov · 5M · Pg 348

LEVEL II
Analysis

Medium

SECTION A • INCOME-TAX LAW • CHAPTER 10

Deductions from Gross Total Income

2 Topics • 13 Classified Questions • Importance: D

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% • Level II 80-95% — this chapter reads **on profile**

Level I — Comprehension & Knowledge

8.5%

5 of 59 marks

Level II — Analysis & Application

91.5%

54 of 59 marks

This chapter sits inside ICAI's own band for Income-tax Law — 8% Level I against 5-20%. Prepare it in those proportions: know the method, then drill it.

Topic 1: Deductions under Chapter VI-A

L2P3-A-C10-T01

Read first Read ICAI Study Material Chapter 10, Deductions from Gross Total Income — deductions under Chapter VI-A, in particular sections 80C, 80CCC, 80CCD, 80D, 80E, 80EEA, 80EEB, 80G, 80GGC and 80TTB.

NOTES

The computation always runs **Gross Total Income, less deductions under Chapter VI-A, Total Income**, with a sub-heading for each section in numerical order and its own figure in the inner column. Every answer in the pack is qualified by the regime: these deductions are allowed only where the assessee has **exercised the option of shifting out** of the default tax regime under section 115BAC(1A). Open by naming the regime the question gives, then compute.

Section 80C is tested by its restrictions. The life insurance premium is capped by the date of the policy — **20% of the capital sum assured before 1.4.2012, 10% of the sum assured after 31.3.2012**, and 15% where the policy is taken on or after 1.4.2013 on the life of a person with a disability under section 80U — so `25,500 on a sum assured of `2,50,000 is cut to `25,000, and `70,000 on `4,00,000 to `60,000. PPF, repayment of housing loan principal, a deposit in a Sukanya Samriddhi account and subscription to notified NABARD bonds qualify; long-term infrastructure bonds do not; a tax saver deposit in the name of a major son does not, because the **deposit must be in the assessee's own name**; and there is no stipulation that the investment come out of income chargeable to tax.

Keep the pension deductions apart. Section 80CCE caps 80C, 80CCC and 80CCD(1) together at **`1,50,000**. The employee's own contribution under 80CCD(1) is limited to **10% of salary**, being basic pay plus the dearness allowance that forms part of pay, and is taken net of the `50,000 claimed under **section 80CCD(1B)**. The employer's contribution under 80CCD(2) is allowed at **14% of basic plus DA** where the employer is the Central Government, and the older printed answer, for

an ordinary employer, allows only 10% of salary, giving ₹30,000 out of ₹40,000.

On withdrawal, **section 80CCD(3)** deems the payment to be income of the year of receipt where deduction had been allowed on it, but section 10(12A) exempts the amount received on closure or opting out **to the extent of 60%**. A lump sum of ₹2,00,000 therefore gives ₹1,20,000 exempt and the balance ₹80,000 taxable under the head Income from Other Sources. The proviso to section 80CCD(3) is the exception the examiner likes: an amount received by a **nominee on the death of the assessee** is not deemed to be the nominee's income.

Section 80D has four figures. Premium for self, spouse and dependent children is allowed up to ₹25,000, raised to ₹50,000 **where the assessee is a senior citizen**, with a further ₹50,000 for premium on parents who are senior citizens. Preventive health check-up is restricted to ₹5,000 within those limits and is allowed even where it is paid in cash — the one cash payment that survives in this chapter, since a contribution to a political party under section 80GGC paid in cash is not allowed. A senior citizen also gets interest on deposits allowed up to ₹50,000 **under section 80TTB**.

Three deductions turn on a loan. **Section 80E** allows the whole of the interest on a loan taken for the higher education of the assessee or a relative, which includes spouse and children, with no ceiling, and it is immaterial that the son is already employed, so ₹15,000 including ₹5,000 of an earlier year is allowed in full. **Section 80EEA** gives up to ₹1,50,000 of housing loan interest over and above the ₹2,00,000 under section 24(b), where the loan was sanctioned between 1.4.2019 and 31.3.2022, the stamp duty value does not exceed ₹45 lakhs, the assessee is not eligible under section 80EE and owns no residential house on the date of sanction. **Section 80EEB** gives up to ₹1,50,000 of interest on a loan for an electric vehicle sanctioned between 1.4.2019 and 31.3.2023, and nothing on the principal.

Section 80G is a two-stage answer. The 100% categories without any qualifying limit — National Defence Fund, PM CARES Fund, Clean Ganga Fund — go in at full value. Then compute the **qualifying limit of 10% of adjusted gross total income**, apply the **100% categories subject to the limit** first (family planning), and only the **remaining limit** carries the 50% categories such as an approved public charitable institute, so ₹1,20,000 against a remaining limit of ₹82,000 gives ₹41,000. Show the remaining limit after each step, as the solutions do.

Remembering reproduce what you have learnt · 1 question

- Each deduction carries its own ceiling and its own qualifying payment. Name the section and its limit before you apply it; the limits are where the marks sit.

Q. 1.8 · PYQ 2017-Nov · 5M · Pg 364

LEVEL I
Remembering

Medium

Application use the rule - work the problem · 10 questions

- Lay the answer out as Gross Total Income, then a headed line per section, then Total Income. Where a figure is restricted, show the gross amount and the restricted amount, not only the final one.

Q. 1.4 · PYQ 2023-Nov · 3M · Pg 357	LEVEL II Application	Easy
Q. 1.1 · PYQ 2026-Sep [4] (b) · 4M · Pg 353	LEVEL II Application	Medium
Q. 1.2 · MTP 2026-Sep [3] (b) · 4M · Pg 354	LEVEL II Application	Medium
Q. 1.3 · MTP 2026-May S1 · 6M · Pg 355	LEVEL II Application	Medium
Q. 1.5 · PYQ 2023-May · 4M · Pg 358	LEVEL II Application	Medium
Q. 1.6 · PYQ 2021-Dec · 6M · Pg 360	LEVEL II Application	Medium
Q. 1.7 · PYQ 2017-Nov · 5M · Pg 363	LEVEL II Application	Medium
Q. 1.9 · PYQ 2017-May · 4M · Pg 365	LEVEL II Application	Medium
Q. 1.10 · PYQ 2015-May · 4M · Pg 366	LEVEL II Application	Medium
Q. 1.11 · PYQ 2014-Nov · 4M · Pg 367	LEVEL II Application	Medium

Topic 2: Deduction under Section 10AA

L2P3-A-C10-T02

Read first Read ICAI Study Material Chapter 10, Deductions from Gross Total Income — deduction in respect of a unit in a Special Economic Zone under section 10AA.

NOTES

Every answer opens by fixing the year and therefore the percentage: **100% of the export profits for the first five** consecutive assessment years, beginning with the assessment year relevant to the previous year in which the unit begins to manufacture or produce articles or things or provide services, and **50% for the further five** assessment years. A unit that began in P.Y. 2019-20 is in its **seventh assessment year in A.Y. 2026-27**, counting from A.Y. 2020-21, so the rate is 50%.

The formula is written out before it is used: **Export Profits = Profits of the SEZ Unit × Export Turnover ÷ Total Turnover**. Both turnover figures and the profit are those **of the SEZ unit alone**, so the figures of a Domestic Tariff Area unit never enter the fraction. That is the trap in any question which sets the two units side by side in one table.

The working note that carries the marks adjusts the turnover twice. **Freight and insurance for delivery of goods outside India** are excluded from export turnover, and because they have been excluded there, the same amount is excluded from total turnover as well. Export sales of

`90,00,000 become `80,00,000 and total sales of `1,70,00,000 become `1,60,00,000, and the deduction falls out as **50% of `20,00,000, being `10,00,000.**

Close on the deduction figure with the percentage named, and state that the other conditions specified in section 10AA are **assumed to be fulfilled** — the printed answers all carry that sentence. Where the question gives only the date on which the unit was set up, add that **manufacture is assumed to have commenced in the same year**, because the ten-year count runs from the year of commencement and not from the date of setting up.

Application use the rule - work the problem · 2 questions

- Write the formula, then the turnover working note, then substitute, then apply the percentage. The two turnover adjustments are separate marks and must both appear.

Q. 2.1 · MTP 2022-Nov S2 · 4M · Pg 367

LEVEL II
Application

Medium

Q. 2.2 · PYQ 2018-Nov · 6M · Pg 369

LEVEL II
Application

Medium

SECTION A · INCOME-TAX LAW · CHAPTER 11

Advance Tax, Tax Deduction at Source and Introduction to Tax Collection at Source

3 Topics · 47 Classified Questions · Importance: B

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% · Level II 80-95% — this chapter reads **theory-heavy**

Level I — Comprehension & Knowledge

23.1%

48 of 208 marks

Level II — Analysis & Application

76.9%

160 of 208 marks

Above this Section's Level I ceiling: 23% of this chapter's marks are Comprehension and Knowledge, against ICAI's 5-20% for Income-tax Law. Reading carries more of the preparation here than it does elsewhere; do not prepare this chapter by working sums alone.

Topic 1: Tax Deducted at Source (TDS)

L2P3-A-C11-T01

Read first Read ICAI Study Material Chapter 11, Tax Deduction at Source — the individual TDS sections with their thresholds and rates, and the consequences of failure to deduct.

NOTES

Every answer in this topic has the same four parts, and each carries a mark: the **section, the threshold, the rate and the amount**. Add the timing — tax is deducted **at payment or credit, whichever is earlier** — and, where the payer is an individual or HUF, the gate that they deduct only if turnover exceeded `1 crore in business or gross receipts `50 lakhs in profession in the immediately preceding financial year. Where nothing is deductible, say so and give the reason; the mark is for the reason, not the nil.

Section 194C: `30,000 single, `1,00,000 in the aggregate during the financial year, at **1% to an individual or HUF, 2% to others**. Separate contracts with the same contractor are aggregated for the threshold, so transport of `25,000 and catering of `90,000 make `1,15,000 and tax is deducted on the whole. 'Work' expressly includes carriage of passengers, catering and preservation in a cold storage. It does not include manufacture or supply of a product to the customer's specification where the material is bought from someone other than the customer or its associate under section 40A(2)(b) — **that is a contract for sale** and nothing is deducted. A transporter owning ten or less goods carriages at any time in the year who files a declaration with his PAN is exempt; without the PAN the rate becomes 20%.

Section 194J: threshold `50,000, applied separately to each category. The rate is 10% for fees for professional services, for royalty, and for any remuneration, commission or sitting fee to a director; it is **2% for fees for technical services**, for a payee engaged only in the business of operating a call

centre, and for royalty for the sale, distribution or exhibition of cinematographic films. **The `50,000 threshold does not apply to a director**, so sitting fees of `25,000 still bear 10%. Professional fees of `22,000 and royalty of `28,000 to the same person attract nothing, each being below its own threshold. A third party administrator paying hospitals for cashless claims deducts under 194J at 10% per Circular No. 8/2009 dated 24.11.2009. Fees for teaching, and any payment for personal purposes, fall outside the section.

The interest and winnings sections turn on the threshold and on core banking. **Section 194A, 10%:** bank interest above `50,000, but **`1,00,000 for a senior citizen**; where the bank has adopted core banking solution the interest of all branches is aggregated, and where it has not, each branch is tested on its own. Interest on a loan from a person other than a bank crosses at `10,000, and interest on compensation awarded by the Motor Accidents Claims Tribunal at `50,000. A service fee paid to a banking company bears no tax though it is 'interest' under section 2(28A). Section 193 takes interest on securities at 10% once the aggregate exceeds `10,000. **Section 194B takes winnings at 30%** above `10,000, a television contest included. Section 192A takes premature EPF withdrawal at 10%, but nothing is deducted where the employment ended through ill health.

Rent and property sit in three sections and the paper mixes them. **Section 194-I, 10% where rent exceeds `50,000 per month**, for every payer but an individual or HUF below the turnover gate, computed **exclusive of GST shown separately**; section 196 exempts rent paid to the Government. **Section 194-IB, 2%**, is the salaried or small individual paying rent above `50,000 per month, deducted in the last month of the year or of the tenancy and capped at that month's rent even when the 20% no-PAN rate applies; it covers land or building only, not machinery. **Section 194-IA, 1% of consideration or stamp duty value**, whichever is higher, where either is not less than `50 lakhs, aggregating all transferors and transferees, and counting club membership, car parking and maintenance charges as consideration; rural agricultural land is outside it. Section 194LA needs payment above `5,00,000.

Four sections exist because the ordinary ones do not reach. **Section 194M, 2%**, catches the individual or HUF outside 194C, 194H and 194J who pays a contractor, commission agent or professional **more than `50 lakhs in the year** — the pensioner rebuilding his house, the executive hiring domestic staff. Section 194N makes a bank, co-operative bank or post office deduct **2% on cash withdrawn beyond `1 crore** (`3 crore for a co-operative society); for a person who has not filed returns for all three assessment years whose due dates have expired it is **2% beyond `20 lakhs and 5% beyond `1 crore**, and the Government, banks, business correspondents and white label ATM operators are outside it altogether. Section 194Q makes a buyer whose turnover exceeded `10 crores deduct **0.1% on purchases from one resident seller beyond `50 lakhs**, GST excluded where shown separately, with non-business turnover left out of the `10 crore test. Section 194P makes a specified bank compute the total income of a specified senior citizen of 75 years or more, deduct at the rates in force, and relieve him of filing a return.

Section 194R, 10% where the benefit exceeds `20,000 in the year, applies to a benefit or perquisite arising from the recipient's business or profession, and where it is in kind the provider must ensure the tax has been paid before releasing it. **A product returned after use is not a**

benefit, where it went back to the provider after the service was rendered, so nothing is deducted. Two closing rules the questions keep reaching for: section 206AA raises the rate where PAN is not furnished — 20% under 194C and 194-IB, 5% under 194Q — and failure to deduct costs **30% disallowance under section 40(a)(ia)** plus interest at **1% per month under section 201(1A)(i)** from the date the tax was deductible to the date the payee furnishes his return, the first proviso to section 201(1) saving the payer from being an assessee in default once the payee has returned that income and paid the tax.

Remembering reproduce what you have learnt • 4 questions

- The threshold and the rate are the answer. State the section, the threshold below which no tax is deducted, and the rate, in that order.

Q. 1.5 • PYQ 2026-Jan • 4M • Pg 378	LEVEL I Remembering	Medium
Q. 1.15 • MTP 2024-May S1 • 4M • Pg 387	LEVEL I Remembering	Medium
Q. 1.19 • PYQ 2021-Dec • 4M • Pg 394	LEVEL I Remembering	Medium
Q. 1.22 • PYQ 2020-Nov • 5M • Pg 399	LEVEL I Remembering	Medium

Understanding explain it, and place it in context • 2 questions

- Answer each numbered situation under its own number, and open with the section. An examiner marking four situations in four marks is looking for four section numbers.
- Where the answer is that no tax is deductible, name the provision that takes it out — the definition of work, section 196, the transporter declaration — rather than simply writing nil.

Q. 1.26 • PYQ 2017-May • 2M • Pg 404	LEVEL I Understanding	Easy
Q. 1.23 • PYQ 2020-Nov • 4M • Pg 400	LEVEL I Understanding	Medium

Application use the rule - work the problem • 1 question

- Give the rate and then the product: amount, multiplied by rate, equals tax to be deducted. The sum in rupees is a separate mark from the rate.
- Where payments are made on several dates, test the threshold date by date and deduct only on the sum that crosses it, showing each date in its own line.
- Strip GST out before you apply the rate wherever the solution shows it separately, and say that you have done so.

Q. 1.9 • PYQ 2025-May • 4M • Pg 382

LEVEL II
Application**Medium****Analysis** break it down and take the parts separately • 19 questions

- Decide the character of the payment before the section: sale or works contract, salary or director's fee, professional or technical service. The section follows from that classification, and the classification carries the reasoning mark.
- Check the payer's status and preceding year turnover before you apply 194C, 194H, 194-I or 194J to an individual; when the gate shuts, look at 194M or 194-IB next rather than concluding there is no liability.

Q. 1.1 • PYQ 2026-Sep [2] (b) • 4M • Pg 373	LEVEL II Analysis	Medium
Q. 1.2 • MTP 2026-Sep [2] (a) • 4M • Pg 374	LEVEL II Analysis	Medium
Q. 1.3 • RTP 2026-Sep • DESC • Pg 375	LEVEL II Analysis	Medium
Q. 1.4 • MTP 2026-May S2 • 4M • Pg 376	LEVEL II Analysis	Medium
Q. 1.6 • PYQ 2025-Sep • Pg 379	LEVEL II Analysis	Medium
Q. 1.7 • MTP 2025-Sep S2 • 4M • Pg 380	LEVEL II Analysis	Medium
Q. 1.10 • MTP 2025-May S2 • 4M • Pg 383	LEVEL II Analysis	Medium
Q. 1.11 • MTP 2025-May S1 • 4M • Pg 384	LEVEL II Analysis	Medium
Q. 1.12 • PYQ 2025-Jan • 4M • Pg 385	LEVEL II Analysis	Medium
Q. 1.13 • MTP 2025-Jan S2 • 4M • Pg 386	LEVEL II Analysis	Medium
Q. 1.14 • MTP 2024-Sep S1 • 4M • Pg 387	LEVEL II Analysis	Medium
Q. 1.16 • PYQ 2023-Nov • 7M • Pg 389	LEVEL II Analysis	Medium
Q. 1.18 • PYQ 2022-May • 6M • Pg 393	LEVEL II Analysis	Medium
Q. 1.20 • PYQ 2021-Jul • 8M • Pg 395	LEVEL II Analysis	Medium
Q. 1.21 • PYQ 2021-Jan • 8M • Pg 397	LEVEL II Analysis	Medium
Q. 1.24 • PYQ 2019-Nov • 7M • Pg 401	LEVEL II Analysis	Medium
Q. 1.25 • PYQ 2019-May • 4M • Pg 402	LEVEL II	Medium

	Analysis	
Q. 1.8 · RTP 2025-Sep · DESC · Pg 380	LEVEL II Analysis	Hard
Q. 1.17 · PYQ 2023-May · 7M · Pg 391	LEVEL II Analysis	Hard

Topic 2: Tax Collected at Source (TCS)

L2P3-A-C11-T02

Read first Read ICAI Study Material Chapter 11, Introduction to Tax Collection at Source — the sub-sections of section 206C, the goods and transactions each covers, and the rates of collection.

NOTES

Section 206C(1) is the list of goods. The solutions use **tendu leaves at 5% and coal at 1%**, collected **at debit or receipt, whichever is earlier**. 'Seller' includes a firm. 'Buyer' does not include a public sector company, so a sale of coal to a PSU bears no collection — though that PSU, its turnover exceeding ₹10 crores, must itself deduct under section 194Q. Where PAN is not furnished the rate is the higher of twice the specified rate or 5%, which turned 5% into 10% on the tendu leaves.

Section 206C(1C), 2%, is collected by the person who grants a lease, a licence or a contract transferring any right or interest in a parking lot, and on the same footing a mine: a State Government leasing a coal mine for ₹7 crores collects ₹14,00,000. **a lessee that is a public sector company** takes the transaction out of the section altogether.

Section 206C(1F), 1% on a motor vehicle above ₹10 lakhs in value, is tested **on each sale, not on the aggregate** for the year, and applies **at retail level only** — the manufacturer selling to a dealer or distributor does not collect, the dealer selling to the individual buyer does. 'Seller' includes an individual liable to audit under section 44AB in the preceding financial year. Collection is at the time of receipt. The same 1% is collected on notified goods whose value exceeds ₹10 lakhs, so a handbag of ₹12,00,000 is collected on and a wristwatch of ₹9,22,000 is not.

Section 206C(1G) is a table and is best reproduced as one. On an overseas tour programme package: **5% upto ₹10 lakhs and 20% thereafter**, so ₹12 lakhs gives ₹90,000, and the mode of payment makes no difference. On a remittance out of India under the Liberalised Remittance Scheme, collected by the authorised dealer: nil where it is for education out of a loan from a financial institution defined in section 80E; 5% of the amount in excess of ₹10 lakhs where it is for education or medical treatment; **20% of the excess over ₹10 lakhs** for any other purpose. A remittance of exactly ₹10 lakhs attracts nothing; ₹13 lakhs attracts 20% of ₹3 lakhs.

The trap that now decides half these questions: **section 206C(1H) is omitted from 1 April 2025**. A seller of goods collects nothing however large its turnover. The obligation sits on the buyer instead, under section 194Q, and only where **the buyer's turnover exceeded ₹10 crores** in the preceding financial year; where it did not, the correct answer is that neither side has an obligation.

These questions arrive as two or three independent situations with 'TDS or TCS' in the stem, so take each on its own number and settle both sides of the transaction. Say who collects or deducts, under which sub-section, on what amount, at what rate, and at what moment. Then close on the figure: **collect tax of `90,000**, or **TCS = 2% × `7 crores = `14,00,000**. A paragraph that describes the provision without naming the collector and the sum does not finish the answer.

Remembering reproduce what you have learnt · 3 questions

- Name the goods or the transaction that attracts collection, then the rate. A TCS answer that gives the rate without naming the trigger has answered half the question.

Q. 2.1 · MTP 2026-Sep S1 [4] (b) · 4M · Pg 405

LEVEL I
Remembering

Medium

Q. 2.8 · PYQ 2024-Sep · 6M · Pg 412

LEVEL I
Remembering

Medium

Q. 2.4 · RTP 2026-May · DESC · Pg 408

LEVEL I
Remembering

Hard

Understanding explain it, and place it in context · 1 question

- Quote the sub-section, not just 'section 206C'. The sub-section is what distinguishes goods from vehicles from leases from remittances, and it is a mark.
- Where a question asks for the CBDT clarifications, answer them as a numbered list matching the numbered issues in the question.

Q. 2.12 · PYQ 2023-Nov · 3M · Pg 416

LEVEL I
Understanding

Easy

Application use the rule - work the problem · 1 question

- Apply the rate to the slab, not to the whole: 5% on the first `10 lakhs and 20% on the excess, then add the two. A single percentage on the total is wrong by construction.
- State the moment of collection — receipt, or debit, whichever the sub-section names — alongside the amount.

Q. 2.14 · PYQ 2019-Nov · 4M · Pg 418

LEVEL II
Application

Medium

Analysis break it down and take the parts separately · 9 questions

- Test the buyer and the seller separately in every fact pattern: one may have no obligation while the other has, and the marks are split between them.
- Check the exclusions before you collect: a public sector company as buyer or lessee, a manufacturer selling to a dealer, a value below `10 lakhs. Each of these turns the answer to nil with a reason.

Q. 2.2 · PYQ 2026-May [2] (b) · 4M · Pg 406	LEVEL II Analysis	Medium
Q. 2.3 · MTP 2026-May S1 · 4M · Pg 407	LEVEL II Analysis	Medium
Q. 2.5 · MTP 2025-Sep S1 · 4M · Pg 409	LEVEL II Analysis	Medium
Q. 2.6 · RTP 2025-May · DESC · Pg 410	LEVEL II Analysis	Medium
Q. 2.7 · RTP 2025-Jan · DESC · Pg 411	LEVEL II Analysis	Medium
Q. 2.9 · MTP 2024-Sep S2 · 4M · Pg 414	LEVEL II Analysis	Medium
Q. 2.10 · PYQ 2024-May · 4M · Pg 415	LEVEL II Analysis	Medium
Q. 2.11 · MTP 2024-May S2 · 4M · Pg 416	LEVEL II Analysis	Medium
Q. 2.13 · PYQ 2021-Dec · 4M · Pg 417	LEVEL II Analysis	Medium

Topic 3: Advance Tax and Interest u/s 234A/B/C

L2P3-A-C11-T03

Read first Read ICAI Study Material Chapter 11, Advance Tax — liability and exceptions, the instalments and their due dates, and interest under sections 234A, 234B and 234C.

NOTES

Section 208: **advance tax is payable where it is `10,000 or more** during the financial year. Section 207(2) carries the exception the examiner asks for by name: a resident individual who is **60 years or more** at any time during the previous year and who has no income chargeable under the head Profits and gains of business or profession. Both limbs must hold, so state them as two conditions, not one.

The instalments are **15%, 45%, 75% and 100%** by 15 June, 15 September, 15 December and 15 March, each percentage cumulative and each instalment reduced by the amounts paid in the earlier ones. The working the solutions print begins with the estimated tax liability, deducts tax deducted at source to give the advance tax payable, then runs four rows of due date, requirement and amount payable. An assessee declaring income under section 44AD pays the whole amount by 15 March.

Section 234B bites where **advance tax is below 90% of the assessed tax**, and assessed tax is the tax on the total income less TDS. Interest runs at **1% per month or part of a month** on the shortfall, from the first day of the assessment year to the date of payment or of filing. Lay it out as the solutions do: tax liability, less TDS, assessed tax, 90% of it, advance tax paid, the comparison

sentence, then the shortfall multiplied by the rate and by the months.

Section 234C is charged instalment by instalment and should be drawn as their table: due date, percentage due, amount due, the minimum percentage that escapes interest — **12% for June and 36% for September**, 75% and 100% thereafter — the advance tax actually paid, the deferment, and the interest. Interest is charged at 1% and runs for three months on each of the first three instalments and for one month on the March instalment. Total the last column, because that total is the figure the question asks for.

There is **no 234A and no 234F** where the return is filed before the due date; the solutions still show each of those lines with a dash against it, and so should you. Where the interest does arise, the amounts under sections 234A, 234B and 234C are added to the tax payable and the sum is the self-assessment tax under **section 140A**, stated before and after rounding off.

Build the tax correctly or every interest figure behind it is wrong. Under the default regime the solutions compute **nil upto `4,00,000, then 5%, 10%, 15% and 20%** through the `8,00,000, `12,00,000 and `16,00,000 steps; under the optional regime they use the `2,50,000, `5,00,000 and `10,00,000 steps at 5%, 20% and 30%. **Health and education cess @ 4%** is added in both, and the 234B and 234C computations run on the tax including that cess. A presumptive assessee's income is taken at **6% of turnover received by account payee cheque**.

Remembering reproduce what you have learnt • 1 question

- For 'specify the persons not required to pay advance tax', give section 208 and the `10,000 limit first, then the two conditions of the resident senior citizen exception. The count of conditions is the mark.

Q. 3.5 • PYQ 2017-Nov • 2M • Pg 422

LEVEL I
Remembering

Easy

Understanding explain it, and place it in context • 1 question

- Say why an interest section does not apply before you write the dash — return filed before the due date, or advance tax at 90% or more of the assessed tax.

Q. 3.2 • PYQ 2025-Sep • 4M • Pg 419

LEVEL I
Understanding

Medium

Application use the rule - work the problem • 5 questions

- Compute the tax liability with cess first, then the interest, in that order and in separate tables. The examiner follows the tax figure through all three interest computations.
- Draw section 234C as a table with one row per instalment and the month multiplier in the calculation column; a running paragraph loses the deferment figures.
- Finish with the self-assessment tax under section 140A, rounded off, when the question asks what is payable.

Q. 3.6 · PYQ 2017-Nov · 3M · Pg 423	LEVEL II Application	Easy
Q. 3.7 · PYQ 2017-May · 2M · Pg 424	LEVEL II Application	Easy
Q. 3.1 · PYQ 2026-Sep [4] (Or) (b) · 4M · Pg 419	LEVEL II Application	Medium
Q. 3.3 · MTP 2025-Jan S1 · 4M · Pg 420	LEVEL II Application	Medium
Q. 3.4 · PYQ 2022-Nov · 4M · Pg 421	LEVEL II Application	Medium

SECTION A · INCOME-TAX LAW · CHAPTER 12

Provisions of Return Filing and Self-Assessment

11 Topics · 55 Classified Questions · Importance: A

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% · Level II 80-95% — this chapter reads **theory-heavy**

Level I — Comprehension & Knowledge

28.4%

63 of 222 marks

Level II — Analysis & Application

71.6%

159 of 222 marks

Above this Section's Level I ceiling: 28% of this chapter's marks are Comprehension and Knowledge, against ICAI's 5-20% for Income-tax Law. Reading carries more of the preparation here than it does elsewhere; do not prepare this chapter by working sums alone.

Topic 1: Compulsory Filing of Return of Income [Section 139(1)]

L2P3-A-C12-T01

Read first Read ICAI Study Material Chapter 12, Return of Income — compulsory filing under section 139(1), the rule 12AB conditions, and the due dates.

NOTES

Three limbs make filing compulsory under section 139(1). **A company and a firm always file**, whether the year shows a profit, a loss or nil income. A resident **other than not ordinarily resident** files where he holds any asset, including any financial interest in any entity, located outside India as beneficial owner or beneficiary, or has signing authority in any account outside India, whether or not he has income chargeable to tax. And an individual, HUF, AOP, BOI or artificial juridical person files where total income exceeds the basic exemption limit. Name the limb before you give the conclusion.

The income tested is the figure before Chapter VI-A and **sections 54, 54B, 54D, 54EC and 54F**. The solutions correct the same slip every sitting: a net profit of ₹3,90,000 reduced by ₹1,50,000 put into public provident fund is still ₹3,90,000 for this test, and an HUF whose long-term capital gain of ₹12 lakhs went wholly into section 54EC bonds must still file. The limit itself is **₹4,00,000 under the default regime** u/s 115BAC, ₹2,50,000 where the assessee has shifted out of it, and ₹3,00,000 for a senior citizen under the optional regime.

Rule 12AB, inserted by Notification No. 37/2022 dated 21.4.2022, makes **a person other than a company or a firm** file even below the exemption limit where, during the previous year: total sales, turnover or gross receipts in business exceed **₹60 lakhs**; gross receipts in profession exceed **₹10 lakhs**; the aggregate of TDS and TCS is **₹25,000 or more**, raised to ₹50,000 or more for a resident aged 60 years or more at any time in that year; or deposits in one or more savings bank accounts aggregate **₹50 lakhs or more**. Reproduce all four with the senior-citizen proviso, which is

a mark on its own.

The other triggers the questions use are deposits **exceeding `1 crore in current accounts** with a banking company or co-operative bank, expenditure exceeding **`1 lakh on consumption of electricity**, and expenditure exceeding **`2 lakhs on foreign travel** for himself or any other person. Every one of them is worded 'exceeding', so electricity of `90,000 and `75 lakhs in a current account both fail, while savings deposits of `40 lakhs in SBI and `25 lakhs in HDFC aggregate to `65 lakhs and succeed. Aggregate across banks before you compare.

Where cash of more than `1 crore is withdrawn, the solutions work backwards to the TDS trigger: **section 194N deducts 2% on the excess over `1 crore**, so `1,20,00,000 withdrawn yields `40,000 and `1,15,00,000 yields `30,000, each crossing `25,000. State the deduction you have imputed, and the figure, before concluding that the return must be filed.

Due dates under section 139(1): 31st October of the assessment year for a company, for a person whose accounts are required to be audited under this Act or any other law, and for **a partner of such an audited firm**; 30th November for an assessee required to furnish a report under section 92E, including the partners of such a firm; and **31st July for any other assessee**. A non-working partner drawing only interest on capital from an audited firm still files by 31st October — the solutions mark that statement false whenever it is set.

On the fourth proviso, **a car abroad used personally is not an 'asset'**, a personal effect not being a capital asset and Schedule FA of the return forms not listing a car; the Scanner records an alternative view and gives credit for it, so state your assumption. Note also that **section 139(6A) is outside the syllabus** for the May 2026, September 2026 and January 2027 exams, and the Scanner prints no answer to it.

Remembering reproduce what you have learnt · 2 questions

- The classes of person required to file are a list, and so are the due dates. Give them as a list; the marks follow the count, not the prose.

Q. 1.7 · PYQ 2024-May · 4M · Pg 436

LEVEL I
Remembering

Medium

Q. 1.9 · PYQ 2023-May · 4M · Pg 438

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context · 1 question

- Name the limb of section 139(1) or the rule 12AB condition the facts fall under, then the threshold, then the conclusion. A conclusion without the trigger named scores half.

Q. 1.14 · PYQ 2018-May · 6M · Pg 443

LEVEL I
Understanding

Hard

Application use the rule - work the problem · 5 questions

- Compute total income before Chapter VI-A and the section 54 series first, compare it with the exemption limit for the regime the question states, and only then test the rule 12AB triggers.
- Close each person with the words the solutions use: required, or not required, to file the return of income for A.Y. 2026-27 on or before the due date under section 139(1).

Q. 1.2 · RTP 2026-Sep · DESC · Pg 431	LEVEL II Application	Medium
Q. 1.5 · PYQ 2026-Jan · 4M · Pg 434	LEVEL II Application	Medium
Q. 1.12 · PYQ 2021-Jan · 4M · Pg 441	LEVEL II Application	Medium
Q. 1.13 · PYQ 2018-Nov · 4M · Pg 442	LEVEL II Application	Medium
Q. 1.10 · PYQ 2021-Dec · 4M · Pg 438	LEVEL II Application	Hard

Analysis break it down and take the parts separately · 6 questions

- These come as three or four lettered persons. Answer each under its own number with its own threshold and its own verdict; a joint paragraph loses the items it does not name.

Q. 1.1 · MTP 2026-Sep [3] (b) · 4M · Pg 429	LEVEL II Analysis	Medium
Q. 1.3 · PYQ 2026-May [4] (Or) (b) · 4M · Pg 432	LEVEL II Analysis	Medium
Q. 1.4 · MTP 2026-May S1 · 4M · Pg 433	LEVEL II Analysis	Medium
Q. 1.6 · MTP 2025-May S1 · 4M · Pg 435	LEVEL II Analysis	Medium
Q. 1.8 · PYQ 2024-May · 4M · Pg 437	LEVEL II Analysis	Medium
Q. 1.11 · PYQ 2021-Jul · 4M · Pg 439	LEVEL II Analysis	Hard

Topic 2: Return of Loss [Section 139(3)]

L2P3-A-C12-T02

Read first Read ICAI Study Material Chapter 12, Return of Loss — section 139(3) read with section 80, and the losses that survive a late return.

NOTES

The rule has two limbs and both must be stated. **Section 80 bars carry forward** of the losses it lists unless they are determined in pursuance of a return filed under section 139(3), and section 139(3) requires that return **within the time allowed by section 139(1)**. So the loss must be in a return, and the return must be on time.

Learn the five with their sub-sections: business loss **u/s 72(1)**; speculation business loss **u/s 73(2)**; loss from a specified business **u/s 73A(2)**, which arises only where the assessee has shifted out of the default regime **u/s 115BAC(1A)**; loss under the head Capital Gains **u/s 74(1)**; and loss from owning and maintaining race horses **u/s 74A(3)**. The same five reappear as the consequence of a late return, so one list answers both halves of the question.

The exception carries the marks. **Loss from house property u/s 71B** and **unabsorbed depreciation u/s 32** may be carried forward even where no return of loss was filed by the due date. Name both, with their sections — the examiner sets this as the second half of the question in the same words each time.

A return of loss is **deemed a return under section 139(1)**. That single sentence does two jobs elsewhere in the chapter: it makes the loss return revisable under section 139(5), and it lets a person who filed a loss return by the due date furnish an updated return, provided that updated return is a return of income.

Remembering reproduce what you have learnt · 1 question

- Write the five losses as a numbered list with the sub-section against each. Marks follow the count of correctly cited sections, not the prose around them.

Q. 2.2 · PYQ 2021-Jul · 4M · Pg 444

LEVEL I
Remembering

Medium

Application use the rule - work the problem · 1 question

- Say whether the return is filed within the section 139(1) date, then state which losses survive and which are lost. The consequence sentence is the mark.

Q. 2.1 · PYQ 2025-Jan · 4M · Pg 443

LEVEL II
Application

Medium

Topic 3: Revised Return [Section 139(5)]

L2P3-A-C12-T03

Read first Read ICAI Study Material Chapter 12, Revised Return — section 139(5), what may be revised, and the outer time limit.

NOTES

Section 139(5) lets a person who has furnished a return under section 139(1) or **a belated return under 139(4)**, and who discovers any omission or wrong statement in it, file a revised return at any time before **three months prior to the end** of the assessment year, or before the completion of the assessment, **whichever is earlier**. For A.Y. 2026-27 that outer date is 31.12.2026. Quote both limbs and the words 'whichever is earlier'; the solutions always do.

Three propositions are set again and again, and all three are answered yes. **A belated return can be revised**. A return already revised **can be revised again**, because the first revised return replaces the original, so a second revised return is competent within the same time limit — the statement that a return can be revised only once is false. And **a return of loss u/s 139(3) can be revised**, being deemed a return under section 139(1).

The date questions are arithmetic. A return filed on 12.7.2026 is within the 31st July due date, so revision on 21.12.2026 is allowed and revision on 21.3.2027 is not. A company that filed on 15.12.2026 filed a belated return and may still revise up to 31.12.2026, but not on 2.1.2027. **Test the discovery date against 31.12.2026**, not against the date of the original return.

Where the question asks you to revise a computation, the solutions print **four tables**: total income as originally returned, tax as originally returned, total income as revised, tax as revised. Keep the original figures in full, because the comparison is what shows the omission, and close with **the refund due** and the date by which the revised return must be filed.

The trap inside that computation: a person born on 1.4.1966 is **treated as completing 60 years in P.Y. 2025-26**, which moves him to **deduction u/s 80TTB up to `50,000** in place of `10,000 u/s 80TTA, to the higher limits of section 80D, and to a basic exemption limit of `3,00,000. Within section 80D the solutions cap preventive health check-up at `5,000 across self and parents, cap the parents' block at `50,000, and allow the check-up even though paid in cash.

Understanding explain it, and place it in context · 1 question

- State the two outer limits and the words 'whichever is earlier' before you apply them, then give the date. A bare yes or no scores nothing.

Q. 3.2 · MTP 2025-Sep S2 · 4M · Pg 446

LEVEL I
Understanding

Medium

Application use the rule - work the problem · 2 questions

- Set the original and the revised computation side by side, then finish with the refund or additional tax and the last date for filing the revised return.
- Where the facts turn on a date of birth or an age, say in one line what the age changes before you recompute. That sentence is the reason the revision is needed.

Q. 3.4 · PYQ 2020-Nov · 9M · Pg 447

LEVEL II
Application

Medium

Q. 3.5 • PYQ 2017-Nov • 5M • Pg 451

LEVEL II
Application

Hard

Analysis break it down and take the parts separately • 2 questions

- Two returns are in play — the original and the revised. Fix the date of each against the statutory window before you say whether the revision is valid.

Q. 3.1 • MTP 2026-May S1 • 4M • Pg 445

LEVEL II
Analysis

Medium

Q. 3.3 • PYQ 2022-May • 4M • Pg 447

LEVEL II
Analysis

Medium

Topic 4: Self-Assessment [Section 140A]

L2P3-A-C12-T04

Read first Read ICAI Study Material Chapter 12, Self-Assessment — section 140A and the order in which a short payment is appropriated.

NOTES

Section 140A bites where **tax is payable on the basis of a return** required under, inter alia, section 139. The assessee pays that tax together with the interest and fee payable for any delay in furnishing the return or any default or delay in payment of advance tax, and he pays it **before furnishing the return**; the return is accompanied by proof of payment. Pay, then file — that sequence is the section.

The tax is computed after taking into account five items, and the solution lists them in this order: tax already paid under any provision of the Act; **tax deducted or collected at source**; any relief of tax claimed **under section 89**; any tax credit set off **under section 115JD**, which arises only where the assessee has shifted out of the default regime u/s 115BAC(1A); and any tax or interest payable under **section 191(2)**. Reproduce all five with their section numbers.

Where the amount paid falls short of the aggregate of tax, interest and fee, the payment is adjusted **first towards the fee, then interest, then tax**. The order is counter-intuitive and is the part of the answer most often dropped: the fee is satisfied first and the tax last.

The interest and the fee are those the rest of the chapter supplies — **interest under section 234A** for delay in furnishing the return and **the fee under section 234F**. Self-assessment tax paid on or before the due date of filing attracts no interest under section 234A, so give the date of payment and not merely the amount.

Understanding explain it, and place it in context • 1 question

- Close on the rule that the return is accompanied by proof of payment of the tax, interest and fee. That sentence is what marks self-assessment off from the other modes of collection.

Q. 4.1 · PYQ 2018-May · 2M · Pg 452

LEVEL I
Understanding

Easy

Topic 5: Updated Return of Income and Tax Thereon [Section 139(8A) and Section 140B]

L2P3-A-C12-T05

Read first Read ICAI Study Material Chapter 12, Updated Return — section 139(8A), the additional income-tax under section 140B, and the belated return under section 139(4).

NOTES

An updated return may be furnished for the assessee's own income, or the income of another person in respect of which he is assessable, **within 48 months from the end of the assessment year**. Fix that outer date first in every answer: for A.Y. 2024-25 it is 31.3.2029, for A.Y. 2025-26 it is 31.3.2030, and a return for A.Y. 2020-21 was already barred after 31.3.2025.

The additional income-tax runs on a ladder measured from the end of the relevant assessment year: **25%** before the expiry of 12 months; **50%** after 12 but before 24 months; **60%** after 24 but before 36 months. It is charged on **the aggregate of tax and interest**, the tax being taken after credit for tax deducted at source and for self-assessment tax paid.

Copy the short working the solutions print. Tax on total income, less TDS, less self-assessment tax, gives the tax payable; add the interest under sections 234A, 234B and 234C; apply the percentage to that aggregate. So ₹6,30,000 – ₹2,00,000 – ₹1,00,000 = ₹3,30,000, plus ₹90,000 interest, is ₹4,20,000, and 25% of it is **additional income-tax of ₹1,05,000**. Then state what is actually paid: that additional tax, **plus tax ₹3,30,000, interest ₹90,000 and late fees ₹5,000**.

Six bars are listed and the question usually asks for any three. The updated return **is a loss return**; it **decreases the total tax liability** determined on the basis of a return under section 139(1), 139(4) or 139(5); it **results in or increases a refund** so determined; an updated return has already been furnished for that assessment year; any proceeding for assessment, reassessment, recomputation or revision **is pending or has been completed**; or the person belongs to a class notified by the CBDT.

Applying the bars is where the marks are. A tax liability of ₹5,60,000 against TDS of ₹10,00,000 throws up a **refund of ₹4,40,000**, so no updated return can be furnished for that year. A declared loss of ₹3,50,000 that would rise to ₹5,50,000 is barred because **the update increases the loss**. A year already updated once is barred outright. Show the refund or the increased loss as a figure before you state the bar. Note the converse: **a timely loss return does not itself bar an update**, provided the updated return is a return of income.

The belated return shares these questions. Under **section 139(4)** it is a return not furnished within the time allowed by section 139(1) but furnished before **three months prior to the end of the**

assessment year — 31.12.2026 for P.Y. 2025-26 — or before the completion of the assessment, whichever is earlier.

Remembering reproduce what you have learnt • 1 question

- The additional income-tax ladder is a list of periods and rates. State the period, then its rate, before you compute anything.

Q. 5.3 • MTP 2025-May S2 • 4M • Pg 455

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context • 2 questions

- Give the 48-month limit, then the bars in the words 'loss return', 'decreases the total tax liability' and 'results in or increases a refund'. Where any three are asked for, give three and say so.

Q. 5.4 • PYQ 2025-Jan • 4M • Pg 455

LEVEL I
Understanding

Medium

Q. 5.6 • PYQ 2023-May • 4M • Pg 458

LEVEL I
Understanding

Medium

Application use the rule - work the problem • 2 questions

- Take each assessment year separately: test the 48 months, then the bars, then compute the additional tax on tax plus interest. Close each year with a one-line verdict.

Q. 5.1 • MTP 2026-Sep S1 [4] (b) (OR) • 4M • Pg 453

LEVEL II
Application

Medium

Q. 5.5 • PYQ 2024-Sep • 4M • Pg 456

LEVEL II
Application

Medium

Analysis break it down and take the parts separately • 1 question

- Where several years are set in one table, state for every year both whether the return can be filed and why. The barred years carry as many marks as the year you compute.

Q. 5.2 • PYQ 2025-Sep • 4M • Pg 454

LEVEL II
Analysis

Medium

Topic 6: Defective Return [Section 139(9)]

L2P3-A-C12-T06

Read first Read ICAI Study Material Chapter 12, Defective Return — section 139(9), the fifteen-day period, and the consequence of not curing the defect.

NOTES

Where the Assessing Officer considers the return defective he may intimate the defect and give the assessee an opportunity to rectify it **within 15 days from the date of intimation**, and he has **the discretion to extend** that period on an application by the assessee. Three elements, all three examined: the intimation, the fifteen days, the discretion.

If the defect is not rectified within the fifteen days or the extended period, the return is treated as **an invalid return**, and the consequence is **the same as a failure to furnish the return** at all — which pulls in the loss of carry forward and the fee for default. That consequence sentence is the second mark.

The remedy: where the assessee rectifies the defect after the fifteen days or the extended period but **before the assessment is made**, the Assessing Officer **may condone the delay** and treat the return as a valid return. The power is discretionary, so write 'may condone', not 'shall'.

What makes a return defective, where the question asks for the conditions rather than the procedure: the annexures, statements and columns relating to **computation of income under each head**, gross total income and total income must be duly filled in; and the return must be accompanied by **proof of payment of advance tax** and self-assessment tax.

Understanding explain it, and place it in context • 1 question

- Where the question is split into how the officer deals with it, the consequence, and the remedy, answer under those three headings in that order.

Q. 6.3 • PYQ 2019-Nov • 4M • Pg 460

LEVEL I
Understanding

Medium

Application use the rule - work the problem • 1 question

- Identify the defect against its clause, then state the period allowed to rectify it and what happens if the assessee does not.

Q. 6.2 • PYQ 2022-May • 4M • Pg 460

LEVEL II
Application

Medium

Analysis break it down and take the parts separately • 1 question

- Where more than one defect is alleged, test each against its own clause and say separately whether it makes the return defective.

Q. 6.1 • PYQ 2026-Jan • 4M • Pg 459

LEVEL II
Analysis

Medium

Topic 7: Fee for Default in Furnishing Return of Income [Section 234F]

L2P3-A-C12-T07

Read first Read ICAI Study Material Chapter 12, Fee for Default in Furnishing Return — section 234F and the other consequences of filing after the due date.

NOTES

Under section 234F a person required to furnish a return under section 139 who fails to do so within the time limit in section 139(1) pays a **fee of `5,000**. However, where the total income does not exceed `5 lakhs, **the fee shall not exceed `1,000**. Two figures and one condition; both sentences must appear, because the short question is worth nothing without the proviso.

Asked for the consequences of filing late, give three heads. **Interest u/s 234A at 1% per month** or part of a month, from the date immediately following the due date until the return is furnished; the fee under section 234F; and **the loss of carry forward** of business loss, speculation business loss, loss from a specified business, loss under the head Capital Gains, and loss from owning and maintaining race horses. **No 234A interest on self-assessment tax** paid on or before the due date of filing.

The regime trap is the real question here: **the option to shift out of the default regime** is lost once the due date passes. In the printed solution, filing on 30th July lets the assessee take a standard deduction of `50,000 and Chapter VI-A deductions of `8,25,000, bringing total income to `5,00,000 and, with rebate u/s 87A, **a nil liability**. Filing on 1st August forces the default regime, a standard deduction of `75,000, total income of `13,00,000 and **tax of `78,000 plus the `5,000 fee**.

So 'advise him' calls for a comparison, not a rule. Work the liability under both regimes, say which is lower, and then advise **filing on or before 31st July and opting out**. The second half of the question changes only the date: repeat the default-regime figure and add the fee under section 234F.

Understanding explain it, and place it in context · 2 questions

- Quote the `5,000 and the `1,000 cap in the same breath. An answer that gives only the higher figure loses the proviso mark.

Q. 7.3 · PYQ 2019-May · 2M · Pg 463

LEVEL I
Understanding

Easy

Q. 7.4 · PYQ 2018-Nov · 4M · Pg 463

LEVEL I
Understanding

Medium

Application use the rule - work the problem · 2 questions

- Compute the liability under both regimes before advising, then name the date. The advice sentence, with the date in it, is what the last mark is for.

Q. 7.1 · MTP 2025-Sep S1 · 4M · Pg 461

LEVEL II
Application

Medium

Q. 7.2 · PYQ 2021-Dec · 4M · Pg 462

LEVEL II
Application

Hard

Topic 8: Permanent Account Number (PAN) [Section 139A]

L2P3-A-C12-T08

Read first Read ICAI Study Material Chapter 12, Permanent Account Number — section 139A and the transactions under rule 114B in which PAN must be quoted.

NOTES

Section 139A(1) is answered as a two-column table, person against time limit. Total income exceeding the maximum amount not chargeable to tax — **on or before 31st May of the assessment year**; business or profession whose sales, turnover or gross receipts are or are likely to exceed **₹5 lakhs** — before the end of that financial year; a resident other than an individual entering a financial transaction aggregating **₹2,50,000 or more** in a financial year — on or before 31st May of the immediately following financial year; and the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of that person, or anyone competent to act for it — the same 31st May.

Three further cases run on **at least 7 days before the transaction**: cash deposits into accounts with a banking company, co-operative bank or post office aggregating **₹20 lakh or more** in a financial year; cash withdrawals of the same ₹20 lakh or more; and opening a current or cash credit account. Give the seven days with the ₹20 lakh; the time limit is half the mark.

Quoting is governed by **rule 114B**. The figures the questions use: a cash payment to a hotel or restaurant against a bill **exceeding ₹50,000 at any one time**; life insurance premium aggregating **more than ₹50,000** in a financial year; purchase of debentures or bonds, or payment to a mutual fund for its units, exceeding ₹50,000; a contract for sale or purchase of securities other than shares under section 2(h) of the Securities Contracts (Regulation) Act, 1956, **exceeding ₹1,00,000**; and **an application for a credit card** to a banking company.

For immovable property the test is **either consideration or stamp duty value above ₹10,00,000**. So ₹9,50,000 paid against a stamp duty value of ₹9,75,000 needs no PAN, while ₹9 lakhs paid for a plot whose stamp duty is ₹11 lakhs does. **Read 'exceeds' strictly**: a cash hotel bill of exactly ₹50,000 does not exceed ₹50,000, so PAN is not required. Sale of a scooter for ₹70,000 is not a listed transaction at all.

The mode of payment matters only where the rule makes it matter. **Cash is the trigger for the hotel bill**, so a ₹60,000 cash bill requires PAN; for life insurance the trigger is **the aggregate premium**, so ₹48,000 by account payee cheque does not, while ₹67,000 by any mode does. Name the limb of rule 114B you are applying before you give the yes or the no.

Remembering reproduce what you have learnt · 1 question

- Answer section 139A(1) as a table with the time limit against each person. A list of persons without the time limits scores half.

Q. 8.1 · PYQ 2026-May [4] (b) · 4M · Pg 464

LEVEL I
Remembering**Medium****Application** use the rule - work the problem · 2 questions

- Take each transaction under its own number, name the rule 114B limb and its threshold, then answer mandatory or not mandatory with the reason. The reason is the mark.

Q. 8.3 · PYQ 2025-May · 4M · Pg 466

LEVEL II
Application**Medium**

Q. 8.4 · MTP 2024-May S1 · 4M · Pg 468

LEVEL II
Application**Hard****Analysis** break it down and take the parts separately · 3 questions

- Take each transaction the question lists and say whether it is one for which PAN must be quoted, with the reason. The list is the answer.

Q. 8.6 · PYQ 2018-May · 3M · Pg 469

LEVEL II
Analysis**Easy**

Q. 8.2 · MTP 2025-Sep S1 · 4M · Pg 465

LEVEL II
Analysis**Medium**

Q. 8.5 · PYQ 2019-May · 4M · Pg 469

LEVEL II
Analysis**Medium****Topic 9: Quoting of Aadhaar Number [Section 139AA]**

L2P3-A-C12-T09

Read first Read ICAI Study Material Chapter 12, Quoting of Aadhaar Number — section 139AA, the exemptions, and the consequences of an inoperative PAN.

NOTES

Section 139AA requires every person eligible to obtain an Aadhaar number to quote it, with effect from 1st July 2017, **in the application form for allotment of PAN** and **in the return of income**.

Where he has no Aadhaar number he quotes **the Enrolment ID** of the Aadhaar application form in those same two documents. Name both documents; the question asks in which documents quoting is mandatory.

The exemption list is fixed and complete, and it applies only to an individual who **does not possess the Aadhaar number or Enrolment ID** and is: residing in Assam, Jammu & Kashmir or Meghalaya; a

non-resident as per the Income-tax Act, 1961; **of the age of 80 years or more** at any time during the previous year; or **not a citizen of India**. That opening condition is part of the answer, not a preamble — an individual who holds an Aadhaar number is outside the exemption whatever his State or age.

Every person allotted a PAN as on 1st July 2017 who is eligible to obtain Aadhaar had to intimate it **on or before 31.3.2022**, and failure makes **the PAN inoperative**. The consequences run **from 1.7.2023**, the date specified by the Board, until the PAN becomes operative: no refund of tax is made; no interest is payable on such refund for that period; tax is deducted at the higher rate **under section 206AA**; and tax is collected at the higher rate **under section 206CC**.

The cure and its price: a fee of **`1,000 under section 234H** on intimating late, after which **the PAN becomes operative within 30 days** of the intimation and the four consequences stop. The fee ladder the solutions print is nil up to 31.3.2022, **`500 from 1.4.2022 to 30.6.2022**, and **`1,000 from 1.7.2022 onwards**. End on the sentence that he is not liable for those consequences once the PAN becomes operative.

Understanding explain it, and place it in context · 1 question

- Give the requirement, then the classes of person it does not apply to. Both halves carry marks.

Q. 9.6 · PYQ 2018-May · 5M · Pg 474

LEVEL I
Understanding

Medium

Application use the rule - work the problem · 4 questions

- Answer the dated question in three parts: the deadline of 31.3.2022, the fee of `1,000 under section 234H, and the thirty days within which the PAN becomes operative. Set out the four consequences between them.

Q. 9.5 · PYQ 2019-May · 2M · Pg 474

LEVEL II
Application

Easy

Q. 9.1 · MTP 2026-Sep [4] (b) (OR) · 4M · Pg 470

LEVEL II
Application

Medium

Q. 9.2 · MTP 2026-May S2 · 4M · Pg 471

LEVEL II
Application

Medium

Q. 9.3 · MTP 2025-May S1 · 4M · Pg 472

LEVEL II
Application

Medium

Analysis break it down and take the parts separately · 1 question

- Where several persons are described, test each against the exemptions one at a time before concluding.

Q. 9.4 · PYQ 2022-Nov · 4M · Pg 473

LEVEL II
Analysis

Medium

Topic 10: Scheme for Submission of Returns Through Tax Return Preparers [Section 139B]

L2P3-A-C12-T10

Read first Read ICAI Study Material Chapter 12, Tax Return Preparers — section 139B and the Tax Return Preparer Scheme, 2006.

NOTES

Section 139B provides the scheme for furnishing a return through a Tax Return Preparer, and **the eligible person is an individual or an HUF**. Nothing else qualifies, so a company is disposed of in the first line of the answer.

Two disqualifications remove an otherwise eligible person: accounts **required to be audited u/s 44AB** or under any other law for that previous year, where he carries on a business or profession; and **not being resident in India** during the previous year. A beauty-parlour proprietor audited under section 44AB cannot use a TRP even on a modest total income, while a resident individual with salary of `2 crores and dividend of `4 lakhs can, neither disqualification touching him. **Test audit and residence, not the size of the income.**

One further restriction, to be added whenever the question mentions revision: an eligible person **cannot furnish a revised return through a TRP** unless the original return for that assessment year was itself furnished through that or another Tax Return Preparer.

Under the Scheme of 2006 a Tax Return Preparer is an individual who holds **a bachelor degree** from a recognised Indian University or institution, or has passed **the intermediate level examination** of the ICAI, ICSI or ICWAI. Not entitled to act as a return preparer: **an officer of a scheduled bank** with which the assessee maintains a current account or has other regular dealings; a legal practitioner entitled to practise in any civil court in India; an accountant; and an employee of the specified class or classes of persons.

Application use the rule - work the problem · 4 questions

- On the facts, name the disqualification you are testing and say expressly whether it is attracted before you give the can or cannot verdict.

Q. 10.3 · PYQ 2023-Nov · 2M · Pg 477	LEVEL II Application	Easy
Q. 10.1 · MTP 2026-May S2 · 4M · Pg 475	LEVEL II Application	Medium
Q. 10.2 · MTP 2025-Sep S2 · 4M · Pg 476	LEVEL II Application	Medium
Q. 10.4 · PYQ 2007-Nov · 4M · Pg 478	LEVEL II Application	Medium

Topic 11: Persons Authorised to Verify Return of Income [Section 140]

L2P3-A-C12-T11

Read first Read ICAI Study Material Chapter 12, Verification of Return of Income — section 140 and the person authorised to verify for each class of assessee.

NOTES

Section 140 answers are **tabulated, assessee against verifier**. Draw the two columns and add nothing else: the marks come one per correct row, and prose around the table earns no more than the table would.

The rows the Scanner prints: a local authority — **the principal officer**; a firm having no managing partner — **any partner, not being a minor**; a foreign company — the managing director, or a person holding a valid power of attorney from the company, which must be attached to the return; a political party — **the chief executive officer**; a company being wound up — **the liquidator**; and a scientific research association — a member of the association or its principal officer.

For an HUF, where the karta is **absent from India or mentally incapacitated** from attending to his affairs, **any other adult member of the family** verifies. Where the question says only that the karta is unable to verify, state that assumption expressly, as the printed solution does. For an LLP the return is verified by **the designated partner**; another partner may verify **only for an unavoidable reason**, or where there is no designated partner. The statement that an LLP return may be verified by any partner is incorrect.

These questions often carry a due-date limb. Where turnover is `160 lakhs of which `100 lakhs is received in cash, offering business income of **`11.60 lakhs or more u/s 44AD** makes the due date **31st July 2026**; declaring less than that forces **a tax audit u/s 44AB**, turnover exceeding `1 crore, and the due date becomes 31st October 2026.

Four limbs set in September 2026 have **no printed solution** in your Scanner: an individual mentally incapacitated from attending to his affairs; a firm whose managing partner is absent from India; a company admitted to **a corporate insolvency resolution process** under the Insolvency and Bankruptcy Code, 2016; and a company **whose management has been taken over** by the Central Government. Read those rows in the section 140 table of the Study Material rather than reasoning them out from the rows above.

Understanding explain it, and place it in context • 2 questions

- Name the person authorised to verify for the class of assessee in the question, and say why — the office they hold is the reason.

Q. 11.1 • PYQ 2026-Sep [3] (b) • 4M • Pg 478

LEVEL I
Understanding

Medium

Q. 11.3 • MTP 2025-May S2 • 4M • Pg 479

LEVEL I

Medium

Understanding

Application use the rule - work the problem · 1 question

- Where the facts add a disability — karta absent, managing partner absent, designated partner unable — name the disability and then the substitute person. Both halves are needed for the mark.

Q. 11.2 · MTP 2026-Sep [4] (b) · 4M · Pg 479

LEVEL II
Application

Hard

Analysis break it down and take the parts separately · 1 question

- The question lists several assessees. Give each its own line: the class, the person who verifies, and the circumstance that puts him there.

Q. 11.4 · PYQ 2017-May · 5M · Pg 480

LEVEL II
Analysis

Medium

SECTION A · INCOME-TAX LAW · CHAPTER 13

Income Tax Liability

1 Topics · 37 Classified Questions · Importance: A

ICAI SKILL PROFILE ICAI band for Income-tax Law: Level I 5-20% · Level II 80-95% — this chapter reads problems first

Level I — Comprehension & Knowledge

0.0%

0 of 443 marks

Level II — Analysis & Application

100.0%

443 of 443 marks

Below this Section's Level I floor: none of this chapter's marks are Comprehension and Knowledge, against ICAI's 5-20% for Income-tax Law. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Income Tax Liability (no topic sub-division in source)

L2P3-A-C13-T01

Read first Read ICAI Study Material Chapter 13, Computation of Total Income and Tax Liability — the whole chapter, because each question builds one complete computation running through all five heads, the deductions from gross total income, and the tax, surcharge and cess at the end.

NOTES

Every full question wants the same two statements, so build them in the same order every time. The first is headed 'Computation of total income of <name> for A.Y. 2026-27', and the heads run **Salaries, House Property, Business or Profession, Capital Gains, Other Sources**, each lettered (A), (B), (C), (D) as you go, then **Gross Total Income (A) + (B) + (C) + (D)**, then 'Less: Deductions under Chapter VI-A', and the last line is **Total Income**. The second statement is headed 'Computation of tax liability' and stands on its own. Where both regimes are asked for, the solutions compute the **default tax regime under section 115BAC** in full, then open the second table at 'Gross Total Income as per default tax regime' and adjust only the items that differ. Close with the sentence the solutions close with: since the liability under one regime is lower, it would be beneficial for him to opt out of, or to remain in, the default regime for A.Y. 2026-27.

The business head is never computed from scratch; it is the accounts adjusted. Open with **Net profit as per profit and loss account**, then **Add: expenses either not allowable or to be considered separately but charged** to it, then Less: items credited but not taxable or taxable under another head, then **Less: depreciation allowable as per the Income-tax Rules, 1962**. Depreciation as per books is added back and the statutory figure taken out, worked in its own note. Give every added-back line a one-line reason naming the section — an amount without a reason scores nothing — and when you take an income out, say which head it goes to, because the same figure has to reappear there. Where the accounts are an Income and Expenditure A/c the build is identical; the opening line is simply 'Excess of income over expenditure'.

The disallowances are the mark pool and the same handful keep coming back. **Section 40A(3): a cash payment above ₹10,000 is disallowed**, but the limit is ₹35,000 for a transport operator and a payment to a farmer for his produce is outside the section altogether; **section 40A(3A)** brings the amount back as income in the year of the cash payment where the expense was already allowed on due basis. **Section 40A(2)** disallows so much of a payment to a relative as is unreasonable — relative means spouse, mother, father, brother, sister and lineal ascendants and descendants, so a **sister-in-law is not a relative** and nothing is added, and the section does not touch a sale. **Section 40(a)(ia): 30% of a payment to a resident** made without deducting tax; **section 40(a)(i): 100% where the payee is a non-resident**; both come back as a deduction in the year the tax is actually deposited. **Section 43B** disallows interest to a bank or co-operative bank unpaid by the due date under section 139(1), and converting unpaid interest into a fresh loan is not payment. **Section 43B(h)** reaches a micro or small enterprise — never a medium enterprise — and needs payment within the agreed period or **within 15 days where there is no written agreement**. **Section 37(2B)** kills advertisement in a souvenir or brochure of a political party; section 37(1) kills a donation or a party contribution, as not wholly and exclusively for business. Family planning expenditure is allowable to a company only, and voluntary retirement expenditure comes **one-fifth a year under section 35DDA**.

Depreciation gets its own working note and it is worth setting out in full. **Opening WDV, plus additions, less sale proceeds, gives the WDV** on which the block rate runs: **15% plant and machinery, 10% building, 40% computers, books and electric vehicles, 25% intangibles. Put to use for less than 180 days, take half the rate**. Four rules cut the actual cost, and the questions use all four: a subsidy is reduced from actual cost under Explanation 10 to section 43(1); a cash payment above ₹10,000 for an asset does not form part of actual cost, so that part earns nothing; interest on the loan up to the date the asset is first put to use is added to cost; and Explanation 5 to section 43(1), which strips notional depreciation from an asset first held for personal use, applies to a building only, so a car brought into the business enters at its purchase price. **Additional depreciation at 20% is not allowed under the default regime** — it is the single commonest difference between the two tables — and it is denied outright on plant previously used outside India. Depreciation is compulsory, so claim it even where the assessee chose to omit it.

House property is where items get quietly misplaced. **GAV is the higher of expected rent and actual rent**, expected rent itself being the higher of municipal value and fair rent but restricted to standard rent; where nothing else is given, the solutions take the rent received as GAV and say so. **Deduct municipal taxes only where the owner paid them during the year** — taxes borne by the tenant get nothing, and taxes paid after 31.3.2026 wait for the next year, though taxes of an earlier year paid this year are allowed. Then **30% of NAV under section 24(a)** and interest under section 24(b). A self-occupied unit has nil annual value, no municipal taxes, and **interest capped at ₹2,00,000, or ₹30,000** where the loan was taken for reconstruction or repairs; **under the default regime that interest is not allowed at all** and the resulting loss can neither be set off nor carried forward. Section 71(3A) caps the set-off of house property loss against other heads at ₹2,00,000, the balance being carried forward. Where one building is part let and part self-occupied or part

business, split it by area and say you have assumed the floors are equal. **Arrears of rent under section 25A** are taxable less 30% even after the property has been sold.

Other sources is the last head and then the Chapter VI-A block. **Gross up dividend by 90% and lottery winnings by 70%** where the figure given is net of tax; winnings bear **30% under section 115BB** with no deduction for the cost of the tickets. Interest on a loan taken to earn dividend is allowed **only to the extent of 20% of the dividend**. **Interest on enhanced compensation is taxed in the year of receipt** whatever the method of accounting, **with 50% deducted under section 57**. Family pension carries a deduction of one-third, restricted to ₹25,000 in the default regime and ₹15,000 in the optional one. A sum or a gift over ₹50,000 from someone who is not a relative is taxable under section 56(2)(x). Then the deductions, and the solutions write each one out even when the answer is nil: **80C ₹1,50,000**; **80D ₹25,000**, or ₹50,000 for a senior citizen, with preventive check-up ₹5,000 allowed even in cash; **80DD ₹1,25,000 for severe disability** whatever the sum deposited; **80E** the interest only, never the principal; **80TTA ₹10,000** and **80TTB ₹50,000**; **80EEB ₹1,50,000** and **80EE ₹50,000**; **80RRB ₹3,00,000**; **80QQB ₹3,00,000**, restricted to 15% of the value of books and to the sum brought into India; **80G** nil where over ₹2,000 goes in cash; **80GGC** in full by cheque, but nil for an advertisement in a party's brochure. **Under the default regime Chapter VI-A is barred** — and so are sections 10AA, 35AD and 35(1)(ii), 35(1)(iii) and 35(2AA) — with **section 80JJAA the one survivor**, at **30% of additional employee cost**, the employee needing to be regular, to participate in a recognised provident fund and to draw **not more than ₹25,000 a month**.

The tax table has a fixed order: special-rate income first, slab rates on the balance, then surcharge, then marginal relief, then cess, then rounding, then credit for tax already paid. Capital gains reach it by their own rules — section 50C substitutes the stamp duty value where it exceeds 110% of the consideration, land held over 24 months is long term, and for an asset acquired before 23.7.2024 and transferred on or after that date a resident individual takes **20% with indexation or 12.5% without, whichever is lower**, while section 112A gains are exempt up to ₹1.25 lakh. **Default slabs: nil to ₹4,00,000, then 5, 10, 15, 20, 25 and 30% in ₹4 lakh steps**, 30% biting above ₹24,00,000; **optional slabs: nil to ₹2,50,000, ₹3,00,000 at sixty and ₹5,00,000 at eighty**, then 5% to ₹5,00,000, 20% to ₹10,00,000 and 30% above. **Rebate under section 87A is ₹60,000 where total income does not exceed ₹12,00,000** in the default regime and ₹12,500 in the optional one. For a resident individual, set the **unexhausted basic exemption limit** against the special-rate gains before taxing them. **Surcharge is 10% above ₹50 lakhs, 15% above ₹1 crore and 25% above ₹2 crore**, with marginal relief shown as tax on the actual income less tax on ₹50 lakhs, reduced by the income in excess of ₹50 lakhs; then health and education cess at 4% and round off. Where the optional regime carries a 10AA, 35AD or 80JJAA claim, **section 115JC follows**: adjusted total income is total income plus those deductions less depreciation under section 32 on the 35AD asset, taxed at 18.5% plus surcharge and cess, the higher of that and the regular tax is payable, and the difference is **AMT credit carried forward under section 115JEE**. An individual paying tax under section 115BAC is not liable to AMT.

Application use the rule - work the problem · 36 questions

- Build the answer as a table with one line per item and a bracketed reason beside it, and put depreciation, the 80JAA employee cost, marginal relief and the AMT in numbered working notes below it. The reason and the section number are marked separately from the figure, so never present a bare number.
- Carry every item you remove from the business head into the head you sent it to. Marks are lost far more often by dropping an income than by misclassifying it.
- Finish with the arithmetic in the order the solutions use: tax, surcharge, marginal relief, cess, rounding off, then less TDS, TCS and advance tax to reach tax payable or refundable.

Q. 14 · MTP 2025-May S1 · 5M · Pg 544	LEVEL II Application	Medium
Q. 16 · PYQ 2025-Jan · 4M · Pg 551	LEVEL II Application	Medium
Q. 21 · PYQ 2023-May · 7M · Pg 574	LEVEL II Application	Medium
Q. 25 · PYQ 2022-May · 6M · Pg 589	LEVEL II Application	Medium
Q. 28 · PYQ 2021-Jan · 6M · Pg 601	LEVEL II Application	Medium
Q. 29 · PYQ 2021-Jan · 8M · Pg 603	LEVEL II Application	Medium
Q. 1 · PYQ 2026-Sep [1] {C} · 15M · Pg 481	LEVEL II Application	Hard
Q. 2 · MTP 2026-Sep [1] · 15M · Pg 482	LEVEL II Application	Hard
Q. 3 · MTP 2026-Sep [1] · 15M · Pg 487	LEVEL II Application	Hard
Q. 4 · RTP 2026-Sep · DESC · Pg 491	LEVEL II Application	Hard
Q. 5 · PYQ 2026-May [1] {C} · 15M · Pg 496	LEVEL II Application	Hard
Q. 6 · MTP 2026-May S2 · 15M · Pg 502	LEVEL II Application	Hard
Q. 7 · MTP 2026-May S1 · 15M · Pg 507	LEVEL II Application	Hard
Q. 8 · RTP 2026-May · PRT · Pg 512	LEVEL II Application	Hard
Q. 9 · PYQ 2026-Jan · 15M · Pg 517	LEVEL II Application	Hard
Q. 10 · MTP 2026-Jan S2 · 15M · Pg 524	LEVEL II Application	Hard

Q. 11 · RTP 2026-Jan · PRT · Pg 529	LEVEL II Application	Hard
Q. 12 · PYQ 2025-Sep · 15M · Pg 533	LEVEL II Application	Hard
Q. 13 · PYQ 2025-May · 15M · Pg 538	LEVEL II Application	Hard
Q. 15 · PYQ 2025-Jan · 15M · Pg 546	LEVEL II Application	Hard
Q. 17 · PYQ 2024-Sep · 15M · Pg 553	LEVEL II Application	Hard
Q. 18 · PYQ 2024-May · 15M · Pg 559	LEVEL II Application	Hard
Q. 19 · PYQ 2023-Nov · 14M · Pg 565	LEVEL II Application	Hard
Q. 20 · PYQ 2023-May · 14M · Pg 570	LEVEL II Application	Hard
Q. 22 · PYQ 2022-Nov · 14M · Pg 577	LEVEL II Application	Hard
Q. 24 · PYQ 2022-May · 14M · Pg 583	LEVEL II Application	Hard
Q. 26 · PYQ 2021-Dec · 14M · Pg 592	LEVEL II Application	Hard
Q. 27 · PYQ 2021-Jan · 14M · Pg 597	LEVEL II Application	Hard
Q. 30 · PYQ 2020-Nov · 14M · Pg 607	LEVEL II Application	Hard
Q. 31 · PYQ 2019-Nov · 14M · Pg 611	LEVEL II Application	Hard
Q. 32 · PYQ 2019-May · 14M · Pg 617	LEVEL II Application	Hard
Q. 33 · PYQ 2019-May · 10M · Pg 620	LEVEL II Application	Hard
Q. 34 · PYQ 2018-Nov · 10M · Pg 624	LEVEL II Application	Hard
Q. 35 · PYQ 2018-May · 10M · Pg 627	LEVEL II Application	Hard
Q. 36 · PYQ 2017-Nov · 10M · Pg 631	LEVEL II Application	Hard
Q. 37 · PYQ 2017-May · 10M · Pg 635	LEVEL II Application	Hard

Analysis break it down and take the parts separately · 1 question

- When both regimes are asked for, do not compute the second from scratch. Start from the gross total income under the default regime and adjust only the differing items — additional depreciation, section 35 contributions, self-occupied interest, the standard deduction and Chapter VI-A.
- Read the turnover of the preceding year before you disallow anything for want of TDS; the liability to deduct depends on it, and where the gate is shut nothing is added back.
- Where an item could sit under two heads, choose one, compute it there, and state the alternative in a note. The solutions do exactly this for royalty and for expenses against dividend.

Q. 23 · PYQ 2022-Nov · 6M · Pg 582

LEVEL II
Analysis

Medium

P A R T

B

Goods and Services Tax

15 chapters

SECTION B · GOODS AND SERVICES TAX · CHAPTER 1

Introduction to GST

2 Topics · 8 Classified Questions · Importance: D

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% · Level II 55-85% — this chapter reads **theory-heavy**

Level I — Comprehension & Knowledge

100.0%

24 of 24 marks

Level II — Analysis & Application

0.0%

0 of 24 marks

Above this Section's Level I ceiling: 100% of this chapter's marks are Comprehension and Knowledge, against ICAI's 15-45% for Goods and Services Tax. Reading carries more of the preparation here than it does elsewhere; do not prepare this chapter by working sums alone. Read the split with care: the chapter carries only 8 classified questions, so a single question moves it several points.

Topic 1: Framework of GST as Introduced in India

L2P3-B-C1-T01

Read first Read ICAI Study Material Chapter 1, Introduction to GST — the framework of GST as introduced in India, the taxes it subsumed and the definitions in the CGST Act.

NOTES

Seamless flow of credit is a two-sentence answer worth two marks. Credit in respect of GST paid at the time of purchase of goods or availment of services can be **continuously utilised for paying the output tax**, throughout the supply chain, without breaking the credit chain. Then add the sentence candidates drop: the credit chain is **not broken in inter-State supplies also**. Without that second sentence the answer is half done.

The deficiencies in the erstwhile value-added taxation are six, and **marks follow the count**, so number them. One, certain transactions were double taxed as both goods and services because the distinction between goods and services was unclear. Two, there was **cascading of taxes** because CENVAT excluded value addition in the distribution stage, and in the State-level VAT the CENVAT load on the goods was not removed. Three, credit of CENVAT and State-level VAT could not be set off against each other. Four, a single transaction needed multiple taxes in multiple forms, and several State taxes such as Luxury Tax and Entertainment Tax were not subsumed in the VAT. Five, State-level VAT and service tax were not integrated, causing cascading. Six, **CST, being non-VATable, caused cascading** and, being origin-based, violated the consumption tax principles.

The State taxes subsumed in GST are eight: State surcharges and cesses in so far as they relate to supply of goods and services; **Entertainment Tax, except those levied by local bodies**; tax on lottery, betting and gambling; Entry Tax in all forms; Purchase Tax; VAT or Sales tax; Luxury Tax; and taxes on advertisements. The Scanner adds the note **any six of these may be mentioned**

where the question asks for six, but carry the bracketed exclusion with Entertainment Tax — it is the qualifier the examiner looks for.

The Central levies subsumed in GST are seven: Central Excise Duty and Additional Excise Duties; Service tax; excise duty under the Medicinal and Toilet Preparations Act; CVD; Special CVD; Central Sales Tax; and Central surcharges and cesses in so far as they relate to supply of goods and services. Where the question asks for four, **any four points may be mentioned**. The trap the solutions expose is mixing the two lists: **CST, CVD and Special CVD are Central levies**, while Entry Tax, Purchase Tax and Luxury Tax are State levies.

Recipient of supply of goods or services or both has **three limbs, and a five-mark answer needs all three** plus the two riders. Where a consideration is payable for the supply, it is the person **liable to pay that consideration**. Where no consideration is payable for goods, it is the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available. Where no consideration is payable for a service, it is the person **to whom the service is rendered**. Then: any reference to a person to whom a supply is made is to be construed as a reference to the recipient of the supply, and the expression includes **an agent acting as such** on behalf of the recipient in relation to the goods or services supplied.

Remembering reproduce what you have learnt • 4 questions

- Number the points and give the count the question asks for. Where the question says any six, six correctly named levies score full; a seventh adds nothing and a fifth loses a mark.
- Reproduce the bracketed qualifiers with the item they belong to — except those levied by local bodies, all forms, in so far as they relate to supply of goods and services.

Q. 1.2 • PYQ 2025-May • 3M • Pg 1

LEVEL I
Remembering

Easy

Q. 1.3 • PYQ 2025-Jan • 3M • Pg 2

LEVEL I
Remembering

Easy

Q. 1.4 • PYQ 2018-Nov • 2M • Pg 2

LEVEL I
Remembering

Easy

Q. 1.5 • PYQ 2018-May • 3M • Pg 3

LEVEL I
Remembering

Easy

Understanding explain it, and place it in context • 2 questions

- Define the term in the statute's own words first, then add the explanatory sentence the solution ends on. For seamless credit that closing sentence is the inter-State one.
- Where a definition has limbs, set each limb on its own line with the condition that triggers it, rather than writing a single running paragraph.

Q. 1.1 • PYQ 2026-Jan • 2M • Pg 1

LEVEL I
Understanding

Easy

Q. 1.6 · PYQ 2018-May · 5M · Pg 4

LEVEL I
Understanding

Medium

Topic 2: Constitutional Provisions

L2P3-B-C1-T02

Read first Read ICAI Study Material Chapter 1, Introduction to GST — the constitutional provisions, including the GST Council and the constitutional amendment that enabled GST.

NOTES

The printed solution in this topic is the saving provision for the GST Council: no act or proceedings of the Council **shall be invalid merely by reason of** (a) any vacancy in, or any defect in, the constitution of the Council; or (b) any defect in the appointment of a person as a Member of the Council; or (c) any procedural irregularity of the Council **not affecting the merits of the case**. Three marks, three lettered clauses.

It is a **closed list of three reasons** and the words matter. Limb (a) covers both a vacancy and a defect in the constitution of the Council, so write both. Limb (c) is not simply procedural irregularity — the qualifier **not affecting the merits of the case** is where the mark sits, and an answer that stops at irregularity loses it. Open with the stem of the provision, then the three clauses; do not paraphrase it into prose.

The September 2026 paper set a note on the **main constitutional pillars of GST** and the Scanner prints no solution for it yet, so prepare that part from the Study Material rather than from this pack. The shape of the answer is the same as everything else in this chapter: short numbered points, each naming the article or the body it concerns, and no narrative.

Understanding explain it, and place it in context · 2 questions

- State the provision first and only then explain what it protects — that the Council's decisions survive a vacancy or a procedural slip.
- Keep each qualifying phrase attached to its clause; the qualifiers are what distinguish a three-mark answer from a one-mark one.

Q. 2.1 · PYQ 2026-Sep [8] (b) (ii) · 3M · Pg 4

LEVEL I
Understanding

Easy

Q. 2.2 · PYQ 2024-Sep · 3M · Pg 5

LEVEL I
Understanding

Easy

SECTION B • GOODS AND SERVICES TAX • CHAPTER 2

Supply Under GST

2 Topics • 28 Classified Questions • Importance: A

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **on profile**

Level I — Comprehension & Knowledge **33.3%** 44 of 132 marks

Level II — Analysis & Application **66.7%** 88 of 132 marks

This chapter sits inside ICAI's own band for Goods and Services Tax — 33% Level I against 15-45%. Prepare it in those proportions: know the method, then drill it.

Topic 1: Concept of Supply

L2P3-B-C2-T01

Read first Read ICAI Study Material Chapter 2, Supply under GST — the scope of supply under section 7 and the activities listed in Schedules I, II and III.

NOTES

Start every answer from the section. **Section 7(1) sets out supply in five limbs:** all forms of supply of goods or services or both — sale, transfer, barter, exchange, licence, rental, lease or disposal — made or agreed to be made for a consideration by a person in the course or furtherance of business; activities by a person other than an individual to its members or constituents or vice versa for cash, deferred payment or other valuable consideration, the person and its members being deemed two separate persons; import of services for a consideration whether or not in the course or furtherance of business; the activities specified in Schedule I made without a consideration; and the activities to be treated as supply of goods or of services under Schedule II. Reproduce the limbs in that order. The working test the solutions apply is goods or services, **for a consideration, in the course of business**, and an activity that fails one of the three is not supply unless a Schedule rescues it. That is why Akash, selling a six-month-old air conditioner from his home to a dealer for ₹5,000, makes no supply — there is consideration, but no business.

Schedule I: supply even without consideration, four items, and the questions ask for them verbatim. One, permanent transfer or disposal of business assets **where input tax credit has been availed** on such assets — so a dealer moving four air conditioners from stock to his own new house is supply. Two, supply of goods or services between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business, subject to the proviso that **gifts not exceeding ₹50,000 in value in a financial year** by an employer to an employee are not supply. Three, supply of goods by a principal to his agent where the agent undertakes to supply on the principal's behalf, or by an agent to his principal where the agent undertakes to receive on his behalf. Four, import of services from a related person or from any

other establishment outside India, in the course or furtherance of business.

Two definitions decide most Schedule I answers. **Section 25(4): more than one registration means distinct persons**, whether in one State or several, so a Delhi factory and a Mumbai depot of the same manufacturer are distinct persons and a stock transfer between them without consideration is supply under para 2. Related persons come from the Explanation to section 15, and **section 2(49) defines family** as the spouse and children of the person, and the parents, grand-parents, brothers and sisters **only if wholly or mainly dependent** on him. A brother who is a well-known lawyer in London is not dependent and so not related; a wholly dependent brother is. Settle relatedness first, then ask separately whether the service was for business — both must hold.

Import of services is the most repeated fact pattern in the chapter and it has a two-line decision rule. **For a consideration it is always supply** under section 7(1)(b), whether or not in the course or furtherance of business — so interior decoration or vastu consultancy for a private residence, paid 5,000 Australian dollars, is supply. **Without consideration it is supply only if both conditions hold** under section 7(1)(c) with Schedule I: the supplier is a related person or another establishment of the recipient outside India, and the service is in the course or furtherance of business. Fail either and it is not deemed supply. The same facts therefore flip on the premises: services for the residence are not supply, the identical services for the business premises are.

Schedule III is the negative list — neither a supply of goods nor a supply of services: services by an employee to the employer in the course of or in relation to his employment; services by any court or tribunal; functions performed by Members of Parliament, State Legislature, Panchayats, Municipalities and other local authorities; duties of a person holding a post under the Constitution; duties of a Chairperson, Member or Director in a body established by Government who is not deemed an employee; services of funeral, burial, crematorium or mortuary including transportation of the deceased; sale of land and, subject to para 5(b) of Schedule II, sale of building; actionable claims other than the specified ones; supply of goods from one place in non-taxable territory to another without the goods entering India; supply of warehoused goods before clearance for home consumption; and supply by the consignee by endorsement of documents of title before clearance for home consumption. Against it set **section 2(102A), specified actionable claims** — betting, casinos, gambling, horse racing, lottery, online money gaming — which alone are supply and taxable. When the question asks which Schedule an item falls in, give the Schedule and the category, never one alone: treatment or process applied to another person's goods is **Schedule II, supply of services**; transfer or disposal of business assets so that they no longer form part of those assets is **Schedule II, supply of goods**; court or tribunal services and sale of land are Schedule III, neither; permanent transfer of business assets on which ITC has been availed is **Schedule I, deemed supply**.

Para 5(e) of Schedule II carries its own line of questions: agreeing to the obligation to refrain from an act, to tolerate an act or situation, or to do an act is a supply of service, but only where there is an independent express or implied agreement and consideration flowing in return. On that reasoning liquidated damages and compensation for non-performance are **not supply**, being events in the course of the original contract, while a builder paid ₹20 lakh to raise three floors

instead of five is. The clarification circulars behind these answers are examined as facts, not as background. Food and beverages in a cinema hall are **taxable as restaurant service** where supplied by way of or as part of a service and independent of the exhibition service; clubbed with the ticket and satisfying the test of composite supply, the whole attracts the rate of the exhibition of cinema, the principal supply [Circular No. 201/13/2023 GST dated 01.08.2023]. Honorarium to guest anchors attracts GST, but a guest anchor whose aggregate turnover does not exceed **₹20 lakh (₹10 lakh in specified Special Category States)** need not register or pay. Inter-State movement of trucks and other conveyances between distinct persons under section 25(4) for repairs or carriage, not involving further supply of the conveyance, is **neither a supply of goods nor of services** [Circular No. 1/1/2017 IGST dated 07.07.2017], though GST is payable on the repairs themselves. Securities, which include shares, are neither goods nor services, so holding shares of a subsidiary is not a supply of service by the holding company. Director's remuneration splits: the part declared as salaries and subjected to TDS under section 192 is outside GST under Schedule III, the part declared otherwise and subjected to TDS under section 194J is taxable, and the company pays **on reverse charge basis**.

Two computations and one trap. Where rates differ across a bill, the solutions tabulate S. No., Particulars, Value (₹), GST Rate (%), CGST (₹) and SGST (₹), and close on **Total GST payable**: a combo of ticket and snacks is composite and takes the cinema rate of 9% CGST and 9% SGST on the whole ₹350, tickets alone the same 9% each, snacks sold alone 2.5% each. Where the payer will pay nothing more, **treat the amount received as inclusive of GST** and gross down — $\text{₹}20,00,000 \times \frac{9}{118} = \text{₹}1,52,542$ as CGST and as SGST each. The trap the solutions correct again and again is **consideration without quid pro quo**: a donation is consideration only if the recipient is obliged to do something, so a name plate acknowledging philanthropy is not supply, while a hoarding displaying the donor's products is advertising and therefore supply for consideration in the course of business.

Remembering reproduce what you have learnt · 2 questions

- Learn Schedule I as four numbered items and Schedule III as a numbered list. When the question says list any five, give five numbered items and stop; detailed explanation earns nothing extra.
- Carry the exact figures: the ₹50,000 employer gift proviso and the ₹20 lakh and ₹10 lakh registration thresholds for guest anchors.

Q. 1.9 · MTP 2025-May S1 · 5M · Pg 16

LEVEL I
Remembering

Medium

Q. 1.18 · PYQ 2023-May · 5M · Pg 25

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context · 5 questions

- Name section 7(1) and the limb the facts fall under before you explain anything. An answer that describes supply without citing the provision loses the provision mark.

- For import of services, give the two rules as a pair: with consideration, always supply; without consideration, only from a related person or overseas establishment and only in the course or furtherance of business.

Q. 1.3 · PYQ 2026-May [8] (a) · 5M · Pg 10	LEVEL I Understanding	Medium
Q. 1.12 · PYQ 2024-Sep · 5M · Pg 20	LEVEL I Understanding	Medium
Q. 1.22 · PYQ 2019-May · 4M · Pg 28	LEVEL I Understanding	Medium
Q. 1.23 · PYQ 2018-Nov · 5M · Pg 29	LEVEL I Understanding	Medium
Q. 1.11 · MTP 2025-Jan S2 · 6M · Pg 18	LEVEL I Understanding	Hard

Application use the rule - work the problem · 4 questions

- Take each independent case under its own number, state the provision, apply it to the facts, then close with a sentence saying whether it amounts to supply. The conclusion sentence carries the last mark.
- Where relatedness is in issue, prove dependence under section 2(49) first, then test business purpose separately. Answering only one of the two is the commonest half-answer.
- In a computation, build the table with value, rate, CGST and SGST columns and a Total GST payable line, and say in words why the combo takes the principal supply's rate.

Q. 1.10 · PYQ 2025-Jan · 5M · Pg 17	LEVEL II Application	Medium
Q. 1.16 · RTP 2024-May · DESC · Pg 23	LEVEL II Application	Medium
Q. 1.19 · PYQ 2022-May · 2M · Pg 26	LEVEL II Application	Medium
Q. 1.25 · PYQ 2018-May · 5M · Pg 31	LEVEL II Application	Medium

Analysis break it down and take the parts separately · 15 questions

- When a list of transactions is given, answer item by item with its own Schedule, its own category and its own conclusion. A single joint paragraph loses the marks for the items it does not name.
- Where the facts are deliberately paired — residence against business premises, dependent brother against independent brother — say what changed and why the answer changes with it.

Q. 1.1 · MTP 2026-Sep [8] (a) · 5M · Pg 9	LEVEL II Analysis	Medium
Q. 1.2 · MTP 2026-Sep [8] (a) (OR) · 5M · Pg 10	LEVEL II Analysis	Medium

Q. 1.4 • MTP 2026-May S2 • 5M • Pg 11	LEVEL II Analysis	Medium
Q. 1.5 • PYQ 2026-Jan • 5M • Pg 12	LEVEL II Analysis	Medium
Q. 1.6 • MTP 2026-Jan S1 • 5M • Pg 13	LEVEL II Analysis	Medium
Q. 1.7 • PYQ 2025-May • 5M • Pg 14	LEVEL II Analysis	Medium
Q. 1.8 • MTP 2025-May S2 • 5M • Pg 15	LEVEL II Analysis	Medium
Q. 1.13 • PYQ 2024-May • 5M • Pg 20	LEVEL II Analysis	Medium
Q. 1.14 • MTP 2024-May S1 • 6M • Pg 20	LEVEL II Analysis	Medium
Q. 1.15 • MTP 2024-May S1 • 5M • Pg 22	LEVEL II Analysis	Medium
Q. 1.17 • PYQ 2023-Nov • 2M • Pg 24	LEVEL II Analysis	Medium
Q. 1.20 • PYQ 2020-Nov • 5M • Pg 27	LEVEL II Analysis	Medium
Q. 1.21 • RTP 2020-May • DESC • Pg 27	LEVEL II Analysis	Medium
Q. 1.24 • RTP 2018-Nov • DESC • Pg 30	LEVEL II Analysis	Medium
Q. 1.26 • RTP 2018-May • DESC • Pg 32	LEVEL II Analysis	Medium

Topic 2: Composite and Mixed Supplies

L2P3-B-C2-T02

Read first Read ICAI Study Material Chapter 2, Supply under GST — composite supply, principal supply and mixed supply.

NOTES

Composite supply has three elements, and all three must be present. It comprises two or more taxable supplies of goods or services or both, or any combination of them; they are **naturally bundled and supplied in conjunction with each other** in the ordinary course of business; and one of them is a principal supply. The bundling is owing to natural necessities, and the other elements are dependent on the principal supply. Give the three elements as three points — that is how the solutions set them out.

Principal supply is the predominant element of a composite supply, the supply of goods or services to which every other supply forming part of that composite supply is ancillary. Name it

expressly, because the rate follows it: a composite supply **attracts the rate applicable to the principal supply** on the whole value, which is why a cinema ticket bundled with snacks is taxed at the rate for exhibition of cinema and not at the snacks rate.

Mixed supply is two or more individual supplies of goods or services, or any combination of them, made in conjunction with each other by a taxable person **for a single price**, where the supply does not constitute a composite supply. Mixed supply is the residual category: you reach it only after composite supply has been ruled out.

So run the test in order. First ask whether the items are naturally bundled in the ordinary course of business; if they are not, it is not composite. **Then ask whether a single price is charged**; if it is, the package is a mixed supply, and if the invoice shows separate values for each item there is neither composite nor mixed supply and **the items are treated as supplied individually**. A marriage package of double bed, refrigerator, washing machine and wooden wardrobe is not naturally bundled, so the answer turns entirely on the price: separate values on the invoice means individual supplies, one price for the package means mixed supply. The solutions give both readings of 'single rate', so state your assumption in a line before you conclude.

Understanding explain it, and place it in context · 2 questions

- Define composite supply, principal supply and mixed supply in one line each before you apply anything. The definitions carry marks on their own.
- Say what the classification is for: the rate on a composite supply follows the principal supply, and a mixed supply is charged as a single package.

Q. 2.1 · MTP 2026-Sep [8] (a) · 5M · Pg 33

LEVEL I
Understanding

Medium

Q. 2.2 · PYQ 2021-Jul · 4M · Pg 34

LEVEL I
Understanding

Medium

SECTION B • GOODS AND SERVICES TAX • CHAPTER 3

Charge of GST

2 Topics • 35 Classified Questions • Importance: A

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **on profile**

Level I — Comprehension & Knowledge

34.6%

53 of 153 marks

Level II — Analysis & Application

65.4%

100 of 153 marks

This chapter sits inside ICAI's own band for Goods and Services Tax — 35% Level I against 15-45%. Prepare it in those proportions: know the method, then drill it.

Topic 1: Charge of GST

L2P3-B-C3-T01

Read first Read ICAI Study Material Chapter 3, Charge of GST — the levy under section 9, the services notified for reverse charge, and the commodities kept outside GST.

NOTES

Section 9(1) lays the tax on the supplier; section 9(3) shifts it to the recipient for the services notified under Notification No. 13/2017-CT (Rate) dated 28.06.2017. Outside the charge altogether sit the commodities the Constitution's own definition of GST excludes — **alcoholic liquor for human consumption**, and un-denatured extra-neutral alcohol or rectified spirit used for the manufacture of alcoholic liquor for human consumption. Five petroleum products — petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel — are out only temporarily; the GST Council will decide the date they come in, and the erstwhile CST/VAT and central excise continue on them meanwhile. Where amounts are given, the solutions tabulate Sr. No., Particulars and Value of supply (₹), put the reason for each item in square brackets beside it, carry the excluded items at Nil, and close on the line **Total value of supply on which tax is payable** under reverse charge. Where rates are supplied the table instead runs CGST (₹) and SGST (₹) columns with the reasoning moved into numbered Notes below it. **End naming the person liable** — a figure with no such sentence loses the last mark.

Sponsorship is on reverse charge where the service is supplied **by any person other than a body corporate to any body corporate or partnership firm** located in the taxable territory, and an LLP registered under the Limited Liability Partnership Act, 2008 counts as a partnership firm. Turn the supplier into a body corporate, or the recipient into an individual, and the entry falls away and the supplier pays under forward charge. A goods transport agency supplying to a partnership firm or other specified recipient is on reverse charge under section 9(3) where GST is payable @ 5%, unless the GTA has opted for forward charge; **where GST is paid @ 18% the GTA itself pays**. To take the forward-charge option the GTA must register under the CGST Act, 2017, issue a tax

invoice charging GST @ 5%, and make a declaration of forward charge on that invoice.

Supply by an author of the transfer or permitted use of a **copyright covered under section 13(1)(a) of the Copyright Act, 1957** relating to original literary works, to a publisher in the taxable territory, is payable by the publisher under reverse charge. The author may instead pay under forward charge on three conditions the solutions list in order: he has taken registration under the GST law; he has filed a declaration in the prescribed form that he exercises the option and that he **shall not withdraw it within one year** of exercising it; and he makes a declaration on the invoice he issues to the publisher. An **unregistered author cannot exercise the option** — registration comes first, which is the whole answer where the publisher refuses to deposit the tax.

Legal services supplied directly or indirectly by **an individual advocate, a senior advocate or a firm of advocates** to a business entity in the taxable territory are payable by the recipient under reverse charge, so a trading company with a `50 lakh turnover pays on the advocate's fee. The exception: legal services by a firm of advocates other than a senior advocate to a business entity whose preceding-year turnover keeps it eligible for exemption from registration are exempt, so no GST arises at all. Security services, meaning **supply of security personnel**, attract reverse charge only where supplied **by a person other than a body corporate** to a registered person; supplied by a private limited company they do not, and where that company is itself unregistered no tax is payable on the transaction at all.

Three renting entries run through the questions. **Renting of a residential dwelling to a registered person** is taxable and the tax is payable by that registered recipient under reverse charge — the exemption for renting a residential dwelling for use as residence stops where the tenant is registered, and it is no answer that the flat houses the Managing Director. Renting of immovable property other than a residential dwelling by an unregistered person to a registered person is on reverse charge, except where the recipient has **opted to pay tax under composition levy**; a commercial car parking lot taken from an unregistered owner is covered. Under **Entry 5A of Notification No. 13/2017**, renting of immovable property by the Central Government, State Government, Union territory or local authority to a person registered under the CGST Act, 2017 is payable by that registered recipient.

Government services to a business entity are on reverse charge, and the examiner asks for the **exceptions, where the supplier pays**: renting of immovable property to an unregistered business entity; services by the **Department of Posts and the Ministry of Railways**; services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; and transport of goods or passengers. That is why rent paid to Indian Railways carries no reverse charge. Two small-value points sit beside them: services by a local authority are not taxable where the **consideration does not exceed `5,000**, which covers a factory licence renewal fee of `4,800; and the Notification No. 12/2017 exemption for Government services to a business entity with turnover up to `20 lakh (`10 lakh in Special Category States) in the preceding financial year **does not extend to renting of immovable property**.

Director's remuneration is split by the TDS section, and this is the slip the solutions correct again and again. The part **declared as salaries and subjected to TDS under section 192** is consideration

for services by an employee to the employer, falls in Schedule III, and is neither a supply of goods nor of services. The part declared separately and **subjected to TDS under section 194J** as fees for professional or technical services is outside Schedule III, is taxable, and the **company pays it under reverse charge**. On `20,00,000 made up of `8,50,000 salary and `11,50,000 professional fees, the solution charges only  $\text{`11,50,000} \times 9\% \text{ CGST and } 9\% \text{ SGST}$. Sitting fees of `1 lakh paid to an independent director go the same way.

Remembering reproduce what you have learnt · 4 questions

- Learn the exceptions as lists — the four Government services on which the supplier pays, the commodities outside GST, the three conditions for an author's forward-charge option. The marks follow the count, so number them.
- Quote the provision by number the way the solutions do: section 9(3), Notification No. 13/2017-CT (Rate), Entry 5A, Schedule III.

Q. 1.2 · MTP 2026-May S1 · 5M · Pg 39	LEVEL I Remembering	Medium
Q. 1.6 · MTP 2025-May S1 · 5M · Pg 42	LEVEL I Remembering	Medium
Q. 1.8 · MTP 2025-Jan S1 · 6M · Pg 44	LEVEL I Remembering	Medium
Q. 1.9 · MTP 2024-May S2 · 4M · Pg 45	LEVEL I Remembering	Medium

Understanding explain it, and place it in context · 2 questions

- State the entry in full before applying it, because every entry describes both the supplier and the recipient and the facts usually turn on one of them.
- Close each item with a named person: tax is payable under reverse charge by X, or the supplier pays under forward charge. A discussion with no such sentence scores nothing.

Q. 1.10 · PYQ 2021-Jan · 5M · Pg 46	LEVEL I Understanding	Medium
Q. 1.16 · RTP 2018-Nov · DESC · Pg 50	LEVEL I Understanding	Medium

Application use the rule - work the problem · 4 questions

- Build the table with a row for every item in the question, including the ones that carry nothing, and put the reason in brackets against the row. An omitted item reads as an item you missed.
- Where rates are given, work CGST and SGST in separate columns at the stated 9% each and total both, then state the total payable under reverse charge for the month.

Q. 1.17 · PYQ 2018-May · 3M · Pg 51	LEVEL II Application	Easy
Q. 1.4 · RTP 2025-Sep · DESC · Pg 40	LEVEL II Application	Medium
Q. 1.7 · PYQ 2025-Jan · 5M · Pg 42	LEVEL II Application	Medium
Q. 1.1 · RTP 2026-Sep · DESC · Pg 37	LEVEL II Application	Hard

Analysis break it down and take the parts separately · 7 questions

- Where the same facts are put twice with the supplier's status reversed — body corporate or not, registered or not — answer each limb under its own number and say which element of the entry changed the result.
- Before applying a reverse charge entry, check whether the supply is exempt at all; an exempt legal service or a `4,800 local authority fee bears no tax under either charge.

Q. 1.3 · MTP 2025-Sep S1 · 2.5M · Pg 39	LEVEL II Analysis	Easy
Q. 1.11 · PYQ 2020-Nov · 2M · Pg 47	LEVEL II Analysis	Easy
Q. 1.12 · PYQ 2020-Nov · 2M · Pg 47	LEVEL II Analysis	Easy
Q. 1.14 · PYQ 2018-Nov · 3M · Pg 49	LEVEL II Analysis	Easy
Q. 1.15 · PYQ 2018-Nov · 3M · Pg 50	LEVEL II Analysis	Easy
Q. 1.5 · MTP 2025-May S2 · 3M · Pg 41	LEVEL II Analysis	Medium
Q. 1.13 · RTP 2020-May · DESC · Pg 48	LEVEL II Analysis	Hard

Topic 2: Composition Levy

L2P3-B-C3-T02

Read first Read ICAI Study Material Chapter 3, Charge of GST — the composition levy under sections 10(1), 10(2) and 10(2A), and aggregate turnover under section 2(6).

NOTES

Sections 10(1) and 10(2) let a registered person whose aggregate turnover in the preceding financial year did not exceed `1.5 crore pay, in lieu of the tax payable by him, an amount at the specified rates. The limit is `75 lakh in **Special Category States** — the solutions list Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand, and put it

elsewhere as the Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir. In Jammu and Kashmir the limit is ₹1.5 crore, so a ₹78 lakh dealer there stays eligible. The scheme is for an **intra-State supplier of goods and of restaurant service**; a person supplying exclusively services other than restaurant service is outside it.

The **proviso to section 10(1)** permits a composition supplier to supply services other than restaurant services of a value not exceeding 10% of the turnover in a State or Union territory in the preceding financial year, or **₹5 lakh, whichever is higher**. Work that limit on its own line. On a preceding-year turnover of ₹120 lakh it is **₹12 lakh**; on ₹1.32 crore it is ₹13,20,000. Where the preceding year already carried both, the base is the combined figure — showroom ₹120 lakh plus interior decoration receipts ₹22 lakh gives ₹142 lakh, 10% of which is **₹14,20,000**, and services of ₹22,00,000 exceed it, so the firm is out. The same firm at ₹130 lakh and ₹22 lakh fails a step earlier, because the aggregate turnover itself crosses ₹1.5 crore.

Section 10(2) lists who cannot opt, and the five- and six-mark theory question asks for it straight: a supplier making any supply of goods or services **not leviable to tax**; a supplier making any **inter-State outward supplies**; a person supplying through an electronic commerce operator required to collect tax at source under section 52; a **manufacturer of goods notified under section 10(2)(e)** — ice cream and other edible ice whether or not containing cocoa, pan masala, tobacco and manufactured tobacco substitutes, aerated waters, fly ash bricks, fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles; a casual taxable person or a non-resident taxable person; and a supplier of services beyond the higher of 10% of turnover in the State or ₹5 lakh. Number them; the marks follow the count.

Five points the questions set as traps. Goods **exempted by a notification are still leviable to tax**, so a wholesaler of one taxable product and one notification-exempt product remains eligible; only goods not leviable to tax at all disqualify. **Trading in a notified good is not manufacturing it** — a pan masala trader is eligible, a fly ash brick manufacturer is not, even where his preceding-year turnover is nil. There is **no restriction on inter-State inward supplies**: only outward inter-State supply disqualifies, so procuring raw material from a neighbouring State changes no answer. All registrations under the same PAN must opt together, so if one place of business goes to the normal scheme the others become ineligible — composition for all, or normal for all. And the option **lapses from the day turnover crosses ₹1.5 crore**, with normal tax payable from that day.

Section 10(2A) carries the scheme for services. It is open to a registered person whose aggregate turnover in the preceding financial year is **up to ₹50 lakh** and who is **not eligible to pay tax under section 10(1) and 10(2)** — that second condition is the one candidates drop, and it is why a machinery dealer with a preceding-year turnover of ₹1.32 crore, being eligible for the goods scheme, cannot take 10(2A). The rate is **3% CGST, effective rate 6%** with SGST/UTGST, on the turnover of supplies of goods and services in the State or Union territory; on ₹35 lakh the tax is **₹2,10,000**. Notification No. 2/2019 CT (R) dated 7-3-2019 states the conditions — the disqualifications above, plus that he shall neither collect tax from the recipient nor take input tax credit, and shall issue a bill of supply instead of a tax invoice. The question asks for any five of the

nine.

The recurring computation gives quarterly turnovers of `20 lakh, `30 lakh and `40 lakh for a firm that began supplying in the current year, and it turns on one distinction. For **determining the tax payable**, turnover in State excludes supplies from the first day of April up to the date the person becomes liable for registration — liability arising when aggregate turnover crosses `20 lakh — so the first quarter bears no tax. It also excludes exempt supply of services by way of extending deposits, loans or advances where the consideration is interest or discount. For **determining eligibility**, aggregate turnover **includes** those same pre-registration supplies, so the `50 lakh ceiling is reached by the end of the second quarter and the **option lapses from that day**. Tabulate Quarter, GST rate, Turnover, GST payable: nil on the first `20 lakh, **6% on the next `30 lakh giving `1.8 lakh**, and the normal 18% on `40 lakh giving `7.2 lakh; run cumulatively the same facts total `5,40,000.

Aggregate turnover under section 2(6) is the aggregate value of all taxable supplies, exempt supplies, exports of goods or services or both, and inter-State supplies of persons having the same PAN, computed on an all-India basis, but excluding central tax, State tax, Union territory tax, integrated tax and cess, and **inward supplies on which tax is payable on reverse charge**. Tabulate every item the question lists and carry the excluded ones at NIL rather than dropping them — IGST paid, CGST and SGST paid and the reverse charge payment for GTA services each appear as a NIL line, and the printed total on those facts is `32,40,000. Where exempt supplies include interest on loans and advances the solution deducts it: `70,00,000 less `30,00,000 leaves `40,00,000, and the aggregate turnover works out at **`95,00,000** — below `1.5 crore, and the assessee is **still ineligible because he makes inter-State supplies**.

Remembering reproduce what you have learnt · 4 questions

- Give the ineligibility list as numbered points and carry the notified-goods entry to the end of the list; a half-finished list is a half mark.
- Fix the four figures before the exam — `1.5 crore, `75 lakh, `50 lakh and `20 lakh — and what each one governs.

Q. 2.4 · MTP 2025-Sep S2 · 5M · Pg 56	LEVEL I Remembering	Medium
Q. 2.6 · MTP 2025-Jan S1 · 5M · Pg 58	LEVEL I Remembering	Medium
Q. 2.8 · MTP 2024-Sep S2 · 5M · Pg 60	LEVEL I Remembering	Medium
Q. 2.16 · PYQ 2018-May · 3M · Pg 69	LEVEL I Remembering	Medium

Understanding explain it, and place it in context · 1 question

- Say which sub-section you are testing, 10(1) and 10(2) or 10(2A), before you reach a conclusion, because the threshold and the rate differ.

- Where the question puts up a view taken by an accountant or an adviser, end with a sentence stating plainly whether that view is correct.

Q. 2.14 · PYQ 2019-Nov · 5M · Pg 67

LEVEL I
Understanding**Medium****Application** use the rule - work the problem · 8 questions

- Test eligibility first, then compute. Show the services limit as its own working, 10% of the preceding-year turnover against `5 lakh, before comparing the actual services figure with it.
- For the quarterly questions, lay out a table with a rate column and show nil for the pre-registration quarter, 6% for the composition quarter and 18% after the option lapses.
- For aggregate turnover, list every item given, mark the excluded ones NIL, and total to a line called Aggregate Turnover.

Q. 2.5 · MTP 2025-Sep S1 · 2.5M · Pg 57

LEVEL II
Application**Easy**

Q. 2.2 · MTP 2026-May S1 · 5M · Pg 53

LEVEL II
Application**Medium**

Q. 2.9 · MTP 2024-May S2 · 6M · Pg 61

LEVEL II
Application**Medium**

Q. 2.11 · PYQ 2021-Jul · 5M · Pg 63

LEVEL II
Application**Medium**

Q. 2.15 · PYQ 2019-May · 5M · Pg 68

LEVEL II
Application**Medium**

Q. 2.18 · PYQ 2018-May · 5M · Pg 71

LEVEL II
Application**Medium**

Q. 2.12 · RTP 2020-May · DESC · Pg 64

LEVEL II
Application**Hard**

Q. 2.13 · PYQ 2019-Nov · 6M · Pg 66

LEVEL II
Application**Hard****Analysis** break it down and take the parts separately · 5 questions

- Where several suppliers or several branches are put up, take each under its own number with its own conclusion; a joint paragraph loses the marks for the ones it does not name.
- When the facts are varied — a different State, an inter-State purchase, a lower turnover — rework only the condition that moves and state the revised conclusion separately.

Q. 2.1 · MTP 2026-May S2 · 5M · Pg 52

LEVEL II
Analysis**Medium**

Q. 2.3 · MTP 2026-Jan S1 · 4M · Pg 55

LEVEL II
Analysis**Medium**

Q. 2.7 · PYQ 2024-Sep · 5M · Pg 59

LEVEL II**Medium**

	Analysis	
Q. 2.17 · PYQ 2018-May · 5M · Pg 69	LEVEL II Analysis	Medium
Q. 2.10 · PYQ 2022-Nov · 2M · Pg 62	LEVEL II Analysis	Hard

SECTION B • GOODS AND SERVICES TAX • CHAPTER 4

Place of Supply

3 Topics • 35 Classified Questions • Importance: C

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **on profile**

Level I — Comprehension & Knowledge **19.1%** 31 of 162 marks

Level II — Analysis & Application **80.9%** 131 of 162 marks

This chapter sits inside ICAI's own band for Goods and Services Tax — 19% Level I against 15-45%. Prepare it in those proportions: know the method, then drill it.

Topic 1: Place of Supply of Goods

L2P3-B-C4-T01

Read first Read ICAI Study Material Chapter 4, Place of Supply — section 10 of the IGST Act and the place of supply of goods other than goods imported into or exported from India.

NOTES

Section 10 of the IGST Act fixes the place of supply of goods clause by clause, and the mark is in naming the clause before you name the State. Supply involving movement of goods: the location of the goods at the time at which **the movement terminates for delivery to the recipient**. Supply not involving movement: **the location of the goods at the time of delivery** to the recipient [section 10(1)(c)]. Goods installed or assembled at site: the place of such installation or assembly [section 10(1)(d)]. Goods supplied on board a conveyance: the location at which the goods are taken on board [section 10(1)(e)].

Assembly at site is the pattern the examiner repeats every sitting. Where the contract is to supply a machine or air-conditioners and install them, **the place of supply is the site of assembly** — Tamil Nadu, Kutch, Haridwar — and the States in which supplier and recipient are registered are distractors put there to be rejected. The solutions add a line worth writing: this is a **composite supply** in which supply of goods is the principal supply and installation or assembling the ancillary service.

Goods sold on board a train, aircraft, vessel or motor vehicle are supplied **where the goods were taken on board** — New Delhi, not Jaipur where they were sold. The solutions stress that the clause applies **even where the seller is a passenger, not the carrier** of the conveyance. Where biscuit packets are loaded at Lucknow for a Kolkata-Guwahati route, the place of supply of the on-board sale is still Lucknow.

Supply to a person other than a registered person is governed by **section 10(1)(ca)**: the place of supply is the location as per **the address of that person recorded in the invoice**, and the location

of the supplier where no address is recorded. By the Explanation, **recording the State name is deemed to be the address**. So where Kiara Motors' invoice carries only 'Gujarat', the place of supply is Bhavnagar, Gujarat, even though the buyer took delivery of the car at Jaipur. This is the over-the-counter case the solutions describe — migrant workers, tourists, and residents crossing a State line for lower registration charges and road tax.

The trap, and the two answers differ on the facts and not on the law: where the invoice records **both a billing address and a delivery address**, Circular No. 209/3/2024 GST dated 26.06.2024 makes **the address of delivery recorded on the invoice** the place of supply — Bareilly and not Mumbai, Ahmedabad and not Mount Abu. Where the invoice records only the billing address and makes no mention of the delivery address, the billing address stands — Punjab and not Haryana. Read what the invoice actually carries before you conclude.

Section 10(1)(b) introduces a fiction for bill-to ship-to: a supplier, a buyer who is not the recipient (the third person), and the person who actually receives the goods on the buyer's direction. The third person on whose direction the goods are delivered is treated as the recipient and **the place of supply is his principal place of business**. Write the answer as two transactions. First leg, Kota (Rajasthan) to Jalandhar (Punjab): inter-State, so IGST. Second leg, Deep Traders to Jyoti Sons, both in Punjab: intra-State, so CGST and SGST, the lorry receipt being endorsed to enable delivery. Where the supplier has charged CGST and SGST on the first leg, he must **claim refund of CGST and SGST and deposit IGST**: $18\% \text{ of } ₹12,00,000 = ₹2,16,000$.

Application use the rule - work the problem · 7 questions

- Answer in the order the solutions do: the rule, the operative fact from the question, then the closing sentence naming the State — 'thus, the place of supply is the site of assembly, i.e. Tamil Nadu'. The State alone is not an answer.
- For an unregistered buyer, quote the invoice before you decide. Say whether the invoice records a delivery address, and only then pick between billing address, delivery address and location of the supplier.

Q. 1.1 · MTP 2026-Sep [6] (b) · 2M · Pg 73	LEVEL II Application	Medium
Q. 1.2 · MTP 2026-May S1 · 5M · Pg 73	LEVEL II Application	Medium
Q. 1.4 · RTP 2025-May · DESC · Pg 75	LEVEL II Application	Medium
Q. 1.5 · PYQ 2024-Sep · 2M · Pg 76	LEVEL II Application	Medium
Q. 1.6 · MTP 2024-Sep S2 · 5M · Pg 76	LEVEL II Application	Medium
Q. 1.8 · PYQ 2019-May · 4M · Pg 78	LEVEL II Application	Medium

Q. 1.3 · MTP 2025-Sep S1 · 4M · Pg 74

LEVEL II
Application

Hard

Analysis break it down and take the parts separately · 2 questions

- Bill-to ship-to needs two separate headings, one per leg, each with its own place of supply, its own inter-State or intra-State finding and its own tax. Where the supplier has charged the wrong tax, close with the refund and re-deposit sentence.

Q. 1.7 · MTP 2024-May S2 · 5M · Pg 77

LEVEL II
Analysis

Medium

Q. 1.9 · PYQ 2018-May · 4M · Pg 79

LEVEL II
Analysis

Medium

Topic 2: Place of Supply of Services

L2P3-B-C4-T02

Read first Read ICAI Study Material Chapter 4, Place of Supply — section 12 of the IGST Act, the place of supply of services where both the supplier and the recipient are located in India, and the related part of section 13.

NOTES

Section 12 applies where **the supplier and the recipient are both located in India**, and it works as a default rule with a list of overrides. The default under section 12(2): to a registered person, **the location of that person**; to an unregistered person, the location of the recipient **where the address on record exists**, and otherwise the location of the supplier. Consultancy by a Chartered Accountant to an unregistered client is therefore supplied at New Delhi because that address sits in the supplier's records, and repair of a tourist's camera at the Mumbai address he gave for the bill. Go to the default only after the specific sub-sections have been ruled out.

Section 12(8) — transportation of goods, including by mail or courier: if the recipient is registered, the location of such person; if he is not registered, **where the goods are handed over for transportation**. That gives Kanpur and not Bhopal, Ranchi and not Jodhpur, Kolkata and not Mumbai, and New Delhi where a Kolkata resident hands over a courier while travelling. **Section 12(9) — passenger transportation** to an unregistered person: the place where the passenger embarks on the conveyance for a continuous journey, and **the return journey is a separate journey** even where both tickets are issued at the same time. Answer the onward and return legs on separate lines. A concessional ticket for unfixed future travel goes to the recipient's address in the supplier's records, and to the location of the supplier where that address is not available.

Section 12(7) — organisation of an event: to a registered person, the location of that person, **even where the event is held abroad** — Ahmedabad for an event in Malaysia, Varanasi for a function in Mauritius, Pune for a launch in Bangkok. To an unregistered person, **the place where the event is actually held** — Mumbai for the wedding, Bengaluru for the product launch — but where the

event is held outside India, the location of the recipient, Kochi or Pune. Where one event runs across several States for a consolidated charge, the place of supply is deemed to be **in each State in proportion to the value** under the contract, and in the absence of a contract that proportion is computed under **rule 5 of the IGST Rules** on generally accepted accounting principles. **Section 12(6) — admission to an event** is a different rule: the place where the event is actually held, whoever the recipient is, and admission to an amusement park is where the park is located.

Services supplied directly in relation to immovable property — architects, interior decorators, and accommodation for organising a function under section 12(3)(c) — are supplied **where the immovable property is located**. Two carve-outs are set again and again. Where **both parties are in India and the property is abroad**, the place of supply is the location of the recipient: Mumbai for a property in New York, Pune for a building in Canada. Where **either party is outside India**, it reverts to the property: Paris, or New Delhi for a New York recipient's Delhi flat. A hoarding embedded in the earth is an immovable structure, so sale of space on it is supplied where the hoarding stands — Udaipur for one, Gwalior for the other, State by State.

Section 12(11) — telecommunication services, and the answer turns on the form of the connection. **Fixed line: where the line is installed**, Kolkata and not the Guwahati billing address. **Post-paid mobile: the billing address on the supplier's record**. Pre-paid through a selling agent, reseller or distributor of SIM cards or recharge vouchers: the address of that agent as per the supplier's record at the time of supply. Pre-paid by any person to the final subscriber: where the prepayment is received or the vouchers are sold. In any other case, the recipient's address on record, failing which the location of the supplier; and where the recharge is done through internet or e-payment, the location of the recipient on the supplier's record. The theory question asks why the supplier's location cannot be the place of supply — answer with **the consumption principle**, since these services are supplied across many States and all the revenue would collect in the few States where suppliers sit.

Section 12(12) — banking and stock broking services, to any person: the location of the recipient **on the records of the supplier**, and **otherwise the location of the supplier**. A savings account holder or locker holder gives you Ahmedabad or New Delhi; a stock broking client registered at Ranchi gives you Ranchi, on the stated assumption that his address is in the broker's records.

Section 12(13) — insurance: to a registered person, the location of that person; to an unregistered person, the location of the recipient on the supplier's records — Faridabad and not Pune where the travel policy was bought, Patna where the insurer's records say Patna.

Where the question asks for the tax and not just the place, the solutions take each supply on its own: name the sub-section, state the place of supply, compare it with the location of the supplier to decide inter-State or intra-State, then compute. 400 tickets at `5,000 = `20,00,000, **IGST at 18% = `3,60,000**; organisation of the event `10,00,000, **IGST `1,80,000**; the hotel lawn `4,00,000, **CGST at 9% `36,000 and SGST at 9% `36,000**. At `450 a ticket only the admission leg changes, because inter-State admission to a musical performance is exempt where the consideration is **not more than `500 per person** under Notification No. 9/2017-IT (R) dated 28-06-2017.

Remembering reproduce what you have learnt · 1 question

- For mobile connections, list all the situations in the order the solutions do — post-paid, pre-paid through a distributor, pre-paid to the final subscriber, other cases, internet recharge. Marks follow the count.

Q. 2.10 · PYQ 2024-Sep · 3M · Pg 88

LEVEL I
Remembering**Easy****Understanding** explain it, and place it in context · 4 questions

- Open a theory answer with the sub-section and the two-limb split it draws — registered recipient against unregistered recipient — and then give the example the solution gives.

Q. 2.4 · MTP 2026-Jan S2 · 5M · Pg 83

LEVEL I
Understanding**Medium**

Q. 2.6 · MTP 2025-Sep S2 · 4M · Pg 85

LEVEL I
Understanding**Medium**

Q. 2.7 · MTP 2025-Sep S2 · 4M · Pg 86

LEVEL I
Understanding**Medium**

Q. 2.14 · PYQ 2018-May · 5M · Pg 93

LEVEL I
Understanding**Medium****Application** use the rule - work the problem · 8 questions

- Give the sub-section, the operative fact, and a closing sentence naming the State. Where the recipient's registration status decides the answer, say expressly that he is registered or unregistered before you conclude.
- Where a tax figure is asked for, lay out consideration, rate and amount as separate lines for each supply, and decide IGST against CGST plus SGST by comparing location of supplier with place of supply.

Q. 2.1 · MTP 2026-Sep [6] (a) · 5M · Pg 81

LEVEL II
Application**Medium**

Q. 2.2 · PYQ 2026-May [6] (b) · 5M · Pg 81

LEVEL II
Application**Medium**

Q. 2.3 · MTP 2026-May S2 · 5M · Pg 82

LEVEL II
Application**Medium**

Q. 2.8 · MTP 2025-Jan S1 · 5M · Pg 86

LEVEL II
Application**Medium**

Q. 2.11 · PYQ 2022-Nov · 5M · Pg 89

LEVEL II
Application**Medium**

Q. 2.12 · RTP 2021-May · DESC · Pg 90

LEVEL II
Application**Medium**

Q. 2.15 · PYQ 2018-May · 5M · Pg 94

LEVEL II
Application**Medium**

Q. 2.13 · RTP 2019-May · DESC · Pg 91

LEVEL II
Application**Hard**

Analysis break it down and take the parts separately · 3 questions

- Where one scenario carries several supplies, identify them first as a numbered list, then take each in turn with its own place of supply and its own tax. The identification itself carries marks.
- When asked 'will your answer be different if the event is held abroad', answer the changed case separately and say which parts of the original answer do not change.

Q. 2.5 · PYQ 2025-Sep · 5M · Pg 84

LEVEL II
Analysis

Medium

Q. 2.9 · RTP 2025-Jan · DESC · Pg 87

LEVEL II
Analysis

Medium

Q. 2.16 · RTP 2014-Nov · DESC · Pg 95

LEVEL II
Analysis

Medium

Topic 3: Miscellaneous Questions

L2P3-B-C4-T03

Read first Read ICAI Study Material Chapter 4, Place of Supply — the combined application of sections 10 and 12 of the IGST Act to mixed fact patterns covering goods, services and on-board supplies.

NOTES

These questions arrive as a list of three to eight unrelated fact patterns carrying five to eight marks. Answer **each case under its own number**: the provision, the operative fact, then the State. The solutions never spend more than three or four lines on a case, and **a joint paragraph loses the marks for unnamed cases**. Where the question says 'brief reason should form part of your answer', the reason is the sub-section.

On board a conveyance the two limbs part company, and the examiner sets them side by side in the same question. **Goods: where they are taken on board** — Vijayawada for the packaged sandwich, Lucknow for the biscuit packets. **Services: the first scheduled point of departure** of that conveyance for the journey — Chennai for the on-board Wi-Fi, Bengaluru for the in-flight movie on demand, and Bangkok on a Bangkok-Delhi-Chennai flight even though the entertainment was consumed on the Delhi-Chennai leg. The leg the passenger is on does not decide it; the scheduled departure for the journey does.

Where the supply does not involve movement of goods, by the supplier or the recipient, the place of supply is **the location of the goods at delivery** to the recipient. A leased machine bought out at the end of the lease on an 'as is where is' basis never moves, so the place of supply is Indore or Noida where it already stands, and the lessor's State is irrelevant. Pre-installed office furniture and fixtures sold with a building are the same case — Hissar, Haryana. Contrast the movement limb, where the place of supply is where the movement terminates for delivery, giving Ranchi for the second leg of a bill-to ship-to chain whose first leg is Chandigarh.

Banking is the case students lose. The place of supply is **the recipient's location in the supplier's records**, but **otherwise the location of the supplier**. So an account holder withdrawing from an ATM at Amritsar is supplied at New Delhi where his KYC sits, while a walk-in buying a demand draft **from a bank at which he holds no account** is supplied at the bank — Pune, or Jodhpur in Rajasthan. Say in terms that no account means no address on record before you switch to the supplier's location.

Two more recurring items. For pre-paid telecom sold through a distributor, the place of supply is **the distributor's address on the supplier's record** — Karnataka, even though the vouchers reach subscribers in Tamil Nadu — while a post-paid connection goes to the billing address on record, West Bengal. For any service not specifically listed, supplied to an unregistered person, the place of supply is **the recipient's location where an address is on record**, and the location of the supplier where it does not.

Remembering reproduce what you have learnt · 2 questions

- State the section that governs the supply in question before anything else. The place of supply follows from the section, not from the facts alone.

Q. 3.8 · RTP 2024-May · DESC · Pg 102

LEVEL I
Remembering

Medium

Q. 3.3 · MTP 2026-Jan S1 · 6M · Pg 98

LEVEL I
Remembering

Hard

Application use the rule - work the problem · 7 questions

- Number your answer to match the numbering in the question, and give each case its own provision, its own one-line reason and its own State. Do not carry a conclusion from one case into the next.
- Where a case supplies both goods and a service on the same conveyance, split them into two answers — one under the goods provision, one under the services provision — because the two give different States.

Q. 3.1 · MTP 2026-Sep [6] (a) · 3M · Pg 96

LEVEL II
Application

Medium

Q. 3.2 · RTP 2026-Sep · DESC · Pg 96

LEVEL II
Application

Medium

Q. 3.4 · RTP 2026-Jan · DESC · Pg 99

LEVEL II
Application

Medium

Q. 3.5 · MTP 2025-May S1 · 5M · Pg 100

LEVEL II
Application

Medium

Q. 3.6 · PYQ 2025-Jan · 5M · Pg 101

LEVEL II
Application

Medium

Q. 3.10 · MTP 2018-May · 2M · Pg 105

LEVEL II
Application

Medium

Q. 3.9 · PYQ 2021-Jan · 8M · Pg 103

LEVEL II
Application

Hard

Analysis break it down and take the parts separately · 1 question

- Before you write, sort each case into goods or services and, for services, into registered or unregistered recipient. Those two questions decide most of the eight-mark lists in this topic.

Q. 3.7 · PYQ 2024-May · 5M · Pg 101

LEVEL II
Analysis

Medium

SECTION B • GOODS AND SERVICES TAX • CHAPTER 5

Exemptions from GST

1 Topics • 35 Classified Questions • Importance: C

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **problems first**

Level I — Comprehension & Knowledge **13.6%** 23 of 168 marks

Level II — Analysis & Application **86.4%** 146 of 168 marks

Below this Section's Level I floor: only 14% of this chapter's marks are Comprehension and Knowledge, against ICAI's 15-45% for Goods and Services Tax. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Exemptions From GST (no topic sub-division in source)

L2P3-B-C5-T01

Read first Read ICAI Study Material Chapter 5, Exemptions from GST — the exemption notification for services, entry by entry, with the government, charitable, health care, education, agriculture, transport and performing-artist entries read in full.

NOTES

Pure services supplied to the Government or a local authority in relation to a function entrusted to a Panchayat or a Municipality under the Constitution are exempt; supply of manpower for cleanliness of roads is the solutions' own example. Where goods travel with the service the exemption survives only if **the value of the goods is not more than 25%** of the composite supply: maintenance of street lights with 35% spares is taxable, and construction for a State Government with material of ₹2,79,375 inside ₹8,20,000 is taxable, while civil maintenance at 20% goods still fails because a Circular puts **upkeep of the MCD head office outside article 243W**. Also exempt on the printed answers are legal services by a firm of advocates to the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity, sanitation conservancy for a Governmental Authority, slum improvement and upgradation for a local authority, sale of sugar by a Fair Price Shop under the Public Distribution System against commission, and issuance of a passport by the Central Government. A training programme needs **75% or more of the expenditure borne by the Government**, so 70% is taxable. Pure labour contracts are exempt only for construction of **original works pertaining to a single residential unit** otherwise than as part of a residential complex; repairing that same unit is taxable, and ₹50,000 carried CGST and SGST at 9% each.

Services by an entity registered under section 12AA or 12AB of the Income-tax Act are exempt only so far as they are charitable activities, and that term is a closed list you should reproduce limb by limb: public health, by way of care or counselling of terminally ill persons or persons with severe

physical or mental disability, of persons afflicted with HIV or AIDS, of persons addicted to a dependence-forming substance such as narcotic drugs or alcohol, and public awareness of preventive health, family planning or prevention of HIV infection; **advancement of religion, spirituality or yoga**; advancement of educational programmes or skill development relating to abandoned, orphaned or homeless children, physically or mentally abused and traumatized persons, prisoners, or **persons over 65 years residing in a rural area**; and preservation of environment including watershed, forests and wildlife. So skill development for persons over 65 in an urban area is taxable at ₹2,00,000, renting a portion of the premises to a bookshop for business at ₹12,000 and granting advertising rights on the trust's premises at ₹5,500 are taxable, a camp for advancement of religion and spirituality and training or coaching in sports are exempt, and the taxable value comes to ₹2,17,500. Two per-member limits belong to the same family: an old age home run by the Central Government, State Government or a 12AA or 12AB entity, for residents aged 60 years or more, **up to ₹25,000 per month per member** inclusive of boarding, lodging and maintenance; and a residents' welfare association or other unincorporated body or non-profit entity supplying its own members, **up to ₹7,500 per month per member**. At ₹8,000 or ₹9,000 per member the entire contribution is taxable and not merely the excess, and the association may then take ITC on the water pump and input services bought for members.

Health care services by a **clinical establishment, an authorised medical practitioner or paramedics** are exempt. Health care service means diagnosis, treatment or care for illness, injury, deformity, abnormality or pregnancy **in any recognised system of medicines in India** — yoga qualifies, reiki healing does not — and the place is immaterial, so palliative care given at the patient's home is still exempt. It includes transportation of the patient to and from a clinical establishment, which covers an air ambulance, and it **excludes cosmetic or plastic surgery** except where undertaken to restore or reconstruct anatomy or functions affected by congenital defects, developmental abnormalities, injury or trauma, so repair of a cleft lip is exempt. A physiotherapist registered with a recognised paramedics authority is exempt in independent capacity. **Food supplied to in-patients as advised by the doctor** or nutritionist is part of the composite supply of health care and not separately taxable, whether the canteen is the hospital's own or an outside caterer billing the hospital. Rooms are the figure to watch: **room charges up to ₹5,000 per day are exempt**, above that taxable, so ₹7,000 per day for two days puts ₹14,000 to tax while consultation, operation theatre and other charges stay exempt — but the ₹5,000 limit **does not apply to ICU, CCU, ICCU or NICU**, so ₹12,000 a day in neo-natal intensive care and ₹19,500 in an ICCU are wholly exempt. Alongside these, health insurance is exempt where the insured is an individual or an individual and family and not a group; accommodation is exempt at **up to ₹20,000 per person per month for a minimum continuous period of 90 days**, which covers ₹18,000 for 99 days and ₹20,000 for 180 days; and renting a residential dwelling for use as a residence is exempt even where the tenant is registered, provided he takes it on his own account in personal capacity and not for his business.

An educational institution is one providing pre-school education or education up to higher secondary school or equivalent, education as part of a curriculum for a qualification recognised by law, or an approved vocational education course: an ITI running courses notified under the

Apprentices Act, 1961 qualifies, an anganwadi qualifies as pre-school, a coaching institute does not. Services supplied to such an institution by way of transportation of students, faculty and staff, catering including mid-day meals, security, cleaning and housekeeping are exempt **only for pre-school or up to higher secondary school**, so transport at ₹2,50,000 and catering at ₹5,80,000 for degree colleges are taxable, housekeeping for a coaching institute at ₹50,000 is taxable, and security for a higher secondary school and transport by a private operator for a school are exempt. Catering for an anganwadi is exempt **irrespective of funding by government grants or corporate donations**. Two entries carry their own test: **online educational journals** are exempt only to an institution providing a qualification recognised by law, and services relating to admission to, or conduct of examination by, the institution are exempt at every level, which covers printing of question papers, OMR sheets and answer booklets and an entrance examination conducted by the National Testing Agency. Affiliation by a State education board is **exempt only to Government schools**, so ₹50,000 from a trust-run school is taxable. The trap is location: security and housekeeping performed **outside the school premises** at an annual day function are not exempt.

The agriculture entries turn on two words. Rearing of **all life forms of animals except horses** is exempt, and artificial insemination is exempt for **livestock other than horses**, so insemination of horses is taxable — ₹5,00,000 in one sitting, ₹4,00,000 in the other. A process is exempt only as an intermediate production process in relation to cultivation and only where it **does not alter the essential characteristics of the produce**: pre-conditioning, pre-cooling, ripening and waxing of fruits are exempt on that reasoning, while **processing sugarcane into jaggery** and **milling paddy into rice** are taxable, the milling also because it is carried out after cultivation is over. Warehousing of agricultural produce, including warehousing of sugarcane, is specifically exempt, and so is renting of vacant land for an agricultural activity such as fish farming, but **fumigation in a warehouse of agricultural produce is taxable**. In the standard computation the exempt lines are carried at nil with the reason in brackets and only the taxable lines are totalled — ₹20,00,000 in the October question, ₹21,30,000 in the February one.

A **goods transport agency** is one that issues a **consignment note**: a serially numbered document giving the names of consignor and consignee, the registration number of the goods carriage, details of the goods, the place of origin and destination, the gross weight of the consignment, the GSTIN of the person liable to pay tax, and the other particulars prescribed for a tax invoice. GTA services to an unregistered person are exempt **except to six specified recipients** — factory, society, co-operative society, body corporate, partnership firm, registered casual taxable person — and a partnership firm counts **whether or not registered under any law**, so ₹8,000 from an unregistered firm is taxable. A Gram Panchayat registered **only to deduct tax at source under section 51** is exempt; an individual tempo owner who issues no consignment note is not a GTA at all, so his ₹18,000 trip is exempt; and transport of relief materials for victims of natural or man-made disasters, calamities, accidents or mishap is exempt. By rail, cloak room services and platform tickets sold to individuals are exempt, transport of passengers in a class **other than first class or an air-conditioned coach** is exempt, and organic manure and relief materials are exempt, but **renting of immovable property to a registered person is taxable**, the tax payable by the Railways under forward charge. For road passengers the non-air-conditioned contract carriage

entry applies only to a **pre-determined route and pre-determined schedule**: a carriage hired for three months at the recipient's disposal is renting of a motor vehicle and taxable, and the exemption for economy class travel terminating in Manipur does not reach the service fee charged for booking the ticket.

A performance in **folk or classical art forms of music, dance or theatre** is exempt where the consideration for that performance is **not more than ₹1,50,000**; cross it and the entire consideration is taxable, yet two separate contracts on the same day of ₹90,000 and ₹85,000 both stay exempt because each contract is tested on its own. The exemption **never applies to an artist as a brand ambassador**, so the classical dance at the soap maker's concert is taxable even where the proceeds are donated to charity, and still art forms such as madhubani painting, western dance and acting in a TV serial are outside the entry altogether. Admission is its own entry: **not more than ₹500 per person** — ₹450 for the dance recital and ₹485 per pass for 500 cricket passes are exempt. Services to a **recognised sports body** are exempt only where supplied by an individual as a player, referee, umpire, coach or team manager **and the event is organised by a recognised sports body**, so a chief selector's ₹5,00,000 is taxable and a team manager at a tournament organised by a retail company is taxable. The bank computations run the other way: only **interest on loans, advances or deposits** is exempt, so processing fees of ₹20 crore, bank guarantee commission of ₹30 crore, minimum balance charges and **credit card interest, specifically excluded from the entry**, of ₹40 crore are all taxable, while extending the loan itself is not a supply because money is not goods. The recurring trap across the paper is assuming that a worthy-sounding service must be exempt: **vehicle parking for the general public**, a business exhibition held in India rather than outside it, a tour for a foreign tourist to Jammu and Kashmir, an honorarium as guest anchor, agreeing to install an effluent plant and a price-linked subsidy from a non-Government body are each taxable for want of an entry.

Remembering reproduce what you have learnt · 2 questions

- When the question says 'elaborate' or 'state', give the entry as a numbered list and nothing else — the four limbs of charitable activities, the six specified recipients of a GTA, the contents of a consignment note, the old age home conditions. Marks follow the count of items.
- Learn each entry with its number attached: the per-day, per-month or per-performance limit, and who the recipient must be. Those two facts decide most of the marks.

Q. 4 · MTP 2026-Sep [6] (c) · 5M · Pg 111

LEVEL I
Remembering

Medium

Q. 30 · PYQ 2021-Jan · 4M · Pg 145

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context · 3 questions

- Open every item with the entry, then the condition, then the facts. 'Health care services by a clinical establishment are exempt; however, rooms charged above 5,000 per day are not' earns the mark before you name the hospital.

- Where an item is taxable because no entry covers it, say so expressly — 'not specifically exempted, therefore GST is payable' — rather than leaving the item unexplained.

Q. 6 · MTP 2026-May S2 · 5M · Pg 116	LEVEL I Understanding	Medium
Q. 19 · PYQ 2025-Jan · 5M · Pg 132	LEVEL I Understanding	Medium
Q. 33 · PYQ 2019-May · 4M · Pg 148	LEVEL I Understanding	Medium

Application use the rule - work the problem · 15 questions

- Build the table the solutions build: Particulars, the amount, and the reason in square brackets under the line. Carry exempt items at nil or a dash, total only the taxable lines, and name the last line Value of Taxable Supplies or Total Taxable Value.
- Where rates are given, run CGST and SGST columns at the stated rate and show the multiplication in the cell. Keep any reverse charge item in a separate block, total the forward charge as [A] and the reverse charge as [B], then add them.
- State the assumption the solutions state: that the amounts are exclusive of GST, or that a supply to Government is a pure service or has goods up to 25%. An assumption written down protects the item it covers.

Q. 1 · PYQ 2026-Sep [5] (b) · 5M · Pg 109	LEVEL II Application	Medium
Q. 3 · MTP 2026-Sep [5] (b) · 5M · Pg 110	LEVEL II Application	Medium
Q. 7 · RTP 2026-May · PRT · Pg 116	LEVEL II Application	Medium
Q. 9 · PYQ 2026-Jan · 5M · Pg 119	LEVEL II Application	Medium
Q. 12 · PYQ 2025-Sep · 5M · Pg 123	LEVEL II Application	Medium
Q. 15 · PYQ 2025-May · 5M · Pg 127	LEVEL II Application	Medium
Q. 17 · MTP 2025-May S1 · 5M · Pg 130	LEVEL II Application	Medium
Q. 18 · RTP 2025-May · DESC · Pg 131	LEVEL II Application	Medium
Q. 20 · PYQ 2024-Sep · 5M · Pg 133	LEVEL II Application	Medium
Q. 22 · MTP 2024-Sep S1 · 6M · Pg 135	LEVEL II Application	Medium
Q. 24 · PYQ 2024-May · 5M · Pg 138	LEVEL II Application	Medium

Q. 26 · PYQ 2023-Nov · 6M · Pg 141	LEVEL II Application	Medium
Q. 27 · PYQ 2023-May · 4M · Pg 142	LEVEL II Application	Medium
Q. 31 · PYQ 2019-May · 6M · Pg 146	LEVEL II Application	Medium
Q. 25 · MTP 2024-May S1 · 4M · Pg 139	LEVEL II Application	Hard

Analysis break it down and take the parts separately · 15 questions

- Independent cases get independent paragraphs, numbered exactly as the question numbers them, each closing on the word exempt or taxable. A single joint paragraph loses the marks for the items it does not name.
- Test the recipient and the purpose before the amount: who received the service, was the body recognised or registered, was the institution up to higher secondary, was the route pre-determined. Most of these questions are decided on the recipient, not the figure.

Q. 34 · PYQ 2018-Nov · 3M · Pg 148	LEVEL II Analysis	Easy
Q. 2 · MTP 2026-Sep [6] (b) · 5M · Pg 110	LEVEL II Analysis	Medium
Q. 8 · RTP 2026-May · PRT · Pg 118	LEVEL II Analysis	Medium
Q. 11 · RTP 2026-Jan · DESC · Pg 121	LEVEL II Analysis	Medium
Q. 13 · MTP 2025-Sep S2 · 5M · Pg 125	LEVEL II Analysis	Medium
Q. 14 · MTP 2025-Sep S1 · 5M · Pg 126	LEVEL II Analysis	Medium
Q. 16 · MTP 2025-May S2 · 5M · Pg 129	LEVEL II Analysis	Medium
Q. 21 · MTP 2024-Sep S2 · 5M · Pg 134	LEVEL II Analysis	Medium
Q. 23 · RTP 2024-Sep · DESC · Pg 137	LEVEL II Analysis	Medium
Q. 29 · PYQ 2021-Jan · 6M · Pg 143	LEVEL II Analysis	Medium
Q. 32 · PYQ 2019-May · 4M · Pg 147	LEVEL II Analysis	Medium
Q. 35 · PYQ 2018-May · 3M · Pg 149	LEVEL II Analysis	Medium
Q. 5 · RTP 2026-Sep · DESC · Pg 112	LEVEL II Analysis	Hard

Q. 10 · MTP 2026-Jan S2 · 4M · Pg 120

LEVEL II
Analysis**Hard**

Q. 28 · PYQ 2023-May · 2.5M · Pg 143

LEVEL II
Analysis**Hard**

SECTION B • GOODS AND SERVICES TAX • CHAPTER 6

Time of Supply

3 Topics • 16 Classified Questions • Importance: D

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **problems first**

Level I — Comprehension & Knowledge

11.3%

8 of 71 marks

Level II — Analysis & Application

88.7%

63 of 71 marks

Below this Section's Level I floor: only 11% of this chapter's marks are Comprehension and Knowledge, against ICAI's 15-45% for Goods and Services Tax. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Time of Supply of Goods

L2P3-B-C6-T01

Read first Read ICAI Study Material Chapter 6, Time of Supply — section 12 of the CGST Act, the time of supply of goods under forward charge and under reverse charge, and the effect of Notification No. 66/2017 CT.

NOTES

Under **section 12(2)** the time of supply of goods is the earlier of (a) **the date of issue of invoice by the supplier**, or the last date on which he is required under section 31(1) to issue it, and (b) the date on which the supplier receives the payment. Section 31(1) requires the invoice to be issued before or at the time of **removal of goods, where the supply involves movement**, and of delivery or making available thereof in any other case. So goods supplied on 03-10-2022 with an invoice on 05-10-2022 and payment on 09-10-2022 have a time of supply of **03-10-2022**, the last date on which the invoice ought to have been issued.

No GST on an advance received for goods. Notification No. 66/2017 CT dated 15.11.2017 requires a registered person — **excluding a composition supplier** and a person supplying specified actionable claims — to pay tax on outward supply of goods at the time of supply specified in section 12(2)(a), that is the date of issue of invoice or the last date on which the invoice ought to have been issued. The date of receipt of payment therefore drops out for goods, though it still fixes the time of supply for services under forward charge. Where the statement 'GST is payable on advance received for supply of goods and services' is put to you, the answer is that it is **correct for services and not for goods**.

For goods taxable under **reverse charge** the time of supply is the earliest of three dates: **the date of receipt of the goods**; the date on which payment is recorded in the recipient's books of account or debited in his bank account, whichever is earlier; and **the day following 30 days from the invoice** issued by the supplier. Work all three out and then pick, showing them as (a), (b) and (c)

the way the solutions do.

The recurring trap sits in that third date. An invoice of May 4 fixes **June 4** as the thirty-day date. Where the goods are received on May 12 and paid for on May 30, the time of supply is May 12. Where the goods are **held up in transit** and reach the recipient only on June 12 with payment on July 3, the time of supply is June 4 — the thirty-day date, not the date of receipt. Candidates who take the receipt date in both cases lose the second one.

Where the value of a supply is increased by **interest, late fee or penalty for delayed payment**, section 12(6) fixes the time of supply of that addition as **the date on which the supplier receives it** — 11.11.2023 for interest of ₹10,000 received on that date, not 24.06.2023 when the goods were supplied. Treat the addition as its own supply with its own time of supply.

Understanding explain it, and place it in context · 1 question

- For a 'do you agree' question, open with 'the statement is not correct', then separate goods from services and give the provision for each. The split is the answer.

Q. 1.1 · MTP 2026-May S2 · 5M · Pg 153

LEVEL I
Understanding

Hard

Application use the rule - work the problem · 4 questions

- List every relevant date as its own lettered line, mark the earliest, and close with a sentence naming it: 'accordingly, time of supply is May 12, being the earliest of the above three dates'.
- Where only the dates of order, delivery, invoice and payment are given, work out the last date on which the invoice ought to have been issued under section 31(1) before you compare anything. That date, not the invoice date, usually wins.

Q. 1.3 · RTP 2024-May · 2.5M · Pg 155

LEVEL II
Application

Medium

Q. 1.4 · PYQ 2021-Dec · 2.5M · Pg 156

LEVEL II
Application

Medium

Q. 1.5 · PYQ 2018-May · 4M · Pg 156

LEVEL II
Application

Medium

Q. 1.2 · MTP 2026-Jan S2 · 6M · Pg 154

LEVEL II
Application

Hard

Topic 2: Time of Supply of Services

L2P3-B-C6-T02

Read first Read ICAI Study Material Chapter 6, Time of Supply — section 13 of the CGST Act, the time of supply of services under forward charge and under reverse charge, and the treatment of advances and continuous supply.

NOTES

Section 13(2) gives the time of supply of services under forward charge as the earliest of: **the date of issue of invoice**, if issued within the period prescribed under section 31, or the date of receipt of payment, whichever is earlier; **the date of provision of the service**, if the invoice is not issued in time, or the date of receipt of payment, whichever is earlier; and, where neither applies, the date on which **the recipient records the receipt in his books**. The prescribed period is **30 days from the date of supply of service**. Say expressly whether the invoice was issued within 30 days — the limb you use depends on it.

Unlike goods, services under forward charge are taxed on an advance. Where a booking amount of ₹25,000 is received on 4 February and the bill of ₹3,00,000 is raised on 12 March for a function held on 14 February, the time of supply is **4 February for ₹25,000 and 12 March for the balance ₹2,75,000**, the invoice having been issued within 30 days. **Split the answer by amount** and give each part its own date; a single date for the whole consideration loses half the marks.

Section 13(3) — reverse charge is the most examined provision in the chapter. Time of supply is the earlier of **the date of payment** and **the 61st day from the invoice**, where the invoice is to be issued by the supplier; where the invoice is to be issued by the recipient, it is the date on which he issues it, and he must issue it within 30 days from the date of receipt of the supply. 'Date of payment' means the date entered in the recipient's books or the date debited from his bank account, **whichever is earlier** — so a cheque entered on 18 February and debited on 19 February gives 18 February, and books on 18 April against a bank debit on 20 April gives 18 April.

Know which supplies the questions bring under reverse charge, because the provision has to be justified before it is applied: **a goods transport agency** transporting goods by road for a registered person or a partnership firm, where the GTA has not opted to pay under forward charge; **a firm of advocates** supplying legal services to a business entity; **a recovery agent supplying to an NBFC**; and an author transferring **a copyright** covered under section 13(1)(a) of the Copyright Act, 1957 to a publisher. Where the recipient is an unregistered partnership firm liable under reverse charge, add that it must take **compulsory registration under section 24**.

The worked pattern is always the same two dates against each other. Legal services invoiced 17 Feb and paid 3 November: the 61st day is **19 April**, which is earlier, so 19 April is the time of supply. Invoice 20 June, payment 25 August: the 61st day is **20 August**, so 20 August. Copyright advance of ₹50,000 paid 05-09-2022 with the invoice on 06-10-2022: the advance is taxed on **the date of payment, 05-09-2022**, while the balance ₹1,50,000 not paid within 60 days goes to the 61st day, **06-12-2022**; if instead the invoice comes on 17-12-2022, the balance is taxed on the payment date 12-12-2022. Each tranche of payment gets **its own time of supply**.

Two variations the solutions build in. Where the question does not settle whether a GTA is under reverse charge, the answer is written in **two alternatives** — under reverse charge, the earlier of payment and the 61st day; under the forward charge option (GST at 12% or 5%), section 13(2), giving the invoice date of 20 June. And for a **Hybrid Annuity Mode contract of NHAI**, the periodical instalments make it a **continuous supply of services**: where the invoice is issued on or before the due date of payment or the date of completion of the specified event, the time of supply is the

date of the invoice or of receipt of payment, whichever is earlier; where it is not, the date of provision of the service — that is, the due date of payment under the contract — or the date of receipt of payment, whichever is earlier.

Understanding explain it, and place it in context • 1 question

- For the CBIC clarification questions, say first what the supply is classified as (a continuous supply of services), then give the two cases the circular draws and the earlier-of test in each.

Q. 2.10 • PYQ 2018-May • 3M • Pg 165

LEVEL I
Understanding

Easy

Application use the rule - work the problem • 8 questions

- Establish reverse charge before you compute: name the supplier, the recipient and why tax falls on the recipient, and only then compare the dates.
- Where payment comes in an advance and a balance, or under two alternative invoice dates, tabulate one row per amount and give each row its own time of supply and a closing line stating it.
- Compute the 61st day explicitly from the invoice date and write it down before comparing it with the payment date. Answers that jump to the payment date lose the comparison mark.

Q. 2.1 • PYQ 2026-Sep [6] (a) • 5M • Pg 157

LEVEL II
Application

Medium

Q. 2.2 • RTP 2026-May • PRT • Pg 158

LEVEL II
Application

Medium

Q. 2.3 • PYQ 2026-Jan • 5M • Pg 159

LEVEL II
Application

Medium

Q. 2.4 • MTP 2026-Jan S1 • 5M • Pg 160

LEVEL II
Application

Medium

Q. 2.6 • MTP 2024-Sep S1 • 4M • Pg 162

LEVEL II
Application

Medium

Q. 2.7 • PYQ 2021-Dec • 5M • Pg 162

LEVEL II
Application

Medium

Q. 2.8 • PYQ 2019-Nov • 4M • Pg 163

LEVEL II
Application

Medium

Q. 2.9 • PYQ 2019-Nov • 4M • Pg 164

LEVEL II
Application

Medium

Analysis break it down and take the parts separately • 1 question

- Where several services or several payments are listed, fix the time of supply for each separately — invoice date, payment date, and the earlier of the two.

Q. 2.5 • PYQ 2025-Jan • 5M • Pg 161

LEVEL II

Medium

Topic 3: Miscellaneous Questions

L2P3-B-C6-T03

Read first Read ICAI Study Material Chapter 6, Time of Supply — the residual limb of section 13(2), continuous supply of goods under section 31(4), and mixed fact patterns combining goods and services.

NOTES

The residual limb of **section 13(2)(c)** is set where the records fail. Where neither an invoice has been issued nor the date of provision of service is available, and the date of receipt of payment in the supplier's books is also missing, the time of supply is **the date the recipient records receipt in his books**. So cleaning and repair of tanks recorded by an Apartment Owners' Association as a cash payment on **4 April** has 4 April as its time of supply. Name the two limbs that fail before you fall back on the third — the fall-back is the mark.

For a **continuous supply of goods** with successive statements of account or successive payments, **section 31(4)** requires the invoice to be issued **at or before each statement or each payment**. Read with Notification No. 66/2017 CT dated 15.11.2017 and section 12(2)(a), the time of supply is therefore the date of the invoice or the last date by which it ought to have been issued. Gas supplied by pipeline against monthly payments of `2 lakh on July 5, August 5 and September 5 has **three times of supply, not one** — July 5, August 5 and September 5, for goods of `2 lakh each.

State your assumption where the facts do not carry the invoice date. The solution to the pipeline case writes 'assuming that the invoice is issued on July 5, August 5 and September 5' before concluding, because section 31(4) permits the invoice at the latest at that point. **An assumption stated is worth a mark**; an assumption silently made is not.

The habit these mixed questions test is separating the two codes. **Goods take section 12 and the invoice-date rule** of Notification No. 66/2017; services take section 13 and the earliest-of test, including the receipt of payment. Decide which of the two you are in before you write a date, and answer each numbered case under its own number with its own provision.

Application use the rule - work the problem · 1 question

- Classify each case as goods or services first, then cite the section, then fix the date. A date with no section behind it does not score.
- Where a continuous supply runs over several months, give one line per instalment with its own time of supply rather than a single combined answer.

Q. 3.1 · MTP 2025-May S2 · 5M · Pg 166

LEVEL II
Application

Medium

SECTION B · GOODS AND SERVICES TAX · CHAPTER 7

Value of Supply

1 Topics · 22 Classified Questions · Importance: A

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% · Level II 55-85% — this chapter reads **problems first**

Level I — Comprehension & Knowledge **13.2%** 15 of 114 marks

Level II — Analysis & Application **86.8%** 99 of 114 marks

Below this Section's Level I floor: only 13% of this chapter's marks are Comprehension and Knowledge, against ICAI's 15-45% for Goods and Services Tax. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Value of Supply (no topic sub-division in source)

L2P3-B-C7-T01

Read first Read ICAI Study Material Chapter 7, Value of Supply — section 15 of the CGST Act, the transaction value, the inclusions listed in section 15(2), and the treatment of discounts under section 15(3).

NOTES

Section 15(1) makes the value of a supply **the transaction value, the price actually paid or payable**, and it applies where the supplier and the recipient are not related and the price is the sole consideration for the supply. Almost every answer in this chapter is one table headed 'Computation of value of taxable supply made by X to Y', with the columns Particulars and `. The price goes on the first line, each addition on its own line with its sub-clause cited in brackets under it, then a sub-total, then 'Less: Discount', and the last line is **Value of taxable supply**. An item you are excluding still gets its own line, with a dash or Nil and a one-line reason — the reason carries the mark, not the blank. Where the question gives rates, CGST, SGST or IGST follow on their own lines beneath the value.

The inclusions run in a fixed order. **Section 15(2)(a)**: taxes, duties, cesses, fees and charges levied under any law for the time being in force other than the **CGST, SGST, UTGST and Compensation to States Acts**, if charged separately by the supplier. Tax levied by a Municipal Authority and Swachh Bharat cess both go in on this clause. **Section 15(2)(c)**: any amount charged for anything done by the supplier in respect of the supply **at the time of, or before delivery of the goods**. The solutions call these incidental expenses, and the recurring ones are packing charges, commission, weighment charges, inspection charges, installation and testing charges, transit insurance and extra designing charges.

Section 15(2)(b) catches an amount the supplier is liable to pay but **the recipient has incurred**, where it is not included in the price actually paid or payable. The fact pattern repeats almost word

for word: a part fitted in the machine at the buyer's premises and paid by the buyer direct to the vendor, third-party inspection charges payable by the seller but settled by the buyer, weighment charges paid to a third party on the seller's behalf, an amount owed to a raw material supplier and paid direct by the recipient. **Add it, never net it off.** The signal in the question is the phrase 'not recorded in the invoice issued by' the supplier.

Section 15(2)(d) includes **interest, late fee or penalty for delayed payment** of any consideration for a supply. Two mechanical points decide the marks. Where the interest or late fee is received as a **lump sum, it is taken as inclusive of GST** and grossed down: $5,000 \times 100/118$ is $4,237$ at 18 per cent, $6,000 \times 100/118$ is $5,085$, and $20,000 \times 100/112$ is $17,857$ where the rate is 6 per cent CGST plus 6 per cent SGST. Round off and say so. Where the supplier **waived the interest**, or charged it and refunded it in the same month, nothing is added — write the line with a dash and the words 'not includible since the same is waived off'.

Section 15(2)(e) includes **subsidies directly linked to the price, excluding subsidies provided by the Central Government and State Governments**. So a price-linked subsidy from an NGO, a trust or a trade association is added; one from the Central or a State Government is not. Two further cuts follow. A subsidy that is not directly linked to the price — a blanket grant from an NGO to acknowledge services to an old age home — is not added at all. And the arithmetic turns on what the question says about the price: where the price is 'net of' or 'already adjusted' for the subsidies, add back the non-Government subsidy and leave the Government one alone; where the subsidy was not deducted in arriving at the price, the non-Government subsidy needs no adjustment and the Government subsidy is deducted from the price.

Section 15(3)(a) excludes a discount given before or at the time of supply if it is **duly recorded in the invoice issued for that supply** — the 2 per cent trade discount on the price is deducted after the sub-total, and a discount for prompt payment recorded in the invoice goes the same way.

Section 15(3)(b) excludes a post-supply discount only where three conditions are satisfied **cumulatively**: it is established in terms of an agreement entered into at or before the time of supply; it can be **specifically linked to the relevant invoices**; and the input tax credit attributable to it, on the basis of the document issued by the supplier, is **reversed by the recipient**. Fail any one of the three and no deduction is allowed and the supplier's output tax liability is not reduced. On the same reasoning a no claim bonus is a permissible deduction where it is pre-disclosed in the policy document and specifically mentioned in the invoice.

The traps the solutions correct over and over. **A year-end discount adjusted across transactions is not deductible**, even though the scheme existed before the supply, because it is not linked to any specific invoice and no proportionate credit has been reversed. A discount decided after reviewing the buyer's performance, or granted on receipt of the next order, **was not known at the time of supply** and is disallowed for that reason alone. **TCS under the Income-tax Act, 1961 is not includible**, being an interim levy not having the character of tax. **Post-delivery inspection charges are not includible**, because section 15(2)(c) reaches only what is done at or before delivery. And where the contract is F.O.R. — the supplier agrees to deliver at the buyer's premises and arranges the transport — it is a **composite supply**, so the outward freight and the transit insurance are

added to the value of the principal supply of goods.

Remembering reproduce what you have learnt · 1 question

- The inclusions in section 15(2) and the exclusions in section 15(3) are lists. Name the clause against each item you add or deduct.

Q. 15 · MTP 2024-May S1 · 5M · Pg 185

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context · 2 questions

- Define the transaction value in one line from section 15(1) before you list anything section 15(2) adds. A list of inclusions with no base definition reads as a guess.
- For a theory question on post-supply discounts, number the three conditions of section 15(3)(b) and say they must be satisfied cumulatively. Then state the consequence of failure — no deduction from the value, and the supplier's output tax liability is not reduced — because that is the closing mark.

Q. 5 · MTP 2026-Jan S2 · 5M · Pg 173

LEVEL I
Understanding

Medium

Q. 13 · PYQ 2024-May · 5M · Pg 183

LEVEL I
Understanding

Medium

Application use the rule - work the problem · 17 questions

- Build the answer as the one table the solutions use: price first, each inclusion on its own line with the sub-clause of section 15(2) cited in brackets, a total, then Less: discount, then Value of taxable supply. Add the CGST, SGST or IGST lines only where the question gives rates.
- Read the note under the figures before you compute anything. 'Net of the subsidy', 'already adjusted' and 'not adjusted in the list price' decide whether you add an item, deduct it, or leave it where it is, and that one phrase moves several marks.
- Gross a lump-sum interest or late fee down by multiplying by 100 over 100 plus the rate, then round off and show the working in the line itself. Adding the gross amount loses the mark even though the item was rightly included.

Q. 2 · MTP 2026-Sep [5] (b) · 5M · Pg 169

LEVEL II
Application

Medium

Q. 3 · MTP 2026-May S2 · 5M · Pg 170

LEVEL II
Application

Medium

Q. 4 · PYQ 2026-Jan · 5M · Pg 171

LEVEL II
Application

Medium

Q. 6 · RTP 2026-Jan · DESC · Pg 174

LEVEL II
Application

Medium

Q. 7 • MTP 2025-Sep S2 • 5M • Pg 175	LEVEL II Application	Medium
Q. 8 • MTP 2025-Sep S1 • 5M • Pg 176	LEVEL II Application	Medium
Q. 9 • PYQ 2025-May • 5M • Pg 178	LEVEL II Application	Medium
Q. 10 • MTP 2025-May S1 • 5M • Pg 179	LEVEL II Application	Medium
Q. 11 • MTP 2025-Jan S2 • 5M • Pg 180	LEVEL II Application	Medium
Q. 12 • MTP 2024-Sep S1 • 5M • Pg 182	LEVEL II Application	Medium
Q. 14 • MTP 2024-May S2 • 5M • Pg 183	LEVEL II Application	Medium
Q. 17 • PYQ 2022-May • 6M • Pg 188	LEVEL II Application	Medium
Q. 18 • PYQ 2020-Nov • 6M • Pg 189	LEVEL II Application	Medium
Q. 19 • MTP 2020-May • 4M • Pg 191	LEVEL II Application	Medium
Q. 21 • PYQ 2018-Nov • 5M • Pg 195	LEVEL II Application	Medium
Q. 22 • PYQ 2018-May • 5M • Pg 197	LEVEL II Application	Medium
Q. 20 • RTP 2019-May • DESC • Pg 192	LEVEL II Application	Hard

Analysis break it down and take the parts separately • 2 questions

- Where the question lists numbered transactions for a month, take them in the question's own order, one line each, and give every one its own provision and its own conclusion. An item you are excluding still needs its line, its dash and its reason.
- When an amount could fall under more than one clause, say which one you are using. Freight under an F.O.R. contract is decided as a composite supply, not as an incidental expense, and the examiner marks the route as well as the figure.

Q. 1 • PYQ 2026-Sep [8] (a) • 5M • Pg 169	LEVEL II Analysis	Medium
Q. 16 • PYQ 2023-May • 6M • Pg 186	LEVEL II Analysis	Medium

SECTION B · GOODS AND SERVICES TAX · CHAPTER 8

Input Tax Credit

5 Topics · 62 Classified Questions · Importance: A

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% · Level II 55-85% — this chapter reads **problems first**

Level I — Comprehension & Knowledge

7.6%

33 of 433 marks

Level II — Analysis & Application

92.4%

400 of 433 marks

Below this Section's Level I floor: only 8% of this chapter's marks are Comprehension and Knowledge, against ICAI's 15-45% for Goods and Services Tax. There is little theory to fall back on — nearly every mark here is earned by working the problem, so preparation is practice, not reading.

Topic 1: Eligibility and Conditions for Taking Input Tax Credit [Section 16]

L2P3-B-C8-T01

Read first Read ICAI Study Material Chapter 8, Input Tax Credit — section 16, the eligibility and conditions for taking credit, the time limit for availing it, and the reversals where the supplier does not pay or the recipient does not pay within 180 days.

NOTES

Section 16(2) lays down four conditions, and a computation is marked on them one at a time. You must **hold the tax invoice or debit note**; the supplier must have furnished the details **in GSTR-1 or using the Invoice Furnishing Facility (IFF)** so that they reach you in Form GSTR-2B; you must have received the goods or services; and the tax must actually have been paid to the Government. The solutions apply this literally. Credit on a missing invoice is refused, because the registered person must have the invoice in his possession. Where the supplier has not uploaded the invoice in his GSTR-1, it does not appear in the auto-generated GSTR-2B and the credit is not available in that month.

'Received' is a technical word and three fixes recur. Where goods come in lots or instalments, credit is taken **only on receipt of the last lot**, under the first proviso to section 16(2) — a third lot out of five, or a second lot out of four, earns nothing. Where goods are delivered to a third person on the registered person's direction by transfer of documents of title or otherwise, **he is deemed to have received them**, so the credit belongs to the person who gave the direction. On an ex-works contract the goods are received **when handed to the transporter** at his own premises, not when they reach your factory. And where goods are simply not received in the month, the credit waits — that is plain section 16, not the lots rule.

A four-mark theory question asks what the document on which credit is taken must contain, and the answer is a **list of five details**: amount of tax charged; description of goods or services; total value of supply of goods and/or services; GSTIN of the supplier and recipient; and place of supply

in case of inter-State supply. The Scanner's note adds that **any four of the five may be mentioned**, so write all five and you cannot lose the mark.

Credit on an invoice or a debit note may be taken only up to **the earlier of 30th November** following the end of the financial year or **the date of filing the annual return**. The solutions apply the earlier date hard: where the annual return for F.Y. 2024-25 was filed on 25.10.2025, an invoice carrying GST of ₹40,000 uploaded in GSTR-1 on 27.10.2025 is out of time and that credit is lost. For a debit note the limit runs from **the financial year of the debit note** and not from the original invoice, so a debit note of 11 June 2025 against an October 2023 invoice is still in time.

Reversal where the supplier does not pay is a standing five-mark theory question. Where you availed credit in GSTR-3B on an invoice or debit note whose details the supplier had furnished in GSTR-1 or IFF, but the supplier does not furnish his own return **till 30th September following the end** of that financial year, you must reverse the amount in Form GSTR-3B **on or before 30th November** following the end of such financial year. If it is not so reversed, the amount is payable along with interest. Where the supplier afterwards furnishes his GSTR-3B for that tax period, you may **re-avail the credit in a later period**.

The **180-day rule** is the other reversal. Where the recipient fails to pay the supplier the value of supply along with the tax **within 180 days** of the date of the invoice, an amount equal to the credit availed is **added to his output tax liability**, with interest, the reversal being made in the GSTR-3B for the tax period immediately following that 180 days; the credit comes back when he pays. Compute it on the unpaid amount taken as inclusive of tax — ₹5,90,000 × 18/118 = ₹90,000. The exception the examiner wants named: **it does not apply to reverse charge supplies**.

Section 16(3) denies the credit of the tax component where **depreciation on that component has been claimed** under the Income-tax Act, 1961. Read the facts closely, because the two cases look alike. Where the question says depreciation was claimed on the value of the truck including all applicable taxes, the credit goes. Where it says ₹2,10,000 was claimed as depreciation on ₹14,00,000 at 15%, that is the value alone, **no depreciation has been claimed on the GST component**, and the credit stands.

Understanding explain it, and place it in context · 2 questions

- Answer a reversal question in the four limbs the solution uses: when the reversal is triggered, the return and the date by which it is made, what happens if it is not made, and how the credit is re-availed.

Q. 1.2 · PYQ 2023-Nov · 5M · Pg 202

LEVEL I
Understanding

Medium

Q. 1.3 · PYQ 2019-Nov · 4M · Pg 202

LEVEL I
Understanding

Medium

Application use the rule - work the problem · 1 question

- For each item, name the condition of section 16 that decides it before you write the figure. A column of amounts with no condition against it carries only the arithmetic.

- Where a date is given, test it against the time limit expressly — the earlier of 30th November following the end of the financial year or the date of filing the annual return — and say which of the two applied.

Q. 1.1 · PYQ 2026-Sep [6] (b) · 5M · Pg 201

LEVEL II
Application

Medium

Topic 2: Apportionment of Credit & Blocked Credits [Section 17]

L2P3-B-C8-T02

Read first Read ICAI Study Material Chapter 8, Input Tax Credit — section 17, apportionment of credit and the list of blocked credits in section 17(5).

NOTES

Every question here takes one shape: a table of inward supplies with the GST paid against each, and you tabulate Particulars against **Amount of eligible ITC**, put a dash where the credit is blocked, and close on **Total eligible ITC**. Where CGST and SGST are asked separately, run two columns and show the working inside the cell — `15,00,000 × 9%. Each line carries a bracketed note giving the reason, and **the note, not the figure, carries most of the mark**. Nothing is left out of the table: a blocked item still gets its row, its dash and its reason.

Section 17(5)(a) blocks credit on motor vehicles for transportation of persons with approved seating capacity of **not more than 13 persons (including the driver)**, unless they are used for making the taxable supply of (A) further supply of such motor vehicles, (B) transportation of passengers, or (C) imparting training on driving such motor vehicles. Learn the three by their letters. Outside that the credit is open: **transport of goods is not blocked** — trucks, tempos, a truck bought to carry raw material — and a vehicle carrying **more than 13 persons is allowed for any purpose**, so the 15-seat bus and the bus ferrying 25 workers both qualify. A vehicle with fewer than four wheels and engine capacity up to 25cc is not a motor vehicle at all, so a 23cc electric scooter is not blocked.

The block follows the vehicle into its services. **Insurance, servicing and repair of an ineligible vehicle** are blocked too, so insurance on the executives' car goes out, while repair of a lorry or of an **eligible** bus is allowed. Decide which limb of the vehicle rule the vehicle sits in, and only then decide the service. Renting of a motor car is blocked unless the recipient is **in the same line of business**.

Section 17(5)(b) blocks food and beverages, outdoor catering, health and fitness centres and **membership of a club**. Three exceptions save the credit: use for an outward taxable supply of the same category, that is the same line of business; use as **an element of a composite supply**; and where it is **obligatory under any law** for the employer to provide it. The conclusions repeat — lunch as a voluntary staff welfare measure is blocked, confectionary for employees is blocked, catering on Women's day is blocked, club membership is blocked because it is not obligatory — but **rent-a-cab notified as obligatory is allowed**, and food inside a naturally bundled event

package is allowed as part of a composite supply.

Construction on one's own account is the other heavy head. Credit on goods or services for **construction of immovable property** other than plant and machinery is blocked even where used in the course or furtherance of business — the additional floor of the office building, the staff quarters, the works contract for staff quarters — and the solutions rest the conclusion on the cost being **capitalised in the books**. Against that, plant and machinery includes the **foundation and structural supports** through which it is fixed to earth, so cement and works contract services for the foundation are allowed. But **pipelines outside the factory are excluded** from plant and machinery and that credit is blocked. Repair debited to the profit and loss account, not capitalised, is allowed.

The remaining blocked heads, as the solutions apply them: goods **lost, stolen, destroyed or given as free samples** — free samples to prospective customers go, and so does the 10% of raw material destroyed on the way to the factory; goods on which **tax has been paid under composition**; and goods used for obligations under **corporate social responsibility**. The trap set against free samples is 'Buy one get one free', which is not a free supply at all but two goods for the price of one, so credit on the inputs is available.

Conditions from section 16 keep reappearing inside these tables, and that is where the marks are dropped. **No credit until the last lot is received. No credit on a missing invoice** — out of five capital goods the `50,000 on the missing invoice comes out and `3,50,000 stands. No credit where depreciation has been claimed on the tax component. No credit where the supplier has not furnished the invoice in GSTR-1 or IFF. No credit on an invoice uploaded after the earlier of 30th November or the date of the annual return. Note two allowances the examiner likes: **credit may be availed on a debit note** issued by the supplier, and **inputs used in trial runs are allowed**, being used in the course or furtherance of business.

Application use the rule - work the problem · 10 questions

- Take the items in the order the question numbers them, one row each, and close with the total. A joint paragraph loses the marks for the items it does not name.
- Give a blocked item its own row with a dash and the reason. An item left out of the table scores nothing at all.

Q. 2.1 · PYQ 2026-May [6] (a) · 5M · Pg 203	LEVEL II Application	Medium
Q. 2.2 · PYQ 2025-Sep · 5M · Pg 205	LEVEL II Application	Medium
Q. 2.3 · PYQ 2025-May · 5M · Pg 207	LEVEL II Application	Medium
Q. 2.4 · PYQ 2021-Jul · 6M · Pg 209	LEVEL II Application	Medium

Q. 2.5 · PYQ 2019-Nov · 5M · Pg 210	LEVEL II Application	Medium
Q. 2.6 · PYQ 2019-May · 4M · Pg 212	LEVEL II Application	Medium
Q. 2.8 · PYQ 2018-Nov · 4M · Pg 216	LEVEL II Application	Medium
Q. 2.9 · RTP 2018-Nov · DESC · Pg 217	LEVEL II Application	Medium
Q. 2.10 · PYQ 2018-May · 4M · Pg 218	LEVEL II Application	Medium
Q. 2.7 · RTP 2019-May · DESC · Pg 214	LEVEL II Application	Hard

Topic 3: Credit in Special Circumstances [Section 18]

L2P3-B-C8-T03

Read first Read ICAI Study Material Chapter 8, Input Tax Credit — section 18, credit in special circumstances, covering voluntary registration and the supply of capital goods on which credit has been taken.

NOTES

A person taking **voluntary registration** may avail credit on inputs held in stock and on inputs contained in **semi-finished or finished goods** held in stock on **the day preceding the grant of registration**. Fix that date before anything else: registration granted on 24 October means the stock as on 23 October, and that single date governs every line of the table. **No credit on capital goods** held on that day — the solutions refuse the ₹2,00,000 of capital goods outright, whatever rate was paid on them.

The second limb is the time bar. The credit is available **only within one year** from the date of issue of the tax invoice by the supplier. Measured against a 23 October cut-off, inputs procured on 13 October of the previous year fall outside the year and earn nil, while inputs of 10 June, 1 October and 8 October of the same year are all in. Test every line against its date before you apply a rate, because the rates differ line by line — 9% each, 2.5% each, IGST at 18%.

Lay the answer out as two tables. First **Computation of eligible ITC available**, with columns for CGST, SGST and IGST, one row per item, the rate applied inside the cell, and a Total ITC line. Then **Computation of minimum net GST to be paid in cash**: output tax liability for the month, less the credit, and Net GST payable (in cash) as the last line. Where the question asks for the minimum, **utilise the IGST credit first**; the solutions split it between CGST and SGST in equal proportion and then add the caveat that IGST credit may be set off **in any order and in any proportion**, so other splits also earn full marks.

Where **capital goods on which credit has been taken** are supplied outward, the registered person must pay an amount that is **the higher of** two figures: (a) the credit taken **reduced by 5% per**

quarter of a year or part thereof from the date of issue of invoice, or (b) **tax on the transaction value**. Follow the solution's four lines. Credit taken `9,00,000 × 18% = `1,62,000; less `1,62,000 × 5% × 3 quarters = `24,300; reduced credit (A) = `1,37,700; duty on transaction value `7,00,000 × 18% = `1,26,000 (B); the **amount payable is `1,37,700**, being the higher. Count the quarters from the invoice date, and count a part of a quarter as a whole one.

Understanding explain it, and place it in context · 1 question

- State the cut-off in words — the day immediately preceding the date of grant of registration — and then give the date. The statement itself carries a mark.

Q. 3.2 · PYQ 2018-May · 4M · Pg 222

LEVEL I
Understanding

Medium

Application use the rule - work the problem · 1 question

- For the outward supply of capital goods, compute both (A) and (B) and write the comparison sentence naming the higher. An answer that gives only one figure loses the conclusion mark.
- Show the eligible-credit table first and the cash computation second, and label the last line 'Net GST payable (in cash)'. Add the note that the IGST credit could be set off in other proportions.

Q. 3.1 · MTP 2026-May S1 · 5M · Pg 220

LEVEL II
Application

Medium

Topic 4: How ITC is Utilised

L2P3-B-C8-T04

Read first Read ICAI Study Material Chapter 8, Input Tax Credit — the manner of utilisation of input tax credit, and rules 86A and 86B of the CGST Rules, 2017, which restrict the electronic credit ledger.

NOTES

The manner of utilisation is a seven-point list and the marks follow the count. 1. **IGST credit is first utilised towards IGST**. 2. Remaining IGST credit may be utilised towards CGST and SGST/UTGST in any order and in any proportion. 3. The entire ITC of IGST must be fully utilised before the ITC of CGST or SGST/UTGST is touched. 4. ITC of CGST is then used for CGST and IGST, in that order. 5. ITC of SGST/UTGST for SGST/UTGST and IGST, in that order. 6. SGST/UTGST credit goes to IGST only after the CGST credit has been used in full. 7. **SGST credit cannot pay CGST, and vice versa**.

When the question says **minimum** net GST payable in cash, the order above is not enough — you must choose where the leftover IGST credit lands. Set IGST against IGST first, then push the balance to whichever of CGST or SGST would otherwise be paid in cash, remembering that **CGST and SGST credit cannot be cross-utilised**. Where the CGST credit already covers the CGST liability

in full, the solutions send the IGST balance **to SGST first and only then to CGST**. Then write the sentence the solutions write: the credit may be set off in other ways and full marks are given, because only the total cash outflow is fixed.

Rule 86B bites where the **value of taxable supply in a month exceeds `50 lakh**. The registered person then cannot use the electronic credit ledger to discharge output tax liability **beyond 99%** of that liability, so **a minimum of 1% must come from the cash ledger**. Open the answer in that form — 99% from credit, 1% in cash — before you go near the figures, and close by naming who may lift it: the Commissioner or an authorised officer, after the required verification and safeguards.

Four exceptions are listed, and 'list the exceptions to rule 86B' is a whole five-mark question on its own. 1. The person, proprietor, karta, managing director or any of its two partners, whole-time directors or members of the Managing Committee or Board of Trustees has paid **more than `1 lakh as income tax** in each of the last two financial years for which the time limit to file the original return has expired. 2. The registered person has received a **refund of more than `1 lakh in the preceding year** of unutilised ITC on zero-rated supplies made without payment of tax or on an inverted duty structure. 3. He has discharged output tax through the cash ledger **in excess of 1% of the total liability**, applied cumulatively, up to the said month in the current financial year. 4. He is a **Government Department, PSU, local authority or statutory body**.

Applying rule 86B is arithmetic run over those exceptions, and you must say of each why it fails. Income tax of `90,000 and `1,20,000 fails because it is not more than `1 lakh in **each** of the last two years. Refunds of `1,05,000 and `83,000 fail because the **preceding** year's refund is not more than `1 lakh. Cash discharged of `13,000, taken net of reverse charge payments, is compared with 1% of the cumulative output tax liability up to that month —  $\text{`20,54,000} \times 1\% = \text{`20,540}$  — and falls short. Then **maximum ITC usable = output tax  $\times$  99%** and **net cash = output tax  $\times$  1%**:  $\text{`9,54,000} \times 99\% = \text{`9,44,460}$  and  $\text{`9,54,000} \times 1\% = \text{`9,540}$.

Rule 86A lets the **Commissioner, or an officer not below Assistant Commissioner**, disallow debit of an amount from the electronic credit ledger on reasonable belief. The grounds as guided by the CBIC are five, and they are marked as a list: credit availed on invoices or debit notes issued by a supplier found **non-existent or not conducting business** from the declared place; credit availed **without actually receiving the goods or services**; credit availed where the tax in respect of it has not been paid to the Government; the registered person claiming the credit being himself non-existent or not conducting business from the declared place; and credit availed without any invoice, debit note or other valid document.

One rule crosses every computation in this chapter. The electronic credit ledger may be used only for making payment towards **output tax**, and **tax payable under reverse charge is not output tax**, so it **has to be paid in cash**. Set it out as its own block: total under reverse charge (A), then output tax under forward charge less credit (B), then add (A) back at the very end. Never set credit against a reverse charge liability, and say in one line why not.

Remembering reproduce what you have learnt · 3 questions

- Number the seven steps of utilisation, the four exceptions to rule 86B and the five grounds under rule 86A. Marks follow the count, so give the whole list before you explain any of it.

Q. 4.3 · PYQ 2023-May · 5M · Pg 226

LEVEL I
Remembering**Medium**

Q. 4.4 · PYQ 2022-Nov · 5M · Pg 226

LEVEL I
Remembering**Medium**

Q. 4.5 · PYQ 2022-May · 5M · Pg 227

LEVEL I
Remembering**Medium****Understanding** explain it, and place it in context · 1 question

- Open a rule 86B answer with the `50 lakh trigger and the 99% and 1% figures. A description of the ledger without those two numbers does not score.
- For rule 86A, name the officer and his rank before the grounds. The question asks who may impose the restriction as well as when.

Q. 4.6 · PYQ 2020-Nov · 5M · Pg 228

LEVEL I
Understanding**Medium****Application** use the rule - work the problem · 2 questions

- Where income tax paid, refunds received and cash already discharged are given, test each exception on the figures and state expressly that it does not apply, then apply the restriction and give both the usable credit and the cash payable.

Q. 4.1 · PYQ 2026-May [5] (b) · 5M · Pg 222

LEVEL II
Application**Medium**

Q. 4.7 · PYQ 2018-Nov · 4M · Pg 228

LEVEL II
Application**Medium****Analysis** break it down and take the parts separately · 1 question

- Set the utilisation out in the order the rules require — IGST first, then CGST and SGST against their own heads — and show the balance carried after each step.

Q. 4.2 · PYQ 2025-Sep · 5M · Pg 225

LEVEL II
Analysis**Medium****Topic 5: GST Liability Questions**

L2P3-B-C8-T05

Read first Read ICAI Study Material Chapter 8, Input Tax Credit — the composite computation of net GST payable in cash, drawing together value of supply, time and place of supply, the exemption

notifications, reverse charge and the utilisation of credit.

NOTES

These are the ten-mark questions of the Section and they take one shape. Head the answer **Computation of minimum net GST payable in cash** for the month, with columns for **Value of supply, CGST, SGST and IGST**. Then, in order: GST payable under reverse charge (A); GST payable under forward charge, item by item (B); less eligible ITC, IGST set off first; output GST payable; **add back the reverse charge from (A)**; and close on **Total GST payable in cash** with any balance ITC carried forward beneath it. Put the eligible credit in a **Working Note** of its own. Every row carries a bracketed reason, and a nil row carries one too.

Value is where half the items are decided, and the same additions come round. Add **freight for delivery at the recipient's premises** where arranging freight is the supplier's liability, that being a composite supply — `18,00,000 + `50,000. **Municipal tax and a local Green Tax are added**, being taxes under a law other than GST charged separately — `2,00,000 + `10,000. Packing expenses are added, and a subsidy from a non-Government body directly linked to the price is added. **Discount recorded in the invoice is deducted**, and so is a post-supply discount by credit note where it was agreed before the supply. Interest on delayed payment is included. For unrelated persons the value is the **transaction value, not market value** — `5,75,000 and not `5,00,000.

Classify bundles before you rate them. A **composite supply** is taxed at the rate of the **principal supply** — air conditioners with transportation at the air conditioner rate; heavy machines hired with operators at 12%, the machine being principal; printing a book whose content the author supplies is a supply of printing services, while printing letter cards on the printer's own material is a supply of goods. A **mixed supply** — two supplies for a single price, not naturally bundled — is taxed **at the highest rate in the bundle**: refrigerator with stabiliser at 28%, calculator with diary at 28%, air conditioner with stabiliser at 18%. Where the invoice **shows service charges and spare parts separately** they are not bundled at all, and each goes at its own rate.

The reverse charge rows repeat sitting after sitting. **Legal services from an advocate** to a business entity; **services of a director to his company**, but not property he rents out in his personal capacity; renting of **commercial property by an unregistered person** to a registered person; renting of a residential dwelling to a registered person; **security services by a non-body corporate**; GTA services to a body corporate where the GTA has not opted for forward charge; renting of a motor car with fuel by a non-body corporate to a body corporate; and renting of immovable property by a local authority. Then test **time of supply** — the earlier of the date of payment or the day immediately following 60 days from the supplier's invoice — because an invoice of 2 January with no payment falls due on 4 March and **raises no liability in February**.

The exemptions the examiner reuses, each with the condition that defeats it. **Catering and security to an educational institution** are exempt only up to higher secondary, so a commercial coaching institute and a UGC-recognised university are both taxable, and security for an annual day **held outside the school premises** is taxable. Training in sports is exempt only where the

provider is registered under **section 12AA or 12AB**. **Pure labour contracts are exempt** for a single residential unit not part of a residential complex, so repairing is taxable and a commercial unit is taxable. A service to a Government is exempt only where it **bears 75% or more of the expenditure** — ₹63,000 out of ₹90,000 fails. Business correspondent services are exempt only for a **rural area branch**. Transfer of a going concern is exempt; so is giving a means of transportation of goods on hire to a GTA, and hiring a vehicle for more than 12 passengers to a State Transport Undertaking.

A whole column of rows carries nil because there is no supply at all, and each needs its own sentence. **A branch with the same GSTIN is not a supply**, while a transfer to a branch with a **different GSTIN** is a supply between distinct persons even without consideration. **A voucher is neither goods nor services** — tax arises on redemption, so ₹13,000 redeemed in February is taxed in February. **Liquidated damages** are not consideration for tolerating an act. A donation with no quid pro quo is not a supply where the donor's name is displayed only as public recognition and not as advertisement. Import of a service from a non-related person **without consideration** is not a supply. Permanent transfer of business assets on which credit was never availed is not a supply.

The working note rehearses sections 16 and 17 in miniature: opening balance first, then row by row, with **goods not received during the month excluded** (₹20,00,000 less ₹1,00,000), the composition dealer's goods blocked, the missing invoice dropped, an e-invoice **without an Invoice Reference Number** treated as an invalid document, and the car, the club membership and the CSR goods blocked. Then set off, and where the question asks for the minimum add the sentence every printed solution adds: the IGST credit may be set off **in any order and in any proportion**, so the split between CGST and SGST can differ while **the total cash payable stays the same**.

Application use the rule - work the problem · 39 questions

- Work item by item in the order the question numbers them: value first, then place of supply to decide IGST against CGST and SGST, then the rate, then the amount. Say intra-State or inter-State in words on each line.
- Keep reverse charge in a block of its own, add it back after the credit set-off, and give the one-line reason that it cannot be met from credit because it is not output tax.

Q. 5.8 · RTP 2026-May · PRT · Pg 254	LEVEL II Application	Medium
Q. 5.16 · PYQ 2024-May · 5M · Pg 285	LEVEL II Application	Medium
Q. 5.18 · PYQ 2023-Nov · 8M · Pg 290	LEVEL II Application	Medium
Q. 5.19 · PYQ 2023-May · 8M · Pg 293	LEVEL II Application	Medium
Q. 5.20 · PYQ 2022-Nov · 8M · Pg 297	LEVEL II Application	Medium
Q. 5.21 · PYQ 2022-Nov · 6M · Pg 300	LEVEL II	Medium

	Application	
Q. 5.22 • PYQ 2022-May • 8M • Pg 302	LEVEL II Application	Medium
Q. 5.23 • MTP 2022-May • 8M • Pg 305	LEVEL II Application	Medium
Q. 5.24 • PYQ 2021-Dec • 8M • Pg 308	LEVEL II Application	Medium
Q. 5.26 • PYQ 2021-Jan • 8M • Pg 313	LEVEL II Application	Medium
Q. 5.27 • PYQ 2020-Nov • 8M • Pg 315	LEVEL II Application	Medium
Q. 5.29 • PYQ 2019-Nov • 8M • Pg 321	LEVEL II Application	Medium
Q. 5.30 • PYQ 2019-May • 8M • Pg 323	LEVEL II Application	Medium
Q. 5.31 • PYQ 2019-May • 8M • Pg 326	LEVEL II Application	Medium
Q. 5.32 • MTP 2019-May S1 • 8M • Pg 329	LEVEL II Application	Medium
Q. 5.34 • PYQ 2018-Nov • 6M • Pg 335	LEVEL II Application	Medium
Q. 5.36 • PYQ 2018-May • 5M • Pg 339	LEVEL II Application	Medium
Q. 5.37 • PYQ 2018-May • 6M • Pg 341	LEVEL II Application	Medium
Q. 5.38 • PYQ 2018-May • 6M • Pg 343	LEVEL II Application	Medium
Q. 5.40 • RTP 2018-May • DESC • Pg 346	LEVEL II Application	Medium
Q. 5.1 • PYQ 2026-Sep [5] (a) • 10M • Pg 229	LEVEL II Application	Hard
Q. 5.2 • MTP 2026-Sep [5] (a) • 10M • Pg 231	LEVEL II Application	Hard
Q. 5.3 • MTP 2026-Sep [5] (a) • 10M • Pg 235	LEVEL II Application	Hard
Q. 5.4 • RTP 2026-Sep • DESC • Pg 238	LEVEL II Application	Hard
Q. 5.5 • PYQ 2026-May [5] (a) • 10M • Pg 242	LEVEL II Application	Hard
Q. 5.6 • MTP 2026-May S2 • 10M • Pg 247	LEVEL II Application	Hard
Q. 5.7 • MTP 2026-May S1 • 10M • Pg 251	LEVEL II Application	Hard

Q. 5.9 · PYQ 2026-Jan · 10M · Pg 257	LEVEL II Application	Hard
Q. 5.10 · RTP 2026-Jan · DESC · Pg 262	LEVEL II Application	Hard
Q. 5.11 · PYQ 2025-Sep · 10M · Pg 266	LEVEL II Application	Hard
Q. 5.12 · PYQ 2025-May · 10M · Pg 270	LEVEL II Application	Hard
Q. 5.13 · PYQ 2025-Jan · 10M · Pg 273	LEVEL II Application	Hard
Q. 5.14 · PYQ 2024-Sep · 10M · Pg 278	LEVEL II Application	Hard
Q. 5.15 · PYQ 2024-May · 10M · Pg 281	LEVEL II Application	Hard
Q. 5.17 · MTP 2024-May S1 · 10M · Pg 287	LEVEL II Application	Hard
Q. 5.28 · RTP 2020-Nov · DESC · Pg 318	LEVEL II Application	Hard
Q. 5.33 · RTP 2019-May · DESC · Pg 332	LEVEL II Application	Hard
Q. 5.35 · RTP 2018-Nov · DESC · Pg 337	LEVEL II Application	Hard
Q. 5.39 · RTP 2018-May · DESC · Pg 344	LEVEL II Application	Hard

Analysis break it down and take the parts separately · 1 question

- Where an item might be exempt, name the exemption and the condition it fails before you tax it. The word 'taxable' on its own carries nothing.
- Where two items look alike — a director renting property personally against a director's sitting fee, a branch with the same GSTIN against one with a different GSTIN — treat them on separate lines and say what distinguishes them.

Q. 5.25 · PYQ 2021-Jul · 8M · Pg 311	LEVEL II Analysis	Medium
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SECTION B • GOODS AND SERVICES TAX • CHAPTER 9

Registration Under GST

7 Topics • 41 Classified Questions • Importance: B

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **on profile**

Level I — Comprehension & Knowledge **39.7%** 76 of 192 marks

Level II — Analysis & Application **60.3%** 116 of 192 marks

This chapter sits inside ICAI's own band for Goods and Services Tax — 40% Level I against 15-45%. Prepare it in those proportions: know the method, then drill it.

Topic 1: Persons Liable for Registration [Section 22]

L2P3-B-C9-T01

Read first Read ICAI Study Material Chapter 9, Registration Under GST — section 22, the threshold limits and the computation of aggregate turnover.

NOTES

Section 22 of the CGST Act, 2017, read with Notification No. 10/2019 CT dated 07.03.2019, is where every answer starts: a supplier is liable to be registered in the State/Union territory **from where he makes a taxable supply** of goods and/or services if his aggregate turnover in a financial year exceeds the threshold limit. A showroom in two States therefore means registration in both States, not one. Name the section, then the applicable limit, then the conclusion.

For a person making **exclusive intra-State taxable supplies of goods** the limits are `10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland; `20 lakh for Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand; and **`40 lakh for the rest of India**. For exclusive supply of services, or supply of both goods and services, there are only two figures: **`10 lakh for those four Special Category States** and `20 lakh for the rest of India. Learn the two lists separately, because the solutions set them out separately every time.

The `40 lakh limit is lost altogether where the person supplies any of the named goods: **ice cream and other edible ice**, whether or not containing cocoa, pan masala and tobacco and manufactured tobacco substitutes, fly ash bricks, fly ash aggregates, fly ash blocks, bricks of fossil meals or similar siliceous earths, **building bricks, earthen or roofing tiles**. The solutions then apply `20 lakh instead. Pan masala in Uttar Pradesh, building bricks in Delhi, tobacco-based pan masala in Jammu — the same answer each time, the **limit drops to `20 lakh**.

Aggregate turnover is the aggregate value of **all taxable supplies, all exempt supplies, exports** and all inter-State supplies of persons having the **same PAN**, computed on an all-India basis, and it excludes central tax, State tax, Union territory tax, integrated tax and cess. The line the examiner

tests: **inward supplies taxable under reverse charge are excluded**, while outward supplies on which the recipient pays under reverse charge — insurance commission — are included. Inter-State stock transfer of exempt goods between distinct persons is includible, and petrol or high speed diesel, being a non-taxable supply, is an exempt supply and is includible.

The reduction to ₹10 lakh operates only where the supply from **the Special Category State is taxable**. Mohit sells readymade garments from Tripura, so his ₹40 lakh falls to ₹10 lakh and he registers in Assam and Tripura both. Where the supply from the Special Category State is exempt, the limit does not fall: the solution then applies ₹20 lakh because he supplies goods as well as services. Ask first whether the Special Category State supply is taxable — **that one question fixes the figure**.

A person engaged exclusively in supplying goods or services **wholly exempt or not liable to tax** is not liable to register even where turnover crosses the limit: a trust registered under section 12AB supplying charitable services, a business facilitator serving a rural branch of a banking company. **Securities are neither goods nor services**, so a dealer buying and selling shares on his own account is not liable. Where the exemption is withdrawn mid-year the position changes from that date, the exempt turnover still counts toward the ₹40 lakh, and the solution closes with **register within 30 days** of the date the goods became taxable.

Inter-State supply splits in two. Registration is **compulsory for inter-State supply of taxable goods**, with no threshold exemption; but the threshold exemption of ₹20 lakh/₹10 lakh **survives for inter-State supply of taxable services**. Computer maintenance services of ₹15 lakh from Gujarat: not liable. Garments of ₹35 lakh supplied inter-State from West Bengal: liable, though ₹40 lakh has not been crossed. And all supplies an agent makes on behalf of all his principals enter his aggregate turnover where the invoice is issued in the agent's own name, under Para 3 of Schedule I.

Remembering reproduce what you have learnt · 4 questions

- The thresholds differ by State and by whether goods or services are supplied. State the threshold that applies before you test the turnover against it.

Q. 1.1 · MTP 2026-Jan S2 · 5M · Pg 349	LEVEL I Remembering	Medium
Q. 1.5 · MTP 2024-May S1 · 5M · Pg 356	LEVEL I Remembering	Medium
Q. 1.9 · PYQ 2021-Jul · 5M · Pg 360	LEVEL I Remembering	Medium
Q. 1.13 · RTP 2019-Nov · DESC · Pg 363	LEVEL I Remembering	Hard

Understanding explain it, and place it in context · 1 question

- Cite section 22 and the notification, then the applicable threshold figure, then the conclusion. A conclusion without the figure does not score.

Q. 1.12 • PYQ 2019-Nov • 5M • Pg 363

LEVEL I
Understanding**Medium****Application** use the rule - work the problem • 5 questions

- Build aggregate turnover as a table with one line per item and a bracketed reason against each — includible or excludible — before you total it and compare with the limit.
- State the total on an all-India basis as its own line, then name the States in which registration must be taken.

Q. 1.2 • RTP 2026-Jan • DESC • Pg 350

LEVEL II
Application**Medium**

Q. 1.4 • MTP 2025-Jan S1 • 5M • Pg 353

LEVEL II
Application**Medium**

Q. 1.7 • PYQ 2022-Nov • 5M • Pg 358

LEVEL II
Application**Medium**

Q. 1.8 • PYQ 2021-Dec • 4M • Pg 359

LEVEL II
Application**Medium**

Q. 1.11 • PYQ 2019-Nov • 4M • Pg 362

LEVEL II
Application**Medium****Analysis** break it down and take the parts separately • 3 questions

- Where the question lists independent cases, number them and give each its own threshold and its own conclusion sentence.
- Settle the Special Category State question before anything else, because it changes the figure for the whole person.

Q. 1.6 • PYQ 2022-Nov • 2M • Pg 357

LEVEL II
Analysis**Easy**

Q. 1.3 • PYQ 2025-Sep • 5M • Pg 351

LEVEL II
Analysis**Medium**

Q. 1.10 • PYQ 2020-Nov • 4M • Pg 361

LEVEL II
Analysis**Medium**

Topic 2: Compulsory Registration in Certain Cases [Section 24]

L2P3-B-C9-T02

Read first Read ICAI Study Material Chapter 9, Registration Under GST — section 24 and the categories of persons required to register compulsorily.

NOTES

Section 24 overrides the section 22 threshold: the persons it lists must register irrespective of the quantum of aggregate turnover. The categories the questions actually use are persons making any **inter-State taxable supply of goods**; persons who make taxable supply of goods and/or services on behalf of other taxable persons, whether **as an agent or otherwise**; casual taxable persons; and persons required to pay tax under reverse charge. Open with the section and those words — the solutions do.

Section 23 prevails over section 24 in the situations the examiner likes. An agriculturist, to the extent of supply of **produce out of cultivation of land**, is not liable to registration even where the supply is inter-State and even where turnover exceeds the threshold. Potatoes grown on her own land and sold within and outside Maharashtra: **not liable, notwithstanding the inter-State supply**. The solution adds a second reason worth stating — potatoes are exempted goods, and a person exclusively supplying exempted goods is not liable to registration.

The agent limb carries a condition inside it. Section 24 bites only where the agent makes a **taxable supply on behalf of a taxable person**. Fenil supplies taxable goods for a registered principal and issues invoices in his own name: compulsorily registrable. Right Oils supplies high speed diesel, a **non-taxable supply**, as agent: **not registrable under section 24**, and the answer does not change when the principal is a registered entity, because the supply is still non-taxable.

A **casual taxable person must register compulsorily** whatever his turnover, but there is a carve-out. A threshold of **`20 lakh (`10 lakh for specified Special Category States)** is available to a casual taxable person who is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods, who is availing that exemption from registration, who has obtained a PAN and who has **generated an e-way bill**. Goods that are 75% made on machine and 25% by hand are not notified handicraft goods, so the carve-out falls away and compulsory registration returns.

The trap in the short cases: **`1,00,000 of inter-State supply of goods inside a `9,00,000 turnover still makes registration compulsory**, because the threshold exemption of **`20 lakh** is not available to inter-State suppliers of goods. And an agent's own-account turnover and his principals' turnover are read together — aggregate turnover includes supplies made on his own account **and on behalf of all his principals**, so **`12 lakh plus `9 lakh** is not two separate persons.

Remembering reproduce what you have learnt · 1 question

- Compulsory registration is a list of categories in section 24. Name the category the person falls into; that is the mark.

Q. 2.4 · PYQ 2019-May · 4M · Pg 369

LEVEL I
Remembering

Medium

Analysis break it down and take the parts separately · 3 questions

- Where section 23 and section 24 both point at the same facts, deal with section 24 first and then show that section 23 takes the person out. Give both reasons the solution gives, not one.

Q. 2.1 · MTP 2025-May S2 · 5M · Pg 365	LEVEL II Analysis	Medium
Q. 2.2 · PYQ 2021-Dec · 5M · Pg 366	LEVEL II Analysis	Medium
Q. 2.3 · PYQ 2019-May · 5M · Pg 367	LEVEL II Analysis	Medium

Topic 3: Persons Not Liable for Registration [Section 23]

L2P3-B-C9-T03

Read first Read ICAI Study Material Chapter 9, Registration Under GST — section 23 and the persons not liable for registration, including the exemption for unregistered suppliers selling through an e-commerce operator.

NOTES

Section 23 lists who is not liable to register, and the question is usually 'state the persons', so give the list numbered and in the order the solution gives it: a person engaged exclusively in supplying goods/services/both **wholly exempt from tax**; a person engaged exclusively in supplying goods/services/both **not liable to tax**; an agriculturist, to the extent of supply of **produce out of cultivation of land**; persons only engaged in making supplies of taxable goods or services liable to reverse charge; persons making inter-State supplies of taxable services up to `20 lakh (`10 lakh for Special Category States like Mizoram, Tripura, Manipur and Nagaland); casual taxable persons making taxable supplies of specified handicraft goods up to the same limits; and persons making inter-State supplies of specified handicraft goods up to the same limits, subject to specified conditions.

The exception inside the reverse charge limb is what the examiner is after: it does not apply to persons engaged in the supply of **metal scrap falling under Chapters 72 to 81**. Name the chapters. Where a paper asks for 'any five', the printed solution's own note says any five points may be mentioned — so choose the five that carry a figure or a condition, because **each condition is a mark**.

Unregistered persons with aggregate turnover up to the threshold who supply goods through an e-commerce operator are exempt from registration under **Notification No. 34/2023 CT dated 31.07.2023** read with section 23, on conditions. They shall not make any inter-State supply of goods; they shall not supply through an ECO **in more than one State/Union territory**; they must have a PAN issued under the Income-tax Act, 1961; and before making any supply they must declare on the common portal their PAN, the address of their place of business and the State/UT in which they seek to supply, which is subjected to **validation on the common portal**.

The remaining conditions all turn on the **enrolment number**: it is granted on successful validation of the declared PAN; not more than **one enrolment number in a State/UT** may be granted; no supply of goods may be made through the ECO until it has been granted; and where the person is

later granted registration under section 25, the enrolment number **ceases to be valid from the effective date** of registration. The question asks for five conditions — number them as you write and stop at the count asked for.

Remembering reproduce what you have learnt • 2 questions

- Give the list as a numbered list, not as prose. The marks follow the count of correctly stated heads.
- Where the question says 'any five', write five and stop; an incomplete sixth adds nothing.

Q. 3.1 • PYQ 2025-Sep • 5M • Pg 370

LEVEL I
Remembering

Medium

Q. 3.2 • MTP 2019-May S2 • 5M • Pg 371

LEVEL I
Remembering

Medium

Topic 4: Procedure for Registration [Sections 25, 26 & 27]

L2P3-B-C9-T04

Read first Read ICAI Study Material Chapter 9, Registration Under GST — sections 25, 26 and 27 with rules 10, 10A and 10B, covering the procedure, the effective date of registration, casual and non-resident taxable persons and Aadhaar authentication.

NOTES

Rule 10 read with section 25 settles the effective date, and it is a two-line rule: apply **within 30 days** of becoming liable and registration is effective from the date he became liable; apply after 30 days and it is effective **from the date of grant of registration**. Fix the date of becoming liable first — the day the turnover crossed the applicable limit — then count the 30 days, then state the effective date as a date.

The solutions work it in that order. Turnover crosses `40 lakh on 1 August, application on 20 August, certificate on 25 August: within 30 days, so the effective date is **1 August**. Turnover crosses `20 lakh on 25 October, application on 27 November, certificate on 5 December: beyond 30 days, so the effective date is **5 December**. Settle the applicable limit before the date — **`40 lakh for exclusive intra-State supply of goods**, `20 lakh for a supplier of services.

Where registration takes effect from a date earlier than the date of the certificate, **section 31 allows revised tax invoices** to cover the gap. They are issued for taxable supplies effected from the effective date of registration to the date of issuance of the certificate, and must be issued **within 1 month** from the date of issuance of the certificate. Effective date 12 August and certificate 6 September gives revised invoices **on or before 6 October**.

A casual taxable person and a non-resident taxable person apply **at least 5 days prior** to the commencement of business, irrespective of any threshold. The certificate is valid for the period

specified in the registration application, or **90 days from the effective date**, whichever is earlier, and the 90 days may be extended by a further period not exceeding 90 days on sufficient cause being shown. A casual taxable person **cannot opt for the composition scheme**.

For a non-resident taxable person **PAN is not mandatory**. He submits a self-attested copy of his valid passport, and the application is signed by an authorised signatory who is **an Indian resident holding a valid PAN**. A business entity incorporated or established outside India applies with its tax identification number or unique number by which the Government of that country identifies it, or its PAN if available.

Section 25(6A) makes Aadhaar authentication **mandatory for existing registrants as well as new ones** — the statement that it is not required for those already registered is incorrect. Rule 10B names whose Aadhaar is authenticated: the proprietor of a proprietorship firm, any partner of a partnership firm, the Karta of a Hindu undivided family, the managing director or any whole-time director of a company, any member of the Managing Committee of an association of persons, body of individuals or society, or a trustee on the Board of Trustees — **and the authorised signatory in every case**. It is required for three things: **revocation of cancellation [rule 23]**, refund in Form RFD-01 [rule 89], and refund of IGST paid on goods exported [rule 96].

Where an Aadhaar number has not been assigned, the **first proviso to section 25(6A) with rule 10B** gives the alternative identification: the **Aadhaar Enrolment ID slip**, plus any one of a bank passbook with photograph, a voter identity card issued by the Election Commission of India, a passport, or a driving license issued by the Licensing Authority. Once Aadhaar is allotted he must authenticate **within 30 days of the allotment**, and rule 10B does not apply to persons notified under section 25(6D). Separately, **rule 10A no longer requires bank details before registration**: they may be furnished within 30 days of the grant of registration, or before furnishing GSTR-1 or using the invoice furnishing facility, whichever is earlier, except for TDS deductors and TCS collectors under rule 12 and suo-motu registrations under rule 16.

Remembering reproduce what you have learnt · 1 question

- Quote the periods as numbers with their units — 30 days, 90 days, 1 month, 5 days prior — because every one of them is a separate mark.

Q. 4.11 · PYQ 2018-May · 4M · Pg 380

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context · 2 questions

- For an 'examine the correctness' question on Aadhaar or bank details, give the verdict first, then the section and rule, then the list.

Q. 4.4 · PYQ 2025-May · 2M · Pg 374

LEVEL I
Understanding

Hard

Q. 4.6 · RTP 2022-Nov · DESC · Pg 375

LEVEL I
Understanding**Hard****Application** use the rule - work the problem · 5 questions

- For an effective date question, write three dates in order: date of becoming liable, date of application, date of grant. Then state whether the application was within 30 days, then give the effective date in a closing sentence.

Q. 4.1 · PYQ 2026-Sep [7] (b) · 5M · Pg 372

LEVEL II
Application**Medium**

Q. 4.3 · MTP 2025-Sep S1 · 6M · Pg 372

LEVEL II
Application**Medium**

Q. 4.5 · MTP 2025-May S1 · 5M · Pg 374

LEVEL II
Application**Medium**

Q. 4.10 · PYQ 2018-May · 4M · Pg 379

LEVEL II
Application**Medium**

Q. 4.9 · PYQ 2018-Nov · 5M · Pg 378

LEVEL II
Application**Hard****Analysis** break it down and take the parts separately · 3 questions

- Where the question runs through the steps of an application, take them in order with their own time limits, and say what happens if a limit is missed.

Q. 4.2 · PYQ 2026-Jan · 3M · Pg 372

LEVEL II
Analysis**Medium**

Q. 4.7 · RTP 2020-May · DESC · Pg 377

LEVEL II
Analysis**Hard**

Q. 4.8 · PYQ 2019-May · 5M · Pg 377

LEVEL II
Analysis**Hard**

Topic 5: Amendment of Registration [Section 28]

L2P3-B-C9-T05

Read first Read ICAI Study Material Chapter 9, Registration Under GST — section 28 and the amendment of registration.

NOTES

The tested statement is **FALSE**. Where a change in the constitution of a business results in a **change of the PAN** of the registered person, the person cannot amend his registration — he **shall apply for fresh registration**. Give the reason the solution gives, in its words: **GSTIN is PAN based**, so any change in PAN would warrant a new registration.

Answer the true or false in the order the solution uses: **verdict first, then the rule, then the reason**. 'The said statement is FALSE' is a mark on its own, and a paragraph that reasons its way towards the answer without stating it plainly loses that mark.

The distractor in the statement is the **15 days** period, quoted to make the amendment route under **section 28** look available on these facts. It is not available, because no amendment can survive a change in PAN. **Test for the PAN change first**; if the PAN changes, the answer is fresh registration whatever period the statement recites.

Application use the rule - work the problem · 1 question

- Say whether the change is one that can be amended or one that requires a fresh registration, and give the reason from the nature of the field changed.

Q. 5.1 · PYQ 2018-May · 2M · Pg 381

LEVEL II
Application

Hard

Topic 6: Cancellation or Suspension of Registration [Section 29]

L2P3-B-C9-T06

Read first Read ICAI Study Material Chapter 9, Registration Under GST — section 29 with rules 21 and 21A, covering cancellation and suspension of registration.

NOTES

Cancellation does not wipe out liability. Section 29(3): cancellation shall not affect the liability of the person to pay tax and other dues under the Act, or to discharge any obligation under the Act or the rules, for any period prior to the date of cancellation, whether or not such dues are **determined before or after** that date. Reproduce that clause — it is the whole of the first half of the answer.

The second half is the amount payable on cancellation. Every registered taxable person whose registration is cancelled pays an amount by way of debit in the **electronic credit ledger** or electronic cash ledger, equal to the credit of input tax on inputs held in stock, inputs contained in semi-finished or finished goods held in stock, and capital goods or plant and machinery on the day **immediately preceding the date of cancellation**, or the output tax payable on such goods, **whichever is higher**, calculated in the prescribed manner.

Section 29(2) read with rule 21 gives the grounds on which the proper officer may cancel, from such date, including any retrospective date, as he may deem fit, after giving an opportunity of being heard. The return-default grounds carry their periods: a composition taxpayer who has not furnished the return for a financial year **beyond three months from the due date**; a monthly return filer under section 39(1) who has not furnished returns for a **continuous period of 6**

months; a quarterly filer under the QRMP scheme who has not furnished returns for **2 tax periods**.

The rest of the list: a person who took voluntary registration under section 25(3) and has **not commenced business within six months**; registration obtained by **fraud, wilful misstatement or suppression of facts**; no business conducted from the declared place of business; invoice or bill issued without supply of goods or services; violation of **section 171, the anti-profiteering measure**; violation of rule 10A; input tax credit availed in violation of section 16; outward supplies declared in GSTR-1, as amended in GSTR-1A, **in excess of those declared** in the valid return under section 39; violation of rule 86B; and violation of the third or fourth proviso to rule 23(1). Where the paper asks for five, give five with their periods attached.

Suspension sits in **section 29(1) read with rule 21A**. Where the registered person has himself applied for cancellation, the registration is deemed to be suspended from the date of submission of the application or the date from which cancellation is sought, **whichever is later**, pending completion of the proceedings for cancellation. During suspension he **shall not make any taxable supply** and shall not be required to furnish any return, and the solution explains the phrase: he shall not issue a tax invoice and accordingly shall not charge tax on supplies made during that period.

The recurring trap is the period for a voluntarily registered person who has not started trading: it is **six months, not three months**, and a statement putting it at three months is False. The three-month period belongs elsewhere — to the composition taxpayer's return default **beyond three months from the due date**. Keep the two apart when you list the grounds.

Remembering reproduce what you have learnt • 1 question

- List the grounds as numbered heads with their periods. A ground stated without its period is half a ground.

Q. 6.4 • RTP 2023-May • DESC • Pg 384

LEVEL I
Remembering

Hard

Understanding explain it, and place it in context • 2 questions

- For 'does cancellation impose any tax obligations', answer yes and then give two things: the continuing liability under section 29(3) and the amount payable on stock and capital goods.

Q. 6.1 • MTP 2026-May S1 • 5M • Pg 382

LEVEL I
Understanding

Medium

Q. 6.2 • MTP 2026-Jan S1 • 5M • Pg 382

LEVEL I
Understanding

Medium

Application use the rule - work the problem • 2 questions

- For a true or false on a period, state the verdict, then give the correct period, then the corrected sentence in full.

Q. 6.5 · PYQ 2021-Jan · 5M · Pg 386

LEVEL II
Application

Medium

Q. 6.6 · PYQ 2018-Nov · 1.5M · Pg 386

LEVEL II
Application

Medium

Analysis break it down and take the parts separately · 1 question

- Cancellation and suspension are different things with different triggers. Identify which the facts give rise to, then the consequence for each.

Q. 6.3 · RTP 2025-May · DESC · Pg 383

LEVEL II
Analysis

Hard

Topic 7: Revocation of Cancellation [Section 30]

L2P3-B-C9-T07

Read first Read ICAI Study Material Chapter 9, Registration Under GST — section 30 and the revocation of cancellation of registration.

NOTES

Revocation lies in **section 30** and applies only where the registration was **cancelled suo-motu** by the proper officer, not where the person applied for cancellation himself. Such a registered person may apply for revocation to that proper officer, subject to the provisions of rule 10B, **within 90 days from the date of service** of the order of cancellation of registration.

The period is extendable, and that is where the marks are. On **sufficient cause being shown** and for reasons to be recorded in writing, the Commissioner or an officer authorised by him, not below the rank of Additional Commissioner or Joint Commissioner, may extend it by a **further period not exceeding 180 days**. So a departmental contention that the outer limit is 30 days, or that no extension is possible, is **not valid in law** — both solutions say so in those terms.

Count from the **date of service, not the date of the order**. Order passed on 4 November and served on 7 November, application on 4 February: within 90 days of 7 November, so the application is valid in law and the consultant's advice that it is time barred is wrong. Write the two dates out and show the count before you conclude.

The procedure after the application is a chain of periods. If satisfied that there are sufficient grounds for revocation, the proper officer revokes the cancellation by an order **within 30 days of receipt of the application** and communicates it to the applicant. If he proposes to reject, he must first **issue a show cause notice**; the applicant furnishes his clarification **within 7 working days** of service of the notice; and the officer disposes of the application within 30 days of receipt of the clarification.

The favourite combination puts cancellation and revocation in one question: a voluntarily registered person who has not commenced business within six months is validly cancelled suo-motu, and the argument then moves to the time limit. **Answer the two halves separately** — first that the cancellation is valid in law and why, then that the application is within the **90 days plus an extension of up to 180 days**. One merged paragraph loses the marks for whichever half it does not name.

Understanding explain it, and place it in context • 1 question

- Describe the procedure as a sequence of periods with the officer named against each: 90 days, extension of 180 days, order within 30 days, clarification within 7 working days, disposal within 30 days.

Q. 7.4 • PYQ 2023-Nov • 5M • Pg 390

LEVEL I
Understanding

Medium

Application use the rule - work the problem • 2 questions

- Where dates are given, set out the date of the order, the date of service and the date of application, then count only from the date of service.

Q. 7.1 • MTP 2026-Sep [7] (b) • 5M • Pg 387

LEVEL II
Application

Hard

Q. 7.3 • MTP 2024-May S2 • 5M • Pg 389

LEVEL II
Application

Hard

Analysis break it down and take the parts separately • 1 question

- Fix the date of the cancellation order, then count the period for revocation, then say whether the application is in time.

Q. 7.2 • RTP 2024-Sep • DESC • Pg 388

LEVEL II
Analysis

Medium

SECTION B • GOODS AND SERVICES TAX • CHAPTER 10

Tax Invoice, Credit and Debit Notes

12 Topics • 36 Classified Questions • Importance: A

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **on profile**

Level I — Comprehension & Knowledge **35.8%** 58 of 162 marks

Level II — Analysis & Application **64.2%** 104 of 162 marks

This chapter sits inside ICAI's own band for Goods and Services Tax — 36% Level I against 15-45%. Prepare it in those proportions: know the method, then drill it.

Topic 1: Tax Invoice Issued by a Supplier of Taxable Goods/Taxable Services

L2P3-B-C10-T01

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — the time limits under section 31 for issuing a tax invoice on goods, on services, on continuous supply and under reverse charge.

NOTES

Open every answer with **section 31** and the limb that fits the facts. Where the supply of goods involves movement of goods, the invoice is issued **before or at the time of removal** for supply to the recipient — in the printed case the goods were removed on 11 October 2022, so the invoice is due on or before that date, and neither the date of the contract nor the agreed delivery date nor the date the recipient took delivery moves it. For a taxable supply of services, the invoice may be issued before or after the provision of service but **within 30 days** from the date of supply of service, and **within 45 days** for an insurer, banking company or financial institution including an NBFC. The event management solution runs the 30 days from 5 June 2022 and answers 5 July 2022; the payment date of 19 June is a distractor.

Goods sent on **sale or return basis** are removed before the supply takes place, and the invoice is then due before or at the time of supply, or **six months from the date of removal**, whichever is earlier. Split the consignment and date each part. Of 500 units removed on 20 May, the 300 sold on 28 August are invoiced **up to 28 August**, being the time of supply inside the six months. The remaining 200 had neither been sold nor brought back by 20 November, the six-month date — the 150 units came back only on 25 November — so the invoice for all 200 units is due **up to 20 November**. Write the units against each date; the marks are on the split, not on the rule.

Section 31(5) governs continuous supply of services and the solutions reproduce it as a three-row table. Where the due date of payment is **ascertainable from the contract**, the invoice is issued on or before that due date. Where it is not ascertainable, the invoice is issued before or at the time when the supplier receives the payment. Where payment is linked to the **completion of an event**,

the invoice is issued on or before the date of completion of that event. Before you apply it, say why the contract is a continuous supply of service: a service provided or agreed to be provided continuously or on a recurrent basis under a contract for a period **exceeding three months** with periodic payment obligations, and section 2(33) turns on the periodic payment obligation. A quarterly annual maintenance contract qualifies, so the invoices fall on 1 April, 1 July, 1 October and 1 January.

Where the recipient pays under reverse charge and the supplier is unregistered, **the recipient issues the invoice**. Section 31(3)(f) requires a registered person liable to pay tax under section 9(3) or 9(4) to issue an invoice for goods or services received from a supplier who is not registered on the date of receipt, and **rule 47A** gives him **30 days from the date of receipt** to do it. Services received on 4 January from an unregistered GTA must therefore be self-invoiced by 3 February. Then take the time of supply separately under **section 13(3)** — the earlier of the date of payment entered in the recipient's books or debited to his bank account, the date immediately following sixty days from the supplier's invoice, or the date of issue of invoice by the recipient. Payment on 4 January beats a self-invoice of 3 February, so the time of supply is **4 January**.

The invoice must show the tax. Section 31 read with the CGST Rules requires the invoice to carry **the amount of tax charged** — central tax, State tax, integrated tax, Union territory tax or cess — and every person liable to pay tax on a supply made for a consideration must **prominently indicate** that amount in all documents relating to assessment, the tax invoice and other like documents. So a lumpsum of `5,90,000 stated as inclusive of CGST and SGST at 9% each is not enough, and the objection that the tax component be shown separately is **valid in law**. The same solution also fails the invoice on time: a service supplied on 4 January had to be invoiced up to 3 February, and an invoice dated 10 February is beyond the 30 days.

Understanding explain it, and place it in context • 3 questions

- Name the limb of section 31 before you give a date. An answer that states the correct date without saying whether the supply involves movement of goods, is a service, or is a continuous supply gets the date mark only.
- Where the facts are an annual maintenance contract, first establish continuous supply of service by the period exceeding three months and the periodic payment obligation, then apply section 31(5).

Q. 1.1 • MTP 2026-Jan S2 • 5M • Pg 393

LEVEL I
Understanding

Medium

Q. 1.3 • MTP 2025-Sep S1 • 4M • Pg 396

LEVEL I
Understanding

Medium

Q. 1.5 • PYQ 2019-May • 4M • Pg 398

LEVEL I
Understanding

Medium

Application use the rule - work the problem • 2 questions

- Answer each numbered sub-part under its own number with its own rule and its own date. These questions are always set as two or three independent cases and are marked that way.

- On sale or return goods, tabulate the units against the date each lot must be invoiced, then state the closing sentence naming both dates.

Q. 1.7 · PYQ 2018-Nov · 5M · Pg 400

LEVEL II
Application

Medium

Q. 1.2 · RTP 2026-Jan · DESC · Pg 394

LEVEL II
Application

Hard

Analysis break it down and take the parts separately · 2 questions

- Reverse charge questions ask three separate things: who issues the invoice, by when, and what the time of supply is. Keep them as three headed paragraphs, because the time of supply is decided by a different section from the invoice deadline.
- When several dates are given, say which ones are irrelevant and why. The delivery date, the contract date and the payment date are usually planted as distractors.

Q. 1.6 · PYQ 2019-May · 4M · Pg 399

LEVEL II
Analysis

Medium

Q. 1.4 · MTP 2025-Jan S2 · 5M · Pg 397

LEVEL II
Analysis

Hard

Topic 2: E-Invoicing

L2P3-B-C10-T02

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — e-invoicing under rule 48(4): who must issue, which supplies, who is exempt and how the IRN is obtained.

NOTES

The threshold sentence carries the marks and it must be said in full. E-invoicing is mandatory for all registered businesses, except a specified class of persons, whose aggregate turnover **in any preceding financial year from 2017-18** exceeds `5 crore, and only in respect of **B2B supplies** — a supply of goods or services or both to a registered person — or for exports. Turnover is taken **on the common PAN**, so a company with `300 crore at its Mumbai office and `250 crore at Delhi cannot argue that neither GSTIN crosses the limit; the aggregate on the PAN is what counts. Once the preceding year's turnover crosses `5 crore, liability in the current year follows automatically.

Learn the exempt list as a list, in order, because the question is often set for two marks on the list alone: **Special Economic Zone units**; insurer or banking company or financial institution including NBFC; GTA supplying services in relation to transportation of goods by road in a goods carriage; supplier of passenger transportation service; person supplying services by way of admission to exhibition of cinematograph films in **multiplex screens**; a Government Department; and a local authority. These are exempt **even if turnover exceeds `5 crore**. Add the tail the solutions add: an exempted taxpayer must provide **a declaration on the tax invoice** stating that although its

aggregate turnover exceeds the notified limit for e-invoicing, it is not required to prepare an e-invoice.

Three traps sit inside that list and the solutions correct all three. **The exemption is for SEZ units, not SEZ developers** — a developer whose turnover exceeds ₹5 crore must issue e-invoices. The exemption is for supplies made **by** the SEZ unit, so where the SEZ unit is the recipient, the ordinary supplier must still issue an e-invoice for that transaction. And a banking company is exempt however large it is, so ₹75 crore of turnover in a bank still attracts no e-invoicing, while ₹60 crore in an ordinary trader does, for its supplies to registered persons.

A Government Department is exempt as a **supplier**, but that does not make it invisible as a **recipient**. Departments, Government agencies, local authorities and PSUs required to deduct tax at source under **section 51** are liable to compulsory registration under **section 24(vi)** and are therefore registered persons under section 2(94), even when registered solely for TDS. So a supplier over the threshold must issue e-invoices on supplies made to them under **rule 48(4)**, per Circular No. 198/10/2023 GST dated 17.07.2023. Cite the circular; it is the whole answer.

Say what e-invoicing is not. It is **reporting of B2B invoices to the GST system** for notified taxpayers, not invoicing on a Government portal. The taxpayer continues to generate invoices on its own **accounting, billing or ERP system**; the only requirement is that they be reported to the **Invoice Registration Portal** for validation and issue of a unique Invoice Reference Number (IRN). Where e-invoicing applies, there is no need to issue invoice copies **in triplicate or duplicate**.

The advantages are a bookwork list and the solutions give seven: **auto-reporting into the GST return** and auto-generation of the e-way bill, so B2B data is reported once and flows into GSTR-1 and the e-way bill; **accuracy and reconciliation**, since the same data reaches the department and the buyer's purchase register, cutting transcription errors; **early payment** through standardisation and inter-operability; **cost reduction**; **reduction of tax evasion** by system-level matching of input tax credit against output tax; **elimination of fake invoices** and the fictitious credit claimed on them; and **paper elimination**.

Remembering reproduce what you have learnt · 2 questions

- Reproduce the seven exempt entities as a numbered list in the order the solutions give them. Where the question asks for two, still head the list with the threshold sentence.

Q. 2.5 · PYQ 2024-Sep · 2M · Pg 404

LEVEL I
Remembering

Easy

Q. 2.1 · PYQ 2026-Sep [7] (Or) (b) · 5M · Pg 401

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context · 1 question

- State the threshold, the years it is tested over and the two classes of supply covered in a single opening sentence, then apply it. A validity comment that omits the words B2B or exports is incomplete.

Q. 2.11 · PYQ 2021-Dec · 3M · Pg 409

LEVEL I
Understanding**Easy****Application** use the rule - work the problem · 9 questions

- The advice-validity questions want a verdict. End with the words valid in law or not correct in law and the reason in the same sentence.
- Where the facts name an SEZ, first decide whether it is a unit or a developer, and whether it is the supplier or the recipient. The answer flips on both.

Q. 2.2 · MTP 2026-Sep [7] (a) · 5M · Pg 401

LEVEL II
Application**Medium**

Q. 2.7 · RTP 2024-May · DESC · Pg 405

LEVEL II
Application**Medium**

Q. 2.8 · PYQ 2023-Nov · 4M · Pg 406

LEVEL II
Application**Medium**

Q. 2.12 · RTP 2021-Nov · DESC · Pg 409

LEVEL II
Application**Medium**

Q. 2.4 · RTP 2025-Jan · DESC · Pg 403

LEVEL II
Application**Hard**

Q. 2.6 · RTP 2024-Sep · DESC · Pg 405

LEVEL II
Application**Hard**

Q. 2.9 · RTP 2023-Nov · DESC · Pg 407

LEVEL II
Application**Hard**

Q. 2.10 · RTP 2023-Nov · DESC · Pg 408

LEVEL II
Application**Hard**

Q. 2.13 · RTP 2021-May · DESC · Pg 410

LEVEL II
Application**Hard****Analysis** break it down and take the parts separately · 1 question

- Test the turnover against the threshold first, then say whether the supply is of a class excluded from e-invoicing. Both tests must be shown.

Q. 2.3 · PYQ 2026-Jan · 5M · Pg 403

LEVEL II
Analysis**Medium**

Topic 3: Quick Response (QR) code

L2P3-B-C10-T03

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — the Dynamic Quick Response code on invoices issued to unregistered persons.

NOTES

Dynamic QR code applies to B2C invoices, that is invoices issued in respect of supplies made to unregistered persons by a registered supplier, and only where that supplier's aggregate turnover in any preceding financial year from 2017-18 onwards exceeds `500 crores. Note the two differences from e-invoicing and do not mix them up: the recipient here is unregistered, and the threshold is `500 crores, not `5 crore.

Five suppliers are outside it even when they issue invoices to unregistered persons, and the list is shorter than the e-invoicing list: **insurer or banking company** or financial institution including NBFC; GTA supplying services in relation to transportation of goods by road in a goods carriage; supplier of passenger transportation service; person supplying services by way of admission to exhibition of cinematograph films in **multiplex screens**; and supplier of **online information and database access or retrieval** services.

The trap is the tail of the list. **OIDAR appears here but not in the e-invoicing exemptions**, while a Government Department and a local authority appear there but not here. Where a question asks for both lists, write them out separately rather than cross-referring.

Remembering reproduce what you have learnt • 1 question

- Give the applicability sentence with the `500 crores figure first, then the five excluded suppliers as a numbered list.

Q. 3.1 • PYQ 2021-Dec • 5M • Pg 412

LEVEL I
Remembering

Medium

Topic 4: Revised Tax Invoice

L2P3-B-C10-T04

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — the revised tax invoice under section 31(3)(a) read with rule 53, and the period it covers.

NOTES

The revised tax invoice exists because of a gap in time. A person who applies for registration **within 30 days of becoming liable** gets an effective date of registration that is the date on which he became liable, not the date the certificate issues, so supplies are made in the intervening period without a registration number. **Section 31(3)(a) read with rule 53** lets him issue revised tax invoices against the invoices already issued in that window. Where the application is not made within the 30 days, the effective date is the date of grant of registration and the question of a revised invoice largely falls away.

Answer such a question in three fixed steps and label them. First, the **effective date of registration**. Second, the period for which revised invoices may be issued: from the effective date **till the date of issuance of the certificate** of registration. Third, the time limit — **within one month**

from the date of issuance of the certificate. In the semi-conductor case the effective date is 28 April 2024, the period runs 28 April 2024 to 29 May 2024, and the revised invoices must be issued **up to 29 June 2024**.

The effective date turns on the registration threshold, so state the threshold before the date. A supplier engaged **exclusively in the supply of goods** becomes liable when turnover crosses `40 lakh; a supplier of both goods and services when it crosses `20 lakh in a State or Union territory, and `10 lakh in specified Special Category States. Meghalaya is not a specified Special Category State, so `20 lakh applies there — that is the correcting line in the printed solution. The earlier `10 lakh crossing is a distractor in both questions.

Finish with the unregistered recipients. A registered person may issue **a consolidated revised tax invoice** in respect of all taxable supplies made to unregistered recipients during that period. For inter-State supplies where the value of a supply does not exceed `2.5 lakh, a consolidated revised invoice may be issued separately for all unregistered recipients located in a State.

Understanding explain it, and place it in context · 1 question

- Explain why the revised invoice exists — the lag between the effective date and the certificate date — before you give the rule. One line is enough and it earns the first mark.

Q. 4.2 · RTP 2018-Nov · DESC · Pg 413

LEVEL I
Understanding

Hard

Application use the rule - work the problem · 1 question

- Answer under the three headings the question uses: effective date, period covered, time limit. Give an actual date for each, not a description of it.
- Justify the effective date by naming the threshold crossed and the date the application was made, then say it was within 30 days.

Q. 4.1 · PYQ 2025-Jan · 5M · Pg 412

LEVEL II
Application

Medium

Topic 5: Consolidated Tax Invoice

L2P3-B-C10-T05

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — consolidated revised tax invoices to unregistered recipients and consolidated credit notes.

NOTES

The explanation to section 31 provides that the expression 'tax invoice' **includes a revised tax invoice** issued by the supplier in respect of a supply made earlier, which is why the consolidation

rules sit here. The condition for a revised invoice is the intervening period: a person registering **within 30 days of becoming liable** takes effect from the date he became liable, so there is a time lag between the effective date of registration and the date of grant of the certificate, and the law enables revised invoices for supplies made in it.

For unregistered recipients the answer has three tiers and the examiner marks all three. **A consolidated revised tax invoice may be issued** for all taxable supplies made to an unregistered recipient during that period. For inter-State supplies where the value of supply does not exceed **₹2.5 lakh**, a consolidated revised invoice may be issued separately in respect of all unregistered recipients located in a State. Otherwise a **recipient-wise** consolidated revised invoice is issued — which is the same rule stated the other way round in the older solution, that a consolidated revised invoice cannot cover all unregistered recipients on an inter-State supply exceeding ₹2,50,000.

The worked dates follow the same three steps as the revised invoice topic. Turnover crossed ₹40,00,000 on 5 September 2022, the application was made on 28 September 2022 and the certificate issued on 6 October 2022, so revised invoices cover **5 September to 6 October 2022** and must be issued within one month from the date of the certificate, **on or before 6 November 2022**.

Consolidation also runs on the credit note side. Where one or more tax invoices have been issued and the taxable value or tax charged exceeds the value or tax actually payable, or the goods are returned by the recipient, or the goods or services are found to be deficient, the supplier may issue one or more credit notes for supplies made in a financial year. So **one consolidated credit note may cover several invoices** of the same financial year, without linking it to individual invoices — the answer on the three returned bills is yes. Add the condition the solution ends on: reduction in output tax liability on such a note is permissible only if the recipient **reverses the proportionate input tax credit**, under **section 34(2)**.

Application use the rule - work the problem • 2 questions

- On a consolidated credit note, give the yes, then the section 34(2) condition about the recipient reversing proportionate credit. The condition is the last mark.
- Where dates are given, state the period covered and the outside date as two separate lines.

Q. 5.3 • PYQ 2018-May • 4M • Pg 417

LEVEL II
Application

Medium

Q. 5.2 • RTP 2019-Nov • DESC • Pg 416

LEVEL II
Application

Hard

Analysis break it down and take the parts separately • 1 question

- Say whether the conditions for a consolidated invoice are met — the value, the recipient's registration, and the absence of a request — one at a time.

Q. 5.1 · PYQ 2026-May [8] (b) · 5M · Pg 415

LEVEL II
Analysis

Medium

Topic 6: Bill of Supply

L2P3-B-C10-T06

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — the bill of supply and the invoice-cum-bill of supply.

NOTES

The statement that separate documents are needed for taxable and exempted goods supplied to an unregistered person is **false**, and the reason is the invoice-cum-bill of supply. Where a registered person supplies taxable as well as exempted goods or services or both to an unregistered person, **a single invoice-cum-bill of supply** may be issued for all such supplies.

Name the rules when you say what goes on it. The single invoice-cum-bill of supply shall contain the particulars specified under **rule 46 or rule 54**, as the case may be, and **rule 49** — rule 46 being the tax invoice particulars and rule 49 the bill of supply particulars.

This is set as a **true-or-false for 1.5 marks**, so the shape of the answer matters more than its length: state false, then give the enabling provision, then the rule reference. Note the two conditions that make the concession available — both taxable and exempt supplies, and **an unregistered recipient**.

Application use the rule - work the problem · 1 question

- Identify the document the supplier must issue on these facts and name it exactly. The name is the mark.

Q. 6.1 · PYQ 2018-May · 1.5M · Pg 418

LEVEL II
Application

Medium

Topic 7: Receipt and Refund Vouchers

L2P3-B-C10-T07

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — receipt vouchers on advance payments and refund vouchers where no supply follows.

NOTES

A registered person who receives advance payment with respect to any supply of goods or services or both shall issue **a receipt voucher** or other document evidencing receipt of that payment.

Define it in one line before you apply it: a receipt voucher is a **document evidencing receipt of**

advance money towards a supply of goods or services or both.

The second half of the question is the one that carries the marks. Where a receipt voucher has been issued on an advance but subsequently **no supply is made and no tax invoice is issued** in pursuance of it, the registered person may **issue a refund voucher** against that payment to the person who made it. Both conditions must be stated — no supply and no tax invoice — before the refund voucher is allowed.

So the advice runs in two sentences: issue the receipt voucher now, on receipt of the advance; and if the services are never supplied and no invoice follows, **issue a refund voucher** to the payer. The document is permissive — the section says **may issue** — and the answer should use that word.

Understanding explain it, and place it in context • 1 question

- Define receipt voucher and refund voucher in one line each, then answer the situation. The definitions are worth marks on their own here.

Q. 7.1 • MTP 2026-Jan S1 • 5M • Pg 418

LEVEL I
Understanding

Hard

Topic 8: Invoice and Payment Voucher

L2P3-B-C10-T08

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — the self-invoice issued by a recipient liable under reverse charge, and the payment voucher.

NOTES

The recipient's obligation to issue an invoice is **conditional on two things at once**, and the examiner sets facts where only one is met. A registered person shall issue an invoice in respect of goods or services received by him provided, first, he is liable to pay tax under reverse charge under **section 9(3) or 9(4)**, and second, the supplies are received from a supplier who is **not registered on the date of receipt** of those goods or services.

Work the facts item by item against both conditions. Legal services from advocate Sameer are taxable under reverse charge, but **Sameer is registered**, so no self-invoice is required. Labour services from Shekhar are received from an unregistered person, but that supply is **not under reverse charge**, so again no self-invoice is required. Both cases therefore fail, **each for the opposite reason** — that contrast is the point of the question.

Keep the two documents apart. The self-invoice under **section 31(3)(f)** evidences the supply received; the **payment voucher** is issued at the time of making payment to the supplier of a reverse-charge supply. Name whichever the facts call for rather than treating them as one document.

Understanding explain it, and place it in context · 1 question

- State both conditions before touching the facts, and number them. The marks are for showing that they are cumulative.

Q. 8.1 · PYQ 2024-May · 5M · Pg 419

LEVEL I
Understanding

Medium

Topic 9: Insurer/Banking company/Financial Institution, Including NBFC

L2P3-B-C10-T09

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — the special invoicing relaxations for an insurer, a banking company or a financial institution including an NBFC.

NOTES

The statement that an NBFC may issue a consolidated tax invoice monthly is **valid in law**. The reason the solution gives is practical: a customer may avail numerous services from such a supplier in a tax period, so a **consolidated tax invoice, statement or advice**, or any other document in lieu of it, by whatever name called, may be issued or made available, physically or electronically, for the supplies of services made during a month, **at the end of the month**.

Read this class of supplier across the chapter, because three separate relaxations attach to it. The invoice for services may be issued **within 45 days** from the date of supply instead of 30; the monthly consolidated document is permitted; and the class is **exempt from mandatory e-invoicing** however high its turnover, subject to the declaration on the tax invoice.

The class is described the same way each time and should be quoted that way: an insurer or a banking company or a financial institution, **including a non-banking financial company**. This too is examined as a 1.5-mark true-or-false, so lead with the verdict and then give the reason.

Application use the rule - work the problem · 1 question

- Apply the relaxed time limit and the relaxed form to the class of supplier in the question, and say which ordinary requirement is displaced.

Q. 9.1 · PYQ 2018-May · 1.5M · Pg 420

LEVEL II
Application

Medium

Topic 10: Registered Person Supplying Services by Way of Admission to Exhibition of Cinematograph Films in Multiplex Screens

L2P3-B-C10-T10

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — invoicing by a supplier of services by way of admission to exhibition of cinematograph films in multiplex screens.

NOTES

The option in **section 31(3)(b)** read with the fourth proviso to rule 46 to issue a consolidated tax invoice at the close of each day **is not available** to a supplier making supplies of services by way of admission to exhibition of cinematograph films in **multiplex screens**. So the practice the Department objected to is wrong, and the answer must say so plainly before giving the alternative.

The alternative is the mark. Such a supplier is required to **issue an electronic ticket**, and that electronic ticket shall be **deemed to be a tax invoice**, even if it does not contain the details of the recipient of service, provided it carries the other information prescribed to be mentioned.

The question is set as advice on the procedure to be followed, so give it as procedure: consolidated daily invoice not permitted; issue an electronic ticket per admission; the ticket is deemed to be the tax invoice; recipient details may be omitted but the remaining prescribed particulars may not. This class is also **exempt from e-invoicing**, which is worth a closing line if the question is broad.

Application use the rule - work the problem • 1 question

- Where the Department has raised an objection, say whether the objection is right before advising. Advice without a verdict reads as evasion and loses a mark.

Q. 10.1 • MTP 2024-Sep S2 • 5M • Pg 421

LEVEL II
Application

Hard

Topic 11: Delivery Challan

L2P3-B-C10-T11

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — the delivery challan, and transport of goods in semi knocked down or completely knocked down condition.

NOTES

Section 31 requires the tax invoice before or at the time of delivery or removal of goods, and the question asks for the situations where a tax invoice can be **issued after delivery**. There are three: supply of **liquid gas** where the quantity at the time of removal from the place of business of the supplier is not known; transportation of goods **for reasons other than by way of supply**; and such other supplies as may be **notified by the Board**. Give all three, numbered.

For goods transported in a **semi knocked down or completely knocked down** condition, or in batches or lots, the procedure is four steps and they must come in order. The supplier issues the **complete invoice before the first consignment**. He then issues a delivery challan for each subsequent consignment, giving reference of the invoice. Copies of the corresponding delivery challan accompany each consignment along with a duly certified copy of the invoice. And the

original copy of the invoice is sent with the **last consignment**.

The two halves of the answer link up: a delivery challan, not an invoice, is what travels with goods moved for reasons other than supply, and the knocked-down rule is the worked example of the same idea. **The invoice comes first and the original comes last** — that pair of endpoints is the line the examiner looks for.

Analysis break it down and take the parts separately · 1 question

- Where several movements are described, say for each whether it is a supply requiring an invoice or a movement requiring a delivery challan.

Q. 11.1 · PYQ 2025-May · 5M · Pg 421

LEVEL II
Analysis

Medium

Topic 12: Credit and Debit Notes

L2P3-B-C10-T12

Read first Read ICAI Study Material Chapter 10, Tax Invoice, Credit and Debit Notes — credit notes and debit notes under section 34, the situations that warrant them and the time limit for declaring them.

NOTES

The credit or debit note is issued by the supplier, that is by the registered person who supplied the goods or services — say this first, because one question asks it as a sub-part in its own right. A credit note is required where the taxable value charged in the tax invoice exceeds the taxable value of the supply, where the tax charged exceeds the tax payable, where the **goods are returned by the recipient**, or where the goods or services are **found to be deficient**. A debit note is required where the taxable value charged is less than the taxable value, or where the **tax charged is less** than the tax payable.

The same ground is set in a descriptive form, and there the solutions give the situations calling for a credit note as five: the supplier has erroneously declared a value more than the actual value; he has **erroneously declared a higher tax rate** than applicable; the **quantity received is less** than declared in the tax invoice; the quality is **not to the satisfaction of the recipient**, necessitating a partial or total reimbursement on the invoice value; and any other similar reasons. Where the question asks for any three, still number them from this list.

The time limit is a two-limb, earlier-of rule and it applies **only to the credit note**. The details shall be declared in the return for the month in which the credit note was issued, but not later than **30 November following the end of the financial year** in which such supply was made, or the date of furnishing of the relevant annual return, **whichever is earlier**. Both limbs and the word earlier are

needed; a debit note carries no such outer limit.

The computation questions want the note quantified, not merely named. Value charged ₹2,50,000 against actual ₹2,30,000 means a **credit note for ₹20,000**, the excess value. Tax charged ₹32,000 against actual ₹68,000 means a **debit note for ₹36,000**, the tax short charged. Value charged ₹3,20,000 against actual ₹4,20,000 means a **debit note for ₹1,00,000**. **Issue the note for the difference only**, never for the whole invoice — that is the slip the solutions keep correcting.

One express prohibition is worth its own line. A credit note **cannot be issued for a secondary discount** allowed by the supplier, because the supplier's **tax liability is not reduced** in such a case. Where the question asks about discounts, give that reason, not just the conclusion.

Remembering reproduce what you have learnt · 1 question

- List the situations for a credit note and for a debit note under separate headings. The debit note limbs are only two, and an answer that gives four situations under both headings is wrong.

Q. 12.4 · PYQ 2019-May · Pg 425

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context · 2 questions

- State the time limit as an earlier-of between 30 November following the end of the financial year of the supply and the date of furnishing the annual return. Quoting one limb alone is a half answer.

Q. 12.1 · PYQ 2026-Jan · 5M · Pg 422

LEVEL I
Understanding

Medium

Q. 12.2 · PYQ 2022-Nov · 5M · Pg 423

LEVEL I
Understanding

Medium

Analysis break it down and take the parts separately · 1 question

- Decide first whether the adjustment increases or decreases the value, then name the note that follows, then state the time limit for declaring it.

Q. 12.3 · PYQ 2019-Nov · 5M · Pg 424

LEVEL II
Analysis

Medium

SECTION B • GOODS AND SERVICES TAX • CHAPTER 11

Accounts and Records

1 Topics • 8 Classified Questions • Importance: D

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **theory-heavy**

Level I — Comprehension & Knowledge

72.7%

24 of 33 marks

Level II — Analysis & Application

27.3%

9 of 33 marks

Above this Section's Level I ceiling: 73% of this chapter's marks are Comprehension and Knowledge, against ICAI's 15-45% for Goods and Services Tax. Reading carries more of the preparation here than it does elsewhere; do not prepare this chapter by working sums alone. Read the split with care: the chapter carries only 8 classified questions, so a single question moves it several points.

Topic 1: Accounts and Records (no topic sub-division in source)

L2P3-B-C11-T01

Read first Read ICAI Study Material Chapter 11, Accounts and Records — sections 35 and 36 of the CGST Act with rule 56 of the CGST Rules, covering what is maintained, where, by whom and for how long.

NOTES

The provisions are in **sections 35 and 36 of the CGST Act, 2017**, and every answer here should open with them. A registered person keeps a true and correct account of six things, in this order: **production or manufacture of goods**; inward and outward supply of goods or services or both; stock of goods; input tax credit availed; output tax payable and paid; and such other particulars as may be prescribed. Two powers follow: the Commissioner may notify a class of taxable persons to maintain **additional accounts or documents**, and where he considers that a class is not in a position to keep accounts as the section requires, he may, **for reasons to be recorded in writing**, permit that class to maintain accounts in such manner as may be prescribed.

Where the records are kept is a question in its own right. Section 35 requires the accounts and records to be maintained at the **principal place of business**, which section 2(89) defines as the place of business specified as the principal place of business in the certificate of registration — so the address on the registration certificate governs. The **First Proviso to section 35(1)** then says that where the registered person has other places of business in addition, under a common GSTIN and mentioned in the certificate, the records relating to each additional location shall be maintained **at that location**. The conclusion the solution ends on: the five showrooms keep their own records at the respective showrooms, and there is no restriction on also keeping copies at the principal place.

Retention has two limbs and the answer is **whichever is later**. The base period is **72 months** from the due date of furnishing the annual return for the year concerned. Where the registered person

is a party to an appeal or any other proceeding before any Authority or Tribunal, he must also retain the books for **one year after the final disposal** of that appeal. Give both dates in the answer, then pick the later one and state it as the date up to which the books are to be kept.

The worked retention question runs like this. The appeal was disposed of on 30-09-2024, so one year after final disposal is **30-09-2025**; the due date of the annual return for F.Y. 2020-21 was 07-02-2022, so 72 months from that due date is **07-02-2028**. The later is 07-02-2028, and the closing sentence is that the books must be maintained till that date. **Count the 72 months from the due date**, not from the date of actual filing — the return was in fact filed on 31-03-2022 and that date is a distractor.

A person executing a works contract keeps **separate accounts for each works contract** under rule 56(14), showing: the names of the persons on whose behalf the works contract is executed; their addresses; the description, value and quantity, wherever applicable, of **goods or services received** for the execution of the works contract; the description, value and quantity of **goods or services utilised** in its execution; the details of payment received in respect of each works contract; and the names and addresses of the suppliers from whom he received goods or services. Received and utilised are **two separate entries**, and dropping one of them costs a mark.

An agent as defined under section 2(5) is one of the persons the Commissioner has notified under rule 56 to keep additional accounts, and the list is five items: particulars of the **authorisation received from each principal** to receive or supply goods or services on his behalf, separately; particulars including description, value and quantity, wherever applicable, of goods or services **received on behalf of every principal**; the same particulars for goods or services **supplied on behalf of every principal**; details of accounts furnished to every principal; and **tax paid on receipts or supplies** effected on behalf of every principal. The phrase every principal repeats in four of the five items; keep it.

A supplier who has opted for the composition scheme is **not required to maintain two sets of records**. The first is the **stock of goods** account of goods received and supplied, containing the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample, and the balance of stock including raw materials, finished goods, scrap and wastage. The second is the **details of tax** account, containing tax payable including tax payable under reverse charge, tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoices, credit notes, debit notes and delivery challans issued or received during any tax period. Describe what each record would have contained, then close by naming the person and saying he need not maintain them.

Remembering reproduce what you have learnt · 3 questions

- These lists are marked item by item, so number them and keep the statutory order. Six items under section 35, seven for works contract, five for an agent.
- Carry the descriptive tail of each item — description, value and quantity wherever applicable — rather than shortening it to the noun.

Q. 3 · PYQ 2026-May [7] (b) · 5M · Pg 430	LEVEL I Remembering	Medium
Q. 5 · PYQ 2024-Sep · 5M · Pg 431	LEVEL I Remembering	Medium
Q. 6 · PYQ 2024-Sep · 5M · Pg 432	LEVEL I Remembering	Medium

Understanding explain it, and place it in context · 3 questions

- Open with the section or rule number and what it requires, then apply it to the facts, then state the conclusion naming the person in the question.
- Where the question asks what need not be maintained, still set out what the record would have contained; the marks are in the content of the exempted records, not in the word no.

Q. 1 · PYQ 2026-Sep [8] (b) (i) · 2M · Pg 429	LEVEL I Understanding	Easy
Q. 4 · MTP 2025-May S2 · 5M · Pg 430	LEVEL I Understanding	Medium
Q. 8 · PYQ 2022-May · 2M · Pg 433	LEVEL I Understanding	Hard

Application use the rule - work the problem · 2 questions

- For a retention question compute both limbs separately, show each as a date, and then write the whichever is later sentence with the final date.
- Anchor the 72 months to the due date of the annual return and say so; if the question also gives the date of actual filing, state that you have ignored it and why.

Q. 2 · MTP 2026-Sep [8] (b) · 5M · Pg 429	LEVEL II Application	Medium
Q. 7 · PYQ 2023-Nov · 4M · Pg 432	LEVEL II Application	Medium

SECTION B • GOODS AND SERVICES TAX • CHAPTER 12

E-Way Bill

11 Topics • 22 Classified Questions • Importance: C

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **on profile**

Level I — Comprehension & Knowledge **34.1%** 30 of 88 marks

Level II — Analysis & Application **65.9%** 58 of 88 marks

This chapter sits inside ICAI's own band for Goods and Services Tax — 34% Level I against 15-45%. Prepare it in those proportions: know the method, then drill it.

Topic 1: When is E-Way Bill Required to be Generated? [Rule 138(1)]

L2P3-B-C12-T01

Read first Read ICAI Study Material Chapter 12, E-Way Bill — rule 138(1), when an e-way bill must be generated, and the meaning of consignment value of goods.

NOTES

Rule 138(1) is triggered by movement of goods of **consignment value exceeding `50,000** in three situations: in relation to a supply; for reasons other than supply; or due to inward supply from an unregistered person. The registered person causing such movement generates the e-way bill **before the commencement** of such movement. Give the three limbs and the words 'before commencement'; both carry marks.

Consignment value of goods is the value determined in accordance with **section 15 of the CGST Act, 2017**, declared in an invoice, a bill of supply or a delivery challan issued in respect of the consignment; it includes the central tax, State or Union territory tax, integrated tax and cess charged in that document; and it **excludes the value of exempt supply** of goods where the invoice is issued in respect of both exempt and taxable supply. So the comparison with `50,000 is made on the tax-inclusive figure.

Where arranging freight is the liability of the supplier it is a **composite supply**, and the freight is added to the value of the principal supply. Goods of `40,000 plus transport of `7,000 gives a section 15 value of `47,000; at 18% the consignment value is  $\text{`47,000} \times 118\% = \text{`55,460}$ , which exceeds `50,000, so the e-way bill is mandatorily required. Never compare the bare price of the goods with `50,000.

The mirror case is taxable goods of `47,500 at IGST 6% with exempt goods of `2,000 on the same invoice. The exempt value drops out and the consignment value is `47,500} \times 106\% = \text{`50,350 , above `50,000, so the e-way bill is **mandatorily required**. Two lines of arithmetic decide the answer — show the multiplication and then the comparison.

The job work statement is **not valid**. When goods are transferred by a principal to a job worker an e-way bill is required to be mandatorily issued: on intra-State transfer, if the **consignment value exceeds `50,000**, and on inter-State transfer, **irrespective of the value** of the consignment. The inter-State limb is the one candidates miss.

In the '**Bill to Ship to**' model — A orders B to send the goods to C — either the 'Third person' or the 'Supplier' can generate the e-way bill. The line to close on: **only one e-way bill is required** to be generated, even though there are two supplies and two invoices being issued. The description earns little; the 'only one' conclusion earns the mark.

Understanding explain it, and place it in context · 2 questions

- State rule 138(1), then the three situations, then the person who must generate and the time by which he must.

Q. 1.2 · MTP 2025-Sep S2 · 6M · Pg 438

LEVEL I
Understanding

Hard

Q. 1.4 · PYQ 2023-May · 2M · Pg 439

LEVEL I
Understanding

Hard

Application use the rule - work the problem · 2 questions

- Compute the consignment value in full — value under section 15, add freight where it is a composite supply, apply the tax rate — then compare with `50,000 and end with a sentence saying whether the e-way bill is mandatorily required.

Q. 1.3 · MTP 2025-May S1 · 5M · Pg 438

LEVEL II
Application

Medium

Q. 1.5 · PYQ 2022-Nov · 2M · Pg 440

LEVEL II
Application

Medium

Analysis break it down and take the parts separately · 1 question

- Where an invoice mixes exempt and taxable goods, strike out the exempt value first and say why, before you apply the rate.

Q. 1.1 · PYQ 2025-Sep · 5M · Pg 437

LEVEL II
Analysis

Medium

Topic 2: When is it Not Mandatory to Furnish the Details of Conveyance in Part-B?

L2P3-B-C12-T02

Read first Read ICAI Study Material Chapter 12, E-Way Bill — the cases in which the details of the conveyance need not be furnished in Part-B of the e-way bill.

NOTES

The statement that Part-B details are always mandatory is **partially valid**. An e-way bill is valid for movement of goods by road only when **the information in Part-B** — which includes the details of the conveyance — is furnished. Open with 'partially valid', then state the rule, then give the exception.

The exception is a distance and a direction together. The details of conveyance need not be furnished in Part-B where the goods are transported for a distance of **upto 50 km within the State/Union territory**, on either of two legs: from the **place of business of the consignor** to the place of business of the transporter for further transportation, or from the place of business of the transporter finally to the place of business of the consignee.

Both conditions bind: 50 km and **within the same State/Union territory**. Cross a State border, or run beyond 50 km, and Part-B is required again. Number the two legs as the solution numbers them, 1 and 2 — **each leg carries its own mark** and a single sentence covering both usually earns only one.

Application use the rule - work the problem · 1 question

- Name the exception the facts fall into and quote the limb of the rule. An answer that simply concludes 'not required' without the limb scores nothing.

Q. 2.1 · PYQ 2020-Nov · 3M · Pg 440

LEVEL II
Application

Hard

Topic 3: Transfer of Goods from One Conveyance to Another

L2P3-B-C12-T03

Read first Read ICAI Study Material Chapter 12, E-Way Bill — rule 138(5A) and the transfer of goods from one conveyance to another.

NOTES

Rule 138(5A) of the CGST Rules, 2017 governs a change of transporter in transit. The consignor or the recipient who has furnished the information in **Part A of FORM GST EWB-01**, or the transporter, may **assign the e-way bill number** to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment.

The restriction is the part the examiner wants. Once the details of the conveyance have been **updated by the transporter in Part B**, the consignor or recipient who furnished the information in Part A **shall not be allowed to assign** the e-way bill number to another transporter. After that point the assignment can come only from the transporter who holds it.

The worked sequence ends on one conclusion: **only one e-way bill would be required**. Part A is

filled by the consignor; the e-way bill is assigned by the consignor to the first transporter, who fills the vehicle details in Part B and moves the goods to the intermediate place; on reaching there he **assigns the e-way bill to the second transporter**, who then updates Part B with his own vehicle details and moves the goods to the destination.

Answer these in steps, **one line per leg of the journey**, each naming who fills or updates which Part. A paragraph that narrates the journey without naming **Part A, Part B and the assignment** does not show the rule being applied, and the 'only one e-way bill' sentence must still be there at the end.

Understanding explain it, and place it in context · 2 questions

- Quote rule 138(5A) and then its restriction as a separate sentence beginning 'However'. The restriction is examined more often than the power.

Q. 3.2 · PYQ 2019-Nov · 5M · Pg 441

LEVEL I
Understanding

Medium

Q. 3.1 · PYQ 2026-Sep [7] (a) · 5M · Pg 441

LEVEL I
Understanding

Hard

Topic 4: Consolidated E-way Bill

L2P3-B-C12-T04

Read first Read ICAI Study Material Chapter 12, E-Way Bill — the consolidated e-way bill and how it sits alongside invoice-wise e-way bills.

NOTES

The statement that one consolidated e-way bill can be generated for multiple invoices is **invalid**. **Multiple invoices cannot be clubbed** to generate one e-way bill; where multiple invoices are issued by the supplier to the recipient, for movement of those goods multiple e-way bills have to be generated.

The operative rule is one per invoice: **for each invoice, one e-way bill** has to be generated, irrespective of whether the same or different consignors or consignees are involved. That sentence is the answer, and it should appear in those words.

Then the concession, which is why the statement is only half wrong: after generating all these e-way bills, **one consolidated e-way bill can be prepared** for transportation purposes, if the goods are going **in one vehicle**. The consolidation is for carriage; it is not a substitute for the invoice-wise e-way bills, and an answer that stops at 'invalid' without the concession is incomplete.

Understanding explain it, and place it in context · 1 question

- State the verdict, then the per-invoice rule, then the consolidation concession with its condition about one vehicle. All three earn marks.

Q. 4.1 · PYQ 2022-May · 3M · Pg 442

LEVEL I
Understanding

Hard

Topic 5: Cancellation of E-Way Bill

L2P3-B-C12-T05

Read first Read ICAI Study Material Chapter 12, E-Way Bill — cancellation of an e-way bill and the bar where it has been verified in transit.

NOTES

An e-way bill **cannot be edited or corrected**. Where there is a mistake, an incorrect or a wrong entry, the only option is cancellation of the e-way bill **within 24 hours of generation** and generation of a new one with the correct details. Say both halves — cannot edit, can cancel and regenerate — because the advice sentence carries the last mark.

The other ground for cancellation is non-movement. Where an e-way bill has been generated but the goods are either **not transported at all** or are not transported as per the details furnished in it, the e-way bill may be cancelled electronically on the common portal **within 24 hours of generation**.

The exception explains why the blanket statement 'once generated, an e-way bill cannot be cancelled' is only **partially correct**: an e-way bill cannot be cancelled if it has been **verified in transit** in accordance with **rule 138B** of the CGST Rules, 2017. Verification in transit closes the window even inside the 24 hours, so name rule 138B when you state it.

Application use the rule - work the problem · 1 question

- Fix the time of generation, then count the window for cancellation, then say whether the cancellation is effective.

Q. 5.1 · RTP 2023-Nov · DESC · Pg 443

LEVEL II
Application

Hard

Analysis break it down and take the parts separately · 1 question

- Where the question gives more than one bill or more than one attempt, deal with each in its own right against the 24-hour rule.

Q. 5.2 · RTP 2020-May · DESC · Pg 443

LEVEL II
Analysis

Medium

Topic 6: Validity Period of E-Way Bill/Consolidated E-Way Bill [Rule 138(10)]

L2P3-B-C12-T06

Read first Read ICAI Study Material Chapter 12, E-Way Bill — rule 138(10) and the validity period of an e-way bill and a consolidated e-way bill.

NOTES

Rule 138(10) carries two scales and the question always asks for both. For **over dimensional cargo**: one day from the relevant date upto 20 km, and one additional day for **every 20 km or part thereof** thereafter. For cargo other than over dimensional cargo: one day from the relevant date **upto 200 km**, and one additional day for every 200 km or part thereof thereafter.

Work the 'part thereof' on the page. 372 km as over dimensional cargo: 1 day for the first 20 km, then the remaining 352 km at 20 km a day rounded up gives 18 days, so **1 day + 18 days = 19 days**. The same 372 km as ordinary cargo: 1 day for the first 200 km and 1 day for the remaining 172 km, so **1 day + 1 day = 2 days**. A distance of 368 km gives the same pair, **19 days and 2 days**.

The e-way bill is generated **before commencement of movement**, and the validity runs from that relevant date. Goods handed to the transporter on Friday but moved on Monday: the e-way bill is **generated on Monday**, and for 600 km the validity is 1 day for the first 200 km plus 2 days for the remaining 400 km, **3 days** in all. Do not date it from the day the goods were handed over.

Set the answer out as the solutions do: **two numbered limbs**, over dimensional and otherwise, each stating the rule first and then the arithmetic. An answer that gives only one of the two limbs **loses half the marks** even where that limb is correctly computed.

Understanding explain it, and place it in context · 1 question

- Identify the relevant date as the date of generation before the movement begins, and say so before you count days.

Q. 6.2 · PYQ 2021-Dec · 2M · Pg 445

LEVEL I
Understanding

Easy

Application use the rule - work the problem · 2 questions

- State the rule for the limb, then the split of the distance, then the day count as an addition. The examiner marks the addition line.
- Give both limbs separately even where the question seems to point at one, because the question asks 'if it is over dimensional cargo or otherwise'.

Q. 6.3 · PYQ 2021-Jan · 3M · Pg 445

LEVEL II
Application

Easy

Q. 6.1 · MTP 2024-Sep S1 · 5M · Pg 444

LEVEL II

Medium

Topic 7: Acceptance of E-Way Bill

L2P3-B-C12-T07

Read first Read ICAI Study Material Chapter 12, E-Way Bill — acceptance, rejection and deemed acceptance of the details of an e-way bill.

NOTES

The details of a generated e-way bill are made available on the common portal to the other side of the transaction: to the **supplier, if registered**, where the information in Part A has been furnished by the recipient or transporter; and to the **recipient, if registered**, where Part A has been furnished by the supplier or transporter. Establish who furnished Part A first — everything else follows from that.

Acceptance or rejection must be communicated within **72 hours** of the details being made available, or the **time of delivery of goods, whichever is earlier**. Part A furnished on 5 March at 2:00 PM gives a 72-hour point of 8 March at 2:00 PM; delivery on 7 March at 10:00 AM is earlier, so the last date and time for communication is **7 March, 10:00 AM**.

Where the person to whom the Part-A information is made available does not communicate his acceptance or rejection within the specified time, it shall be **deemed that he has accepted the said details**. Give deemed acceptance a time and not merely a statement: on these facts the details are deemed accepted at **7 March, 10:00 AM**. Answer the three limbs separately — to whom, by when, and when deemed acceptance bites.

Application use the rule - work the problem · 1 question

- Write both candidate times out in full, the 72-hour point and the time of delivery, then pick the earlier and say you are picking it.

Q. 7.1 · RTP 2026-May · PRT · Pg 446

LEVEL II
Application

Medium

Topic 8: E-Way Bill Generated in One State is Valid in Another State

L2P3-B-C12-T08

Read first Read ICAI Study Material Chapter 12, E-Way Bill — the validity of an e-way bill generated in one State across the other States and Union territories.

NOTES

The statement is **correct**. An e-way bill generated under the Goods and Services Tax Rules of any

State or Union territory shall be **valid in every State and Union territory**. There is nothing to qualify here, so do not hedge the answer.

The answer is two lines and both are scored: the verdict, then the provision in its own words. **Open with 'the said statement is correct'**, then state the rule. A correctness question answered only with the rule **loses the verdict mark**, and one answered only with the verdict loses the rest.

The consequence is that **no fresh e-way bill is needed** merely because the consignment crosses into another State or Union territory. What does call for further action lies elsewhere in the chapter — a **change of conveyance or of transporter** under rule 138(5A), or the expiry of the validity period under rule 138(10).

Analysis break it down and take the parts separately • 1 question

- Answer the proposition first — correct or not correct — then give the rule that makes it so, then the practical consequence at the State border.

Q. 8.1 • RTP 2020-May • DESC • Pg 447

LEVEL II
Analysis

Easy

Topic 9: Documents and Devices to be Carried by a Person-in-Charge of a Conveyance [Rule 138A]

L2P3-B-C12-T09

Read first Read ICAI Study Material Chapter 12, E-Way Bill — rule 138A and the documents and devices to be carried by the person-in-charge of a conveyance.

NOTES

Rule 138A lists what the person-in-charge of a conveyance has to carry, and the list has two items. First, **the invoice or bill of supply or delivery challan**, as the case may be. Second, **a copy of the e-way bill in physical form**, or the e-way bill number in electronic form, or mapped to a Radio Frequency Identification Device embedded on to the conveyance, in such manner as may be notified by the Commissioner.

The exception sits inside the second item and is named in the rule: it does not apply in case of movement of goods **by rail or by air or vessel**. Candidates reproduce the two items and drop the bracketed exception — write it out **as part of item (b)**, not as an afterthought.

The same question then asks for the meaning of **consignment value of goods**: the value determined in accordance with **section 15 of the CGST Act, 2017**, declared in an invoice, a bill of supply or a delivery challan issued in respect of the consignment, including the central tax, State or Union territory tax, integrated tax and cess charged in that document, and **excluding the value of exempt supply** of goods where the invoice is issued in respect of both exempt and taxable supply

of goods.

Write the answer under **two labelled heads** — documents and devices, then consignment value — with the four limbs of the value definition as separate bullets. The printed solution is a list, and an examiner marks **a list against a list**.

Understanding explain it, and place it in context · 1 question

- Give the four limbs of consignment value as four separate points — section 15 value, the document it is declared in, the taxes included, the exempt value excluded.

Q. 9.1 · MTP 2026-May S2 · 5M · Pg 448

LEVEL I
Understanding

Medium

Topic 10: Inspection and Verification of Goods [Rule 138C]

L2P3-B-C12-T10

Read first Read ICAI Study Material Chapter 12, E-Way Bill — rule 138C and the inspection and verification of goods in transit.

NOTES

Rule 138C sets two reporting periods. The proper officer records a summary report of every inspection of goods in transit online in **Part A** of the prescribed form **within 24 hours** of the inspection, and the final report in **Part B within 3 days** of the inspection. Name Part A and Part B against their own periods.

There is one extension, and only one. Where the circumstances so warrant, the **Commissioner**, or any other officer authorised by him, may, **on sufficient cause being shown**, extend the time for recording the final report in Part B for a **further period not exceeding 3 days**. The 24-hour period for the summary report carries no such extension.

The counting rule is the detail that carries a mark on its own: the period of 24 hours or, as the case may be, 3 days is counted **from the midnight of the date** on which the vehicle was intercepted, not from the hour of interception.

The second half of the rule bars repetition. Where the physical verification of goods being transported has been done during transit at one place within the State/Union territory or in any other State/Union territory, **no further physical verification** of the said conveyance shall be carried out again — unless **specific information relating to evasion of tax** is made available subsequently. Name the exception; the bar is not absolute.

Analysis break it down and take the parts separately · 1 question

- Separate the physical verification from the reporting: what may be inspected, in what time, and what must be recorded within how long.

Q. 10.1 · PYQ 2025-May · 5M · Pg 449

LEVEL II
Analysis

Medium

Topic 11: Blocking of E-Way Bill Generation Facility [Rule 138E]

L2P3-B-C12-T11

Read first Read ICAI Study Material Chapter 12, E-Way Bill — rule 138E and the blocking of the e-way bill generation facility.

NOTES

Rule 138E of the CGST Rules, 2017 blocks the e-way bill generation facility. The persons listed — including a consignor, consignee, transporter, an e-commerce operator or a courier agency — shall not be allowed to furnish the information in **Part A of Form GST EWB-01** in respect of any **outward movement of goods** of a registered person who is in default.

There are four defaults, and the counts are the marks: a composition supplier who has not furnished Form GST CMP-08 **for 2 consecutive quarters**; a person paying tax under the regular scheme who has not furnished the returns for a consecutive period of **2 tax periods**; a person under the regular scheme who has not furnished GSTR-1 **for any 2 months or quarters**; and a person whose **registration has been suspended** under the GST law.

The decisive principle in every problem: blocking is **only for the defaulting supplier GSTIN** and not for the defaulting recipient or transporter GSTIN. It bites on **outward movement only**, so e-way bills can still be generated in respect of the defaulter's **inward supplies**. A suspended GSTIN cannot generate as supplier but can have an e-way bill generated as recipient or as transporter.

Apply it by asking who is making the outward movement. Rihaan of Patiala, a regular return filer, supplies `5,00,000 of toys to Mayank, who has not filed GSTR-3B for the last 2 months: **Rihaan can generate** the e-way bill, because the outward movement is his and he is compliant. Mayank then supplies `75,000 of toys onward to Manoj: **generation is blocked**, because that is Mayank's own outward movement.

The same test with a composition defaulter. Lalit Kirana Stores has not furnished **GST CMP-08 for two consecutive quarters**, so it cannot generate for its own outward movements; but Bob & Sons, a regular filer, **is allowed to generate** the e-way bill for the `5,50,000 intra-State supply to it, because Bob & Sons is the person making the outward movement and the restriction **does not apply to inward movement** of goods by the defaulter.

Remembering reproduce what you have learnt · 1 question

- The grounds on which generation is blocked, and the period of default that triggers them, are the answer. State both.

Q. 11.3 · PYQ 2025-Jan · 2M · Pg 451

LEVEL I
Remembering

Easy

Application use the rule - work the problem · 1 question

- Name the person making the outward movement first, then check that person's own compliance, then conclude for each of the two e-way bills separately.

Q. 11.1 · MTP 2026-Sep [7] (a) · 5M · Pg 450

LEVEL II
Application

Medium

Analysis break it down and take the parts separately · 2 questions

- Where the question puts a defaulter on both sides of two transactions, answer transaction by transaction. A joint conclusion loses the transaction it does not name.

Q. 11.2 · MTP 2026-May S1 · 5M · Pg 450

LEVEL II
Analysis

Medium

Q. 11.4 · MTP 2024-May S2 · 5M · Pg 452

LEVEL II
Analysis

Medium

SECTION B • GOODS AND SERVICES TAX • CHAPTER 13

Payment of Tax

4 Topics • 23 Classified Questions • Importance: B

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **on profile**

Level I — Comprehension & Knowledge

39.2%

37 of 94 marks

Level II — Analysis & Application

60.8%

58 of 94 marks

This chapter sits inside ICAI's own band for Goods and Services Tax — 39% Level I against 15-45%. Prepare it in those proportions: know the method, then drill it.

Topic 1: Electronic Cash Ledger

L2P3-B-C13-T01

Read first Read ICAI Study Material Chapter 13, Payment of Tax — the electronic cash ledger under section 49(1), the modes of deposit under rule 87, and transfers between heads under sections 49(10) and 49(11).

NOTES

Section 49(3) is the sentence to open with: the amount available in the **electronic cash ledger** may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the Act or the rules, in the prescribed manner. Read it against **section 49(4)**, under which the electronic credit ledger may be used only towards **output tax** under the CGST Act or the IGST Act. The combined reading gives the decision rule the solutions apply: late fee under section 47 can be paid **only through the electronic cash ledger**, and a proposal to pay it out of the credit ledger is not correct. The late fee of ₹2,000 each under CGST and SGST must be deposited in cash under the appropriate minor head.

Section 49(1) read with rule 87 gives four modes of deposit and they are examinable as a list: internet banking through authorised banks; credit card or debit card through the authorised bank; National Electronic Fund Transfer or Real Time Gross Settlement from any bank; and over the counter payment through authorised banks. So the belief that online banking is compulsory is wrong — **offline mode is also permitted**. Two facts travel with the list: **manual or physical challans are not allowed** under GST and the challan must be generated online on the GST Portal, and the e-challan is **valid for 15 days**.

The ledger is built of **major heads** — integrated tax, central tax, State tax, Union territory tax and cess — and **minor heads** — tax, interest, penalty, fee and others. A registered person is allowed to make intra-head or inter-head transfer of the amount available in the electronic cash ledger under sections 49(10) and 49(11) using **FORM GST PMT-09**, moving any amount from one major or minor head to another. Such transfer is **deemed to be a deposit** in the destination head, and it is

available provided there is no unpaid liability in the electronic liability register.

The wrong-head questions are all answered the same way, so learn the shape rather than the facts. `5,000 sitting under minor head 'fee' of major head 'cess' and `4,000 under minor head 'penalty' of major head 'IGST' can both be moved to minor head 'fee' of major head 'SGST' through PMT-09. `10,000 under minor head 'tax' of major head 'SGST' can meet a `2,000 interest liability under the same major head, but only **after a transfer entry from 'tax' to 'interest'**. And a balance under major head IGST can be **transferred to major head CGST** and then used to discharge the CGST liability.

State the head names precisely, because the marks are in them. Say minor head 'tax' of major head 'SGST' rather than 'the SGST balance', and always name **Form GST PMT-09** as the instrument. The recurring trap the solutions correct: the money is not utilised directly across heads — it is **transferred first and utilised afterwards**, and an answer that skips the transfer entry loses the mark even though the conclusion is yes.

Understanding explain it, and place it in context • 2 questions

- Answer a cash-versus-credit question by quoting section 49(3) and section 49(4) side by side, then state which ledger the particular payment must come from.

Q. 1.2 • PYQ 2022-Nov • 3M • Pg 458

LEVEL I
Understanding

Easy

Q. 1.1 • MTP 2026-May S1 • 5M • Pg 457

LEVEL I
Understanding

Medium

Application use the rule - work the problem • 2 questions

- Name the exact major and minor head being moved from and to, and name Form GST PMT-09. Write the answer as transfer first, utilise second.
- Where the question is a true or false on inter-head use, open with the verdict and then the PMT-09 route that makes it possible.

Q. 1.3 • PYQ 2019-May • 2M • Pg 458

LEVEL II
Application

Easy

Q. 1.5 • PYQ 2018-Nov • 1.5M • Pg 460

LEVEL II
Application

Medium

Analysis break it down and take the parts separately • 1 question

- Follow the money through the ledger: what is credited, what may be debited against it, and what cannot. Take each payment in the question separately.

Q. 1.4 • RTP 2019-May • DESC • Pg 459

LEVEL II
Analysis

Hard

Topic 2: Electronic Credit Ledger

L2P3-B-C13-T02

Read first Read ICAI Study Material Chapter 13, Payment of Tax — the electronic credit ledger under section 49(4) and the meaning of output tax in section 2(82).

NOTES

The rule and its limit sit in one sentence. The amount in the **electronic credit ledger** may be used for making any payment **towards output tax** under the CGST Act or the IGST Act, subject to the order of utilisation of input tax credit. Everything else in this topic is worked out from the definition of output tax, so quote it: under **section 2(82)**, output tax in relation to a taxable person means the tax chargeable on taxable supply of goods or services or both made by him or by his agent, but **excludes tax payable on reverse charge**.

Three consequences follow, and the questions test them one at a time. Tax under reverse charge **cannot be paid from the credit ledger** — it falls outside output tax and must always be paid through the electronic cash ledger. Interest and penalty cannot be paid from the credit ledger either. And late fee cannot, for the same reason.

The one thing that can be paid from the credit ledger and is often thought otherwise: output tax **payable as a consequence of a proceeding**. It is clarified that any payment towards output tax, whether self-assessed in the return or payable as a consequence of any proceeding instituted under the GST laws, **can be made by utilising** the electronic credit ledger. So an IGST credit balance of `1,20,000 may discharge an `80,000 IGST liability arising out of a legal proceeding, that liability not being a reverse charge liability.

The worked reverse-charge case is the one to reproduce. Of `13,500 of GST on inward supplies, `2,700 relates to a security service on which tax is payable under reverse charge. The claim that nothing need be paid in cash because credit is available **is wrong**: the `2,700 must be **paid through the electronic cash ledger**, and the closing sentence should name both the amount and the ledger.

Read the facts for the two-word qualifier the examiner plants. Where a liability is described as **'other than RCM liability'** the credit ledger is available; where the supply is one on which tax is payable under reverse charge it is not. Whether the liability arose in a return or in a proceeding does not matter; **whether it is reverse charge does**.

Understanding explain it, and place it in context · 1 question

- Quote section 2(82) in full before you conclude. The exclusion of reverse charge from output tax is what the marks are on, not the conclusion itself.

Q. 2.3 · RTP 2020-Nov · DESC · Pg 462

LEVEL I
Understanding

Medium

Application use the rule - work the problem · 2 questions

- End with the amount and the ledger named together, for example that `2,700 is to be paid through the electronic cash ledger.
- Where a taxpayer's opinion is set out in the facts, state plainly whether it is right or wrong before explaining. These questions all ask do you think the person is right.

Q. 2.4 · PYQ 2018-Nov · 3M · Pg 462

LEVEL II
Application

Easy

Q. 2.2 · PYQ 2023-Nov · 3M · Pg 461

LEVEL II
Application

Hard

Analysis break it down and take the parts separately · 1 question

- Say what may be credited to this ledger and what it may be used for, then test each proposed use in the question against that.

Q. 2.1 · MTP 2024-May S2 · 5M · Pg 460

LEVEL II
Analysis

Medium

Topic 3: Electronic Liability Register

L2P3-B-C13-T03

Read first Read ICAI Study Material Chapter 13, Payment of Tax — the electronic liability register, the entries debited to it, and the order of discharge of liability under section 49(8).

NOTES

Section 49(8) fixes a chronological order and the solutions stress that this sequence has to be mandatorily followed. It runs: first, self-assessed tax, interest, penalty, fee or any other amount related to the returns of **previous tax periods**; second, self-assessed tax and other dues related to the return of the **current tax period**; and third, any other amount payable under the Act or the rules, including the demand determined under **section 73 or section 74 or section 74A**. In other words, the liability arising out of demand notice and adjudication proceedings **comes last**. The expression 'other dues' means interest, penalty, fee or any other amount payable under the Act or the rules.

The application is always the same and always negative. A taxpayer who wants to clear the section 73 demand first **cannot do so**; a taxpayer who wants to discharge the **current period before the previous period** cannot do so either. Give the order, then the refusal, then the re-ordered list for his own figures.

Reproduce the worked list, because the marks are in the re-ordering, not the arithmetic. Tax `25,000, interest `2,000 and penalty `3,000 for May are **grouped as one step of `30,000**, being the dues related to the return of the previous tax period; then tax for June of `35,000; and the **section**

73 demand of ₹48,000 last. Note that the interest and penalty of the earlier period go with that period's tax and are not pushed to the end.

The other half of this topic is a bookwork list: the items **debited to the electronic liability register**. They are all amounts payable towards tax, interest, late fee and any other amount as per the return filed; all amounts payable towards tax, interest, penalty and any other amount determined in a proceeding by an Assessing authority or as ascertained by the taxable person; the amount of tax and interest payable **due to mismatch**; and any amount of interest that may **accrue from time to time**.

Where the question opens with 'what are the e-ledgers', define them before you list. **Electronic Ledgers or E-Ledgers**, namely the electronic cash ledger and the electronic credit ledger, are statements of cash and of input tax credit in respect of each registered taxpayer; in addition, each taxpayer has an **electronic tax liability register**. That one sentence sets up the debit list that follows.

Remembering reproduce what you have learnt • 3 questions

- Write the order of discharge as three numbered steps in the statutory words, and add the sentence that the sequence is mandatory.
- Give the debit entries as a numbered list of four; the mismatch entry and the accruing interest entry are the two that get dropped.

Q. 3.2 • RTP 2023-May • DESC • Pg 464

LEVEL I
Remembering

Easy

Q. 3.5 • PYQ 2019-Nov • 3M • Pg 465

LEVEL I
Remembering

Easy

Q. 3.6 • PYQ 2019-May • 5M • Pg 465

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context • 2 questions

- State the rule first and the taxpayer's wish second, so the answer reads as a refusal with a reason. Cite section 73, 74 and 74A by number when you place demands last.

Q. 3.3 • PYQ 2020-Nov • 5M • Pg 464

LEVEL I
Understanding

Medium

Q. 3.7 • RTP 2018-Nov • DESC • Pg 466

LEVEL I
Understanding

Medium

Analysis break it down and take the parts separately • 2 questions

- Set the liabilities out in the order the section requires them to be discharged, and show what remains after each.

Q. 3.1 · MTP 2026-Sep [7] (b) · 5M · Pg 463

LEVEL II
Analysis

Medium

Q. 3.4 · RTP 2020-May · DESC · Pg 464

LEVEL II
Analysis

Medium

Topic 4: Interest on Delayed Payment of Tax

L2P3-B-C13-T04

Read first Read ICAI Study Material Chapter 13, Payment of Tax — interest on delayed payment of tax under section 50 read with rule 88B, and interest on wrongly availed and utilised input tax credit.

NOTES

Interest under **section 50** arises in three cases: delay or failure to pay tax, in full or in part, within the prescribed period; undue or excess claim of input tax credit; and undue or excess reduction in output tax liability. On rate, the statute sets ceilings and the notification sets the figure: **not exceeding 18% p.a.** for failure to pay tax and **not exceeding 24% p.a.** for wrongful availment and utilisation of ITC, with the Government having notified **18% per annum for both** by Notification No. 13/2017 CT. Interest runs from the day succeeding the due date of payment till the actual date of payment, is calculated on a daily basis, and is **automatic and compensatory**, payable voluntarily without a demand.

The gross-or-net question turns entirely on **whether the return was filed late**. Where the return in Form GSTR-3B for a tax period is **furnished after the due date**, interest is charged only on that portion of the tax paid by debiting the electronic cash ledger — no interest on the input tax credit used. Where the return was furnished within the due date and tax is later found short paid, interest is charged on the **gross tax liability**. The benefit of the net liability is **not available** if the return is furnished after the commencement of proceedings under section 73, 74 or 74A.

The paired sub-parts are marked on that single switch, so set the two computations side by side. A shortfall of `16,000 on a January return filed on time, paid on 20 March 2024 with a delay of **29 days [21.02.2024 to 20.03.2024, both inclusive]**, gives  $\text{`16,000} \times 18\% \times 29/366 = \text{`228}$ ; if the same return had been filed late, only the `12,000 paid in cash bears interest, giving `12,000} \times 18\% \times 29/366 = \text{`171 . The earlier case is identical in shape: `10,000 short paid on a timely return over 61 days gives  $\text{`10,000} \times 18\% \times 61/365 = \text{`301}$ , and on a belated return only the `7,500 paid in cash, giving `226. Use **366 days in a leap year** where the question says so.

Rule 88B(1) adds a relief on money already in the cash ledger. Where an amount is credited to the electronic cash ledger **on or before the due date** of the return but debited from it only when the belated return is filed, that amount is **not taken into account** in computing interest, provided it lay there from the due date till the date of debit. So `2,00,000 of tax met by `1,20,000 of ITC and `80,000 deposited on 18 May 2025, against a due date of 20 May 2025, gives **interest of NIL**:  $\text{`2,00,000} - \text{`1,20,000} - \text{`80,000} = \text{nil}$. Move the deposit to 24 May 2025, after the due date, and the relief goes: delay 20.05.2025 to 10.06.2025 = 21 days, and `80,000} \times 18\% \times 21/365 = \text{`828 .

Wrongly availed credit is a different computation and must not be run on the tax due date. Interest is charged on the ITC **wrongly availed and utilised**, from the date of utilisation till the date of reversal of the credit or payment of tax, and **no interest arises on credit merely availed**. The date of utilisation is the earlier of the due date of filing the return and the **actual date of filing**. On output tax of ₹5,00,000 $\times 18\% = ₹90,000$ discharged out of ₹1,00,000 of wrongly availed credit, no interest runs on the unutilised ₹10,000; the date of utilisation is the extended due date of 22 August 2024, reversal and payment on 30 September 2024, so the period is 23 August to 30 September 2024, both days inclusive, **39 days**, and $₹90,000 \times 18\% \times 39/365 = ₹1,731$, shown as ₹865 each under CGST and SGST.

Where the older questions ask about the payment system, two short answers are wanted. **CIN is the Challan Identification Number**, generated by the bank to indicate that the payment has been realised and credited to the appropriate government account against a generated challan. The benefits divide into **benefits to the taxpayer** — online payment 24 $\times$ 7 with no queues, electronically generated challans and paperless transactions, instant online receipts, payment by tax consultants on a client's behalf, a single challan replacing the three or four copy challan, greater transparency, and credit on the same day for payments made after 8 pm — and **benefits to the Commercial Tax Department**: earlier revenue into the treasury, tax collection data in electronic format, speedy accounting and reporting, electronic reconciliation of receipts, and warehousing of the digital challan.

Understanding explain it, and place it in context • 1 question

- Before any figure, state whether the return was filed within the due date, because that alone decides gross liability or net cash liability. Say it as a sentence of its own.

Q. 4.6 • PYQ 2018-May • 5M • Pg 472

LEVEL I
Understanding

Medium

Application use the rule - work the problem • 4 questions

- Lay the working out as a table: due date, actual date of payment, period of delay in days, amount, rate, interest. Both days inclusive where the solutions count them so.
- Count the days for the year you are given — 365 normally, 366 in a leap year — and round the interest to the nearest rupee.
- On wrongly availed credit, fix the date of utilisation first as the earlier of the due date and the actual filing date, then run the period to the date of reversal.

Q. 4.1 • PYQ 2026-Jan • 5M • Pg 467

LEVEL II
Application

Medium

Q. 4.2 • PYQ 2025-May • 5M • Pg 468

LEVEL II
Application

Medium

Q. 4.3 • PYQ 2024-May • 5M • Pg 469

LEVEL II

Medium

	Application	
Q. 4.5 · PYQ 2019-Nov · 4M · Pg 471	LEVEL II Application	Medium

Analysis break it down and take the parts separately · 2 questions

- Where the question asks the same facts twice, once with a timely return and once with a belated one, present the two computations one after the other and state in a closing line why they differ.

Q. 4.4 · PYQ 2021-Dec · 5M · Pg 470	LEVEL II Analysis	Medium
Q. 4.7 · PYQ 2018-May · 5M · Pg 473	LEVEL II Analysis	Medium

SECTION B • GOODS AND SERVICES TAX • CHAPTER 14

Tax Deduction and Collection at Source

2 Topics • 5 Classified Questions • Importance: D

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **on profile**

Level I — Comprehension & Knowledge

19.2%

5 of 26 marks

Level II — Analysis & Application

80.8%

21 of 26 marks

This chapter sits inside ICAI's own band for Goods and Services Tax — 19% Level I against 15-45%. Prepare it in those proportions: know the method, then drill it. Read the split with care: the chapter carries only 5 classified questions, so a single question moves it several points.

Topic 1: Tax Deducted at Source

L2P3-B-C14-T01

Read first Read ICAI Study Material Chapter 14, Tax Deduction and Collection at Source — section 51 of the CGST Act, the persons liable to deduct, the threshold and rate, the proviso, and the time for depositing the tax.

NOTES

Section 51 of the CGST Act, 2017, read with section 20 of the IGST Act and **Notification No. 50/2018 CT dated 13.09.2018**, lists the persons who must deduct tax at source from payments to suppliers of taxable goods or services: a department or establishment of the Central or State Government; a local authority; Governmental agencies; an authority, board or other body set up by an Act of Parliament or a State Legislature, or established by any Government with **51% or more participation** by way of equity or control; a society established by the Central or State Government or a local authority under the Societies Registration Act, 1860; public sector undertakings; and any registered person receiving supplies of **metal scrap falling under Chapters 72 to 81** of the Customs Tariff Act from another registered person. Name the limb the deductor in the question falls under before you compute anything.

The rate and the threshold are the two figures the paper turns on. Tax is deducted at **1% each under CGST and SGST, effectively 2%** on an intra-State supply, and at **2% under IGST** on an inter-State supply. The gate is that the total value of supply under a contract **exceeds ₹2,50,000**, and for this purpose the value is taken excluding CGST, SGST/UTGST, IGST and cess indicated in the invoice. So a contract value of ₹2,45,000 attracts nothing, while ₹2,60,000 attracts ₹2,600 each under CGST and SGST.

The threshold is tested on the contract, not on the bill or the instalment. **Each supply may be below ₹2,50,000**, but once the contract total crosses it, tax is deducted: a contract of ₹4,61,000 made up of blankets, bed sheets and pillow covers bears **₹4,610 each under CGST and SGST**.

Where the consideration comes in instalments the same rule applies — a supply of ₹13,57,000 inclusive of GST is first brought to ₹11,50,000 ($13,57,000 \times 100/118$), then divided into five instalments of ₹2,30,000, and 1% is deducted on each instalment, ₹2,300 each under CGST and SGST, even though each payment is below the threshold.

The **proviso to section 51(1)** is where most of the marks are, and it is an exemption, not a rate change: **no tax shall be deducted** where the location of the supplier and the place of supply are in a State or Union territory different from the State or Union territory of registration of the recipient. Work it in three lines — location of supplier, place of supply, State of registration of the recipient — and only then conclude. A supplier in Punjab with a place of supply in Punjab, paid by a recipient registered in Himachal Pradesh, falls in the proviso and nothing is deducted; a supplier in Delhi with a place of supply in Delhi, paid by the Government of Andhra Pradesh registered only in Andhra Pradesh, likewise bears no deduction.

You cannot apply the proviso without fixing the place of supply first. **Section 12(3) of the IGST Act** puts the place of supply of services directly in relation to an immovable property, **including services provided by interior decorators**, at the location of the property — so interior decoration of Andhra Bhawan in Delhi has its place of supply in Delhi. For the right to use space for a hoarding mounted on the ground, the place of supply is **the location where the hoardings are located**, which makes a Punjab supplier's Himachal hoarding an inter-State supply at 2% IGST. For manpower supply the solution takes the place of supply as **the location of the recipient**, making it intra-State where the recipient is in the same State.

Tabulate the computation exactly as the solutions do: Particulars, Value of supply, then three money columns for **TDS to be deposited — CGST, SGST and IGST**. Each line carries the payee's name and, in square brackets underneath, the one-sentence reason — threshold not crossed, intra-State so 1% each, inter-State so 2% IGST, proviso applies. Lines that bear no tax are still written, with a dash in each column and the reason in brackets; an omitted line is an omitted mark. The last row is **Total amount of TDS to be deposited**, cast column by column.

Two traps and one deadline. No TDS is deductible where the supply is made by a **PSU to another PSU** — the payment to a registered public sector undertaking drops out even though the value is ₹3,80,000. And the answer is **unchanged if the supplier is under composition**; the deductor's status and the place of supply decide, not the supplier's scheme. The deadline: the tax deducted must be paid to the Government **within 10 days after the end of the month** in which the deduction is made, that is by the 10th of the succeeding month.

Application use the rule - work the problem · 4 questions

- Strip the tax out before you apply the rate: where the amount is inclusive of GST, show the 100/118 step as its own line and label the result the value of supply.
- Build the table with a row for every payee, including the nil ones, a bracketed reason under each, and a totalled last row named total amount of TDS to be deposited.
- Where payment is in instalments, deduct on each instalment and say plainly that the contract value, not the instalment, was tested against the threshold.

Q. 1.1 · PYQ 2026-May [7] (a) · 5M · Pg 477	LEVEL II Application	Medium
Q. 1.2 · RTP 2025-Jan · DESC · Pg 479	LEVEL II Application	Medium
Q. 1.3 · PYQ 2024-Sep · 5M · Pg 480	LEVEL II Application	Medium
Q. 1.4 · RTP 2024-May · DESC · Pg 481	LEVEL II Application	Hard

Topic 2: Tax Collected at Source

L2P3-B-C14-T02

Read first Read ICAI Study Material Chapter 14, Tax Collection at Source — section 52 of the CGST Act with rule 12 of the CGST Rules, covering who collects, registration, the statements to be filed and the time for deposit.

NOTES

Every Electronic Commerce Operator, **not being an agent**, is liable to collect tax at source under section 52 of the CGST Act, 2017. The exclusion of an agent is part of the definition; write it. Answer this question in four labelled parts — **liability, registration, returns, deposit** — because that is how the marks are split.

Registration is under **rule 12** of the CGST Rules, 2017. The ECO submits a registration application in the prescribed form through the common portal, and the proper officer, after due verification, grants registration **within 3 working days** from the date of the application. On a request, or upon an enquiry or any other proceeding under GST law, if the proper officer is satisfied that the person is **no longer liable to collect** tax at source, he may cancel the registration.

Two statements and one deposit date. The ECO furnishes a **monthly statement** in the prescribed form giving the details of the outward supplies of goods or services effected through it, including supplies returned through it, and the amount collected by it as TCS during the month, **within 10 days after the end of each month** in which tax has been collected at source. It also files an annual statement in **GSTR-9B**, which the solution notes is not yet notified, on or before **31st December** following the end of the financial year. The TCS collected must be deposited **by the 10th of the succeeding month**.

Understanding explain it, and place it in context · 1 question

- Answer under headings that mirror the question — who collects, registration, return, deposit — so the examiner can find each limb.
- Cite section 52 for the liability and rule 12 for the registration mechanics; a single unattributed paragraph loses the provision marks.

Q. 2.1 · RTP 2026-Sep · DESC · Pg 483

LEVEL I
Understanding**Medium**

SECTION B • GOODS AND SERVICES TAX • CHAPTER 15

Returns

19 Topics • 32 Classified Questions • Importance: B

ICAI SKILL PROFILE ICAI band for Goods and Services Tax: Level I 15-45% • Level II 55-85% — this chapter reads **theory-heavy**

Level I — Comprehension & Knowledge

50.0%

70 of 140 marks

Level II — Analysis & Application

50.0%

70 of 140 marks

Above this Section's Level I ceiling: 50% of this chapter's marks are Comprehension and Knowledge, against ICAI's 15-45% for Goods and Services Tax. Reading carries more of the preparation here than it does elsewhere; do not prepare this chapter by working sums alone.

Topic 1: Due Date of Submission of GSTR-1 [Section 37(1)]

L2P3-B-C15-T01

Read first Read ICAI Study Material Chapter 15, Returns — section 37(1) of the CGST Act and the due date for furnishing details of outward supplies in GSTR-1.

NOTES

Section 37(1) of the CGST Act, 2017 requires GSTR-1 for a particular tax period to be filed on or before the **10th day of the immediately succeeding tax period**. Put another way, GSTR-1 of a month or quarter may be filed any time between the 1st and the 10th day of the succeeding month or quarter. The due date may be extended by the Commissioner, the Commissioner of State GST or the Commissioner of UTGST for a class of taxable persons by way of a notification.

Asked whether all taxpayers must file GSTR-1 only after the end of the current tax period, the solution's verdict is that the statement is **partially valid**, and that phrase is the mark. The general rule is right — a taxpayer cannot file GSTR-1 before the end of the current tax period. What makes the statement only partially right are the two exceptions, so never answer this one with a flat yes or no.

Learn both exceptions and state them as lettered points. The first is **casual taxpayers, after closure of business**. The second is cancellation of GSTIN of a normal taxpayer: a taxpayer who has applied for cancellation of registration is allowed to file GSTR-1 after the portal confirms receipt of his application. Both are narrow, and both are **exceptions, not relaxations** of the due date.

Format for a comment-on-validity question: cite the provision with its number, state the general rule and the due date, give the one-word verdict, then list the exceptions. The verdict without the exceptions, or the exceptions without the verdict, gives away half the marks.

Understanding explain it, and place it in context · 1 question

- Open with section 37(1) and the 10th-day due date before you go anywhere near the exceptions; the provision line is marked separately from the list.
- Mention the Commissioner's power to extend the due date by notification. It is one line and it is in the printed solution.

Q. 1.1 · MTP 2025-Jan S1 · 5M · Pg 486

LEVEL I
Understanding

Hard

Topic 2: Invoice Furnishing Facility [IFF] for Taxpayers Opting for QRMP Scheme [Sub-rules (2) and (3) of rule 59]

L2P3-B-C15-T02

Read first Read ICAI Study Material Chapter 15, Returns — the Invoice Furnishing Facility for taxpayers opting for the QRMP scheme under sub-rules (2) and (3) of rule 59.

NOTES

The Invoice Furnishing Facility is available to taxpayers who have opted for the **QRMP scheme** and is governed by **sub-rules (2) and (3) of rule 59** of the CGST Rules, 2017. Only two classes of detail may be furnished through it, and a two-mark question wants exactly those two, lettered.

Two classes of detail may be furnished through it. First, **invoice-wise details of supplies to registered persons**, both inter-State and intra-State. Second, the **debit and credit notes**, if any, issued during the month for such invoices issued previously. Nothing else goes through IFF, and the solution letters the two limbs (a) and (b).

The list is closed, and the second limb is the one candidates drop. Write both, and keep the qualifying words — the notes covered are those **issued during the month for such invoices issued previously**, not debit and credit notes at large.

This list is repeatedly set in the same question as the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1 or IFF under rule 59(6). Prepare the two together and answer them under **two separate headings**.

Remembering reproduce what you have learnt · 1 question

- Give the two limbs as (a) and (b) in the order the solution gives them. A two-mark question is one mark a limb.

Q. 2.1 · MTP 2025-May S2 · 2M · Pg 487

LEVEL I
Remembering

Easy

Topic 3: Cases Where a Registered Person is Debarred from Furnishing Details of Outward Supplies in GSTR-1/IFF [Section 37(4) read with rule 59(6)]

L2P3-B-C15-T03

Read first Read ICAI Study Material Chapter 15, Returns — section 37(4) read with rule 59(6), the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1 or IFF.

NOTES

Section 37(4) read with rule 59(6) of the CGST Rules, 2017 bars a registered person from furnishing details of outward supplies in GSTR-1 or through IFF in five situations. The question usually asks for **any four**; learn all five and you always have a spare.

The five: he has not furnished the return in **GSTR-3B for the preceding month**; a person opting for the **QRMP scheme** has not furnished GSTR-3B for the preceding tax period; an intimation has been issued to him under **rule 88C** for an earlier tax period; an intimation has been issued under **rule 88D** for an earlier tax period; and he has not furnished the **details of the bank account as per rule 10A**.

The third and fourth limbs are conditional, and the condition is where the mark is. The rule 88C bar lifts **unless he deposits the amount** mentioned in the intimation or furnishes a reply explaining reasons for the unpaid amount. The rule 88D bar lifts **unless he pays the excess ITC** mentioned in the intimation or furnishes a reply in respect of that excess. Write the unless clause in both.

The whole topic is set jointly with topic 1. A five-mark paper asked for the exceptions to the rule that GSTR-1 cannot be filed before the end of the tax period, and then for four debarring circumstances, in one question. Answer under two headings — **exceptions first, debarring cases second** — and number the second list.

Understanding explain it, and place it in context · 1 question

- Where a question joins two topics, split your answer with headings that mirror the question's own words before you write a line of substance.

Q. 3.2 · PYQ 2022-Nov · 5M · Pg 488

LEVEL I
Understanding

Medium

Analysis break it down and take the parts separately · 1 question

- Take each ground of debarment in turn and say whether the facts bring the person within it.

Q. 3.1 · PYQ 2025-Sep · 5M · Pg 487

LEVEL II
Analysis

Medium

Topic 4: Details of Outward Supplies to be Furnished in GSTR-1 and IFF [Explanation to section 37 read with sub-rules (4), (4A) and (5) of rule 59]

L2P3-B-C15-T04

Read first Read ICAI Study Material Chapter 15, Returns — the Explanation to section 37 read with sub-rules (4), (4A) and (5) of rule 59, on what goes into GSTR-1 invoice-wise and what goes in consolidated.

NOTES

Rule 59 of the CGST Rules, 2017 splits every outward supply into two reporting buckets. **Invoice-wise details** are required for all inter-State and intra-State supplies made to **registered persons**, and for inter-State supplies made to unregistered persons with **invoice value more than ₹1,00,000**.

Consolidated details, not invoice-wise details, are required in two cases: intra-State supplies made to unregistered persons, for each rate of tax; and State-wise inter-State supplies to unregistered persons with **invoice value up to ₹1,00,000**, again for each rate of tax. The words **for each rate of tax** belong to both limbs.

So the statement that invoice-wise detail is mandatory for all kinds of invoices is **not valid**. Two facts decide every line and nothing else does: is the recipient registered, and if he is not, is the supply inter-State above ₹1,00,000. **Value is irrelevant where the recipient is registered** — ₹80,000 or ₹4,10,000 to a registered person both go invoice-wise.

Tabulate the answer as the solution does, with columns for the supply number, the recipient, the nature of supply, the value in rupees, and a last column headed **manner of furnishing details** carrying only invoice-wise details or consolidated details. **Group the consolidated rows** and say so in the cell — the two intra-State supplies to unregistered persons are consolidated together, and the inter-State supplies to unregistered persons of ₹50,000 and ₹1,00,000 are consolidated together.

The trap is the boundary figure. **₹1,00,000 exactly falls in up to**, so an inter-State supply of exactly ₹1,00,000 to an unregistered person is consolidated, while ₹1,80,000 is invoice-wise. The preceding year's aggregate turnover given in the question decides only the periodicity of filing; **it does not change the manner of furnishing** any line.

Understanding explain it, and place it in context · 1 question

- Quote rule 59 and set out the two buckets in full before you touch the facts. The statement of the rule carries its own marks even in a three-mark comment question.

Q. 4.1 · PYQ 2020-Nov · 3M · Pg 489

LEVEL I
Understanding

Hard

Analysis break it down and take the parts separately · 1 question

- Take each supply in turn and settle two questions in order — registered recipient or not, and if not, inter-State value above or up to `1,00,000. Do not sort by value first; sorting by recipient status first is what keeps the registered-person rows out of trouble.

Q. 4.2 · RTP 2020-May · DESC · Pg 489

LEVEL II
Analysis

Medium

Topic 5: Amendment of Details of Outward Supply Furnished in the Current Period [Proviso to rule 59(1)] (Regarding GSTR-1A)

L2P3-B-C15-T05

Read first Read ICAI Study Material Chapter 15, Returns — the proviso to rule 59(1) and Form GSTR-1A, the amendment of details of outward supply furnished in the current period.

NOTES

The **proviso to rule 59(1)** lets a registered person, after furnishing details of outward supplies in GSTR-1 for a tax period but **before filing GSTR-3B for that tax period**, at his own option, amend or furnish additional details of outward supplies in **Form GSTR-1A** for the same tax period. The window is bounded at both ends: it opens once GSTR-1 is furnished and closes when GSTR-3B is filed.

For the supplier the effect is in the same month. The corresponding effect of the changes made through GSTR-1A **is reflected in GSTR-3B for that tax period**. So an invoice for January missed in a GSTR-1 furnished on 11th February can be declared in GSTR-1A on or after 14th February provided GSTR-3B for January has not yet been filed, and it is taxed in **January's GSTR-3B**.

For the recipient the effect is in the next month, and that is the second half of the question. **Rule 60(7)(iia)** provides that additional details or amendments furnished in GSTR-1A filed after the due date of furnishing GSTR-1 for the previous tax period shall be reflected in **GSTR-2B for the current tax period**. The recipient's credit therefore appears in its **GSTR-2B for February, not January**.

Give two conclusions, one for each party: the supplier may amend, and the liability lands in the same month's GSTR-3B; the recipient gets the credit in the following month's GSTR-2B. An answer that stops at yes, it can be amended forfeits the **rule 60(7)(iia)** mark, which is half the question.

Analysis break it down and take the parts separately · 1 question

- Fix the period in which the original detail was furnished, then say whether the amendment falls in the current period or a prior one, then apply the right rule.

Q. 5.1 · RTP 2025-May · DESC · Pg 491

LEVEL II
Analysis

Medium

Topic 6: Amendment of Details of Outward Supply Furnished in Prior Periods [Section 37(3)]

L2P3-B-C15-T06

Read first Read ICAI Study Material Chapter 15, Returns — section 37(3), amendment of details of outward supply furnished in prior periods, and the Amendment Tables in GSTR-1.

NOTES

Open with the point of the question: in GST there is **no revised return**. Returns are built from the details of individual transactions, so instead of revising a return already submitted, the system allows amendment of the individual invoices or debit and credit notes that need changing.

Those amendments are made **in any of the future GSTR-1**, in the tables specifically provided for amending previously declared details. The solutions call these the **Amendment Tables** contained in GSTR-1, and the rectification is carried out by entering the appropriate particulars there.

Turn then to returns filed under **section 39**. Omission or incorrect particulars discovered there are rectified in the return for the month during which they are noticed, not by going back to the return that carried the error. Any tax payable as a result of the error or omission **must be paid with interest**.

The outer limit closes the answer. No rectification of any omission or incorrect particulars is allowed after **30th November following the end of the financial year** to which the details pertain, or the actual date of furnishing the relevant annual return, **whichever is earlier**. Both dates and the connecting word carry marks.

Understanding explain it, and place it in context · 1 question

- Start with the sentence that there is no revised return under GST, then explain the mechanism that replaces it. A student who describes the amendment tables without that opening never answers the question asked.
- Close with the time limit stated as the earlier of two dates. It is the last mark and it is routinely dropped.

Q. 6.1 · MTP 2024-May S1 · 5M · Pg 492

LEVEL I
Understanding

Medium

Topic 7: Nil GSTR-1 [Rule 67A]

L2P3-B-C15-T07

Read first Read ICAI Study Material Chapter 15, Returns — the periodicity of GSTR-1 for small taxpayers and the nil GSTR-1 under rule 67A.

NOTES

Section 37 of the CGST Act, 2017 requires GSTR-1 for a month to be filed on or before the **10th day of the succeeding month**, that is, monthly. As a measure easing compliance for small taxpayers, GSTR-1 has been allowed to be filed quarterly by taxpayers whose aggregate annual turnover is **up to `5 crore** in the preceding financial year or the current financial year.

Above the threshold the concession is gone: taxpayers with annual aggregate turnover **above `5 crore continue to file GSTR-1 monthly**. Apply the figure the question gives — a supplier with aggregate annual turnover of `30 lakh in the preceding financial year is well below `5 crore and may file quarterly, so an accountant insisting on monthly filing is wrong.

GSTR-1 must be filed even with no business activity in a tax period. Where no supply at all has been made, a **nil return** is still required for that period. Absence of turnover never excuses the return; it only empties its contents, and the printed solution says so in a single line you should copy.

These questions come in two halves — periodicity, then nil filing. Answer each under its own heading and end each with a conclusion naming the taxpayer: he may file quarterly; he must still file a nil return for the off-season month.

Analysis break it down and take the parts separately · 1 question

- Say whether the person has any outward supply to report, then whether the nil facility is open to him, then how it is filed.

Q. 7.1 · RTP 2019-Nov · DESC · Pg 493

LEVEL II
Analysis

Hard

Topic 8: Manner of Dealing with Difference in Liability Reported in Form GSTR-1 and Form GSTR-3B that Reported in Return [Rule 88C]

L2P3-B-C15-T08

Read first Read ICAI Study Material Chapter 15, Returns — rule 88C, the manner of dealing with a difference between the liability reported in GSTR-1 and that reported in GSTR-3B.

NOTES

Rule 88C of the CGST Rules, 2017 applies in one situation only: where the tax payable as per **GSTR-1 exceeds the tax paid in GSTR-3B** for the corresponding tax period, by more than the specified amount and the specified percentage. The printed solution states that last qualifier as an assumption in brackets, and so should you, because the rule does not bite on every difference.

What the department does. The registered person is intimated of the difference **on the portal and at his e-mail address**, and directed either to pay the differential tax liability along with interest, or

to explain the difference, **within 7 days**. The mode of intimation and the period are separately marked.

What the taxpayer must do on receiving the intimation. He must either **deposit the amount specified, fully or partially**, along with interest, and furnish the details on the common portal; or furnish a reply explaining the reasons for any amount of differential tax liability remaining unpaid. Both routes run inside the same **7 days' period**.

What follows if he does neither. Where the amount specified remains unpaid within the seven days and no explanation is furnished, or the explanation is **not found acceptable by the proper officer**, the said amount **shall be recoverable** from him. That is the sentence the answer must end on.

Connect the topic back to rule 59(6). An unanswered rule 88C intimation is one of the circumstances that **debars a person from filing GSTR-1**, which is exactly why the taxpayer in these questions finds the portal blocked. Structure the answer in three blocks — department, taxpayer, consequence — because the question asks for the procedure on both sides.

Understanding explain it, and place it in context · 1 question

- Cite rule 88C by number in the first line and carry the seven-day period through every limb. The period is repeated three times in the solution for a reason.

Q. 8.1 · PYQ 2023-Nov · 5M · Pg 494

LEVEL I
Understanding

Medium

Topic 9: Manner of Dealing with Difference in ITC Available in Form GSTR-2B and Form GSTR-3B [Rule 88D]

L2P3-B-C15-T09

Read first Read ICAI Study Material Chapter 15, Returns — rule 88D, the manner of dealing with a difference between the ITC available in GSTR-2B and the ITC availed in GSTR-3B.

NOTES

Rule 88D of the CGST Rules, 2017 is the input tax credit mirror of rule 88C. It applies where the ITC availed in GSTR-3B **exceeds the ITC available in GSTR-2B** for the said tax period or periods, by the specified amount and percentage. Keep that qualifier: the rule is not triggered by every mismatch, however small.

The intimation is given in the prescribed form **electronically on the common portal**, and a copy is sent to the e-mail address furnished at the time of registration or as amended from time to time. It highlights the difference and directs him either to pay an amount equal to the excess ITC availed, along with **interest under section 50**, or to explain the reasons for the difference, **within 7 days**.

On receipt of the intimation the registered person must either pay the excess ITC specified, **fully or partially, along with interest**, through the prescribed form and furnish the details on the common portal; or furnish a reply on the portal incorporating **reasons for the excess ITC still unpaid**, within the seven days' period.

The ending is where rule 88D differs from rule 88C, and examiners test the difference. Where the amount remains unpaid within the seven days and no explanation is furnished, or the explanation is not acceptable to the proper officer, the said amount is liable to be **demanded under section 73, 74 or 74A** of the CGST Act, 2017. Rule 88C ends in recovery; rule 88D ends in a demand, and **all three sections** must be named.

Understanding explain it, and place it in context · 1 question

- Set the answer out in the rule's own sequence — when it applies, the intimation, the two permitted responses, the consequence of neither. That sequence is the marking scheme.
- Say that the difference must exceed the specified amount and percentage; without that qualifier the rule reads as applying to any mismatch.

Q. 9.1 · MTP 2026-Sep [8] (b) · 5M · Pg 495

LEVEL I
Understanding

Medium

Topic 10: GSTR-3B [Section 39(1) Read with Rule 61 & 61A] (Includes Validity of Return)

L2P3-B-C15-T10

Read first Read ICAI Study Material Chapter 15, Returns — GSTR-3B under section 39(1) read with rules 61 and 61A, including the sequence of filing and what makes a return valid.

NOTES

Section 39 bars filing out of order. A registered person is not allowed to furnish a return for a tax period if the return for **any of the previous tax periods** has not been furnished by him. So a dealer who has not filed GSTR-3B for June cannot file GSTR-3B for July. State the bar first, then apply it by naming both months.

A return filed without payment of the self-assessment tax is **not a valid return**. The solution adds, in brackets, that the GST portal currently does not allow filing of returns without payment of tax — write that line too, because it is part of the printed answer.

The consequence of an invalid return falls on credit. **ITC can be availed only on a valid return**, so a person who files without paying the self-assessment tax **cannot claim any input tax credit**. He must in addition pay interest, penalty, fee or any other amount payable under the CGST Act for filing a return without payment of tax.

These are two-mark questions and they are marked on the conclusion. Two sentences of law and one of application is the whole answer; the application sentence must name the consequence outright — cannot file July, or cannot claim any ITC — rather than leaving it to be inferred.

Application use the rule - work the problem · 2 questions

- Do not pad a two-mark question. Rule, application to the named month or person, consequence, stop.

Q. 10.1 · MTP 2024-Sep S1 · 2M · Pg 497

LEVEL II
Application

Easy

Q. 10.2 · PYQ 2019-Nov · 2M · Pg 497

LEVEL II
Application

Easy

Topic 11: Quarterly Return Monthly Payment (QRMP) Scheme

L2P3-B-C15-T11

Read first Read ICAI Study Material Chapter 15, Returns — the Quarterly Return Monthly Payment scheme, its conditions and restrictions and the manner of exercising the option.

NOTES

Three conditions and restrictions govern opting into the QRMP scheme. His aggregate annual turnover, PAN based, is **up to `5 crore** in the preceding financial year. He has **furnished the return for the preceding month**, as due on the date of exercising the option. And he is not required to exercise the option every quarter — it carries forward until he changes it.

The second condition decides the fact pattern the examiner sets. A taxpayer who has not filed his returns for the immediately preceding months **cannot opt into the scheme** until the return due on the date of exercising the option has been furnished. Point at the unfiled return by name before you conclude.

Manner of exercising the option: a registered person intending to opt for QRMP for any quarter should indicate his preference for furnishing the return on a quarterly basis **from the 1st day of the 2nd month** of the preceding quarter **till the last day of the 1st month** of the quarter for which the option is being exercised. Reproduce that window as it stands; a loose paraphrase loses the mark.

The question is set in two numbered parts — conditions and restrictions, then manner of exercising the option. Answer under the **same two numbers**. A single merged paragraph is marked as though one part were missing.

Application use the rule - work the problem · 1 question

- Where the facts say returns are unfiled, connect that fact to the second condition explicitly and state whether the option can be exercised.

- Quote the option window by its two boundary dates rather than describing it loosely as the start of the quarter.

Q. 11.1 · PYQ 2023-May · 3M · Pg 498

LEVEL II
Application

Easy

Topic 12: Nil GSTR-3B

L2P3-B-C15-T12

Read first Read ICAI Study Material Chapter 15, Returns — the nil GSTR-3B, when it may be used and how it may be filed.

NOTES

Filing of GSTR-3B is **mandatory for all normal and casual taxpayers**, even where there is no business activity in a particular tax period. For such a period a **Nil GSTR-3B** must be filed. Being away for the whole month, or having made no transaction at all, is the very case the nil return exists for, not an excuse from it.

A Nil GSTR-3B is one that has **nil or no entry in all its Tables**. The moment there is anything to disclose the nil route closes: purchases received during the month on which credit is intended must be disclosed in the **Table for Eligible ITC**, so an ordinary monthly GSTR-3B has to be filed instead.

Mode of filing answers the no-internet sub-part. GSTR-3B may be submitted electronically on the common portal **either directly or through a Facilitation Centre** notified by the Commissioner, and a **Nil GSTR-3B can be filed through an SMS** using the registered mobile number of the taxpayer. So the absence of both internet and a notified Facilitation Centre still leaves the taxpayer obliged to file.

The question comes in parts (a), (b) and (c), each with its own conclusion — nil return required; not nil, because the ITC table must be filled; file by SMS from the registered mobile. Answer under the **same letters** and close each part with its own sentence.

Understanding explain it, and place it in context · 1 question

- Define nil GSTR-3B in one line — no entry in any Table — before you decide whether the facts allow it. That definition is what decides part (b).

Q. 12.1 · RTP 2021-May · DESC · Pg 498

LEVEL I
Understanding

Hard

Topic 13: Rectification of Errors/Omissions [Section 39(9)]

L2P3-B-C15-T13

Read first Read ICAI Study Material Chapter 15, Returns — section 39(9), rectification of errors and omissions in returns already filed, its exception and its time limit.

NOTES

Section 39(9) of the CGST Act, 2017 deals with rectification. Omission or incorrect particulars discovered in a return filed under section 39 are rectified **in the return for the period they are noticed**, not by revising the original return that carried the error. Any tax payable as a result of the error or omission must be paid along with interest.

The exception is the part most often dropped, and it is asked by name. No rectification is permitted where the error or omission is discovered on account of **scrutiny, audit, inspection or enforcement activities** by the tax authorities. Name all four; a shortened list reads as a half-remembered rule.

The time limit is the **earlier of two dates**: the 30th day of November following the end of the financial year to which the details pertain; or the **actual date of filing of the annual return**. Set them out as (a) and (b), with the word earlier standing above both, and never give only one of them.

The question is set as a three-part short note — rectification, exception to the rectification, time limit for making it. Use those three as your headings; each carries roughly a third of the five marks, and a flowing paragraph hides two of them.

Remembering reproduce what you have learnt · 1 question

- Learn the four barred activities as a set — scrutiny, audit, inspection, enforcement — and the two limiting dates as an either-or with earlier.

Q. 13.1 · PYQ 2025-Jan · 5M · Pg 500

LEVEL I
Remembering

Medium

Analysis break it down and take the parts separately · 1 question

- Identify the error, then the return in which it may be corrected, then the outer date beyond which it may not.

Q. 13.2 · PYQ 2019-Nov · 5M · Pg 501

LEVEL II
Analysis

Medium

Topic 14: GSTR-4 – Return for Composition Supplier [Section 39(2) and Second Proviso to Section 39(7) Read with Rule 62]

L2P3-B-C15-T14

Read first Read ICAI Study Material Chapter 15, Returns — GSTR-4 for a composition supplier under section 39(2) and the second proviso to section 39(7) read with rule 62, and the quarterly statement in GST CMP-08.

NOTES

Every registered person paying tax under **section 10**, that is a composition supplier, files a return **annually in Form GSTR-4**. GSTR-4 for a financial year must be furnished by the **30th June of the succeeding financial year**. Note the word annually: there is no monthly or quarterly return for him, only this one.

Payment is not aligned with the return, and that is the whole point of the question. A composition supplier pays tax quarterly, through a **statement of self-assessed tax in GST CMP-08**, furnished by the **18th day of the month succeeding the quarter**. So the statement that the due date for payment is aligned with the due date of the return is not correct: the return is annual, the payment quarterly.

Withdrawal from the composition scheme does not cancel the return. A taxpayer who opts out must still file GSTR-4 **for the period he paid tax under composition**, and it is due by the **30th June following that financial year**. A dealer under composition from 1st April who moves to the regular scheme from 1st December therefore still files GSTR-4 for that year.

Two dates decide every question on this topic: **30th June for GSTR-4**, and the 18th of the month after the quarter for CMP-08. Give both of them, then close with a **one-line verdict** on the statement or on the taxpayer named in the facts.

Application use the rule - work the problem · 1 question

- Where the taxpayer opts out mid-year, say for which period GSTR-4 covers him and give the actual due date, not just the rule.
- End with a verdict sentence — liable to file, or the statement is not correct — naming the person in the question.

Q. 14.1 · MTP 2024-Sep S1 · 3M · Pg 501

LEVEL II
Application

Easy

Analysis break it down and take the parts separately · 1 question

- Test whether the supplier is within the composition scheme for the whole period, then apply the annual return and its due date.

Q. 14.2 · RTP 2020-Nov · DESC · Pg 502

LEVEL II
Analysis

Medium

Topic 15: GSTR – 8 - Statement for Tax Collection at Source [Sub-Sections (3), (4), (6) and (7) of Section 52 Read with Rule 67]

L2P3-B-C15-T15

Read first Read ICAI Study Material Chapter 15, Returns — GSTR-8, the statement for tax collection at source under sub-sections (3), (4), (6) and (7) of section 52 read with rule 67.

NOTES

The claim that an Electronic Commerce Operator bears no onus of filing monthly and annual statements is **invalid**, and a veracity question wants that verdict first. An ECO must file an electronic statement giving the details of the **outward supplies effected through it**, including the supplies returned through it, and the **amount collected as TCS** during the month.

Both periods must be given. The monthly statement is due **within 10 days after the end of each month** in which the supplies are made, and the annual statement is due **on or before the 31st day of December** following the end of the financial year. A four-mark answer that gives only the monthly date has given half the answer.

The **Commissioner is empowered to extend the due date** for furnishing both the monthly and the annual statement by the person collecting tax at source. It is one line and it carries its own mark, so do not leave it out to save time.

Structure for examine the technical veracity: the verdict, then what is filed, then the two due dates, then the extension power. The verdict sentence at the top and a closing line restating it are what hold a short answer together.

Analysis break it down and take the parts separately · 1 question

- Separate the monthly statement from the annual one — who files, by when, and what each contains.

Q. 15.1 · MTP 2026-Jan S1 · 4M · Pg 503

LEVEL II
Analysis

Medium

Topic 16: GSTR-9/9A and GSTR-9B – Annual Return [Sections 44, 52(5) Read with Rule 80]

L2P3-B-C15-T16

Read first Read ICAI Study Material Chapter 15, Returns — the annual return in GSTR-9, GSTR-9A and GSTR-9B under sections 44 and 52(5) read with rule 80, and the reconciliation statement in GSTR-9C.

NOTES

Every registered person is required to file an annual return electronically in **Form GSTR-9**, and the due date is the **31st December of the succeeding financial year**. A person paying tax under the composition scheme files his annual return in Form GSTR-9A instead. The form follows the scheme the taxpayer is in, not his turnover.

Section 44(1) empowers the Commissioner, on the recommendations of the Council, to exempt any class of registered persons from filing the annual return by notification. Those exempt or not required to file are: casual taxable persons; non-resident taxable persons; input service distributors; persons authorised to deduct tax at source under section 51; persons authorised to collect tax at source under section 52; and a registered person whose **aggregate turnover is up to ₹2 crore** in any financial year **from 2024-25 onwards**.

The reconciliation statement is a separate limb of section 44 and is often forgotten. Every registered person whose aggregate turnover during a financial year **exceeds ₹5 crore** must furnish a **self-certified reconciliation statement** in Form GSTR-9C, reconciling the value of supplies declared in the annual return with the audited annual financial statement.

The five-mark answer is a list plus a date. Number the exempt persons, keep the **from 2024-25 onwards** qualifier attached to the ₹2 crore exemption, and give the due date as its own closing line rather than burying it in the list.

Remembering reproduce what you have learnt • 1 question

- Give the exempt persons as a numbered list in the solution's order — CTP, NRTP, ISD, TDS deductors under section 51, TCS collectors under section 52, then the turnover-based exemption.
- Keep the three forms apart: GSTR-9 for a normal taxpayer, GSTR-9A for a composition taxpayer, GSTR-9C for the reconciliation statement.

Q. 16.1 • PYQ 2026-May [8] (Or) (b) • DESC • 5M • Pg 503

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context • 1 question

- Where the question quotes section 44(1) back at you, begin by acknowledging the Commissioner's power to exempt by notification, then list the classes exempted.
- Attach the ₹5 crore threshold to GSTR-9C and the ₹2 crore threshold to the annual return itself. Swapping the two figures is the commonest error on this topic.

Q. 16.2 • PYQ 2018-May • 5M • Pg 504

LEVEL I
Understanding

Medium

Topic 17: GSTR -10 – Final Return [Section 45 Read with Rule 81]

L2P3-B-C15-T17

Read first Read ICAI Study Material Chapter 15, Returns — the final return in GSTR-10 under section 45 read with rule 81, who must file it and by when.

NOTES

The final return is filed by every registered person who is required to furnish a return and **whose registration has been surrendered or cancelled**. Give the description in that form: it is narrower than every registered person, and it covers surrender as well as cancellation by order.

The time limit is **within 3 months** of the date of cancellation or the date of the order of cancellation, **whichever is later**. Those last three words are part of the rule, and the pack's second solution repeats them; an answer that gives three months from the date of cancellation alone is incomplete.

The recurring trap is the word either. A normal taxpayer winding up and applying for voluntary cancellation is required to file **both the annual return and the final return** — the annual return because he paid tax as a normal taxpayer for the period, the final return because he has applied for cancellation. A consultant who says one or the other is wrong, and saying so plainly is the first line of the answer.

Late fee for delay in filing the final return is set under section 47 and is asked in the same breath. It is **₹100 per day or ₹5,000, whichever is lower** under the CGST Act, with an equal amount payable under the respective SGST or UTGST Act.

Application use the rule - work the problem • 1 question

- Where a consultant's view is quoted, agree or disagree in the first sentence, then give the provision, then restate the conclusion on the facts.
- If the question joins the late fee to the time limit, answer both under separate headings and give the SGST or UTGST half of the fee as well.

Q. 17.1 • RTP 2023-Nov • DESC • Pg 505

LEVEL II
Application

Hard

Analysis break it down and take the parts separately • 1 question

- Distinguish the final return from the annual return before anything else; the question is usually testing that the candidate does not confuse them.

Q. 17.2 • PYQ 2018-May • 5M • Pg 506

LEVEL II
Analysis

Medium

Topic 18: Late Fees for Delay in Filing Return [Section 47]

L2P3-B-C15-T18

Read first Read ICAI Study Material Chapter 15, Returns — section 47, the late fee for delay in filing returns, and the ledger from which it may be paid.

NOTES

Late fee is payable **only through the electronic cash ledger**. **Section 49(3)** allows the amount in the electronic cash ledger to be used for any payment towards tax, interest, penalty, fees or any other amount payable, while **section 49(4)** allows the amount in the electronic credit ledger to be used only for payment towards output tax. Read together, late fee **cannot be discharged from credit**; it must be deposited in the cash ledger under the appropriate minor head.

Late fee for delay in furnishing the return under section 39, read with **Notification No. 19/2021 CT dated 01.06.2021**, is slabbed on the preceding year's aggregate turnover. Up to ₹1.5 crore it is ₹2,000, being ₹1,000 each under CGST and SGST. More than ₹1.5 crore and up to ₹5 crore it is ₹5,000, being ₹2,500 each. Where the total tax payable in the GSTR-3B is Nil it is ₹500, being ₹250 each — **a nil liability is not a nil late fee**.

Final return, GSTR-10: **₹100 per day or ₹5,000, whichever is lower** under the CGST Act, with an equal amount under the SGST or UTGST Act. The solution spells the combined figure out as well — ₹200 per day subject to a maximum of ₹10,000 — and you should give both.

Annual return, GSTR-9: the rationalised late fee is slabbed on aggregate turnover, and in every slab it is the **lower of a per-day amount and a percentage of turnover** in the State or Union territory. Up to ₹5 crore, ₹50 per day (₹25 CGST + ₹25 SGST/UTGST) or **0.04% of turnover**, whichever is lower. Above ₹5 crore and up to ₹20 crore, ₹100 per day (₹50 + ₹50) or 0.04%, whichever is lower. Above ₹20 crore, ₹200 per day (₹100 + ₹100) or **0.50% of turnover**, whichever is lower.

Two habits the solutions show. First, state your assumptions — that the return had not been filed by the due date, and, where two years are given, that neither annual return was filed. Second, **every figure is given twice**: the combined amount and the split between CGST and SGST or UTGST. Give both halves; the split is where the mark sits.

Remembering reproduce what you have learnt • 1 question

- Learn the slabs as pairs of figure and split, not as single numbers, and keep the whichever is lower wording on the final-return and annual-return fees.

Q. 18.2 • RTP 2022-May • DESC • Pg 507

LEVEL I
Remembering

Medium

Understanding explain it, and place it in context • 2 questions

- When asked which ledger may be used, quote section 49(3) and section 49(4) and then draw the conclusion from reading them together. The conclusion without both sub-sections is unsupported.

Q. 18.1 · MTP 2026-May S2 · 5M · Pg 506

LEVEL I
Understanding

Medium

Q. 18.3 · PYQ 2021-Jul · 5M · Pg 508

LEVEL I
Understanding

Medium

Analysis break it down and take the parts separately · 2 questions

- Compute the delay in days, then apply the daily fee and its ceiling, then state the amount. Show the ceiling even where it does not bite.

Q. 18.4 · PYQ 2021-Jan · 3M · Pg 509

LEVEL II
Analysis

Easy

Q. 18.5 · PYQ 2019-Nov · 5M · Pg 510

LEVEL II
Analysis

Medium

Topic 19: Goods and Services Tax Practitioners [Section 48]

L2P3-B-C15-T19

Read first Read ICAI Study Material Chapter 15, Returns — section 48, Goods and Services Tax Practitioners, who may be enrolled and what enrolment requires.

NOTES

Section 48 of the CGST Act, 2017 sets four general conditions that every Goods and Services Tax Practitioner must satisfy: he is a citizen of India; a person of sound mind; **not adjudicated as insolvent**; and not convicted by a competent court. These four are **cumulative**, and they come before any qualification.

He must then satisfy **any one** of the qualifying conditions: a retired officer of the Commercial Tax Department of a State Government or of the CBIC who during service worked in a post of **Group-B gazetted rank for 2 years** or more; enrolment as a Sales Tax Practitioner or Tax Return Preparer under the erstwhile indirect tax laws for **not less than 5 years**; any of the prescribed qualifications; a graduate or postgraduate degree or its equivalent in specified disciplines from an Indian University, or a degree of a foreign University recognised by an Indian University as equivalent; any other notified examination; or the final examination of the ICAI, the ICSI or the Institute of Cost Accountants of India.

The printed solution carries the instruction that **any 5 points may be mentioned**. So in a five-mark answer give the four general conditions and then five of the qualifying limbs, and make clear which set is cumulative and which is alternative.

The chartered accountant question turns on one distinction. A chartered accountant **can become a GSTP**, but holding a certificate of practice and having a GST registration in the name of his firm **does not make him a GSTP**. Even a CA in practice has to follow the enrolment process provided

under GST law, and only **upon approval of that enrolment** may he represent himself as a GSTP.

Say the distinction in terms: registration as a supplier and enrolment as a practitioner are **two different things**, and professional qualification is a gateway to enrolment, not a substitute for it. That sentence is the whole of the six-mark answer's reasoning.

Understanding explain it, and place it in context · 1 question

- Keep the qualifying periods attached to their limbs: two years at Group-B gazetted rank, five years as a Sales Tax Practitioner or Tax Return Preparer.

Q. 19.1 · MTP 2026-Jan S2 · 5M · Pg 511

LEVEL I
Understanding

Medium

Analysis break it down and take the parts separately · 2 questions

- Say what the practitioner may do and what remains the registered person's own responsibility. The division is the answer.

Q. 19.3 · MTP 2024-Sep S1 · 5M · Pg 512

LEVEL II
Analysis

Medium

Q. 19.2 · MTP 2025-Sep S2 · 6M · Pg 512

LEVEL II
Analysis

Hard

AT THE END OF THE BOOK

Corrigendum

Every printed Topic-Wise Question Frequency table in this Scanner was reconciled against the questions printed under it — topic by topic, counting each question once for the sitting it was set in and once more for every earlier sitting listed beneath its head. All 123 declared topic rows reconcile exactly, on 834 declared appearances against 834 printed. Independently of the tables, the question numbering runs 1 to N with no gap in 123 of the 127 topics that carry questions, which is what proves the count complete. What follows is what did not come out clean.

An answer that is not an answer

Section A, chapter 3, Income from Salaries — Q. 2.4, page 109

Printed: The Solution opens: "You're right, my apologies. The original table has three columns where the second column shows component values that get summed into the third column for the running total. Here's the corrected version:" — and then gives the computation.

Read: The computation that follows is sound; the three sentences above it are not part of it.

Those sentences are one side of a conversation with an AI assistant, pasted into the book with the answer and not removed. It is the only such passage in either volume, and it is the item on this list to fix first.

Topics printed but not declared

Section B, chapter 15, Returns — topics 16 to 19, pages 517 onward

Printed: The chapter's frequency table lists topics 1 to 15. The body then prints four more topics — GSTR-9/9A and GSTR-9B (Annual Return), GSTR-10 (Final Return), Late Fees for Delay in Filing Return, and Goods and Services Tax Practitioners — carrying 16 appearances between them.

Read: The four topics and their questions are printed correctly; only the table stops short.

This is the whole of the paper's 834-against-850 difference. These Notes carry all four topics and badge them.

Printed solutions that do not tie

Section A, chapter 13, Income Tax Liability — Q. 3

Printed: Net Annual Value is printed as `81,900.

Read: `90,000 less `9,000 is `81,000, and the 30% deduction of `24,300 in the same answer is computed on `81,000.

The NAV line alone is wrong; the rest of the answer is consistent with `81,000. The optional-regime tax table in the same answer also has Nil, 12,500 and 1,00,000 printed against the wrong rows.

Section A, chapter 13 — Q. 17, Q. 18 and Q. 31

Printed: Cess is shown as "4% × `78,075" against a tax of `99,100 (Q. 17); "4% × `1,25,850" against `1,18,350 (Q. 18, note 9); "4% × `75,400" against `72,900 (Q. 31).

Read: In each case the rupee figure printed as the result is consistent with the correct base.

Typesetting slips in the multiplicand, not method differences.

Section A, chapter 13 — Q. 13 and Q. 24

Printed: Q. 24 ends mid-figure at "Less: Deductions under Chapter VI-A 2,75,0"; Q. 13 note 9 ends mid-word at "no deduction wou".

Read: Both solutions are cut off before their last line.

Q. 24's alternative section 54F computation has no total income or tax figure at all.

Section A, chapter 13 — Q. 11 and Q. 12

Printed: Both questions end their data with "F.Y. 2025-26:" and no cost inflation index figure.

Read: 376 is the figure used in their own solutions and throughout the chapter.

The index is missing from the question, not from the answer.

Section A, chapter 10 — Q. 2.2

Printed: Export profits are computed as " $220 \text{ lakhs} \times 1,000 \text{ lakhs} / 1,000 \text{ lakhs}$ ".

Read: The denominator should be the SEZ unit's total turnover of `1,100 lakhs.

The answer then jumps to $50\% \times 200 \text{ lakhs} = 100 \text{ lakhs}$, which is consistent with the correct denominator.

Section B, chapter 8 — Q. 4.1, Kabira Industries (rule 86B)

Printed: A paragraph about Mr. Rajan Yadav, renting of immovable property, SSP Ltd. and Entry 5AB is spliced into the middle of the solution, and the sentence it interrupts breaks off at "discharge the output tax liability beyond."

Read: That paragraph belongs to Q. 5.5 (SSP Ltd.). The rule 86B arithmetic itself is complete and correct.

A paste from another answer.

Section B, chapter 5 — Q. 16

Printed: NICU charges are `12,000 per day for two days, and the conclusion reads "the entire amount of 12,000 charged from Mr. Chaman is exempt".

Read: Q. 23 does the same computation correctly at $15,000 \times 2 = 30,000$.

The conclusion uses the per-day rate as though it were the total.

Section A, chapter 8 — Q. 3.1, cross transfers

Printed: The question gifts `5,00,000 to the minor son; the solution's narrative says `3,00,000 and

attributes the clubbed ₹18,000 to Mr. Rakesh Kumar.

Read: The arithmetic the solution performs is $₹3,00,000 \times 9\% \times 8/12$, and the logic requires the other transferor.

The figure and the name both need checking against the source question.

Two keying conventions in one book

Both Sections, 35 question heads

Printed: The 2026 additions are keyed year-first and short-month — "PYQ 2026-Sep", "PYQ 2026-May".

Read: Every other head in both volumes is keyed month-first and in full — "PYQ November 2018", "MTP May, 2024 - Series I".

Both are read correctly here. Worth settling on one before the next edition.

Section B, chapter 14, page 477

Printed: The question number is set as "Q 1.1", without the full stop.

Read: Every other head in both volumes reads "Q. n.m".

It was this that made the topic appear one question short on a first pass.

Section A, chapter 1, page 3

Printed: The topic head is set as "T Topic 3 2".

Read: "Topic 3 Rates of Tax, Surcharge & Cess".

Cosmetic; the topic and its question are correctly placed.

Nineteen places across both Sections

Printed: The answer label is printed as "Solution" with the colon dropped.

Read: Every other answer is labelled "Solution:".

Cosmetic; no solution is missing.

Provisions named in a topic head but absent from its answers

Section A, chapter 5 — topic 5

Printed: The head reads "Special Provisions ... on Presumptive Basis [Sections 44AD/44ADA/44AE]".

Read: Both printed questions are section 44AE goods-carriage computations. Nothing in the chapter touches 44AD or 44ADA.

The Notes cover 44AE and say so. The same pattern appears at Section A chapter 5 topic 4 (the 43B(h) rule itself is not stated,

only the definitions), Section B chapter 8 topic 2 (no worked apportionment under rule 42), and Section B chapter 15 topics 10, 16 and 17 (rules 61, 61A and 81, and GSTR-9B, are named but never explained).

Counted afresh on this edition: 747 questions across 127 topics in 28 chapters, carrying 3,967 marks on the question heads and imputed where the Scanner prints none. Eighteen questions from the September 2026 sitting carry no worked solution, which is editorial policy and not an omission. Section A measures 8% Level I against ICAI's 5–20% band for Income-tax Law, and Section B 27% against 15–45% for Goods and Services Tax — both inside.