GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

Syllabus 2022

JUNE 2026

GROUP 2

भारतीय कम्पनी सचिव संस्थान

THE INSTITUTE OF
Company Secretaries of India

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

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Group 2

The Guideline Answers contain information based on the Laws/Rules applicable at the time of preparation and should be treated as indicative rather than exhaustive. The Students may note that the applicability of amendments to laws for CS Examinations is as under:

December Session	upto 31 May of that Calendar year
June Session	upto 30 November of previous Calendar year

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CAPITAL MARKET & SECURITIES LAWS

GROUP 2 PAPER 5

Time allowed : 3 hours **Maximum marks : 100**

Total number of questions : 6

NOTE : Answer ALL questions.

PART–I

Question 1

(a) *FinTech Limited, a newly incorporated company from the rapidly growing digital finance sector, aims to enter into the securities market infrastructure by establishing itself as a new and leading depository participant. Because, with the increase in paperless trading and growing investors' participation, its management believes this as a lucrative opportunity. Therefore, the management applies for registration under SEBI (Depositories and Participants) Regulations, 2018. The company proudly claims to have cutting-edge ambitions. But, in real terms, it presents a mixed picture of preparedness.*

The company has a net worth of ₹ 75 crore. Management feels this level is sufficient to meet the general infrastructure for such an institution. Its promoters, consist entirely of private investors and venture capitalists in India, with no Financial Institution participations. X, an Indian resident is holding about four percent of the paid-up equity capital and desirous to increase it by additional six percent of the capital.

The company is yet to develop technological infrastructure and secure systems to maintain electronic records of securities. The management team is very enthusiastic and energetic, though they don't have prior experience in handling large-scale securities market operations.

Despite its ambitious vision to revolutionize the depository business, management of FinTech Limited know that there will be more challenges in the smooth running of the operations. Because, management feels there will be some operational issues on reconciling the records of dematerialised securities on monthly basis, as well as, the audit report required for the purposes of reconciliation of the total issued capital, listed capital and capital held in the dematerialized form etc. can be issued by their Chief Financial Officer [CFO], he is yet be appointed.

Based on these scenarios, determine the legal position with respect to the provisions of the said Regulation on the below aspects :

(i) *Meeting the net worth requirements by FinTech Limited.*

(ii) *FinTech Limited wants to reconcile the records of demat securities on monthly basis.*

(iii) Is the CFO of FinTech Limited eligible to issue the audit report ?

(iv) Experience and capability of the Management, and

(v) Regulations that will be applicable to FinTech Limited, as Depository ?

(5×2=10 marks)

(b) Sun Advisory Services, a growing financial advisory firm, has recently expanded its client base by offering both full-time and part-time advisory services. The firm has started referring to some of its employees as "part-time investment advisers" in its official communications and promotional materials. However, these advisers are handling a large number of clients and providing advisory services alongside other professional engagements.

In addition to this, Sun Advisory Services has not clearly disclosed the limitations and scope of services offered by such part-time advisers to its clients. It also continues to onboard new clients without properly monitoring the number of clients being handled by each adviser. As a result, even some of the experienced part-time advisers are handling close to 100 clients.

With the objectives of strengthening investor protection and improving transparency in the advisory ecosystem, the Securities and Exchange Board of India introduced the SEBI (Investment Advisers) (Second Amendment) Regulations, 2024. Therefore, these amendments brought significant changes, especially in the classification and functioning of investment advisers. However, the firm is planning to operates with ₹ 50 crore of net worth limit.

As a result, in a recent regulatory review, questions are raised regarding whether Sun Advisory Services has complied with the amended provisions relating to the definition, scope, disclosure and operational limits of part-time investment advisers. Concerns are also expressed about investor protection and the clarity of communication maintained by the firm.

Based on these scenarios, determine the legal position with respect to the provisions of the said Regulation on the below aspects :

(i) Explain the concept of part-time investment adviser as introduced in the amended provisions of SEBI regulation.

(ii) State the restrictions on the number of clients for a part-time investment adviser.

(iii) Which SEBI Regulation(s) will be applicable to the Sun Advisory Services ?

(iv) What is the limit of net worth requirement for Sun Advisory Services, as an investment adviser ?

(v) State the provisions of compliance audit for Sun Advisory Services.

(5×2=10 marks)

Answer 1(a)

Fintech Limited aims to enter into the securities market infrastructure by establishing itself as a new and leading depository participant, the following are the legal position with respect to the SEBI (Depositories and Participants) Regulations, 2018:

(i) The net worth requirements for the Depository Participants as per Regulation 35 of the SEBI (Depositories and Participants) Regulations, 2018 are:

- In case of a non-banking finance company – net worth of not less than ₹ 50 lakhs (only on behalf of itself).
- In case of a registrar to an issue or share transfer agent -minimum net worth of ₹ 10 crores.
- In case of a stock broker - net worth of ₹ 5 crores.

In the given scenario, the FinTech Limited has a net worth of ₹ 75 crores. Therefore, company falling within any above mentioned category meets the prescribed net worth requirements as a depository participant.

(ii) Under Regulation 64 of SEBI (Depositories and Participants) Regulations, 2018, every participant shall reconcile its records with every depository in which it is a participant on a daily basis.

Therefore, the intention of FinTech Limited to maintain reconciliation of the records of dematerialised securities on monthly basis is not aligned with the requirements of the SEBI (Depositories and Participants) Regulations, 2018.

(iii) Under Regulation 76 of SEBI (Depositories and Participants) Regulations, 2018 every issuer shall submit audit report on a quarterly basis to the concerned stock exchanges audited by a practicing Company Secretary or a qualified Chartered Accountant or a practicing Cost Accountant, for the purposes of reconciliation of the total issued capital, listed capital and capital held by depositories in dematerialized form, the details of changes in share capital during the quarter and the in-principle approval obtained by the issuer from all the stock exchanges where it is listed in respect of such further issued capital.

Any person falls under the above mentioned categories, may issue the audit report. In the given case, Chief Financial Officer (CFO) is yet to be appointed by FinTech Limited. Assuming that the company has appointed the CFO, hence, being its employee, CFO is not permitted to issue the audit report.

(iv) Under Regulation 35 of the SEBI (Depositories and Participants) Regulations, 2018, requires the applicant to have infrastructure, systems, safeguards and trained staff and the applicant is a fit and proper person under the SEBI (Intermediaries) Regulations, 2008 to carry on activity as a depository participant.

However, in this given case, the management of FinTech Limited does not have prior experience in handling large-scale securities market operations. Therefore, it is not complying the conditions of the above mentioned Regulation.

(v) The SEBI (Depositories and Participants) Regulations, 2018 will be applicable to FinTech Limited.

Answer 1(b)

(i) The SEBI (Investment Advisers) (Second Amendment) Regulations, 2024, introduced the concept of a "part-time investment adviser", which means an individual or a firm, who for consideration, is engaged in the business of providing investment advice and is also engaged in any other business activity or employment. Thus, part-time investment adviser can continue with other business activities or employment.

(ii) As per Regulation 13 of the SEBI (Investment Advisers) Regulations, 2013 as amended, the number of clients of a part-time investment adviser shall not exceed 75 in total at any point of time.

Therefore, in this case, as some of the experienced part-time advisers are handling close to 100 clients, which are in contravention to the limits prescribed under the SEBI (Investment Advisers) Regulations, 2013.

(iii) SEBI (Investment Advisers) Regulations, 2013 and SEBI (Intermediaries) Regulations, 2008, as may be amended from time to time, are applicable to Sun Advisory Services.

(iv) An investment adviser is no longer required to meet a criteria of net worth under the SEBI (Investment Advisers) Regulations, 2013. The investment adviser requires to maintain a deposit of such sum as specified by the SEBI, which is based on the number of clients.

(v) An investment adviser is required to get yearly audit from a member of the Institute of Company Secretaries of India or Institute of Chartered Accountants of India or Institute of Cost Accountants of India within 6 months from the end of each financial year, in order to check the whether the Requirements of the SEBI (Investment Advisers) Regulations, 2013 are complied with.

Attempt all parts of either Q. No. 2 or Q. No. 2A

Question 2

(a) N, has recently been elevated from the post of Vice-President (Operations) to Director in a listed company named Green Tech India Limited. In his first board meeting, he wanted to know from their Company Secretary about a bond and also how many types of bonds are issued in the Indian Capital Market ?

(5 marks)

(b) With online digitalization of the day-to-day operations in the Indian Stock Exchanges, their operational risks have been increased multifold. To mitigate these risks, in the recent past, Securities and Exchange Board of India [SEBI] has initiated various risk management measures. Elaborate the initiatives taken by SEBI, in this aspect.

(5 marks)

(c) *Elaborate the penalties as imposed under Section 23C, 23D and 23E of the Securities Contracts (Regulation) Act, 1956.*

(5 marks)

(d) *Innovate Corporation Limited, a Special Purpose Acquisition Company (SPAC), proposes to list its shares on the recognised stock exchange under the prescribed regulatory framework. The company desirous to raises USD 25 Million through on IPO. Further, the company allows investors to apply with a minimum application size of USD 50,000. Examine, the listing compliances of SPACs, as required under the regulatory provisions.*

(5 marks)

OR (Alternative question to Q. No. 2)

Question 2A

(i) *A rights issue allows existing shareholder to subscribe for additional share(s). Shareholders also have an option to transfer the rights to another person through renunciation. Explain the concept of right entitlement and the procedure to renounce such rights, as per the regulations of the Securities and Exchange Board of India.*

(5 marks)

(ii) *D, is a senior director of ARN Limited, a listed entity with National Stock Exchange. About 4 months ago, D received a summon (in his personal capacity) from the SEBI regarding his involvement in the insider trading activities of SZN Limited. Both these companies are not related to each other, in any way i.e., neither common board, nor directors or management etc.*

On 14th May 2026, SEBI imposed a penalty of ₹ 50 lakhs on D. Due to this incident, D got a heart-attack and died on 18th May. L, is the legal representative of D. Is L responsible to pay the penalty imposed by SEBI under the SEBI Act, 1992 or not ? Give answer with justification.

(5 marks)

(iii) *Which act(s) constitutes an offence for an individual, under Section 20 of the Depository Act, 1996 ? And what are the penalties provided under the Act for such offence ?*

(5 marks)

(iv) *In the last board meeting of BPR Limited, its board suggested to explore the possibility of entering into the business of intermediaries. Being their Company Secretary, enlist the general obligations of an intermediaries as prescribed by the Securities and Exchange Board of India and state the period for which the certificate of registration remains valid.*

(5 marks)

Answer 2(a)

Bonds are the debt security where an issuer is bound to pay a specific rate of interest agreed as per the terms of payment and repay principal amount at a later time. The bond holders are generally like a creditor where a company is obliged to pay the amount. The amount is paid on the maturity of the bond period. Generally these bonds duration would be for 5 to 10 years.

In Indian Capital market there are four types of bonds are prevailing, namely:

(i) Government Bonds:

These are the bonds issued either directly by the Government of India or by the Public Sector Undertakings (PSU's). These bonds are secured as they are backed up with security from Government. These are generally offered with low rate of interest compared to other types of bonds.

(ii) Corporate Bonds:

These are the bonds issued by the private corporate companies. Indian corporates issue secured or non-secured bonds. However, care to be taken to consider the credit rating given by Credit Rating Agencies before investing in these bonds.

(iii) Bank and other financial institutions bonds:

These bonds are issued by banks or any financial institutions. The financial market is well regulated and the majority of the bond markets are from this segment.

(iv) Tax Saving Bonds:

In India, the tax saving bonds are issued by the Government of India for providing benefits to investors in the form of tax savings. Along with getting normal interest, the bond holder would also get tax benefits. In India, all these bonds are listed in National Stock Exchange and Bombay Stock Exchange, hence they can be easily liquidated and sold in the open market.

Answer 2(b)

Various key risk management measures initiated by SEBI, to mitigate operational risks of Stock Exchanges operations are as under:

(i) Categorization of securities into groups 1, 2 and 3 for imposition of margins based on their liquidity and volatility.

(ii) VaR (value at risk) based margining system.

(iii) Specification of mark to Market margins.

(iv) Specification of Intra-day trading limits and Gross Exposure Limits.

(v) Real time monitoring of the Intra-day trading limits and Gross Exposure Limits by the Stock Exchanges.

(vi) Specification of time limits of payment of margins.

(vii) Collection of margins on upfront basis.

(viii) Index based market wide circuit breakers.

(ix) Automatic de-activation of trading terminals in case of breach of exposure limits.

(x) VaR based margining system has been put in place based on the categorization of stocks based on the liquidity of stocks depending on its impact cost and volatility. It addresses 99% of the risks in the market.

(xi) Additional margins have also been specified to address the balance 1% cases.

(xii) Collection of margins from institutional clients on T+1 basis.

Answer 2(c)

Under the Securities Contracts (Regulation) Act, 1956, penalties imposed under Section 23C, Section 23D and Section 23E are as follows:

(i) Section 23C:

If any stock broker or sub-broker or a listed company or proposed listed company fails to redress investors' grievances within the time stipulated by SEBI or a recognised stock exchange, he or it shall be liable to a penalty which shall not be less than 1 lakh rupees but which may extend to 1 lakh rupees for each day during which such failure continues subject to a maximum of 1 crore rupees.

(ii) Section 23D:

If any person, who is registered under section 12 of the SEBI Act, 1992 as a stock broker or sub-broker, fails to segregate securities or moneys of the client or clients or uses the securities or moneys of a client or clients for self or for any other client, he shall be liable to a penalty which shall not be less than 1 lakh rupees but which may extend to 1 crore rupees.

(iii) Section 23E:

If a company or any person managing collective investment scheme or mutual fund or real estate investment trust or infrastructure investment trust or alternative investment fund, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or he shall be liable to a penalty which shall not be less than 5 lakh rupees but which may extend to 25 crore rupees.

Answer 2(d)

In accordance with the IFSCA (Listing) Regulations, 2024, a Special Purpose Acquisition Company (SPAC) is eligible to raise capital through initial public offer of specified securities on the recognised stock exchange, subject to the following conditions amongst others:

(i) Issue size: Not less than USD 50 million or any other amount as may be specified by the Authority from time to time. Further, the sponsors shall hold at least 15% and not more than 20% of the post issue paid up capital.

(ii) Minimum Application Size: The minimum application size in an initial public offer of SPAC shall be USD 100,000. Allotment to investors shall be on proportionate basis or discretionary basis, as disclosed in the offer document.

Whereas, in this case, Innovate Corporation Limited is proposing to make IPO worth USD 25 Million which is less than USD 50 Million as required under IFSCA (Listing) Regulations, 2024, hence it is not meeting the first condition. Further, the minimum application size is USD 50,000 which is less than USD 100,000 per application, hence the company is also not meeting the second requirement.

Therefore, under the given scenario, Innovate Corporation Limited is not complying the listing compliances of SPACs under the regulatory provisions.

Answer 2A(i)

Rights Entitlement (RE)

Rights Entitlement (RE) is the rights issued by the company to the existing shareholders to subscribe to the new shares / other securities that the shareholder of a company is eligible to apply for under the rights offer. REs are offered to shareholders based on a ratio of existing equity shares held as on the record date. Rights Entitlements (REs) are issued in dematerialised form under a separate ISIN created by the Company.

Physical shareholders shall be required to provide their demat account details to Issuer / Registrar to the Issue for credit of REs not later than two working days prior to issue closing date, such that credit of REs in their demat account takes place at least one day before issue closing date.

Renunciation of Rights Entitlements

(i) On Market Renunciation - The Investors may renounce the Rights Entitlements, credited to their respective demat accounts by trading/selling them on the secondary market platform of the Stock Exchanges through a registered stock broker in the same manner as trading / selling Equity Shares of the Company.

(ii) Off Market Renunciation - The Investors may renounce the Rights Entitlements, credited to their respective demat accounts by way of an off-market transfer through a depository participant. The Rights Entitlements can be transferred in dematerialised form only. Eligible Equity Shareholders must ensure that renunciation through offmarket transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date.

Answer 2A(ii)

Section 28B (1) of the Securities and Exchange Board of India Act, 1992 prescribed that where a person dies, his legal representative shall be liable to pay any sum which the deceased would have been liable to pay, if he had not died, in the like manner and to the same extent as the deceased.

However, in case of any penalty payable under this Act, a legal representative shall be liable only in case the penalty has been imposed before the death of the deceased person.

For the purposes of sub-section (1), –

(a) any proceeding for disgorgement, refund or an action for recovery before the Recovery Officer under this Act, except a proceeding for levy of penalty, initiated against the deceased before his death, shall be deemed to have been initiated against the legal representative, and may be continued against the legal representative from the stage at which it stood on the date of the death of the deceased and all the provisions of this Act shall apply accordingly;

(b) any proceeding for disgorgement, refund or an action for recovery before the Recovery Officer under this Act, except a proceeding for levy of penalty, which could have been initiated against the deceased if he had survived, may be initiated against the legal representative and all the provisions of this Act shall apply accordingly.

Every legal representative shall be personally liable for any sum payable by him in his capacity as legal representative if, while his liability for such sum remains undischarged, he creates a charge on or disposes of or parts with any assets of the estate of the deceased, which are in, or may come into, his possession, but such liability shall be limited to the value of the asset so charged, disposed of or parted with.

However, the liability of a legal representative under this section shall be limited to the extent to which the estate of the deceased is capable of meeting the liability.

For the purposes of this section "legal representative" means a person who in law represents the estate of a deceased person, and includes any person who intermeddles with the estate of the deceased and where a party sues or is sued in a representative character, the person on whom the estate devolves on the death of the party so suing or sued.

In the given case, SEBI has imposed penalty on 14th May and Mr. D has died on 18th May. Therefore, L, being a legal representative of D, is liable to pay the liability, subject to the extent to which the estate of D is capable of meeting the liability of ₹ 50 lakhs.

Answer 2A(iii)

Under Section 20 of the Depositories Act, 1996, following act(s) constitutes an offence for any individual:

(a) Contravenes or attempts to contravene or abets the contravention of the provisions of this Act or any rules or regulations or buy-laws made thereunder, or

(b) Fails to pay the penalty imposed by the adjudicating officer or the SEBI or fails to comply with any directions or orders.

Penalties as provided under this section, for contravening the above mentioned acts:

(i) For (a) above, person shall be punishable with imprisonment for a term which may extent of 10 years, or with fine, which may extend to Rs. 25 crore, or with both, and

(ii) For (b) above, person shall be punishable with imprisonment for a term which shall not be less than one month, but which may extent to 10 years, or with fine, which may extend to Rs. 25 crore or with both.

Answer 2A(iv)

The general obligations of an Intermediary under the SEBI (Intermediaries) Regulations, 2008 are as under:

(1) An intermediary shall provide the SEBI with a certificate of its compliance officer on the 1st April of each year certifying:

   (a) the compliance by the intermediary with all the obligations, responsibilities and the fulfillment of the eligibility criteria on a continuous basis under these regulations and the relevant regulations;

   (b) that all disclosures made in Form A and under the relevant regulations are true and complete.

(2) Each intermediary shall prominently display a photocopy of the certificate at all its offices including branch offices.

(3) The intermediary shall also prominently display the name and contact details of the compliance officer to whom complaint may be made in the event of any investor grievance.

(4) The intermediary shall maintain such books, accounts and records as specified in the relevant regulations.

Period of validity of certificate

The certificate granted to an intermediary has to be permanent, unless surrendered by the intermediary or suspended or cancelled in accordance with SEBI (Intermediaries) Regulations, 2008.

PART - II

Question 3

(a) In your recent interaction with the new CFO of Sun Limited, he wanted to know the restrictions on a bonus issue. Elaborate.

(4 marks)

Can a bonus issue, be withdrawn ?

(1 mark)

(4+1=5 marks)

(b) Moon Limited is passing through its financial crises. M, the new Managing Director, immediately on his joining wanted to know from you about the objectives for which a 'Social Bonds' can be issued ?

(5 marks)

(c) Tech Solutions Limited, a listed company with its high market capitalization ranks among the top 500 entities. Its board consist of 10 directors. The Chairperson is a non-executive director and also a promoter of the company. The board comprises 4 executive directors (including MD and CEO), 3 non-executive non-independent directors and 3 independent directors (all male). There is one woman director who is a non-executive non-independent nominee from a financial institution. A shareholder raises concerns about the non-compliance of SEBI Regulations. However, the company claims full compliance under SEBI Regulation. As a Company Secretary, assess whether Tech Solution Limited is complying with the SEBI (LODR) Regulations, 2015 (as amended) and highlight the violations if any with reasons thereof.

(5 marks)

Answer 3(a)

Regulation 294 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 deals with the restrictions on a bonus issue. As per this regulation:

(i) An issuer shall make a bonus issue of equity shares only if it has made reservation of equity shares of the same class in favour of the holders of outstanding compulsorily convertible debt instruments if any, in proportion to the convertible part thereof.

(ii) The equity shares so reserved for the holders of fully or partly compulsorily convertible debt instruments, shall be issued to the holder of such convertible debt instruments or warrants at the time of conversion of such convertible debt instruments, optionally convertible instruments, warrants, as the case may be, on the same terms or same proportion at which the bonus shares were issued.

(iii) A bonus issue shall be made only out of free reserves, securities premium account or capital redemption reserve account and built out of the genuine profits or securities premium collected in cash and reserves created by revaluation of fixed assets shall not be capitalised for this purpose.

(iv) Bonus shares shall not be issued in lieu of dividends.

(v) If an issuer has issued SR equity shares to its promoters or founders, any bonus issue on the SR equity shares shall carry the same ratio of voting rights compared to ordinary shares and the SR equity shares issued in a bonus issue shall also be converted to equity shares having voting rights same as that of ordinary equity shares along with existing SR equity shares.

(vi) The allotment of shares in a bonus issue shall be made only in the dematerialised form.

As per Regulation 295(2) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, a bonus issue, once announced, shall not be withdrawn.

Answer 3(b)

"Social Bonds" means a debt security issued for raising funds, subject to the conditions as may be specified by the SEBI from time to time, to be utilized for social project(s) that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population, falling under any of the following categories:

(a) Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)

(b) Access to essential services (e.g. health, education and vocational training, healthcare)

(c) Affordable housing

(d) Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a “just transition” (such provision and/or promotion could include SME financing and microfinance)

(e) Food security and sustainable food systems (e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers)

(f) Socioeconomic advancement and empowerment (e.g. equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality)

(g) any other category, as may be specified by SEBI from time to time.

Answer 3(c)

In accordance with Regulation 17(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors shall have optimum combination of executive and non-executive directors with at least one-woman director and not less than fifty per cent. of the board of directors shall comprise of non-executive directors. However, the Board of directors of the top 1000 listed entities shall have at least one independent woman director.

Where the chairperson of the board of directors is a non-executive director, at least one-third of the board of directors shall comprise of independent directors and where the listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of independent directors:

However, where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least half of the board of directors of the listed entity shall consist of independent directors.

Thus, in accordance with the Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Tech Solutions Limited has made the below mentioned non-compliances in respect of the following:

(i) Independent Directors – Since the Chairperson of Tech Solutions Limited is a non-executive director and a promoter, at least half of the board shall comprise of independent directors. Thus, Tech Solutions Limited shall have 5 Independent Directors. Here, only 3 out of 10 (30%) are independent directors. Hence, it has violated the regulation.

(ii) Independent Woman Director - For top 1000 listed, Regulation requires at least one independent woman director. Here, the only woman director is a non-executive non-independent. Hence, Tech Solutions Limited has violated the regulation.

Question 4

(a) Elaborate in detail the role of a Company Secretary, under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(5 marks)

(b) Blue Sky Limited has recently received a notice from the SEBI, regarding violation of various provisions under the Act. While discussing this matter in the board, one of the senior directors raised a question regarding the manner of service of summons and notices issued by the SEBI. Being their Company Secretary, elaborate the procedure.

(5 marks)

(c) ASR Limited has voluntarily delisted its equity shares, from the Bombay Stock Exchange and the National Stock Exchange on 1st December, 2024. However, with recent changes in its top management, the new Managing Director wants to get the shares relisted in both the stock exchanges with immediate effect. Advise with reason, the validity of the proposal suggested by the new MD for re-listing of shares in both the stock exchanges.

(5 marks)

Answer 4(a)

Roles of a Company Secretary, under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as under:

(i) For Company Secretary in Employment:

a) A listed entity shall appoint a Qualified Company Secretary as the Compliance Officer. The compliance officer of the listed entity shall be responsible for:

- ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.
- co-ordination with and reporting to SEBI, recognised stock exchange(s) and depositories with respect to compliance with rules, regulations and other directives of these authorities in manner as specified from time to time.
- ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the

information, statements and reports filed by the listed entity under these regulations.

- monitoring email address of grievance redressal division as designated by the listed entity for the purpose of registering complaints by investors.

b) The Company Secretary shall act as the secretary to the audit committee.

(ii) For Company Secretary in Practice:

a) Secretarial Audit and Secretarial Compliance Report: Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit by a Secretarial Auditor who will be a Peer Reviewed Company Secretary and shall annex a Secretarial Audit Report, in such form as specified, with the annual report of the listed entity. Further, every listed entity shall submit a secretarial compliance report in such form as specified, to stock exchanges, within sixty days from end of each financial year. The listed entity shall ensure that the Secretarial Compliance Report submitted to the stock exchange(s) on annual basis is signed only by the Secretarial Auditor or by a Peer Reviewed Company Secretary. [Regulation 24A].

b) Certification regarding Directors' Disqualification: A certificate shall be obtained from a Company Secretary in Practice that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Board/ Ministry of Corporate Affairs or any such Statutory Authority. [Schedule V, Part C, Clause 10(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

c) Certificate Regarding Compliance of Conditions of Corporate Governance under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 authorizes Company Secretary in Practice to issue certificate regarding compliance of conditions of Corporate Governance which shall be annexed with the directors' report. [Schedule V, Part E of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Answer 4(b)

A summons or notice or an order issued by the SEBI shall be served on the person through any of the following modes, namely—

(a) by delivering or tendering it to that person or his duly authorised agent; or

(b) by sending it to the person by fax or electronic mail or electronic instant messaging services along with electronic mail or by courier or speed post or registered post.

However, the courier or speed post or registered post shall be sent to the address of his place of residence or his last known place of residence or the place where he carried on, or last carried on, business or personally works, or last worked, for gain, with acknowledgment due.

Further, the summons or notice sent by fax shall bear a note that the same is being sent by fax and in case the document contains annexure, the number of pages being sent shall also be mentioned.

Also, the summons or notice sent through electronic mail or electronic instant messaging services along with electronic mail shall be digitally signed by the competent authority and bouncing of the electronic mail shall not constitute valid service.

In case of failure to serve the summons or notice through any one of the modes as mentioned above, the summons or notice may be affixed on the outer door or some other conspicuous part of the premises in which the person resides or is known to have last resided, or carried on business or personally works, or last worked, for gain and a written report thereof shall be prepared in the presence of two witnesses.

In case of failure to affix the summons or notice on the outer door as provided above, the summons or notice shall be published in at least two newspapers, one of which shall be in an English daily newspaper having nationwide circulation and another shall be in a newspaper having wide circulation published in the language of the region where that person was last known to have resided or carried on business or personally worked for gain.

Answer 4(c)

Regulation 40 of the SEBI (Delisting of Equity Shares) Regulations, 2021 states that no application for listing shall be made in respect of equity shares of a company which have been delisted under Chapter III (Voluntary Delisting) or under Chapter VI (Exit Opportunity in case delisting of equity shares of a company from all the recognised stock exchanges), for a period of 3 years from the delisting and in case of equity shares which have been delisted under Chapter V (Compulsory Delisting), for a period of 10 years from the delisting, except the following:

(i) whose equity shares have been delisted pursuant to a resolution plan under section 31 of the Insolvency Code;

(ii) whose equity shares are listed and traded on the innovators growth platform pursuant to an initial public offer and which is delisted from the said platform;

(iii) whose equity shares have been delisted in terms of regulation 35 relating to delisting of equity shares of small companies.

Therefore, under the given scenario, ASR Limited has voluntarily delisted its equity shares from the Bombay Stock Exchange and the National Stock Exchange on 1st December, 2024. In light of the above mentioned provisions, the shares of ASR Limited is not permitted to be listed for a period of 3 years from the delisting i.e. from the date of 1st December 2024 i.e. 30th November 2027.

Question 5

(a) *Glory* Limited*, a listed company with the National Stock Exchange of India, proposes to buy back its shares under the SEBI (Buy-back of Securities) Regulations, 2018. At the time*

of buy-back proposal, the company has a paid-up equity share capital of ₹ 30 crore and free reserves of ₹ 60 crore. The Board of Directors approves a buyback of ₹ 25 crore. The company also had secured debts of ₹ 52 crore and unsecured debts of ₹ 68 crore. The buyback price is fixed at ₹ 250 per share, whereas its current market price of equity share is ₹ 230 per share. Evaluate, whether the proposed buyback is in compliance with the SEBI Buyback Regulations, or not ?

(5 marks)

(b) *MF mutual fund scheme has the following details as on 31st March, 2026.*

Assets :

Market value of equity shares = ₹ 52,00,000

Market value of government securities = ₹ 18,00,000

Corporate bonds = ₹ 10,00,000

Accrued dividend and interest = ₹ 3,20,000

Cash and bank balance = ₹ 2,50,000

Other receivables = ₹ 1,80,000

Liabilities :

Management fees payable = ₹ 1,50,000

Other expenses payable = ₹ 1,20,000

Trustee fees payable = ₹ 70,000

Outstanding liabilities = ₹ 1,60,000

During the year, the scheme issued 15,000 new units at ₹ 22 per unit. The scheme had 8,00,000 units outstanding as on 1st April, 2025.

You are required to calculate :

(i) *Calculate the total net assets of the scheme, and*

(ii) *Calculate the Net Asset Value (NAV) per unit.*

(2+3=5 marks)

(c) *Green Earth Plantation Limited, a Collective Investment Management Company registered under the SEBI (Collective Investment Schemes) Regulations, 1999. It has launched a new plantation scheme and issued an offer document to the public. The document stated that the subscription list would remain open for 15 days. The company opened the subscription on 21st May 2026 and closed on 30th May 2026. At the time of closure, the scheme had collected ₹ 14 crore from 16 investors. The company proceeded with the scheme and began utilizing the funds for plantation activities. Examine, whether Green Earth Plantation Limited has complied with the regulatory compliances regarding closure of the subscription list, or not ? Give reasons to support your answer.*

(5 marks)

Answer 5(a)

Conditions for Buyback of Shares or Other Securities

In terms of Regulation 4 of the SEBI (Buy-Back of Securities) Regulations, 2018, the maximum limit of any buy-back shall be 25% or less of the aggregate of paid-up capital and free reserves of the company, based on both standalone and consolidated financial statements of the Company, whichever sets out a lower amount. All shares or other specified securities for buy-back shall be fully paid-up.

In respect of the number of equity shares bought back in any financial year, the maximum limit shall be 25% and be construed with respect to the total paid-up equity shares capital of the company in that financial year.

Further, it is prescribed that the ratio of the aggregate of secured and unsecured debts owed by the company to the paid-up capital and free reserves after buy-back shall be less than or equal to 2:1, based on both standalone and consolidated financial statements of the company whichever is lower.

Maximum Buyback Limit of Glory Limited

Maximum buyback allowed = 25% of Paid-up Capital + Free Reserves

Paid-up Capital = ₹ 30 crore

Free Reserves = ₹ 60 crore

Total = ₹ 90 crore

Maximum buyback allowed = 25% × ₹ 90 crore = ₹ 22.50 crore

However, Glory Limited proposed a buyback of ₹ 25 crore which exceeds the permissible limit of ₹ 22.50 crore. Therefore, the proposed buyback is not in compliance with the SEBI (Buy-Back of Securities) Regulations, 2018. The buy-back since not permissible, the limit with respect to Debt-Equity ratio is not required to be evaluated.

Answer 5(b)

(i) Calculation of the Total Net Assets of the Scheme:

Net Asset of the Scheme = Market value of investments + Receivables+ other accrued income + other assets – Accrued Expenses- Other Payables- Other Liabilities

Net Asset of the Scheme = ₹ 52,00,000 + ₹ 18,00,000 + ₹ 10,00,000 + ₹ 3,20,000 + ₹2,50,000 + ₹ 1,80,000 - ₹ 1,50,000 - ₹1,20,000 - ₹ 70,000 - ₹ 1,60,000

Total Net Asset of the Scheme = ₹ 82,50,000

(ii) Calculation of the Net Asset Value of the Scheme:

Units Outstanding at end of the year

Beginning units = 8,00,000

Units issued = 15,000

Units outstanding = 8,00,000 + 15,000 = 8,15,000 units

Net Asset Value (NAV)

NAV = Net Assets of the Scheme ÷ Number of Units Outstanding

NAV = ₹ 82,50,000 ÷ 8,15,000

NAV = ₹ 10.12 per unit

Answer 5(c)

Regulation 30 of the SEBI (Collective Investment Schemes) Regulations, 1999 ("CIS Regulations") states that no collective investment scheme shall be open for subscription for more than 15 days. However, collective investment scheme may be kept open for subscription for a maximum of another 15 days subject to issuance of public notice by the Collective Investment Management Company before the expiry of initial 15 days.

Further, Regulation 24(6) of the CIS Regulations stipulates that, each collective investment scheme shall immediately after the closure of the subscription list comply with the specified conditions including having minimum subscription amount of ₹ 20 crore and minimum 20 investors. Where the collective investment scheme fails to comply with this, Collective Investment Management Company shall be liable to refund the application money to the applicants.

In the given situation, Green Earth Plantation Limited has not complied with the provisions of the CIS Regulations, due to the following reasons:

(i) Closure of Subscription List

The offer document stated that the subscription list would remain open for 15 days, however the company closed it on the 10th day without proper justification or amendment. This is not in accordance with the CIS Regulations.

(ii) Minimum Subscription Requirement

As per CIS Regulations, the scheme must raise a minimum subscription of Rs.20 crore. The company collected only ₹ 14 crore, which is below the required amount.

(iii) Minimum Number of Investors

The scheme must also have at least 20 investors, but the company received applications from only 16 investors, which does not satisfy the requirement.

(iv) Utilization of Funds

When the minimum subscription or minimum number of investors is not achieved, the scheme cannot proceed and the company must refund the entire application money to the applicants.

Therefore, Green Earth Plantation Limited has violated the CIS Regulations by closing the subscription list before the offer period and proceeding with the scheme despite not meeting the minimum subscription (₹ 20 crore) and minimum investor requirement (20 investors). Therefore, the company must refund the collected funds to the investors.

Attempt all parts of either Q. No. 6 or Q. No. 6A

Question 6

Write short notes on the following :

(a) *Obligations of debenture trustees under Issue and listing of Non-convertible securities*

(b) *Discovered price under delisting of equity shares*

(c) *Prohibition of buy-back*

(d) *Disqualification from being appointed as Mutual Fund Trustees*

(e) *Periodic and continual disclosure as general obligation of Collective Investment Management Company*

(5×3=15 marks)

OR (Alternative question to Q. No. 6)

Question 6A

(i) *N, a newly appointed director of Newage Electronics Limited, a listed company with the National Stock Exchange. In his first Board meeting, there was an agenda item for Omnibus approval. He wanted to understand from you, being their Company Secretary, the provisions for approval of the same under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Explain.*

(5 marks)

(ii) *Star Limited, is a listed company with Innovators Growth Platform. In the recent past, it has made its initial public offer. However, in the forthcoming board meeting there is an agenda item for delisting of its equity shares. List down the compliances, required under Regulation 36 of the SEBI (Delisting of Equity Shares) Regulations, 2021 for delisting of equity shares.*

(5 marks)

(iii) *Growmore Mutual Fund is doing well in the capital market. However, one of its senior directors suggested that despite their fund schemes are doing good, still their operations carries various risks. Being the company secretary of Growmore Mutual Fund, list down the various risks the business may have.*

(5 marks)

Answer 6(a)

Obligations of debenture trustees under Regulation 24 of the SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021 are as under:

(a) The debenture trustee shall be vested with the requisite powers for protecting the interest of holders of debt securities including a right to appoint a nominee director on the Board of the issuer in consultation with holders of such debt securities and in accordance with applicable law.

(b) The debenture trustees shall supervise the implementation of the conditions regarding creation of security for the debt securities, creation of recovery expense fund and debenture redemption reserve, as applicable.

(c) The debenture trustee shall monitor the security cover in relation to secured debt securities in the manner as specified by the Board.

Answer 6(b)

"Discovered price" means the price discovered through reverse book building process in terms of Schedule II of the SEBI (Delisting of Equity Shares) Regulation 2021. Under Regulation 20 of the SEBI (Delisting of Equity Shares) Regulation 2021, after fixation of the floor price in terms of Regulation 19A, the discovered price shall be determined through the reverse book building process in the manner specified in Schedule II of these regulations, and shall be disclosed in the detailed public announcement and the letter of offer by the manager of the offer.

The acquirer shall have the option to provide an indicative price in respect of the delisting offer, which shall be higher than the floor price calculated in terms of Regulation 19A. The acquirer shall also have the option to revise the indicative price upwards before the start of the bidding period and the same shall be duly disclosed to the shareholders.

The acquirer may, if it deems fit, pay a price higher than the discovered price.

Answer 6(c)

Regulation 4(x) of the SEBI (Buy-Back of Securities) Regulation, 2018 stipulates that, the Company shall not directly or indirectly purchase its own shares or other specified securities:

a) through any subsidiary company including its own subsidiary companies;

b) through any investment company or group of investment companies; or

c) if a default is made by the company in the repayment of deposits accepted either before or after the commencement of the Companies Act, interest payment thereon, redemption of debentures or preference shares or payment of dividend to any shareholder, or repayment of any term loan or interest payable thereon to any financial institution or banking company.

However, the buy-back is not prohibited, if the default is remedied and a period of three years has lapsed after such default ceased to subsist.

Answer 6(d)

As per Regulation 16 of the SEBI (Mutual Funds) Regulations, 1996 a person shall not be eligible to be appointed as a trustee unless -

(i) he is a person of ability, integrity and standing; and

(ii) has not been found guilty of moral turpitude; and

(iii) has not been convicted of any economic offence or violation of any securities laws, and

(iv) has furnished particulars as specified in Form C.

This Regulation further states that,

(a) No asset management company and no director (including independent director), officer or employee of an asset management company shall be eligible to be appointed as a trustee of any mutual fund.

(b) No person who is appointed as a trustee of a mutual fund shall be eligible to be appointed as a trustee of any other mutual fund.

(c) Two-thirds of the trustees shall be independent persons and shall not be associated with the sponsors or be associated with them in any manner whatsoever.

(d) In case a company is appointed as a trustee then its directors can act as trustees of any other trust provided that the object of the trust is not in conflict with the object of the mutual fund.

(e) In case a company is appointed as the trustee of a mutual funds, the chairperson of the Board of directors of that trustee company shall be independent director.

Answer 6(e)

Regulation 48 of the SEBI (Collective Investment Schemes) Regulations, 1999 prescribed that the Collective Investment Management Company and the trustee, shall make such disclosures or submit such documents as they may be called upon by the SEBI to make or submit.

The Collective Investment Management Company on behalf of the collective investment scheme shall furnish the following periodic reports to the SEBI, namely:

(a) copies of the duly audited annual statements of account including the balance sheet and the profit and loss account in respect of each collective investment scheme, once a year;

(b) a copy of quarterly unaudited accounts;

(c) a quarterly statement of changes in net assets for each of the collective investment schemes.

Answer 6A(i)

As per Regulation 23(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity or its subsidiary subject to the following conditions:

(a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;

(b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

(c) the omnibus approval shall specify:

  (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;

  (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and

  (iii) such other conditions as the audit committee may deem fit.

However, where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity or its subsidiary pursuant to each of the omnibus approvals given.

(e) such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Answer 6A(ii)

Under Regulation 36(2) of the SEBI (Delisting of Equity Shares) Regulations, 2021, a company whose equity shares are listed and traded on the innovators growth platform pursuant to an initial public offer may be delisted from the innovators growth platform, if –

(a) such delisting is approved by the Board of Directors of the company;

(b) such delisting is approved by the shareholders of the company by a special resolution passed through postal ballot or e-voting, after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution. However, the special resolution shall be acted upon only if the votes cast by the majority of public shareholders are in favour of such exit proposal;

(c) delisting price is based on a floor price determined in terms of regulation 8 of Takeover Regulations, as may be applicable, and an additional delisting premium justified by the acquirer;

(d) the post offer shareholding of the acquirer along with the persons acting in concert with it, taken together with the shares tendered reaches 75% of the total issued shares of that class and at least 50% shares of the public shareholders as on date of the board meeting are tendered and accepted; and

(e) the recognised stock exchange, on which its shares are listed, approves of such delisting.

Therefore, Star Limited would be required to comply with the above conditions for delisting under the SEBI (Delisting of Equity Shares) Regulations, 2021.

Answer 6A(iii)

The fundamental reason which makes mutual fund risky lies in the fact that it puts money in a variety of investment instruments – debt, equity and corporate bonds, among others. Since the prices of these investment instruments tend to fluctuate in response to several factors, investors may be subjected to loss. In a broader sense, mutual fund risk can be categorized as– systematic risk and unsystematic risk. Following are the various risks the Mutual Fund business may have:

a) Volatility risk	Typically, equity-based funds invest in the shares of companies that are listed on stock exchanges. The value of such funds is based on companies' performance, which often gets affected due to the prevalent microeconomic factors.
b) Credit risk	Credit risk in mutual fund investment often results from a situation, wherein, the issuer of the scheme fails to pay the promised interest. In case of debt funds, typically, fund managers include investment-grade securities with high credit ratings.
c) Liquidity risk	Mutual funds with a long-term and rigid lock-in period like Equity-Linked Savings Scheme often come with liquidity risk. Such a risk signifies that investors often find it challenging to redeem their investments without incurring a loss.
d) Concentrated risk	This mutual fund risk is also prevalent among investors. It can be described as the situation when investors tend to put all their money into a single investment scheme or in one sector. For instance, investing entirely in just one company's stocks often bears a substantial risk of losing capital if caught amidst bad market situations.
e) Inflation risk	It can be best described as the risk of losing one's purchasing power, mainly due to the rising inflation rate. Typically, investors are exposed to the impact of this risk when the rate of returns earned on investments fails to keep up with the increasing inflationary rate.

Also, Mutual funds may face the following risks, leading to non-satisfactory performance:

1. Excessive diversification of portfolio, losing focus on the securities of the key segments.
2. Too much concentration on blue-chip securities.
3. Necessity to effect high turnover through liquidation of portfolio resulting in large payments of brokerage and commission.
4. Poor planning of investment returns.
5. Unresearched forecast on income, profits and Government policies.
6. Fund managers being unaccountable for poor results.
7. Failure to identify clearly the risk of the scheme as distinct from risk of the market.
8. Under performance in comparison to peers.

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ECONOMIC, COMMERCIAL & INTELLECTUAL PROPERTY LAWS

GROUP 2 PAPER 6

Time allowed : 3 hours **Maximum marks : 100**

Total number of questions : 6

NOTE : *Answer ALL questions.*

PART–I

Question 1

Sunshine Builders Pvt. Ltd. launched a residential project named Green Valley Residency in 2023 comprising 120 apartments on 2,000 sq. meters of land. The promoter started advertising the project through brochures and online portals, promising possession within 24 months and highlighting amentities such as a clubhouse and landscaped gardens.

The promoter accepted booking amounts up to 20% of the apartment cost from several buyers without executing a registered agreement for sale. Some buyers paid advances based solely on the advertisement and model flat displayed at the site office.

Sunshine Builders applied for registration of the project before the Real Estate Regulatory Authority (RERA) but failed to disclose certain pending litigation relating to the title of the land. The Authority did not communicate approval or rejection within 30 days. Meanwhile, the promoter continued construction and marketing activities.

After two years, the project remained incomplete and possession was delayed by 12 months beyond the promised date. Further, certain promised amenities were not constructed. Devendra, an allottee, decides to withdraw and seek refund, while another allottee, Surendra, wants possession along with compensation for delay. The promoter has also neither executed conveyance deeds nor handed over the common areas despite obtaining the occupancy certificate. Aggrieved allottees have now approached RERA seeking relief.

Based on above facts, answer the following under the Real Estate (Regulation and Development) Act, 2016 :

(a) *What is the legal effect if RERA neither grants nor rejects registration within 30 days ?*

(2 marks)

(b) *Is booking amount up to 20% of the apartment cost valid ? Give reason.*

(2 marks)

(c) *If the promoter provided false information regarding land title at the time of registration, what penalty may be imposed under Section 60 read with Section 4 ?*

(2 marks)

(d) What remedies are available to a buyer under Section 12 of the Act, if the advertisement, prospectus or model flat contains false or incorrect representations ?

(2 marks)

(e) If Devendra decides to withdraw due to delay in possession, what relief is available to him under Section 18(1) of the Act ?

(2 marks)

(f) If Surendra does not withdraw from the project and continues as an allottee, state the promoter's liability for delayed possession under Section 18(1) of the Act ?

(2 marks)

(g) What are the promoter's obligations regarding execution of conveyance deed and transfer of common areas under Section 17 of the Act ?

(3 marks)

Answer 1(a)

According to Section 5 of the Real Estate(Regulation and Development) Act, 2016, if the Authority fails to grant the registration or reject the application, the project shall be deemed to have been registered, and the Authority shall within a period of seven days of the expiry of the said period of thirty days, provide a registration number and a Login Id and password to the promoter for accessing the website of the Authority and to create his web page and to fill therein the details of the proposed project. The registration granted shall be valid for a period declared by the promoter for completion of the project or phase thereof, as the case may be.

Answer 1(b)

According to Section 13 of the Real Estate (Regulation and Development) Act, 2016, a promoter shall not accept a sum more than ten per cent of the cost of the apartment, plot, or building as the case may be, as an advance payment or an application fee, from a person without first entering into a written agreement for sale with such person and register the said agreement for sale, under any law for the time being in force.

Therefore, booking amount up to 20 % of the apartment cost is not valid.

Answer 1(c)

If any promoter provides false information or contravenes the provisions of section 4, he shall be liable to a penalty, under section 60 of the Act, which may extend up to five per cent of the estimated cost of the real estate project, as determined by the Authority.

Answer 1(d)

Section 12 of the Real Estate (Regulation and Development) Act, 2016 provides remedies to the buyer. Where any person makes an advance or a deposit on the basis of the information contained in the notice advertisement or prospectus, or on the basis of any model apartment, plot or building, as the case may be, and sustains any loss or damage by reason of any incorrect, false statement included therein, he shall be compensated by the promoter in the manner as provided under the Act.

If the person affected by such incorrect, false statement contained in the notice, advertisement or prospectus, or the model apartment, plot or building, as the case may be, intends to withdraw from the proposed project, he shall be returned his entire investment along with interest at such rate as may be prescribed and the compensation in the manner provided under the Act.

Answer 1(e)

Section 18(1) of the Real Estate (Regulation and Development) Act, 2016 provides that if the promoter fails to complete or is unable to give possession of an apartment, plot or building–

(a) in accordance with the terms of the agreement for sale or, as the case may be, duly completed by the date specified therein; or

(b) due to discontinuance of his business as a developer on account of suspension or revocation of the registration under this Act or for any other reason,

he shall be liable on demand to the allottees, in case the allottee wishes to withdraw from the project, without prejudice to any other remedy available, to return the amount received by him in respect of that apartment, plot, building, as the case may be, with interest at such rate as may be prescribed in this behalf including compensation in the manner as provided under this Act.

Therefore, Devendra will receive the amount paid by him along with interest at prescribed rate and compensation in prescribed manner if he chooses to withdraw from the project.

Answer 1(f)

Under Section 18(1) of the Real Estate (Regulation and Development) Act, 2016, where the allottee does not intend to withdraw from the project, the promoter shall pay interest for every month of delay till the handing over of possession, at such rate as may be prescribed.

Therefore, Surendra is entitled to receive interest for the period of delay until possession is delivered by the promotors.

Answer 1(g)

Under Section 17 of the Real Estate (Regulation and Development) Act, 2016, the promoter shall execute a registered conveyance deed in favour of the allottee along with the undivided proportionate title in the common areas to the association of the allottees or the competent authority, as the case may be, and hand over the physical possession of the plot, apartment of building, as the case may be, to the allottees and the common areas to the association of the allottees or the competent authority, as the case may be, in a real estate project, and the other title documents pertaining thereto within specified period as per sanctioned plans as provided under the local laws.

It may be noted that in the absence of any local law, conveyance deed in favour of the allottee or the association of the allottees or the competent authority, as the case may be, under this section shall be carried out by the promoter within three months from date of issue of occupancy certificate.

Question 2

(a) Refresh & Co. released an advertisement claiming its drink "instantly cures fatigue and boosts immunity by 200%." Joe, one of India's top social media influencers, also endorsed it as a healthy drink. Against this, complaints were filed with the Central Authority under the Consumer Protection Act, 2019. What directions and penalties can the Central Authority issue/impose against Refresh & Co. and Joe ?

(5 marks)

(b) Arjun Mehta purchased a house using proceeds of crime. The Enforcement Directorate attached the property under the Prevention of Money Laundering Act, 2002. During the pendency of proceedings, Arjun Mehta created a lease in favour of his friend and also mortgaged the house to a private lender. Later, the Special Court passed an order of confiscation under Section 8(5) of the Act. What will be the effect of confiscation on the lease and mortgage created by Arjun Mehta under Section 9 of the Prevention of Money Laundering Act, 2002 ? Will those rights survive after confiscation ?

(3+2=5 marks)

(c) ABC Global Media Ltd., a United Kingdom-based well-known daily newspaper, proposes to publish in India, (i) a scientific and technical journal and (ii) a facsimile edition of its foreign newspaper.

Examine the permissibility of each proposal under the Foreign Direct Investments Regulations and Policy for Print Media, specifying the applicable FDI cap, entry route, and mandatory conditions.

(5 marks)

Answer 2(a)

Section 21 of the Consumer Protection Act, 2019 provides that where the Central Authority is satisfied after investigation that any advertisement is false or misleading and is prejudicial to the interest of any consumer or is in contravention of consumer rights, it may, by order, issue directions to the concerned trader or manufacturer or endorser or advertiser or publisher, as the case may be, to discontinue such advertisement or to modify the same in such manner and within such time as may be specified in that order.

If the Central Authority is of the opinion that it is necessary to impose a penalty in respect of such false or misleading advertisement, by a manufacturer or an endorser, it may, by order, impose on manufacturer or endorser a penalty which may extend to ten lakh rupees. The Central Authority may, for every subsequent contravention by a manufacturer or endorser, impose a penalty, which may extend to fifty lakh rupees.

Where the Central Authority deems it necessary, it may, by order, prohibit the endorser of a false or misleading advertisement from making endorsement of any product or service for a period which may extend to one year. Central Authority may, for every subsequent contravention, prohibit such endorser from making endorsement in respect of any product or service for a period which may extend to three years.

Where the Central Authority is satisfied after investigation that any person is found to publish, or is a party to the publication of, a misleading advertisement, it may impose on such person a penalty which may extend to ten lakh rupees.

In view of the above provision, Refresh & Co. and Joe may be imposed penalty of Rs. 10 lakhs (first contravention) and asked to discontinue such advertisement/endorsement. Joe, being endorser, may be prohibited from endorsement of any product/ service as stated above.

Answer 2(b)

Section 9 of the Prevention of Money Laundering Act, 2002 provides that where an order of confiscation has been made under sub-section (5) or sub-section (7) of section 8 or section 58B or sub-section (2A) of section 60 in respect of any property of a person, all the rights and title in such property shall vest absolutely in the Central Government free from all encumbrances: Where the Special Court or the Adjudicating Authority, as the case may be, after giving an opportunity of being heard to any other person interested in the property attached under this Chapter, or seized or frozen under Chapter V, is of the opinion that any encumbrance on the property or lease-hold interest has been created with a view to defeat the provisions of this Chapter, it may, by order, declare such encumbrance or lease-hold interest to be void and thereupon the aforesaid property shall vest in the Central Government free from such encumbrances or lease-hold interest.

It may be noted that nothing in this section shall operate to discharge any person from any liability in respect of such encumbrances which may be enforced against such person by a suit for damages.

In the present case, the property was confiscated under Section 8(5) of the PMLA. Once confiscation is ordered, the property vests absolutely in the Central Government free from all encumbrances. If the lease and mortgage were created after attachment and with the intention to defeat the proceedings under PMLA, the Special Court can declare them void.

Therefore, the lease in favour of the friend and the mortgage in favour of the lender will not survive after confiscation. The Central Government will obtain full and clear title over the property.

Answer 2(c)

Sector/Activity	**% of Equity/ FDI Cap**	**Entry Route**
Publishing/printing of scientific and technical magazines/specialty journals/ periodicals, subject to compliance with the legal framework as applicable and guidelines	100%	Government

issued in this regard from time to time by Ministry of Information and Broadcasting		
Publication of facsimile edition of foreign newspapers	100%	Government

Other Conditions:

(i) FDI should be made by the owner of the original foreign newspapers whose facsimile edition is proposed to be published in India.

(ii) Publication of facsimile edition of foreign newspapers can be undertaken only by an entity incorporated or registered in India under the provisions of the Companies Act, as applicable.

(iii) Publication of facsimile edition of foreign newspaper would also be subject to the Guidelines for publication of newspapers and periodicals dealing with news and current affairs and publication of facsimile edition of foreign newspapers issued by Ministry of Information & Broadcasting on 31.3.2006. as amended from time to time.

Question 3

(a) *Arvind Mehra, an Indian exporter of readymade garments, returns to India from Italy after attending an international trade fair. While returning, he carries in his passenger baggage certain items including :*

- *Imported price tags, designer labels and embellishments required for his export orders.*
- *Two prototype fashion accessories purchased abroad for product development as he is actual user.*
- *A restricted electronic gadget as a gift for his cousin in India.*

At the Customs counter, he claims that since all goods are part of his passenger baggage and some are for business purposes, no authorisation is required under the Foreign Trade Policy (FTP). In the above circumstances, examine whether Arvind Mehra can import all the above items without authrorisation under the Foreign Trade Policy provisions.

(2+2+1=5 marks)

(b) *M/s. Green Textiles Pvt. Ltd. is a unit established in a notified Special Economic Zone (SEZ) for manufacturing eco-friendly fabrics exclusively for export. The company imported raw materials without payment of customs duty for its authorised operations in the SEZ. After two years, due to financial difficulties, the company transferred a portion of the imported duty-free raw materials to its sister concern located in the Domestic Tariff Area (DTA), without obtaining permission from the competent authority. The company argues that since both entities belong to the same corporate group and the goods were originally imported lawfully, no violation of the SEZ Act has occurred. Examine the legality of the company's action with reference to Sections 30 and 53 of the Special Economic Zones Act, 2005. Also explain the meaning of Special Economic Zone (SEZ).*

(4+1=5 marks)

(c) *Ananya Rao is a senior officer working in a Government-owned company. She was invited by a Canadian organisation to attend and speak at a conference in Canada.*

The organisation offered to pay for her flight, hotel stay and other expenses. She accepted the offer without taking permission from the Central Government. She says the visit was in her personal capacity and not related to her official work. After returning to India, she did not inform the Government about the hospitality she received. In this situation answer the following with reason :

(i) *Whether she was required to take prior permission under the Foreign Contribution (Regulation) Act, 2010.*

(ii) *Whether saying that the visit was in her personal capacity excuses her from the legal requirement.*

(3+2=5 marks)

Answer 3(a)

- **Price tags, designer labels and embellishments**

  Under the Foreign Trade Policy, Exporters coming from abroad are allowed to import drawings, patterns, labels, price tags, buttons, belts, trimming and embellishments required for export, as part of their passenger baggage, without an authorization subject to value limit as laid down in FTP or as per the relevant Customs notification(s) in this regard.

  In the present case, Arvind Mehra is an exporter of readymade garments and the imported price tags, designer labels and embellishments are required for fulfilling export orders. Therefore, their import as passenger baggage without Authorisation is permissible, subject to compliance with value limits and Baggage Rules.

- **Prototype fashion accessories**

  Import of new / second hand prototypes / second hand samples may be allowed on payment of duty without an Authorisation to an Actual User (industrial) engaged in production of or having industrial license / letter of intent for research in item for which prototype is sought for product development or research, as the case may be, upon a self-declaration to that effect, to the satisfaction of Customs authorities.

  Arvind Mehra is an Actual User (Industrial) engaged in manufacturing garments and imports the prototypes for product development in his own unit, the import may be allowed without Authorisation upon self-declaration and payment of duty.

- **Restricted electronic gadget as a gift**

  The FTP clearly states that any item whose import policy is “restricted” is not permitted as part of passenger baggage without a valid Authorisation issued by DGFT.

Since the electronic gadget is a restricted item, it cannot be imported as passenger baggage without Authorisation, even if intended as a gift. Therefore, Arvind Mehra cannot import the restricted electronic gadget without obtaining a valid Authorisation.

Answer 3(b)

Section 30 of the Special Economic Zones Act, 2005 provides that any goods removed from a Special Economic Zone to the Domestic Tariff Area be chargeable to duties of customs including anti-dumping, countervailing and safeguard duties under the Customs Tariff Act, 1975, where applicable, as leviable on such goods when imported. This section further provides that the rate of duty and tariff valuation, if any, applicable to goods removed from a Special Economic Zone shall be at the rate and tariff valuation in force as on the date of such removal, and where such date is not ascertainable, on the date of payment of duty. This section empowers the Central Government to make rules specifying conditions in this regard.

Section 53 provides that a Special Economic Zone, on and from the appointed day, be deemed to be a territory outside the customs territory of India for the purposes of undertaking the authorised operations.

In the present case, M/S Green Textiles Pvt. Ltd. imported raw materials duty-free under the benefit available to SEZ units. However, by transferring part of those materials to its sister concern in the DTA, the company effectively removed goods from SEZ to DTA. Under Section 30, such removal attracts customs duty. The fact that both companies belong to the same corporate group is irrelevant because SEZ and DTA are treated as separate territories under Section 53. Accordingly, the company's action is not legally valid. The transferred goods are liable to customs duties, and the company may face further consequences under the SEZ Act, 2005.

Special Economic Zone (SEZ) is a specifically delineated duty-free enclave and shall be deemed to be territory outside the customs territory of Indiafor the purposes of authorised trade operations and duties and tariffs, subject to regulatory control.

Answer 3(c)

(i) Section 6 of the Foreign Contribution (Regulation) Act, 2010 provides that no member of a Legislature or office-bearer of a political party or Judge or Government servant or employee of any corporation or any other body owned or controlled by the Government shall, while visiting any country or territory outside India, accept, except with the prior permission of the Central Government foreign hospitality. Foreign hospitality includes travel, accommodation, transport, boarding, lodging or any other hospitality provided by a foreign source.

In the present situation, Ms. Rao is a senior officer in a Public Sector Undertaking wholly owned by the Government. Therefore, she falls within the category of persons covered under Section 6. The airfare, hotel stay, and other expenses paid by the Canadian organisation constitute "foreign hospitality" under the Act. Hence, she was legally required to obtain prior permission from the Central Government before accepting such hospitality. Her failure to do so amounts to contravention of Section 6.

(ii) Section 6 does not distinguish between official and personal visits. The restriction applies based on the status of the person (e.g., Government servant or employee of a Government controlled body), not on the purpose of the visit.

In the given situation, Ms. Rao's argument that the visit was in her personal capacity is not legally valid. The statutory requirement is triggered by her position as an employee of a Government owned corporation. Therefore, irrespective of whether the visit was personal or official, prior permission was mandatory.

Accordingly, her acceptance of foreign hospitality without permission violates Section 6 of the FCRA, 2010.

Attempt all parts of either Q. No. 4 or Q. No. 4A

Question 4

(a) Rohit, a resident individual in India, remitted USD 1,80,000 in June 2025 towards his daughter's tuition fees in Canada under the Liberalised Remittance Scheme (LRS). In September 2025, he remitted USD 40,000 towards maintenance expenses for his son studying in Australia. In January 2026, Rohit proposes to remit USD 60,000 as a gift to his brother residing in the United States.

The Authorised Dealer (AD) bank refuses to process the last remittance without perior approval of the Reserve Bank of India (RBI). Rohit argues that each remittance falls under a separate permissible category (studies abroad, maintenance of relatives abroad and gift) and therefore each should independently qualify up to USD 2,50,000. Advise whether the AD bank is correct in refusing the remittance. Give reasons with reference to the Liberalised Remittance Scheme provisions under the Foreign Exchange Management Act, 1999.

(5 marks)

(b) Explain the reporting requirements for Overseas Direct Investment (ODI) and Overseas Portfolio Investment (OPI) by a person resident in India.

(5 marks)

(c) State the composition of the Competition Commission of India and the term of office of its Chairperson and other Members under Sections 8 and 9 of the Competition Act, 2002.

(5 marks)

OR (Alternative question to Q. No. 4)

Question 4A

(i) What is meaning of "remittance of assets" ? Explain the provisions relating to remittance of assets by individuals other than NRIs/PIOs under the Foreign Exchange Management Act, 1999.

(ii) Discuss the powers of Director or Controller in respect of inspection and seizure under section 15 of the Legal Metrology Act, 2009.

(iii) Discuss the jurisdiction of the National Consumer Disputes Redressal Commission under Section 58 of the Consumer Protection Act, 2019.

(5 marks each)

Answer 4(a)

Under the Liberalised Remittance Scheme (LRS), Authorised Dealers may freely allow remittances by resident individuals up to USD 2, 50,000 per Financial Year (April-March) for any permitted current or capital account transaction or a combination of both.

The limit of USD 2,50,000 per Financial Year (FY) under the Scheme also includes/subsumes remittances for current account transactions (viz. private visit; gift/donation; going abroad on employment; emigration; maintenance of relatives abroad; business trip; medical treatment abroad; studies abroad) available to resident individuals. Release of foreign exchange exceeding USD 2,50,000, requires prior permission from the Reserve Bank of India.

In the present case, Rohit has already remitted USD 1,80,000 towards tuition fees and USD 40,000 towards maintenance of his son abroad, making a total remittance of USD 2,20,000 during the Financial Year. Therefore, the remaining balance available to him under the LRS is USD 30,000 out of the prescribed limit of USD 2,50,000. If Rohit now remits USD 60,000 as a gift, his total remittances for the Financial Year would amount to USD 2,80,000, which exceeds the permissible limit of USD 2,50,000 under the Scheme.

The scheme specifically provides that release of foreign exchange exceeding USD 2,50,000 requires prior permission of the Reserve Bank of India. Rohit's contention that each category has a separate limit is incorrect. The limit is aggregate per Financial Year, irrespective of the number or nature of transactions, whether current account or capital account, or a combination thereof.

Therefore, the Authorised Dealer bank is correct in refusing to process the remittance of USD 60,000 without prior approval of the RBI. Rohit may remit only USD 30,000 within the LRS limit during the relevant Financial Year, and for any amount exceeding that, he must obtain prior permission from the Reserve Bank of India.

Answer 4(b)

All reporting with respect to overseas investment by a person resident in India shall be made through the designated AD bank in the prescribed manner and in the format provided by the Reserve Bank.

A person resident in India who has made ODI or making financial commitment or undertaking disinvestment in a foreign entity shall report the following, namely:

(a) financial commitment, whether it is reckoned towards the financial commitment limit or not, at the time of sending outward remittance or making a financial commitment, whichever is earlier;

(b) disinvestment within thirty days of receipt of disinvestment proceeds;

(c) restructuring within thirty days from the date of such restructuring.

A person resident in India other than a resident individual making any Overseas Portfolio Investment (OPI) or transferring such OPI by way of sale shall report such investment or transfer of investment within sixty days from the end of the half-year in which such investment or transfer is made as of September or March-end.

Provided that in case of OPI by way of acquisition of shares or interest under Employee Stock Ownership Plan or Employee Benefits Scheme, the reporting shall be done by the office in India or branch of an overseas entity or a subsidiary in India of an overseas entity or the Indian entity in which the overseas entity has direct or indirect equity holding where the resident individual is an employee or director.

Any acquisition of foreign securities through conversion of Indian Depository Receipts (IDRs) shall be duly reported as ODI or OPI, as applicable.

The Annual Performance Report (APR) shall be certified by a chartered accountant where the statutory audit is not applicable, including in case of resident individuals. It is also clarified that where APR is required to be filed jointly, either one investor may be authorised by other investors for filing APR, or such persons may jointly file the APR.

Answer 4(c)

Composition of Commission

According to Section 8 of the Competition Act, 2002 the Competition Commission of India shall consist of a Chairperson and not less than two and not more than six other Members to be appointed by the Central Government.

The Chairperson and every other Member shall be a person of ability, integrity and standing and who has special knowledge of, and such professional experience of not less than fifteen years in, international trade, economics, business, commerce, law, finance, accountancy, management, industry, technology, public affairs or competition matters, including competition law and policy, which in the opinion of the Central Government, may be useful to the Commission.

The Chairperson and other Members shall be whole-time Members.

Term of Office of Chairperson and other Members

Section 10 of the Competition Act states that the Chairperson and every other Member shall hold office as such for a term of five years from the date on which he enters upon his office and shall be eligible for re-appointment:

Provided that the Chairperson or other Members shall not hold office as such after he has attained the age of sixty-five years.

A vacancy caused by the resignation or removal of the Chairperson or any other Member under section 11 of the Act or by death or otherwise shall be filled by fresh appointment in accordance with the provisions of sections 8 and 9.

The Chairperson and every other Member shall, before entering upon his office, make and subscribe to an oath of office and of secrecy in such form, manner and before such authority, as may be prescribed.

In the event of the occurrence of a vacancy in the office of the Chairperson by reason of his death, resignation or otherwise, the senior-most Member shall act as the Chairperson, until the date on which a new Chairperson, appointed in accordance with the provisions of this Act to fill such vacancy, enters upon his office.

When the Chairperson is unable to discharge his functions owing to absence, illness or any other cause, the senior-most Member shall discharge the functions of the Chairperson until the date on which the Chairperson resumes the charge of his functions.

Answer 4A(i)

'Remittance of assets' means remittance outside India of funds in a deposit with a bank/ firm/ company, provident fund balance or superannuation benefits, amount of claim or maturity proceeds of insurance policy, sale proceeds of shares, securities, immovable property or any other asset held in India in accordance with the provisions of the Foreign Exchange Management Act, 1999 (FEMA) or Rules/ Regulations made there under.

Authorised Dealer (AD) may allow remittance of assets by a foreign national where:

(i) The person has retired from employment in India;

(ii) The person has inherited from a person referred to in section 6(5) of the Act;

(iii) The person is a non-resident widow/widower and has inherited assets from her/his deceased spouse who was an Indian national resident in India;

The remittance should not exceed USD one million per financial year. This limit, however, will not cover sale proceeds of assets held on repatriation basis. In case the remittance is made in more than one instalment, the remittance of all instalments should be made through the same AD on submission of documentary evidence;

(iv) The remittance is in respect of balances held in a bank account by a foreign student who has completed his/ her studies, provided such balance represents proceeds of remittances received from abroad through normal banking channels or rupee proceeds of foreign exchange brought by such person and sold to an authorised dealer or out of stipend/ scholarship received from the Government or any organisation in India.

Answer 4A(ii)

Section 15 of the Legal Metrology Act, 2009 confer powers of inspection on the Director, Controller or any legal metrology officer may, if he has any reason to believe, whether from any information given to him by any person and taken down in writing or from personal knowledge or otherwise, that any weight or measure or other goods in relation to which any trade and commerce has taken place or is intended to take place and in respect of which an offence punishable under this Act appears to have been, or is likely to be, committed are either kept or concealed in any premises or are in the course of transportation.

The powers include entry at any reasonable time into any such premises and search for and inspect any weight, measure or other goods in relation to which trade and commerce has taken place, or is intended to take place and any record, register or other document relating thereto. The power also include seizure of any weight, measure or other goods and any record, register or other document or article which he has reason to believe may furnish evidence indicating that an offence punishable under the Act has been, or is likely to be, committed in the course of or in relation to, any trade and commerce.

Where any goods seized are subject to speedy or natural decay, the Director, Controller or legal metrology officer may dispose of such goods in such manner as may be prescribed. Every search or seizure made under this section shall be carried out in accordance with the provisions of the Code of Criminal Procedure, 1973, relating to searches and seizures.

Answer 4A(iii)

Section 58(1) of the Consumer Protection Act, 2019 provides that subject to the other provisions of this Act, the National Commission shall have jurisdiction –

(a) to entertain –

  (i) Complaints where the value of the goods or services paid as consideration exceeds rupees ten crore. Further, where the Central Government deems it necessary so to do, it may prescribe such other value, as it deems fit;

  (ii) Complaints against unfair contracts, where the value of goods or services paid as consideration exceeds ten crore rupees;

  (iii) Appeals against the orders of any State Commission;

  (iv) Appeals against the orders of the Central Authority; and

(b) to call for the records and pass appropriate orders in any consumer dispute which is pending before or has been decided by any State Commission where it appears to the National Commission that such State Commission has exercised a jurisdiction not vested in it by law, or has failed to exercise a jurisdiction so vested, or has acted in the exercise of its jurisdiction illegally or with material irregularity.

According to Section 58(2), the jurisdiction, powers and authority of the National Commission may be exercised by Benches thereof and a Bench may be constituted by the President with one or more members as he may deem fit. The senior-most member of the Bench shall preside over the Bench.

Section 58(3) states that where the members of a Bench differ in opinion on any point, the points shall be decided according to the opinion of the majority, if there is a majority, but if the members are equally divided, they shall state the point or points on which they differ, and make a reference to the President who shall either hear the point or points himself or refer the case for hearing on such point or points by one or more of the other members and such point or points shall be decided according to the opinion of the majority of the members who have heard the case, including those who first heard it. The President or the other member, as the case may be, shall give opinion on the point or points so referred within a period of two months from the date of such reference.

PART-II

Question 5

(a) Arjun is a well-known writer. In 2015, he wrote an original novel titled "The Silent River". The book was first published in India in 2016. In 2018, a film company called Meera Films Pvt. Ltd. took written permission from Arjun to make a movie based on his novel. However, their agreement did not clearly mention satellite broadcasting rights (such as showing the film on television).

In 2023, another producer released a film titled "Quiet Waters". Arjun claims that this new film is very similar to his novel. According to him, not only the main idea but also the storyline, characters and sequence of events have been copied.

Further, a broadcasting company telecast the film made by Meera Films but did not pay any royalty to Arjun. The company claims that it has legal rights to broadcast the film. In fact, Arjun had not registered his copyright. The defendants argue that because the work was not registered, Arjun cannot file a copyright infringement case. Arjun wants to file suit seeking relief for copyright infringement.

Based on above facts, answer the following with legal provision of Copyright Act, 1957 :

(i) What is Copyright ?

(2 marks)

(ii) Whether copying the storyline and sequence of events in the film "Quiet Waters" amounts to copyright infringement ?

(2 marks)

(iii) Whether registration of copyright is mandatory before filing an infringement suit ?

(2 marks)

(iv) Whether Arjun, as the author of the novel, has moral rights even after assigning adaptation rights ?

(2 marks)

(v) Before which Court can Arjun seek remedy under the Copyright Act, 1957 ?

(2 marks)

(b) BrightGlow Cosmetics Pvt. Ltd. has been making and selling herbal cosmetic products under the brand name "NATURAGLOW" since 2015. They have registered this name under the Trade Marks Act, 1999 for their cosmetic products. Over the years, they have spent a lot of money on advertising and their brand has become well-known and popular among customers.

In 2023, another company called NaturalGlow Herbals Pvt. Ltd. started selling similar cosmetic products using the mark "NATURAGLO". They also copied the same colour combination and packaging style. BrightGlow claims that the new mark is very similar to *their own and will confuse customers. They also say that NaturalGlow is violating their trademark by using a similar name in their company.*

NaturalGlow defended itself by arguing that the words "Natura" and "Glow" are common words used in the cosmetics industry and cannot be owned by one company. They also said that there was no real chance of confusion among buyers.

Meanwhile, BrightGlow applied for registration of a new logo. The Registrar raised objections under Section 9 on the ground that the mark lacked distinctiveness. However, the mark was later advertised. Within the prescribed period, a third party filed a notice of opposition against the registration.

BrightGlow has now filed a suit for infringement and passing off against NaturalGlow.

Based on above facts, answer the following questions with legal provision in reference to Trade Marks Act, 1999.

(i) Whether "NATURAGLO" can be considered deceptively similar to "NATURAGLOW" ?

(2 marks)

(ii) What is the purpose of advertisement of BrightGlow's mark ?

(2 marks)

(iii) If the marks and goods are identical, what presumption will the Court make regarding confusion ?

(2 marks)

(iv) What benefits does BrightGlow acquire by registration of its trademark under the Trade Marks Act, 1999 ?

(2 marks)

(v) Can the use of "NATURAGLO" as part of a corporate name amount to infringement ?

(2 marks)

Answer 5(a)(i)

Copyright (or author's right) is a legal term used to describe the rights that creators have over their literary and artistic works. Works covered by copyright range from books, music, paintings, sculpture, and films, to computer programs, databases, advertisements, maps, and technical drawings.

Answer 5(a)(ii)

As the Rule laid down in *R.G. Anand v. Deluxe Films*, copyright does not subsist in an idea, theme, or plot, but in the form, manner, arrangement, and expression of the idea. If the expression is substantially copied, it amounts to infringement.

There can be no copyright in an idea, subject-matter, themes, plots or historical or legendary facts and violation of the copyright in such cases is confined to the form, manner and arrangement and expression of the idea by the author of the copyrighted work.

In this case, Arjun alleges that not only the idea but also the storyline, characters, and sequence of events have been copied. Therefore, if substantial expression is proved to be copied, it would amount to copyright infringement.

Answer 5(a)(iii)

The mechanism of registration of copyright has been contemplated under Section 44 of the Copyright Act. It is evident from the provisions of the aforesaid section that registration of the work under the Copyright Act is not compulsory and is not a condition precedent for maintaining a suit for damages, if somebody infringes the copyright.

Sections 44 and 45 of the Copyright Act are only enabling provisions and do not affect the common law right to sue for infringement of copyright. An action for infringement can be brought even if the registration has not been done. The only effect of registration is that it is the prima facie evidence of the particulars entered in the register.

Section 45 of the Act clearly mentions that the author or publisher of, or the owner of or other person interested in the Copyright in, any Work may make an application in the prescribed form accompanied by the prescribed fee to the registrar of Copyrights. The use of word "may" clearly indicate that the author is at the discretionary liberty to apply for registration of Copyrights.

In this case, Arjun has not registered his copyright. He can still file and maintain a suit for infringement despite non-registration.

Answer 5(a)(iv)

Section 57 of the Copyright Act, 1957 provides for Author's Special Rights (Moral Rights). Independently of the author's copyright and even after the assignment either wholly or partially of the said copyright, the author of a work has the right to claim authorship of the work and to restrain or claim damages in respect of any distortion, mutilation, modification or other acts in relation to the said work which is done before the expiration of the term of copyright if such distortion, mutilation, modification or other act would be prejudicial to his honour or reputation. Moral rights are available to the authors even after the economic rights are assigned.

In the present case, Arjun assigned adaptation rights for making a film. Therefore, he still retains moral rights and can object if his work is distorted in a manner harmful to his reputation.

Answer 5(a)(v)

According to Section 19A of the Copyright Act, if any dispute arises with respect to the assignment of any copyright, the Commercial Court may, on receipt of a complaint from the aggrieved party and after holding such inquiry as it considers necessary, pass such order as it may deem fit including an order for the recovery of any royalty payable. Further, the chapter explains that complaints regarding revocation of assignment and related disputes are dealt with by the Commercial Court.

In the present case, Arjun can seek remedy before the Commercial Court.

Answer 5(b)(i)

Under Section 2(1)(h) of the Trade Marks Act, 1999, a mark shall be deemed to be deceptively similar to another mark if it so nearly resembles that other mark as to be likely to deceive or cause confusion.

The marks "NATURAGLOW" and "NATURAGLO" are phonetically and visually similar. The difference in spacing or minor variation does not materially distinguish the marks. Since both are used in respect of similar cosmetic goods, likelihood of confusion among consumers is probable. Therefore, the defendant's mark may be held deceptively similar.

Answer to Question No. 5(b)(ii)

According to Section 20 of the Trade Marks Act, 1999, once the Registrar for registration has accepted the application, he shall get the application advertised in the prescribed manner after acceptance.

However, the application shall be advertised before acceptance if the application is related to a trademark to which Section 9(1) and Section 11(1) & (2) apply or in any other case as it seems expedient to the Registrar.

The purpose of advertisement is to give information to the public at large in respect of the trademark advertised and afford an opportunity to oppose the registration of the mark on given grounds.

Answer 5(b)(iii)

In the case of *Renaissance Hotel Holdings Inc. vs. B. Vijaya Sai and Ors.,* the Hon'ble Supreme Court of India observed that under Section 29(3), where the defendant's mark is identical to the registered trademark; and the goods or services are identical, the Court shall presume that such use is likely to cause confusion on the part of the public. In such cases, actual proof of confusion is not required.

Answer 5(b)(iv)

According to section 28 of the Trademark Act, 1999, the registration of a trademark confers upon the owner the exclusive right to the use the trademark in relation to the goods or services in respect of which the mark is registered and to indicate so by using the symbol (R), and seek the relief of infringement in appropriate courts in the country. The exclusive right is however subject to any conditions entered on the register such as limitation of area of use etc.

Also, where two or more persons have registered identical or nearly similar marks due to special circumstances, such exclusive right does not operate against each other.

Answer 5(b)(v)

According to Section 29(5) of the Trade Marks Act, a registered trade mark is infringed by a person if he uses such registered trade mark, as his trade name or part of his trade name, or name of his business concern or part of the name, of his business concern dealing in goods or services in respect of which the trade mark is registered.

Thus, use of "NATURAGLO" as part of a corporate name amounts to infringement.

Attempt all parts of either Q. No.6 or Q. No.6A

Question 6

(a) *An Indian scientist Dr. Mehta, working in a private research laboratory in India, developed a new chemical process for manufacturing a pharmaceutical compound. Dr. Mehta directly filed a patent application for the invention in the United States. Later, it came to the notice of the Indian Patent Office that the invention had been developed in India and that the application was first filed abroad. Discuss whether Dr. Mehta can validly file a patent application outside India under Section 39 of the Patents Act, 1970.*

(5 marks)

(b) *The "Mewar Marble Association", consisting of marble quarry owners from the Udaipur region of Rajasthan, applies for registration of the name "Mewar Marble" as a Geographical Indication. They claim that the marble extracted from this region is famous for its unique white texture, durability and traditional mining techniques, which are essentially attributable to the geographical conditions of the area. Whether the name "Mewar Marble" can be registered as a Geographical Indication as per Geographical Indications of Goods (Registration and Protection) Act, 1999 ?*

(5 marks)

(c) *Elegant Furniture Pvt. Ltd. created a new ornamental design for a dining chair and obtained registration of the design under the Designs Act, 2000 on 1 January 2015. As the registered proprietor, the company enjoyed exclusive rights over the design.*

- *What is the duration of copyright in a registered design under the Act ?*
- *What legal requirement must Elegant Furniture Pvt. Ltd. fulfil to extend this period and for what further period can the copyright be extended ?*
- *On what grounds can the registered design be cancelled under Section 19 of the Act ?*

(1+2+2 = 5 marks)

(d) *Nature Fresh Pvt. Ltd. obtained registration of the trade mark "GREENBITE" in 2016 for packaged fruit juices. However, after registration, the company did not start production or sale of fruit juices under the said trade mark for several years. In 2023, another company Healthy Drinks Ltd. applied to the Registrar for removal of the trade mark "GREENBITE"*

from the register, claiming that the mark had not been used for more than five years from the date of its registration. Nature Fresh Pvt. Ltd. argued that the non-use of the mark was due to government restrictions on the import of certain ingredients required for manufacturing the product, which prevented them from using the mark.

State the provision relating to Removal of Trade Mark for Non-use. Discuss whether the non-use of the trade mark by Nature Fresh Pvt. Ltd. can be justified on the ground of special circumstances in trade under Section 47(3) of the Trade Marks Act, 1999.

(3+2=5 marks)

OR (Alternative question to Q. No. 6)

Question 6A

(i) *What is the tort of passing off in relation to unregistered trademarks ? What are the essential elements that a plaintiff must establish in an action for passing off ?*

(2+3=5 marks)

(ii) *What is meant by copyright under Section 14 of the Copyright Act, 1957 in relation to a computer programme and an artistic work ?*

(5 marks)

(iii) *Explain the essential requirements for the registration of a 'Design' under the Designs Act, 2000.*

(5 marks)

(iv) *Explain the term "Industrial Property" under Intellectual Property Rights ?*

(5 marks)

Answer 6(a)

Section 39 of the of the Patents Act, 1970 provides that no person resident in India shall, except under the authority of a written permit sought in the prescribed manner and granted by or on behalf of the Controller, make or cause to be made any application outside India for the grant of a patent for an invention unless an application for a patent for the same invention has been made in India, not less than six weeks before the application outside India and either no direction has been given under of section 35(1) in relation to the application in India, or all such directions have been revoked.

In the present case, Dr. Mehta neither filed a patent application for the same invention in India and waited for the expiry of six weeks, nor obtained prior permission from the Controller of Patents to file the application abroad. Therefore, his action is contrary to the requirements of Section 39 of the Patents Act, 1970.

Therefore, Dr. Mehta cannot validly file a patent application outside India without first filing in India or obtaining prior permission from the Controller, and his action is in violation of Section 39 of the Patents Act, 1970.

Answer 6(b)

Under Section 2(e) of the Geographical Indications of Goods (Registration and Protection) Act, 1999, a Geographical indication in relation to goods means an indication which identifies such goods as agricultural goods, natural goods or manufactured goods as originating, or manufactured in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristic of such goods is essentially attributable to its geographical origin and in case where such goods are manufactured goods one of the activities of either the production or of processing or preparation of the goods concerned takes place in such territory, region or locality, as the case may be.

It may be noted that any name which is not the name of a country, region or locality of that country shall also be considered as the geographical indication if it relates to a specific geographical area and is used upon or in relation to particular goods originating from that country, region or locality, as the case may be.

In the present case, the Mewar Marble Association has applied for registration of "Mewar Marble", which clearly indicates that the marble originates from the Mewar region of Rajasthan. The marble is claimed to have unique texture, durability and characteristics that are attributable to the geographical conditions and traditional mining methods of the region. Therefore, the indication directly relates the goods to a specific geographical area and its special qualities. Hence, "Mewar Marble" can be registered as a Geographical Indication, as it satisfies the requirements of the Act.

Answer 6(c)

- Under Section 11(1) of the Designs Act, 2000, when a design is registered, the registered proprietor shall have copyright in the design for a period of ten years from the date of registration**.** In the present case, Elegant Furniture Pvt. Ltd. obtained registration of the design on 1 January 2015. Therefore, the company will have copyright in the design for ten years, i.e., up to 31st December 2025**.**

- According to Section 11(2) of the Designs Act, 2000, if the registered proprietor applies to the Controller in the prescribed manner and pays the prescribed fee before the expiry of the initial ten years, the Controller may extend the copyright for a further period of five years**.** Thus, the copyright in the registered design initially lasts for 10 years from the date of registration. If the prescribed application and fee are submitted before expiry, the period may be extended for an additional 5 years**,** making the maximum protection period 15 years**.**

- Under Section 19 of the Designs Act, 2000, any person interested may present a petition for the cancellation of the registration of a design at any time after the registration of the design, to the Controller on any of the following grounds, namely:**—**

    (a) that the design has been previously registered in India; or

    (b) that it has been published in India or in any other country prior to the date of registration; or

    (c) that the design is not a new or original design; or

(d) that the design is not registrable under this Act; or

(e) that it is not a design as defined under clause (d) of section 2

Answer 6(d)

Section 47 of the Trade Marks Act 1999 deals with removal of a trade mark from the register on the ground of non-use and provides that a trade mark which is not used within five years of its registration, becomes liable for removal either completely or in respect of those goods or services for which the mark has not been used. The five years period starts from the date on which the trade mark is actually entered on the register.

However, Section 47(3) protects a mark from being removed from the register on ground of non-use if such non-use is shown to have been due to special circumstances in the trade which may include restriction imposed by any law or regulation on the use of trade mark in India and not to any intention to abandon or not to use the trade mark in relation to the goods or services to which the application relates.

In the present case, the trade mark "GREENBITE" was registered in 2016, and more than five years have elapsed without use of the mark, making it liable to be removed from the register on the ground of non-use. However, Nature Fresh Pvt. Ltd. contends that the non-use occurred due to government restrictions on the import of certain ingredients required for manufacturing the fruit juices If these restrictions prevented the company from producing the goods and using the trade mark, it may constitute special circumstances in trade.

Therefore, if Nature Fresh Pvt. Ltd. proves that the non-use of the trade mark was due to government restrictions and not due to an intention to abandon the mark, the non-use may be justified under Section 47(3) and the trade mark may not be removed from the register.

Answer 6A(i)

With the tremendous growth in trade and commerce, the competitors or other traders tend to imitate the well-known or reputed trademarks by imitating colour scheme or get up or packaging with a view to pass off such goods as goods of the genuine owner. In cases of registered trademarks, the owner can move the court under this Act for the infringement whereas in cases of the unregistered trademarks, the Act recognizes the Common Law remedy of passing off.

The tort of passing off is based upon the principle that "no man is entitled to represent his goods as being the goods of another man; and no man is required to use any mark, sign or symbol, device or means, whereby without making a direct representation himself to a purchaser who purchases from him, he enables such purchaser to tell a lie or to make a false representation to somebody else who is the ultimate purchase."

The plaintiff, in an action of passing off, has to establish that his business or goods has acquired the reputation and that his mark has become distinctive of his goods among the public at large. He has to establish that there is likely hood of deception or confusion in the minds of the public. He, however, does not have to establish the fraudulent intention on the part of the defendant. Thirdly, he has to establish that confusion is likely to cause damage or injury to the reputation, goodwill and fair name of the plaintiff. He need not prove the actual loss or damage in an action of passing off.

Answer 6A(ii)

According to Section 14 of the Copyright Act, 1957, copyright means the exclusive right of the owner of the work, subject to the provisions of the Act, to do or to authorise the doing of certain acts in respect of the work or any substantial part of it.

- In the case of a computer programme:
  - (i) to do any of the acts specified in respect of a literary, dramatic or musical work;
  - (ii) to sell or give on commercial rental or offer for sale or for commercial rental any copy of the computer programmer:

  Provided that such commercial rental does not apply in respect of computer programmes where the programme itself is not the essential object of the rental.

- in the case of an artistic work, --
  - (i) to reproduce the work in any material form including--
    - (A) the storing of it in any medium by electronic or other means; or
    - (B) depiction in three-dimensions of a two-dimensional work; or
    - (C) depiction in two-dimensions of a three-dimensional work.
  - (ii) to communicate the work to the public; (iii) to issue copies of the work to the public not being copies already in circulation; (iv) to include the work in any cinematograph film; (v) to make any adaptation of the work; (vi) to do in relation to adaptation of the work any of the acts specified in relation to the work in sub-clauses (i) to (iv);

Answer 6A(iii)

Essential requirements for the registration of 'Design' under the Act

- The design should be new or original, not previously published or used in any country before the date of application for registration. The novelty may reside in the application of a known shape or pattern to new subject matter.
- The design should relate to features of shape, configuration, pattern or ornamentation applied or applicable to an article.
- The design should be applied or applicable to any article by any industrial process.
- The features of the design in the finished article should appeal to and are judged solely by the eye. This implies that the design must appear and should be visible on the finished article, for which it is meant.
- Any mode or principle of construction or operation or anything which is in substance a mere mechanical device, would not be a registrable design. For instance, a key having its novelty only in the shape of its corrugation or bent at the portion intended to engage

with levers inside the lock associated with, cannot be registered as a design under the Act.

- The design should not include any Trade Mark or property mark or artistic works as defined under the Copyright Act, 1957.

Answer 6A(iv)

Industrial property is a kind of intellectual property and relates to creation of human mind, e.g., inventions and industrial designs. Simply stated, inventions are new solutions to technological problems, and industrial designs are aesthetic creations determining the appearance of industrial products. In addition, industrial property includes trademarks, service marks, commercial names and designations, including indications of source and appellations of origin, and the protection against unfair competition.

The term 'Industrial Property' may not appear entirely logical in the sense that the inventions are only concerned with the industry. In other words, the inventions are exploited in industrial plants while the trademarks, service marks, trade names and service names are concerned with both the commerce as well as industry. Notwithstanding the lack of logic, this term has acquired a meaning which clearly covers inventions as well as other marks. The Paris Convention also recognised industrial property to cover patent, trademark, service mark, trade names, utility models, industrial designs, indication of source and appellations of origin and the repression of unfair competition.

Hence, industrial property right is a collective name for rights referring to the commercial or industrial activities of a person. These activities may include the activities of industrial or commercial interests. They may be called inventions, creations, new products, processes of manufacture, new designs or model and a distinctive mark for goods etc.

A person's commercial or industrial activities are covered by a group of rights known as industrial property rights. The actions of commercial or industrial interests may be among these activities. They can be referred to as inventions, creations, new products, manufacturing methods, new designs or models, and distinguishing marks for commodities, among other terms.

***

TAX LAWS & PRACTICE

GROUP 2 PAPER 7

Time allowed : 3 hours **Maximum marks : 100**

Total number of questions : 6

NOTE : *1. Answer ALL questions.*

2. ALL the references to sections in Part-I of the question paper relates to the Income-tax Act, 1961 and relevant Assessment Year 2026-27, unless stated otherwise.

3. ALL the references to sections in Part-II of the question paper relates to the Provisions of GST Laws and the Customs Act, 1962.

4. Wherever necessary, suitable assumptions can be made by the candidate and stated clearly in the answer.

5. Working notes should form part of your answer.

PART–I

Question 1

Lalit, a resident individual, aged 54 years, is engaged in the business of manufacturing clothes. He earned profit of ₹ 82,50,000 as per profit and loss account after debiting and crediting the following items :

Particulars	***Amount (₹)***
(i) Depreciation debited in P & L A/c	*16,50,000*
(ii) Short term capital gains on transfer of listed equity shares in a company on which STT is paid	*10,00,000*
(iii) Income-tax refund received (includes interest on refund of ₹ 5,000)	*15,000*
(iv) Dividend income from Indian companies (Gross)	*15,00,000*

Additional information :

(i) Lalit installed new plant and machinery for ₹ 60 lakhs on 1.10.2025 which was put to use on 1.1.2026. Depreciation (including additional depreciation) on this amount is included in the depreciation debited to profit and loss account which has been computed as per Income-tax Rules, 1962.

(ii) Advance tax paid during the year is ₹ 17,00,000.

(iii) *He paid ₹ 40,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is ₹ 5,00,000 and the policy was taken on 1.4.2020.*

(iv) *He paid ₹ 45,000 by cheque towards health insurance policy covering himself, his spouse and his children.*

(v) *On 1.8.2025, Lalit withdraw ₹ 1.2 crores in cash from current account maintained by him with HSBC Bank. There are no other withdrawals during the year. He regularly files his return of income on time.*

On the basis of the above information, you are required to give the following answers :

(a) *Compute the Total Income of Lalit for the assessment year 2026-27, assuming that he has followed default tax regime under section 115BAC.*

(5 marks)

(b) *Compute the Total Tax payable of Lalit for the assessment year 2026-27 as per default tax regime under section 115BAC.*

(5 marks)

(c) *Compute the Total Income of Lalit for the assessment year 2026-27, assuming that he has followed old tax regime under Income Tax Act, 1961.*

(2 marks)

(d) *Compute the Total Tax payable of Lalit for the assessment year 2026-27, assuming that he has followed old tax regime under Income Tax Act, 1961.*

(2 marks)

(e) *Suggest to Lalit that which tax regime will be beneficial for him for the assessment year 2026-27.*

(1 mark)

Answer 1(a)

Computation of Total Income of Mr. Lalit for A.Y. 2026-27

(default tax regime under section 115BAC)

	Particulars	*Amount (₹)*	*Amount (₹)*	*Amount (₹)*
I	Income from Business or Profession			
	Net profit as per profit and loss account		82,50,000	
	Less: Items of income to be treated separately under the respective head of income			

	(i) Income-tax refund including interest on refund of ₹ 5,000	15,000		
	(ii) Dividend from Indian companies	15,00,000		
	(iii) Short term capital gains on transfer of listed equity shares	10,00,000	(25,15,000)	
			57,35,000	
	Add: Additional depreciation on newly plant and machinery [Not allowable under default tax regime] [₹ 60,00,000 x 20% x 50%]		6,00,000	
				63,35,000
II	Income from Capital Gains			
	Short term capital gains on transfer of listed equity shares			10,00,000
III	Income from Other Sources			
	Interest on income-tax refund		5,000	
	Dividend from Indian companies		15,00,000	15,05,000
	Gross Total Income			88,40,000
	Less: Deductions under Chapter VI-A			
	- Deduction under section 80C [Not allowable under default tax regime]			Nil
	- Deduction under section 80D [Not allowable under default tax regime]			Nil
	Total Income			88,40,000
	Total Income (Rounded off)			88,40,000

Answer 1(b)

Computation of Tax payable under default tax regime

Particulars	*Amount (₹)*	*Amount (₹)*
Tax on Total Income of ₹ 88,40,000		
Tax on STCG of ₹ 10,00,000 @ 20% u/s 111A		2,00,000
Tax on remaining total income of ₹ 78,40,000		
Up to ₹ 4,00,000	Nil	
₹ 4,00,001 – ₹ 8,00,000 [@5% of ₹ 4 lakhs]	20,000	
₹ 8,00,001 – ₹ 12,00,000 [@10% of ₹ 4 lakhs]	40,000	
₹ 12,00,001 – ₹ 16,00,000 [@15% of ₹ 4 lakhs]	60,000	
₹ 16,00,001 – ₹ 20,00,000 [@20% of ₹ 4 lakhs]	80,000	
₹ 20,00,001 – ₹ 24,00,000 [@25% of ₹ 4 lakhs]	1,00,000	
₹ 24,00,001 – ₹ 78,40,000 [@30% of ₹ 54,40,000]	16,32,000	19,32,000
		21,32,000
Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore		2,13,200
		23,45,200
Add: Health and education cess @ 4%		93,808
Total tax liability		24,39,008
Less: TDS u/s 194N @ 2% on ₹ 20 lakhs, being the cash withdrawals exceeding ₹ 1 crore	40,000	
Less: Advance tax paid	17,00,000	(17,40,000)
Tax payable		6,99,008
Tax payable (rounded off)		6,99,010

Answer 1(c)

Computation of Total Income of Lalit

(under old tax regime for A.Y. 2026-27)

Particulars	*Amount (₹)*	*Amount (₹)*
Gross Total Income as per default tax regime		88,40,000
Less: Additional depreciation on plant and machinery		
- On cost of plant and machinery [₹ 60 lakhs x 20% x 50%]		(6,00,000)
Gross Total Income as per normal provisions of the Act		82,40,000
- Deduction under section 80C Life insurance premium for married daughter [Allowable as deduction though she is not dependent, since child of an individual whether dependent or not falls within the meaning of term "child". Accordingly, whole of the amount of ₹ 40,000 is allowable as it does not exceed 10% of the ₹ 5,00,000, being the sum assured]	40,000	
- Deduction under section 80D Health insurance premium for self, spouse and children [Allowable as deduction, since it is paid otherwise than by way of cash. However, it is to be restricted to ₹ 25,000	25,000	(65,000)
Total Income		81,75,000
Total Income (Rounded off)		81,75,000

Alternate Presentation to Answer 1(c)

Computation of Total Income of Lalit for A.Y. 2026-27
(under old tax regime)

	Particulars	*Amount (₹)*	*Amount (₹)*	*Amount (₹)*
I	Income from Business or Profession:			
	Net profit as per profit and loss account		82,50,000	
	Less: Items of income to be treated separately under the respective head of income			
	(i) Short term capital gains on transfer of listed equity shares	10,00,000		
	(ii) Income-tax refund including interest on refund of ₹ 5,000	15,000		
	(iii) Dividend from Indian companies	15,00,000	(25,15,000)	
			57,35,000	

	Add: Additional depreciation on newly plant and machinery [Allowable under old tax regime, already included in depreciation hence no impact]		**Nil**	
				57,35,000
II	Income from Capital Gains:			
	Short term capital gains on transfer of listed equity shares			10,00,000
III	Income from Other Sources:			
	Interest on income-tax refund		5,000	
	Dividend from Indian companies		15,00,000	15,05,000
	Gross Total Income			82,40,000
	Less: Deductions under Chapter VI-A			
	- Deduction under section 80C Life insurance premium for married daughter: [Allowable under old scheme]			**(40,000)**
	- Deduction under section 80D Health insurance premium for self, spouse and children: [Allowed under old scheme]			**(25,000)**
	Total Income			**81,75,000**
	Total Income (Rounded off)			81,75,000

Answer 1(d)

Computation of Tax Liability of Lalit under old tax regime for A.Y. 2026-27

Particulars	*Amount (₹)*	*Amount (₹)*
Tax on total income of ₹ 81,75,000		
Tax on short term capital gains on transfer of listed equity shares @ 20% u/s 111A		2,00,000
Tax on other Income of ₹ 71,75,000		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	

₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001- ₹ 71,75,000 [@30% of ₹ 61,75,000]	18,52,500	19,65,000
		21,65,000
Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore		2,16,500
		23,81,500
Add: Health and education cess@4%		95,260
Total tax liability		24,76,760
Less: TDS u/s 194N @ 2% on ₹ 20 lakhs, being the cash withdrawals exceeding ₹ 1 crore	40,000	
Less: Advance tax paid	17,00,000	(17,40,000)
Tax payable		7,36,760
Tax payable (rounded off)		7,36,760

Answer 1(e)

Since tax payable as per section 115BAC is lower than the tax payable as per normal provisions of the Income-tax Act, 1961, it is beneficial for Lalit to pay tax under default tax regime under section 115BAC for A.Y. 2026-27.

Question 2

(a) *Rajiv Gupta, aged 45, is employed as a Finance Manager in XYZ Pvt. Ltd., in Mumbai. During the financial year 2025-26, he received the following emoluments :*

Particulars	***Amount (₹)***
(i) Basic Salary	*₹ 80,000 p.m.*
(ii) Dearness Allowance (DA) *(Forming part of retirement benefits)*	*40% of Basic Salary*
(iii) House Rent Allowance receive (HRA)	*₹ 30,000 p.m.*
(iv) Rent paid for house in Mumbai	*₹ 35,000 p.m.*
(v) Entertainment Allowance paid by employer	*₹ 5,000 p.m.*

(vi) Bonus (Annual)	*₹ 1,00,000*
(vii) Free use of company-owned car (engine < 1.6L) for both official and personal purposes. Running and maintenance borne by company.	*—*
(viii) Employer's contribution to RPF @ 15% of Basic Salary + DA	*—*
(ix) Interest credited to RPF account @ 11%	*₹ 88,000*

You are required to compute the taxable salary income of Rajiv Gupta for the assessment year 2026-27, assuming that he is not opting the default tax regime under section 115BAC of the Income Tax Act, 1961.

(5 marks)

(b) *Ms. Neha, a resident individual, received the following incomes during the financial year 2025-26 :*

(i) *Cash Gift of ₹ 80,000 from a close family friend on her birthday.*

(ii) *A wedding gift of gold worth ₹ 1,20,000 from her maternal uncle on her marriage on 20th June, 2025.*

(iii) *Received a Car gifted from her father on 15th August, 2025 (FMV ₹ 12,00,000).*

(iv) *Won a gift voucher worth ₹ 1,00,000 from a TV game show on 25th July, 2025.*

(v) *Received a vacant plot of land (FMV ₹ 3,00,000) without consideration from a friend on 30th January, 2026.*

(vi) *Rent of ₹ 20,000 per month from 1st June 2025 to 31st March 2026, from letting out her plant and machinery. Letting out of plant, machinery is not the primary business of Ms. Neha. During the financial year 2025-26, Ms. Neha incurred ₹ 77,000 as repair charges on the Plant and machinery.*

You are required to compute the income chargeable under the head ''Income from Other Sources'' for Ms. Neha for the assessment year 2026-27, considering that she has shifted out of the default tax regime under section 115BAC.

(5 marks)

(c) *Ramesh, a resident individual, submits the following information for the financial year 2025-26 :*

Particulars	***Amount (₹)***
Income from house property (Net)	*60,000*
Business A	
Loss of the current year 2025-26	*48,000*
Brought forward loss of the year 2024-25	*40,000*

Business B *Profit of the current year 2025-26*	*1,50,000*
***Business C** (Business discontinued on 10th April, 2025)* *Profit of the period from 1st April, 2025 to 10th April, 2025* *Brought forward loss of 2024-25*	*10,000* *49,000*
***Business D** (Business discontinued on 31st March, 2025)* *Brought forward loss of 2024-25*	*45,000*
Loss from the business of owning and maintaining horse race	*9,000*
Interest on debentures held as investments	*90,000*
Long-term capital loss on sale of shares	*15,000*

Determine the Gross Total Income of Ramesh for the assessment year 2026-27 and also calculate the amount of loss which can be carried forward for being set off in the next assessment year, assuming that he has shifted out of the default tax regime under section 115BAC of the Income Tax Act, 1961.

(5 marks)

Answer 2(a)

Computation of Taxable Salary of Mr. Rajiv Gupta for A.Y. 2026-27

(Under the Old Tax Regime - Not opting for Section 115BAC)

Particulars	*Amount (₹)*
Basic Salary (₹ 80,000 x 12 months)	9,60,000
Dearness Allowance (DA) [40% of ₹ 9,60,000 (Forms part)]	3,84,000
Taxable House Rent Allowance (HRA) (Working Note 1)	74,400
Bonus (Fully Taxable)	1,00,000
Entertainment Allowance (₹ 5,000 x 12 months (Fully Taxable for private employees)	60,000
Employer's Contribution to RPF [Working Note 2]	40,320
Interest on RPF [Working Note 3]	12,000
Perquisite: Motor Car (₹ 1,800 x 12) (Working Note 4)]	21,600
Gross Salary	16,52,320
Less: Deduction's u/s 16	
(i) Standard Deduction [₹ 50,000 under old regime]	(50,000)
(ii) Entertainment Allowance [Not allowed for private sector employees]	Nil
Income from Salary / Taxable Salary	16,02,320

Working Notes

1. Exemption of HRA u/s 10(13A)

   "Salary" for HRA = Basic + DA (if forming part) = ₹9,60,000 + ₹ 3,84,000 = ₹ 13,44,000.

   The least of the following is exempt:

   - Actual HRA Received: ₹ 30,000 *12 = ₹3,60,000
   - Rent Paid minus 10% of Salary: (₹35,000 * 12) - (10% of ₹13,44,000) = ₹ 4,20,000 - ₹ 1,34,400 = ₹ 2,85,600
   - 50% of Salary (Mumbai): 50% of ₹13,44,000 = ₹6,72,000

   Exempt HRA = ₹2,85,600.

   Taxable HRA = ₹3,60,000 - ₹ 2,85,600 = ₹ 74,400.

2. Employer's Contribution to RPF

   Contribution in excess of 12% of Salary is taxable.

   - Actual Contribution: 15% of (Basic + DA) = 15% of ₹13,44,000 = ₹2,01,600
   - Exempt Limit: 12% of (Basic + DA) = 12% of ₹13,44,000 = ₹1,61,280
   - Taxable Amount: ₹ 2,01,600 - ₹ 1,61,280 = ₹40,320

3. Interest Credited to RPF

   Interest in excess of 9.5% per annum is taxable.

   - Interest Credited (11%): = ₹88,000
   - Exempt Interest (9.5%): (₹88,000 / 11 * 9.5%) = ₹76,000
   - Taxable Amount: ₹ 88,000 - ₹ 76,000 = ₹12,000

4. Motor Car Perquisite Value

   Since the car is owned by the employer, used for both (personal and official) purposes, and expenses o running and maintenance are met by the employer, the taxable value of perquisites for a car with engine capacity up to 1.6 litres is ₹1,800 per month.

Answer 2(b)

Computation of Income from Other Sources for Ms. Neha for the A.Y. 2026–27

Particulars	**Amount (₹)**
Cash Gift from close family friend [Cash gift exceeds ₹ 50,000; fully taxable u/s 56(2)(x)]	80,000
Wedding gift from uncle [Gifts from relatives or on the occasion of marriage are exempt]	Nil
Received a Car Gifted from her father [Gifts from relatives are exempt] Further Car is not covered in the definition of property for the purpose of gift	Nil
Winnings from TV Show [Taxable at flat 30% u/s 115BB Gross amount]	1,00,000

Gift of Land from friend [Stamp Duty Value/ FMV exceeds ₹ 50,000; fully taxable]	3,00,000
Rent from Plant & Machinery ₹ 20,000 x 10 months = 2,00,000 *Less*: Repairing Charges 77,000 (Note 1)	1,23,000
Total Income from Other Sources	6,03,000

Working Note 1: Where the letting out of plant, machinery is not the primary business of the assessee, the income is chargeable under "Income from Other Sources" (provided it is not taxable under PGBP). Further Repairing charges of ₹ 77,000 is allowed expenses under section 57 from such income.

Answer 2(c)

Computation of the Gross Total Income of Ramesh for the assessment year 2026-27

Particulars	*Amount (₹)*	*Amount (₹)*	*Amount (₹)*
Income from House Property			60,000
Income from Business & Profession			
Profit of business B for the year 2025-26	1,50,000		
Profit of business C for the period 1st April, 2025 to 10th April, 2025	10,000		
		1,60,000	
Less: Loss of business A for the year 2025-26		(48,000)	
Current year business profit after set-off of current year losses		1,12,000	
Less: Set-off of Brought forward loss of Business A	40,000		
Less: Set-off of Brought forward loss of Business C	49,000		
Less: Set-off of Brought forward loss of Business D Though business D was not in existence during the previous year 2025-26, yet brought forward business loss of year 2024-25 can be set off against the income of the assessment year 2026-27. Maximum available loss to set-off is Rs. 23,000. Balance will be carried-forward for the succeeding year(s).	23,000		
Net Income from Business after set-off of brought forward business loss		(1,12,000)	Nil

(The unadjusted brought forward business loss (i.e., ₹ 1,34,000 - ₹ 1,12,000 = ₹ 22,000) can be carried forward.	22,000		
Income from Capital Gain			
Long-term capital loss on sale of shares (Loss under the head 'Capital gains' of ₹ 15,000 can be carried forward to the next year for set off against long-term capital gain.			Nil
Income from other sources			
Interest on debentures held as investments			90,000
Loss from the business of owning and maintaining horse race (Not to be set-off against any other Income. However, carry-forward of loss ₹ 9,000 for next 4 assessment years and set-off against the same -income from Horse Race in future years)			Nil
Gross Total Income			1,50,000

Question 3

(a) *Raghav, aged 34, a resident individual, furnishes the following details of investments and expenses for the financial year 2025-26. His Gross Total Income (GTI) before Chapter VI-A deductions is ₹ 9,00,000.*

Details of investments and expenses are :

(i) *Tuition fees of ₹ 60,000 paid for his two children (₹ 30,000 each) pursuing full time graduation course at Winners University in Bengaluru.*

(ii) *Principal repayment of housing loan taken from a relative – ₹ 70,000. The property is self-occupied situated at Pune.*

(iii) *Mediclaim premium : ₹ 28,000 for self : ₹ 32,000 for parents (senior citizens) paid through Credit Card.*

(iv) *Donation to Prime Minister's National Relief Fund for ₹ 50,000 paid through Debit Card of Union Bank.*

(v) *Interest paid on education loan taken for his spouse's higher education : ₹ 48,000 through account payee cheque.*

(vi) *Cash deposit in PPF account : ₹ 1,15,000 on 31st March, 2026.*

Compute the deductions available under Chapter VI-A to Raghav for the assessment year 2026-27. Assuming that he has not opted for Section 115BAC for the assessment year 2026-27.

(5 marks)

(b) *Mr. Bhanu, a citizen of India, stay 45 days in India during the financial year 2025-26, earlier to this year he always stayed in India. He provides the following income details during the year ended 31st March, 2026 :*

(i) *Salary received in India for 45 days – ₹ 1,80,000*

(ii) Interest on saving bank deposit in HDFC Bank (India) – ₹ 20,000

(iii) Amount brought into India out of past untaxed profits earned in Japan – ₹ 70,000

(iv) Income from agriculture in Sri Lanka, retained there – ₹ 62,000

(v) Income from business in Nepal, controlled from India – ₹ 55,000

(vi) Dividend received in USA from a US company – ₹ 90,000, out of which ₹ 30,000 was remitted to India during the year.

Compute the Gross Total Income of Mr. Bhanu for the assessment year 2026-27. Assuming that he has followed default tax regime under section 115BAC of the Income Tax Act, 1961.

(5 marks)

(c) Anupam owns a residential house property in Noida (UP). It has two equal residential units–Unit I and Unit II. Unit I is self-occupied by Anupam for his residential purpose, while Unit II is let out at ₹ 10,000 per month to Mr. Pranshul.

Municipal value of the property is 10 times of the Annual Municipal tax. Standard Rent is ₹ 3,00,000 per annum and fair rent is ₹ 70,000 per quarter. Municipal tax of such property for the financial year 2025-26 is ₹ 36,000, 50% of such municipal tax is paid by Mr. Pranshul and remaining 50% is still outstanding till 3l-03-2026. Other expenses for the financial year 2025-26 being repairs : ₹ 2,500, Property Insurance : ₹ 6,000, Interest on capital (borrowed from bank during 2020-21) for the constructing the property : ₹1,65,000.

Compute the Income from House Property of Anupam for the assessment year 2026-27 on the assumption that he has opted out of default tax regime under section 115BAC of the Income Tax Act, 1961.

(5 marks)

Answer 3(a)

Computation of deductions available under Chapter VI-A to Mr. Raghav for A.Y. 2026-27

Particulars	*Amount (₹)*	*Amount (₹)*
(i) Deduction under section 80C:		
Tuition Fees paid for two children (Tuition fee paid for full time graduation course in Winners University in Bengaluru is eligible for deduction under section 80C for a maximum of two children)	60,000	
Housing loan principal repayment (Repayment of principal on housing loan is not allowed as deduction in case the loan is borrowed from friends, relatives etc. In order to qualify for deduction, the loan should have been obtained from Central Government / State Government / bank / financial institution.)	Nil	

Cash Deposited in PPF (Eligible for deduction u/s 80C)	1,15,000	
	1,75,000	
The total allowed deduction under Section 80C, 80CCC, and 80CCD(1) is restricted to ₹ 1,50,000.		1,50,000
(ii) Deduction under section 80D:		
Mediclaim insurance premium (a) For self-insurance maximum 25,000 is allowed (b) For Parents (maximum limit is 50,000 for senior citizen, so full 32,000 is allowed) (Medical insurance premium paid otherwise than in Cash is allowed, so credit card payment is allowable)	25,000 32,000	
Total allowed deduction under section 80D		57,000
(iii) Deduction under section 80E:		
Interest paid on education loan taken for his spouse's higher education (Interest paid on a loan taken for the higher education of self, spouse, or children is fully allowed as deduction u/s 80E without any monetary limit)		48,000
(iv) Deduction under Section 80G:		
Donation to Prime Minister's National Relief Fund (Donation to the Prime Minister's National Relief Fund (PMNRF) falls under the "100% Deduction without any qualifying limit)		50,000
Total Deduction under chapter VI-A		3,05,000

Answer 3(b)

Since during the financial year 2025-26 Mr. Bhanu stay in India only for 45 days, hence he is not fulfilling any of the basic condition of residential status in India either u/s 6(1) or 6(1A). So, he is Non-Resident (NR) under Income Tax Act, 1961 for the assessment year 2026-27.

Computation of Gross Total Income of Mr. Bhanu for A.Y. 2026-27

[As per section 115BAC i.e. default tax regime]

Particulars		*Amount (₹)*
Salary received in India for 45 days Less: Standard Deduction	1,80,000 (75,000)	1,05,000
Interest on saving bank deposit in HDFC Bank (India)		20,000
Amount brought into India out of past untaxed profits earned in Japan (Not taxable)		-
Income from agriculture in Sri Lanka, retained there (Not taxable)		-
Income from business in Nepal, controlled from India (Not taxable for NR)		-
Dividend received in USA from a US company (Not taxable)		-
Dividend brought into India (Not taxable)		-
Gross Total Income		1,25,000

Answer 3(c)

Computation of Income from House Property of Mr. Anupam for A.Y. 2026-27

(Opted out of default tax regime under section 115BAC)

Particulars	*Amount (₹)*	*Amount (₹)*
Unit I – Self-occupied (SOP): (50%)		
Net Annual Value	Nil	
Less: Interest on borrowed capital [1/2 of ₹1,65,000]	82,500	
Income from Unit I		(82,500)
Unit II – Let out: (50%)		
Municipal value (36,000 x 10 times x 50%)	1,80,000	
Fair rent (70,000 x 4 x 50%)	1,40,000	
Whichever is higher (A)	1,80,000	

Standard rent (50 % of ₹3,00,000) (B)	1,50,000	
Expected Rent - lower of (A) and (B)	1,50,000	
Annual Rent (₹ 10,000 x 12)	1,20,000	
Gross Annual Value (Higher of Expected Rent or Annual Rent)	1,50,000	
Less: Municipal tax paid by owner	Nil	
Net Annual Value	1,50,000	
Less: Standard deduction (30 % of ₹ 1,50,000)	(45,000)	
Interest on borrowed capital [50 % of ₹ 1,65,000]	(82,500)	
Income of Unit II		22,500
Income from House Property (Unit I+ Unit II)		(60,000)

Working Note:

1. Repairs charges of ₹ 2500 and Property Insurance of ₹ 6000 is not allowed for computing the Income from House Property.
2. Only Municipal tax actually paid by owner is allowed for computing Net Annual Value.

Attempt all parts of either Q. No. 4 or Q. No. 4A

Question 4

(a) *Specify the persons who are not required to pay advance tax as per the provisions of the Income-tax Act, 1961. Is advance tax payable on capital gains and lottery income ? Give your answer with reference to the relevant provisions of the Income Tax Act, 1961.*

(5 marks)

(b) *Who all are required to mandatorily file the Return of Loss as per Section 80 of Income Tax Act, 1961 ?*

(5 marks)

(c) *Updated return under section 139(8A) cannot be filed if original return is a loss return under section 139(3). Explain the validity of above statement in the context of Income Tax Act, 1961.*

(5 marks)

OR (Alternative question to Q. No. 4)

Question 4A

(i) *On 10th January 2026, Amit (a bank employee) received ₹ 6,00,000 towards interest on enhanced compensation from State Government in respect of compulsory acquisition of his land effected during the financial year 2021-22.*

Out of this interest, ₹ 2,50,000 relates to the financial year 2022-23; ₹ 1,85,000 to the financial year 2023-24; and ₹ 1,65,000 to the financial year 2024-25. He incurred ₹ 50,000 on 25th October, 2025 by way of legal expenses to receive the interest on such enhanced compensation.

Explain how much of interest on enhanced compensation would be chargeable to income tax for the assessment year 2026-27, with legal provision as per Income Tax Act, 1961 ?

(5 marks)

(ii) *Mr. Pankaj, age 85 years, a resident individual, gives the following particulars of his Income for the financial year 2025-26 :*

Particulars	***Amount (₹)***
Pension received from Central Govt.	*4,00,000*
Salary received from Partnership firm {allowed as per section 40(b)}	*1,50,000*
Interest on bank term deposits	*3,50,000*
Interest on bank saving a/c	*50,000*
Interest from Partnership Firm {calculated @ 10% p.a.}	*80,000*
STCG on sale of dining furniture	*90,000*

Compute the Total Income and Tax liability of Mr. Pankaj for assessment year 2026-27 considering that he has opted the default tax regime under section 115BAC.

(5 marks)

(iii) *Karan Bothra, a resident individual, provides the following details relating to the financial year 2025-26 :*

(i) *Short-term capital loss from sale of shares (STT paid) : ₹ 1,20,000*

(ii) *Long-term capital gain on sale of land : ₹ 2,50,000*

(iii) *His wife, Mrs. Sunita Bothra who is Company Secretary, received ₹ 90,000 (after deducting TDS @ 10%) as professional fees from a Private Limited Company where Mr. Karan Bothra is a director.*

(iv) His minor daughter Kajal earned ₹ 1,50,000 (Gross) from a TV advertisement contract.

(v) His minor son Kunal earned ₹ 80,000 as bank interest from a fixed deposit.

Compute the Total Income of Mr. Karan Bothra for the assessment year 2026-27, if he has exercised the option of shifting out of default tax regime provided under section 115BAC. Assuming that his wife's income is lower than the income of Karan Bothra for the financial year 2025-26.

(5 marks)

Answer 4(a)

An assessee is not liable to pay advance tax if the advance tax payable, in his case, is less than ₹ 10,000 during the financial year.

Further, resident individual, who is of the age of 60 years or more at any time during the previous year and does not have any income chargeable under the head "Profits and gains of business or profession" is also not required to pay advance tax.

However, capital gains and lottery income are generally uncertain and unpredictable in nature. Such income may arise suddenly during the year and may not be capable of estimation at the time when advance tax instalments become due. Therefore, the act provides relief in respect of interest for deferment of advance tax.

As per the provisions relating to interest under section 234C, where capital gains or lottery income arise after the due dates of advance tax instalments and the assessee could not have anticipated such income, the assessee is not liable to pay interest for shortfall in earlier instalments.

In such cases, the assessee is required to pay the advance tax on such income in the remaining instalment(s) or by 31st March of the relevant financial year.

Thus, while advance tax is payable on capital gains and lottery income, non-payment of advance tax on such income in earlier instalments does not attract interest, provided the income was unforeseen and the tax is paid at the earliest possible opportunity.

Answer 4(b)

Section 80 of the Income-tax Act, 1961 provides that no loss shall be carried forward and set off under certain heads of income unless the return of loss is filed within the due date of filing return of income prescribed under section 139(1).

Thus, filing of return of loss within the due date becomes mandatory for assessees who intend to carry forward specified losses.

Accordingly, the following persons are required to mandatorily file a return of loss:

1. Any person who has incurred loss from business or profession (other than loss from house property) must file the return of loss within the due date if such loss is intended to be carried forward. This includes loss from non-speculative business as well as speculative business.

2. Any person who has incurred loss from specified business u/s 35AD must file the return of loss within the due date if such loss is intended to be carried forward.
3. Any person who has suffered a capital loss, whether short-term or long-term, is required to file the return of loss within the due date to be eligible to carry forward such capital loss to subsequent assessment years.
4. Any person who has incurred a loss in the activity of owning and maintaining race horses, must also file the return of loss within the due date for carrying forward such loss.

Conclusion:

As per section 80, all persons having losses under the heads Business or Profession (including speculative business), Capital Gains, and loss in the activity of owning and maintaining race horses are mandatorily required to file the return of loss within the due date prescribed under section 139(1) / 139(3) to avail the benefit of carry forward of losses, except in the case of loss from house property.

Answer 4(c)

A return filed under section 139(3) is a loss return, which allows the assessee to carry forward specific losses like business/profession loss or capital loss or loss of owning & maintaining race horses only. If an assessee has originally filed a loss return under section 139(3), filing an updated return that continues to show a loss or enhances such loss is not permissible under section 139(8A).

This is because an updated return is intended only for declaring additional income and not for claiming or increasing losses.

However, if the assessee files an updated return which reduces the loss or converts the loss into positive income, thereby resulting in additional tax liability, such an updated return is allowed, subject to fulfilment of other conditions of section 139(8A).

Therefore, the statement that an updated return under section 139(8A) cannot be filed if the original return is a loss return under section 139(3) is incorrect.

An updated return is prohibited only when it results in a loss or increases the loss. If the updated return leads to declaration of income or reduction of loss with additional tax payable, it is permissible.

OR (Alternative question to Q. No. 4)

Answer 4A(i)

Section 145B provides that interest received by the assessee on enhanced compensation shall be deemed to be the income of the assessee of the year in which it is received, irrespective of the method of accounting followed by the assessee and irrespective of the financial year to which it relates.

Section 56(2)(viii) states that such income shall be taxable as 'Income from other sources.

50% of such income shall be allowed as deduction by virtue of section 57(iv) and no other deduction shall be permissible from such Income.

Therefore, legal expenses incurred to receive the interest on enhanced compensation would not be allowed as deduction from such income.

Computation of interest on enhanced compensation taxable as
"Income from other sources" A.Y 2026-27

Particulars	*Amount (₹)*
Interest on enhanced compensation taxable u/s 56(2)(viii) The principal amount of enhanced compensation is taxed under the head "Capital Gains," whereas only the interest on it is taxed as "Other Sources"	6,00,000
Less: Deduction under section 57(iv) (50% x ₹ 6,00,000) ₹ 50,000 spent by Amit on legal expenses is not deductible. The 50% statutory deduction is intended to cover all types of expenses incurred to earn this interest.	(3,00,000)
Taxable interest on enhanced compensation	3,00,000

Answer 4A(ii)

Computation of Total Income of Mr. Pankaj for A.Y. 2026-27

Under default tax regime u/s 115BAC

Particular	*Amount (₹)*	*Amount (₹)*
Income from Salaries		
Pension from Central Government	4,00,000	
Less: Standard deduction u/s 16 [Actual salary or ₹ 75,000, whichever is less]	(75,000)	
		3,25,000
Income from Business & Profession		
Salary received from Partnership Firm	1,50,000	
Interest from Partnership Firm	80,000	
		2,30,000
Income from Capital Gains		

STCG on sale of dining furniture (Not a capital asset since it is personal effects]		NIL
Income from Other Sources		
Interest on bank term deposits	3,50,000	
Interest on bank saving a/c	50,000	
		4,00,000
Gross Total Income		9,55,000
Less: Deduction under section 80TTB (Not allowed under new tax regime)		Nil
Total Income		9,55,000

Computation of Tax Liability of Mr. Pankaj for A.Y. 2026-27

Under default tax regime u/s 115BAC

Particular	*Amount (₹)*	*Amount (₹)*
Tax on first up to ₹4,00,000	NIL	
₹ 4,00,001 - ₹ 8,00,000 @ 5% [5 % of ₹ 4,00,000]	20,000	
Remaining ₹ 1,55,000 @ 10% [9,55,000 – 8,00,000 @ 10%]	15,500	
		35,500
Less: Rebate u/s 87A		(35,500)
Add: Health and education cess @4%		Nil
Tax Liability		Nil

Answer 4A(iii)

Computation of Total Income of Mr. Karan Bothra for A.Y. 2026-27

(Opted out of default tax regime u/s 115BAC)

Particular	*Amount (₹)*	*Amount (₹)*
Income from Capital Gain:		
Long-term Capital Gain (LTCG) on sale of Land	2,50,000	
Less*:* Short-term Capital Loss (STCL) – Note 1	(1,20,000)	
Net Taxable Capital Gains		1,30,000
Income from Other Sources:		
Professional fees received by wife from a Private Limited Company [Not clubbed - Note 4]	Nil	
Minor Daughter's TV Income [Not clubbed - Note 3]	Nil	
Minor Son's Interest Income 80,000 Less: Allowed deduction u/s 10(32) (1,500)	78,500	
Net Taxable Other Sources Income		78,500
Gross Total Income/ Total Income		2,08,500

Working Notes:

1. Set-off of Capital Losses (Section 70 & 74):
   - Short-term Capital Loss (STCL) can be set off against both STCG and LTCG.
   - Long-term Capital Loss (LTCL) can only be set off against LTCG.
   - Therefore, the STCL of ₹ 1,20,000 is fully adjusted against the LTCG of ₹ 2,50,000.
2. Clubbing of Minor Son's Income [Section 64(1A)]: Income of a minor child (excluding the income arising from special talent / skill) is clubbed with the parent whose total income (excluding the minor's income) is higher. An exemption of ₹ 1,500 per child is available under Section 10(32).
3. Minor Daughter’s Talent Income: Income earned by a minor child through manual work or an activity involving the application of his/her skill, talent, or specialized knowledge (like a TV contract) is not clubbed with the parents' income. It is taxable in the hands of the minor.

4. Clubbing of Spouse's Income [Section 64(1)(ii)]: Remuneration received by a spouse from a concern in which the other spouse has a substantial interest is clubbed unless the spouse possesses technical or professional qualifications. Since Mrs. Sunita Bothra is a qualified company secretary and received "professional fees" implies the use of professional knowledge, and therefore not clubbed in the hands of Mr. Karan.

PART–II

Question 5

M/s Khatri Electronics Pvt. Ltd. a registered supplier in Bengaluru, Karnataka provides the following information relating to the Inward and Outward supply made during the month of August, 2025 :

S. No.	***Outward Supplies***
1.	*Advance received ₹ 2,00,000 from Anurag of Karnataka for business support services to be supplied in the month of September, 2025.*
2.	*Supplied Refrigerators worth ₹ 15,00,000 to a dealer in Kerala. It includes freight of ₹ 50,000 incurred by Khatri Electronics Pvt. Ltd. as per the terms of supply.*
3.	*Provided commissioning services worth ₹ 4,00,000 under Pure labor contract to M/s Blue Wings of Surat, Gujrat for Multi-storey residential complex.*
4.	*Supplied a latest technology laptop with touch screen option to Managing Director’s friend for a consideration of ₹ 70,000 (open market value) as well as sale to unknown customers was at ₹ 1,25,000.*
5.	*Provided a 5% cash discount for early payment on intra-state supply worth* *₹ 2,00,000 (18% GST). Discount was pre-agreed and noted in the invoice.*
	Inward Supplies
1.	*Raw materials from a local supplier : ₹ 6,00,000 @ 5%.*
2.	*Bought a SUV motor vehicle for official use : ₹ 10,00,000 + 18% IGST.*
3.	*Purchased goods from Agarwal & Co., a registered composition dealer in the state of Karnataka worth ₹ 5,00,000.*
4.	*Purchased Industrial HVAC system (Capital Goods) from a registered dealer of Mumbai : ₹ 8,00,000 + 18% IGST.*

5.	*Payment of ₹ 50,000 made to M/s ABC Caterers of Bengaluru for providing daily breakfast and lunch to the employees of the company, as voluntary staff welfare measure. GST Rate is applicable @ 5% on it.*

Balance available in electronic credit ledger of M/s Khatri Electronics Pvt. Ltd. at the beginning of August, 2025 are :

CGST	*₹ 50,000*
SGST	*₹ 45,000*
IGST	*₹ 20,000*

Additional Information :

(i) *M/s Khatri Electronics Pvt. Ltd. regularly filed its monthly GST Return on time. But Annual Return under GST for the financial year 2024-25 was filed on 31st March, 2026. The turnover of M/s Khatri Electronics Pvt. Ltd. during the financial year 2024-25 was ₹ 6 crore.*

(ii) *Both the outward and inward supplies given above are exclusive of GST unless stated otherwise.*

(iii) *Rate of CGST, SGST and IGST is to be charged 9%, 9% and 18% respectively where no specific rate is provided.*

(iv) *All conditions necessary for availing the ITC have been fulfilled except mentioned above.*

Based on the above information, you are required to answer the following questions with reference to GST Law :

(a) *Compute the value of Output Tax Liability under GST for M/s Khatri Electronics Pvt. Ltd. for the month of August, 2025.*

(5 marks)

(b) *Compute the value of eligible Input Tax Credit under GST for M/s Khatri Electronics Pvt. Ltd. for the month of August, 2025.*

(5 marks)

(c) *Compute the Net minimum GST payable in cash (CGST/SGST/IGST) for M/s Khatri Electronics Pvt. Ltd. for the month of August, 2025.*

(4 marks)

(d) *Explain the due date of filing of Annual Return u/s 44 of the CGST Act, 2017. Is there any late fees is charged to M/s Khatri Electronics Pvt. Ltd. for delay filing of Annual Return for financial year 2024-25 which was filed on 31st March, 2026 ? Also explain the provisions relating to late fees for filing of Annual Return under section 47(2) of the CGST Act, 2017.*

(6 marks)

Answer 5(a)

Computation of Output Tax Liability of M/s Khatri Electronics Pvt. Ltd. for the month of August, 2025

Particulars	*Value (₹)*	*IGST (₹)*	*CGST (₹)*	*SGST (₹)*
Advance received from Anurag for business support services [Tax is payable at the time of receipt of advance for supply of services]	2,00,000	-	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]
Supplied Refrigerators along with freight [Freight charges are included in value of supply]	15,00,000	2,70,000 [15,00,000 × 18%]	-	-
Provided commissioning services under Pure labour contract. [Recipient is located in the state of Gujarat. The immovable property in respect of which the labour services have been provided is also located in Gujarat. Applying the provisions, the place of supply falls in Gujarat. So, IGST is chargeable].	4,00,000	72,000 [4,00,000 × 18%]	-	-
Supply of laptop to Managing Director's Friend [Since supply is made to Managing Director's friend and price is the sole consideration;	70,000	-	6,300 [70,000 × 9%]	6,300 [70,000 × 9%]

value of supply is the transaction value i.e. the price actually paid or payable for the said supply]. [Considered within the State]				
Supply to unknown customers [Considered within the State]	1,25,000	-	11,250 [1,25,000*9%]	11,250 [1,25,000*9%]
Less: 5% cash discount for early payment (2,00,000 x 5% = 10,000)	(10,000)	-	(900)	(900)
Total Output Tax Liability		3,42,000	34,650	34,650

Note:

- It is assumed that the supply made to Managing Director's friend and sale to unknown customer are within the state.
- It is assumed that the Intrastate supply worth Rs. 2,00,000 on which 5% discount provided is already covered under intra state supply and not separate transaction and output GST liability has been calculated accordingly.

Alternate Solution 5(a)

Computation of Output Tax Liability of M/s Khatri Electronics Pvt. Ltd. for the month of August, 2025

Particulars	*Value (₹)*	*IGST (₹)*	*CGST (₹)*	*SGST (₹)*
Advance received from Anurag for business support services [Tax is payable at the time of receipt of advance for supply of services]	2,00,000	-	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]
Supplied Refrigerators along with freight	15,00,000	2,70,000	-	-

[Freight charges are included in value of supply]		[15,00,000 × 18%]		
Provided commissioning services under Pure labour contract. [Recipient is located in the state of Gujarat. The immovable property in respect of which the labour services have been provided is also located in Gujarat. Applying the provisions, the place of supply falls in Gujarat. So, IGST is chargeable].	4,00,000	72,000 [4,00,000 × 18%]	-	-
Supply of laptop to Managing Director's Friend [Since supply is made to Managing Director's friend and price is the sole consideration; value of supply is the transaction value i.e. the price actually paid or payable for the said supply]. [Considered within the State]	70,000	-	6,300 [70,000 × 9%]	6,300 [70,000 × 9%]
Supply to unknown customers [Considered within the State]	1,25,000	-	11,250 [1,25,000*9%]	11,250 [1,25,000*9%]
Intrastate supply worth Rs. 2,00,000 on which 5% discount provided	2,00,000		18,000 [2,00,000 x 9%]	18,000 [2,00,000 x 9%]

Less: 5% cash discount for early payment (2,00,000 x 5% = 10,000)	(10,000)	-	(900)	(900)
Total Output Tax Liability		3,42,000	52,650	52,650

Note:

- It is assumed that the supply made to Managing Director's friend and sale to unknown customer are within the state.
- It is assumed that the Intrastate supply worth Rs 2,00,000 on which 5% discount provided is separate transaction and output GST liability has been calculated accordingly.

Answer 5(b)

Computation of Value of eligible Input Tax Credit of M/s Khatri Electronics Pvt. Ltd. for the month of August, 2025

Particulars	*Value (₹)*	*IGST (₹)*	*CGST (₹)*	*SGST (₹)*
Raw materials from a local supplier	6,00,000	-	15,000	15,000
ITC on SUV motor vehicle for official use [ITC on motor vehicle having seating capacity upto 13 passengers is blocked u/s 17(5).]	-	-	-	-
Goods purchased from composition dealer [ITC is not available since input tax does not include the tax paid under the composition levy and a composition supplier does not collect tax from the recipients. Also, ITC on inward supplies received from a composition supplier is blocked.]	-	-	-	-
Industrial HVAC system (Capital Goods used for business purpose is eligible for ITC)	8,00,000	1,44,000	-	-
Payment made to M/s ABC Caterers [ITC on food & beverages, outdoor catering service are blocked u/s 17(5)]	-	-	-	-
Total Value of eligible input tax credit		1,44,000	15,000	15,000

Note: It is assumed that the seating capacity of the motor vehicle is not more than thirteen.

Answer 5(c)

Computation of Net minimum liability paid in Cash of M/s Khatri Electronics Pvt. Ltd for the month of August, 2025

Particulars	*IGST (₹)*	*CGST (₹)*	*SGST (₹)*
Output Tax Liability	3,42,000	34,650	34,650
Less: Opening Input Tax Credit	(20,000)	(50,000)	(45,000)
Less: Input Tax Credit during the current month	(1,44,000)	(15,000)	(15,000)
Balance after set-off of ITC	1,78000	(30,350)	(25,350)
Excess ITC of CGST set-off against IGST	(30,350)	30,350	-
Excess ITC of SGST set-off against IGST	(25,350)	-	25,350
Net GST Paid in cash	122300		

Alternate Answer 5(c)

Computation of Net minimum liability paid in Cash of M/s Khatri Electronics Pvt. Ltd. for the month of August, 2025

Particulars	*IGST (₹)*	*CGST (₹)*	*SGST (₹)*
Output Tax Liability	3,42,000	52,650	52,650
Less: Opening Input Tax Credit	(20,000)	(50,000)	(45,000)
Less: Input Tax Credit during the current month	(1,44,000)	(15,000)	(15,000)
Balance after set-off of ITC	1,78000	(12,350)	(7,350)
Excess ITC of CGST set-off against IGST	(12,350)	12,350	-
Excess ITC of SGST set-off against IGST	(7,350)	-	7,350
Net GST paid in Cash	1,58,300	-	-

Note:

In Q. 5(a), under the alternative approach, if the intrastate supply of ₹2,00,000 on which a 5% discount has been provided is considered as a separate transaction and the output GST liability is computed accordingly, then the answer to Q. 5(c), relating to the net GST liability, should also be calculated in accordance with this approach.

Answer 5(d)

Due date of filing of Annual Return u/s 44 is 31st December of the next financial year. In this case due date of filing of Annual Return is 31.12.2025.
Yes, M/s Khatri Electronics Pvt. Ltd. is liable to pay late fees for delay filing of Annual Return.
As per Section 47 (2) of CGST Act 2017 any registered person who fails to furnish the return required under section 44 of the CGST Act 2017 by the due date shall be liable to pay a late fee of (a) late fee of one hundred rupees for every day (b) subject to a maximum of an amount calculated at a quarter per cent. of his turnover in the State or Union territory. However, vide Notification No. 7/2023-C.T., dated 31-3-2023, the late fee under section 47(2) was partially waived off and revised structure was notified for the following categories of registered persons. (a) Twenty-five rupees per day, subject to a maximum of an amount calculated at 0.02 percent of turnover in the State or Union territory where registered persons having an aggregate turnover of upto five crore rupees in the relevant financial year. (b) Fifty-rupees per day, subject to a maximum of an amount calculated at 0.02 percent of turnover in the State or Union territory where registered persons having an aggregate turnover of more than five crore rupees in the relevant financial year.
Hence in the given question late fees would be: (i) ₹ 50/- per day for 90 days = ₹ 4,500 (each CGST and SGST) *OR* (ii) 0.02% of ₹ 6 crore = ₹ 12,000 (each CGST and SGST) Whichever is lower Late fees = ₹ 4,500 (each CGST and SGST) Total Rs. 9,000

Attempt all parts of either Q. No. 6 or Q. No. 6A

Question 6

(a) Banshi Lal & Co., a firm of Tax Consultants, issued invoice for services rendered to Mr. Amit on 7th September, 2025. Determine the time of supply in the following independent cases in the context on CGST Act, 2017 :

(i) The provision of service was completed on 1st August, 2025 and payment was received on 28th September, 2025.

(ii) *The provision of service was completed on 14th August, 2025 and payment was received on 29th September, 2025.*

(iii) *The provision of service was remaining to be completed. However. Mr. Amit made the advance payment on 13th August, 2025.*

(5 marks)

(b) *Shri Keshri Pvt, Ltd., a registered supplier from Rajasthan, furnishes the following information relating to goods sold by it to Shri Balaji Pvt. Ltd. in Rajasthan, during the month of December, 2025 :*

S. No.	***Particulars***	***Amount (₹)***
(i)	*Price of the goods other than below item*	*1,00,000*
(ii)	*Installation and testing charges for goods, not included in price*	*25,000*
(iii)	*Freight charges from the Showroom of Keshri Pvt. Ltd. to warehouse of Shri Balaji Pvt. Ltd., included in price mentioned in Point No. (i) above.*	*12,000*
(iv)	*Shri Keshri Pvt. Ltd. provides additional discount @ 1% at year end, based on additional purchase of other machinery for which adjustment is made at the end of the financial year without any change in individual transactions.*	—
(v)	*Late fees for delayed payment inclusive of GST* *[Shri Balaji Pvt. Ltd. paid the late fees. However, these charges were ultimately waived by Shri Keshri Pvt. Ltd. and the amount was refunded to Shri Balaji Pvt. Ltd. during the same month]*	*7,500*
(vi)	*Weighment charges [Such charges were paid by Shri Balaji Pvt. Ltd. to Radhe Pvt. Ltd. on behalf of Shri Keshri Pvt. Ltd.]*	*6,000*

Compute the value of taxable supply made by Shri Keshri Pvt. Ltd. to Shri Balaji Pvt. Ltd. for the month of December, 2025.

(5 marks)

(c) *Arihant Ltd., a registered supplier from Rajkot, is engaged in the manufacture of heavy machinery. The company provides the following details of purchases made/services availed by it during the month of July, 2025 :*

S. No.	Particulars	GST Amount (₹)
(i)	*Purchase of iron which is used as a raw material [Goods were received in two lots - first in July, 2025 and thesecond in August, 2025]*	3,00,000
(ii)	*Purchase of accessories which were delivered directly to the dealers of the company on the direction of Arihant Ltd. [Only invoice was received by Arihant Ltd.]*	1,00,000
(iii)	*Electrical Transformers to be used in the manufacturing process*	4,25,000
(iv)	*Truck used for the transport of raw material*	1,40,000
(v)	*General Insurance taken on Truck (used by company on transportation of goods)*	20,000

You are required to determine the ITC that can be availed by Arihant Ltd. for the month of July, 2025 by giving brief explanations for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

(5 marks)

(d) *M/s Rajkumar Enterprises have imported a machine from U.K. and furnished the following particulars in relation to such import :*

S. No.	**Particulars**	**Amount**
(i)	*F.O.B. cost of the machine*	20,000 U.K. Pounds
(ii)	*Freight (air)*	3,000 U.K. Pounds
(iii)	*License fee relating to imported goods payable by the buyer as a condition of sale*	20% of F.O.B. Cost
(iv)	*Commission paid to a local agent in India on behalf of exporter*	₹ 15,000
(v)	*Insurance paid to the insurer in India*	₹ 28,000

Other particulars :

- *(a)* *Inter-bank exchange rate as arrived at by the authorized dealer : ₹ 92.50 per U.K. Pound.*
- *(b)* *CBIC had notified for purpose of Section 14 of the Customs Act, 1944, exchange rate of ₹ 90 per U.K. Pound.*

Compute the assessable value of goods for the purpose of customs duty for M/s Rajkumar Enterprises.

(5 marks)

OR (Alternative question to Q. No. 6)

Question 6A

(i) *Ramada Ltd., registered under GST as normal taxpayer, is winding up its business in Uttar Pradesh. The Tax Consultant of Ramada Ltd. has suggested that Ramada Ltd. will have to file either the annual return or the final return at the time of voluntary cancellation of registration in the state of Uttar Pradesh.*

Do you agree with the stand taken by Tax Consultant of Ramada Ltd ? Explain in the context of CGST Act, 2017.

(5 marks)

(ii) *Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) and 10(2) of CGST Act, 2017 provided their turnover in preceding financial year was ₹ 1.06 crore :*

- *(a)* *Yash Enterprises is engaged in trading of pan masala in Maharashtra and its supply is only in the same State.*
- *(b)* *Anirudh Manufacturers has registered offices in Delhi and Haryana and supplies goods in neighbouring States.*

(5 marks)

(iii) *GST is payable on advance received for supply of goods and services taxable under forward charge. Explain this statement along with correct legal provisions as per GST Law.*

(5 marks)

(iv) *Mention the names of any five "Types of Custom Duty" on Import Goods covered under Schedule I of Custom Tariff Act, 1975.*

(5 marks)

Answer 6(a)

As per section 13, the time of supply of services taxable under forward charge is

- (a) date of issue of invoice or date of receipt of payment, whichever is earlier, if the same is issued within 30 days from the date of supply of service; or

(b) date of provision of service or date of receipt of payment, whichever is earlier, if the invoice is not issued within 30 days from the date supply of service; or

(c) date of receipt of payment would be the earlier of the following in a case where the provisions of clause (a) or clause (b) do not apply. For date of receipt of payment date of credit in the bank account or the date of entry in the books of account, whichever is earlier.

In accordance with the aforesaid provisions, the time of supply in the three independent cases will be:

(1)	1st August, 2025 since the invoice is not issued within 30 days of supply of service.
(2)	7th September, 2025 since the invoice is issued within 30 days of supply of service and the payment is received after the issuance of invoice.
(3)	13th August, 2025 viz., earlier of date of issuance of invoice (7th September, 2025) or date of receipt of payment 13th August, 2025)

Answer 6(b)

Computation of value of taxable supply made by Shri Keshri Pvt. Ltd. to Shri Balaji Pvt. Ltd. for the month of December, 2025

Particulars	*Amount (₹)*
Price of the goods other than below item	1,00,000
Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply in terms of section 15(2) (c).]	25,000
Less: Freight Charges [Though the freight charges are included in Invoice. Hence it is includable in the value of supply in term of section 15(2) (c). So do not deduct from the price of goods.	Nil
Less: Additional 1% discount at year end [Though the additional discount is established before/at the time of supply, it is not deductible from the value of supply in terms of section 15(3)(b) as the same is not linked to any specific transaction and is adjusted by the parties at the end of the financial year.]	Nil

Late fees for delayed payment [Not includible since the same is waived off]	Nil
Weighment charges paid to Radhe Pvt. Ltd. on behalf of Shri Keshri Pvt. Ltd. [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	6,000
Value of taxable supply	1,31,000

Answer 6(c)

Computation of ITC that can be availed by Arihant Ltd. for the month of July, 2025

Particulars	*Amount*
Purchase of iron used as a raw material [When inputs are received in lots, ITC can be availed only on the receipt of last lot. Since last lots received in August, 2025, ITC cannot be availed in July, 2025]	Nil
Purchase of accessories delivered directly to the dealers of the company [Goods delivered to another person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. Thus, ITC is available to the registered person, on whose order/direction the goods are delivered to a third person.]	1,00,000
Electrical Transformers [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	4,25,000
Truck used for the transport of raw material [ITC on motor vehicles used for transportation of goods is not blocked under section 17(5)(a)]	1,40,000
General Insurance taken on Truck [ITC on General Insurance on motor vehicles used for transportation of goods is not blocked under section 17(5)(a)]	20,000
Total ITC	6,85,000

Answer 6(d)

Computation of assessable value of goods for the purpose of customs duty for M/s Raj Kumar Enterprises

Particulars	*Amount (UK Pounds)*
FOB cost of Machine	20,000
Add: License fee relating to imported goods payable by the buyer as a condition of sale (20% on 20,000 UKP)	4,000
	24,000
	Value in (₹)
Sub-Total (24,000 UKP x ₹ 90) As per explanation to section 14(1) of the customs act, 1962, assessable value should be calculated with reference to the rate of exchange notified by the CBIC.	21,60,000
Add: Commission paid to a local agent in India	15,000
FOB value as per customs	21,75,000
Add: Air Freight (since air freight is ascertainable and is lower than 20% of FOB value, actual sum to be considered. [3000 x 90 = ₹ 2,70,000)	2,70,000
Add: Insurance paid to the insurer in India	28,000
CIF Value / Assessable Value	24,73,000

OR (Alternative question to Q. No. 6)

Answer 6A(i)

The stand taken by tax consultant of Ramada Ltd is not correct.

Annual return (Section-44) is required to be filed by every registered person paying tax as a normal taxpayer.

Final return (Section-45) is filed by the registered persons who have applied for cancellation of registration within 3 months of the date of cancellation or the date of cancellation order whichever is later.

In the given case, Ramada Ltd., a registered person, is winding up its business and has thus, applied for cancellation of registration. Therefore, it is required to file both annual return and final return.

Answer 6A(ii)

(a) A supplier engaged in the manufacture of goods as notified under section 10(2), during the preceding FY is not eligible for composition scheme under section 10(1) and 10(2).

Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes and aerated waters are notified under this category.

However, in the given case, since Yash Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed ₹1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.

(b) Supplier of inter-State outward supplies of goods or services is not eligible for composition levy.

Since, Anirudh manufacturers made inter-state supply. Hence, he is not eligible for composition levy.

Answer 6A(iii)

The statement is not correct.

While GST is payable on advance received for supply of services taxable under forward charge, the same is not payable in case of advance received for supply of goods taxable under forward charge.

As per section 13, the time of supply of services taxable under forward charge is

(a) date of issue of invoice or date of receipt of payment, whichever is earlier, if the same is issued within 30 days from the date of supply of service; or

(b) date of provision of service or date of receipt of payment, whichever is earlier, if the invoice is not issued within 30 days from the date supply of service; or

(c) date of receipt of payment would be the earlier of the following in a case where the provisions of clause (a) or clause (b) do not apply:

- date of credit in the bank account or
- the date of entry in the books of account, whichever is earlier.

Thus, in case of services, if the supplier receives any payment before the provision of service or before the issuance of invoice for such service, the time of supply gets fixed at that point in time and the liability to pay tax such payment arises. However, the tax can be paid by the due date prescribed with reference to such time of supply.

As regards time of supply of goods taxable under forward charge concerned, Notification No. 66/2017 CT dated 15.11.2017 provides that registered person (excluding composition supplier and registered person making supply of specified actionable claims) should pay GST on the outward supply of goods at the time of supply as specified in section 12(2),

i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31

Therefore, in case of goods, tax is not payable on receipt of advance payment.

Answer 6A(iv)

Types of Customs Duty:

1. Basic Customs Duty (BCD)
2. Integrated Tax [Section 3 (7) of the Customs Tariff Act, 1975]
3. GST Compensation Cess
4. Additional Customs Duty / Countervailing Duty (CVD)
5. Special Additional Duty (SAD)
6. Protective Duty
7. Safeguard Duty
8. Countervailing Duty on Subsidized Articles
9. Provisional Countervailing Duty on Subsidized Articles
10. Anti-Dumping Duty on Dumped Articles
11. Provisional Anti –Dumping Duty
12. Social Welfare Surcharge (SWS) on Imported Goods
13. Road and Infrastructure Cess on Imported Goods
14. Health Cess.

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