

GUIDELINE ANSWERS

EXECUTIVE PROGRAMME

Syllabus 2022

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GROUP 2



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

ICSI House, 22, Institutional Area, Lodi Road, New Delhi 110 003

tel 011-4534 1000 email info@icsi.edu website www.icsi.edu

CAPITAL MARKETS AND SECURITIES LAWS

GROUP 2 PAPER 5

Time allowed : 3 hours

Maximum marks : 100

NOTE : Answer All Questions.

PART-I

Question 1

- (a) Evergreen Infra Realty Limited was promoted by R [R and his family members] in the year 2008, to deal into infrastructure and real estate business. The company was incorporated in National Capital Region [NCR Region] with Registered Office at Gurgaon. The company grew well and soon became a well-known name in the field of infrastructure and real estate. It had its operations in various cities across North India. It came out with its public issue in 2015 and got listed on both the National Stock Exchange and the Bombay Stock Exchange.

Being a listed entity, the Company is required to comply with various applicable SEBI Rules and Regulations. However, in the recent quarters, SEBI preliminary felt that some irregularities are there in the documents filed by Evergreen Infra Realty Limited. Therefore, SEBI has appointed an Investigating Authority to conduct an enquiry into its preliminary findings. The Investigating Authority conducted its enquiry and came across various irregularities like failing to properly disclose promoter group shareholding, not reporting changes in the shareholding pattern of the immediate relatives of the promoter. The primary issue was the misclassification of shares held by the promoter's relatives as public holdings, violating various SEBI regulations.

As this complaint was taken on a serious note by the Investigating Authority, hence their findings were recommended with strict action against the company. Therefore, SEBI left with no much options except to penalize them heavily for non-compliance of SEBI Regulations.

In the meanwhile, one of a renowned lawyer, L, of Supreme Court of India when come to know this fact, he called his old friend R to understand any help him in this case. While discussing the matter, R wanted to know from L-whether it is possible to file an appeal in the Civil Court in Delhi against this order of SEBI ?

However, finally the company and its directors/promoters, challenged against SEBI's orders in Securities Appellate Tribunal (SAT) arguing that the purported misclassification was due to strained personal relationships, particularly between R and his wife, which led to them living separately. Consequently, it was also submitted on behalf of the Company that the relatives of R's wife should not be considered as a part of the promoter group, since they both are not staying together. However, SEBI did not accept this justification and SEBI's contention in SAT was that the promoter group includes immediate relatives regardless of personal estrangement, as defined by SEBI (Issue of Capital and Disclosure Requirements) Regulations.

After having multiple hearings with SAT, now final order is awaited and will be issued soon. Under the given circumstances, considering the context of Securities and Exchange Board of India Act, 1992 and the various rules & regulations made thereunder, answer the following :

- (i) What is the procedure R and his family, can follow to make an appeal with Securities Appellate Tribunal (SAT) ?

- (ii) What are the powers Securities Appellate Tribunal, may have in this case ?
- (iii) After discussion with L, is R eligible to make an appeal in the jurisdiction of any civil court to obtain an injunction order ?
- (iv) If R is aggrieved by the decision of Securities Appellate Tribunal, what option does he have ?
- (v) For speedy trial of offences under the SEBI Act, 1992, what are the provisions for establishing Special Courts ?

(5×2=10 marks)

(b) Y, a young person, has completed his bachelor's degree from the school of business management and feels strongly that he has adequate knowledge of finance and economics. Inspired by one of his school days friends, he is also looking for a good career in IT industry. But, looking at his elder brother, who is working in the financial sector Y is also attracted towards him. Because, of the recent surge in capital market activities, fueled by mobile apps, technological advances and machine learning tools. After taking his family's advice, finally Y joined into a certification course in the technology related area, which he feels will help him in data analysis, trend analysis and related aspects. After all these qualification and subject knowledge, he finally decided to make his career in the financial and capital market related activities. But instead of taking employment and working under somebody else, he feels he has the potential and the dynamism to work on his own, build a clientele and make a good fortune.

His family has a strong financial background; hence he did not find any problem to finance his new venture. But he being a self-respected person he wanted to start everything new of his own, even with his own funding. For this purpose, he has already discussed loan proposals with some of his nearby bank branches. These bankers are happy to lend him loan, because they knew his family background. Then he remembers that you as his college days' friend and you are a qualified Company Secretary and doing your own practice. Therefore, he came to you for your guidance, particularly to know about the following :

- (i) Y wants to understand the major activities that a Stock Broker does in the securities market ?
- (ii) If Y starts his profession as a Stock Broker, then what specific roles and responsibilities he will have as per the SEBI (Stock Brokers) Regulations, 1992 ?
- (iii) What is the minimum net worth requirement that Y needs to have for starting the business of a stock broker as per the SEBI (Stock Brokers) Regulations, 1992 ?
- (iv) To become a Qualified Stock Broker, what parameters Y should have, so that, he may be designated so by SEBI ?
- (v) Y also wants to understand the difference between the role of a Portfolio Manager, and how it is different from that of a Stock Broker ?

(5×2=10 marks)

Answer 1(a)

- (i) In accordance with the Section 15T of the Securities and Exchange Board of India Act, 1992, any person aggrieved by an order of SEBI made or by an order made by an Adjudicating Officer under this Act may prefer an appeal with SAT having jurisdiction in the matter within a period of 45 days from the date on which a copy of the order made by SEBI or the Adjudicating Officer, as the case may be, is received by him and it shall be in such form and

shall be accompanied by such fees as may be prescribed. SAT may entertain an appeal after the expiry of said period of 45 days if it is satisfied that there was sufficient cause for not filing it within that period.

Further, Rule 4 of the Securities Appellate Tribunal (Procedure) Rules, 2000 prescribed that a memorandum of appeal shall be presented in the Form by any aggrieved person in the registry of the Appellate Tribunal within whose jurisdiction his case falls or shall be sent by registered post addressed to the Registrar. A memorandum of appeal sent by post shall be deemed to have been presented in the registry on the day it was received in the registry.

- (ii) Under the Securities and Exchange Board of India Act, 1992, the Securities Appellate Tribunal shall have, for the purposes of discharging their functions under this Act, the same powers as are vested in a Civil Court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the following matters, namely:
- a) summoning and enforcing the attendance of any person and examining him on oath,
 - b) requiring the discovery and production of documents,
 - c) receiving evidence on affidavits,
 - d) issuing commissions for the examination of witnesses or documents,
 - e) reviewing its decisions,
 - f) dismissing an application for default or deciding it ex-parte,
 - g) setting aside any order of dismissal of any application for default or any order passed by it ex-parte,
 - h) any other matter which may be prescribed.
- (iii) Section 15Y of the Securities and Exchange Board of India Act, 1992, lays down that no civil court has jurisdiction to entertain any suit or proceeding in respect of any matter which an Adjudicating Officer appointed under this Act or a Securities Appellate Tribunal constituted under this Act is empowered by or under this Act to determine and no injunction shall be granted by any Court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act.
- (iv) Section 15Z of the Securities and Exchange Board of India Act, 1992, lays down that any person aggrieved by any decision or order of the Securities Appellate Tribunal may file an appeal to the Supreme Court within 60 days from the date of communication of the decision or order of the Securities Appellate Tribunal to him on any question of law arising out of such order. It has been provided that the Supreme Court may, if it is satisfied that the applicant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding 60 days.
- (v) Under Section 26A of the Securities and Exchange Board of India Act, 1992, for providing speedy trial of offences under this Act, the Central Government may establish or designate Special Courts by notification. Special Court shall consist of a single judge who shall be appointed by the Central Government with the concurrence of the Chief Justice of the High Court within whose jurisdiction the Judge to be appointed is working. A person shall not be qualified for appointment as a Judge of a Special Court unless he is holding the office of a Sessions Judge or an Additional Sessions Judge immediately before such appointment.

Answer 1(b)

- (i) "Stock Broker" means a person having trading rights in any recognised stock exchange and includes a trading member. A stock broker plays a very important role in the secondary market helping both the seller and the buyer of the securities to enter into a transaction.

The buyer and seller may be either a broker or a client. A stock broker is regulated by the provisions of the SEBI (Stock Brokers) Regulations, 1992.

- (ii) Stock Broker has specific roles and responsibilities under the SEBI (Stock Brokers) Regulations, 1992, when executing an order, the stock broker may on behalf of his client buy or sell securities from his own account i.e. as principal or act as an agent. For each transaction he has to issue necessary contract note indicating whether the transaction has been entered into by him as a principal or as an agent for another. While buying or selling securities as a principal, the stock broker has to obtain the consent of his client and the prices charged should be fair and justify by the conditions of the market. Stock broker may also act as an underwriter.
- (iii) The stock broker shall have such net worth and shall deposit with the stock exchange such sum as may be specified by the SEBI / stock exchange from time to time. The stock-broker shall satisfy the minimum net worth and deposit requirements as specified in Schedule VI of the SEBI (Stock Brokers) Regulations, 1992.
- (iv) SEBI may designate a stock broker as a qualified stock broker having regard to its size and scale of operations, likely impact on investors and securities market, as well as governance and service standards, on the basis of the following parameters and the appropriate weightages thereon:
 - a) the total number of active clients;
 - b) the available total assets of clients with the stock broker;
 - c) the trading volumes of the stock broker;
 - d) the end of day margin obligations of all clients of a stock broker;
 - e) compliance score as may be specified by SEBI;
 - f) grievance redressal score as may be specified by SEBI; and
 - g) the proprietary trading volumes of the stock broker.
- (v) A portfolio manager plays a pivotal role in deciding the best investment plan for an individual as per his income, age as well as ability to undertake risks. A portfolio manager is responsible for making an individual aware of the various investment tools available in the market and benefits associated with each plan. On the other hand, a stock broker plays the role in the secondary market helping both the seller and the buyer of the securities to enter into a transaction. The buyer and seller should be entering into the transaction [through stock broker] at their own risk. Whereas, portfolio manager makes an individual realize why he actually needs to invest and which plan would be the best for him. A portfolio manager is responsible for designing customized investment solutions for the clients according to their financial needs. Whereas, a stock broker does not provide such customized solutions to his client.

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

Question 2

- (a) Explain the Regulatory Framework of Secondary Market in India.
- (b) Shares with Differential Voting Rights (DVR), are an important element in the Indian capital market. However, all the entities are not permitted to do so. List down the companies which are not entitled to issue DVRs.
- (c) Serene Lifestyle Limited has been into the business of manufacturing wooden furniture. In order to expand its business operations, the company has decided to list its securities.

Accordingly, it submitted a preliminary application with the Recognised Stock Exchange for listing of its forthcoming public issue. But the application has been refused by the respective Stock Exchange without stating any reason(s). One of the junior Board Director suggested, to make an appeal to the Central Government. You being the Company Secretary of Serene Lifestyle Limited, analyse the situation and elaborate, whether the suggested remedies are available for the Company, or not ?

- (d) In the last Board meeting of Express Limited, a listed company, one of the Board members suggested that she has heard "SEBI has been vested with the same power as are available to a Civil Court under the Code of Civil Procedures, 1908". You being the Company Secretary, are advised by the Board to examine the facts.

(5 marks each)

Answer 2(a)

Trading in the Indian stock market majorly takes place in the two stock exchanges, namely BSE Limited (formerly Bombay Stock Exchange) and NSE (National Stock Exchange of India).

The regulation of buying, selling and dealing in securities such as shares of company, units of mutual funds, Derivatives etc and stock exchange, commodity derivative exchanges and depositories comes within the purview of Securities and Exchange Board of India (SEBI) in terms of SEBI Act, 1992 and various SEBI Regulations/ Circulars/ Guidelines/ Directives etc.

SEBI was established on April 12, 1988 as non-statutory body and later on in 1992 was recognized as statutory body in accordance with the provisions of the SEBI Act. The mandate of SEBI is to protect the interest of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto.

At present, the four main legislations governing "the securities market" are;

- i) The SEBI Act, 1992, which empowers SEBI with statutory powers for:
 - a) Protecting the interest of investors in securities,
 - b) Promoting development of the securities market, and
 - c) Regulating the securities market.
- ii) The Companies Act, 2013 which provides regulation for issuance, allotment and transfer of securities, and related matters in public issues of securities.
- iii) The Securities Contracts (Regulation) Act, 1956, which provides for recognition and regulation of transactions in securities in Stock Exchange.
- iv) The Depositories Act, 1996, which provides for electronic maintenance and transfer of ownership of dematerialized (demat) shares.

Answer 2(b)

Shares with differential voting rights ("DVR") refer to equity shares holding differential rights as to dividend and/ or voting. Section 43 (a) (ii) of the Companies Act, 2013 read with Rule 4 of Companies (Share Capital and Debenture) Rules, 2014 allows a company limited by shares to issue DVRs as part of its share capital.

However, following companies are not permitted to issue shares with DVR;

- i) The Company which has defaulted in:
 - a) filing annual returns and financial statements for the last three financial years,

- b) repayment of matured deposits or payment of declared dividend,
- c) redemption of its preference shares/debentures which are due for redemption,
- d) payment of interest on such deposits or debentures or payment of dividend on preference shares,
- e) repayment of term loan taken from any public financial institution or state level financial institution or from a scheduled bank that has become due and payable,
- f) payment of statutory dues of the employees of the company or default in crediting the amount in Investor Education and Protection Fund to the Central Government.

However, a Company may issue equity shares with differential rights upon expiry of 5 years from the end of the financial year in which such default was made good.

- ii) The Company which has been penalized by Court or Tribunal during the last three years of any offence under the Reserve Bank of India Act, 1934, the Securities and Exchange Board of India Act, 1992, the Securities Contracts Regulation Act, 1956, the Foreign Exchange Management Act, 1999 or any other special Act, under which such companies being regulated by sectoral regulators.

Answer 2(c)

As per Section 22 of the Securities Contracts (Regulation) Act, 1956 and the Rules made thereafter, where a recognised stock exchange refuses to list the securities of any public company or collective investment scheme, the company or the scheme shall be entitled to be furnished with reasons for such refusal, and may:

- (a) within 15 days from the date on which the reasons for such refusal are furnished to it, or
- (b) where the stock exchange has omitted or failed to dispose of, within the time specified in the Companies Act (hereafter in this section referred to as the "specified time"), the application for permission for the shares or debentures to be dealt with on the stock exchange, within fifteen days from the date of expiry of the specified time, or within such further period, not exceeding one month, as the Central Government may, on sufficient cause being shown, allow, appeal to the Central Government against such refusal, omission or failure, as the case may be, and thereupon, the Central Government may, after giving the stock exchange an opportunity of being heard,
 - i) vary or set aside the decision of the stock exchange, or
 - ii) where the stock exchange has omitted or failed to dispose of the application within the specified time, grant or refuse the permission,

and where the Central Government sets aside the decision of the recognised stock exchange or grants the permission, the stock exchange shall act in conformity with the orders of the Central Government.

However, no appeal shall be preferred against refusal, omission or failure, as the case may be, under this section on and after the commencement of the Securities Laws (Second Amendment) Act, 1999.

Answer 2(d)

Section 11 (3) of the SEBI Act, 1992 provides that the SEBI has been vested with the same powers as are available to a Civil Court under the Code of Civil Procedures, 1908 for trying a suit in respect of the following matters:

- (i) the discovery and production of books of account and other documents at such place and such time indicated by SEBI,

- (ii) summoning and enforcing the attendance of persons and examining them on oath,
- (iii) inspection of any books, register and other documents of any person referred in section 12 of the Act at any place,
- (iv) inspection of any book or register or other document or record of any listed company or a public company which intends to get its securities listed on any recognized stock exchange,
- (v) issuing commissions for the examination of witnesses or documents.

OR (Alternative question to Q. No. 2)

Question 2A

- (i) Elaborate the process of Second Review under the redressal system for a Complaint, as followed by the SEBI.

(5 marks)

- (ii) *“Cyber-attacks and threats attempt to compromise the Confidentiality, Integrity and Availability (CIA) of the computer systems, networks and databases. Cyber security framework includes measures, tools and processes that are intended to prevent cyber-attacks and improve cyber resilience”*. In the context of given statement(s), enumerate the measures each and every Depository Participant is required to undertake as part of SEBI's Cyber Security and Cyber Resilience Framework.

(5 marks)

- (iii) New Age Limited, a listed company with National Stock Exchange, is in the process of appointing a “Custodian”. One of its Board members raised following questions in the meeting and suggest you to respond as their Company Secretary :

- (a) Define the term ‘Custodian’,
- (b) What are the specific responsibilities of a custodian ?
- (c) What is the minimum net worth requirement for any custodian ?
- (d) Custodian is governed under which regulation ?

(2+1+1+1=5 marks)

- (iv) Elaborate various Financial Product, being notified by the Central Government from time to time, under the International Financial Services Centres Authority Act, 2019 ?

(5 marks)

Answer 2(A)(i)

The process followed by the SEBI, under the Second Review of any complaint is as under:

- a) The complaint may seek second review of the Complaint within 15 calendar days from the date of the submission of the Action Taken Report [ATR] by the Designated Body. In case the complainant is satisfied with the ATR provided by the concerned Designated Body or complainant does not choose to review the Complaint within the period of 15 calendar days, the Complaint shall be disposed on SCORES.
- b) In the case the complainant is not satisfied with the ATR provided by the Designated Body or the concerned Designated Body has not submitted the ATR within 10 calendar days, SEBI may take cognizance of the Complaint for second review through SCORES,

- c) SEBI may take up the review with stakeholders involved, including the concerned entity or/ and Designated Body. The concerned entity or/and Designated Body shall take immediate action on receipt of second review complaint from SEBI and submit revised ATR to SEBI through SCORES, within the timeline specified by SEBI.
- d) SEBI or the Designated Body (as the case may be) may seek clarification on the ATR submitted by the concerned entity for SEBI review complaint. The concerned entity shall provide clarification to the respective Designated Body and / or SEBI, wherever sought and within such timeline as specified,
- e) The second review Complaint shall be treated as 'resolved' or 'disposed' or 'closed' only when SEBI 'disposes' or 'closes' the Complaint in SCORES. Hence, mere filing of ATR with respect to SEBI review complaint will not mean the SEBI review complaint is disposed.

Answer 2(A)(ii)

Cyber-attacks and threats attempt to compromise the Confidentiality, Integrity and Availability (CIA) of the computer systems, networks and databases. Cyber security framework includes measures, tools and processes that are intended to prevent cyber-attacks and improve cyber resilience. Cyber Resilience is an organization's ability to prepare and respond to a cyber-attack and to continue operation during, and recover from, a cyber-attack.

The Frameworks prescribed for Depository Participants are as follows:

1. Depository Participants are mandated to conduct comprehensive cyber audit.
2. Depository Participants shall submit with Stock Exchange/Depository a declaration from the MD/ CEO / Partners/ Proprietors certifying compliance with all SEBI Circulars and advisories related to Cyber security from time to time, along with the Cyber audit report.
3. Depository Participants shall identify and classify critical assets based on their sensitivity and criticality for business operations, services and data management. The critical assets shall include business critical systems, internet facing applications /systems, systems that contain sensitive data, sensitive personal data, sensitive financial data, Personally Identifiable Information (PII) data, etc.
4. Depository Participants shall maintain up-to-date inventory of its hardware and systems, software and information assets (internal and external), details of its network resources, connections to its network and data flows.
5. Depository Participants shall carry out periodic Vulnerability Assessment and Penetration Tests (VAPT) which inter-alia include critical assets and infrastructure components like Servers, Networking systems, Security devices, load balancers, other IT systems pertaining to the activities done as Depository Participants etc., in order to detect security vulnerabilities in the IT environment and in-depth evaluation of the security posture of the system through simulations of actual attacks on its systems and networks.

Answer 2(A)(iii)

- (a) The term "Custodian" is a person who carries on or propose to carry on the business of providing custodial services to the client. The custodian keeps the custody of the securities of the client. The custodian also provides incidental services such as maintaining the accounts of securities of the client, collecting the benefits or rights accruing to the client in respect of securities.
- (b) Specific responsibilities of the custodian are as follows:
 - i) Administrate and protect the assets of the clients,
 - ii) Open a separate custody account and deposit account in the name of each client,

- iii) Record assets,
 - iv) Conduct registration of securities.
- (c) Minimum net worth requirement of custodian is Rs. 50 crores.
- (d) The SEBI (Custodian) Regulations, 1996

Answer 2(A)(iv)

Section 3(1)(d) of the International Financial Services Centres Authority Act, 2019 defines “Financial product” as

- (i) Securities;
- (ii) Contracts of insurance;
- (iii) Deposits;
- (iv) Credit arrangements;
- (v) Foreign currency contracts other than contracts to exchange one currency for another that are to be settled immediately; and
- (vi) Any other product or instrument that may be notified by the Central Government from time to time.

Financial Products as notified by the Central Government from time to time are as under:

- (i) Aircraft lease including operating and financial lease and any hybrid of operating and financial lease of aircraft or helicopter and engines of aircraft or helicopter or any other part thereof
- (ii) Bullion spot delivery contract
- (iii) Bullion depository receipt with underlying bullion
- (iv) Operating lease including any hybrid of operating and financial lease of such product or equipment as financial product
- (v) Ship lease including operating lease, and hybrid of operating and financial lease, of a ship or ocean vessel, engines of ship or ocean vessel, or any other part thereof, as a financial product.

PART-II

Question 3

- (a) Agni Safety Solutions Limited is a public limited company incorporated on 27th February, 2018. It is into the business of manufacturing of different types of fire-fighting equipment. Its promoters, mainly constitute the Board of Directors of the company. The promoters now intend to enter into a new business of home appliances. But they do not have sufficient funds, to start any new business. They don't want to take bank loans, because one of existing banker has nominated their representative in Agni Safety Solutions Limited, has given a bitter experience to the promoters. In the last Board meeting, one of the senior Director suggested to explore the possibility of 'Offer for Sale'.

You being their Company Secretary, advice to the Board regarding the additional conditions to be complied with under Regulation 8 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, with regards to the 'Offer for Sale'.

(5 marks)

(b) Alpha Limited is a public limited company; it is one of the leaders in the business of manufacturing specialized automobile parts in the domestic market. In the last Board meeting, HR-Director suggested to issue Sweat Equity shares to the company's loyal and dedicated employees so that, other employees should also get motivated, and that will in turn help the company by having improved employees' productivity. Before the proposal got approved, one of newly inducted Director raised a question to the Company Secretary, to explain-what a Stock Appreciation Right (SAR) is, and how SAR price is defined ?

(5 marks)

(c) Moon Light Limited is a Listed company, with National Stock Exchange. For last couple of quarters, due to blockage of its funds in strategic assets and investments, it is going through liquidity crunch. Recently, its newly joined Finance Director suggested to raise fund by issuing of Commercial Papers valued ₹ 37 crores. In the last Board meeting, Directors have approved this proposal and also suggested to get these Commercial Papers listed.

You being the Company Secretary, list the conditions prescribed in Chapter VI of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 to be fulfilled by the company for getting these Commercial Papers listed.

(5 marks)

Answer 3(a)

The additional conditions required under Regulation 8 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, for an Offer for Sale are as follows:

- i) Shares must be fully paid-up.
- ii) Shares shall be held by the sellers for a period of at least one year prior to the filing of the draft offer document.
- iii) In case the equity shares received on conversion or exchange of fully paid-up compulsorily convertible securities (including depository receipts) are being offered for sale, the holding period of such convertible securities (including depository receipts) as well as that of resultant equity shares, together shall be considered for the purpose of calculation of one year period.
- iv) Such holding period of one year shall be required to be complied with at the time of filing of the draft offer document.
- v) If the equity shares arising out of the conversion or exchange of fully paid up compulsorily convertible securities are being offered for sale, the conversion or exchange should be completed prior to the filing of the offer document, provided full disclosure of the terms of conversion or exchange are made in the draft offer document.

However, the requirement of holding equity shares for a period of one year shall not apply:

- a. in case of an offer for sale of a government company or statutory authority or corporation or any special purpose vehicle set up and controlled by any one or more of them, which is engaged in the infrastructure sector;
- b. if the equity shares offered for sale were acquired pursuant to any scheme approved by a High Court or approved by a tribunal or the Central Government under the sections 230 to 234 of Companies Act, 2013, as applicable, in lieu of business and invested capital which had been in existence for a period of more than one year prior to approval of such scheme;
- c. if the equity shares offered for sale were issued under a bonus issue on securities held for a period of at least one year prior to the filing of the draft offer document with the Board and further subject to the following:
 - i. such specified securities being issued out of free reserves and share premium existing in

the books of account as at the end of the financial year preceding the financial year in which the draft offer document is filed with SEBI; and

- ii. such equity shares not being issued by utilisation of revaluation reserves or unrealized profits of the issuer.

Answer 3(b)

According to SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, "Stock appreciation right or SAR" means a right given to a SAR grantee entitling him to receive appreciation for a specified number of shares of the company where the settlement of such appreciation may be made by way of cash payment or shares of the company.

A SAR settled by way of shares of the company shall be referred to as equity settled SAR.

For the purpose of these regulations, any reference to stock appreciation right or SAR shall mean equity settled SARs and does not include any scheme which does not, directly or indirectly, involve dealing in or subscribing to or purchasing, securities of the company.

According to SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, Stock appreciation right (SAR) price means the base price defined on the grant date of SAR for the purpose of computing appreciation.

Answer 3(c)

Under Chapter VI of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, various conditions to be fulfilled by an issuer of Commercial Papers, to get them listed, are as follows:

- i) Issuer desirous of listing of commercial paper shall comply with the conditions as may be specified by the SEBI from time to time,
- ii) An issuer that has filed a general information document under these regulations and subsequently intends to issue commercial paper and seeks listing thereof, during the validity period of such general information document, shall file a key information document with the disclosures as may be specified by SEBI,
- iii) An issuer that has filed a shelf prospectus in case of public issue under these regulations and subsequently intends to issue Commercial Paper and seeks listing thereof, during the validity period of such shelf prospectus, shall not be required to file a general information document so long as the key information document is filed in accordance with these regulations,
- iv) The designated stock exchange shall collect a regulatory fee as specified in the regulations from an issuer of commercial paper at the time of their listing,
- v) The issuer shall apply for Securities and Exchange Board of India Complaints Redress System (SCORES) authentication in the format specified by SEBI and shall use the same for issuance and listing of commercial paper.

Question 4

- (a) Galaxy Limited is a listed company, with Bombay Stock Exchange. During last mid-November, 2025 its Company Secretary has resigned, and you have been appointed as their new Company Secretary. But, due to certain personal commitments, you are not in a position to join them before 1st January, 2026. In the meanwhile, to comply various regulatory requirements, Board has decided to appoint one of its senior Board members, A, as the Compliance Officer, till you formally join them. A is not only a Director of the Company, but he is also a qualified Company Secretary. During the Board meeting, legal

officer suggested that since A is also a Director of the Company, hence he may have vested interest. Therefore, he cannot be appointed as Compliance Officer of the Company. Explain with reason whether A's appointment as the Compliance Officer of the Company, between November to December end, is valid or invalid ?

(5 marks)

(b) Go Green Limited is a listed company, recently received a notice from a Regulatory Authority regarding violation of related party transaction. One of its newly inducted Board members wanted to know from you as its Company Secretary-which transactions, do not form part of related party transaction.

(5 marks)

(c) What information a listed company should maintain in its structured digital database as per Regulation 3(5) of the SEBI (Prohibition of Insider Trading) Regulation, 2015, in case the designated person is a fiduciary or intermediary ? Explain with suitable example.

(3+2=5 marks)

Answer 4(a)

Regulations 6 (1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, states that any vacancy in the office of the Compliance Officer shall be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy. However, the listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligation under such laws are made applicable to such person.

As per Regulation 6 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a compliance officer shall be a qualified company secretary. However, the Compliance Officer shall be an officer, who is in whole time employment of the listed entity, not more than one level below the board of directors and shall be designated as a Key Managerial Personnel. There is no restriction prescribed under these regulations which prohibits the director of the listed company, if in the employment, to act as a compliance officer of the listed entity.

Therefore, appointment of A as compliance officer in the given case would be valid if the appointment meets the conditions as stated above.

Answer 4(b)

In terms of proviso of regulation 2(1)(zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, following shall not be a related party transaction:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) the following corporate actions which are uniformly applicable / offered to all shareholders in proportion to their shareholding:
 - payment of dividend,
 - subdivision or consolidation of securities,
 - issuance of securities by way of a rights issue or a bonus issue, and
 - buy-back of securities.
- c) acceptance of fixed deposits by banks / Non-Banking Finance Companies at the terms uniformly applicable / offered to all shareholders/public, subject to disclosure of the

same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the SEBI.

- d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- e) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

The definition of related party transaction shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

Answer 4(c)

As per Regulation 3 (5) of the SEBI (Prohibition of Insider Trading) Regulations, 2015, the board of directors or head(s) of the organisation of every person required to handle unpublished price sensitive information shall ensure that a structured digital database is maintained containing the nature of unpublished price sensitive information and the names of such persons who have shared the information and also the names of such persons with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available. Such database shall not be outsourced and shall be maintained internally with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database.

Example – If the listed company has appointed a law firm or Merchant Banker in respect of fund-raising activity, it should obtain the name of the entity, so appointed, along with the PAN or other identifier, in case PAN is not available. The law firm or the Merchant Banker would in turn maintain its list of persons along with PAN or other unique identifier (in case PAN is not available), in accordance with Regulation 9A(2)(d) of the SEBI (Prohibition of Insider Trading) Regulations, 2015 and as required under Schedule C, with whom they have shared the unpublished price sensitive information.

Question 5

- (a) In the last Board meeting of Blue Gems Limited, a listed company with National Stock Exchange, one of its Director suggested that under the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 certain acts/transactions are not considered as 'Fraud'. He suggested you, to elaborate.
- (b) Progressive Limited, is a listed company with Innovators Growth Platform. It is planning to go for its public issue in March, 2026. However, in the meanwhile, on 29th October, 2025, company has received a notice from the Regulatory Authority regarding certain non-compliances on delisting of its equity shares. During the Board meeting, one of the Director raised issue of negligence on the Company Secretary, and asked him to give a detailed explanation—whether this Regulation, is applicable to their company or not ?
- (c) Grow Well is a Collective Investment Management Company, registered with the Regulatory Authorities. It is planning to launch one of its Scheme to the public. Elaborate the disclosures it is required to made in the offer document.

(5 marks each)

Answer 5(a)

Under Regulation 2 (1) (c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, certain exceptions have been provided to the term 'Fraud' and states that nothing contained in the clause shall apply to any general comments made in good faith in regards to:

- i) the economic policy of the government
- ii) the economic situation of the country
- iii) trends in the securities market, or
- iv) any other manner of a like nature

whether such comments are made in public or in private.

Answer 5 (b)

The SEBI (Delisting of Equity Shares) Regulations, 2021 shall not be applicable to:

- i) securities listed and traded on the innovators growth platform of a recognized stock exchange, without making a public issue;
- ii) any delisting of equity shares of a listed entity made pursuant to a resolution plan approved under section 31 of the Insolvency Code, if such plan
 - (a) provides for delisting of such share, or
 - (b) provides an exit opportunity to the existing public shareholders at a specified price.

However, the existing public shareholders shall be provided an exit opportunity at a price which shall not be less than the price, by whatever name called, at which a promoter or any entity belonging to the promoter group or any other shareholder, directly or indirectly, is provided an exit opportunity.

Further, the details of delisting of such shares along with the justification for exit price in respect of delisting proposed shall be disclosed to the recognized stock exchanges within one day of resolution plan being approved under section 31 of the Insolvency Code.

In the given case, Progressive Limited is a listed company with Innovators Growth Platform and is planning to go for its public issue. Therefore, securities of Progressive Limited are listed and traded on the innovators growth platform of a recognized stock exchange, without making a public issue and hence, the SEBI (Delisting of Equity Shares) Regulations, 2021 shall not be applicable to the company.

Answer 5(c)

As per Regulation 26 of the SEBI (Collective Investment Schemes) Regulations, 1999, following disclosures are required to be made in the offer document:

- i) The Collective Investment Management Company [CIMC] shall before launching any collective investment scheme file a copy of the offer document of the collective investment scheme with the SEBI and pay filing fees. The offer document should contain information such as name of the collective investment scheme, name and address of the registered office of the CIMC and trustee, Risk Factors, Disclaimer Clause etc., as specified in the Sixth Schedule.
- ii) The offer document should also contain true and fair view of the collective investment scheme and adequate disclosures to enable the investors to make informed decision.

- iii) SEBI may in the interest of investors require the CIMC to carry out such modifications in the offer document as it deems fit.
- iv) In case no modifications are suggested by SEBI in the offer document within 21 days from the date of filing, the CIMC may issue the offer document to the public.

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

Question 6

Write short notes on the following :

- (a) Unpublished price sensitive information
- (b) Mule account and its restrictions
- (c) Public notice after Delisting Order under Regulation 32(5), by the recognized stock exchange.
- (d) Different forms of Escrow account
- (e) Structure of a Mutual Fund

(5×3=15 marks)

Answer 6 (a)

Unpublished Price Sensitive Information

Regulation 2(1)(n) of the SEBI (Prohibition of Insider Trading) Regulations, 2015, defines the term unpublished price sensitive information which means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following:

- i) financial results;
- ii) dividends;
- iii) changes in capital structure;
- iv) mergers, de-mergers, acquisitions, delistings, disposals and expansion of business, award or termination of order/contracts not in the normal course of business and such other transactions;
- v) changes in key managerial personnel, other than due to superannuation or end of term, and resignation of a Statutory Auditor or Secretarial Auditor;
- vi) change in rating(s), other than ESG rating(s);
- vii) fund raising proposed to be undertaken;
- viii) agreements, by whatever name called, which may impact the management or control of the company;
- ix) fraud or defaults by the company, its promoter, director, key managerial personnel, or subsidiary or arrest of key managerial personnel, promoter or director of the company, whether occurred within India or abroad;
- x) resolution plan/ restructuring or one time settlement in relation to loans/borrowings from banks/financial institutions;
- xi) admission of winding up petition filed by any party /creditors and admission of application by the Tribunal filed by the corporate applicant or financial creditors for initiation of corporate

insolvency resolution process against the company as a corporate debtor, approval of resolution plan or rejection thereof under the Insolvency and Bankruptcy Code, 2016;

- xii) initiation of forensic audit, by whatever name called, by the company or any other entity for detecting misstatement in financials, misappropriation/ siphoning or diversion of funds and receipt of final forensic audit report;
- xiii) action(s) initiated or orders passed within India or abroad, by any regulatory, statutory, enforcement authority or judicial body against the company or its directors, key managerial personnel, promoter or subsidiary, in relation to the company;
- xiv) outcome of any litigation(s) or dispute(s) which may have an impact on the company;
- xv) giving of guarantees or indemnity or becoming a surety, by whatever named called, for any third party, by the company not in the normal course of business;
- xvi) granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.

Answer 6(b)

Mule account and its restrictions

Regulation 2(1)(da) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, defines the term mule account which includes a trading account maintained with a stock broker or a dematerialized account or bank account linked with such trading account in the name(s) of a person, where the account is effectively controlled by another person, whether or not the consideration for transaction in the account are paid by such other person.

Any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company or transactions through mule accounts for indulging in manipulative, fraudulent and unfair trade practice shall be and shall always be deemed to have been considered as manipulative, fraudulent or an unfair trade practice in the securities market.

Answer 6(c)

Public notice after Delisting Order under Regulation 32(5), by the Recognized Stock Exchange

Where the recognized stock exchange passes the compulsory delisting order, it shall:

- a) forthwith publish a notice in one English national newspaper with wide circulation, one Hindi national newspaper with wide circulation in their all-India editions and one vernacular newspaper of the region where the relevant recognized stock exchange is located.

The following disclosures are to be made in the notice:

- The fact of such delisting,
 - The name and address of the company,
 - The fair value of the delisted equity shares, and
 - The name and addresses of the promoters of the company who would be liable under sub-regulation (4) of regulation 33 of SEBI (Delisting of Equity Shares) Regulations, 2021.
- b) inform all the other stock exchanges where the equity shares of the company are listed, about such delisting, and
 - c) upload a copy of the said order on its website.

Answer 6(d)**Different forms of Escrow Account**

The escrow account as required under the SEBI (Buy-Back of Securities) Regulations, 2018 may be in any of the following forms (subject to appropriate margin):

- (i) cash including bank deposits deposited with any scheduled commercial bank, or
- (ii) bank guarantee issued in favour of the merchant banker by any scheduled commercial bank, or
- (iii) deposit of frequently traded and freely transferable equity shares or other freely transferable securities, or
- (iv) government securities, or
- (v) units of mutual funds invested in gilt funds and overnight schemes, or
- (vi) a combination of above.

Answer 6(e)**Structure of a Mutual Fund**

A mutual fund is set up in the form of a trust, which has sponsor, trustees, asset management company and a custodian. The SEBI prescribes comprehensive set of guidelines in the functioning of a mutual fund through the SEBI (Mutual Funds) Regulations, 1996. These regulations stipulate that a mutual fund consist of five important entities, they are:

- i) Sponsor – Sponsor is the principal body, who brings the capital as per the guideline issued SEBI to start a mutual fund.
- ii) Trust & Trustee – Trust is created by sponsor and trustees are appointed to manage the operations of a trust. The trustees' job is to ensure that all the funds are managed as per the defined objective and investors' interest is protected.
- iii) Asset Management Company (AMC) - The trustee appoints AMC to manage the funds of the investors and, in return, get the fee to manage the fund.
- iv) Custodian – Custodian job is to the safekeeping of the investors' fund and securities and to ensure that it would be used for intended purpose only.
- v) Registrar and Transfer Agent (RTA) – RTAs job is to manage the backend operations of the mutual fund and managing investors' transaction request and other related services.

OR (Alternative question to Q. No. 6)**Question 6A**

- (i) M/s Silver Sky Limited, a company listed with Innovators Growth Platform, incorporated on 14th April, 2022. As on 31st March, 2025, following are the elements of its capital structure :
 - (a) Authorised equity shares capital : ₹ 1,000 crore
 - (b) Issued and Paid-up equity share capital : ₹ 500 crore
 - (c) Paid-up preference share capital : ₹ 100 crore
 - (d) Free reserve and surplus : ₹ 100 crore, and
 - (e) Bank funding [thru term loans] : ₹ 300 crores.

In the past, the Company has already issued Sweat Equity shares to the tune of ₹ 35 crore. And, during the last Board Meeting held on 5th October, 2025 the Board proposed to further issue Sweat Equity shares to the tune of ₹ 50 crore.

Determine to what extent, further issue of Sweat Equity shares is permissible under SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ?

(5 marks)

(ii) Financial statement of M/s Sun & Moon Limited as on 30th September 2025 is as follows :

Liabilities	₹ Crores	Assets	₹ Crores
Equity share capital	200	Fixed Assets	750
8% Debentures	125	Current Assets :	
14% Debentures	175	Stock-in-trade	120
Bank term loan	275	Debtors	80
Bank secured loan	250	Cash and Bank balance	75
Total	1,025	Total	1,025

Additional information, are as follows :

- Stock-in-trade includes raw material in transit worth ₹ 20 crores,
- Debtors includes ₹ 15 crores receivable from Group Companies, due for more than last 3 months,
- Cash and Bank balance includes ₹ 18 crores invested in Fixed Deposits, and
- Being a listed entity with National Stock Exchange, its market capitalization as on this day was ₹ 325 crores.

Determine the Enterprises Value as on 30th September, 2025

(5 marks)

(iii) You have been recently appointed as the Company Secretary of M/s Diamond Teak Tree Plantation Limited. It is a Collective Investment Company, registered with SEBI. It has launched a collective investment management scheme valued at ₹ 25 crores, whereby the funds collected from investors will be invested in plantation of teak trees. One of your assistant Company Secretary wanted to know from you—is it possible that the fund collected in this scheme, can be deployed in any other scheme ?

Explain with the relevant provisions of the SEBI (Collective Investment Schemes) Regulations, 1999, regarding investment and segregation of funds.

(5 marks)

Answer 6(A)(i)

As per regulation 31 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations 2021, a company listed on Innovators Growth Platform shall be permitted to issue not more than 15% of the paid up equity share capital in a financial year subject to overall limit not exceeding 50% of the paid up equity share capital of the company, up to 10 years from the date of its incorporation or registration.

Therefore, under the given scenario:

- Permissible limit for current year = 15% of its paid up equity share capital
= 15% of ₹ 500 crore
= ₹ 75 crore

- b) Overall limit till date = 50% of its paid up equity share capital
 = 50% of ₹ 500 crore
 = ₹ 250 crore

The company in the past has already issued sweat equity shares of ₹ 35 crores and now planning to further issue sweat equity shares valued ₹ 50 crores. Total of both the issue, will come to ₹ 85 crores.

Since, both these limits of current year i.e. ₹ 50 crore and overall i.e. ₹ 85 crore are well within the prescribed parameters. Therefore, the company is eligible to further issue sweat equity shares to the extent of ₹ 50 crores, as proposed by the Board.

Answer 6(A)(ii)

As per regulation 2(1)(h) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the enterprise value means the value calculated as market capitalization of a company plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

The enterprise value can be determined as under:

Enterprise value = Market capitalization + Debt + Minority Interest + Preferred Shares – Total Cash and Cash equivalents.

= ₹ 325 crore + ₹ 125 crore + ₹ 175 crore + ₹ 275 crore + ₹ 250 crore – ₹ 75 crore

= ₹ 1,150 crore – ₹ 75 crore

= ₹ 1,075 crore

Answer 6(A)(iii)

The SEBI has prescribed certain provisions under regulation 35 of the SEBI (Collective Investment Schemes) Regulations, 1999, regarding investment and segregation of funds. These provisions say, the Collective Investment Management Company should:

- not invest the funds of the collective investment scheme for purposes other than the objective of the collective investment scheme as disclosed in the offer document,
- segregate the collective investment scheme assets of different collective investment schemes,
- not invest corpus of a collective investment scheme in other collective investment schemes,
- not transfer funds from one collective investment scheme to another collective investment scheme.

However, it has been provided that inter-scheme transfer of collective investment scheme property may be permitted at the time of termination of the collective investment scheme with prior approval of the trustee and the SEBI.

- not invest more than 25% of the amount raised by Collective Investment Management Company in projects owned directly or indirectly by Collective Investment Management Company.

Accordingly, M/s Diamond Teak Tree Plantation Limited can deploy the fund of the scheme in the manner as stated above.

ECONOMIC, COMMERCIAL AND INTELLECTUAL PROPERTY LAWS (EH)

GROUP 2 PAPER 6

Time allowed : 3 hours

Maximum marks : 100

NOTE : Answer All Questions.

PART-I

Question 1

A consumer complaint was filed by Aparna, the wife of a deceased man Mihir, who died in a car fire involving a Ford Endeavour. The Petitioner challenged the provisions of the Consumer Protection Act, 2019, which limited her ability to approach the National Commission based on the price paid rather than the compensation claimed. The facts of the case are given below :

Mihir purchased a Ford Endeavour Titanium for ` 32 lakhs. On 20th November, 2018, the vehicle caught fire during use which resulted in the death of Mihir. A criminal proceedings were initiated following the incident. Aparna, filed a consumer complaint under the Consumer Protection Act, 2019, in which she claimed compensation of ` 52 crores for the loss. The complaint was filed before the District Consumer Commission, Vadodara, due to the new pecuniary jurisdiction limits under the Consumer Protection Act, 2019. She contended that under the 1986 Act, she could have approached the National Commission directly as jurisdiction was based on the amount claimed and not the consideration paid. It was contended that the current regime under the 2019 Act violates Article 14 of the Indian Constitution due to its arbitrary and discriminatory impact on access to justice and disrupts the hierarchy of judicial forums.

Based on the above facts, answer the following questions with regard to the provisions of Consumer Protection Act, 2019 :

- (i) What is the Pecuniary jurisdiction of Commissions as per Consumer Protection Act, 2019 ?
(3 marks)
- (ii) State the Pecuniary jurisdiction of Commissions according to Consumer Protection (Jurisdiction of the District Commission, the State Commission and the National Commission) Rules, 2021.
(3 marks)
- (iii) Is it constitutional to determine pecuniary jurisdiction based on the amount paid and not on the basis of compensation claimed ? Does this classification violate Article 14 of the Indian Constitution ?
(2 marks)
- (iv) Enumerate the procedure for filing complaint before Consumer Commission.
(4 marks)
- (v) What is the purpose behind referring to the Constitution and functioning of the Central Consumer Protection Council/Authority ?
(3 marks)

Answer 1(i)

Pecuniary Jurisdiction of Commissions under the Consumer Protection Act, 2019 are as under:

- District Commission: According to section 34 of the Act, the District Commission shall have jurisdiction to entertain complaints where the value of the goods or services paid as consideration does not exceed one crore rupees.
- State Commission: According to section 47 of the Act, the State Commission shall have jurisdiction to entertain— (i) complaints where the value of the goods or services paid as consideration, exceeds rupees one crore, but does not exceed rupees ten crore: and (ii) complaints against unfair contracts, where the value of goods or services paid as consideration does not exceed ten crore rupees;
- National Commission: According to section 58 of the Act, the National Commission shall have jurisdiction to entertain (i) complaints where the value of the goods or services paid as consideration exceeds rupees ten crore: (ii) complaints against unfair contracts, where the value of goods or services paid as consideration exceeds ten crore rupees.

Answer 1(ii)

According to Consumer Protection (Jurisdiction of the District Commission, the State Commission and the National Commission) Rules, 2021 prescribed the following Pecuniary Jurisdiction:

- Jurisdiction of District Commission: District Commission shall have jurisdiction to entertain complaints where the value of the goods or services paid as consideration does not exceed fifty lakh rupees.
- Jurisdiction of State commission: State Commission shall have jurisdiction to entertain complaints where the value of the goods or services paid as consideration exceeds fifty lakh but does not exceed two crore rupees.
- Jurisdiction of National Commission: National Commission shall have jurisdiction to entertain complaints where the value of the goods or services paid as consideration, exceeds two crore rupees.

Answer 1(iii)

The Supreme Court of India in *Rutu Mihir Panchal vs Union of India (2025)* held that Section 34, 47 and 58 of the Consumer Protection Act, 2019 are constitutional which determine the pecuniary jurisdiction of consumer forums (District, State and National Commissions) based on the consideration paid for goods or services and not on the compensation claimed by the complainant.

The Court held that the classification based on the value of consideration paid is neither violative of Article 14 of the constitution of India nor Manifestly arbitrary. The Court emphasized that access to justice is preserved, since appeals to higher forums remain available.

Answer 1(iv)

The Consumer Protection (Consumer Commission Procedure) Regulations, 2020 provides for procedure for filing complaints before Consumer Commission as follows: -

A complaint:

- Should be in writing
- Can be filed in a regular way (offline)
- Can be filed online through official portal – <http://edaakhil.nic.in/>

A complaint can be presented by the complainant in person or by his agent. It can even be sent by registered post along with the court fee.

Normally three copies of the complaint are required to be submitted out of which one retained for the official purpose, one is forwarded to the opposite party and one is the for the complainant. In case the number of opposite parties is more correspondingly more copies of the complaint are required.

Where a Complaint is filed in the National Commission, it shall be filed in two sets and the sets for the Opposite parties or respondents shall be filed within a week of admission of such case or issuance of notice to the opposite parties.

Every complaint shall clearly contain particulars of dispute and the relief claimed and shall also be accompanied by copies of such documents as are necessary to prove the claim made in the complaint.

Answer 1(v)

The Supreme Court of India in *Rutu Mihir Panchal vs Union of India 2025* observed that the purpose and object behind referring to the Constitution and functioning of the Central Consumer Protection Council and the Central Consumer Protection Authority is only to ensure that the regulatory regime for consumer protection is clearly identified, coordinated -if not centralized and declared to be duty bearers for effective functioning of consumer protection regime.

The Supreme Court held that the Council and Authority being statutory authorities having clear purpose and objects and vested with powers and functions must act effectively and in complete coordination to achieve the preambular object of the statute to protect the interest of consumers. As they are impressed with statutory duty, their functioning will be subject to judicial review. Vibrant functioning of the Council and the Authority will subserve the purpose and object of the Parliament enacting the 2019 legislation.

Question 2

- (a) ABC Pvt. Ltd. who has been granted certificate to receive foreign contribution, receives foreign contribution for administrative purpose but it invests whole amount of contribution in the mutual funds. Discuss whether ABC Pvt. Ltd. can do so. Also, explain the provisions of Restriction to utilize Foreign Contribution for Administrative Purpose as per Section 8 of the Foreign Contribution (Regulation) Act, 2010.

(5 marks)

- (b) State the penalty to be imposed in the following cases as per the provisions of the Real Estate (Regulation and Development) Act, 2016 :

- (i) A Housing Scheme Project was launched by XYZ Ltd. The Promoters of the company started the selling of plots and booking of apartments without registering this project with the Real Estate Regulatory Authority.
- (ii) A Housing Scheme Project was launched by ABC Ltd. The promoter of the company filed an application for the registration of this project giving an affidavit stating that seventy per-cent of the amounts realised for the real estate project from the allottees, from time to time, shall be deposited in a separate account to be maintained in a scheduled bank to cover the cost of construction and the land cost and shall be used only for that purpose. But, in reality, that account was never opened.

(3+2=5 marks)

- (c) XYZ Pvt. Ltd., a startup based in Bengaluru, inadvertently committed a contravention other than Section 3(a) of the Foreign Exchange Management Act, 1999 (FEMA), involving a sum of ₹ 3.2 crore and now wishes to voluntarily rectify this mistake under the Foreign Exchange (Compounding Proceedings) Rules, 2024. Which RBI officer will act as the Compounding Authority for this case? What key factors will be considered by the Compounding Authority while determining the compounding amount for XYZ Pvt. Ltd.?

(5 marks)

Answer 2(a)

According to Section 8 of the Foreign Contribution (Regulation) Act, 2010, every person, who is registered and granted a certificate or given prior permission under the Act and receives any foreign contribution,

- (a) shall utilise such contribution for the purposes for which the contribution has been received:

Provided that any foreign contribution or any income arising out of it shall not be used for speculative business:

Provided further that the Central Government shall, by rules, specify the activities or business which shall be construed as speculative business for the purpose of this Section;

- (b) shall not defray as far as possible such sum, not exceeding twenty percent of such contribution, received in a financial year, to meet administrative expenses.

Provided that administrative expenses exceeding twenty percent of such contribution may be defrayed with prior approval of the Central Government.

The Central Government may prescribe the elements which shall be included in the administrative expenses and the manner in which the administrative expenses shall be calculated.

Administrative Expenses as per Rule 5 of Foreign Contribution Regulation Rules, 2011 includes salaries, rent, utilities, travel, legal and professional fees, etc. Investment in mutual funds is not considered an administrative expense and is not a permissible use of foreign contribution. ABC Pvt. Ltd. received foreign contribution for administrative purposes but invested the entire amount in mutual funds, which does not qualify as administrative expenditure. Therefore, this is not permissible under Section 8 of the of the Foreign Contribution (Regulation) Act, 2010.

Answer 2(b)(i)

As per Section 3 of the Real Estate (Regulation and Development) Act, 2016, no promoter shall advertise, market, book, sell or offer for sale, or invite persons to purchase in any manner any plot, apartment or building, as the case may be, in any real estate project or part of it, in any planning area, without registering the real estate project with the Real Estate Regulatory Authority established under this Act

As per Section 59 of the RERA, if the promoter fails to do the same, he shall be liable to a penalty up to ten percent of the estimated cost of the real estate project. However, in case the promoter consistently defaults or does not comply with the directions and orders of the Authority as regards registration of the project with the Authority, he shall be liable to additional fine of ten percent of the estimated cost of the real estate project or imprisonment up to 3 years or with both.

Answer 2(b)(ii)

According to section 4 of Real Estate (Regulation and Development) Act, 2016 the promoter shall enclose, along with the application to the Authority for registration of the real estate project,

a declaration, supported by an affidavit, which shall be signed by the promoter or any person authorised by the promoter, stating that seventy per cent. of the amounts realised for the real estate project from the allottees, from time to time, shall be deposited in a separate account to be maintained in a scheduled bank to cover the cost of construction and the land cost and shall be used only for that purpose.

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

Answer 2(c)

As per the Foreign Exchange (Compounding Proceedings) Rules, 2024, the Reserve Bank of India designates compounding authorities based on the sum involved in the contravention (excluding Section 3(a) violations):

- a) Assistant General Manager: Does not exceed sixty lakh rupees
- b) Deputy General Manager: Above sixty lakh rupees but does not exceed two and a half crore rupees
- c) General Manager: Above two and a half crore rupees but does not exceed five crore rupees
- d) Chief General Manager: Above five crore rupees

As per the Compounding Rules, based on his rank and based on the sums involved / the monetary limit of 3.2 crores, the General Manager will be the compounding authority for dealing with the contravention.

Procedure for Compounding

- On receipt of an application, the Reserve Bank shall examine the application based on the documents and submissions made in the application and assess whether contravention can be compounded in accordance with the Foreign Exchange Management (Compounding Proceedings) Rules, 2024 and, if so, the sum involved in the contravention.
- The Compounding Authority may call for any information, or any other documents relevant to the compounding proceedings. In case the contravener fails to submit the additional information/documents called for within the specified period, the application for compounding shall be liable to be returned.
- The following factors, which are only indicative, shall be taken into consideration for the purpose of passing compounding order and determining amount on payment of which contravention shall be compounded:
 - a. Undue gains i.e., the amount of gain of unfair advantage, wherever quantifiable, made as a result of the contravention (or) economic benefits accruing to the contravener from delayed compliance or compliance avoided;
 - b. the amount of loss caused to any authority/ exchequer as a result of the contravention;
 - c. the repetitive nature of the contravention, the track record and/or history of non-compliance of the contravener;
 - d. contravener's conduct in undertaking the transaction and in disclosure of full facts in the application and submissions made during the personal hearing; and any other factor as considered relevant and appropriate.

Question 3

(a) Shyam is a successful exporter who has recently been awarded a Status Holder Certificate in recognition of his consistent contribution to India's foreign trade. He now plans to participate in export promotion by sending product samples abroad free of cost. What customs and authorization related privileges can Shyam avail under the Foreign Trade Policy ?

(5 marks)

(b) Answer the following questions as per Overseas Direct Investment :

(i) When shall a person resident in India, shall not acquire or transfer any immovable property situated outside India ?

(ii) When can a person resident in India may acquire immovable property situated outside India ?

(2+3=5 marks)

(c) Delta Infra Pvt. Ltd. was granted a letter of approval (LOA) by the Board of Approval (BOA) to develop a multi-product Special Economic Zone (SEZ) in Gujarat. Two years into the development, multiple complaints surfaced against the company. The BOA has now decided to suspend the LOA. Explain the circumstances under which a suspension order can be issued against Delta Infra Pvt. Ltd. ? What statutory conditions must the BOA comply with in order to suspend the LOA granted to Delta Infra Pvt. Ltd. ?

(5 marks)

Answer 3(a)

A Status Holder shall be eligible for privileges as under:

- (a) Self-Declaration:** Authorisation and Customs Clearances for both imports and exports may be granted on self-declaration basis;
- (b) Priority Norms Fixation:** Input-Output norms may be fixed on priority within 60 days by the Norms Committee; Special scheme in respect of Input Output Norms to be notified by DGFT from time to time, for specified status holder;
- (c) Bank Guarantee Exemption:** Exemption from furnishing of Bank Guarantee for Schemes under FTP, unless specified otherwise anywhere in FTP or Hand Book of Procedure (HBP);
- (d) Document Negotiation Exemption:** Exemption from compulsory negotiation of documents through banks. Remittance/receipts, however, would be received through banking channels;
- (e) Export Warehouses:** Two star and above Export houses shall be permitted to establish Export Warehouses as per Department of Revenue guidelines;
- (f) Preferential Treatment:** The status holders would be entitled to preferential treatment and priority in handling of their consignments by the concerned agencies;
- (g) Self-Certification of Origin:** Manufacturers who are also status holders (Three Star/Four Star/ Five Star) will be enabled to self-certify their manufactured goods (as per their IEM/IL/LOI) as originating from India with a view to qualify for preferential treatment under different preferential trading agreements (PTA), Free Trade Agreements (FTAs), Comprehensive Economic Cooperation Agreements (CECA) and Comprehensive Economic Partnership Agreements (CEPA). Subsequently, the scheme may be extended to remaining Status Holders. Manufacturer exporters who are also Status Holders shall be eligible to self-certify their goods as originating from India as per Para 2.93 (e) of Hand Book of Procedures.

- (h) Free Export of Samples:** Status holders shall be entitled to export freely exportable items (excluding Gems and Jewelry, Articles of Gold and precious metals) on free of cost basis for export promotion subject to an annual limit of Rupees One Crore or 2% of average annual export realization during preceding three licensing years, whichever is lower. For export of pharma products by pharmaceutical companies, the annual limit would be 2% of the average annual export realisation during preceding three licensing years. In case of supplies of pharmaceutical products, vaccines and lifesaving drugs to health programmes of international agencies such as UN, WHO-PAHO and Government health programmes, the annual limit shall be upto 8% of the average annual export realisation during preceding three licensing years. Such free of cost supplies shall not be entitled to Duty Drawback or any other export incentive under any export promotion scheme.

Answer 3(b)(i)

Rule 21(1) of FEM (Overseas Investment) Rules, 2022 provides that save as otherwise provided in the Act or this rule, a person resident in India shall not acquire or transfer any immovable property situated outside India without general or special permission of the Reserve Bank of India. However, following property excluded -

- (a) held by a person resident in India who is a national of a foreign State;
- (b) acquired by a person resident in India on or before the 8th day of July, 1947 and continued to be held by such person with the permission of the Reserve Bank;
- (c) acquired by a person resident in India on a lease not exceeding five years.

Answer 3(b)(ii)

- (i) Rule 21(2) of FEM (Overseas Investment) Rules, 2022 provides that notwithstanding anything contained in sub-rule (1) a person resident in India may acquire immovable property outside India by way of inheritance or gift or purchase from a person resident in India who has acquired such property as per the foreign exchange provisions in force at the time of such acquisition.
- (ii) A person resident in India may acquire immovable property outside India from a person resident outside India–
 - a) by way of inheritance;
 - b) by way of purchase out of foreign exchange held in RFC account;
 - c) by way of purchase out of the remittances sent under the Liberalised Remittance Scheme instituted by the Reserve Bank. Provided that such remittances under the Liberalised Remittance Scheme may be consolidated in respect of relatives if such relatives, being persons resident in India, comply with the terms and conditions of the Scheme;
 - d) jointly with a relative who is a person resident outside India;
 - e) out of the income or sale proceeds of the assets, other than ODI, acquired overseas under the provisions of the Act.
- (iii) an Indian entity having an overseas office may acquire immovable property outside India for the business and residential purposes of its staff, as per the directions issued by the Reserve Bank from time to time;

Answer 3(c)

Section 10 of the Special Economic Zones Act, 2005 provides that the suspension may be ordered by the Board of Approval, if in its opinion following circumstances exist:

- The developer is unable to discharge the functions for perform the duties imposed on him.
- The developer has persistently defaulted in complying with the directions of the Board.
- The financial position of the developer is such that he is unable fully and efficiently discharge the duties and obligations imposed on him by the letter of approval.

The section empowers the Board to suspend the letter of approval granted to the Developer for a whole or part of his area established as Special Economic Zone for a period not exceeding one year and appoint an Administrator to discharge the functions of the developer in accordance with the terms and conditions of the letter of approval and manage the Special Economic Zone accordingly.

However, no letter of approval can be suspended unless the Board has given to the Developer not less than three months' notice, in writing, stating the grounds on which it proposes to suspend the letter of approval, and has considered any cause shown by the Developer within the period of that notice, against the proposed suspension.

It has been further provided that the Board may, instead of suspending the letter of approval permit it to remain in force subject to such further terms and conditions as it thinks fit to impose. Section 10(4) makes any further terms or conditions so imposed binding upon the Developer. These terms and conditions have the force and effect as if they were contained in the letter of approval.

In case the Board suspends a letter of approval, it has been put under obligation to serve a notice of suspension upon the Developer and fix a date for suspension to take effect. Upon suspension of the letter of approval, the Special Economic Zone of the Developer vests in the Administrator for a period not exceeding one year or up to the date on which the letter of approval for such Special Economic Zone is transferred, whichever is earlier. This Section also contains provisions for transfer of the Special Economic Zone of a Developer whose licence has been suspended and take other actions consequent upon the suspension of the letter of approval. The Board of Approval has been empowered to issue such directions or formulate such scheme as it may consider necessary for operation of such Special Economic Zone.

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

Question 4

- (a) Explain the Procedure for Investigation of Combination under Section 29 of the Competition Act, 2002. (5 marks)
- (b) State the procedure for 'Approval of model' of weight or measure before its manufacture or import under the Legal Metrology Act, 2009. When such approval is not required ? (5 marks)
- (c) Explain the conditions relating to 'Life Insurance Corporation (LIC)' along with percentage of Equity/FDI cap and Entry Route under Foreign Direct Investments Regulation & Policy. (5 marks)

Answer 4(a)

Section 29 of the Competition Act, 2002 deals with procedure for investigation of Combinations. It provides that:

- (1) Where the Commission is of the prima facie opinion that a combination is likely to cause, or has caused an appreciable adverse effect on competition within the relevant market in India, it shall issue a notice to show cause to the parties to combination calling upon them to respond within fifteen days of the receipt of the notice, as to why investigation in respect of such combination should not be conducted.
- (1A) After receipt of the response of the parties to the combination under Sub-section (1), the Commission may call for a report from the Director General and such report shall be submitted by the Director General within such time as the Commission may direct.
- (1B) The Commission shall, within thirty days of receipt of notice under sub-section (2) of Section 6, form its prima facie opinion referred to in Sub-section (1).
- (2) The Commission, if it is prima facie of the opinion that the combination has, or is likely to have, an appreciable adverse effect on competition, it shall, within seven days from the date of receipt of the response of the parties to the combination, or the receipt of the report from Director General called under Sub-section (1A), whichever is later, direct the parties to the said combination to publish details of the combination within seven days of such direction, in such manner, as it thinks appropriate, for bringing the combination to the knowledge or information of the public and persons affected or likely to be affected by such combination.
- (3) The Commission may invite any person or member of the public, affected or likely to be affected by the said combination, to file his written objections, if any, before the Commission within ten days from the date on which the details of the combination were published under Sub-section (2).
- (4) The Commission may, within seven days from the expiry of the period specified in sub-section (3), call for such additional or other information as it may deem fit from the parties to the said combination.
- (5) The additional or other information called for by the Commission shall be furnished by the parties referred to in sub-section (4) within ten days from the expiry of the period specified in Sub-section (4).
- (6) After receipt of all information, the Commission shall proceed to deal with the case in accordance with the provisions contained in Section 29A or Section 31, as the case may be.

The Commission may accept appropriate modifications offered by the parties to the combination or *suo-moto* propose modifications, as the case may be, before forming a prima facie opinion under sub-section (1).

Answer 4(b)

Section 22 of the Legal Metrology Act, 2009 provides for Approval of Model for weight or measure as follows:

Every person, before manufacturing or importing any weight or measure shall seek the approval of model of such weight or measure in such manner, on payment of such fee and from such authority as may be prescribed.

However, such approval of model may not be required in respect of any cast iron, brass, bullion, or carat weight or any beam scale, length measures (not being measuring tapes) which are ordinarily

used in retail trade for measuring textiles or timber, capacity measures, not exceeding twenty liter in capacity, which are ordinarily used in retail trade for measuring kerosene, milk or potable liquors.

It may be noted that the prescribed authority may, if he is satisfied that the model of any weight or measure which has been approved in a country outside India conforms to the standards established by or under this Act, approve such model without any test or after such test as he may deem fit.

Answer 4(c)

- a. Foreign investment in LIC shall be subject to compliance with the provisions of the Life Insurance Corporation Act, 1956, as amended from time to time (LIC Act) and such provisions of the Insurance Act, 1938, as amended from time to time, as are applicable to LIC as per the provisions of Section 43 of the LIC Act.
- b. Foreign portfolio investment in an Indian Insurance company shall be governed by the provisions contained in Chapter-IV, Rule 10 and 11 read with Schedule II of Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, as amended from time to time and provisions of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended from time to time.
- c. Any increase in foreign investment in an Indian Insurance company shall be in accordance with the pricing guidelines specified by Reserve Bank of India under the FEMA Regulations.

In Life Insurance Corporation (LIC)' percentage of Equity/FDI cap is 20% and Entry Route is Automatic.

OR (Alternate question to Q. No. 4)

Question 4A

- (i) Describe Financial Intelligence Unit — India (FIU-IND) and what are the main functions of it ?
(5 marks)
- (ii) Explain the obligations of a person resident in India making Overseas Direct Investment (ODI).
(5 marks)
- (iii) What are the mandatory documents required for export/import of goods from/into India as per India's Foreign Trade Policy and Procedure ?
(5 marks)

Answer 4A(i)

Financial Intelligence Unit - India (FIU-IND) is the central, national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions to enforcement agencies and foreign FIUs. Financial Intelligence Unit – India (FIU-IND) was set by the Government of India as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and financing of terrorism. FIU-IND is an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

The main function of FIU-IND is to receive cash/suspicious transaction reports, analyse them and, as appropriate, disseminate valuable financial information to intelligence/enforcement agencies and regulatory authorities. The functions of FIU-IND are:

- Collection of Information: Act as the central reception point for receiving Cash Transaction

reports (CTRs), Non-Profit Organisation Transaction Report (NTRs), Cross Border Wire Transfer Reports (CBWTRs), Reports on Purchase or Sale of Immovable Property (IPRs) and Suspicious Transaction Reports (STRs) from various reporting entities.

- Analysis of Information: Analyse received information in order to uncover patterns of transactions suggesting suspicion of money laundering and related crimes.
- Sharing of Information: Share information with national intelligence/law enforcement agencies, national regulatory authorities and foreign Financial Intelligence Units.
- Act as Central Repository: Establish and maintain national data base on the basis of reports received from reporting entities.
- Coordination: Coordinate and strengthen collection and sharing of financial intelligence through an effective national, regional and global network to combat money laundering and related crimes.
- Research and Analysis: Monitor and identify strategic key areas on money laundering trends, typologies and developments.

Answer 4A(ii)

Obligations of the Person Resident in India making Overseas Direct Investment (ODI) are as under:

1. Submission of investment evidence within 6 months: A person resident in India acquiring equity capital in a foreign entity, which is reckoned as ODI, shall submit the evidence of investment to the Authorise Dealer (AD) bank within six months, failing which the funds remitted overseas shall be repatriated within the said period of six months.
2. Retention and verification of documents by AD bank: The evidence of investment shall be retained by the designated AD bank, who shall monitor the receipt of required documents and satisfy themselves about the bona fides of the documents so received.
3. Submission of Form FC before initial ODI: Form FC shall be submitted along with requisite documents to AD bank for obtaining Unique Identification Number (UIN) on or before making initial ODI.
4. AD bank's role in UIN allotment: The AD bank after due verification shall report the details in the ODI application for allotment of UIN.
5. Remittance only after UIN allotment: Any remittance towards a foreign entity shall be facilitated by the AD bank only after obtaining the necessary UIN for such entity.
6. UIN is not RBI approval: The allotment of UIN does not constitute an approval from the Reserve Bank for the investment made/to be made in the foreign entity.
7. UIN is for database tracking: The issue of UIN only signifies taking on record of the investment for maintaining the database.

Answer 4A(iii)

Mandatory documents for export/ import of goods from/into India are as under:

- a. Mandatory documents required for export of goods from India:
 - i. Bill of Lading/ Airway Bill/ Lorry Receipt/ Railway Receipt/Postal Receipt
 - ii. Commercial Invoice cum Packing List
 - iii. Shipping Bill/Bill of Export/ Postal Bill of Export

- b. Mandatory documents required for import of goods into India
- i. Bill of Lading/Airway Bill/Lorry Receipt/ Railway Receipt/Postal Receipt in form CN-22 or CN 23 as the case may be.
 - ii. Commercial Invoice cum Packing List
 - iii. Bill of Entry
- c. For export or import of specific goods or category of goods, which are subject to any restrictions/ policy conditions or require NOC or product specific compliances under any statute, the regulatory authority concerned may notify additional documents for purposes of export or import.
- d. In specific cases of export or import, the regulatory authority concerned may electronically or in writing seek additional documents or information, as deemed necessary to ensure legal compliance.

PART-II

Question 5

- (a) Innovatech Pharma Pvt. Ltd., a registered Indian pharmaceutical company, was granted a patent in 2018 for its drug 'Painexol', used to treat chronic pain. In 2020, Innovatech developed an improved formula for Painexol that reduced its side effects and filed a patent of addition for this improvement. By 2022, Elixir BioCare Ltd., a competing pharmaceutical company, approached the Controller of Patents seeking a compulsory licence to manufacture and distribute a generic version of Painexol in India. Meanwhile, Innovatech failed to pay the patent renewal fees for 2023, attributing the oversight to clerical errors during financial restructuring. In March 2024, Innovatech applied for the restoration of the lapsed patent. Elixir BioCare opposed this application, citing the delay and lack of bona fide intention and simultaneously began selling generic Painexol even before receiving a compulsory licence.

In view of the above case, answer the following questions :

- (i) What advantage will Innovatech have as a patentee under the Indian Patents Act ?
(2 marks)
 - (ii) What are the Criteria of Patentability ?
(2 marks)
 - (iii) What is the procedure to be followed for the disposal of Innovatech's application for restoration under Section 61 of the Indian Patents Act ?
(3 marks)
 - (iv) State the legal remedies that Innovatech can seek if Elixir began selling generic Painexol before receiving a compulsory licence ?
(1 mark)
 - (v) What is the validity term of a Patent in the Indian System ?
(2 marks)
- (b) In 2010, GreenRoots Ayurveda Pvt. Ltd. developed a herbal supplement for liver health under the brand name "HerbWell", packaged in a distinctive green-and-gold bottle with a leaf-shaped cap. Over the years, the product gained immense popularity both in India

and abroad, supported by significant investments in television advertising, Ayurveda health fairs and endorsements from medical professionals. By 2024, "HerbWell" had earned a strong reputation and was widely recognised by consumers. In 2024, another company, Herbal Wellness India Ltd., launched a liver tonic under the brand name "HerbWel+". Its packaging was strikingly similar to that of "HerbWell" and the word "HerbWel" was written in a nearly identical font, with only a "+" symbol added at the end. GreenRoots Ayurveda Pvt. Ltd. objected, asserting that this similarity was likely to mislead consumers into believing that "HerbWel+" was associated with or endorsed by them. They claimed that "HerbWell" had become a well-known trademark and that the actions of Herbal Wellness India Ltd. amounted to passing off.

In view of the above case, answer the following questions :

(i) Define the "well-known trademark" as per Section 2(1) (zg) of the Trade Marks Act, 1999.

(2 marks)

(ii) Explain how the Trade Mark Rules 2017 provide a mechanism for a trademark like "HerbWell" to be declared a well-known trademark.

(2 marks)

(iii) How would a declaration of "HerbWell" as a well-known trademark strengthen GreenRoots Ayurveda Pvt. Ltd.'s legal position against Herbal Wellness India Ltd. ?

(2 marks)

(iv) What elements must GreenRoots Ayurveda Pvt. Ltd. establish to succeed in a passing off action ?

(2 marks)

(v) Referring to *Himalaya Drug Co. v. S.B.L. Ltd. (2013)*, discuss whether GreenRoots Ayurveda Pvt. Ltd. can argue that its mark "HerbWell" is distinctive even though it contains the word "Herb," which is commonly used in the Ayurvedic Industry.

(2 marks)

Answer 5a(i)

Innovatech will have following Advantages as a patentee under the Patents Act, 1970 -

- Patentee have the complete rights to restrict outsider from making, operating, providing accessibility to be bought, providing or putting in the product generated by him, without his consent. He has absolute prerogative to utilize his invention and his rights that are very much ensured under the Act.
- The patentee has a privilege to file the suit for infringement of his patent and can ask for remedies like, Injunction, compensation and a settlement of profit against the individual who infringe his patent.
- Patentee can commercially exploit or pitch his creation to any skilled individual and concede permit to him to abuse his item and in this way the patentee can likewise wins benefit along these lines.
- The holder of the exclusive permit can also avail the rights given to the patentee and can bring a suit if there should arise an occurrence of any encroachment of Patent.
- A patentee gets the privilege to make changes in or alterations of an invention depicted or

uncovered in the total determination of the primary innovation and get the particular right of a patent by the substantial change or patent as a matter of addition/certain adjustment.

Answer 5a(ii)

An invention is patentable subject matter if it meets the following criteria –

- It should be novel.
- It should have inventive step or it must be non-obvious.
- It should be capable of Industrial application.
- It should not attract the provisions of Section 3 and 4 of the Patents Act, 1970.

Answer 5a(iii)

Section 61 of the Patents Act, 1970, provides that if, after hearing the applicant in cases where the applicant so desires or the Controller thinks fit, the Controller is prima facie satisfied that the failure to pay the renewal fee was unintentional and that there has been no undue delay in the making of the application, he shall publish the application in the prescribed manner; and within the prescribed period, any person interested may give notice to the Controller of opposition thereto on either or both of the following grounds that-

- (a) the failure to pay the renewal fee was not unintentional; or
- (b) there has been undue delay in the making of the application.

If notice of opposition is given within the prescribed period aforesaid, the Controller shall notify the applicant, and shall give to him and to the opponent an opportunity to be heard before deciding the case. If no notice of opposition is given within the prescribed period aforesaid or if in the case of opposition, the decision of the Controller is in favour of the applicant, the Controller shall, upon payment of any unpaid renewal fee and such additional fee as may be prescribed, restore the patent and any patent of addition specified in the application which has ceased to have effect on the cesser of that patent. The Controller may, if he thinks fit as a condition of restoring the patent, require that an entry shall be made in the register of any document or matter which has to be entered in the register but which has not been so entered.

Answer 5a(iv)

Any unauthorized activity that violates the exclusive rights granted to a patenteesuch as making, using, selling, or importing the patented invention without consent constitutes patent infringement under Section 48 of the Patents Act, 1970.

In such cases, the patent holder is entitled to initiate legal proceedings and seek remedies under Section 108, which include:

- Injunction: To restrain the infringer from continuing the infringing activity.
- Damages or Account of Profits: Compensation for losses suffered or recovery of profits earned by the infringer.
- Seizure or destruction of infringing goods: As part of enforcement orders.

Answer 5a(v)

The term of every patent granted is 20 years from the date of filing of application. However, for application filed under national phase under Patent Cooperation Treaty (PCT), the term of patent will be 20 years from the international filing date accorded under PCT.

Section 53(1) of the Patents Act, 1970 states that the term of every patent granted after the commencement of the Patents (Amendment) Act, 2002 shall be twenty years from the date of filing of the application for the patent." However, for application filed under national phase under Patent Cooperation Treaty (PCT), the term of patent will be 20 years from the international filing date accorded under PCT.

A patent shall cease to have effect notwithstanding anything therein or in this Act on the expiration of the period prescribed for the payment of any renewal fee, if that fee is not paid within the prescribed period 6[or within such extended period as may be prescribed.

Notwithstanding anything contained in any other law for the time being in force, on cessation of the patent right due to non-payment of renewal fee or on the expiry of the term of patent, the subject matter covered by the said patent shall not be entitled to any protection.

Answer 5b(i)

In terms of Section 2(1)(zg) of the Trade Marks Act, 1999, a well-known trade mark in relation to any goods or services means a mark which has become so to the substantial segment of the public which uses such goods or services such that the use of such mark in relation to other goods or services would be likely to be taken as indicating a connection in the course of trade or rendering of services between those goods or services and a person using the mark in relation to the first-mentioned goods or services.

Answer 5b(ii)

The Trade Mark Rules, 2017 provide a formal mechanism to declare a trademark as "well-known."

Rule 124 states provisions relating to determination of Well-Known Trademark by Registrar as follows:-

- (1) Any person may, on an application in Form TM-M and after payment of fee as mentioned in First schedule, request the Registrar for determination of a trademark as well-known. Such request shall be accompanied by a statement of case along with all the evidence and documents relied by the applicant in support of his claim.
- (2) The Registrar shall, while determining the trademark as well-known take in to account the provisions of sub section (6) to (9) of section 11.
- (3) For the purpose of determination, the Registrar may call such documents as he thinks fit.
- (4) Before determining a trademark as well-known, the Registrar may invite objections from the general public to be filed within thirty days from the date of invitation of such objection.
- (5) In case the trademark is determined as well-known, the same shall be published in the trademark Journal and included in the list of well-known trademarks maintained by the Registrar.
- (6) The Registrar may, at any time, if it is found that a trademark has been erroneously or inadvertently included or is no longer justified to be in the list of well-known trademarks, remove the same from the list after providing due opportunity of hearing to the concerned party.

Answer 5b(iii)

If "HerbWell" is declared a well-known trademark, GreenRoots Ayurveda Pvt. Ltd. gains stronger legal protection across India, regardless of geographic or product limitations. This makes it easier to prevent competitors like Herbal Wellness India Ltd. from using deceptively similar names or packaging, as courts recognize the high reputation and goodwill associated with well-known marks. Such a declaration increases the likelihood of success in infringement and passing-off cases, deterring imitation and protecting the brand's market position and consumer trust.

Answer 5b(iv)

The plaintiff (GreenRoots Ayurveda Pvt. Ltd), 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.
- 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.
- 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 5b(v)

In *Himalaya Drug Co. v. S.B.L. Ltd.* (2013), the Delhi High Court held that:

“Even if a part of the trademark is descriptive or commonly used in the trade, the overall mark may still be distinctive if it has acquired secondary meaning through long-standing use, advertising, and consumer recognition.”

Similarly, GreenRoots Ayurveda Pvt. Ltd. can argue that while “Herb” is a common word, the combination “HerbWell,” along with its unique packaging and reputation built since 2010, has created a distinctive identity i.e., secondary meaning.

The visual identity (green-and-gold bottle, leaf-shaped cap) and brand recognition contribute to its distinctiveness.

Therefore, *HerbWell* qualifies for protection against deceptively similar marks like “*HerbWel+*”, especially under passing off and trademark infringement principles.

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

- (a) Destiny Relators, a furniture company has created a new chair design with a unique floral pattern on the backrest. They registered this design for chairs under a specific class of articles, Class 9 for furniture. After some time, the company decides to use the same floral pattern on a line of tables, since the tables also fall within Class 9.

Can Destiny Relators apply to register the design for the tables as well ? Support your answer as per provisions of Section 6 of the Design Act, 2000.

(5 marks)

- (b) Goyal Ltd. has registered its logo, a stylized ‘‘T’’, without specifying any color limitations whereas, Royal Ltd. has registered its logo, a stylized ‘‘S’’ with a specific color combination — green and white. Discuss whether there is any limitation as to colour as per Section 10 of the Trade Marks Act, 1999 ?

(5 marks)

- (c) Atul was granted a patent for a new water purification apparatus. Later, he discovered that a university laboratory had been manufacturing and using the apparatus for research purposes without his consent. Explain the conditions under which a patent is granted as specified in Section 47 of the Patents Act, 1970, and discuss whether the actions of the university laboratory are permissible.

(5 marks)

- (d) A local weaver in India produces shawls and wishes to market them under the famous geographical indication "Kullu Shawls", known for their origin and quality from the Kullu region. The weaver labels the shawls and their packaging as "Original Kullu Shawls" and advertises them online using this indication.

Discuss whether the weaver is deemed to have applied a geographical indication to the goods as per the provisions of Section 37 of the Geographical Indications of Goods (Registration and Protection) Act, 1999.

(5 marks)

Answer 6(a)

Registration in respect of Particular Article (Section 6 of the Design Act, 2000)

- 1) A design may be registered in respect of any or all of the articles comprised in a prescribed class of articles.
- 2) Any question arising as to the class within which any article falls shall be determined by the Controller whose decision in the matter shall be final.
- 3) Where a design has been registered in respect of any article comprised in a class of article, the application of the proprietor of the design to register it in respect of some one or more other articles comprised in that class of articles shall not be refused, nor shall the registration thereof invalidated —
 - (a) on the ground of the design not being a new or original design, by reason only that it was so previously registered; or
 - (b) on the ground of the design having been previously published in India or in any other country, by reason only that it has been applied to article in respect of which it was previously registered.

It may be noted that such subsequent registration shall not extend the period of copyright in the design beyond that arising from previous registration.

- 4) Where any person makes an application for the registration of a design in respect of any article and either—
 - (a) that design has been previously registered by another person in respect of some other article; or
 - (b) the design to which the application relates consists of a design previously registered by another person in respect of the same or some other article with modifications or variations not sufficient to alter the character or substantially to affect the identity thereof, then, if at any time while the application is pending the applicant becomes the registered proprietor of the design previously registered, the foregoing provisions of this Section shall apply as if at the time of making the application, the applicant, had been the registered proprietor of that design.

In this case, since both chairs and tables fall within Class 9 (furniture), Destiny Relators can apply to register the same floral design for tables as well, in accordance with Section 6 of the Designs Act, 2000. Section 6 allows multiple registrations within the same class, but each article requires its own registration to secure exclusive rights.

Answer 6(b)

Section 10 of the Trade Marks Act, 1999 provides that a trade mark may be limited wholly or in part to any combination of colours and any such limitation shall be taken into consideration by the Registrar or the High Court, as the case may be having to decide on the distinctive character of the trade mark.

So far as a trade mark is registered without limitation of colour, it shall be deemed to be registered for all colours.

Goyal Ltd. logo is deemed to be registered for all colors. It can use its logo in any colour without infringing on its own trademark rights.

In case of Royal Ltd., this limitation to specific colors will be considered by the Registrar or the High Court when deciding on the distinctive character of the trade mark. If another company tries to use a similar logo in the same color combination, it could be considered an infringement of its trademark.

Answer 6(c)

Section 47 of the Patent Act, 1970, dealing with grant of patents subject to conditions provides that the grant of a patent shall be subject to the conditions that:

- (1) any machine, apparatus or other article in respect of which the patent is granted or any article made by using a process in respect of which the patent is granted, may be imported or made by or on behalf of the Government for the purpose merely of its own use;
- (2) any process in respect of which the patent is granted may be used by or on behalf of the Government for the purpose merely of its own use;
- (3) any machine, apparatus or other article in respect of which the patent is granted or any article made by the use of the process in respect of which the patent is granted, may be made or used, and any process in respect of which the patent is granted may be used by any person, for the purpose merely of experiment or research including the imparting of instructions to pupils; and
- (4) in the case of a patent in respect of any medicine or drug, the medicine or drug may be imported by the Government for the purpose merely of its own use or for distribution in any dispensary, hospital or other medical institution maintained by or on behalf of the Government or any other dispensary, hospital or other medical institution which the Central Government may, having regard to the public service that such dispensary, hospital or medical institution renders, specify in this behalf by notification in the Official Gazette.

In the present case, the university laboratory used the patented water purification apparatus solely for research purposes, which falls under the exception provided in Section 47(3). Therefore, the actions of the university laboratory are legally permissible and do not constitute patent infringement.

Answer 6(d)

Section 37 of the Geographical Indications of Goods (Registration and Protection) Act, 1999 provides that a person shall be deemed to apply a geographical indication to goods who:

- (a) applies it to the goods themselves; or
- (b) applies it to any package in or with which the goods are sold, or exposed for sale, or had in possession for sale or for any purpose of trade or manufacture; or
- (c) places, encloses or annexes any goods which are sold, or exposed for sale, or had in possession for sale or for any purpose of trade or manufacture, in or with any package or other thing to which a geographical indication has been applied; or
- (d) uses a geographical indication in any manner reasonably likely to lead to the belief that the goods in connection with which it is used are designated or described by that geographical indication; or

- (e) in relation to the goods uses a geographical indication in any sign, advertisement, invoice, catalogue, business letter, business paper, price list or other commercial documents and goods are delivered to a person in pursuance of a request or order made by reference to the geographical indication as so used.

In this case, by labeling the shawls and their packaging as "Original Kullu Shawls" the weaver satisfies section 37 (a) and (b). By advertising them online using this indication, he satisfies section 37 (e). Therefore, the weaver is deemed to have applied the geographical indication to the goods under Section 37.

OR (Alternate question to Q. No. 6)

Question 6A

- (i) Examine the key focus areas of the National Intellectual Property Rights Policy and explain how its seven goals aim to promote innovation, entrepreneurship and socio-economic development.

(5 marks)

- (ii) Explain the provisions of 'Revocation of Patents by Controller for Non-working' as per Section 85 of the Patent Act, 1970 ?

(5 marks)

- (iii) What are the provisions regarding 'Administration of Rights of owner by Copyright Society' as per Section 34 of Copyright Act, 1957 ?

(5 marks)

- (iv) Discuss the scope of Intellectual Property as per Intellectual Property Rights.

(5 marks)

Answer 6A(i)

On May 12th, 2016, the Union Cabinet approved the IPR Policy. It acknowledges India's well-established, TRIPS-compliant legal structure to protect IPRs and strives to balance her development objectives by making use of the flexibilities offered by the global regime. The Policy places a special emphasis on spreading knowledge about IPRs and emphasising their value as a marketable financial asset and a tool for the economy.

IPR Policy focus on:

- Improving access to healthcare, food security, and environmental protection, among other areas of critical social, economic, and technological importance.
- fostering creativity and innovation and thereby promote entrepreneurship and enhance socio-economic and cultural development.

The Policy outlines seven goals that are further defined with actions that must be taken by the designated nodal Ministry or Department. The goals are briefly discussed below: -

1. IPR Awareness: Outreach and Promotion – To create public awareness about the economic, social and cultural benefits of IPRs among all sections of society.
2. Generation of IPRs - To stimulate the generation of IPR.
3. Legal and Legislative Framework - To have strong and effective IPR laws, which balance the interests of rights owners with larger public interest.

4. Administration and Management - To modernize and strengthen service oriented IPR administration.
5. Commercialization of IPR - Get value for IPRs through commercialization.
6. Enforcement and Adjudication - To strengthen the enforcement and adjudicatory mechanisms for combating IPR infringements.
7. Human Capital Development - To strengthen and expand human resources, institutions and capacities for teaching, training, research and skill building in IPRs.

Answer 6A(ii)

Section 85 of the Patents Act, 1970 deals with revocation of patents by Controller for non-working and provides that where, in respect of a patent, a compulsory licence has been granted, the Central Government or any person interested may, after the expiration of two years from the date of the order granting the first compulsory licence, apply to the Controller for an order revoking the patent on the ground that the patented invention has not been worked in the territory of India or reasonable requirements of the public with respect to the patented invention has not been satisfied or the patented invention is not available to the public at a reasonably affordable price.

Every application for revocation should contain prescribed particulars, the facts upon which the application is based, and, in the case of an application other than by the Central Government, should also set out the nature of the applicant's interest.

The Controller, if satisfied that the reasonable requirements of the public with respect to the patented invention has not been satisfied or patented invention has not been worked in the territory of India or is not available to the public at a reasonably affordable price, may make an order revoking the patent. The controller has however been put under obligation to ordinarily decide such application within one year of its presentation.

Answer 6A(iii)

Section 34 of the Copyright Act, 1957 empowers a copyright society to accept exclusive authorisation from an author and other owners of right to administer any right in any work by issue of licences or collection of licence fees or both. Such authorization can be withdrawn by an author and other owners of right.

Copyright society is competent to enter into agreement with any foreign society or organisation administering rights corresponding to rights under the Indian Copyright Act to entrust to such foreign society or organisation the administration in any foreign country of rights administered by the said copyright society in India, or for administering in India the rights administered in a foreign country by such foreign society or organisation.

Copyright Society empower to—

- i. issue licences under Section 30 in respect of any rights under this Act;
- ii. collect fees in pursuance of such licences;
- iii. distribute such fees among author and other owners of right after making deductions for its own expenses;
- iv. perform any other functions consistent which the provisions of Section 35.

Answer 6A(iv)

The range of IP rights is wide, and there are two methods for classifying IP as either copyright or industrial property. Patents or inventions, trademarks, trade names, biodiversity, plant breeding

rights, and other commercial interests are all examples of industrial properties. In order to profit from the invention, a patent gives its holder the sole right to exploit the Intellectual Property.

A novel creation, procedure, tool, or product is considered to be an invention. Copyright protects the expression of ideas that are distinct from patents but does not grant you the sole right to an idea. In addition to technological and scientific works, copyright also applies to the arts and literature. Copyright rules apply to everything, including music and audiovisual works. 60 years after the creator's passing, copyright protection continues to be in effect. In other words, a writer's book has copyright protection both during his lifetime and for 60 years following his passing. In contrast to patent laws, copyright laws do not mandate an administrative procedure.

TAX LAWS AND PRACTICE

GROUP 2 PAPER 7

Time allowed : 3 hours

Maximum marks : 100

NOTE : Answer All Questions.

All the references to sections in Part I of the Question Paper relate to the Income tax Act, 1961 and the relevant Assessment Year 2025-26 unless stated otherwise.

PART- I

Question 1

Karan, aged 38 years, working as Sales Manager with Arjun Grand Ltd., provides the following information for the year ended 31st March, 2025 :

Particulars	Amount (₹)
Basic salary	6,00,000 p.a.
DA (50% of it is meant for retirement benefits)	3,00,000 p.a.
Commission as a percentage of turnover of the Company	0.5%
Turnover of the Company	60 lakhs
Bonus	60,000 p.a.
Project Allowance	40,000 p.a.
Own Contribution to R.P.F.	40,000 p.a.
Professional tax total paid ₹ 2,500 of which ₹ 2,000 was paid by the employer	—
Employer's contribution to R.P.F.	20% of basic salary
Interest credited in the R.P.F. account @ 15% p.a.	15,000

Following further information is given to you as under :

- (1) Music System purchased on 01.04.2024 by the company for ₹ 95,000 and was given to Karan for personal use on same day.
- (2) Smart TV worth ₹ 15,000 was given by employer to Karan as gift on his 25th wedding anniversary.
- (3) Gold ring worth ₹ 75,000 received from Sanjay who is school friend of Karan as gift on his 25th wedding anniversary.
- (4) Two old light goods vehicles owned by him were leased to a transport company against the fixed charges of ₹ 6,500 p.m. Books of account are not maintained. Karan wants to opt the section 44AE of Income Tax Act, 1961.
- (5) Received interest of ₹ 8,000 from SBI Bank FD on 24.4.2024 and interest of ₹ 8,100 (Net) from the debentures of Indian Companies on 5.5.2024.
- (6) Made payment by cheques of ₹ 15,000 towards premium on Life Insurance policies for self and ₹ 22,500 for Mediclaim Insurance policy for spouse.

(7) Invested in NSC ₹ 30,000 and in FDR of SBI for 5 years ₹ 50,000.

(8) Donations of ₹ 1,50,000 to an institution approved u/s 80G by account payee cheque and of ₹ 25,000 to Prime Minister's National Relief Fund through BHIM UPI were made during the year.

On the basis of the above information, you are required to give the following answers, assuming that he has shifted out of the default tax regime under section 115BAC :

(a) Compute the income chargeable under the head of Salary for Karan for the Assessment Year 2025-26.

(5 marks)

(b) Compute the income chargeable under the head of "Profits and Gains from Business and Profession" for Karan for the Assessment Year 2025-26.

(2 marks)

(c) Compute the income chargeable under the head of "Income from other sources" for Karan for the Assessment Year 2025-26.

(2 marks)

(d) Compute the total allowable deduction under chapter VI-A of the Income Tax Act, 1961 for Karan for the Assessment Year 2025-26.

(4 marks)

(e) Compute the Tax Payable/Refundable on total income for Karan for the Assessment Year 2025-26.

(2 marks)

Answer 1(a)

Computation of Income under the head of Salary for Karan for A.Y. 2025-26 (Paying tax by opting to shift out of section 115BAC)

Particulars	Amount (₹)	Amount (₹)
Basic Salary		6,00,000
Dearness Allowance		3,00,000
Commission on Turnover (0.5% of ₹ 60 lakhs)		30,000
Bonus		60,000
Project Allowance (fully taxable)		40,000
Professional tax paid by employer		2,000
Employer's contribution to recognized provident fund		
Actual contribution [20% of ₹ 6,00,000]	1,20,000	
Less: Exempt	(93,600)	26,400
Employer's contribution in the recognized provident fund is exempt up to 12% of the salary i.e., 12% of (Basic Salary + DA for retirement benefits + Commission based on turnover) = 12% of (₹ 6,00,000 + (50% of ₹ 3,00,000) + ₹ 30,000) = 12% of 7,80,000 = ₹ 21,600		

Particulars	Amount (₹)	Amount (₹)
Interest credited in recognized provident fund account @15% p.a.	15,000	
Less: Exempt up to 9.5% p.a.	(9,500)	5,500
Gift of Smart TV worth ₹ 15,000 on 25th wedding anniversary from employer	15,000	
Less: Exempt (gift value upto ₹ 5,000 from employer)	(5,000)	10,000
Perquisite value of music system given for personal use (being 10% of actual cost) i.e. 10% of ₹ 95,000		9,500
		10,83,400
Less: Standard deduction under section 16(ia)		(50,000)
Less: Professional Tax u/s 16(iii)		(2,500)
Income from Salaries		10,30,900

Note: Gift in kind is not taxable upto ₹5,000 per annum. Hence, upto Rs. 5,000 is taken as exempt income.

Alternative Answer 1(a)

Computation of Income under the head of Salary for Karan for A.Y. 2025-26 (Paying tax by opting to shift out of section 115BAC)

Particulars	Amount (₹)	Amount (₹)
Basic Salary		6,00,000
Dearness Allowance		3,00,000
Commission on Turnover (0.5% of ₹ 60 lakhs)		30,000
Bonus		60,000
Project Allowance (fully taxable)		40,000
Professional tax paid by employer		2,000
Employer's contribution to recognized provident fund		
Actual contribution [20% of ₹ 6,00,000]	1,20,000	
Less: Exempt	(93,600)	26,400
Employer's contribution in the recognized provident fund is exempt up to 12% of the salary i.e., 12% of (Basic Salary + DA for retirement benefits + Commission based on turnover) = 12% of (₹ 6,00,000 + (50% of ₹ 3,00,000) + ₹ 30,000) = 12% of 7,80,000 = ₹ 21,600		
Interest credited in recognized provident fund account @15% p.a.	15,000	

Particulars	Amount (₹)	Amount (₹)
Less: Exempt up to 9.5% p.a.	(9,500)	5,500
Gift of Smart TV worth ₹ 15,000 on 25th wedding anniversary from employer	15,000	
Less: Exempt (Note)	Nil	15,000
Perquisite value of music system given for personal use (being 10% of actual cost) i.e. 10% of ₹ 95,000		9,500
		10,88,400
Less: Standard deduction under section 16(ia)		(50,000)
Less: Professional Tax u/s 16(iii)		(2,500)
Income from Salaries		10,35,900

Note: Alternative approach, Gift in kind is not taxable upto ₹5,000 per annum. Hence, entire value of gift of ₹15,000 may be taxed.

Answer 1(b)

Computation of Income under the head of Profits and Gains from Business & Profession for Karan for A.Y. 2025-26 under section 44AE of the Income Tax Act

Particulars	Amount (₹)
Lease of 2 light goods vehicles on contract basis against fixed charges of ₹ 6,500 p.m. In this case, presumptive tax provisions of section 44AE will apply i.e. ₹ 7,500 p.m. for each of the two light goods vehicles (₹ 7,500 x 2 x 12). He cannot claim lower profits and gains since he has not maintained books of account.	1,80,000
Income from Business & Profession	1,80,000

Answer 1(c)

Computation of Income under the head of Other Sources for Karan for A.Y. 2025-26

Particulars	Amount (₹)
Gift from Friend (non-relative)	75,000
Interest on bank FDRs	8,000
Interest on debentures (₹ 8,100 x 100/90) grossed-up	9,000
Income from Other Sources	92,000

Answer 1(d)**Computation of allowable deduction under chapter VI-A for Karan for A.Y. 2025-26**

Particulars	Amount (₹)	Amount (₹)
A. Deduction under section 80C:		
– Premium on life insurance policy	15,000	
– Investment in NSC	30,000	
– FDR of SBI for 5 years	50,000	
– Employee's contribution to recognized provident fund	40,000	
		1,35,000
B. Deduction under section 80D:		
– Mediclaim Insurance (for spouse)		22,500
C. Deduction under section 80G:		
Donation to PM National Relief Fund (100%)	25,000	
Donation to institution approved under section 80G (50% of qualifying amount i.e. ₹ 1,14,540) (Maximum qualifying amount is actual donation ₹ 1,50,000 or 10% of Adjusted Total Income i.e. ₹ 1,14,540, whichever is lower) (Adjusted Total Income = Gross Total Income – Deductions under section 80C and 80D = ₹ 13,02,900 – ₹ 1,57,500 = ₹ 11,45,400)	57,270	
		82,270
Total Deduction		2,39,770

Note: Gift in kind is not taxable upto ₹5,000 per annum. Hence, upto Rs. 5,000 is taken as exempt income.

Alternative Answer 1(d)**Computation of allowable deduction under chapter VI-A for Karan for A.Y. 2025-26**

Particulars	Amount (₹)	Amount (₹)
A. Deduction under section 80C:		
– Premium on life insurance policy	15,000	
– Investment in NSC	30,000	
– FDR of SBI for 5 years	50,000	

Particulars	Amount (₹)	Amount (₹)
– Employee's contribution to recognized provident fund	40,000	
		1,35,000
B. Deduction under section 80D: – Mediclaim Insurance (for spouse)		22,500
C. Deduction under section 80G: Donation to PM National Relief Fund (100%)	25,000	
Donation to institution approved under section 80G (50% of qualifying amount i.e. ₹ 1,15,040) (Maximum qualifying amount is actual donation ₹ 1,50,000 or 10% of Adjusted Total Income i.e. ₹ 1,15,040, whichever is lower) (Adjusted Total Income = Gross Total Income – Deductions under section 80C and 80D = ₹ 13,07,900 – ₹ 1,57,500 = ₹ 11,50,400)	57,520	
		82,520
Total Deduction		2,40,020

Note: Alternative approach, Gift in kind is not taxable upto ₹5,000 per annum. Hence, entire value of gift of ₹15,000 may be taxed.

Answer 1(e)

Computation of Tax Payable / Refundable for Karan for A.Y. 2025-26

Particulars	Amount (₹)
Income from Salary (as above)	10,30,900
Income from Business & Profession (as above)	1,80,000
Income from Other Sources (as above)	92,000
Gross Total Income	13,02,900
Less: Deduction under chapter VI-A (as above)	(2,39,770)
Total Income / Taxable Income (Rounding Off)	10,63,130
Tax on Total Income	
Tax on first 2,50,000 Nil	
Next 2,50,000 (2,50,001 to 5,00,000) @ 5 % 12,500	
Next 5,00,000 (5,00,001 to 10,00,000) @ 20 % 1,00,000	
Remaining 63,130 (10,00,001 to 10,63,130) @ 30 % 18,939	1,31,439

Particulars	Amount (₹)
Less: Rebate u/s 87A, Nil since total income exceed ₹ 5,00,000	Nil
Tax Liability after Rebate	1,31,439
Add: Health and Education Cess	5,258
Total Tax Liability	1,36,697
Less: Tax deducted at source (₹ 9,000 – ₹ 8,100)	(900)
Net Tax Payable	1,35,797
Net Tax Payable (Round off)	1,35,800

Note: Gift in kind is not taxable upto ₹5,000 per annum. Hence, upto Rs. 5,000 is taken as exempt income.

Alternative Answer 1(e)

Computation of Tax Payable / Refundable for Karan for A.Y. 2025-26

Particulars	Amount (₹)
Income from Salary (as above)	10,35,900
Income from Business & Profession (as above)	1,80,000
Income from Other Sources (as above)	92,000
Gross Total Income	13,07,900
Less: Deduction under chapter VI-A (as above)	(2,40,020)
Total Income / Taxable Income (Rounding Off)	10,67,880
Tax on Total Income	
Tax on first 2,50,000 Nil	
Next 2,50,000 (2,50,001 to 5,00,000) @ 5 % 12,500	
Next 5,00,000 (5,00,001 to 10,00,000) @ 20 % 1,00,000	
Remaining 67,880 (10,00,001 to 10,67,880) @ 30 % 20,364	1,32,864
Less: Rebate u/s 87A, Nil since total income exceed ₹ 5,00,000	Nil
Tax Liability after Rebate	1,32,864
Add: Health and Education Cess @ 4%	5,315
Total Tax Liability	1,38,179

Particulars	Amount (₹)
Less: Tax deducted at source (₹ 9,000 – ₹ 8,100)	(900)
Net Tax Payable	1,37,279
Net Tax Payable (Round off)	1,37,280

Note: Alternative approach, Gift in kind is not taxable upto ₹5,000 per annum. Hence, entire value of gift of ₹15,000 may be taxed.

Question 2

- (a) Rakesh, a resident individual, provides the following Profit & Loss Account for the year ending 31st March 2025, from his business. You are required to compute income under the head "Profits and Gains from Business or Profession" for A.Y. 2025-26, considering the applicable provisions of the Income-Tax Act, 1961, and ICDS (if relevant). He maintains books of account on a mercantile basis.

Profit and Loss Account of Rakesh for the year ending 31.03.2025

Particulars	Amount (₹)	Particulars	Amount (₹)
Consumption of Raw material	26,00,000	Gross receipts from business	60,00,000
Salary to Employees	18,00,000		
Interest on capital to proprietor	2,00,000	Profit on Sale of Car	4,00,000
Depreciation (as per books)	12,00,000	Refund of Income-tax	1,50,000
Donation to political party	1,00,000		
Commission to Agents	3,00,000		
Cash payment to contractor	30,000		
Goods withdrawn for personal use	50,000		
Net profit	2,70,000		
Total	65,50,000	Total	65,50,000

Additional Information :

- (1) Depreciation (other than Car) as per Income Tax Act amounts to ₹10 lakhs.
- (2) Commission to agents includes ₹ 2 lakhs was paid to Mr. Hari without deducting TDS.
- (3) Cash payment to contractor ₹ 30,000 was made on a single day.
- (4) Car sold was used for business and forms part of the block (Sale value of Car = ₹ 6 lakhs, WDV of block before sale = ₹ 2 lakhs). There are no other assets in this block.

- (5) Donation to political party was made to a registered political party via account payee cheque.
- (6) Assume that Rakesh has opted out of presumptive taxation scheme u/s 44AD.
- (b) Anju Lata owns the two-house properties in India. The first House is in Delhi and used by her for self-residence during the financial year 2024-25. Municipal Value of this house was ₹ 2,00,000; Fair Rent was ₹ 2,40,000 and Standard Rent was ₹ 2,20,000. Municipal Taxes of this house was ₹ 20,000 (out of which only ₹ 12,000 paid by Anju Lata during the financial year 2024-25).
- The second house is in Mumbai which was Let out for 9 months during the financial year 2024-25 at ₹ 30,000 per month, and Vacant for 3 months despite efforts to let it out. Municipal Value of second house was ₹ 3,60,000; Fair Rent was ₹ 3,90,000 and Standard Rent was ₹ 3,75,000. Municipal Taxes of this house was ₹ 30,000 (fully paid by tenant);
- Interest paid on borrowed capital by Anju Lata for House 1 at Delhi is ₹ 2,40,000 and for House 2 at Mumbai is ₹ 1,50,000. Compute the Income from house property for Anju Lata for the Assessment Year 2025-26. Assume she has exercised the option of shifting out of the default tax regime provided under section 115BAC.

(5 marks)

- (c) Pratap, aged 40 years, is a salaried employee with Lalit Limited. He has furnished the following details for the financial year 2024-25 :

S. No.	Particulars	Amount (₹)
(i)	Gross salary	10,00,000
(ii)	Loss from house property	1,80,000
(iii)	Income from speculation business	50,000
(iv)	Loss from a new part time business of trading in marbles	3,50,000
(v)	Loss from specified business covered by section 35AD	20,000
(vi)	Short term capital loss on sale of property (computed)	3,60,000
(vii)	Income from betting (gross)	45,000
(viii)	Pratap purchased 1000 Bitcoins, a virtual digital currency on 1st April, 2024 for Rs. 2000 per coin, which he sold on 15th March, 2025 for Rs.2300 per coin. Commission expenses for transfer of bitcoins is 2% of the sale value.	—

You are required to compute the gross total income of Pratap for the Assessment Year 2025-26, assuming that he has shifted out of the default tax regime under section 115BAC of Income Tax Act, 1961.

(5 marks)

Answer 2(a)**Computation of Income under the head of Profits and Gains from Business & Profession for Rakesh for A.Y. 2025-26**

Particulars	Amount (₹)	Amount (₹)
Net Profit as per P & L A/c		2,70,000
Add: Disallowed Exp.		
(i) Interest on capital to proprietor Not allowable (personal expense)	2,00,000	
(ii) Depreciation (as per books) (Allowed separately as per Income-tax)	12,00,000	
(iii) Donation to political party Disallowed under PGBP (eligible under Chapter VI-A)	1,00,000	
(iv) Commission to Agents (30% disallowed under Section 40(a)(ia) on which TDS is not deducted) [Rs. 2,00,000 * 30%]	60,000	
(v) Cash payment to contractor Disallowed under Section 40A(3) (cash > ₹10,000 per day)	30,000	
(vi) Goods withdrawn for personal use (Personal drawings, not business expense)	50,000	
Total Disallowed Exp.		16,40,000
		19,10,000
Less: Allowed Depreciation as per Income Tax Act		(10,00,000)
		9,10,000
Less: Income not taxable under PGBP		
(i) Profit on Sale of Car (Taxable under STCG)	4,00,000	
(ii) Refund of Income Tax (not income)	1,50,000	
		(5,50,000)
Taxable Income from Business and Profession		3,60,000

Answer 2(b)**Computation of Income from House Property of Anju Lata for A.Y. 2025-26 (paying tax by opting to shift out of section 115BAC)**

Particulars	Amount (₹)
House 1 at Delhi [Self Occupied Property]	
Net Annual Value (NAV)	Nil

Particulars	Amount (₹)
Less: Interest on borrowed capital (Max. limit for self-occupied house is ₹ 2,00,000 on the assumption conditions are fulfilled, otherwise 30,000 maximum will be allowed)	2,00,000
Net Income from House Property / (Loss)	(2,00,000)
House 2 at Mumbai (Partly let out and partly vacant)	
Municipal Value	3,60,000
Fair Rent	3,90,000
Whichever is higher	3,90,000
Standard Rent	3,75,000
Whichever is lower (Expected Rent)	3,75,000
Annual Rent (₹ 30,000 x 12)	3,60,000
Whichever is higher	3,75,000
Less: Vacant Period Rent (3 month)	(90,000)
Gross Annual Value (GAV)	2,85,000
Less: Municipal Taxes paid by owner	Nil
Net Annual Value (NAV)	2,85,000
Less: Standard Deduction @ 30%	(85,500)
Less: Interest on borrowed capital	(1,50,000)
Income from House Property 2	49,500
Total Income from House Property (House 1 + House 2) / (Loss)	(1,50,500)

Answer 2(c)**Computation of Gross Total Income of Pratap for the A.Y. 2025-26 (Paying tax by opting to shift out of section 115BAC)**

Particulars	Amount (₹)	Amount (₹)
Gross Salary	10,00,000	
Less: - Standard deduction under section 16(iia)	(50,000)	
Income under the head salary	9,50,000	
Less: Loss from house property set-off against salary	(1,80,000)	7,70,000

Particulars	Amount (₹)	Amount (₹)
Profits and Gains from Business or Profession		
Income from speculation business	50,000	
Less: Loss from a new part time business of trading in marbles of ₹ 3,50,000 set off to the extent of ₹ 50,000	(50,000)	Nil
Capital Gains		
Short- term capital loss on sale of property (Short term capital loss of ₹ 3,60,000 cannot be set off against any income other than capital gains, hence ₹ 3,60,000 to be carried forward)		Nil
Income from other sources		
Income from transfer of virtual digital assets [(2300-2000) *1000 bit coins] No deduction in respect of any expenditure other than cost of acquisition is allowed.		3,00,000
Income from betting		45,000
Gross Total Income		11,15,000

- (i) Loss from specified business covered by section 35AD can be set off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. The unabsorbed loss has to be carried forward for set off against profits and gains of any specified business in the following year.
- (ii) No set off of business loss is allowed against any capital gains or other income from virtual digital assets.
- (iii) No set off of short-term capital loss on sale of property is allowed against any capital gains from virtual digital assets.
- (iv) Loss to be carried forward

Loss from new part time business of trading in marbles	₹ 3,00,000
Loss from specified business covered by section 35AD	₹ 20,000
Short term capital loss on sale of property	₹ 3,60,000

Question 3

- (a) Vikram, a resident individual aged 45 years, received the following incomes during the previous year 2024-25 :

S. No.	Particulars	Amount (₹)
(i)	Dividend from Indian Company	8,40,000
(ii)	Income from winning a TV game show (gross)	35,000

S. No.	Particulars	Amount (₹)
(iii)	Winnings from online card games (net of TDS at 30%)	1,40,000
(iv)	Family Pension after death of his father	1,80,000 p.a.
(v)	Interest on compensation from a government authority for compulsory acquisition of land	1,20,000
(vi)	Rental income from letting out plant and machinery (not business asset)	2,40,000

Compute the Income chargeable under the head "Income from Other Sources" for Vikram for the Assessment Year 2025-26 considering that he has opted the benefit of default tax regime under section 115BAC.

(5 marks)

- (b) Chirag a resident individual, aged 62 years sold an urban agricultural land for ₹ 74 lakhs to Anupam on July 15, 2024 when the stamp duty value of agricultural land was ₹ 95 lakhs. However, in the "agreement to sell" the agricultural land was entered on May 15, 2024 and Anupam gave ₹ 4 lakhs as advance through IMPS on the same day. The stamp duty value at the time of agreement was ₹ 84 lakhs. Chirag paid 1% of sale consideration as commission to a broker. The land was purchased by him on May 25, 2003 for ₹ 10.85 lakhs and it was being used for agricultural purposes by him since its purchase.

Chirag purchased another agricultural land in rural area on January 1, 2025 for ₹ 39 lakhs and this land was sold by him on March 12, 2025 for ₹ 45 lakhs and he invested the entire sale proceeds in fixed deposits with a nationalized bank on the same day.

Compute the Capital Gain chargeable to tax for Chirag for Assessment Year 2025-26 if he exercises the option of shifting out of the default tax regime provided under section 115BAC.

Cost Inflation Index for : F.Y. 2003-04 = 109; F.Y. 2024-25 = 363.

(5 marks)

- (c) Arvind, who is a resident but not ordinarily resident (NOR), received the following incomes during the previous year 2024-25 :

S. No.	Particulars	Amount (₹)
(i)	Salary received in India for services rendered in Germany	4,50,000
(ii)	Interest on fixed deposits in UAE bank	2,00,000
(iii)	Rent received from property located in Canada, received directly in Canada	5,00,000
(iv)	Pension from former employer received in India for services rendered abroad	3,00,000
(v)	Past untaxed profits brought into India during the year	4,00,000

Compute the total income chargeable to tax in India for Arvind for the Assessment Year 2025-26 on the assumption that he has opted the default tax scheme u/s 115BAC.

(5 marks)

Answer 3(a)

Computation of Income from Other Sources of Vikram for A.Y. 2025-26

Particulars	Amount (₹)
Dividend from Indian Company	8,40,000
Income from winning a TV game show	35,000
Winnings from online card games (Gross value is taxable) (1,40,000 x 100/70)	2,00,000
Family pension after death of his father	1,80,000
Less: Allowed Deduction (under new scheme) (1/3rd of Family Pension amount received or; ₹25,000, whichever is lower)	(25,000)
	1,55,000
Interest on compensation from a government authority for compulsory acquisition of land	1,20,000
Less: 50% deduction is allowed under Section 57(iv)	(60,000)
	60,000
Rental income from letting out plant and machinery (not business asset) (Taxable under other sources)	2,40,000
Total Income from Other Sources	15,30,000

Answer 3(b)

Computation of Capital Gains of Chirag for A.Y. 2025-26

Particulars	Amount (₹)	Amount (₹)
Capital gain on sale of urban agricultural land Actual sale consideration	74,00,000	
Stamp duty value as on date of agreement i.e., on 15.5.2024 [Since part consideration is received through IMPS on the date of agreement]	84,00,000	
Full Value of Consideration [Stamp duty value on the date of agreement since it exceeds 110% of the actual sale consideration]		84,00,000
Less: Expenditure in connection with transfer [1% of sale consideration i.e., 74 lakhs]		(74,000)
Net Sales Consideration		83,26,000

Particulars	Amount (₹)	Amount (₹)
Less: Indexed cost of acquisition [10,85,000 x 363/109]		(36,13,349)
Long Term Capital Gains		47,12,651
Less: Exemption u/s 54B - In respect of rural agricultural land purchased on 1.1.2025. Mr. Chirag is eligible to claim exemption u/s 54B since he has used the urban agricultural land for agricultural purposes for more than 2 years preceding the date of its transfer.		(39,00,000)
Long term capital gain		8,12,651
Capital gain on sale of Rural Agricultural land As per section 54B, if the new agricultural land is transferred within 3 years from the date of its purchase while computing the capital gains on transfer of such new agricultural land, the cost of acquisition of such land would be reduced by the amount of capital gain claimed as exempted. However, since rural agricultural land is not a capital asset, hence, no capital gain would arise on sale of such land even though it is transferred within 3 years from the date of its purchase. Further, no exemption is allowed from Long Term Capital Gains for investing any amount in Fixed Deposit.		–

Answer 3(c)

**Computation of Total Income of Arvind for A.Y. 2025-26
(Paying tax under section 115BAC that is under default tax regime)**

Particulars	Amount (₹)	Amount (₹)
Salary received in India for services rendered in Germany (Taxable, since received in India)	4,50,000	
Less: Standard Deduction	(75,000)	3,75,000
Interest on fixed deposits in UAE bank (Not Taxable, since accrued and received outside India, not from business controlled in India)		Nil
Rent received from property located in Canada, received directly in Canada (Not Taxable, since accrued and received outside India, not from business controlled in India)		Nil
Pension from former employer received in India for services rendered abroad (Taxable, since received in India. Standard deduction is already allowed from salary, so not allowed twice)		3,00,000

Particulars	Amount (₹)
Past untaxed profits brought into India during the year (Mere remittance of past untaxed income is not taxable)	Nil
Total Income	6,75,000

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

Question 4

- (a) Specify all the documents in which quoting of Aadhaar Number is mandatory u/s 139AA of the Income Tax Act, 1961. Also explain to whom provisions of section 139AA does not apply.
(5 marks)
- (b) What is the time limit for filing of Updated Return u/s 139(8A) of the Income Tax Act, 1961 ? Also explain the situations where Updated Return u/s 139(8A) cannot be filed.
(5 marks)
- (c) Explain the provisions relating to deduction of tax at source on payment of Transfer of Virtual Digital Assets u/s 194S and exception thereon under the Income Tax Act, 1961.
(5 marks)

Answer 4(a)

Every person who is eligible to obtain Aadhaar number is required to mandatorily quote Aadhaar Number in the application form for allotment of Permanent Account Number and in the return of income.

Provided that where the person does not possess the Aadhaar Number, the Enrolment ID of Aadhaar application form issued to him at the time of enrolment shall be quoted in the application for permanent account number or, as the case may be, in the return of income furnished by him.

[Note: This provision of quoting enrolment ID shall not be applicable in respect of any application form for allotment of permanent account number or return of income furnished on or after the 1st day of October, 2024.]

The provisions of section 139AA relating to quoting of Aadhaar Number would not apply to an individual who does not possess the Aadhaar number or Enrolment ID and is:

- (i) residing in Assam, Jammu & Kashmir and Meghalaya;
- (ii) a non-resident as per the Income-tax Act, 1961;
- (iii) of the age of 80 years or more at any time during the previous year;
- (iv) not a citizen of India

Answer 4(b)

An updated return can be filed at any time within 24 months from the end of the relevant assessment year.

However, an updated return cannot be filed in the following situations:

- (i) is a loss return; or

- (ii) has the effect of decreasing the total tax liability
- (iii) results in refund or increases the refund due
- (iv) A search has been initiated under section 132 or books of account or other documents or any assets are requisitioned under section 132A in the case of such person; or
- (v) A survey has been conducted under section 133A, other than section 133A(2A), in the case such person; or
- (vi) A notice has been issued to the effect that any money, bullion, jewellery or valuable article or thing, seized or requisitioned under section 132 or section 132A in the case of any other person belongs to such person; or
- (vii) A notice has been issued to the effect that any books of account or documents, seized or requisitioned under section 132 or section 132A in the case of any other person, pertain or pertains to, or any other information contained therein, relate to, such person.
- (viii) An updated return has already been furnished by assessee for the same assessment year.
- (ix) Any proceeding for assessment or reassessment or re computation or revision of income is pending or has been completed;
- (x) the Assessing Officer has information in respect of such person for the relevant assessment year in his possession under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 or the Prohibition of Benami Property Transactions Act, 1988 or the Prevention of Money-laundering Act, 2002 or the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 and the same has been communicated to him, prior to the date of furnishing of return under this sub-section; or
- (xi) information for the relevant assessment year has been received under an agreement referred to in section 90 or section 90A in respect of such person and the same has been communicated to him, prior to the date of furnishing of return under this sub-section; or
- (xii) any prosecution proceedings under the Chapter XXII have been initiated for the relevant assessment year in respect of such person, prior to the date of furnishing of return under this sub-section; or
- (xiii) he is such person or belongs to such class of persons, as may be notified by the Board in this regard:
- (xiv) where any notice to show-cause under section 148A has been issued in his case after thirty-six months from the end of the relevant assessment year.

Answer 4(c)

As per section 194S- Any person responsible for paying to any resident any sum by way of consideration for transfer of a virtual digital assets, TDS is to be deducted either, at the time of credit of any sum by way of consideration to the account of the resident or at the time of payment of such sum by any mode whichever is earlier @ 1% of consideration amount.

Exception –

No tax shall be deducted under this provision in the following circumstance:

1. If the consideration is payable by any person (other than a specified person) and its aggregate value does not exceed ₹ 10,000 during the financial year.
2. if the consideration is payable by a specified person and its aggregate value does not exceed ₹ 50,000 during the financial year.

Specified person means:

- (a) An individual or a HUF, whose total sales, gross receipts or turnover does not exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of a profession, during the financial year immediately preceding the financial year in which virtual digital asset is transferred.
- (b) An individual or a HUF who does not have any income under the head profits and gains of business or profession.

OR (Alternative question to Q. No. 4)

Question 4A

- (i) Neelam, a resident individual, received the following incomes during the financial year 2024-25 :

S. No.	Particulars	Amount (₹)
(i)	Agricultural income from land in Pune (Maharashtra)	2,40,000
(ii)	Agricultural income from land situated in Kenya	1,60,000
(iii)	Share of profit from a partnership firm (assessed as firm)	3,00,000
(iv)	Interest on capital received from the partnership firm @ 15%	60,000
(v)	Dividend received from : <ul style="list-style-type: none"> ● A domestic listed company ● A foreign company 	1,50,000 90,000
(vi)	Income from ULIP (Unit Linked Insurance Plan) with annual premium of ₹ 3,00,000, policy issued on 1st January, 2023	20,000

You are required to compute incomes exempt under Section 10 or other relevant provisions of the Income Tax Act, 1961. Identify which incomes are not exempt and why ?

(5 marks)

- (ii) Nishit and Nikhil are minor sons of Sunil and Sheetal. For the previous year 2024-25 business income of Sunil is ₹ 5,40,000 p.a. and Salary Income of Sheetal is ₹ 30,000 per month. Income of Nishit and Nikhil from stage acting is ₹ 60,000 and ₹ 40,000 respectively. Besides interest on company deposits of Nishit and Nikhil (deposit was made out income from acting) are ₹ 30,000 and ₹ 1,000 respectively. Nishit and Nikhil have received the following birthday gifts :

On 20th August, 2024, gift received by Nikhil from his grandfather of ₹ 80,000.

On 14th November, 2024, gift received by Nishit of ₹ 75,000 from Sunil's friend and ₹ 35,000 from Sheetal's mother.

Compute the total income of Sunil, Sheetal, Nishit and Nikhil for the Assessment Year 2025-26, assuming that all the above person does not opt for the provisions of section 115BAC.

(5 marks)

- (iii) Harish, a citizen of India and the Karta of an HUF is employed in M/s PWD Pvt. Ltd. He is

drawing monthly salary of ₹ 40,000 in India. On August 31st, 2024 he was transferred to the branch office of M/s PWD Pvt. Ltd. in U.S.A. and he left India on September 1st, 2024. The overseas branch paid him a salary of \$ 2,000 per month in USA. He managed business of HUF from USA when he was not in India.

He had also gone out of India for 99 days and 201 days in previous years 2023-24 and 2022-23, respectively. He had never gone out of India prior to that.

He visited India from January 1, 2025 to January 15, 2025 for training on a project and received 15 days salary in India as per his Indian monthly salary before being transferred.

Determine the residential status of Harish and his HUF for the Assessment Year 2025-26.

(5 marks)

Answer 4A(i)

Particulars
<p>Agricultural income from land in Pune Maharashtra – ₹ 2,40,000 Exempt under Section 10(1) – Agricultural income from India is fully exempt.</p>
<p>Agricultural Income from land situated in Kenya – ₹ 1,60,000 Foreign agricultural income is not exempt. Only Indian agricultural income is exempt u/s 10(1). Hence, Taxable.</p>
<p>Share of profit from Partnership Firm – ₹ 3,00,000 Exempt under section 10(2A) if the firm is assessed as such (i.e., partnership firm assessed separately).</p>
<p>Interest on Capital received from partnership firm – ₹ 60,000 Partly exempt – Since Interest on capital is maximum allowed @ 12% of capital to firm, in excess of 12% is not allowed to firm and firm is liable pay tax on it. Hence, 3% Interest [Rs. 60,000 / 15 * 3 = ₹ 12,000] is Exempt and 12% Interest [Rs. 60,000 * 15 / 12 = ₹ 48,000] is Taxable in the hands of Neelam under "Business or Profession".</p>
<p>Dividend Income:</p> <p>(a) From domestic listed company – ₹ 1,50,000 [Taxable under "Other Sources" since dividends are no longer exempt under Section 10(34) post-Finance Act 2020.]</p> <p>(b) From foreign company – ₹ 90,000 Taxable under "Other Sources".</p>
<p>6. ULIP proceeds (₹ 20,000), policy issued after 1-Feb-2021 with premium ₹ 3,00,000 ULIP issued after 1-Feb-2021, and premium exceeds ₹ 2.5 lakh/year ⇒ exemption u/s 10(10D) is NOT available. Proceeds are taxable under the head "Capital Gains"</p>
<p>Final Exempt Incomes:</p> <p>Agricultural income (India): ₹ 2,40,000 Share of profit from partnership firm: ₹ 3,00,000 Interest from partnership firm: ₹ 12,000 Total Exempt Income: ₹ 5,52,000</p>

Answer 4A(ii)

**Computation of total income of Sunil, Sheetal, Nishit and Nikhil for A.Y. 2025-26
(Paying tax by opting to shift out of section 115BAC)**

Particulars	Sunil (₹)	Sheetal (₹)	Nishit (₹)	Nikhil (₹)
Income from Salary (taxable) (After standard deduction of ₹ 50,000) [(30,000 x 12) – 50,000]	-	3,10,000	-	-
Income from Business	5,40,000	-	-	-
Income from Stage Acting	-	-	60,000	40,000
Income from Other sources -Interest from company deposit received by Nishit (to be clubbed in the hands of Sunil after exemption of ₹ 1,500 amounts to be clubbed is ₹ 30,000 – ₹ 1,500)	28,500	-	-	-
- Interest from company deposit received by Nikhil (to be clubbed in the hands of Sunil after exemption of ₹ 1,500 amounts to be clubbed is ₹ 1,000 – ₹ 1,000) *Where the income of any minor is less than ₹1500 then the aforesaid exemption shall be restricted to the income so included in the total income of the individual.	-	-	-	-
-Gift received by Nikhil on 20th August, 2024 from grandfather (Gift from a relative is not taxable)	-	-	-	-
- Gift received by Nishit on 14th November, 2024 from Sunil's friend (to be clubbed in the hands of Sunil after exemption of ₹ 1500 not allowed twice)	75,000	-	-	-
- Gifts received by Nishit on 14th November, 2024 from Sheetal's Mother who is relative (Gift from a relative is not taxable)	-	-	-	-
Total Income	6,43,500	3,10,000	60,000	40,000

Answer 4A(iii)*Residential Status of Harish:*

Harish, an Indian citizen who left India on 1st September 2024 for the purpose of employment to USA, would be non-resident in India, since he stayed in India for 169 days (30+31+30+31+31+1+15) only during the P.Y. 2024-25 which is less than 182 days.

Residential Status of HUF:

Since Harish is managing the HUF for part of the year from India, control and management of its affairs is situated partly in India. Hence, the HUF would be resident in India for the P.Y. 2024-25.

Further, a HUF is said to be "Resident and ordinarily resident" in India during the previous year 2024-25, if Karta (Harish, in this case) satisfies both the following conditions:

- He is a resident in at least 2 out of 10 previous years preceding the relevant previous year; and
- His stay in India in the last 7 years preceding the relevant previous year is 730 days or more.

Since, Harish has satisfied both the above conditions as he had never gone out of India except for 99 days and 201 days in the P.Y. 2023-24 and P.Y. 2022-23, respectively, the HUF would be ROR in India.

PART-II**Question 5**

M/s Optitech Solutions Pvt. Ltd., a registered supplier in Mumbai, Maharashtra, is engaged in manufacturing electronic appliances and providing IT support services. The company furnishes the following details for the month of August, 2025.

PART A : Outward Supplies
1. Supply of AC units worth ₹ 12,00,000 to a registered dealer in Gujarat. Freight of ₹ 70,000 was also charged in Invoice separately for delivery (arranged by Optitech). GST Rate on AC is 28% and GST Rate on Freight is 18%.
2. Supplied a combo pack of : <ul style="list-style-type: none"> ● Smart TV (₹ 25,000) - GST @ 18% ● Bluetooth Speaker (₹ 4,000) - GST @ 18% ● Wall Mount Kit (₹ 1,000) - GST @ 12% Sold as a combo for ₹ 28,000 in Maharashtra (no separate prices).
3. Provided software support services to a client in USA. Service value : ₹ 5,00,000. Exported under LUT without payment of tax. Amount received in convertible foreign exchange.
4. Supplied diagnostic equipment worth ₹ 2,00,000 to a Government Hospital in Mumbai without any consideration under CSR. ITC on such goods was claimed earlier.
5. Provided IT consulting services in Delhi worth ₹ 3,50,000. GST @ 18%. The client deducted TDS under Income Tax Act while paying.
6. Supplied laptops value ₹ 4,00,000 to an SEZ unit in Tamil Nadu against bond without payment of tax. GST Rate on laptop is 18%.

PART B : Inward Supplies
1. Purchased raw materials from a registered supplier in Maharashtra worth ₹ 5,00,000. GST @ 18%. Goods received and recorded in books on 25th August, 2025.

2. Purchased a car for ₹ 8,00,000 + 28% GST for director's official and personal use.
3. Rent paid to registered supplier in Mumbai of ₹ 1,50,000 for commercial premises in Mumbai. GST @ 18%.
4. Paid ₹ 80,000 for legal services received from an unregistered Individual advocate located in Mumbai. No GST charged by him.
5. Procured health insurance for all factory employees, payment being optional, it is not mandatory under any law; Premium paid ₹ 60,000 + 18% GST.

Additional Information :

- (1) Both the inward and outward supplies given above are exclusive of GST unless stated otherwise.
- (2) Rate of CGST, SGST and IGST is to be charged 9%, 9% and 18% respectively where no specific rate is provided.
- (3) All the 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 Taxable Outward Supplies under the GST for M/s Optitech Solutions Pvt. Ltd. for the month of August, 2025. (6 marks)
- (b) Compute the value of Output Tax Liability under the GST for M/s Optitech Solutions Pvt. Ltd. for the month of August, 2025. (4 marks)
- (c) Compute the value of Input Tax Credit under the GST for M/s Optitech Solutions Pvt. Ltd. for the month of August, 2025. (5 marks)
- (d) Compute the Net minimum GST payable by M/s Optitech Solutions Pvt. Ltd. for the month of August, 2025. (5 marks)

Answer 5(a)

Computation of Value of Taxable Outward Supply for August, 2025

Particulars	Amount (₹)
Supply of AC along with Freight (Freight included in value as composite supply)	12,70,000
Supplied a combo pack (Treated as Mixed Supply)	28,000
Software support services provided in USA (Export of service under LUT treated as zero rated supply)	Nil

Particulars	Amount (₹)
Supplied diagnostic equipment under CSR (Since ITC Claimed, it is deemed supply)	2,00,000
Provided IT consulting services in Delhi	3,50,000
Supplied laptops to an SEZ unit (Supply to SEZ without payment of tax, treated as zero rated supply)	Nil
Taxable Outward Supply	18,48,000

Answer 5(b)**Computation of Value of Output Tax Liability for August, 2025**

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Supply of AC along with Freight in Gujrat (Composite supply taxable @ 28% being Rate of AC)	355,600	-	-
Supplied a combo pack in Maharashtra (Treated as Mixed Supply, highest rate 18% is applicable)		2,520	2,520
Supplied diagnostic equipment under CSR		18,000	18,000
Provided IT consulting services in Delhi	63,000	-	-
Total Output GST Liability	4,18,600	20,520	20,520

Answer 5(c)**Computation of Value of Input Tax Credit for August, 2025**

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Purchased raw materials from a supplier in Maharashtra	-	45,000	45,000
Purchased a car [Blocked u/s 17(5)]	-	-	-
Rent paid to registered supplier in Mumbai	-	13,500	13,500
Legal services received from an unregistered Individual advocate (eligible under RCM)	-	7,200	7,200
ITC on health insurance for all factory employees [Blocked u/s 17(5) being optional and not mandatory under any law]	-	-	-
Total Input Tax Credit	-	65,700	65,700

Answer 5(d)**Computation of Net minimum GST liability payable in Cash for August, 2025**

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Output Tax Liability (as above)	4,18,600	20,520	20,520
Less: Input Tax Credit (calculated as above)	-	(20,520)	(20,520)
Less: Excess of CGST set-off through IGST	(45,180)	-	-
Less: Excess of SGST set-off through IGST	(45,180)	-	-
Net GST Liability	3,28,240	Nil	Nil
Add: RCM liability should be paid in Cash only	-	7,200	7,200
Net minimum GST liability paid in Cash	3,28,240	7,200	7,200

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

- (a) Keshav Ltd., a registered supplier, has supplied machinery to Ganesh Ltd. (a supplier registered in the same State). Determine the value of taxable supply made by Keshav Ltd. to Ganesh Ltd. on the basis of the following information :

S. No.	Particulars	Amount (₹)
(i)	Price of machinery (exclusive of taxes and discounts)	6,00,000
(ii)	Part fitted in the machinery at the premises of Ganesh Ltd. [Amount has been paid by Ganesh Ltd. directly to the supplier. However, it was Keshav Ltd.'s liability to pay the said amount. The said amount has not been recorded in the invoice issued by Keshav Ltd.]	30,000
(iii)	Installation and testing charges for machinery, not included in price	20,000
(iv)	Discount @ 2% on price of the machinery mentioned at S. No. (i) above (recorded in the invoice)	
(v)	Keshav 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.	

(5 marks)

- (b) Ramesh, a registered supplier in Delhi, enters into a contract to supply and install an air conditioning system in a Royal Garden Hotel located in Punjab. The air conditioning system is assembled at the site using various components, and installation requires civil work, wiring, and testing. The total value of the contract is ₹ 12,00,000.

Accountant of Ramesh argues that since he is supplying goods (air conditioning units), the supply should be treated as an Inter-State supply of goods from Delhi to Punjab, and IGST should be charged. As a tax consultant you are required to determine whether this

transaction is a supply of goods or supply of services ? Also determine the place of supply and nature of the supply for the above transaction under GST Law.

(5 marks)

(c) M/s Delta Manufacturers Ltd., a registered company in Gujarat, is engaged in manufacturing of taxable goods. The following transactions took place during the month of July, 2025 :

- (i) Purchased raw materials worth ₹ 10,00,000 + GST @ 18% from M/s Alpha Traders (a registered supplier). Payment was made on 15th November 2025.
- (ii) Purchased a passenger vehicle (sedan) for use by the Director for official and personal purposes : ₹ 12,00,000 + GST @ 28% + Cess @ 12%.
- (iii) Paid outdoor catering charges to a caterer for employee meals in the factory canteen : ₹ 50,000 + GST @ 5% (under composition scheme).
- (iv) Incurred construction expenses of ₹ 5,00,000 + GST @ 18% for building an additional floor on the factory building (capitalized in books).
- (v) Purchased office stationery worth ₹ 25,000 + GST @ 12% from a registered supplier. The invoice was uploaded in GSTR-1 after the due date by supplier and it was not reflected in GSTR-2B in the month of July, 2025.

You are required to compute the eligible Input Tax Credit for M/s Delta Manufacturers Ltd., for the month of July, 2025 by giving brief explanations for each item separately. Subject to the information given above, all the other conditions necessary for availing the ITC have been fulfilled unless specified above.

(5 marks)

(d) M/s Global Imports Ltd., a company based in Mumbai, imported a consignment of industrial machinery from Germany on CIF (Cost, Insurance, Freight) basis. Compute the assessable value of goods for the purpose of custom duty on the basis of the following information :

(i)	FOB value of machinery	€50,000
(ii)	Freight charges (as per invoice)	€12,000
(iii)	Insurance cost (actual) : Not available	—
(iv)	Landing charges : Not separately paid	—
(v)	Exchange rate notified by CBIC on date of filing Bill of Entry (10th June 2025):	₹91/€
(vi)	Exchange rate notified by CBIC on date of Entry Inward of Vessel (14th June 2025):	₹90/€

(5 marks)

Answer 6(a)

Computation of value of taxable supply made by Keshav Ltd. to Ganesh Ltd.

Particulars	Amount (₹)
Price of machinery (exclusive of taxes and discounts)	6,00,000
Amount paid by Ganesh Ltd. directly to the supplier for the part fitted in the machinery	30,000
[Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply in terms of section 15(2)(b).	

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).	20,000
Less: Discount @ 2% on the price of machinery [6,00,000 x 2%] [Since discount is given at the time of supply of machinery and recorded in the invoice, the same is deductible from the value of the supply in terms of section 15(3)(a).	(12,000)
Less: Additional 1% discount at year end [Though the additional discount is established before/at the time of supply, it is not deductible from the value of supply in terms of section 15(3)(b) as the same is not linked to any specific transaction and is adjusted by the parties at the end of the financial year.]	NIL
Value of taxable supply	6,38,000

Answer 6(b)

<p>(i) Nature of Supply: Goods or Services?</p> <p>This is a works contract involving supply of goods along with installation, testing, and civil work, which makes it a composite supply.</p> <p>As per Section 2(119) of the CGST Act, a works contract involving immovable property is treated as supply of services. Hence, this is a supply of service.</p>
<p>(ii) Place of Supply:</p> <p>As per Section 12(3) (a) of the IGST Act, when the supply involves immovable property, the place of supply is the location of the immovable property.</p> <p>Here, the hotel (immovable property) is located in Punjab. So, the place of supply is Punjab.</p>
<p>(iii) Nature of Supply and Tax to be Charged:</p> <p>Mr. Ramesh is registered in Delhi and the place of supply is Punjab. Since supplier and place of supply are in different States, this is an inter-State supply. Therefore, IGST is chargeable.</p>

Answer 6(c)

<p>1. Raw Materials – ₹10,00,000 + GST @18% = ₹1,80,000</p> <ul style="list-style-type: none"> ● ITC eligibility: Yes, used in business. ● However, payment to supplier made within 180 days (date of invoice assumed to be 1st July 2025 → payment on 15th Nov is within 180 days). ● So, eligible for ITC in August 2025, even no reversal needed as per 2nd proviso to section 16(2) of the CGST Act. <p>Amount eligible = ₹1,80,000</p>

2. Passenger Vehicle for Director – ₹12,00,000 + GST @ 28% + Cess @12%

- As per Section 17(5)(a), ITC on motor vehicles for transportation of persons with seating capacity ≤13 is blocked, unless used for further supply of vehicles, training, or transportation of passengers.
- Director's use is official + personal → not covered by exception.
- ITC is blocked on both GST and Cess
- Disallowed ITC = ₹3,36,000 (28%) + ₹1,44,000 (12% Cess) = ₹4,80,000

3. Outdoor Catering for Factory Staff – ₹50,000 + GST @ 5%

- As per Section 17(5)(b)(i), ITC on outdoor catering is blocked, unless:
 - It is obligatory under law (e.g., under Factories Act), AND
 - Provided by registered supplier under normal tax scheme
- In this case, catering is provided by composition dealer → ITC not allowed as per section 17(5)(e) of the CGST Act
- Disallowed ITC = ₹2,500

4. Construction Expenses for Additional Floor – ₹5,00,000 + GST @18%

- As per Section 17(5)(c)/(d), ITC on works contract/construction of immovable property is blocked if it is for own use or including when such goods or services or both are used in the course or furtherance of business and capitalized.
- Since it's capitalized in books → ITC blocked
- Disallowed ITC = ₹90,000

5. Stationery Purchase – ₹25,000 + GST @12% = ₹3,000

- Supplier uploaded invoice in GSTR-1, but not reflected in GSTR-2B as on filing date.
- As per Rule 36(4), ITC can only be claimed if it appears in GSTR-2B.
- So, ITC not eligible in July, 2025, but can be claimed later when reflected.
- Temporarily ineligible = ₹3,000

Answer 6(d)

Computation of Assessable Value-

Under Section 14 of the Customs Act, assessable value is the transaction value, adjusted as per Customs Valuation (Determination of Value of Imported Goods) Rules, 2007

We are given:

- FOB: € 50,000
- Freight: € 12,000
- Insurance: Not available
- Exchange rate (CBIC): ₹ 90/€

Let us now compute the CIF Value (Cost + Insurance + Freight):

Step 1: Add Freight

- Freight = €12,000
- So, FOB + Freight = € 62,000

Step 2: Insurance (Not available)

- As per Rule 10(2)(b), if insurance is not known, use 1.125% of FOB value
- Insurance = 1.125% × € 50,000 = €562.50

Step 3: CIF Value in Euro =

- € 50,000 (FOB)
 - € 12,000 (Freight)
 - € 562.50 (Insurance)
- = € 62,562.50

Step 4: Convert to INR using CBIC Rate: Exchange rate is applicable @ ₹91 (Being as on date of filing of Bill of Entry to be considered).

- € 62,562.50 × ₹ 91 = ₹ 56,93,187.50

Step 5: Landing Charges

- As per new rules (since Feb 2017), landing charges are deemed included → No need to add separately

Assessable Value = ₹ 56,93,187.50

Note: It is assumed that the shipment is from mode other than air and therefore freight is to be taken as actual i.e. 12,000.

Alternative Answer 6(d)

Computation of Assessable Value-

Under Section 14 of the Customs Act, assessable value is the transaction value, adjusted as per Customs Valuation (Determination of Value of Imported Goods) Rules, 2007

We are given:

- FOB: € 50,000
- Freight: € 12,000
- Insurance: Not available
- Exchange rate (CBIC): ₹ 90/€

Let us now compute the CIF Value (Cost + Insurance + Freight):

Step 1: Add Freight (assuming the shipment is carried from air mode).

- Actual Freight = €12,000 or
- 20% of FOB value = €50,000 * 20 % = €10,000

Whichever is less i.e. €10,000

Step 2: Insurance (Not available)

- As per Rule 10(2)(b), if insurance is not known, use 1.125% of FOB value
- Insurance = 1.125% × € 50,000 = €562.50

Step 3: CIF Value in Euro =

- € 50,000 (FOB)
 - € 10,000 (Freight)
 - € 562.50 (Insurance)
- = € 60,562.50

Step 4: Convert to INR using CBIC Rate: Exchange rate is applicable @ ₹91. (Being as on date of filing of Bill of Entry to be considered)

- € 60,562.50 × ₹ 91 = ₹ 55,11,187.50

Step 5: Landing Charges

- As per new rules (since Feb 2017), landing charges are deemed included → No need to add separately

Assessable Value = ₹ 55,11,187.50

Note: It is assumed that the shipment is from mode by air and therefore freight is to be taken as actual i.e. € 12,000 or 20% of FOB i.e. € 10,000 whichever is lower.

OR (Alternative question to Q. No. 6)

Question 6A

- (i) Ranjan Enterprises is entitled for exemption from tax under GST law. However, it collected tax from its buyers worth ₹ 70,000 in the month of May, 2025. It has not deposited the said amount collected as GST with the Government.

You are required to brief to Ranjan Enterprises the consequences of collecting tax, but not depositing the same with Government as provided under section 76 of CGST Act, 2017.

(5 marks)

- (ii) Ms. Aruna Pathak is engaged in the business of works contract services and seeks your guidance as to specific records required to maintained by her under GST laws.

(5 marks)

- (iii) M/s Zenith Systems, a registered supplier in Delhi, is engaged in the manufacture and supply of industrial tools. The following events occurred during the month of June, 2025 :

- (1) On 1st June 2025, the company's aggregate turnover for the financial year crossed ₹ 40,00,000 for the first time. However, it applied for registration on 20th June 2025 and received the registration certificate dated 30th June 2025.
- (2) Between 1st June and 30th June, it made taxable outward supplies worth ₹ 12,00,000, and received taxable inward supplies worth ₹ 5,00,000 + GST @ 18%, all from registered suppliers.
- (3) The company did not issue proper tax invoices during this period but issued bill of supply without mentioning GST.

From the above-mentioned information, you are required to examine the legal validity of registration, liability for GST, and Invoicing for the month of June 2025 under GST Law.

(5 marks)

- (iv) State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of CGST Act, 2017 :
- (a) Renting of immovable property.
 - (b) Goods forming part of business assets are transferred or disposed of by/under Directions of person carrying on the business.
 - (c) Transfer of right in goods without transfer of title in goods.
 - (d) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.
 - (e) Temporary transfer or permitting use or enjoyment of any intellectual property right.

(5 marks)

Answer 6A(i)

As per the provision of 76 of CGST Act, 2017, it is mandatory to pay amount, collected from other person representing tax under GST law, to the Government. Every person who has collected from any other person any amount as representing the tax under GST law, and has not paid the said amount to the Government, shall forthwith pay the said amount to the Government, irrespective of whether the supplies in respect of which such amount was collected are taxable or not.

For any such amount not so paid, proper officer may issue show Cause Notice (SCN) for recovery of such amount and penalty equivalent to amount specified in notice.

The proper officer shall, after considering the representation, if any, made by the person on whom SCN is served, determine the amount due from such person and thereupon such person shall pay the amount so determined along with interest at the rate specified under section 50 of CGST Act, 2017 from the date such amount was collected by him to the date such amount is paid by him to the Government.

Answer 6A(ii)

Ms. Aruna Pathak, executing works contract shall keep separate accounts for works contract showing -
1. The names and addresses of the persons on whose behalf the works contract is executed;
2. Description, value and quantity (wherever applicable) of goods / services received for the execution of works contract;
3. Description, value and quantity (wherever applicable) of goods / services utilized in the execution of works contract;
4. The details of payment received in respect of each works contract; and
5. The names and addresses of suppliers from whom he received goods or services.

Answer 6A(iii)

(a) Registration Requirement:

- As per Section 22(1) of CGST Act: Registration is required if aggregate turnover exceeds ₹40 lakhs.
- Turnover crossed on: 1st June 2025
- As per Rule 8 and 9, application for registration should be made within 30 days of becoming liable → Latest by 1st July 2025
- Application made on 20th June 2025 → Within time limit

Registration is valid.

Also, as per GST rules, effective date of registration = date on which liability arises, i.e., 1st June 2025

(b) Liability for GST:

- Since registration is effective from 1st June 2025, tax is payable from that date, even though certificate was granted later (on 30th June)
- Outward supplies of ₹ 12,00,000 during June are taxable and is eligible to claim Input tax credit on GST paid on input supplies of 5 lakhs.

Note: Since, the application for registration under GST is done on 20th June that is within 30 days from 1st June (date of becoming liable for registration under GST), ITC of all GST paid on purchases with effect from 1st June, 2025 can be claimed (As the effective date of registration under GST in this case is 1st June).

(c) Invoicing:

- Between 1st and 30th June, M/s Zenith Systems issued bills without GST → not compliant
- As per Section 31, tax invoice must be issued when a registered person makes taxable supply
- Since GST registration is effective from 1st June, invoices during that period must mention GST and tax components. However, u/s 31(3), Registered may, within 1 month from date of issuance of certificate of registration and in prescribed manner, issue a revised invoice against invoice already issued during period beginning with effective date of registration till date of issuance of certificate of registration to him.
- Non-compliance of invoicing provisions occurred: May attract penalty under Section 122.

Answer 6A(iv)

S. No.	Nature of Supply
(a)	Renting of Immovable Property is treated as supply of services as per Schedule II of CGST Act, 2017
(b)	Goods forming part of business assets are transferred or disposed of by / under directions of person carrying on the business is treated as supply of goods as per Schedule II of CGST Act, 2017

S. No.	Nature of Supply
(c)	Transfer of right in goods without transfer of title in goods is treated as supply of services as per Schedule II of CGST Act, 2017
(d)	Transfer of title in goods under an agreement which stipulates that property shall pass at a future date is treated as Supply of goods as per Schedule II of CGST Act, 2017
(e)	Temporary transfer or permitting use or enjoyment of any intellectual property rights is treated as supply of services as per Schedule II of CGST Act, 2017