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CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

## Question Paper 1



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# CA FINAL TEST SERIES JAN' 26 EXAM

## TEST - 1

### Portion Covered

Segment – 1: Introduction to GST

Segment – 2: Supply under GST

Segment – 3: Levy and Collection under CGST

Segment – 4: Levy and Collection under IGST

Segment – 5: Exemptions

### **Section – A: MCQ'S (8 Marks)**

Purvi, registered under GST in the State of Madhya Pradesh, is engaged in supplying multiple taxable goods and services. She has undertaken the following activities/transactions in the month of October in the current financial year:

- Donated some money to Divyaprakash Charitable Trust, Madhya Pradesh, in the memory of her late father. The Divyaprakash Charitable Trust constructed a room in the school run by it from such donation and wrote "Donated by Miss. Purvi in the memory of her father" on the door of the room so constructed.
- Organized a seminar in Indore which was sponsored by WE-WIN Cricket Academy, an LLP. Purvi received a sponsorship fee of ₹1,50,000.
- Bindusar Public School intended to distribute gift packages consisting of fountain pen, calculator and tape dispenser to its students on the occasion of Children's Day. Therefore, it entered into a contract with Purvi on 28th October for supply of 2,000 packages at a single price of ₹ 250. Rates of GST for fountain pen, calculator and tape dispenser are 5%, 12% and 18% respectively.
- Received the following payments during the month of October:
  - earned ₹ 1,60,000 by performing at a western music concert in Indore
  - earned ₹ 50,000 for renting of space for use as a Textile Emporium
  - received ₹ 70,000 for supply of farm labour

All the amounts given above are exclusive of GST, wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 4 below:-

- Donation made by Purvi to Divyaprakash Charitable Trust is \_\_\_\_\_
  - exempted from GST by way of a notification
  - not a supply at all
  - liable to GST under forward charge
  - liable to GST under reverse charge

[2 Marks]

2) Which of the following statements is correct with respect to the sponsorship fee received by Purvi?

- (a) Tax on sponsorship services is payable by Purvi under forward charge.
- (b) Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.
- (c) Sponsorship services are exempt from GST since services provided to a sports academy are exempt.
- (d) Tax on sponsorship services is payable by Purvi under reverse charge.

**[2 Marks]**

3) Determine the nature of supply and the applicable rate of GST for the packages supplied by Purvi to Bindusar Public School.

- (a) composite supply & applicable rate of GST is 12%
- (b) mixed supply & applicable rate of GST is 18%
- (c) composite supply & applicable rate of GST is 18%
- (d) mixed supply & applicable rate of GST is 12%

**[2 Marks]**

4) Out of all the payments received by Purvi in the month of October, value of exempt supply amounts to \_\_\_\_.

- (a) ₹ 4,30,000
- (b) ₹ 70,000
- (c) ₹ 1,20,000
- (d) ₹ 2,20,000

**[2 Marks]**

**Section B: Descriptive (14 Marks X 3 Question = 42 Marks)**  
**(Question No. 1 is compulsory and answer any 2 out of 3 given below)**

**QUESTION 1:**

Nippon Ltd. a registered dealer in Chennai (Tamil Nadu) is engaged in various types of supplies. The company provides following details for the month of January 2025.

S. No.	Particulars	Amount (₹)
(i)	Provided services to CMWSSB, a governmental authority by way of sanitation conservancy where the contact involves composite supply of chemicals along with sanitation services, where the value of chemicals is ₹3,00,000.	10,00,000
(ii)	The company pledged its 5% equity shares to the merchant banker for the purpose of proposed IPO. Total book value of equity shares is ₹40,00,000. Such merchant banker is a related company of Nippon Ltd.	
(iii)	Provided security personnel services to 'MVM Pre School' for its annual day function held at 'Chinmaya Vidyalaya School' auditorium.	4,00,000
(iv)	Professional services to US consulate, a foreign diplomatic mission in India	3,00,000
(v)	Services provided by way of labour contract for repairing Individual house belonging to Mr. Vijay Sethupathi. Such individual house is not as a part of any residential complex.	6,00,000
(vi)	The company owns a Cricket academy providing training or coaching in cricket for national level matches and during the month of January they collected ₹15,00,000 as fees from various aspirants	
(vii)	Renting of stalls in the buildings owned by them to various farmers for selling fruits and vegetables cultivated by them.	2,00,000

You are required to compute the value of taxable supply for the month of January 2025. Also provide relevant legal explanations necessary supporting your answer.

**[14 MARKS]**

**QUESTION NO. 2(A):**

Charm Limited registered under GST in the state of Jharkhand, manufactures cosmetic products and appointed Mr. Handsome of Mumbai, who is registered under GST in the state of Maharashtra, as their Del-credere agency agent (DCA) to the sell their products. Being a DCA, he agrees to raise invoices in his own name and also guarantees for the realisation of payment from customers to Charm Limited.

In order to realise the payments from customers on time, he extends short term transaction-based loans to them and charges interest for the same.

Mr. handsome provides you the following details of transactions carried out during the month of March 2022.

Sl. No	Particulars	Amount in ₹
	Outward Supply:	
i.	Goods sold by MR. Handsome in the DCA capacity (Intra-State transaction)	2,80,000
ii.	Interest earned from the above customers for short term credit facility provided for timely payment of dues. (Intra-State transaction)	20,000
iii.	Commission bill raised on Charm Limited (Inter-State transaction) in respect of DCA services provided.	30,000
	Inward Supply:	

iv.	Inter-State supply of goods received from Charm Limited. Since being a DCA, no consideration was paid. Value under section 15 - ₹ 2,00,000	Nil
v.	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost. Company charges ₹ 75,000 for such training when they provide the same to others	Nil

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amount given above are exclusive of taxes wherever applicable. Subject to the information given above, necessary conditions are complied with for availment of Input Tax Credit.

You are required to calculate the gross GST liability and eligible Input Tax Credit for the month of March 2022 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No (i) to (v).

**[5 MARKS]**

**QUESTION NO. 2(B):**

**Vasudha Agro Exports Pvt. Ltd.**, a registered person in Madhya Pradesh, is engaged in the export of various agricultural products including **raw cotton (HSN 5201)** and **refined rice (HSN 1006)**. For the month of **November 2024**, Vasudha undertakes the following exports:

Item Exported	Value of Exports (FOB)	Method of Export	Remarks
Raw Cotton	₹1.2 crore	Export with payment of IGST	Raw cotton attracts <b>export duty</b> of 10% w.e.f. Oct 2024
Refined Rice	₹1.5 crore	Export under LUT (without payment of IGST)	Not subject to export duty
Refined Rice	₹50 lakhs	Export with payment of IGST	-

The company applies for **refund of ₹18 lakhs** of IGST paid on raw cotton and **₹6 lakhs** of IGST paid on refined rice. They also apply for **refund of accumulated ITC** on input services used in LUT-based exports of rice. Explain whether refund is available in the above cases.

**[5 MARKS]**

**QUESTION NO. 2(C):**

**ABC Insurance Ltd.**, a registered insurer in Maharashtra, is engaged in providing insurance services. During the current financial year, the company entered into following transactions:

- ABC Insurance Ltd. enters into a co-insurance agreement with XYZ Insurance Ltd. where ABC Insurance Ltd. is the lead insurer. The insured – Gyaati Industries- pays a total premium of ₹ 50,00,000 which is apportioned by the lead insurer - ABC Insurance Ltd. between itself and XYZ Insurance Ltd. in the ratio of 60:40 for the insurance services jointly supplied by them to Gyaati Industries. ABC Insurance Ltd. agrees to discharge the entire GST liability on the full amount of premium received from Gyaati Industries.
- A large industrial plant needs an insurance worth ₹ 500 crore. It approaches ABC Insurance Ltd. for the same. However, since ABC Insurance Ltd. is unable to underwrite the entire risk alone, it enters into a reinsurance agreement with a reinsurer – PQR Insurance Ltd. The total premium charged is ₹ 50 lakh. The insurer - ABC Insurance Ltd. pays a reinsurance premium of ₹ 20 lakh to PQR Insurance Ltd. This allows ABC Insurance Ltd. to manage its risk and financial exposure. While paying this amount to PQR Insurance Ltd., ABC Insurance Ltd. deducts a ceding commission of ₹ 1,00,000 which it has charged for the services it provides

to PQR Insurance Ltd. PQR Insurance Ltd. pays GST on the gross reinsurance premium including the ceding commission.

Based on the provisions of Schedule III of the CGST Act, 2017, discuss whether the following activities amount to supply:

- Apportionment of co-insurance premium by ABC Insurance Ltd. To XYZ Insurance Ltd. for the insurance services jointly supplied by them to Gyaati Industries.
- Services by ABC Insurance Ltd. to PQR Insurance Ltd. for which ceding commission is deducted from reinsurance premium paid by ABC Insurance Ltd. to PQR Insurance Ltd.

**[4 MARKS]**

**QUESTION NO. 3(A):**

State whether GST is applicable in the following situations and provide relevant explanation supporting your answer:

- XYZ Builders enters into a contract with ABC Housing Society to construct a residential project. The contract stipulates a penalty of ₹1 crore for delays beyond the scheduled date. The project is delayed by six months, and the housing society deducts the penalty from the contractor's payment.
- LMN Ltd. leases office space to a tenant for five years. The tenant terminates the lease after two years and pays ₹15 lakh as an early termination fee.
- The Government of India compensates former coal block allottees ₹100 crore for cancellations made following a Supreme Court order.
- A tour operator charges ₹20,000 for a package but retains ₹5,000 as cancellation charges when a customer cancels the booking.
- ABC Mining Co. exceeds its permitted stock of riverbed material and is penalized ₹10 lakh by the state mining department.

**[5 MARKS]**

**QUESTION NO. 3(B):**

State whether GST payable in the following cases (provide explanations supporting your answers)

- Service received by Government of India from a pollution consultant in Germany service pertains to management of pollution control in and around NCR consideration paid by Government of India is ₹ 12,00,000 out of which ₹ 3,00,000 is reimbursed by Delhi Government.
- Wanderlust Travels Pvt. Ltd. is a tour operator based in Mumbai that provides various travel packages to domestic and international destinations. They offered a tour package to Mr. Johnson (an Australian citizen) for ₹10,00,000 where the tour conducted in India is for 3 days 6 hrs and tour outside India is for 5 days 18 hrs.
- Kerala Industrial development corporation gives an industrial plot of land to X Ltd on lease for a period of 85 years. One time salami is ₹ 30 lakhs and annual lease rental is ₹ 5 lakhs. Such plot is utilized by X Ltd for development of industry.
- Skill Bridge Pvt. Ltd. signs an MoU with the National Skill Development Corporation (NSDC) to act as an approved training partner under the Pradhan Mantri Kaushal Vikas Yojana (PMKVY), a scheme implemented by NSDC. It conducts training on retail sales associate skills aligned to NSQF Level 4 and receives ₹50 lakhs from NSDC for this purpose. However, they are not training body accredited by NSDC.
- Sure Life Insurance Ltd, a registered general insurance company contributes ₹50 lakhs towards motor vehicle insurance fund maintained by Government of India under Section 164B of the Motor vehicles Act.

**[5 MARKS]**

**QUESTION NO. 3(C):**

Determine the person liable to pay GST in the following cases as per Sec. 9(3) of CGST Act, 2017:

- (i) Sale of tendu leaves by an agriculturist to M/s ABC P. Ltd. an unregistered person engaged in trading the same
- (ii) Sale of lottery tickets by Future gaming P. Ltd., a lottery organizer authorized by Government of Maharashtra to Mr. Thakker, a lottery distributor
- (iii) Sale of seized goods by State Government by way of auction to M/s PQR & Co, a registered partnership firm engaged in sale of second hand goods
- (iv) Sale of silk yarn by M/s. Vimal & Co., a trader of silk yarn to Mr. Pandu (Registered person)

**[4 MARKS]**

**QUESTION NO. 4(A):**

UrbanStay Pvt. Ltd. is an electronic commerce operator (ECO) facilitating short-term accommodation services through its platform (a notified service under Section 9(5) of the CGST Act). In the month of April 2025, it had the following transactions:

**Outward supplies:**

Nature of Supply	Amount (Excl. GST)	GST Rate
Booking charges for homestays provided by unregistered persons through platform	₹10,00,000	12%
Platform usage fee charged to property owners (commission)	₹2,00,000	18%
Advertising space sold on website to brands	₹1,00,000	18%

**Inward supplies:**

Description	Amount (Excl. GST)	GST Rate
Google Ads and marketing services	₹1,00,000	18%
Office rent (commercial property)	₹70,000	18%
Laptop purchases for marketing team	₹1,20,000	18%
Food and catering for in-house training	₹20,000	5%
Cloud server subscription	₹60,000	18%

Determine the net GST payable in cash, after adjusting eligible ITC against liability. Clearly bifurcate the amount payable under Section 9(5) and own supplies.

**[5 MARKS]**

**QUESTION NO. 4(B)**

The Resident Welfare Association (RWA) of Kutumb Housing Society is registered under GST in the State of Maharashtra. There are 100 three BHK flats and 100 four BHK flats in the society. It received/paid the following amounts (excluding GST, wherever applicable) in the months of January and February:

- (i) Maintenance charges per flat received (excluding electricity charges) from all 3 BHK flat owners- ₹ 7,000 per member per month.
- (ii) Maintenance charges per flat received (excluding electricity charges) from all 4 BHK flat owners- ₹ 10,000 per member per month.
- (iii) Electricity charges w.r.t. common area lifts and lighting collected from all 3 BHK and 4 BHK flat owners by equally apportioning the bill received from electricity board (Bill value: ₹2,00,000) - ₹1,000 per member per month.

- (iv) Electricity supplied through its company that has built and maintained solar panels that delivers electricity to various consumers, as power backup for common area lifts and lighting, on adhoc basis - ₹600 per member per month.
- (v) Interest received on the fixed deposit with Dhansukh Bank - ₹ 5,00,000.
- (vi) Generator purchased for the power back-up of 4 BHK flats in February - ₹ 1,00,000.
- (vii) Taps, pipes, other sanitary fittings purchased for 3 BHK flats in January- ₹ 50,000.

Determine the net GST liability to be paid for the months of January and February, assuming that the GST rate is 18% on all inward and outward supplies.

**[5 MARKS]**

**QUESTION NO. 4(C):**

Bharuch Dahej Railway Company Ltd. (BDRCL), a Special Purpose Vehicle (SPV), has been tasked with enhancing industrial connectivity in Gujarat by undertaking gauge conversion projects. During the month of December 2024, the following transactions took place:

- (i) Indian Railways used the converted broad-gauge line for passenger and freight operations. BDRCL charged Indian Railways ₹15,00,000 for the infrastructure use under the concession agreement.
- (ii) Indian Railways carried out maintenance services, including track inspections and repair work, for the converted line. The cost of these services was ₹6,00,000.
- (iii) BDRCL leased commercial space at one of the railway stations on the converted line to a private logistics company for ₹8,00,000 per month.
- (iv) Indian Railways transported construction materials for BDRCL's ongoing infrastructure projects. The freight charges were ₹3,00,000.

Analyze the taxability of each transaction and provide supporting explanation for your answer.

**[4 MARKS]**



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# INDIRECT TAX LAWS

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**SUGGESTED ANSWER - 1**

# CA FINAL TEST SERIES JAN' 26 EXAM

## TEST 1 – SUGGESTED ANSWER

### Portion Covered

Segment – 1: Introduction to GST

Segment – 2: Supply under GST

Segment – 3: Levy and Collection under CGST

Segment – 4: Levy and Collected under IGST

Segment – 5: Exemptions

### Section – A: MCQ'S (8 Marks)

1. Option (b) not a supply at all

**Reason**

There is no obligation (quid pro quo) on part of recipient of the donation to do anything (i.e. supply a service). Thus, it can be said that there is no supply of service for the payment in the form of donation.

2. Option (b) Tax on sponsorship services is payable by WE-WIN Cricket Academy under reverse charge.

**Reason**

Services provided by way of sponsorship by a person other than body corporate to any body corporate or partnership firm is liable to GST under reverse charge. LLP is also considered as a partnership firm or firm.

3. Option (b) mixed supply & applicable rate of GST is 18%

**Reason**

Supply of fountain pen, calculator and tape dispenser is not a supply wherein one of the supply is a principal supply and these are not naturally bundled. Therefore, the supply is a mixed supply and the highest tax rate shall be applied for the whole supply.

4. Option (b) ₹ 70,000

**Reason**

Out of the transactions made in October, only supply of farm labour is covered within the purview of exempt supplies.

**Section B: Descriptive (14 Marks X 3 Question = 42 Marks)**  
**(Question No. 1 is compulsory and answer any 2 out of 3 given below)**

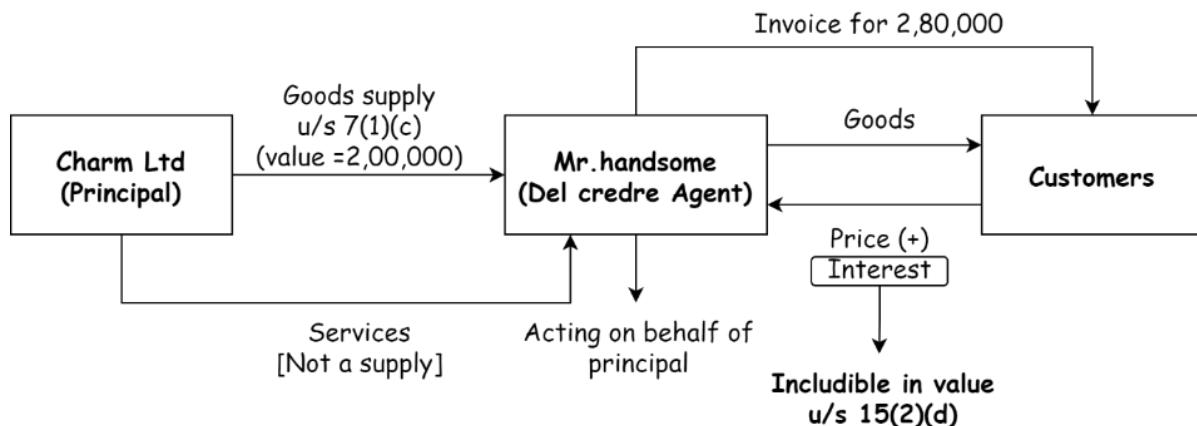
**ANSWER TO QUESTION 1:**

Computation of Value of taxable supply of Nippon Ltd. for the month of January 2025:

Particulars	Amount
<b>Sanitation Conservancy to Government Authority</b> – As per Sec. 11 read with Notification No. 12/2017, services provided by way of sanitation conservancy to government authority is exempted, irrespective of the value of goods involved in such composite supply of service. Only in case of services to Government, such restriction of value of goods not exceeding 25% of total value is applicable, but not in case of services to Government authority.	Exempted
<b>Pledging of shares with merchant banker</b> – Shares being securities are not covered under goods or services as per Sec. 2 of CGST Act. Thus, the activity of pledging of shares with related merchant banker is not a supply. Even transaction between related parties for Sec. 7(1)(C) should involve goods or services.	Not a supply
<b>Security personnel to MVM School</b> – As per Sec. 11 read with Notification No. 12/2017 Security services provided to an educational institution providing pre-school education or education up to higher secondary school are exempt provided such services are performed in the premises of such institution. However, in this case, security services are being provided outside the school campus, and hence the same are taxable.	4,00,000
<b>Professional services to US Consulate</b> – As per Sec. 11 read with Notification No. 12/2017 Services by a foreign diplomatic mission located in India is exempted. However, services provided to foreign diplomatic mission is not covered under exemption and consequently, it is taxable.	3,00,000
<b>Labour contract for repairing Individual house</b> – As per Sec. 11 read with Notification no. 12/2017 Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex. However, repair services of single residential unit is not covered under exemption and consequently it is taxable.	6,00,000
<b>Training by Cricket academy</b> – As per Sec. 11 read with Notification No. 12/2017, Services by way of training or coaching in sports by charitable entities registered under section 12AA or 12AB of the Income-tax Act. However, In the present case, Cricket academy is not registered as a trust and it is taxable	15,00,000
<b>Renting of stalls to farmers</b> – As per Sec. 11 read with Notification No. 12/2017, services relating to agriculture or agricultural produce by way of renting or leasing of agro machinery or vacant land with or without a structure incidental to its use is exempted. Consequently, renting of stalls for sale of agricultural produce is covered under exemption.	Exempted
<b>Total Value of taxable supply</b>	28,00,000

**[14 MARKS]**

**ANSWER TO QUESTION NO. 2(A):**



**I. Computation of Gross GST payable by Mr. Handsome**

Particulars	CGST	SGST	IGST
Sale of Goods (Note-1)	$2,80,000 \times 9\% = 25,200$	$2,80,000 \times 9\% = 25,200$	
Interest earned from customers (Note-2)	$20,000 \times 9\% = 1,800$	$20,000 \times 9\% = 1,800$	
Commission earned from principal (Note-3)			$30,000 \times 18\% = 5,400$
<b>Gross GST payable</b>	<b>27,000</b>	<b>27,000</b>	<b>5,400</b>

**II. Computation of ITC available to Mr. Handsome**

Particulars	CGST	SGST	IGST
Inward supply of goods from principal (Note-4)	-	-	$2,00,000 \times 18\% = 36,000$
Inward supply of services from principal (Note-5)	-	-	-
<b>Total ITC</b>	<b>-</b>	<b>-</b>	<b>36,000</b>

**III. Computation of Net GST payable by Mr. Handsome**

Particulars	CGST	SGST	IGST
Gross GST payable	27,000	27,000	5,400
(-) IGST credit utilized	(15,300)	(15,300)	(5,400)
<b>Net GST Payable</b>	<b>11,700</b>	<b>11,700</b>	<b>-</b>

**Notes to above:**

1. An agent is said to be acting on behalf of principal, if such agent is raising invoice to the buyer in the name of agent. In the present case Mr. Handsome being an agent is raising invoice in his name and it is supply u/s 7(1)(a) and chargeable to GST.
2. As per CBIC circular interest received by DCA from customers treated as interest on account of delay in receipt of consideration and consequently included in the value u/s 15(2)(d), if such DCA is acting on behalf of principal. In the present case, as Mr. Handsome is acting as agent on behalf of charm Ltd by raising invoice in the name of Mr. Handsome, interest earned shall be treated as inclusion in value and chargeable to GST accordingly.

3. Commission earned by Mr. Handsome from charm Ltd. is towards Supply of services as an agent and the same constitutes as supply u/s 7(1)(a) and chargeable to GST. Charm Ltd. can avail ITC on the same.
4. As per Sec. 7(1)(c) read with schedule I of CGST Act, supply of goods by a principal to their agent acting on behalf of principal, constitutes supply and chargeable to GST, even though it is without consideration. In the present case, as Mr. Handsome is acting as agent on behalf of charm Ltd, supply of goods by charm Ltd. to Mr. Handsome, even though without consideration is chargeable to GST and the same can be availed as ITC by Mr. Handsome.
5. Principal - Agent transaction referred to in Sec. 7(1)(c) is only w.r.to goods but not w.r.to services. Therefore, services provided by charm Ltd. to Mr. Handsome, without consideration is not a supply and consequently not chargeable to GST.

[5 MARKS]

**ANSWER TO QUESTION NO. 2(B):**

**1. Refund on Raw Cotton Export – Not Allowed**

As per the newly inserted **Section 16(5) of the IGST Act**, no refund of unutilized ITC or IGST paid on zero-rated supply shall be allowed if the goods are subject to export duty.

- Raw cotton attracts **10% export duty**.
- Refund claim of **₹18 lakhs** IGST paid on its export will be **denied**.

**2. Refund of Accumulated ITC on LUT-Based Export – Allowed**

- Export of refined rice under LUT (without IGST) continues to be covered under **zero-rated supply** provisions.
- Since rice is **not subject to export duty**, and Section 16(5) applies **only when export duty is applicable**, refund of **accumulated ITC** under Section 54 is **eligible**.

**3. Refund of IGST Paid on Refined Rice – Allowed**

Although **Section 16(4)** empowers the Government to notify **restricted classes of persons/goods** who cannot export on payment of IGST and claim refund, **as of now**, only the following are notified:

- **Pan masala**
- **Tobacco and manufactured tobacco substitutes**
- **Essential oils (excluding citrus fruit oils)**

Since **refined rice is not among the notified goods**, and the exporter (Vasudha Agro) is not a notified class of person. Refund of **₹6 lakhs** IGST paid on export of rice is **allowed**.

[5 MARKS]

**ANSWER TO QUESTION NO. 2(C):**

(a) As per para 9 of Schedule III of the CGST Act, 2017, activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured is neither supply of goods nor supply of services and hence no GST is charged on the apportionment transaction. However, the lead insurer (ABC Insurance Ltd.) is required to pay the entire GST (CGST and SGST or IGST, as applicable) on the full premium amount paid by the insured – Gyati Industries, of ₹ 50,00,000. The co-insurer – XYZ Insurance Ltd. does not pay GST on its share of the premium separately.

(b) As per para 10 of Schedule III of the CGST Act, 2017, services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer is neither supply of goods nor supply of services, subject to the condition that the central tax, the State tax, the Union territory tax and the integrated tax is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said ceding commission

or the reinsurance commission. However, the reinsurer (PQR Reinsurers Ltd.) is liable to pay GST on the gross reinsurance premium payable by the insurer (₹ 20 lakh), inclusive of the ceding commission (₹ 1 lakh).

[4 MARKS]

**ANSWER TO QUESTION NO. 3(A):**

- (i) Liquidated damages for delay in construction are compensation for the loss caused to the buyer and do not constitute "consideration for tolerating an act." As per the circular, such payments are not for any independent supply but a consequence of a contractual breach. Hence, they are not taxable under GST.
- (ii) The early termination fee is taxable as it constitutes consideration for agreeing to terminate the lease early. It is not to penalise a person to discourage such act as there is no damages involved.
- (iii) The compensation for cancellation of coal blocks is not taxable as it arises from a Supreme Court order and is not part of an agreement to tolerate the cancellation. As per CBIC circular, no supply exists in this case.
- (iv) Cancellation fees are part of the principal supply of the tour package. As per CBIC circular, they are taxed at the same rate as the tour package.
- (v) Penalty for violating mining rules is not taxable as it is not a consideration for tolerating an act. As per CBIC circular, penalties imposed for violation of laws are not "supplies" under GST.

[5 MARKS]

**ANSWER TO QUESTION NO. 3(B):**

- 1) As per Sec. 11 read with Notification No. 12/2017, Import of services other than OIDAR service by Government for other than business or commerce is exempted. In the present case import of services of ₹12,00,000 for pollution control by Government is for noncommercial purposes and therefore it is exempted. When they recover ₹3,00,000 from Delhi Government, the same is also exempted under services provided by one department of government to another department of government (Inter departmental services)
- 2) As per Sec. 11 read with Notification No. 12/2017, services provided by Indian tour operator to a foreign tourist in relation to tour partly conducted in India and partly outside India is exempted as follows:

a) Total Consideration X 
$$\frac{\text{No. of days tour outside India}}{\text{Total no. of days for which tour is conducted}} \text{ (or)}$$

b) Total Consideration X 50%, whichever is lower

Accordingly, For computing the no. of days,  $\geq 12$  hours is considered as full day and  $< 12$  hours is considered as half day.

In the present case,  $\text{₹}10,00,000 \times \frac{6}{9.5} = \text{₹}6,31,579$  (or)  $\text{₹}10,00,000 \times 50\% - \text{₹}5,00,000$  whichever is lower is exempted i.e., ₹5,00,000

- 3) As per Sec. 11 read with Notification No. 12/2017, one time upfront charges for long term lease of land by State Government industrial development corporation (or) establishment in which  $\geq 20\%$  invested by Government to any industry or developer of infrastructure for finance business, is exempted. In the present case ₹30 lakhs collected by Kerala Industrial development corporation is exempted. However, annual lease rental of ₹5 lakhs is taxable as the exemption is only for one time charges.
- 4) Services provided by training body or training partner approved by NSDC or NCVET is covered under exemption. In the present case, Skill Bridge is an approved training partner and even though they are not approved training body, services provided by them are exempted.

5) Contribution collected under Motor vehicle insurance fund from the insurance companies out of premium collected towards third party insurance is specifically covered under exemption.

[5 Marks]

**ANSWER TO QUESTION NO. 3(C):**

As per Sec. 9(3) of CGST Act, 2017 read with Notification No. 4/2017, GST is payable as follows:

- (i) FCM, as the recipient is not registered (However GST is not payable as supplier is exempted from registration)
- (ii) FCM, as the supplier is not SG/UT/Local authority
- (iii) RCM, as sale of used goods/seized goods by Government (other than railways) to any registered person is covered by this notification.
- (iv) FCM, as the supplier is not manufacturer of silk yarn.

[4 MARKS]

**ANSWER TO QUESTION NO. 4(A):**

Inward Supply	Amount	GST Rate	GST Amount	ITC Allowed
Google Ads and marketing	₹1,00,000	18%	₹18,000	₹18,000
Office Rent	₹70,000	18%	₹12,600	₹12,600
Laptops	₹1,20,000	18%	₹21,600	₹21,600
Catering for training	₹20,000	5%	₹1,000	Nil
Cloud Server Subscription	₹60,000	18%	₹10,800	₹10,800
Total ITC				₹63,000

**Tax Payable Under Section 9(5):**

Nature of Supply	Value	GST Rate	Tax Liability	Payment Mode
Homestay Booking	₹10,00,000	12% (6% CGST + 6% SGST)	₹1,20,000	In Cash only

→ ₹60,000 CGST + ₹60,000 SGST

**Tax on UrbanStay's Own Services (Forward Charge):**

Nature	Value	GST Rate	Tax
Platform Fee	₹2,00,000	18%	₹36,000
Ad Revenue	₹1,00,000	18%	₹18,000

**Total = ₹54,000 (₹27,000 CGST + ₹27,000 SGST)** Can be paid using available ITC.

- Total Tax Payable = ₹1,74,000
- ITC Utilized = ₹54,000 (Only for own supplies)
- Cash Payable = ₹1,20,000 (Only for Section 9(5) liability)
- Balance ITC to be carried forward = ₹63,000 (-) ₹54,000 = ₹9,000

[5 MARKS]

**ANSWER TO QUESTION NO. 4(B):**

As per Sec. 11 read with Notification No. 12/2017, services provided by an unincorporated association to its members as reimbursement/share of contribution upto ₹7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or residential complex is exempted.

Computation of maintenance charges per month:

Particulars	3 BHK Flats	4 BHK Flats
Maintenance charges collected	₹7,000	₹10,000
Electricity charges recovered by RWA on actual basis – Deemed to be expenditure incurred as a pure agent and not included in value	-	-
Electricity charges generated and supplied to members – As they started a company for generation and distribution of electricity as utility, the services provided by way of transmission or distribution of electricity is exempted.	-	-
Total maintenance charges per person per month	₹7,000	₹10,000
Particulars	January	February
<b>Outward supplies:</b>		
Maintenance charges for 3 BHK Flats – As charges does not exceed ₹7,500 it is exempted	Exempted	Exempted
Maintenance charges for 4 BHK Flats	$100 \times 10,000 \times 18\% =$ ₹1,80,000	$100 \times 10,000 \times$ 18% = ₹1,80,000
Interest on FD – Interest on loans or advances or deposits is exempted	Exempted	Exempted
Gross GST payable	₹1,80,000	₹1,80,000
<b>Input tax credit</b>		
Taps, pipes and other fittings – ITC not available as the same is used for 3 BHK Flats whose maintenance charges are exempted	-	-
Generator purchased – ITC available as the same is used for 4 BHK Flats whose maintenance charges are taxable	-	$₹1,00,000 \times 18\% =$ (₹18,000)
Net GST Payable	₹1,80,000	₹1,62,000

**[5 MARKS]**

**ANSWER TO QUESTION NO. 4(C)**

S.No.	Transaction	Taxability	Justification
(i)	Use of infrastructure by Indian Railways (₹15,00,000)	Exempted	As per Notification No. 12/2017, services provided by SPV's to Indian railways by way of allowing Indian Railways to use the infrastructure built and owned by SPV's against a consideration, during the concession period is exempted from GST.
(ii)	Maintenance services by Indian Railways to BDRCL (₹6,00,000)	Exempted	As per Notification No. 12/2017, Services of maintenance supplied by Ministry of Railways to SPV's in relation to the said infrastructure built and

			owned by SPV's, against a consideration during the concession period is exempted from GST.
(iii)	Leasing of commercial space to logistics company (₹8,00,000)	Taxable	Leasing of commercial space is a taxable supply under GST (not covered under exemptions).
(iv)	Freight services by Indian Railways (₹3,00,000)	Taxable	Only transportation of notified goods by Indian railways is exempted. However, construction materials are not covered under notified goods and consequently, such freight collected by railways is taxable.

[4 MARKS]



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CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

## Question Paper 2

# CA FINAL TEST SERIES JAN' 26 EXAM

## TEST – 2

### Portion Covered

- SEGMENT – 6: TIME OF SUPPLY
- SEGMENT – 7: PLACE OF SUPPLY
- SEGMENT – 8: VALUE OF SUPPLY
- SEGMENT – 9: INPUT TAX CREDIT
- SEGMENT – 10: COMPOSITION SCHEME
- SEGMENT – 11: REGISTRATION

### Section – A: MCQ'S (8 Marks)

Zoom Air is an airline company operating domestic as well as international flights. The head office of Zoom Air is in Mumbai and the company has also obtained registration under GST in each of the States from where the flight operations are being conducted.

During the month of January, following transactions were undertaken by it:

(i) Zoom Air sold air tickets worth ₹ 5,00,000 during the month from its head office and the breakup of air fare is as follows:

Basic fare excluding GST – ₹ 4,00,000

Passenger Service Fee (PSF) and User Development Fee2 (UDF) [inclusive of GST] – ₹ 1,00,000

PSF and UDF are remitted by Zoom Air to the airport authority. Further, the amount of PSF and UDF is separately disclosed in the invoice issued to customers by Zoom Air along with applicable GST. The airport authority pays an amount of 5% of PSF and UDF (inclusive of GST amount) collected as collection charges to Zoom Air on which GST is applicable. There is no levy of PSF and UDF on the tickets booked by Zoom Air for its own crew or other employees.

(ii) Zoom Air (Head Office) has collaborated with Supertrip India, an online travel portal, providing services to the customers by way of booking air tickets through its electronic commerce platform and registered under GST in the State of Maharashtra. During the month, Supertrip India booked tickets for ₹ 2,00,000 (base fare excluding GST, PSF and UDF) for the customers of Zoom Air. The amount was remitted by Supertrip India to Zoom Air after adjusting the amount of tax collected at source under section 52. In addition to the aforesaid amount, Supertrip India charged commission from Zoom Air at the rate of 5% of the base fare of air tickets booked.

(iii) Zoom Air (Head Office) charged 100% cancellation fee from the customers for bookings made in prior months. The amount of cancellation fee charged was ₹ 1,00,000 inclusive of GST. Instead of actually collecting the cancellation fee from the customers, such amount was adjusted against the booking amount and GST discharged at the time of initial bookings. However, the PSF and UDF amounting to ₹ 10,000 (inclusive of GST) charged from the customers against such bookings were refunded.

(iv) Zoom Air (Head Office) provided gifts in the form of air tickets to 10 of its employees based at its head office for an amount equivalent to ₹ 60,000 each. No amount was recovered from the employees for such air tickets.

(v) Zoom Air has a corporate tie-up with Welcome Hotel, located in Rajasthan, for stay of its crew members. For January, the hotel issued an invoice of ₹ 5,00,000 in the name of Zoom Air, Head office, Mumbai. Haryana office of Zoom Air has provided services by way of sale of online advertisement space to Amazing Pvt. Ltd. (a company registered in the State of

Haryana) for promotion of Amazing Pvt. Ltd.'s products. The amount charged for such service by Haryana office of Zoom Air is ₹ 5,00,000.

All the amounts given above are exclusive of GST unless otherwise provided. The opening balance of Electronic Credit Ledger of Zoom Air and Supertrip India for the relevant tax period is nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Assume that there is no other outward or inward supply transaction apart from aforesaid transactions, in the month of January. GST is applicable on all inward and outward supplies unless otherwise specified @ 18%. (Ignore CGST, SGST and IGST bifurcation for the sake of simplicity.)

In case of cancellation of tickets, the airport authority and Zoom Air had an agreement that PSF and UDF related adjustment shall be finalized at the end of financial year, i.e., during the month of March. Further, separate GST invoice shall be issued to carry out such adjustment in books of accounts. Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 4 below:

- 1) The gross GST liability of Mumbai Head Office of Zoom Air for the month of January is:
  - (a) ₹ 1,08,000
  - (b) ₹ 72,000
  - (c) ₹ 1,80,000
  - (d) ₹ 2,16,900
- 2) Determine all kinds of credits available to Mumbai Head Office of Zoom Air for setting off against its GST liability for the month of January is:
  - (a) ₹ 2,800
  - (b) ₹ 93,800
  - (c) ₹ 3,800
  - (d) ₹ 96,800
- 3) Assuming that the customers, in point (i) of the case scenario above, are registered customers and all other conditions for availment of input tax credit are complied with, the amount of input tax credit available to such customers would be:
  - (a) ₹ 90,000
  - (b) ₹ 72,000
  - (c) ₹ 87,254
  - (d) ₹ 76,272
- 4) Choose the most appropriate answer in relation to the transaction between Haryana office of Zoom Air and Amazing Pvt. Ltd.:
  - (a) The service is in the nature of online information and database access or retrieval services and Amazing Pvt. Ltd. is liable to pay IGST of ₹ 90,000.
  - (b) The sale of advertisement space is deemed sale of services as per Schedule II of CGST Act, 2017 and liable to CGST of ₹ 45,000 and SGST of ₹ 45,000.
  - (c) Zoom Air is required to pay IGST of ₹ 90,000 and Amazing Pvt. Ltd. is required to collect tax at source on consideration paid to Zoom Air.
  - (d) Zoom Air is required to pay CGST of ₹ 45,000 and SGST of ₹ 45,000 and full credit shall be allowed to Amazing Pvt. Ltd.

**Section B: Descriptive (14 Marks X 3 Question = 42 Marks)**  
**(Question No. 1 is compulsory and answer any 2 out of 3 given below)**

**QUESTION 1:**

M/s Consultease Services Private Limited, a company registered under GST in Mumbai, Maharashtra, offers business consultancy, digital marketing and project management services across India. The company recorded the following transactions in October, 2024:

1. Provided consultancy services for market analysis to XYZ Ltd., a registered client in Chennai, Tamil Nadu (Inter-State), for ₹ 4,50,000. Additionally, the company paid an amount of ₹ 4,500 as professional tax applicable in the State of Maharashtra as per requirement of local state legislation. The amount of professional tax was recovered separately from XYZ Ltd.
2. Conducted digital marketing for an upcoming product launch for Mr. A based in Rajasthan, who is an unregistered person under GST. The agreed fee for the said services is ₹ 3,00,000. Out of the agreed fee, an amount of ₹ 25,000 is incurred by Mr. A. The company was liable to pay the same in relation to the supply and the net payment received by the company was ₹ 2,75,000 (exclusive of any tax).
3. The employees incurred an amount of ₹ 50,000 on travel to Kolkata for client project, which the client should incur as per the contract and claimed a reimbursement of the same from the company. As a policy, company charged such expenses from the clients on actual basis.
4. Post supply discount was offered to a customer amounting to ₹ 50,000 against a supply for which invoice was issued in September, 2024. The customer has not reversed the input tax credit relating to such discount.
5. The company received an amount of ₹ 1,00,000 as late payment charges for delay in payment for consideration from a client whose service contract was completed in June, 2024.
6. Advance received towards digital marketing services to be provided to Orochem Ltd., a drug manufacturer, located in Delhi [Digital marketing services have been provided in November, 2024 and invoice is issued on 28.11.2024]
7. Mr. Balaram approached them to provide project management services for a consideration of ₹1,20,000, which they have outsourced to their related company M/s Smart Advisors Pvt. Ltd. and paid ₹1,00,000 to such related company. M/s Smart Advisors usually take 30 hours to complete such service and usual charges is ₹4,000 per hour.
8. They received incentive of ₹50,000 from Pine Labs for promoting UPI transactions and such amount received is in conformity with NCPI guidelines but the said amount is not received by them from Ministry of Electronics and Information Technology.

You are required to compute the following for the month of October, 2024:

- (a) Total value of supply
- (b) Output tax payable
- (c) Net GST payable, if they have a opening balance of CGST = 20,000 and SGST = 20,000

**Note:**

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All the amounts given above are exclusive of taxes.
- (iii) There was no opening balance of input tax credit.
- (iv) The turnover of the company was ₹ 10 crores in the previous financial year.
- (v) All the transactions are inter-State, unless otherwise specified.

**[14 MARKS]**

**QUESTION NO. 2(A):**

Global Gaming Inc., a company based in Singapore, offers a variety of online money gaming options to customers worldwide, including a significant user base in India. Global Gaming Inc. typically charges players an entry fee of \$100 (USD) per game, which includes a mixture of cash and virtual digital assets. The company has decided to appoint Mr. Arjun, based in Mumbai, as their representative to comply with the IGST provisions. During the month of October, Global Gaming Inc. records transactions involving 10,000 Indian players where the Entry fee per player: \$100 USD.

- Calculate the total value of supply for the month of October for Global Gaming Inc. from its Indian players, converting the amounts from USD to INR, where the exchange rate notified by CBIC is ₹80/\$ and GAAP rate is ₹82/\$.
- Assuming the applicable rate of IGST is 18%, compute the IGST liability that Mr. Arjun must remit on behalf of Global Gaming Inc. for the month of October.
- What will happen if they have not appointed Mr. Arjun as their representative to comply with the IGST provisions?

**[5 MARKS]**

**QUESTION NO. 2(B):**

Chandana Traders in Karnataka receives an order from M/s. A Inc. in USA to deliver 100 cell phones to Raghu Traders in Karnataka. What is the place of supply in case of transactions involved and also comment on whether the said activity constitutes export of goods or import of goods and also comment on the GST payable in the said transactions.

**[4 MARKS]**

**QUESTION NO. 2(C):**

Rudra Ltd. Raised invoice for services of ₹1,00,000 (Excl. GST @ 18%) on 15/9/2023 and reported the same in their GSTR – 1 of September 2023 filed on 11/10/2023. Abhi Ltd., who is recipient of such services availed ITC in GSTR 3B of September 2023 filed on 18/10/2023 and utilized the same in GSTR 3B of Nov 2023 filed on 20/12/2023. Rudra Ltd. Has not filed GSTR 3B w.r.to September 2023 and Abhi Ltd. Reversed the ITC in GSTR 3B of Dec 2024 filed on 17/01/2025. Compute interest payable by Abhi Ltd. And consequences w.r.to ITC, if Rudra Ltd. Files GSTR-3B of September 2023 on 18th Feb 2025, and discuss whether any interest is payable by Rudra Ltd. Assuming no other transactions are there for Rudra Ltd.?

**[5 MARKS]**

**QUESTION NO. 3(A):**

InfoHub Ltd., a UK-based provider of Online Information and Database Access or Retrieval (OIDAR) services, supplies ₹10 crore worth of services during February 2024. Indian revenue includes ₹5 crore from unregistered individual users, who are using the same for their business purpose, ₹3.5 crore from corporate clients registered under GST, and ₹1.5 crore through **Amazon Web Services (AWS)**, a Singapore-based intermediary. AWS collects payments, sets terms, issues invoices to Indian users, and earns a commission of 10% on the revenue facilitated. InfoHub Ltd. also exports ₹2.5 crore in services to the USA, claiming they qualify as zero-rated under Section 13(12) of the IGST Act. The company appoints IndiaGST Solutions Pvt. Ltd. to handle its Indian compliance for a fee of ₹10 lakh. Compute the GST liability of Info Hub Ltd. and Amazon web services, a Singapore based company and explain how the liability is discharged by them.

**[5 MARKS]**

**QUESTION NO. 3(B):**

Tech Solutions Pvt. Ltd. (Supplier) in India manufactures high-tech sensors and microcontrollers. The production cost of a sensor is ₹1,000, and a microcontroller is ₹800. Tech Solutions Pvt. Ltd. sells these components to Electro Inc Ltd. (Recipient) in Singapore. Tech Solutions Pvt. Ltd. is not selling these sensors and microcontrollers to any other person as they signed an exclusive contract with Electro Inc Ltd. Due to their related-party relationship, Tech Solutions Pvt. Ltd. provides a discount, selling sensors at ₹1,200 and microcontrollers at ₹1,000. Electro Inc Ltd. integrates these components into sophisticated electronic systems and provides consultancy services related to the integration.

Tech Solutions Pvt. Ltd. has provided a corporate guarantee to Electro Inc Ltd. for a loan facility of ₹50 crore taken from Global Bank Ltd. (Financier) to fund the integration of components into electronic systems for a period of 3 years. The guarantee implies that if Electro Inc Ltd. defaults on the loan, Tech Solutions Pvt. Ltd. is liable to repay the loan. This guarantee impacts the financial terms and overall risk assessment of the transaction. However, Tech Solutions Pvt. Ltd. has not got consideration towards such corporate guarantee. However, if Tech Solutions Pvt. Ltd. gives such guarantee to any other person, they charge a one-time fee of 0.5% of the loan amount as guarantee commission.

Compute the value of taxable supplies of the above transactions, on which GST is payable by Tech Solutions Pvt. Ltd.

**[5 MARKS]**

**QUESTION NO. 3(C):**

Mr. Ritesh of Tamil Nadu, commences business as a trader making supplies only within the state and also has interest income. on Jan 2025 and provides the following information for the financial year 2024-25. You are required to find out the aggregate turnover for the purpose of registration (Applicable threshold limit for registration is ₹40 lakhs) and eligibility of composition levy scheme and determine, the GST payable for the financial year 2024-25 based on the following information:

Invoice No.	Date	Transaction
0001	January 2, 2025	Sold industrial tools worth ₹25,00,000
0002	January 5, 2025	Received an advance of ₹4,00,000 from a customer
0003	January 8, 2025	Supplied spare parts worth ₹8,00,000 to a buyer
0004	January 12, 2025	Earned interest of ₹1,50,000 from a fixed deposit with a nationalized bank.
0005	January 18, 2025	Supplied dishwashers worth ₹300,000
0006	January 25, 2025	Earned interest income of ₹2,00,000 from a fixed deposit with a scheduled bank.
0007	January 28, 2025	Dishwashers sold on January 18, 2025 were returned by customer and a credit note was issued
0008	January 30, 2025	Paid ₹3,00,000 to a GTA (Goods Transport Agency) for transporting goods to dealers, where GST is payable under RCM @ 5%.
0009	February 5, 2025	Sold mobile phones worth ₹8,00,000 within the state through an e-commerce operator who deducted 1% TCS under Section 52 of the CGST Act (GST @ 18%).
0010	February 8, 2025	Sold LED televisions worth ₹20,00,000 to a GST-registered dealer in Chennai

Based on the above, answer the following questions:

- What is the date on which Mr. Ritesh is liable to get registered?
- Whether Mr. Ritesh can opt for composition scheme during financial year 2024-25?

What is the GST payable by Mr. Ritesh based on the above data if he opts for composition scheme for the financial year 2024-25?

[4 MARKS]

**QUESTION NO. 4(A):**

XYZ Pvt. Ltd., a construction company based in India, undertakes large-scale infrastructure projects. XYZ Pvt. Ltd. entered into a contract with DEF Ltd. for constructing a commercial building. The contract details and timeline of events are as follows:

Contract Details: -

- Total Contract Value: ₹20 Crores (Paid by DEF Ltd. on the date of contract i.e., January 1<sup>st</sup> 2023)
- Duration: 24 months
- Payment Terms: Milestone-based payments
- Applicable GST Rate: Initially 18%, changed to 20% during the contract period. Change in rate w.e.f August 1, 2023 (from 18% to 20%)
- Contract commencement date: January 1<sup>st</sup> 2023.

Milestone event	Date of completion of milestone event	Date of invoice
1	June 30, 2023	July 5, 2023
2	Dec 31, 2023	Jan 5, 2024
3	June 30, 2024	July 5, 2024
4	Dec 31, 2024	Jan 5, 2025

During the project, XYZ Pvt. Ltd. encountered issues leading to the cancellation of a portion of the contract. As a result, DEF Ltd. requested a refund of the GST paid on the cancelled portion.

Cancellation Details: -

- Cancelled Portion Value: ₹5 Crores
- Cancellation Date: October 1, 2024

You are required to determine the applicable rate of GST w.r.t. each milestone event and what is the amount of refund payable to the recipient.

[5 MARKS]

**QUESTION NO. 4(B):**

M/s AutoGlide Motors Ltd., an authorized dealer of motor vehicles, purchases automobiles from manufacturers and sells them to customers. As per dealership norms, the company is required to maintain **demo vehicles** at its showroom for test drives and promotional activities. During **January 2025**, M/s AutoGlide Motors purchased **10 sedans from XYZ Automobiles Ltd.** for **₹50,00,000** (including **GST @ 28%**) for exclusive use as **demo vehicles** for test drives and **customer demonstrations**. Additionally, one of the **demo vehicles** was also used for transporting **company employees between dealerships**. The company has **capitalized these demo vehicles** in its books as **fixed assets** for **₹50,00,000**. After one year of use, M/s AutoGlide Motors sold **5 demo vehicles** which is used for test drives for **₹30,00,000** (Excl. GST @ 28%).

Answer the following questions

- Whether M/s AutoGlide Motors Ltd can avail ITC on purchase of demo vehicles and compute the ITC available in Jan 2025.
- Compute GST payable on sale of such demo vehicles
- Compute GST payable, if the depreciable value of such 5 demo vehicles as per Sec. 32 of Income tax Act, 1961 is ₹20,00,000 but it has been sold for ₹18,00,000.

[5 MARKS]

**QUESTION NO. 4(C)**

ABC Tech Ltd. is a registered business under GST in Karnataka, engaged in the manufacturing and sale of electronic goods. Due to a strategic merger, ABC Tech Ltd. decides to cancel its GST registration effective from 31<sup>st</sup> January 2024. The company has been operating for 3 years and has availed various input tax credits on its purchases during this period. Following are the Stock and Capital Goods Details as on 30<sup>th</sup> January 2024:

Inward supply	Purchased prior to 30 <sup>th</sup> January 2024	Transaction value at the time of purchase	Rate of GST	Value determined as per Rules as on the 30 <sup>th</sup> January 2024
Raw materials	1 year	₹8,00,000	18%	₹10,00,000
Raw materials in semi-finished goods	1.5 years	₹5,00,000	12%	₹3,00,000
Raw materials in finished goods	2 years	₹4,50,000	18%	₹4,00,000
Capital goods	1.5 years	₹20,00,000	28%	₹15,00,000

There is no balance in ITC as on 31<sup>st</sup> January in the electronic credit ledger of ABC Tech Ltd. Compute the GST payable by them upon cancellation of registration. Also provide supporting legal answer for payment of GST.

**[4 MARKS]**



CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

## Suggested Answer 2

# CA FINAL TEST SERIES SEPT' 25 EXAM

## TEST 2 – SUGGESTED ANSWER

### PORTION COVERED

SEGMENT – 6: TIME OF SUPPLY  
SEGMENT – 7: PLACE OF SUPPLY  
SEGMENT – 8: VALUE OF SUPPLY  
SEGMENT – 9: INPUT TAX CREDIT  
SEGMENT – 10: COMPOSITON SCHEME  
SEGMENT – 11: REGISTRION

### Section – A: MCQ'S (8 Marks)

1) Option (d) ₹ 2,16,900

Reason

Particulars	Value (₹)	GST @ 18% (₹)
Air tickets sold in January		
Basic fare	4,00,000	72,000
PSF and UDF	Nil	Nil
[PSF and UDF being charges levied by airport operator for services provided to passengers, are collected by the airlines - Zoom Air - as a pure agent and is not a consideration for any service provided by Zoom Air. Thus, Zoom Air is not liable to pay GST on the same, in terms of rule 33 <sup>1</sup> ] Collection charges in relation to PSF and UDF [Collection charges paid by airport authority to Zoom Air are a consideration for the services provided by Zoom Air to the airport authority and Zoom Air shall be liable to pay GST on the same under forward charge <sup>2</sup> .]	5,000 (₹ 1,00,000 x 5%)	
Basic fare of air tickets sold through Supertrip India	2,00,000	36,000
Air tickets gifted to employees [As per Schedule I of the CGST Act, 2017, gifts provided to employees exceeding the amount of ₹ 50,000 are deemed to be supply. GST is applicable on such gifts on the value determined in terms of rule 28.]	6,00,000 [₹ 60,000 x 10]	1,08,000
100% cancellation fee charged from customers [No additional GST liability is there as no amount is refunded to the customer except statutory levies like PSF and UDF. GST previously charged at the time of booking is adjusted by Zoom Air against the tax payable on cancellation charges. For PSF and UDF, since the	Nil	Nil

<sup>1</sup> Circular No. 115/34/2019 GST dated 11.10.2019

<sup>2</sup> Circular No. 115/34/2019 GST dated 11.10.2019

airline is acting as pure agent no tax is applicable at the time of refund of such taxes to the customers.]		
<b>Gross GST liability of Mumbai Head Office of Zoom Air for the month of January</b>		<b>2,16,900</b>

2) Option (a) ₹ 2,800

Reason Computation of credits available to Mumbai Head Office of Zoom Air for setting off against its GST liability for the month of January:

Particulars	GST@ 18% (₹)
TCS collected @ 0.5% on amount received from Supertrip India [₹ 2,00,000 × 0.5%]	1,000
Commission received from Supertrip India - ₹ 10,000 [5% of ₹ 2,00,000] [ITC is available.]	1,800
Hotel accommodation services availed [It is intra-State supply since place of supply in case of immovable property related services is location of the Hotel, viz. Rajasthan. However, ITC of the same will not be available as CGST/SGST of one State cannot be utilized for discharging of CGST/SGST liability of another State.]	Nil
<b>Credits available to Mumbai Head Office for the month of January</b>	<b>2,800</b>

3) Option (c)

Reason ₹ 87,254 Assuming that the customers, in point (i) of the case scenario above, are registered customers and all other conditions for availment of input tax credit are complied with, the amount of input tax credit available to such customers would be as follows:

Particulars	GST (₹)
PSF and UDF [₹1,00,000 × 18/118] [Since Zoom Air has recovered the statutory duties of PSF and UDF as a pure agent of the Airport Authority, it cannot avail ITC of said dues collected as pure agent. However, the registered passengers, who are the ultimate recipient of the airport services, are eligible to take ITC of GST paid on PSF and UDF on the basis of pure agent's invoice issued by Zoom Air to them.]	15,254
Basic fare [ITC is available to registered customers of GST paid on basic fare of the air tickets.]	72,000
<b>ITC available to registered customers</b>	<b>87,254</b>

4) Option (d) Zoom Air is required to pay CGST of ₹ 45,000 and SGST of ₹ 45,000 and full credit shall be allowed to Amazing Pvt. Ltd.

Reason

Sale of online advertisement space is covered under the definition of online information and database access or retrieval services in terms of section 2(17) of the IGST Act, 2017. However, since both supplier and recipient of OIDAR services are registered in the State of Haryana, Zoom Air shall be liable to pay GST under forward charge.

CGST and SGST @ 9% each will be charged on said supply as it is an intra State supply since the place of supply is Haryana being location of registered recipient, in terms of section 12(2) of the IGST Act, 2017. Further, input tax credit of the same shall be available to Amazing Ltd. as the same is used in course and furtherance of business.

**Section B: Descriptive (14 Marks X 3 Question = 42 Marks)**
**(Question No. 1 is compulsory and answer any 2 out of 3 given below)**
**ANSWER FOR QUESTION 1:**
**Computation of total value of supply for October, 2024**

Particulars	Value
Consultancy services provided to XYZ Ltd. (As per section 15(2)(a) of the CGST Act, 2017, the value of supply includes the amount of any tax paid under any law other than GST. Accordingly, the amount of professional tax is includable in the value of services. = ₹4,50,000 + ₹4,500)	4,54,500
Digital marketing services provided to Mr. A (As per Section 15(2)(b) of CGST Act, 2017 The amount incurred by the recipient on behalf of the supplier is includable in the value of supply. = ₹2,75,000 + ₹25,000)	3,00,000
Travelling expenses recovered from the client (As per Section 15(2)(c) of CGST Act, 2017 Incidental expenses like travelling expenses incurred in course of supply is includable in value of supply.)	50,000
Post supply discount (As per Sec. 15(3) of CGST Act, 2017 No adjustment of post supply discount is allowed as the customer has not reversed the input tax credit.)	-
Late payment charges (As per Sec. 15(2)(d) of CGST Act, 2017 The late payment charges recovered are includable in GST and liable to tax at the time of receipt of amount.)	1,00,000
Advance received for digital marketing services (As per Sec. 13(2) of CGST Act, 2017 time of supply in case of services is date of invoice or date of payment whichever is earlier. In the present case, payment is received in October 2024 but invoice is issued in November 2024 and time of supply is October 2024)	-
Project management services provided to Mr. Balaram (Supply u/s 7(1)(a) of CGST Act and contract price treated as transaction value under Section 15)	₹1,20,000
Incentive from Pine labs for promoting UPI transactions (As per CBIC Circular, sharing of incentive by acquiring bank with various stakeholders in the digital payment ecosystem as approved by NPCI is treated as subsidy from CG/SG and not included in the value of supply as per Sec. 15(2)(e) of CGST Act, 2017)	-
(a) Total Value of supply	₹10,24,500

(b) Gross GST payable on above = ₹10,24,500 X 18% = ₹1,84,410

**Computation of inward supply on which ITC can be availed:**

Particulars	CGST	SGST	IGST
Opening balance	20,000	20,000	0
Services received from M/s. Smart Advisors Pvt. Ltd. a related company [As per Rule 28, value shall be like kind and quality i.e., 30 hours X ₹4,000 per hour = ₹1,20,000. 90% of subsequent sale price not applicable in case of services]	0	0	21,600

**(c) Computation of net GST payable:**

Gross GST on outward supply	= ₹1,84,410
(-) IGST Credit	= (₹21,600)
(-) CGST Credit	= (₹20,000)
(-) SGST Credit	= (₹20,000)
Net GST payable	= ₹1,22,810

**[14 MARKS]**

**ANSWER FOR QUESTION NO. 2(A):**

**(i) Calculation of Total Value of Supply for the Month of October:**

- Number of Indian players: 10,000
- Entry fee per player: \$100 USD
- Exchange rate as notified by CBIC: ₹80/\$

**Total Entry Fee in USD:**  $10,000 \times 100 = 1,000,000$  USD

**Total Value in INR (using the CBIC notified rate):**  $1,000,000 \times 80 = ₹8,00,00,000$

Thus, the **total value of supply** for the month of October from Indian players is ₹8,00,00,000.

**(ii) (As per Section 14A(1) of IGST Act,** Global Gaming Inc., not being located in the taxable territory, is liable to pay **Integrated Tax (IGST)** on the supply of online money gaming to Indian players. So, the **IGST liability** that must be remitted for the month of October is ₹1,44,00,000.

Under **Section 14A(2)**, Global Gaming Inc. can appoint Mr. Arjun, based in Mumbai, as their representative in India to comply with IGST provisions. Mr. Arjun will be responsible for:

- Registering under the **Simplified Registration Scheme**.
- Paying the IGST liability on behalf of Global Gaming Inc. as their appointed representative.

If Mr. Arjun is appointed, he will fulfill the obligations and remit the ₹1,44,00,000 IGST for the month of October.

**(iii) If Global Gaming Inc. does not appoint Mr. Arjun or any other representative in India to comply with IGST provisions:**

- **Under Section 14A(2):** The company is still liable to register and pay IGST. If Global Gaming Inc. does not have a physical presence or a representative in India, they are required to appoint someone in the taxable territory to pay the IGST.
- **Section 14A(3):** In case of non-compliance, including failure to appoint a representative or register under the **Simplified Registration Scheme**, the government has the power to block access to the online money gaming services provided by Global Gaming Inc. This blocking can occur under the provisions of the **Information Technology Act, 2000**, and will make it impossible for Indian players to access the platform.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 2(B):**

**There will be two parts to this transaction as well:**

Between Chandana Traders of Karnataka and M/s A Inc. of USA.

Between M/s A Inc. of USA and Raghu Traders in Karnataka.

**Between Chandana Traders of Karnataka and M/s A Inc. of USA:**

Transaction between Chandana Traders of Karnataka and M/s A Inc. of USA will be considered as Export?

As per section 16 of the IGST Act, 2017, export of goods is a "Zero Rated Supply" and tax need not be levied on the same.

As per section 2(5) of the IGST Act, 2017, "export of goods" means taking goods out of India to a place outside India. In our case, as goods are not moving out of India hence it cannot be termed as exports. Section 7(5)(a) of the IGST Act, 2017 states that supply of goods or services or both when the supplier is located in India and the place of supply is outside India shall be treated to be a supply of goods or services or both in the course of inter-state trade or commerce. Above section applies to the present case, supplier (Chandana Traders) is located in India and place of supply (USA) is outside India as per Sec. 10(1)(b) of the IGST Act, 2017. Hence, the transaction between Chandana Traders of Karnataka and M/s A Inc. of USA will be considered as an inter-state supply, and IGST shall be levied on it.

**Between M/s A Inc. of USA and Raghu Traders in Karnataka:**

According to Section 2(10) of the IGST Act, 2017 "import of goods" means bringing goods into India from a place outside India. The transaction between M/s A Inc. of USA and Raghu Traders in Karnataka cannot be considered as the import of goods.

This transaction will be covered under section 7(5)(c) which states that supply of goods or services or both in the taxable territory, not being an intra-state supply and not covered elsewhere in section 7 shall be treated to be a supply of goods or services or both in the course of inter-state trade or commerce.

In the present case, the supply of goods is in the taxable territory (Karnataka), it is not an intra-state supply as a supplier (M/s A Inc. of USA) is located outside the taxable territory and such a situation is not covered elsewhere in section 7. Hence, transaction between M/s A Inc. of USA and Raghu Traders in Karnataka is also an Inter-state transaction and IGST will have to be paid by Raghu Traders under reverse charge mechanism (Section 5(4) of the IGST Act, 2017).

**[4 MARKS]**

**ANSWER FOR QUESTION NO. 2(C):**

As per Sec. 41 read with Rule 37A, as Rudra Ltd, not filed GSTR-3B of sept 2023 by 30<sup>th</sup> Sept 2024, ITC availed by Abhi Ltd needs to be reversed by 30<sup>th</sup> Sept 2024. As, ITC availed by Abhi Ltd not reversed by 30<sup>th</sup> Nov 2024, they shall pay interest as follows:

Interest computed on ₹ 1,00,000 × 18% = ₹ 18,000

Interest from the date of Utilization = 20/12/2023

Interest till the date of reversal = 17/01/2025

No of days = 394 days

Interest payable = ₹ 18,000 × 18% × 394/366 = ₹ 3,488/-

When Rudra Ltd files GSTR-3B of Sept 2023 on 18<sup>th</sup> February 2025, ITC reversed by Abhi Ltd can be re-availed in the GSTR 3B of Feb 2025 filed on 20/03/2025, even though the time limit for availing ITC is expired, as the time limit for availing ITC is not applicable in case of re-availment of ITC reversed earlier. However, interest of ₹ 3,488/- cannot be availed.

AS GSTR-3B is filed late by is filed late by Rudra Ltd., they need to pay interest @ 18% pa.. from the due date of GSTR – 3B i.e. 20/10/2023 till the date of filing GSTR – 3B i.e., 18/02/2025. Interest payable for 487 days i.e., ₹18,000 X 18% X 487/366 = ₹4,311.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 3(A):**

As per Sec. 14 of IGST Act, 2017 On supply of online information and database access or retrieval services by any person located in a non-taxable territory and received by a non-taxable online recipient, the supplier of services located in a non-taxable territory shall be the person liable for

paying integrated tax on such supply of services. If such services are provided through an intermediary, liability to pay GST is on such intermediary located outside India.

Only with respect to OIDAR services, such supplier or intermediary shall register and pay IGST. However, with respect to other transactions, they are treated as a person located outside India.

Transaction	Amount	Taxability	Liability to pay GST
Revenue from Non-Taxable Online Recipients	₹5 Crores	Import of OIDAR services is always taxable ₹5,00,00,000 × 18% = ₹90,00,000.	As per Section 14 of the IGST Act, InfoHub Ltd. is liable to pay IGST under FCM
Revenue from Corporate Clients	₹3.5 Crores	Import of OIDAR services is always taxable ₹3,50,00,000 × 18% = ₹63,00,000.	As the recipients are other than non taxable online recipients, RCM is applicable and GST payable by such corporate clients
Services to Non-Taxable Online Recipients through intermediary AWS	₹1.5 Crores	Import of OIDAR services is always taxable ₹1,50,00,000 × 18% = ₹27,00,000	AWS is considered an intermediary as it collects payments, sets terms, and invoices. As per Sec. 14 of IGST Act, liability to IGST is on intermediary AWS
Commission earned by AWS (Singapore) from InfoHub Ltd. (UK)	₹0.15 Crores	As both supplier of service and recipient of service is located outside India, the said service is exempted vide Notification No. 12/2017	N.A
Services provided by InfoHub Ltd. (UK) to recipient in USA	₹2.5 Crores	As both supplier of service and recipient of service is located outside India, the said service is exempted vide Notification No. 12/2017	N.A
Compliance services provided by IndiaGST Solutions Pvt. Ltd. to InfoHub Ltd. (UK)	₹0.10 crores	POS u/s 13 of IGST Act is LOR i.e., UK and it is taxable. Depending upon consideration in foreign exchange, it qualifies as zero rated supply.	GST payable by IndiaGST Solutions Pvt. Ltd.

Computation of GST payable by InfoHub Ltd. through their representative IndiaGST Solutions Pvt. Ltd. (Located in India) = ₹90,00,000

Computation of GST payable by AWS (Singapore) w.r.to OIDAR Services = ₹27,00,000

**[5 MARKS]**

#### **ANSWER FOR QUESTION NO. 3(B):**

As per Rule 28 of CGST Rules, The value of the supply of goods or services or both between related persons, shall-

- be the open market value of such supply;
- if the open market value is not available, be the value of supply of goods or services of like kind and quality;
- if the value is not determinable under clause (a) or (b), be the value as determined by the application of rule 30 or rule 31, in that order;

**Provided** that where the goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to ninety percent of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person:

**Provided** further that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods or services

In the present case, as recipient Electro Inc. Ltd. Makes further supply after processing, first proviso is not applicable. Also, as there is no information about Electro Inc. Ltd. eligible for full ITC, Transaction value of ₹1,200 and ₹1,000 cannot be considered as open market value.

As there is not information about market price on the same date, OMV cannot be applied. Therefore, in the present case value shall be determined as per Rule 30, which is 110% of cost i.e., ₹1,100 and ₹880 for the sensor and microcontroller respectively.

Also, valuation as per Rule 28(2) of CGST Rules, 2017 for corporate guarantee to a related person is not applicable if the recipient is located outside India. However, in such case, value is determined as per Rule 28(1), which is Like kind and quality in the present case i.e., one-time fee of 0.5% of loan amount, as the same is being charged if the guarantee is given to any person. Therefore, value of supply by way of corporate guarantee by Tech Solutions Pvt. Ltd to Electro Inc Ltd. is ₹50 crores X 0.5% = ₹0.25 Crores

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 3(C):**

As per Sec. 22(1) of CGST Act, 2017 a person is liable to get registered as and when their aggregate turnover exceeds threshold limit for registration i.e., ₹40 lakhs in the present case. While computing aggregate turnover for registration purpose, interest on loans, advances or deposits is included.

Invoice No.	Date	Transaction	Cumulative turnover for computation of ATO
0001	January 2, 2025	Sold industrial tools worth ₹25,00,000 – Included in ATO	25,00,000
0002	January 5, 2025	Received an advance of ₹4,00,000 from a customer – Not included in ATO as GST not payable on advances w.r.to supply of goods	25,00,000
0003	January 8, 2025	Supplied spare parts worth ₹8,00,000 to a buyer – Included in ATO	33,00,000
0004	January 12, 2025	Earned interest of ₹1,50,000 from a fixed deposit with a nationalized bank. – Included in ATO	34,50,000
0005	January 18, 2025	Supplied dishwashers worth ₹300,000 – Included in ATO	37,50,000
0006	January 25, 2025	Earned interest income of ₹2,00,000 from a fixed deposit with a scheduled bank. – Included in ATO	39,50,000
0007	January 28, 2025	Dishwashers sold on January 18, 2025 were returned by customer and a credit note was issued – Not reduced	39,50,000

		from aggregate turnover, but the GST liability only get reduced	
0008	January 30, 2025	Paid ₹3,00,000 to a GTA (Goods Transport Agency) for transporting goods to dealers, where GST is payable under RCM @ 5%. – Not included in ATO, as the same is inward supply under RCM	39,50,000
0009	February 5, 2025	Sold mobile phones worth ₹8,00,000 within the state through an e-commerce operator who deducted 1% TCS under Section 52 of the CGST Act (GST@ 18%). – Included in Aggregate turnover	47,50,000

As the ATO of Mr. Ritesh exceeds ₹40 lakhs on Feb 5<sup>th</sup> 2025, they are liable to get registered on that date and w.r.to Invoice 009 onwards GST is payable.

- (i) As per Sec. 10(1) of CGST Act, 2017 a person can opt for composition scheme, if their ATO during previous year does not exceed ₹150 lakhs. As Mr. Ritesh commences business during the current year, their aggregate turnover during previous year does not exceed ₹150 lakhs and he can opt for composition scheme for the current year 2024-25.
- (ii) If Mr. Ritesh opts for composition scheme, he is required to pay 0.5% CGST and 0.5% SGST on taxable turnover and while computing the turnover for payment of GST under composition scheme, supplies from 1<sup>st</sup> April of the financial year till the date the person is liable to register should not be considered and therefore, GST payable on 28,00,000. CGST payable = ₹14,000 and SGST payable = ₹14,000. TCS deducted by ECO can be adjusted against GST payable.

[4 MARKS]

#### ANSWER FOR QUESTION NO. 4(A):

As per Sec. 31(5) of CGST Act, in case of continuous supply of service, if payment of instalment is linked to completion of event, invoice should be issued as and when the event to which the payment linked is completed. Also, as per Sec. 13(2) of CGST Act, in case of services under FCM, if the invoice is not issued within the time limit for issuance of invoice, Time of supply is the date of completion or date of payment whichever is earlier.

As per Sec. 14(b), if the supply is after change in rate, but payment is before change in rate and invoice is after change in rate, TOS is invoice or payment date whichever is later.

Milestone event	Date of completion	Due date of invoice	Actual date of invoice	Date of payment	Applicable Section	Time of supply	Applicable rate of GST
1	30/6/2023	30/6/2023	5/07/2023	1/1/2023	Sec. 13(2)	1/1/2023	18%
2	31/12/2023	31/12/2023	5/01/2024	1/1/2023	Sec. 14(b)	5/1/2024	20%
3	30/6/2024	30/6/2024	5/07/2024	1/1/2023	Sec. 14(b)	5/7/2024	20%
4	31/12/2024	31/12/2024	5/01/2025	1/1/2023	Sec. 14(b)	5/1/2025	20%

GST payable on advance = ₹20 Crores X 18% = ₹3.6 Crores.

Credit note to be issued for the cancelled portion as per Sec. 34 of CGST Act = ₹5 Crores + GST at 18% = ₹5.9 Crores (Credit note is issued within the time limit)

[5 MARKS]

**ANSWER FOR QUESTION NO. 4(B):**

(i) **ITC Eligibility on Purchase of Demo Vehicles (January 2025):**

As per CBIC Circular, ITC is **available** on demo vehicles since they are **eventually sold**, classifying them as used **for further supply**. ITC is **not blocked** under **Section 17(5)(a)** in such cases. If a demo vehicle is **used for employee transport or other non-sales activities**, **ITC is not available**.

In the present case, M/s AutoGlide Motors Ltd. can avail ITC on 9 demo cars purchased for being used in test drives and cannot avail ITC on 1 demo car used for employee transportation. However, as they capitalized the full value of the cars purchased including the GST component, they cannot avail ITC on all the cars purchased in terms of Sec. 16(3) of CGST Act.

(ii) **GST payable on sale of such demo vehicles:**

As per Notification No. 8/2018, GST is payable on difference between sale price of such vehicles and its depreciable value, if ITC is not availed on purchase of such motor vehicles. In the present case, the depreciable value is ₹20,00,000 and sale value is ₹30,00,000, then the margin is ₹10,00,000 and GST payable shall be ₹10,00,000 × 28% = ₹2,80,000.

(iii) **GST payable on sale of demo vehicles, if sold for ₹18,00,000:**

As per Notification No. 8/2018, if the margin is negative, it shall be ignored and GST not payable. In the present case, sale price is ₹18,00,000 and depreciable value is ₹20,00,000, where the margin is negative and therefore, GST not payable on sale of such demo vehicles.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 4(C):**

As per Sec. 29(5) of CGST Act, 2017 registered person whose registration is cancelled shall pay an amount by way of debit to Electronic Cash Ledger (or) Credit Ledger, equivalent to ITC w.r.to inputs in WIP, Inputs held in stock, Inputs in WIP, Inputs in FG, on the day immediately preceding the date of such cancellation (or) output tax payable on such goods, which is Higher

Accordingly in the present case, ITC on such inputs is (₹ 8,00,000 × 18%) + (₹ 5,00,000 × 12%) + (₹ 4,50,000 × 18%) = ₹ 2,85,000 (or) GST Payable on such goods i.e., (₹ 10,00,000 × 18%) + (₹ 3,00,000 × 12%) + (₹ 4,00,000 × 18%) = ₹ 2,88,000, whichever is Higher i.e., ₹ 2,88,000 is payable. Also, in case of capital goods, such person shall pay an amount equal to ITC taken on such capital goods as reduced by such percentage points (or) GST on transaction value of such capital goods whichever is Higher.

In the present Case,

- ITC reversal on capital Goods =  $\frac{20,00,000 \times 28\%}{60 \text{ Months}} \times 42 \text{ Months} = ₹ 3,92,000$  (or)
- GST Payable on such capital Goods = 15,00,000 × 28% = ₹ 4,20,000, whichever is Higher i.e., ₹ 4,20,000

**[4 MARKS]**



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CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

## Question Paper 3

# CA FINAL TEST SERIES JAN' 26 EXAM

## TEST – 3

### Portion Covered

- Segment 11: Tax Invoice, Debit and Credit Notes
- Segment 13: Payment Process
- Segment 14: Returns
- Segment 15: Accounts and Records, E Way Bill
- Segment 16: Refund under GST
- Segment 17: Assessment and Audit
- Segment 18: Search, Seizure, Offences and Penalties
- Segment 19: Demand and Recovery
- Segment 20: Appeals and Revision
- Segment 21: Advance Ruling
- Segment 22: Ethics and Other Provisions

### Section – A: MCQ'S (8 Marks)

Doodle LLC is an entity registered in Germany and is engaged in providing online services across multiple countries including India. The service offerings include certain services which are covered within the purview of online information and database access or retrieval services i.e. OIDAR services liable to GST in India.

Since Doodle LLC does not have any place of business in India, it appointed one of its employee - Mr. X as its authorized representative for all the purposes in India which includes undertaking GST compliances and also as an authorized signatory for any other regulatory compliances in India. Mr. X is a partner in XYZ & Associates LLP.

Post appointment of Mr. X, following chain of events unfolded:

- (1) Mr. X, being an authorized representative of Doodle LLC, made an application for registration as an OIDAR service provider in India and undertook other GST compliances. Subsequently, Mr. X started filing the monthly GST returns and made payment of applicable GST in India on behalf of Doodle LLC. In lieu of such services, Mr. X was being remunerated a fixed sum on monthly basis as professional fee. The appointment of Mr. X was in his personal capacity and not a professional service contract with his partnership firm - XYZ & Associates LLP. However, for recovery of amount of fixed monthly remuneration from Doodle LLC, the invoices as 'export of services' were issued by Mr. X in the name of his partnership firm. The corresponding refund benefit was claimed by the partnership firm of Mr. X for input tax credit against such export of service invoices.
- (2) Doodle LLC appointed influencers in India to promote its services in India. The tax invoices of such influencers were received by Mr. X in name of XYZ & Associates LLP and input tax credit was availed by the partnership firm for such services. Said ITC was utilised for further supply of services. However, the actual service recipient in such case was Doodle LLC.

(3) Subsequently, Doodle LLC was required to submit certain affidavits and accounting records before the office of the Enforcement Directorate. Being an authorized representative/signatory of Doodle LLC, Mr. X approached Mr. P, a practicing Chartered Accountant, to prepare the affidavits and accounting records which included critical financial information and data of Doodle LLC. He elaborated the entire arrangement among Doodle LLC, Mr. X and XYZ & Associates LLP to Mr. P. He further requested Mr. P to certify and attest such records, which would be prepared and compiled by Mr. P in capacity of a practicing Chartered Accountant for submission before Enforcement Directorate and Mr. P took the assignment and obliged to Mr. X.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. No. 1 to 4 as follows:

1. With respect to incorrect issuance of invoice for export of services and claim of ITC based on such invoices, which of the following statements are incorrect.
  - (i) Mr. X should raise invoices but not the firm XYZ & Associates in which Mr. X is a partner.
  - (ii) There is no demand and recovery under Sec. 74A on Mr. X as it is a revenue neutral exercise as the invoice is raised by the firm for the supply of services.
  - (iii) Penalty shall be levied on XYZ & Associates under Sec. 122(1) for invoice default
  - (iv) XYZ & Associates can claim a refund of ITC as they raised invoices and there is no penalty on them for claiming such a refund.
  - a) (i) & (iii)
  - b) (ii) & (iii)
  - c) (ii) & (iv)
  - d) (i) & (iv)

[2 MARKS]

2. With respect to availment of ITC on the services of influencers, which of the following statements are correct.
  - (i) XYZ & Associates cannot avail ITC on the services of influencers to Doodle LLC.
  - (ii) There is demand and recovery under Sec. 74A on XYZ & Associates as they have availed and utilized the ITC.
  - (iii) Penalty shall be levied on XYZ & Associates under Sec. 122(1) for Wrong availment of ITC
  - (iv) Imprisonment under Sec. 132 not applicable to XYZ & Associates
  - a) (i) & (iii)
  - b) (i) & (ii)
  - c) (i), (ii) & (iv)
  - d) (i), (ii), (iii) & (iv)

[2 MARKS]

3. Which of the following penal provisions shall be levied on Mr. X
  - (i) Penalty under Sec. 122(1A) for being the beneficiary of invoice and ITC default and at whose instance the offence is committed in case of services of influencers
  - (ii) Penalty under Sec. 125 for multiple offences
  - (iii) Penalty under Sec. 122(3) for abetting to make Mr. P Submit false information
  - (iv) Penalty under Sec. 122(1) for supply without invoice in case of services to Doodle Inc.

- a) (i) & (iii)
- b) (i), (iii) & (iv)
- c) (ii) & (iv)
- d) (i), (ii) & (iii)

**[2 MARKS]**

4. Which of the following penal provisions shall be levied on Mr. P

- (i) Guilty of professional misconduct under ICAI Act, 1949
- (ii) Penalty under Sec. 122(1) for submitting false information to the authorities when asked for
- (iii) Penalty under Sec. 122(3) for attesting the accounts and records
- (iv) Imprisonment under Sec. 132 for abetting commission of the offence

- a) (i) & (ii)
- b) (i) & (iii)
- c) (i), (ii) & (iv)
- d) (i), (ii), (iii) & (iv)

**[2 MARKS]**

**Section B: Descriptive (14 Marks X 3 Question = 42 Marks)**  
**(Question No. 1 is compulsory and answer any 2 out of 3 given below)**

**QUESTION 1:**

GQF Private Limited, registered under GST in the State of Maharashtra, is engaged in manufacturing of goods which are used for further production in automobile industry. The company sends some semi-finished inputs to job workers, M/s Yamuna Enterprises and M/s Jamuna Enterprises, for necessary processing. The processed goods are sent back by the job workers to the company where they are used for manufacturing the finished products. M/s Yamuna Enterprises has its place of business in Maharashtra. M/s Jamuna Enterprises has its place of business in the State of Madhya Pradesh viz. 35 km away from the place of business of GQF Private Limited. The company imports some raw material and stores the same for few months in the warehouse operated by M/s Gajanan Enterprises in the State of Tamil Nadu. Later on, it is transported to the company's factory in Maharashtra. M/s Gajanan Enterprises is not registered under GST. The aggregate turnover of M/s Gajanan Enterprises for the current financial year is ₹ 18,25,000. The company maintains all the records, documents and books of accounts at its place of business in Maharashtra. Following are the relevant details of GQF Private Limited for the month of August.

Particulars	Amount (₹)
Total turnover excluding export turnover	36,00,000
Export turnover	12,00,000
Total inputs received during the month	9,00,000
Total input services received during the month	3,00,000
Goods sent to M/s Yamuna Enterprises during the month for job work purpose by motor vehicle	75,000
Goods sent to M/s Jamuna Enterprises during the month for job work purpose by motor vehicle	46,800

Note: All afore-mentioned amounts are exclusive of GST, wherever applicable. GQF Private Limited procures the service of M/s Speedofast Enterprises, a goods transport agency, having its place of business in Maharashtra. GQF Private Limited transports its finished goods to different customers located in the State through M/s Speedofast Enterprises. M/s Speedofast Enterprises prepares a consignment note containing the details of consignor and consignee, value of consignment, vehicle number, details of party paying the taxes etc. Applicable rate of GST for Goods is 12% and for services is 18%, wherever applicable.

Based on the above facts answer the following questions.

- I. Whether M/s Gajanan Enterprises, owner of warehouse in Tamil Nadu, is required to obtain registration under GST to conduct its business?
- II. What is the period for which GQF Private Limited is required to keep and maintain its books of accounts or other records?
- III. Whether GQF Private Limited is required to generate e-way bill in case of transfer of goods to M/s Jamuna Enterprises?
- IV. What is the validity of E-Way Bill generated, if goods are sent as over dimensional cargo or if goods are sent as normal cargo?
- V. M/s Speedofast Enterprises wants to transport multiple consignments in a single conveyance. These consignments are of different consignors and consignees and individual e-way bills (EWBs) with different validity periods have been generated for these consignments. Can M/s Speedofast Enterprises generate one consolidated e-way bill for such multiple consignments?

VI. M/s Speedofast Enterprises wants to update Part B of the e-way Bill. Can it update the same? If yes, then within what time span is it required to do so?

VII. Compute the refund of ITC if GQF Private Limited has exported without payment of GST under bond or LUT?

**[14 MARKS]**

**QUESTION NO. 2(A):**

Discuss the amount of tax and penalty to be paid if any, in the following independent cases where SCN are issued under Section 74A of the CGST Act, 2017.

S. No.	Date on which credit was taken wrongly	Amount of input tax credit taken wrongly in lakh	Present status
1	31 <sup>st</sup> January. 2025	200	Adjudication Order passed on 26 <sup>th</sup> July. 2026 demanding the entire amount of credit with interest and imposing an amount equal to the credit as penalty.
2	30 <sup>th</sup> June. 2025	250	Adjudication Order passed on 26 <sup>th</sup> August. 2026 demanding the entire amount of credit with interest and imposing an amount equal to the credit as penalty.
3	30 <sup>th</sup> October. 2025	120	Show Cause Notice has been issued on 5 <sup>th</sup> September. 2026 demanding the entire amount of credit with interest and proposing penalty equal to 100% of the credit taken.
4	30 <sup>th</sup> January. 2025	50	Statement of the Managing Director has been recorded on 6 <sup>th</sup> September. 2026 wherein he has admitted the non-receipt of the inputs and availing the credit wrongly.

Note: In all the cases assessee wants to pay the amount on 20-09-2026x

**[5 MARKS]**

**QUESTION NO. 2(B):**

Agni Limited filed GST return (under section 39) for the month of January 2021 on 11th April, 2021. Original due date for the said return was 20th February, 2021. Details of tax assessed as payable for the said month are given below:

Particulars	CGST ₹	SGST ₹
Output tax payable	1,80,000	1,80,000
Tax payable under reverse charge	40,000	40,000
Input tax credit available for utilization	70,000	70,000

I. Compute the net tax payable in cash while filing the said return as well as the interest payable for the delayed remittance of tax.

II. Assuming the company has an ITC balance of ₹ 2,50,000 each under CGST and SGST for the said month, compute the interest payable, if entire tax due for the said month was paid through the Electronic Credit Ledger to the extent possible as per the provisions of Act?

**[5 MARKS]**

**QUESTION NO. 2(C):**

During a GST audit, Mr. Rajesh Kumar, CFO of GreenTech Innovations Ltd., provided a signed statement explaining discrepancies in the company's GST filings. Subsequently, Mr. Kumar became incapacitated and is unable to testify in court. How does Section 136 of the CGST Act apply to the admissibility of Mr. Kumar's statement in court? What are the conditions under Section 136 for admitting such a statement as evidence when the person who made it is no longer available?

Additionally, if the statement is admitted as evidence, how might it impact the outcome of the case against GreenTech Innovations Ltd.?

**[4 MARKS]**

**QUESTION NO. 3(A):**

ABC Build Tech Ltd., a registered manufacturer of prefabricated steel structures in Karnataka, undertakes the following supplies during **March 2026**:

1. The company dispatches **three separate consignments**, each worth **₹48,000 (incl. 12% GST)**, from its Bengaluru plant to **different customers in Tamil Nadu**, loading them all into **one truck** for delivery.
2. It sends **semi-finished steel trusses** worth **₹15,000 (Excl. 12% GST)** to an **unregistered job worker in Karnataka** for further fabrication. After job work, the job worker directly dispatches the finished goods to **XYZ Constructions Ltd.**, a registered customer located in Andhra Pradesh, **on the instruction of ABC Build Tech**.
3. Dispatched **sandbags and earth-filling material (exempt under GST)** worth **₹2,00,000** from Karnataka to Kerala.

In the above cases, whether E-Way bill is required and who should generate the e way bill. Also specify the documents to accompany goods?

**[5 MARKS]**

**QUESTION NO. 3(B):**

Harsha Textiles Pvt. Ltd., a registered company in Tamil Nadu, is engaged in the manufacture of garments. The company procured the following supplies in **November 2024**:

Date	Description of Inward Supply	Supplier Type	Value (₹)
3 <sup>rd</sup> Nov 2024	Legal consultancy services from <b>Advocate V. Kumar</b>	Unregistered	50,000
5 <sup>th</sup> Nov 2024	Services of Goods Transport Agency (GTA) – Consignment note issued	Registered	20,000
7 <sup>th</sup> Nov 2024	<b>Raw cotton</b> purchased from <b>farmer</b>	Unregistered	60,000
10 <sup>th</sup> Nov 2024	Manpower supply services received from <b>Sam Workforce Pvt. Ltd.</b>	Unregistered	80,000
13 <sup>th</sup> Nov 2024	Purchase of <b>steel shelves</b> from a local <b>unregistered trader</b> for office infrastructure	Unregistered	30,000
20 <sup>th</sup> Nov 2024	Sponsorship services availed from <b>Chennai Sports Club</b> , a registered entity	Registered	1,00,000

**Identify** the supplies on which Harsha Textiles Pvt. Ltd. is liable to pay tax under reverse charge mechanism and also **Determine** who shall issue the tax invoice for each transaction. Also **specify the due date by which the invoice is to be issued by Harsha Textiles Pvt. Ltd**

**[5 MARKS]**

**QUESTION NO. 3(C):**

**Galaxy HyperMarts Ltd.**, a GST-registered retail and wholesale company headquartered in Delhi, has an aggregate annual turnover of ₹620 crore in FY 2024–25. It engages in B2B, B2C, export, and financial service transactions. In August 2025, the following events occur:

1. It issues a **B2B tax invoice** worth ₹15,00,000 to **Prime Tech Solutions Pvt. Ltd. (Karnataka)** but does NOT upload the invoice details on the **Invoice Registration Portal (IRP)**. Goods are transported, and Prime Tech claims ITC in GSTR-3B.
2. It makes **over-the-counter retail sales** at its Delhi flagship store to an **unregistered individual customer** for ₹1,10,000, payment fully made via **credit card**. The invoice printed for the customer does NOT contain any Dynamic QR Code.
3. It raises an **export invoice** for ₹8,00,000 (FOB) for machinery exported to Germany. The finance team tries uploading this invoice on the IRP but mistakenly uploads it with wrong information. They want to cancel this invoice and upload new invoice.
4. Galaxy HyperMarts also provides **in-house financing** for durable goods through its **NBFC subsidiary**. Invoices raised by this NBFC for **loan processing fees to unregistered consumers**. Discuss the implications in the above situations applying the provisions of E Invoice and dynamic QR code.

**[4 MARKS]**

**QUESTION NO. 4(A):**

XYZ Electronics Pvt. Ltd., a distributor of electronic gadgets, was transporting a consignment of laptops from Chennai to Bangalore. During a routine check at a GST checkpoint, it was found that the goods were being transported without proper documentation, in violation of the GST provisions. The consignment was seized by the GST authorities. The total value of the laptops was ₹50,00,000, and the applicable GST on the goods was 18%.

- (i) If the owner of the goods comes forward to pay the penalty, calculate the amount of penalty payable for the release of the goods.
- (ii) If the owner of the goods does not come forward to pay the penalty, what would be the penalty payable for the release of the goods?
- (iii) Suppose the consignment included a few items that are exempt from GST, with a total value of ₹5,00,000. If the owner of the goods comes forward, calculate the penalty applicable to the exempted goods.
- (iv) In the case that XYZ Electronics Pvt. Ltd. fails to pay the penalty within 15 days of the order under Section 129(3), what will happen to the detained goods and conveyance?
- (v) Assume that XYZ Electronics Pvt. Ltd. (Owner of the goods coming forward to claim penalty) disputes the penalty and prefers an appeal. What is the amount of pre-deposit for filing an appeal with appellate authority?

**[5 MARKS]**

**QUESTION NO. 4(B):**

In an order passed dated 1st April 2023 issued to Sita Ram Pvt. Ltd., the Commissioner of Central Tax, being Revisionary Authority has confirmed IGST demand of ₹ 1400 crore, penalty of ₹ 200 crore and interest of ₹ 20 crore.

Sita Ram Pvt. Ltd. admits the tax liability, penalty and interest to the extent of ₹ 200 crore, ₹ 20 crore and ₹ 10 crore respectively but wishes to litigate the balance amount of demand and thus, Sita Ram Pvt. Ltd. deposits the required amount of pre-deposit on 12th April 2023 and files an appeal with the GSTAT.

GSTAT decides the appeal in favour of Sita Ram Pvt. Ltd. on 12th June 2023. Sita Ram Pvt. Ltd. submits an application seeking refund of the pre-deposit along with applicable interest on 2<sup>nd</sup> July 2023 and the department acknowledges the application on the same day. The amount of pre-deposit is refunded to Sita Ram Pvt. Ltd. on 15th October 2003.

With reference to provisions of the GST law, compute the amount of predeposit required to be deposited before filing an appeal to GSTAT and interest payable by the Department on refund of such pre-deposit, if any, along with necessary explanations.

**[5 MARKS]**

**QUESTION NO. 4(C)**

The aggregate turnover of Mr. Prithivi a registered person for the FY 2021-22 was 440 lakhs. The outward supplies of Mr. Prithivi is exempted owing to a notification from CG and Mr. Prithivi decided to cancel his registration during the Financial Year. He filed final return, but he has not filed the annual return (GSTR-9) under section 44 of CGST Act, 2017 before the due date as he is of the opinion that either Final return or Annual return is required to be filed but not both. Discuss whether the contention of Mr. Prithivi is valid and also discuss the provisions as to LATE Fees, if any, for not filing the returns by the due date

**[4 MARKS]**



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CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

## Suggested Answer 3

# CA FINAL TEST SERIES JAN' 26 EXAM

## TEST 3 – SUGGESTED ANSWER

### Portion Covered

- Segment 11: Tax Invoice, Debit and Credit Notes
- Segment 13: Payment Process
- Segment 14: Returns
- Segment 15: Accounts and Records, E Way Bill
- Segment 16: Refund under GST
- Segment 17: Assessment and Audit
- Segment 18: Search, Seizure, Offences and Penalties
- Segment 19: Demand and Recovery
- Segment 20: Appeals and Revision
- Segment 21: Advance Ruling
- Segment 22: Ethics and Other Provisions

### Section – A: MCQ'S (8 Marks)

#### ANSWER FOR QUESTION 1:

1. **C) (ii) & (iv)**

There is demand and recovery on Mr. X as he supplied services without invoice leading to non-payment of tax. Even if XYZ & Associates raised the invoice, it is irrelevant as the supply is made by Mr. X. Also, on XYZ & Associates for invoice without supply there is penalty under Sec. 122(1) and for erroneous refund also penalty leviable under Sec. 122(1)

[2 MARKS]

2. **B) (i) & (ii)**

XYZ & Associates cannot avail ITC in terms of Sec. 16 as they have not received the services and such wrongly availed ITC is utilized for payment of liability and it attracts demand and recovery under sec. 74A. As recovery is applicable under Sec. 74A, penalty under sec. 122(1) is not applicable on XYZ & Associates. Also imprisonment is applicable on XYZ & Associates as ITC default is an offence attracting imprisonment. Also, as per Sec. 137, such imprisonment will be on the partners of XYZ & Associates, mainly Mr. X

[2 MARKS]

3. **A) (i) & (iii)**

As there is demand and recovery on Mr. X under Sec. 74A for supply without invoice, penalty not applicable under Sec. 122(1). Also, as there is specific penalty for each offence, general penalty under Sec. 125 is not applicable

However, penalty under Sec. 122(1A) and 122(3) is applicable on Mr. X

[2 MARKS]

4. **B) (i) & (iii)**

If a Chartered Accountant takes up the assignment offered by Mr. X and also attests/certifies the Doodle LLC's accounting records that would be prepared by him, for submission before the Enforcement Directorate in India, he may be held guilty of professional misconduct. Also, penalty cannot be levied under Sec. 122(1) as he is not a taxable person in the offence to submit information. However, penalty can be levied under Sec. 122(3), as he is a party to the offence by abetting commission of attesting the accounts and records and submitting false information. As submitting false information is not an offence under Sec. 132, even though Mr. P abets such offence, imprisonment not attracted as Sec. 132 not applicable for such offence.

**[2 MARKS]**

**Section B: Descriptive (14 Marks X 3 Question = 42 Marks)**  
**(Question No. 1 is compulsory and answer any 2 out of 3 given below)**

**ANSWER FOR QUESTION 1:**

I. No, M/s Gajanan Enterprises is not required to take registration under GST as its aggregate turnover is below the threshold limit for registration. However, it is required to obtain a unique enrolment number under GST. As per Sec 35(2) - Owner/operator of warehouse to maintain records: whether he is a registered person or not, if not already registered under the Act, shall obtain a unique enrolment number. Hence M/s Gajanan Enterprises is required to take unique enrolment number

II. As per SECTION 36, Every registered person shall retain accounts and records for a period of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records. However, if there is any appeal filed w.r.to such financial year, then accounts and records shall be retained for a period of 1 year from the disposal of such appeal or 72 months from the due date of furnishing annual return for such financial year, whichever is later.

III. Yes, e-way bill is required to be generated irrespective of the value of the consignment. Therefore, in the present case, E-Way bill is required w.r.to goods sent to Yamuna Enterprises as well as Jamuna Enterprises.

E-way bill generation mandatory, even if value of consignment is less than ₹50,000	<u>Exceptions to minimum consignment value of ₹50,000:</u> a) Inter-State transfer of goods by principal to job-worker b) Inter-State transfer of handicraft goods
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IV. Validity of E-Way bill generated:

Type of conveyance	Distance	Validity of EWB
upto 200 Kms or part thereof	1 Day	Other than Over dimensional cargo
For every additional 200 Kms or part thereof	additional 1 Day	
Upto 20 Kms or part thereof	1 Day	For Over dimensional cargo
For every additional 20 Kms or part thereof	additional 1 Day	

V. Consolidated E-way Bill in case of road transport [Rule 138(7)]:

After e-way bill has been generated, where multiple consignments are intended to be transported in one conveyance, the transporter may indicate the serial number of e-way bills generated in respect of each such consignment electronically on the common portal and a consolidated e-way bill in Form GST EWB-02 may be generated by him on the said common portal prior to the movement of goods.

Yes, M/s Speedofast Enterprises can generate a consolidated e-way bill containing the details of different EWBs even if all the EWBs have different validity periods and even if it is transporting consignments of different consignors and consignees in a single conveyance

Consolidated EWB is like a trip sheet and it contains details of different EWBs in respect of various consignments being transported in one vehicle and these EWBs will have different validity periods. Hence, Consolidated EWB does not have any independent validity period. However, individual consignment specified in the Consolidated EWB should reach the destination as per the validity period of the individual EWB.

VI. Yes, within 15 days from the generation of unique e-way bill number Note: Part A valid for 15 days. It means entry in part B made within 15 days. [138(9) Proviso)]

VII. Computation of refund of unutilized ITC:

$$\text{Net ITC} = 9,00,000 \times 12\% + ₹3,00,000 \times 18\% = ₹1,62,000$$

$$\text{Zero rated turnover} = ₹12,00,000$$

Adjusted total turnover = ₹36,00,000 + ₹12,00,000 = ₹48,00,000 (Goods sent on jobwork not considered in turnover as the same is not a supply)

$$\text{Max. Refund} = \text{Net ITC} \times \text{Zero rated turnover} / \text{Adjusted total turnover} = ₹1,62,000 \times 12/48 = ₹40,500.$$

[14 MARKS]

**ANSWER FOR QUESTION NO. 2(A):**

	On account of fraud	Not on account of fraud
1. Amount to be paid within 60 days from order	50% of original penalty = 200 Lakhs x 50% = 100 lakhs	Normal penalty payable = 200 Lakhs x 10% = 20 Lakhs
2. Amount to be paid within 60 days from order	50% of original penalty = 250 lakhs x 50% = 125 lakhs	Normal penalty payable = 250 Lakhs x 10% = 25 Lakhs
3. Amount to be paid within 60 days from SCN	25% of original penalty = 120 Lakhs x 25% = 30 lakhs	No penalty
4. Amount to be paid before SCN	15% of original penalty = 50 lakhs x 15% = 7.5 lakhs	No penalty

[5 MARKS]

**ANSWER FOR QUESTION NO. 2(B):**

**Computation of net GST payable through Electronic Cash Ledger, If ITC balance is ₹70,000:**

Particulars	CGST ₹	SGST ₹
Output tax payable	1,80,000	1,80,000
Less: Input tax credit Utilised	(70,000)	(70,000)
Net tax payable under FCM	1,10,000	1,10,000
Add: RCM liability	40,000	40,000
<b>Total Net Tax payable through Electronic Cash Ledger</b>	<b>1,50,000</b>	<b>1,50,000</b>

Due date of filing GSTR – 3B for Jan 2021 is 20<sup>th</sup> Feb 2021

Actual date of filing GSTR – 3B for Jan 2021 is 11<sup>th</sup> April, 2021

Period of delay = 50 days

Interest payable under CGST = ₹1,50,000 X 18% X 50/365 = ₹3,699

Interest payable under SGST = ₹1,50,000 X 18% X 50/365 = ₹3,699

**Computation of net GST payable through Electronic Cash Ledger, If ITC balance is ₹2,50,000:**

Particulars	CGST ₹	SGST ₹
Output tax payable	1,80,000	1,80,000
Less: Input tax credit Utilised	(1,80,000)	(1,80,000)
Net tax payable under FCM	0	0
Add: RCM liability	40,000	40,000
<b>Total Net Tax payable through Electronic Cash Ledger</b>	<b>40,000</b>	<b>40,000</b>
Excess ITC carried forward	₹2,50,000 (-) ₹1,80,000 = 70,000	₹2,50,000 (-) ₹1,80,000 = 70,000

Due date of filing GSTR – 3B for Jan 2021 is 20<sup>th</sup> Feb 2021

Actual date of filing GSTR – 3B for Jan 2021 is 11<sup>th</sup> April, 2021

Period of delay = 50 days

Interest payable under CGST = ₹40,000 X 18% X 50/365 = ₹986

Interest payable under SGST = ₹40,000 X 18% X 50/365 = ₹986

**Notes:**

1. RCM liability cannot be paid using Electronic Credit Ledger and has to be paid using Electronic Cash Ledger.
2. As turnover information in a month is not available, Rule 86B restriction is not applied i.e., payment of 1% through Electronic Cash ledger.
3. For delay in filing GSTR – 3B, interest shall be payable under Sec. 50 @ 18% on the liability discharged through Electronic Cash Ledger.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 2(C):**

Section 136 of the CGST Act allows a statement made and signed by a person during an inquiry or proceedings under the Act to be admitted as evidence in court under certain conditions.

- The statement can be admitted if the person who made it is dead, cannot be found, is incapable of giving evidence, or their presence cannot be obtained without unreasonable delay or expense. In this case, since Mr. Kumar is incapacitated, this condition is met.
- The statement can also be admitted if the court, considering the circumstances, believes that it should be admitted in the interest of justice. Given that Mr. Kumar's statement was made during an official inquiry and is relevant to the discrepancies in question, the court may find it in the interest of justice to admit it.

If admitted, Mr. Kumar's statement can be used to establish the facts about the discrepancies identified during the audit. It would provide insight into the reasons behind the discrepancies and any corrective measures taken by GreenTech Innovations Ltd. The statement's admission could

significantly impact the case, as it could either support the prosecution's claim that discrepancies were intentional or provide evidence that the company acted in good faith to correct errors. The court will consider this statement alongside other evidence to determine the outcome of the case.

[4 MARKS]

**ANSWER FOR QUESTION NO. 3(A):**

- (1) Although each consignment is below ₹50,000 (₹48,000 inclusive of GST), all three are loaded in a single truck for delivery to different customers in Tamil Nadu. As per Rule 138(5) of the CGST Rules, the **transporter** is required to generate a **consolidated e-way bill** (EWB-02) since the total consignment value in one conveyance exceeds ₹50,000.
- (2) Semi-finished goods worth ₹15,000 are sent to an **unregistered job worker** within the State. As per Rule 138(1) read with the CBIC circulars, e-way bill is **mandatory for job work movement**, irrespective of value, and must be generated by the **principal**, i.e., ABC Build Tech Ltd. Further, the job worker dispatches the processed goods directly to XYZ Constructions Ltd. in Andhra Pradesh on instruction of the principal. Since this is an **inter-State movement under job work**, ABC Build Tech Ltd., being the principal, is required to generate the **e-way bill**.
- (3) ABC Build Tech dispatches **exempted goods** (sandbags and earth-filling material) worth ₹2,00,000 from Karnataka to Kerala. As per Rule 138(14)(a), no e-way bill is required for movement of **wholly exempted goods**, regardless of value. However, the goods should be accompanied by a **delivery challan or tax invoice**, as applicable.

[5 MARKS]

**ANSWER FOR QUESTION NO. 3(B):**

S. No.	Description of Supply	Supplier Type	FCM/ RCM	Reason	Invoice by	Due date of self-invoice
1	Legal services from Advocate V. Kumar	Unregistered	RCM	Legal services by individual advocate to business – notified under 9(3)	Recipient	03-Dec-2024
2	GTA services (with consignment note)	Registered	RCM	GTA services – notified under 9(3) (Default option)	Supplier	N.A
3	Raw cotton from unregistered farmer	Unregistered	RCM	Raw cotton by agriculturist to registered person – notified under 9(3)	Recipient	07-Dec-2024
4	Manpower services from registered supplier	unregistered	FCM, but no GST	Manpower supply is not notified and only security agency is notified	N.A	N.A
5	Steel shelves from local unregistered trader	Unregistered	FCM, but no GST	Not covered under notified goods for RCM	N.A	N.A
6	Sponsorship from registered club	Registered	RCM	Sponsorship to body corporate – notified under 9(3)	Supplier	N.A

[5 MARKS]

**ANSWER FOR QUESTION NO. 3(C):**

Since Galaxy HyperMarts Ltd. has an aggregate turnover exceeding ₹500 crore in the preceding FY 2024–25, it falls within the ambit of mandatory **e-Invoicing** and **Dynamic QR Code** provisions. In **Situation 1**, Galaxy issues a B2B invoice worth ₹15 lakhs to Prime Tech Solutions Pvt. Ltd. without uploading it to the **Invoice Registration Portal (IRP)**. This is a serious non-compliance, as B2B invoices must be **reported to IRP** and **IRN (Invoice Reference Number) must be generated** before the invoice is valid. As per Rule 48(5) of the CGST Rules, if IRN is not generated, such invoice is **not treated as a valid tax invoice**, and accordingly, **Prime Tech's claim of ITC is ineligible**.

In **Situation 2**, the B2C over-the-counter invoice exceeds ₹50,000 and payment is made via **credit card**, which is a digital mode. As per Notification No. 14/2020, read with Circular No. 146/02/2021-GST, such B2C invoices must contain a **Dynamic QR Code** generated by the supplier. However, if the payment is collected before generating invoice and the cross reference of such payment collected is mentioned in invoice, then it is considered that they have complied with the requirement of dynamic QR code.

In **Situation 3**, the invoice is for an **export** transaction, which is considered a **zero-rated supply**. E-Invoicing is mandatory for exports as well, and such invoices must be uploaded to the IRP to generate the **IRN** and **QR code** with embedded export details. Since wrong details were uploaded, the company may **cancel the e-invoice on the IRP within 24 hours**, failing which a **new unique invoice number must be used** for reissuance.

In **Situation 4**, invoices are raised by the **NBFC subsidiary** of Galaxy HyperMarts for loan processing fees to unregistered customers. However, as per Notification No.13/2020, **NBFCs and financial institutions are exempted** from **e-Invoicing** and **Dynamic QR Code** requirements. Hence, the NBFC subsidiary is not required to comply with these mandates for such B2C financial service supplies.

**[4 MARKS]**

**ANSWER FOR QUESTION NO. 4(A):**

(i) As per Section 129(1)(a), if the owner comes forward, the penalty is **200% of the tax payable i.e., 200% of ₹9,00,000 = ₹18,00,000**

So, XYZ Electronics Pvt. Ltd. will have to pay **₹18,00,000** as a penalty for the release of the goods and conveyance.

(ii) As per Section 129(1)(b), if the owner does not come forward, the penalty is **50% of the value of the goods or 200% of the tax payable, whichever is higher.**

- **50% of the value of goods:** ₹50,00,000 × 50% × 2 = ₹50,00,000
- **200% of tax payable:** 200% of ₹9,00,000 = ₹18,00,000

Since ₹50,00,000 is higher, XYZ Electronics Pvt. Ltd. will have to pay **₹50,00,000** as a penalty for the release of the goods and conveyance.

(iii) As per Section 129(1)(a), the penalty for exempted goods is **2% of the value of goods or ₹25,000, whichever is less.**

**2% of ₹5,00,000 = ₹10,000**

Since ₹10,000 is less than ₹25,000, the penalty applicable to the exempted goods would be **₹10,000**.

(iv) If XYZ Electronics Pvt. Ltd. fails to pay the penalty within 15 days, the goods and conveyance will be **liable to be sold or disposed of** by the GST authorities to recover the penalty amount.

(v) As per Section 107 of the GST Act, for filing an appeal with the appellate authority, the appellant is required to make a **pre-deposit of 25% of the penalty under Sec. 129**.

**Pre-deposit amount:** 25% of ₹18,00,000 = ₹4,50,000.

Therefore, XYZ Electronics Pvt. Ltd. would need to deposit ₹4,50,000 to file an appeal with the appellate authority.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 4(B):**

The amount of pre-deposit to be made by Sita Ram Pvt. Ltd. for filing the appeal to the GSTAT is as under-

- i) full amount of tax, interest and penalty as admitted by it, i.e. ₹ 230 (200+20+10) crores and
- ii) 10% of the remaining tax in dispute, i.e. ₹ 120 crore (10% of ₹ 1,200 crore) subject to a maximum of ₹ 40 crores (in case of IGST). = ₹ 40 crores

Therefore, total predeposit is ₹ 230 crores + ₹ 40 Crores = ₹ 270 crores

If the pre-deposit made by the appellant before the Tribunal is required to be refunded consequent to any order of the Tribunal, interest @ 9% p.a. shall be payable from the date of payment of the amount till the date of refund of such amount. Refund amount is ₹ 40 crores, as 230 crores is admitted due

Period of delay counted from 12th April 2023 is 186 days

Interest (rounded off)= ₹ 40 crore × 9% × 186/365 = ₹ 1,83,45,205.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 4(C):**

In terms of Sec 44 of CGST Act, 2017 read with Rule 80 of CGST Rules, 2017, since Mr Prithvi, registered as normal supplier having ATO for FY 2020-21 more than ₹ 2 crore (i.e., 200 Lakh), he was required to submit annual return for FY 2021-22 (though without accompanying self-certified reconciliation statement). The due date for submission of annual return for FY 2021-22 was 31st Dec, 2021.

Sec 47 of CGST Act provides for levy of late fees if registered person fails to furnish return by due date and furnish it after the due date. The specified quantum of late fee is ₹ 25 per day of delay, subject to maximum of 0.02% of TO in the State during the relevant year.

In case of cancellation of registration, a person is required to file final return in GSTR-10 within 3 months from the date of cancellation or 3 months from the order of cancellation, whichever is later. Filing of final return does not make a person exempted from filing annual return and in the present case, Mr. Prithvi was required to file annual return as well as final return for the FY 2020-21. He shall be liable to pay late fees for belated submission of annual return. Quantum of late fee payable by him shall be as follows:

Max late fee in respect of Annual Return of FY 2021-22 = 0.02% of ₹ 440 L = ₹ 8,800 (CGST late fee)

**[4 MARKS]**



CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

**Question Paper 4**

# CA FINAL TEST SERIES JAN' 26 EXAM

## TEST – 4

### Portion Covered

CUSTOMS & FTP

### Section – A: MCQ'S (8 Marks)

1. Omega Ltd. imported machinery by air. The FOB value of the machinery as per the invoice was US\$ 50,000. The manufacturer in the USA also provided engineering and design services, for which US\$ 2,500 was paid by Omega Ltd. in the USA. Additionally, Omega Ltd. paid a royalty of US\$ 1,000 to the exporter in the USA as a condition of sale for the imported machinery. Freight from the US port to the Indian port was US\$ 12,000. Insurance charges incurred were US\$ 800. A commission of US\$ 500 was paid to an agent in India by Omega Ltd. The date of presentation of the Bill of Entry was 15th March, and the CBIC notified exchange rate for US\$ was '75/\$. The inter-bank exchange rate was '76/\$.

Assuming all conditions for inclusion/exclusion are met under the Customs (Determination of Value of Imported Goods) Rules, 2007 (CVR), what is the assessable value of the imported machinery (rounded off to the nearest rupee)?

- A. 45,95,750
- B. 45,98,250
- C. 44,79,250
- D. 44,79,000

[2 MARKS]

2. Laxmi Company imported goods valued at '10,00,000 and presented a Bill of Entry on 15th December 2023. Due to a pending chemical test, the goods were provisionally assessed at 10,00,000, and Laxmi Company paid the provisional duty of '2,00,000 on the same date. The final assessment was completed on 31st January 2024, at which point the final duty payable was determined to be 4,00,000. Laxmi Company paid the balance duty on the same day. what is the amount of interest payable by Laxmi Company (rounded off to the nearest rupee)?

- A. 16,505
- B. 8,252
- C. 10,000
- D. 5,501

[2 MARKS]

3. Zenith Exports holds an Advance Authorisation. For a specific export product, the FOB value realised was US\$ 150,000. The CIF value of inputs covered by the Authorisation was US\$ 110,000. Zenith Exports also used another indigenous input in the production, on which duty drawback of US\$ 5,000 was claimed.

What is the value addition achieved by Zenith Exports as per the Foreign Trade Policy (FTP) (rounded to two decimal places)?

- A. 36.36%
- B. 30.00%
- C. 30.43%
- D. 36.00%

**[2 MARKS]**

4. Rule 2(a) of the Interpretation Rules under the Customs Tariff Act, 1975 states that

- a) Goods shall be classified under the heading which is closest to the specific description.
- b) Any reference in a heading to an article shall be deemed to include a reference to that article in an unfinished stage too, as long as in the present stage, the incomplete article exhibits the essential character of that article incomplete/ finished form.
- c) Goods that cannot be classified in accordance with Rule 1 shall be classified under the heading which includes goods that are the most "akin or similar".
- d) Any reference in a heading to a material or substance, shall be deemed to include a reference to the mixtures and combinations of that material/substance with other materials/ substances.

**[2 MARKS]**

**Section B: Descriptive (14 Marks X 3 Question = 42 Marks)**  
**(Question No. 1 is compulsory and answer any 2 out of 3 given below)**

**QUESTION 1(A)**

M/s Zenith Importers Pvt. Ltd. recently imported a consignment of 500 units of "NextGen Processor Modules" from its associated company, CyberNet Solutions Inc., USA. The declared transaction value for the consignment was US\$ 1,000 per unit (FOB). Due to the **relationship between Zenith Importers and CyberNet Solutions**, the Customs Department has rejected the declared transaction value after an inquiry, as they determined the relationship influenced the price. Furthermore, a detailed market analysis revealed **no imports of identical or similar goods by unrelated buyers at or about the same time**, thus precluding the application of Rule 4 and Rule 5 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007.

To determine the assessable value, the Customs Department has resorted to the Deductive Value Method, based on subsequent sales data of "NextGen Processor Modules" in India. Zenith Importers provided the following details of sales in India to unrelated customers at or about the time of import:

Quantity Sold (Units)	Unit Selling Price in India (INR)	Condition of Sale
50	1,20,000	As imported
120	1,18,000	As imported
80	1,50,000	After post-importation value addition
150	1,17,500	As imported
70	1,48,000	After post-importation value addition

Additional relevant information:

- o The "**post-importation value addition**" process, which includes software customization and rigorous testing, adds an average **INR 15,000 per unit** to the cost of the module (this includes all materials, labour, and associated overheads for the processing).
- o The **standard commission and profit & general expenses** usually incurred in India on sales of such imported goods amount to **20% of the unit selling price**.
- o **Inland freight and insurance charges** from the port of importation to the place of sale in India are **INR 2,500 per unit**.
- o The **Basic Customs Duty (BCD)** applicable to "NextGen Processor Modules" is **7.5% ad valorem**.
- o **Social Welfare Surcharge (SWS)** is levied at **10% on the Basic Customs Duty**.
- o **Integrated Tax (IGST)** is applicable at **18%**.
- o The **exchange rate notified by the CBIC** (Central Board of Indirect Taxes and Customs) on the date of presentation of the Bill of Entry for home consumption was **US\$ 1 = INR 84.50**. This is the rate to be used for customs valuation purposes as per Section 14 of the Customs Act, 1962.
- o **Ignore GST Compensation Cess.**

**Required:** Compute the **assessable value** for the consignment of 500 units of "NextGen Processor Modules" by Zenith Importers Pvt. Ltd.

**[5 MARKS]**

**QUESTION NO. 1(B):**

Determine the Safeguard Duty payable by X Ltd., Y Ltd., and Z Ltd., A Ltd. under section 8B of the Customs Tariff Act, 1975 from the following: Import of Sodium Nitrite from developing and developed countries from 26th February, 2021 to 25th February, 2022 (both days inclusive) are as follows:

Importer	Country of Import	₹ In crores
X Ltd.	Developing country	70
Y Ltd.	Developing country	82
Z Ltd.	Developing country	52
A Ltd.	Developing country	50
Others	Developed country	2,246
Total		2,500

Note: Safeguard duty: 30%.

**[5 MARKS]**

**QUESTION NO. 1(C):**

Mr. X, a chemical manufacturer, imports a machine from Germany on 12th January, 2019 for ₹ 20 Lakhs. Mr. X is eligible for concessional rate of Customs Duty on capital goods imported by him subjected to condition that he follows the Customs (Import of goods at concessional rate of duty) Rules, 2022. Machinery was put to use on 1st February, 2019. On 5th April, 2022, Mr. X wants to clear the machine for home consumption after having used the machine for the specified purpose for which it was imported. Mr. X requires your help in calculating the Customs Duty he will be liable to pay for such clearance as per rule 7 of Customs (Import of goods at concessional rate of duty) Rules, 2022. Concessional rate of Basic Customs Duty is 5%. Normal rate of Basic Customs Duty is 20%. Calculate the Basic Customs Duty payable by Mr. X on clearance of such capital goods for home consumption on 5th April, 2022. Ignore interest calculation.

**[4 MARKS]**

**QUESTION NO. 2(A):**

XYZ Pvt. Ltd. is a company that imports electronic components for manufacturing purposes. The company has encountered various scenarios related to the determination of the rate of duty and tariff valuation for its imported goods. Based on the provisions of Section 15 of the Customs Act, analyze and determine the applicable rate of duty and tariff valuation in the following situations:

- It imports a consignment of semiconductors and presents a bill of entry for home consumption on September 10, 2023. However, the vessel carrying the consignment enters Indian territory on September 15, 2023.
- It imports a batch of microchips and stores them in a bonded warehouse. After a few months, XYZ Pvt. Ltd. decides to clear the goods from the warehouse for home consumption and presents the bill of entry on January 5, 2024. The goods were originally imported on October 20, 2023
- XYZ Pvt. Ltd. discovers that a former employee attempted to smuggle a small batch of electronic components into the country without declaring them to customs. The goods were seized by the customs authorities, and an investigation revealed the smuggling attempt.

**[5 MARKS]**

**QUESTION NO. 2(B):**

Kankan Corp had imported a machine from USA for ₹ 365 lakh on payment of appropriate Customs Duty in February. However, in July, the machine had to be sent back to the supplier for repair (not amounting to manufacture) from the factory of Kankan Corp. This machine was repaired and thereafter, re-imported by Kankan Corp in November next year. The supplier has agreed to provide discount of 60% of the fair cost of repairs, resulting in Kankan Corp paying USD 12,000.

Following further particulars are available:

Particulars	Date	Rate of Duty	Rate notified by Inter Bank Exchange rate (IBEC)	Rate notified by Central Board of Indirect Taxes & Customs (CBIC)
Bill of Entry	21 <sup>st</sup> February	12%	61.40	62
Aircraft Arrival	26 <sup>th</sup> February	15%	62.50	63.25

Integrated Tax is leviable @ 12%.

Particulars	Outwards (Amount in ₹)	Inwards (Amount in ₹)
Insurance	23,000	27,000
Air Freight	93,500	1,06,500

Determine the total Duty Payable with appropriate notes for your Computation assuming that Kankan Corp is not an EOU?

**[5 MARKS]**

**QUESTION NO. 2(C):**

With reference to Customs Act, 1962, decide the validity of the following independent cases with proper legal provisions:

- Apex Rubber Limited is a 100% EOU located in a Special Economic Zone. It imported certain items from China for its production process. Customs officer proposed to impose Anti -Dumping duty on such imports. The importer contends that no Anti-Dumping Duty can be imposed on imports by a 100% EOU under any circumstances.
- Customs Department proposed to impose Anti-Dumping Duty retrospectively in respect of certain items. Importer's association claimed that Anti-Dumping Duty cannot be levied with retrospective effect under any circumstances

**[4 MARKS]**

**QUESTION NO. 3(A):**

XYZ Manufacturing Pvt. Ltd. imports aluminum products from China. It has recently been reported that the government of China provides substantial subsidies to its aluminum producers, including direct grants and tax rebates. XYZ Manufacturing imports a consignment of aluminum sheets from China. The government of China provides a subsidy of \$100 per metric ton of aluminum in the form of a direct grant to the producers. Following the imposition of the countervailing duty, XYZ Manufacturing begins importing aluminum coils from Vietnam. However, during an inspection, it is discovered that these coils were initially produced in China, exported to Vietnam, and then re-exported to India. Six months after the countervailing duty was imposed, the Central Government observes that the export price of aluminum sheets from China has decreased by 10%, but the resale price in India has not decreased proportionately. Answer the following independent questions applying Section 9 of Customs Tariff Act, 1975:

- (i) Can the Central Government levy countervailing duty in the present case?
- (ii) What is the maximum duty that can be levied?
- (iii) What will be your answer if XYZ Manufacturing is a 100% EOU?
- (iv) Can they apply the measures to aluminum coils imported from Vietnam?
- (v) What action central government can do, if the export price got reduced after 6 months?

**[5 MARKS]**

**QUESTION NO. 3(B):**

Niryaat Exporters imported some goods on 1st January. The goods were not meant for being used in an 100% EOU, STP unit, EHTP unit. The goods were cleared from the Mumbai port for warehousing on 8th January by presenting an 'into Bond' Bill of Entry. The assessable value of the goods was US \$ 10,000. On 8th January, the exchange rate was ₹ 66 per US \$ and the rate of basic customs duty was 15%. The order permitting the deposit of goods in warehouse for 4 months was issued under section 60 of the Customs Act, 1962 on 15th January. The goods were thereafter deposited in a warehouse at Pune and were cleared from Pune warehouse on 31st May. The rate of basic customs duty was 15% and exchange rate was ₹ 68.75 per 1 US \$ on 31st May. IGST @ 10% is applicable on said goods. Further, the rate of basic customs duty was 12% and exchange rate was ₹ 67 per 1 US \$ on 15th May. Ignore IGST and agriculture and infrastructure development cess.

You are required to compute: (a) total Customs Duty payable and (b) interest, if any, payable

**[5 MARKS]**

**QUESTION NO. 3(C)**

ABC Exports Pvt. Ltd. is a major exporter of textiles from India. The company is eligible for duty credits under the Customs Act, 1962 and FTP. Recently, the company made several exports, and now they are considering utilizing the duty credits available in their Electronic Duty Credit Ledger (e-scrip) to offset customs duties on their upcoming imports. Answer the following questions based on application of Sec. 51B of Customs Act, 1962:

- (i) What is the validity of e-Scrip generated?
- (ii) E-Scrip can be utilized for payment of which component of customs duties?
- (iii) Can ABC Exports Pvt. Ltd. transfer this duty credit?
- (iv) After the duty credit is allowed, a scroll for duty credit is generated on February 20, 2022. ABC Exports Pvt. Ltd. now wants to combine this duty credit with another credit from an export made on March 5, 2022, which has a duty credit of ₹75,000. Is it possible?

**[4 MARKS]**

**QUESTION NO. 4(A):**

ABC Exports Pvt. Ltd. is a major exporter of various products from India, including textiles, synthetic fibers, and other goods. The company is keen on leveraging the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme to refund unrefunded duties and taxes borne on exported products. However, ABC Exports faces several situations that require a detailed analysis of their eligibility and the calculation of benefits under the RoDTEP Scheme.

Based on the provisions of the RoDTEP Scheme, analyze the following situations and compute the benefit under RODTEP scheme if the notified rate is 2% of FOB value:

Particulars	FOB Value of Export
(i) Export of cotton fabric to the United States. Such fabric is produced entirely in India.	₹50 lakhs

(ii)	Export of synthetic fiber fabric to Europe. The synthetic fiber is imported from China, and the fabric is manufactured in India.	₹40 lakhs
(iii)	Export of batch of goods to a customer in Africa. However, the sale proceeds have not been realized within the time allowed under the Foreign Exchange Management Act, 1999.	₹30 lakhs
(iv)	Export of products manufactured in its 100% Export-Oriented Unit (EOU)	₹25 lakhs
(v)	Export of defence uniform materials to various countries. However, such goods exported is subject to a Minimum Export Price (MEP) as per the government regulations.	₹10 lakhs

[5 MARKS]

**QUESTION No. 4(B)**

Mr. Samuel, a US resident aged 35 years, has come to India on a tourist visa for a month-long vacation. He carries with him, as part of Baggage, the following

Particulars	Value in ₹
Travel Souvenirs	85,000
Other articles carried on in person	1,50,000
80 sticks of Cigarettes of ₹ 100 each	8,000
30 Cartridges of fire arms valuing ₹ 500 each	15,000
One Litre Wine	15,000

With reference to the Baggage Rules, 2016, determine whether Mr. Samuel will be required to pay any Customs Duty?

[5 MARKS]

**QUESTION No. 4(C)**

M/s. Hydrocarbons India Ltd. (HIL) imported a consignment of 10,000 metric tonnes of 'Light Crude Oil' from Saudi Arabia, as per the Bill of Lading. The declared price was US\$ 700 per metric tonne. Upon arrival at the port in Mumbai and subsequent transfer to the shore tanks, the actual quantity measured and received by HIL was only 9,850 metric tonnes. This 150 metric tonne discrepancy was attributed to **transit loss** (ocean loss) during the voyage.

HIL submitted its Bill of Entry for home consumption, declaring the assessable value based on the **actual quantity of 9,850 metric tonnes received** into the shore tanks. However, the Customs Department has raised an objection, contending that customs duty should be levied on the quantity originally shown in the Bill of Lading, i.e., 10,000 metric tonnes, asserting that the duty is on an *ad valorem* basis and not a specific rate.

**Required:**

Drawing upon relevant principles from case law, advise M/s. Hydrocarbons India Ltd. on the **validity of the Customs Department's contention**. Provide a reasoned opinion, citing the specific case and its observations that support your view.

[4 MARKS]



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CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

## Suggested Answer 4

# CA FINAL TEST SERIES JAN' 26 EXAM

## SUGGESTED ANSWER – 4

### PORTION COVERED

CUSTOMS & FTP

### Section – A: MCQ'S (8 Marks)

MCQ – 1:

Answer to MCQ 1: N.A

FOB Price	US\$ 50,000
<b>Engineering and Design Services:</b> These charges are includable in the assessable value if undertaken elsewhere than in India and necessary for the production of the imported goods. As paid in USA, it is included.	US\$ 2,500
<b>Royalty:</b> Royalty payments relating to the imported goods, made as a condition of sale, are includable	US\$ 1,000
<b>Commission paid to an agent in India:</b> This is presumed to be a selling commission of the exporter, not a buying commission for the importer. Therefore, it is includable	US\$ 500
<b>Revised FOB Price</b>	US\$ 54,000
<b>Revised FOB price in ₹ (\$54,000 X ₹75/\$)</b>	₹40,50,000
<b>Air Freight:</b> For imports by air, the cost of transport, loading, unloading, and handling charges are restricted to a maximum of 20% of the FOB value a) Actual freight: US\$ 12,000 x 75 = 9,00,000 b) 20% of FOB value: 20% of 40,50,000 = 8,10,000, <b>Whichever is lower</b>	₹8,10,000
<b>Insurance:</b> Actual insurance charges are available. (US\$ 800 x ₹75/\$)	₹60,000
<b>Assessable Value (CIF Value)</b>	₹ 49,20,000

Note: Options given are wrong just like ICAI to play with the student's time. Be prepared for this mental torture also.

[2 MARKS]

MCQ – 2:

Answer to MCQ 2: N.A

1. Provisional Duty Paid = ₹ 2,00,000 on 15th Dec 2023.
2. Final Duty Assessed = ₹ 4,00,000 on 31st Jan 2024.
3. Deficiency in Duty = 4,00,000 - 2,00,000 = ₹ 2,00,000.

Interest computed from 1<sup>st</sup> December 2023 to 31<sup>st</sup> January 2024 i.e., 62 days

Interest payable = ₹2,00,000 X 15% X 62/365 = ₹5,095

Note: Options given are wrong just like ICAI to play with the student's time. Be prepared for this mental torture also.

[2 MARKS]

**MCQ – 3:****Answer to MCQ 3: (C) 30.43%**

1. FOB value of export realized (A) = US\$ 150,000
2. CIF value of inputs covered by Authorization = US\$ 110,000
3. Value of other inputs used on which benefit of duty drawback is claimed = US\$ 5,000
4. Total value of inputs (B) = US\$ 110,000 + US\$ 5,000 = US\$ 115,000
5. Value Addition (VA) =  $(A - B) / B \times 100 = (150,000 - 115,000) / 115,000 \times 100 = (35,000 / 115,000) \times 100 = 30.43\%$  (rounded to two decimal places)

**[2 MARKS]****MCQ – 4:****Answer to MCQ 4: (B)**

Any reference in a heading to an article shall be deemed to include a reference to that article in an unfinished stage too, as long as in the present stage, the incomplete article exhibits the essential character of that article incomplete/ finished form

**[2 MARKS]**

**Section B: Descriptive (14 Marks X 3 Question = 42 Marks)**  
**(Question No. 1 is compulsory and answer any 2 out of 3 given below)**

**ANSWER TO QUESTION 1A:**

If the goods being valued or identical or similar imported goods are sold in India, in the condition as imported at or about the time at which the declaration for determination of value is presented, the value of imported goods shall be based on the unit price at which the imported goods or identical or similar imported goods are sold in the greatest aggregate quantity to persons who are not related to the sellers in India

Since transaction value is rejected and identical/similar goods cannot be found, the sequential application of rules leads to Rule 7 (Deductive Value Method)

Quantities for "as imported" sales: 50, 120, 150 units.

The greatest aggregate quantity sold "as imported" is 150 units at a unit selling price of INR 1,17,500.

Sales after processing (80 units at INR 1,50,000 and 70 units at INR 1,48,000) are not considered under Rule 7(1) because sales in "as imported" condition are available

Unit selling price	1,17,500
(-) Commission, profit and general expenses (20% of unit selling price)	(23,500)
Inland transport and insurance charges	(2,500)
Cum-Duty value	91,500
(-) IGST on above (91,500 $\times$ 18/118)	(13,957.62)
Balance	77,542.37
(-) Customs duty and SWS (77,542.37 $\times$ 8.25/108.25)	(5,909.69)
Assessable Value	71,633 (Rounded off)

**[5 MARKS]**

**ANSWER TO QUESTION 1B:**

According to **Section 8B of Customs Tariff Act, 1975**, in case of articles originating from a Developing Country (i.e., a country notified by the Government of India for purpose of levy of such duty), **this duty cannot be Imposed under following circumstances, -**

- If the imports of such article from developing country does not exceed 3% of the total imports of that article into India.
- Where the article is originating from more than one developing countries (each with less than three percent import share), then, the aggregate of imports from all such countries taken together does not exceed 9% of the total imports of that article into India.

**Hence, Computation of Safeguard duty payable by X Ltd., Y Ltd., and Z Ltd., and A Ltd.:**

Importer	Country of import	₹ in crores	% of imports	
X Ltd.	Developing country	70	2.8%	
Y Ltd.	Developing country	82		3.28%
Z Ltd.	Developing country	52	2.08%	
A Ltd.	Developing country	50	2%	
Others	Developed country	2,246		
<b>Total</b>		<b>2,500</b>	<b>6.88%</b>	<b>3.28%</b>

**Safeguard duty is as follows:**

Importer	₹ in Crores	Safeguard duty	₹ in Crores
X Ltd.	70	30%	Nil
Y Ltd.	82	30%	24.6

Z Ltd.	52	30%	Nil
A Ltd.	50	30%	Nil

Articles originating from **more than one developing countries** (each with less than 3% import share), then, the aggregate of imports from all such countries taken together does not exceed 9% (i.e., in the given case 6.88%) of the total imports of that article into India.

**Therefore, Safeguard duty is not applicable to X Ltd., Z Ltd., and A Ltd.**

**Note:** Safeguard duty is payable by others who are importing from developed countries.

**[5 MARKS]**

#### ANSWER TO QUESTION 1C:

##### Computation of Basic Customs Duty payable by Mr. X

An importer who has imported the capital goods availing benefit of an exemption notification, may clear such goods after using them for specified purpose, on payment of duty equal to difference between the duty leviable on such goods without exemption and duty already paid at the time of importation, along with interest, on the depreciated value allowed in straight line method, as below:

- I. for every quarter in the first year @ 4%;
- II. for every quarter in the second year @3%;
- III. for every quarter in the third year @ 3%;
- IV. for every quarter in the fourth and fifth year @ 2.5%;
- V. and thereafter for every quarter @ 2%.

Thus, depreciation % will be computed as follows:

2019: 4 quarter x 4= 16%

2020: 4 quarter x 3= 12%

2021: 4 quarter x 3= 12%

2022: 2 quarter x 2.5= 5%

Total depreciation % will be 45%

Depreciation amount will be: 45% of ₹ 20 Lakh = ₹ 9 lakh

Depreciated value of the machine is ₹ 20 Lakh - ₹ 9 lakh = ₹ 11 lakh

Accordingly, Basic Customs Duty payable by Mr. X will be computed as follows:

$$= [\text{₹ 11 lakh} \times 20\%] - [\text{₹ 20 lakh} \times 5\%]$$

$$= \text{₹ [2.20-1.00]} \text{ lakh} = \text{₹ 1.20 lakh}$$

**[4 MARKS]**

#### ANSWER TO QUESTION NO. 2(A):

##### Situation (i):

- **Applicable Provision: Section 15(1)(a) and the Proviso.**
- **Explanation:** According to Section 15(1)(a), the rate of duty and tariff valuation is determined based on the date on which the bill of entry is presented. However, the proviso to this section states that if the bill of entry is presented before the date of entry inwards of the vessel, the bill of entry is deemed to have been presented on the date of the vessel's entry inwards.
- **Decision:** Since the vessel entered Indian territory on September 15, 2023, the bill of entry is deemed to have been presented on that date. Therefore, **September 15, 2023** will be the date used to determine the rate of duty and tariff valuation.

##### Situation (ii):

- **Applicable Provision: Section 15(1)(b).**
- **Explanation:** Under Section 15(1)(b), when goods are cleared from a warehouse for home consumption, the rate of duty and tariff valuation is determined based on the date on which the bill of entry for home consumption is presented.
- **Decision:** The applicable date for determining the rate of duty and tariff valuation will be **January 5, 2024**, when the bill of entry for home consumption was presented.

Situation (iii):

- **Applicable Provision: Section 15(1)(c).**
- **Explanation:** Under Section 15(1)(c), in the case of any other goods, the rate of duty and tariff valuation will be based on the date of payment of duty
- **Decision:** The applicable date for determining the rate of duty and tariff valuation will be **the date on which they pay the duty on such smuggled goods**

[5 MARKS]

**ANSWER TO QUESTION NO. 2(B):**

Notification No. 45/2017 Customs dated 30.06.2017 stipulates that, in case of re-importation of goods, exported for repairs, Duty is payable on fair cost of repairs carried out, insurance and freight charges - both ways, subject to fulfilment of following conditions: -

- The time limit for re-importation is 3 years
- The exported goods and the re-imported goods must be the same.
- The ownership of the goods should not have changed.

Since all the specified conditions are fulfilled in the given case, total duty payable will be computed as under:-

Computation of total Duty payable by Kankan Corp.

Fair cost of Repairs (in Dollars) = \$12,000/40%	\$ 30,000
	₹
Fair cost of Repairs (in Rupees) = \$30,000 × ₹ 62 [Note-1]	18,60,000
Add: Inward and outward Insurance [₹ 23,000 + ₹ 27,000]	50,000
Add: Inward and outward Air Freight [₹ 93,500 + ₹ 1,06,500]	2,00,000
Assessable Value	21,10,000
Add: Basic Customs Duty (BCD) @15% [Note-2]	3,16,500
Add: Social Welfare Surcharge (SWS) @ 10% of BCD	31,650
Value for computing IGST	24,58,150
IGST @ 12%	2,94,978
Total Customs Duty and Tax payable = [₹ 3,16,500 + ₹ 31,650 + ₹ 2,94,978]	6,43,128

Notes:

1. Rate of Exchange Notified by the CBIC on date of presentation of Bill of Entry would be the applicable rate in terms of **third proviso to Section 14(1) of the Customs Act, 1962**.
2. Rate of Duty is the Rate in force on date of presentation of Bill of Entry or Arrival of Aircraft, whichever is later in terms of **proviso to section 15(1) of the Customs Act, 1962**.
3. Restriction of 20% of FOB in case of air freight is not applicable for computation of Customs Duty under **Section 20 read with Notification 45/2017**.

[5 MARKS]

**ANSWER TO QUESTION NO. 2(C):**

- I. Anti-dumping duty under Sec. 9A of Customs Act, 1962 is not applicable in case of imports by a 100% EOU. Provided that no such exemption shall be applicable to such goods which-
  - a) after importation in the hundred percent export oriented unit are cleared as such in the Domestic Tariff Area;
  - b) are used for the purpose of manufacture or processing of finished goods (including rejects, waste, scrap, remnant and by products) in the 100% export oriented unit and such finished goods (including rejects, waste, scrap, remnant and by products) are cleared in the Domestic Tariff Area. In the present case, as they are imported in a 100% EOU for production, Anti-Dumping Duty not applicable provided such produced goods are not cleared in DTA.
- II. Anti-dumping duty can be levied on a retrospective basis in case it is found that-
  - there is a history of dumping which caused injury or that the importer was, or should have been aware that the exporter practices dumping and that such dumping would cause injury; and the injury caused by massive dumping of an article imported in a

relatively short time which in the light of the timing and the volume of imported article dumped and other circumstances is likely to seriously undermine the remedial effect of the Anti-Dumping Duty liable to be levied.

However, the Anti-Dumping duty cannot be levied retrospectively beyond 90 days from the date of issue of Notification imposing duty.

**[4 MARKS]**

**ANSWER TO QUESTION NO. 3(A):**

- Yes, the Central Government can levy countervailing duty on the aluminium sheets imported from China, as the government of China is providing a subsidy of \$100 per metric ton.
- The maximum duty that can be levied is equal to the subsidy amount, which is \$100 per metric ton.
- If XYZ Manufacturing is a 100% EOU, the countervailing duty generally does not apply unless the goods are cleared into the DTA or the duty is specifically made applicable.
- Measures can be applied to aluminium coils imported from Vietnam if it is found that they were originally produced in China and re-exported to India to circumvent the duty.
- If the export price is reduced after 6 months, the Central Government can modify the duty to counter the absorption and ensure the effectiveness of the countervailing measure.

**[5 MARKS]**

**ANSWER TO QUESTION NO. 3(B):**

Computation of import duty payable by Niryaat Exporters

Particulars	Amount (US \$)
Assessable value	10,000
Particulars	Amount (₹)
Value in Indian currency (US \$ 10,000 × ₹ 66) [Note 1]	6,60,000
Customs duty @ 12% [Note 2]	79,200
Add: Social welfare surcharge @ 10% on ₹ 79,200	7,920
Total customs duty payable	87,120

**Notes:**

- As per third proviso to section 14(1) of the Customs Act, 1962, assessable value has to be calculated with reference to the rate of exchange prevalent on the date on which the into bond bill of entry is presented for warehousing under section 46 of the Customs Act, 1962.
- Goods which are not removed from warehouse within the permissible period are deemed to be improperly removed in terms of section 72 of the Customs Act, 1962 on the day they should have been removed [Kesoram Rayon v. CC 1996 (86) ELT 464 (SC)]. The applicable rate of duty in such a case is the rate of duty prevalent on the last date on which the goods should have been removed.

**Computation of interest payable by Niryaat Exporters**

As per section 61 of the Customs Act, 1962, if goods (not meant for being used in an 100% EOU, STP unit, EHTP unit) remain in a warehouse beyond a period of 90 days from the date on which the order permitting deposit of goods in warehouse under section 60 of the Customs Act, 1962 is made, interest is payable [@ 15% p.a.], on the amount of duty payable at the time of clearance of the goods, for the period from the expiry of said 90 days till the date of payment of duty on the warehoused goods.

**Therefore, interest payable will be computed as under:**

Period of 90 days commencing from the date of order made under 60 expires on	15 <sup>th</sup> April
No. of days for which interest shall be payable [15 days of April + 31 days of May]	46 days
Interest payable = ₹ 87,120 × $\frac{15}{100} \times \frac{46}{365}$ (rounded off)	₹ 1,647
[5 Marks]	

**ANSWER TO QUESTION NO. 3(C):**

- The e-scrip is valid for a period of two years from the date of its creation in the Electronic Duty Credit Ledger (EDCL). If the duty credit in the e-scrip remains unutilized at the end of this period, it will lapse and cannot be re-generated.
- The duty credit available in the e-scrip can be used for the payment of duties of customs specified in the First Schedule to the Customs Tariff Act, 1975. This primarily includes Basic Customs Duty (BCD). It cannot be used to pay other components like IGST or any other duties unless specified by the Central Government.
- Yes, the e-scrip can be transferred within the customs automated system. The duty credit can be transferred to another person who holds an Importer-Exporter Code (IEC) number. However, the entire amount in the e-scrip must be transferred at once; partial transfer is not permitted.
- According to the regulations, the exporter has the option to combine duty credits under a particular scheme, allowed in one or more shipping bills, to create an e-scrip within a period of two years from the date of the generation of the scroll in the customs automated system. In the present case, ABC Exports Pvt. Ltd. can combine the duty credit from the scroll generated on February 20, 2022, with the duty credit from the export on March 5, 2022, to create a single e-scrip, as long as both credits are under the same scheme and are from the same customs station.

[4 MARKS]

**ANSWER TO QUESTION NO. 4(A):**

Situation	FOB Value (₹)	RoDTEP Rate	RoDTEP Benefit (₹)
(i) Export of cotton fabric to the United States. The export is eligible for the RoDTEP benefit as the goods are produced entirely in India and do not fall under any of the excluded categories.	50,00,000	2%	1,00,000
(ii) Export of synthetic fiber fabric to Europe. Since the fabric is manufactured in India, it is eligible for the RoDTEP benefit even though the raw material (synthetic fiber) is imported.	40,00,000	2%	80,000
(iii) Export of goods to Africa (sale proceeds not realized). Benefit given at the time of export but shall be recovered if the proceeds are not realised within the time permitted under FEMA.	30,00,000	2%	60,000
(iv) Export of products from 100% EOU. Vide Notification No. 70/2023 dated 08.03.2023 the restriction is removed and such exports are eligible for RODTEP	25,00,000	2%	50,000
(v) Export of defence uniform materials (subject to MEP)	10,00,000	Ineligible	0

[5 MARKS]

**ANSWER TO QUESTION NO. 4(B):**

As per Rule 3 of Baggage Rules, 2016, tourist of foreign origin, excluding infant, is allowed Duty Free clearance of

- (i) travel souvenirs; and
- (ii) Articles up to the value of ₹ 15,000 (excluding, inter alia, Cigarettes exceeding 100 sticks, Cartridges of fire arms exceeding 50 and Alcoholic Liquor or Wines in excess of two litres), if carried on in person.

Further, any article the value of which exceeds the Duty Free Allowance admissible to such passenger or member under the Baggage Rules, 2016, is chargeable to Customs Duty @ 35% [Notification No. 26/2016 Customs dated 31.03.2016]. The effective rate of duty becomes 38.5% after including Social Welfare Surcharge @ 10% on Customs Duty.

Accordingly, the Customs Duty payable by Mr. Samuel will be calculated as under:

Particulars	(₹)
Travel Souvenirs	Nil
Other Articles carried on in person	1,50,000
Cigarettes [Since, the number of cigarettes does not exceed 100, the same will be covered within the scope of Rule 3 of Baggage Rules, 2016 and thus, be eligible for General Free Allowance (GFA) or Concessional Rate of Duty applicable to Baggage vide Notification No. 26/2016 Customs dated 31.03.2016, as the case may be.]	8,000
Fire Arms Cartridge [Since, the number of fire arms cartridge does not exceed 50, the same will be covered within the scope of Rule 3 of Baggage Rules, 2016 and thus, be eligible for GFA or Concessional rate of Duty applicable to Baggage vide Notification No. 26/2016 Customs dated 31.03.2016, as the case may be.]	15,000
One Litre of Wine [Since, the quantity of wine does not exceed 2 litres, the same will be covered within the scope of Rule 3 of Baggage Rules, 2016 and thus, be eligible for GFA or Concessional rate of Duty applicable to Baggage vide Notification No. 26/2016 Customs dated 31.03.2016, as the case may be.]	15,000
Baggage within the scope of Rule 3 of Baggage Rules, 2016	1,88,000
Less: GFA	(15,000)
Baggage on which duty is payable	1,73,000
Customs Duty payable @ 38.5%	66,605

**Note:**

Applicable GFA for a tourist of Foreign Origin = ₹ 15,000

**[5 MARKS]**

**ANSWER TO QUESTION NO. 4(C)**

The Supreme Court in *Mangalore Refinery & Petrochemicals Ltd v. CCUs* held that the levy of customs duty under Section 12 of the Customs Act is only on goods *imported into India*. Importation is completed when goods "become part of the mass of goods within the country. Therefore, the duty is payable on the actual quantity of crude oil received into the shore tank in an Indian port, not the quantity mentioned in the bill of lading, especially in cases of ocean loss. If goods are lost or destroyed before clearance for home consumption, the importer is not liable to pay duty. The Customs Department's contention is **not valid**. Duty should be levied on 9,850 metric tonnes because that is the quantity that has actually been imported and become part of the mass of goods within India, consistent with the Supreme Court's ruling. The transit loss reduces the quantity of goods actually imported, and the duty is leviable only on the goods imported.

**[4 MARKS]**



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CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

**Question Paper 5**

# CA FINAL TEST SERIES JAN' 26 EXAM

## TEST – 5

### Portion Covered

- SEGMENT – 1: INTRODUCTION TO GST
- SEGMENT – 2: SUPPLY UNDER GST
- SEGMENT – 3: LEVY AND COLLECTION UNDER CGST
- SEGMENT – 4: LEVY AND COLLECTION UNDER IGST
- SEGMENT – 5: EXEMPTIONS
- SEGMENT – 6: TIME OF SUPPLY
- SEGMENT – 7: PLACE OF SUPPLY
- SEGMENT – 8: VALUE OF SUPPLY
- SEGMENT – 9: INPUT TAX CREDIT
- SEGMENT – 10: COMPOSITION SCHEME
- SEGMENT – 11: REGISTRATION

### Section – A: MCQ'S (30 Marks)

#### **CASE SCENARIO – 1:**

Filmfare corporation is an entertainment media company registered in Mumbai (M.H). They are known for conducting award shows in various locations in India and abroad. During Dec, 2019 they conducted two award functions, the details of which are as follows:

Particulars	Award function in Hyderabad (Telangana)	Award function in Dubai
Revenue from sale of tickets		
10,000 tickets of ₹400 each sold to audience residing in India	₹30,00,000 (7,500 tickets)	₹10,00,000 (2,500 tickets)
2,000 tickets of ₹1,200 each sold to audience residing outside India	₹24,00,000	Nil
8,000 tickets of ₹2,400 each sold to audience residing outside India	Nil	₹1,92,00,000
"Shreya arts" an event management company (Registered in K.A) provided services by way of organising an event for a consideration	₹14,00,000	₹28,00,000
"A2Z Events" an event management company (Located in Dubai) provided services by way of organising an event for a consideration	4,00,000	32,00,000
Various actors and actress based at M.H performed classical dance in the event	₹3,00,000 for 3 performances	₹4,00,000 for 2 performances
Fangs Technologies (p) Ltd. gave money for title sponsor	₹4,00,000	₹12,00,000
"Loot Academy" owned by an individual also gave a title sponsor	₹3,00,000	₹9,00,000
Other inputs and input services received for the event from outside M.H	₹6,00,000	₹12,00,000

**Additional information:**

- All the above amounts are exclusive of GST
- Rate of GST in all the above cases, wherever taxable is 9% CGST, 9% SGST and 18% IGST
- Filmfare Corporation opted not to pay IGST w.r.to export of services, if any
- Amounts towards tickets sold to audience outside India is received in convertible foreign exchange

Based on the above information, choose the most appropriate option of the following Multiple-Choice Questions (MCQs) (Q. No. 1 to Q. No. 5)

1. What is the taxability w.r.to sale of tickets by Filmfare Corporation?
  - (i) 7,500 tickets sold for award function in Hyderabad to audience residing in India
  - (ii) 2,500 tickets sold for award function in Dubai to audience residing in India
  - (iii) 2,000 tickets sold for award function in Hyderabad to audience residing outside India
  - (iv) 8,000 tickets sold for award function in Dubai to audience residing outside India
  - a) Exempted; Exempted; Taxable – Interstate; Taxable – Zero Rated
  - b) Exempted; Taxable – Interstate; Taxable – Interstate; Taxable – Zero Rated
  - c) Taxable – Interstate (or) Intrastate; Taxable – Interstate; Taxable – Zero rated; Taxable – Zero rated
  - d) Taxable – Interstate (or) Intrastate; Exempted, Taxable – Zero rated, Exempted

**(2 MARKS)**
2. What is the net ITC available to Filmfare corporation for the month of Dec, 2019 after reversal of ITC w.r.to exempted supplies?
  - a) IGST = ₹10,32,750
  - b) CGST = ₹5,16,375, SGST = ₹5,16,375
  - c) IGST = ₹9,72,000, CGST = ₹30,375 and SGST = ₹30,375
  - d) None of these

**(2 MARKS)**
3. What is the refund of ITC available to Filmfare corporation on account of zero rated supply, if any (Without considering sponsorship services).
  - a) ₹7,74,563
  - b) ₹10,88,000
  - c) Nil
  - d) ₹9,18,000

**(2 MARKS)**
4. With respect to sponsorship services, determine GST payable by Filmfare Corporation (Without adjusting any ITC)?
  - a) ₹5,04,000
  - b) ₹2,16,000
  - c) ₹1,62,000
  - d) Nil
5. What is the net GST payable by Filmfare Corporation for the month of Dec, 2019 (Assuming that they have not reversed any ITC w.r.to exempt supplies)?
  - a) Nil, as there is excess credit
  - b) ₹31,43,250
  - c) ₹7,20,000
  - d) ₹72,000

**(2 MARKS)**

**CASE SCENARIO – 2:**

'Galgotia Travels Ltd.' (GTL) is established on 3rd April in the city of Bangalore (Karnataka) and the primary objective of the company is to provide air-conditioned contract-based passenger transportation services at affordable fares. The company obtains voluntary registration under GST from 1st May. On 1st July, the company purchased motor vehicles (omnibus) of various seating capacities as follows:

Seating capacity (including driver)	No. of vehicles	Purchase price (per vehicle exclusive of taxes)	Rate of GST
8 persons	4	10,00,000	CGST-9%; SGST - 9%
9 persons	3	12,00,000	CGST-9%; SGST - 9%
11 persons	2	14,00,000	CGST-9%; SGST - 9%
13 persons	1	15,00,000	IGST-18%

From the month of July, GTL associated with POKO Ltd. to enhance the business operations. POKO Ltd. owns/operates an electronic platform for supply of passenger transportation services in Bangalore. The company developed an application called 'POKO' through which the customers can access the nearest available motor vehicles (cabs) and avail the services. POKO Ltd. collects the consideration for the services from the customers and remits the same to the service provider (GTL) after retaining the commission charged by it for using its electronic platform.

The details of few bookings of GTL in the month of July are as follows:

(These bookings are obtained by GTL on its own account and not through POKO Ltd.)

Order No.	Date of travel	Starting city	Ending city	Residence of the customer	Date of payment/Status of customer booking
CA-234	5 <sup>th</sup> July	Bangalore	Chennai	Bangalore	3 <sup>rd</sup> July Registered*
CA-435	11 <sup>th</sup> July	Bangalore	Chennai	Chennai	9 <sup>th</sup> July Unregistered
PH-534	16 <sup>th</sup> July	Chennai	Bangalore	Hyderabad	14 <sup>th</sup> July Registered*
GK-987	19 <sup>th</sup> July	Hyderabad	Bangalore	Delhi	17 <sup>th</sup> July Unregistered
UV-777	22 <sup>nd</sup> July	Bangalore	Hyderabad	Mumbai	20 <sup>th</sup> July Registered*
XE-001	25 <sup>th</sup> July	Chennai	Bangalore	Kolkata	23 <sup>rd</sup> July Unregistered

\*Registered in the State in which they reside

In all the above cases, journey is a single-day journey and invoice is issued electronically on the date of travel immediately after the completion of journey.

The details of the passenger transportation services supplied by GTL through POKO Ltd. & GST liability on the supply is as follows:-

Particulars	July (₹)	August (₹)	September (₹)
Value of services	1,30,00,000	1,25,00,000	1,40,00,000
CGST	9,00,000	8,00,000	8,50,000
SGST	9,00,000	8,00,000	8,50,000
IGST	4,00,000	3,50,000	4,50,000

**Note:**

1. All amounts are exclusive of CGST/SGST or IGST, as the case may be.
2. Booking is confirmed only after paying total fare for the journey.
3. There is no other inward or outward supply transaction for GTL in the relevant period apart from the aforementioned transactions.

4. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

Based on the case scenario given above, choose the most appropriate answer to Q. nos. 6 to 10 below:

**MULTIPLE CHOICE QUESTIONS**

6. Amount of blocked credit in respect of motor vehicles purchased by GTL on 1st July is\_\_\_\_\_.

- a) CGST= ₹ 9,36,000; SGST=₹ 9,36,000 & IGST = ₹ 2,70,000
- b) CGST=₹ 3,24,000; SGST=₹ 3,24,000 & IGST=₹ 2,70,000
- c) CGST = Nil; SGST = Nil & IGST = ₹ 2,70,000
- d) CGST = Nil; SGST = Nil & IGST = Nil

**(2 Marks)**

7. Amount of GST payable through electronic cash ledger by GTL on the services supplied by it through POKO Ltd. during the month of July, ignoring the provisions of rule 86B of the CGST Rules, 2017, is\_\_\_\_\_.

- a) CGST=₹ 9,00,000; SGST=₹ 9,00,000 & IGST=₹ 4,00,000
- b) CGST = Nil; SGST = Nil & IGST = ₹ 58,000
- c) CGST = Nil; SGST = Nil & IGST = ₹ 1,30,000
- d) CGST = Nil; SGST = Nil & IGST = Nil

**(2 Marks)**

8. Place of supply for order numbers 1) CA-435, 2) PH-534 & 3) GK-987 is\_\_\_\_\_.

- a) 1) Bangalore, 2) Hyderabad & 3) Hyderabad
- b) 1) Chennai, 2) Hyderabad & 3) Hyderabad
- c) 1) Chennai, 2) Chennai & 3) Delhi
- d) 1) Bangalore, 2) Chennai & 3) Hyderabad

**(2 Marks)**

9. Amount of tax to be collected at source (ignore bifurcation under the CGST, SGST and IGST) by POKO Ltd. on the taxable supplies made through it during the months of A) July, B) August and C) September is \_\_\_\_\_.

- a) A) ₹ 65,000; B) ₹ 62,500 and C) ₹ 70,000
- b) A) ₹ 1,30,000; B) ₹ 1,25,000 and C) ₹ 1,40,000
- c) A) ₹ 1,30,000; B) Nil and C) ₹ 70,000
- d) A) Nil; B) Nil and C) Nil

**(2 Marks)**

10. Time of supply for order numbers 1) CA-234, 2) UV-777 & 3) XE-001 is\_\_\_\_\_.

- a) 1) 5th July, 2) 20th July & 3) 23rd July
- b) 1) 5th July, 2) 22nd July & 3) 23rd July
- c) 1) 3rd July, 2) 20th July & 3) 23rd July
- d) 1) 5th July, 2) 20th July & 3) 23rd July

**(2 Marks)**

**CASE SCENARIO – 3:**

ABC Petroleum Limited is engaged in the business of refining and marketing of petroleum products. It has one refinery each in the States of Tamil Nadu, West Bengal & Maharashtra and numerous administrative and marketing offices spread across the country. The company has separate marketing cum administrative offices for every major State and common administrative cum marketing offices for a group of small States e.g., all north-eastern States are covered under one marketing cum administrative office. The company also blends lubricants in its blending plants located in the States of Maharashtra and Tamil Nadu. As a policy, all the places of business of the company in a State are registered under GST under one registration. Imported crude is used as input in the refinery and following major products are extracted after refining process:

Products chargeable to GST (Group A)	Products not chargeable to GST (Group B)
Base oil (An input for blending lubricants)	Petrol
Furnace oil	Diesel
Bitumen (Used for road construction)	Air turbine fuel
LPG (Domestic and Industrial)	

Base oils are further sent to blending plants where they are blended with additives to produce lubricants. The company provides the following particulars for States of Tamil Nadu and Maharashtra for the month of January:

Particulars	Tamil Nadu (₹)	Maharashtra (₹)
Value of supply inclusive of all taxes/duties (Group B products)	1,650	3,400
Value of supply (Group A products) before all taxes/duties	100	200
Excise duty leviable on supply of Group B products	500	1,000
VAT on supply of Group B products	250	600
Tax paid on inputs and input services procured at the blending plant	5	6
Tax paid on spares procured at the refinery (Spares are booked in revenue account)	3	8
Tax paid on inputs and input services procured at the marketing cum administrative office	2	3
Tax paid capital asset procured at the blending plant	0	5
Tax paid capital asset procured at the refinery	12	0

Assume that all of the Group A products are chargeable to GST @ 18% (including both CGST and SGST or IGST, as the case may be). The opening balance of input tax credit of ABC Petroleum Limited for the relevant tax period is nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Further, there is no other inward or outward supply transaction for ABC Petroleum Limited in January apart from the aforementioned transactions. Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 11 to 15 as follows: -

11. The value of company's supply in the Union Territory of Puducherry is ₹ 32,34,000 (Group A products) and in the State of Goa is ₹ 18,38,000 (Group A and Group B products) for the current financial year. GST registration is:

- a) not required for both Puducherry and Goa
- b) not required for Goa but required for Puducherry
- c) required for both Puducherry and Goa
- d) not required for Puducherry but required for Goa

**[2 MARKS]**

12. The eligible ITC attributable to taxable supply, available at marketing cum administrative office located in the State of Maharashtra, for the month of January, is:

- a) ₹ 3,000
- b) ₹ 300
- c) ₹ 166.67
- d) ₹ 1,500

**[2 MARKS]**

13. The eligible ITC attributable to taxable supply in respect of the capital asset procured in the State of Tamil Nadu, for the month of January is:

- a) ₹ 12,000.
- b) ₹ 200.
- c) ₹ 11,811.11.
- d) ₹ 11,820.

14. Due to sudden fire in the store-room of the refinery located in Maharashtra on 28th January, the entire quantity of spares procured in the month of January gets destroyed. What action is required from ABC Petroleum Limited?

- a) No action is required on the part of ABC Petroleum Limited under GST Law.
- b) ABC Petroleum Limited should report to jurisdictional GST Department for verification of the loss inputs on account of fire.
- c) ABC Petroleum Limited should not avail ITC of tax paid on the spares.
- d) ABC Petroleum Limited should avail ITC and reverse the same.

**[2 MARKS]**

15. Which of the following statement is incorrect w.r.to the given case scenario

- a) Excise duty and VAT is not included for computation of GST payable.
- b) Excise duty and VAT is not included for computation of ITC
- c) If the actual utilisation of inputs and input services for Group A and Group B products is available, then the turnover is not relevant for reversal of ITC
- d) None of these

**[2 MARKS]**

**Section B: Descriptive (14 Marks X 5 Question = 70 Marks)**  
**(Question No. 1 is compulsory and answer any 4 out of 5 given below)**

**QUESTION 1:**

Global Innovate Ltd., a registered entity operating from Mumbai, Maharashtra, is engaged in multiple business activities. The company's aggregate turnover for the preceding financial year (2022-23) was ₹1.75 crore.

During October 2024, Global Innovate Ltd. engaged in the following transactions:

**I. Inward Supplies (all amounts are exclusive of GST, unless specified):**

- Raw materials for "TechGadgets" (taxable): ₹50,00,000, purchased from a registered supplier in Karnataka.
- Cement for "EcoHomes" (exempted): ₹20,00,000, purchased from an unregistered person in Maharashtra.
- Machinery 'X' purchased on 1st April 2024: ₹10,00,000 from a registered supplier in Maharashtra. This machine is used exclusively for manufacturing TechGadgets.
- Machinery 'Y' (capital goods) purchased on 1st July 2024: ₹2,40,000 from a registered supplier in Maharashtra. This machine is used for both TechGadgets and EcoHomes.
- Office supplies (inputs/input services for common use across all business verticals): ₹5,00,000 from registered suppliers in Maharashtra.
- Legal services from PB & Associates (a partnership firm of advocates with a preceding FY turnover of ₹25 lakh) in Maharashtra - For general corporate compliance: ₹1,00,000 and for a dispute resolution case specifically related to the 'EcoHomes': ₹50,000.
- Mahindra XUV 700 purchased for exclusive personal use of the Managing Director: ₹10,00,000 from a registered supplier in Maharashtra.
- Employee training services on new software (used by all departments): ₹2,00,000 from a registered supplier in Maharashtra.

**II. Outward Supplies (all amounts are exclusive of GST, unless specified):**

- Sales of "TechGadgets":
  - Intra-State sales (Maharashtra): ₹1,20,00,000.
  - Inter-State sales (Gujarat): ₹80,00,000.
- Sale of "EcoHomes" units (Within Maharashtra): ₹50,00,000.
- "Consultancy Services" (intra-State): ₹30,00,000.
- Interest income from short-term loans provided to clients (not credit card services): ₹5,00,000.
- Provision of "Employee Wellness Program" (fitness classes and health workshops) to all employees free of charge: The Open Market Value (OMV) of these services is ₹50,000.
- Sale of a "Diwali Gift Hamper" containing assorted sweets, chocolates, and a religious book: ₹1,000 (inclusive of GST). These items could be sold separately, and the highest applicable GST rate in the hamper is 18%.

**III. Applicable GST Rates:**

- General rate for goods and services (except specified): CGST 9%, SGST 9%, IGST 18%.
- Cement (for RCM applicability): CGST 14%, SGST 14% (total 28%).

**Assumptions:**

- The position of GST law is as on 28.02.2025.
- Unless explicitly stated otherwise, all conditions necessary for availing Input Tax Credit (ITC) have been fulfilled.
- Ignore any interest or penalties.
- Opening balance of ITC for October 2024 is nil.

Determine the net GST payable from the Electronic Cash Ledger by Global Innovate Ltd. for the month of October 2024, after utilising the available ITC and applying Rule 86B.

**[14 MARKS]**

**QUESTION NO. 2(A):**

Charm Limited registered under GST in the state of Jharkhand, manufactures cosmetic products and appointed Mr. Handsome of Mumbai, who is registered under GST in the state of Maharashtra, as their Del-credere agency agent (DCA) to the sell their products. Being a DCA, he agrees to raise invoices in his own name and also guarantees for the realisation of payment from customers to Charm Limited.

In order to realise the payments from customers on time, he extends short term transaction-based loans to them and charges interest for the same.

Mr. handsome provides you the following details of transactions carried out during the month of March 2022.

Sl.No	Particulars	Amount in ₹
	Outward Supply:	
i.	Goods sold by MR. Handsome in the DCA capacity (Intra-State transaction)	2,80,000
ii.	Interest earned from the above customers for short term credit facility provided for timely payment of dues. (Intra-State transaction)	20,000
iii.	Commission bill raised on Charm Limited (Inter-State transaction) in respect of DCA services provided.	30,000
	Inward Supply:	
iv.	Inter-State supply of goods received from Charm Limited. Since being a DCA, no consideration was paid. Value under section 15 - ₹ 2,00,000	Nil
v.	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost. Company charges ₹ 75,000 for such training when they provide the same to others	Nil

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amount given above are exclusive of taxes wherever applicable. Subject to the information given above, necessary conditions are complied with for availment of Input Tax Credit.

You are required to calculate the gross GST liability and eligible Input Tax Credit for the month of March 2022 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No (i) to (v).

**[5 MARKS]**

**QUESTION NO. 2(B):**

Draco Pvt. Ltd. is a company engaged in refining the crude petroleum into petrol. It also sells crude oil to other similar companies. On October 2019, it acquired a license for exploration of crude petrol from Punjab Government by entering into Production sharing contract (PSC) from government. On March 2020 its research team entered into exploration of crude petroleum and incurred the following expenses:

Expenses for exploration - ₹ 50 lakhs

Expenses incurred for development- ₹ 8 lakhs

Expenses incurred for production – ₹ 70 lakhs

Royalty paid – ₹ 15 lakhs

After incurring following expenses, Draco Pvt. Ltd. sold the crude petroleum extracted from Punjab to Marvel Pvt. Ltd of Delhi for a consideration of ₹ 2 Crores on 1st December 2020. As per PSC, the company is entitled to provide 40% of "profit petroleum". The Board of directors (BOD) of Draco Pvt. Ltd wants to know if GST is payable on "profit petroleum" paid to the Government. Compute "profit petroleum" payable paid to government and advice the BOD accordingly. Also, what is the treatment of royalty paid to the Government and recovery of expenses by Draco Pvt. Ltd.

**[5 MARKS]**

**QUESTION NO. 2(C):**

X is engaged in intra-state supply of goods and services in Chennai. His turnover for the financial years 2022-23 and 2023-24 is given below- (₹ in Lakhs)

	Financial year 2022- 23			Financial year 2023 - 2024		
	Taxable	Exempt	Total	Taxable	Exempt	Total
Supply of goods (stationary items/books)	10	5	15	11	6	17
Supply of services by way of extending deposits, loans or advances where consideration is represented by way of interest or discount	-	42	42	-	44	44
Supply of other services (not being restaurant services)	22	8	30	20	10	30
Total	32	55	87	31	60	91

Up to March 31, 2023, X is a registered person who has not opted for Composition Scheme under section 10. He wants to opt for Composition Scheme with effect from April 1, 2023. Is it possible? If yes, find out the tax liability of X for the financial year 2023-24 under Composition Scheme. X is not engaged in making inter-State supply. He does not supply through e-commerce operator.

**[4 MARKS]**

**QUESTION NO. 3(A):**

InfoHub Ltd., a UK-based provider of Online Information and Database Access or Retrieval (OIDAR) services, supplies ₹10 crore worth of services during February 2024. Indian revenue includes ₹5 crore from unregistered individual users, who are using the same for their business purpose, ₹3.5 crore from corporate clients registered under GST, and ₹1.5 crore through **Amazon Web Services (AWS)**, a Singapore-based intermediary. AWS collects payments, sets terms, issues invoices to Indian users, and earns a commission of 10% on the revenue facilitated. InfoHub Ltd. also exports ₹2.5 crore in services to the USA, claiming they qualify as zero-rated under Section 13(12) of the IGST Act. The company appoints IndiaGST Solutions Pvt. Ltd. to handle its Indian compliance for a fee of ₹10 lakh. Compute the GST liability of Info Hub Ltd. and Amazon web services, a Singapore based company and explain how the liability is discharged by them.

**[5 MARKS]**

**QUESTION NO. 3(B):**

M/s Royal Diamond Casino operates a luxury casino in Goa, offering a wide range of gambling activities including poker, blackjack, slot machines, and roulette. The casino also hosts special events and high-stakes competitions. Patrons can purchase tokens, chips, coins, or tickets to participate in these activities. Patron A purchases tokens worth INR 1,00,000 and Patron B purchases tokens worth INR 2,00,000. The casino organizes a poker tournament with an entry fee of INR 25,000. Patron A and Patron B both participate. The casino also hosts a high-stakes blackjack event with a participation fee of INR 50,000, and only Patron B participates. At the end of the gaming session, Patron A returns unused tokens worth INR 20,000, which are refunded by the casino. Patron B returns unused tokens worth INR 50,000, which are refunded. Patron A wins INR 30,000 in a game and decides to use the winnings for further gaming without withdrawing the amount. Patron B wins INR 1,00,000 in a high-stakes game and uses it for further play.

Determine the value of supply of actionable claims in the casino for the payment of GST where the applicable rate of GST is 28%

**[5 MARKS]**

**QUESTION NO. 3(C):**

Mr. Bindusaar is an employee in Galgotia and Sons, working at its Mumbai (Maharashtra) office. Mr. Bindusaar is unregistered under GST law. His family is located in Bareilly, Uttar Pradesh. His son requires a laptop for his school project on urgent basis. Therefore, Mr. Bindusaar places an order on Amazing.in - an e-commerce platform - for supply of a laptop of latest configuration for his son, which is to be delivered at his residential address located in Bareilly, Uttar Pradesh. Mr. Bindusaar, while placing the order on the e-commerce platform - Amazing.in, provides the billing address of his apartment located in Mumbai Maharashtra. You are required to determine the place of supply of the supply of laptop in the given case

**[4 MARKS]**

**QUESTION NO. 4(A):**

Mr. Ritesh of Tamil Nadu, commences business as a trader making supplies only within the state and also has interest income. on Jan 2025 and provides the following information for the financial year 2024-25. You are required to find out the aggregate turnover for the purpose of registration (Applicable threshold limit for registration is ₹40 lakhs) and eligibility of composition levy scheme and determine, the GST payable for the financial year 2024-25 based on the following information:

Invoice No.	Date	Transaction
0001	January 2, 2025	Sold industrial tools worth ₹25,00,000
0002	January 5, 2025	Received an advance of ₹4,00,000 from a customer
0003	January 8, 2025	Supplied spare parts worth ₹8,00,000 to a buyer
0004	January 12, 2025	Earned interest of ₹1,50,000 from a fixed deposit with a nationalized bank.
0005	January 18, 2025	Supplied dishwashers worth ₹300,000

0006	January 25, 2025	Earned <b>interest income of ₹2,00,000</b> from a fixed deposit with a scheduled bank.
0007	January 28, 2025	Dishwashers sold on January 18, 2025 were returned by customer and a credit note was issued
0008	January 30, 2025	Paid <b>₹3,00,000 to a GTA (Goods Transport Agency)</b> for transporting goods to dealers, where GST is <b>payable under RCM @ 5%</b> .
0009	February 5, 2025	Sold <b>mobile phones worth ₹8,00,000</b> within the state through an <b>e-commerce operator</b> who deducted <b>1% TCS under Section 52 of the CGST Act (GST @ 18%)</b> .
0010	February 8, 2025	Sold <b>LED televisions worth ₹20,00,000</b> to a GST-registered dealer in Chennai

Based on the above, answer the following questions:

- What is the date on which Mr. Ritesh is liable to get registered?
- Whether Mr. Rithesh can opt for composition scheme during financial year 2024-25?

What is the GST payable by Mr. Rithesh based on the above data if he opts for composition scheme for the financial year 2024-25?

**[5 MARKS]**

#### **QUESTION NO. 4(B):**

Mr. Divas, a registered person in Agra, Uttar Pradesh purchased a car for ₹ 12,50,000 on 15th October. On 31st October, the car met with an accident resulting in minor damage.

Due to urgency, he got his car repaired in the local garage of a nearby market instead of garage authorized by his general insurance company,

i.e. Suraksha Insurance Company, through which his car was insured. The total cost of repairs was ₹ 54,000 (excluding GST @ 18%). On the instructions of Mr. Divas, the invoice for the entire amount was raised by garage in the name of Suraksha Insurance Company. The insurance company approved the claim amount of only ₹ 40,000 after the survey and reimbursed the same amount alongwith GST @ 18% to Mr. Divas. In light of the above facts, you are required to answer the following

questions:

- Whether Suraksha Insurance Company is eligible to avail ITC on the basis of the invoice raised by garage? If yes, what would the amount of eligible input tax credit?
- Would your answer be different, if garage had issued two different invoices, one for ₹ 40,000 + GST @ 18% to Suraksha Insurance Company and another for ₹ 14000 + GST @ 18% to Mr. Divas?
- In case, the garage issued the invoice in the name of Mr. Divas, would Suraksha Insurance Company be eligible to avail ITC?

**[5 MARKS]**

#### **QUESTION NO. 4(C)**

Green Life Pvt. Ltd., a company engaged in selling organic personal care products, operates under a Multi-Level Marketing (MLM) strategy. The company recruits distributors to sell its products directly to consumers. These distributors can also recruit new distributors into their "downline." Green Life Pvt. Ltd. provides the following rewards/incentives to its distributors:

- Profit Margin on Sales:** Distributors earn a margin of 20% on the sale of products purchased from Green Life Pvt. Ltd.
- Performance Incentive:** Distributors receive an incentive of ₹10,000 for achieving sales of ₹1,00,000 or more in a month.
- Recruitment Bonus:** Distributors earn ₹5,000 for every new distributor they successfully recruit into the system.

4. **Product Demonstration Rewards:** The company provides free samples worth ₹10,000 every quarter to top-performing distributors for conducting product demonstrations.
5. **Buyback Policy:** Green Life Pvt. Ltd. offers a buyback scheme allowing distributors to return unsold goods purchased within the last 90 days for a refund, subject to a restocking fee of 10% of the invoice value.

Analyze whether each of the above rewards/incentives provided by Green Life Pvt. Ltd. constitutes **consideration** under Section 2(31) of the CGST Act, 2017.

**[4 MARKS]**

**QUESTION NO. 5(A)**

The Resident Welfare Association (RWA) of Kutumb Housing Society is registered under GST in the State of Maharashtra. There are 100 three BHK flats and 100 four BHK flats in the society. It received/paid the following amounts (excluding GST, wherever applicable) in the months of January and February:

- (i) Maintenance charges per flat received (excluding electricity charges) from all 3 BHK flat owners- ₹ 7,000 per member per month.
- (ii) Maintenance charges per flat received (excluding electricity charges) from all 4 BHK flat owners- ₹ 10,000 per member per month.
- (iii) Electricity charges w.r.t. common area lifts and lighting collected from all 3 BHK and 4 BHK flat owners by equally apportioning the bill received from electricity board (Bill value: ₹2,00,000) - ₹1,000 per member per month.
- (iv) Electricity supplied through its company that has built and maintained solar panels that delivers electricity to various consumers, as power backup for common area lifts and lighting, on adhoc basis - ₹600 per member per month.
- (v) Interest received on the fixed deposit with Dhansukh Bank - ₹ 5,00,000.
- (vi) Generator purchased for the power back-up of 4 BHK flats in February - ₹ 1,00,000.
- (vii) Taps, pipes, other sanitary fittings purchased for 3 BHK flats in January- ₹ 50,000.

Determine the net GST liability to be paid for the months of January and February, assuming that the GST rate is 18% on all inward and outward supplies.

**[5 Marks]**

**QUESTION NO. 5(B)**

Swiggy, a prominent e-commerce operator, collaborates with **The Spice House**, a restaurant based in Mumbai, for food delivery services. During December 2024, Swiggy incurred input costs of ₹1,00,000 for goods (GST @ 12%) and ₹1,50,000 for services (GST @ 18%). Swiggy's total revenue from food sales amounted to ₹10,00,000 (GST @ 5%, no ITC). Additionally, Swiggy earned ₹5,00,000 as commission, platform fees, advertisement fees, and delivery charges (GST @ 18%). Out of the food sales, 75% of the revenue was shared with The Spice House.

The Spice House also directly sold food worth ₹8,00,000 to customers (GST @ 5%, no ITC). The restaurant incurred material costs of ₹3,00,000 (GST @ 12%) and service costs of ₹1,00,000 (GST @ 18%). Compute the net GST liability for both Swiggy and The Spice House.

**[5 Marks]**

**QUESTION NO. 5(C)**

Mr. Allan, a non-resident person, wishes to provide taxable supply of goods in India w.e.f 1.7.2024. He has no fixed place of business or residence in India. He imports goods worth ₹20,00,000 (Basic customs duty @ 10%, Social welfare surcharge @10% and IGST @18%). His expected outward supplies in India is ₹40,00,000 (Excl. GST @ 12%) and Inward supplies in India is ₹25,00,000 (Excl. GST @ 18%). He seeks your advice on the following aspects, relating to CGST Act, 2017:

- I. When shall he apply for registration?
- II. Is PAN mandatory for his registration?
- III. What is the period of validity of RC granted to him? Will he be able to extend the validity of his registration? If yes, what will be the period of extension?
- IV. Can he avail ITC on his inward supplies? How much is the ITC available in the given case?
- V. Compute the advance tax payable by him at the time of making application for registration?

**[4 MARKS]**

**QUESTION NO. 6(A)**

Mr. Arjun, an individual residing in Mumbai, M.H inherited multiple properties in Bengaluru and Chennai from his grandfather in December 2024, and rents out these properties for various purposes from December 2024 to various persons. The transactions include a residential property in Bengaluru rented to ABC Pvt. Ltd. (a GST-registered IT company) for ₹1,50,000, where 70% is used for office purposes and 30% for employee accommodation. In Chennai, a commercial property is rented to DEF Pvt. Ltd. (registered) for ₹2,00,000 and to GHI Enterprises (unregistered) for ₹1,50,000. In order to find the corporate tenants, Mr. Arjun hires **Betterhomes LLC**, a Dubai-based real estate agency, to identify tenants and manage tenant agreements. Betterhomes LLC charges him ₹1,00,000 for these services in December 2024. Discuss the taxability of each transaction and compute the aggregate turnover of Mr. Arjun for December 2024.

**[5 MARKS]**

**QUESTION NO. 6(B)**

What are the situations where registration of a person can be cancelled suo-moto by officer on account of contravention of provisions of the CSGT Act or Rules?

(or)

CBIC has issued a recent clarification on time of supply in respect of supply of services of construction of road and maintenance thereof of National Highway projects in Hybrid Annuity model (HAM). Briefly discuss the said clarification.

**[5 MARKS]**

**QUESTION NO. 6(C)**

ABC Pvt. Ltd., a registered entity, has encountered various situations involving payments for non-compliance or specific contractual agreements. Based on the established legal provisions and circulars concerning the applicability of GST on liquidated damages, compensation, and penalties, you are required to determine the GST implications for each of the following independent scenarios.

A) ABC Pvt. Ltd. entered into a contract with a supplier for the timely delivery of raw materials. The contract included a clause specifying a penalty of **£500 per day** for each day of delay. The supplier, due to unforeseen circumstances, delayed the delivery by **10 days** and consequently paid ABC Pvt. Ltd. a sum of **£5,000** as per the contractual penalty clause.

B) ABC Pvt. Ltd. sought to gain a competitive advantage in a new market segment. To this end, it entered into a formal agreement with XYZ Ltd., a direct competitor. Under this agreement, XYZ Ltd. explicitly agreed to **defer the launch of its new product** in the designated market for a period of **6 months** in exchange for a one-time payment of **£25,000** from ABC Pvt. Ltd.

**[4 MARKS]**



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CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

## Suggested Answer 5

# CA FINAL TEST SERIES JAN' 26 EXAM

## SUGGESTED ANSWER – 5

### Section – A: MCQ'S (30 Marks)

#### CASE SCENARIO – 1:

##### 1. Answer (A)

Particulars	Amount	Taxability
(i) 7,500 tickets sold to audience in India w.r.to event in Telangana	₹ 30,00,000 (7,500 x ₹ 400)	Exempted, as ticket price $\leq$ ₹ 500 per person
(ii) 2,500 tickets sold to audience in India w.r.to event to Dubai	₹ 10,00,000 (2,500 x ₹ 400)	Exempted as ticket price $\leq$ ₹ 500 per person
(iii) 2,000 tickets sold to audience outside India w.r.to event in Telangana	₹ 24,00,000 (2,000 x ₹ 1200)	<b>Not exempted as ticket price <math>&gt;</math> ₹ 500 per person</b> LOS = M.H; LOR = Outside India POS u/s 13= LOE = Telangana ↓ Deemed interstate chargeable to IGST
(iv) 8,000 tickets sold to audience outside India w.r.to event in Dubai	₹ 1,92,00,000 (8,000 x 2,400)	<b>Not exempted as ticket price <math>&gt;</math> ₹ 500 per person</b> LOS = M.H; LOR = Outside Indian POS u/s 13= LOE = Outside India consideration = Forex ∴ Export of services & zero rated
(v) Sponsorship services to Fangs Technologies P. Ltd.	₹16,00,000	Taxable under RCM as recipient is body corporate (Treated as exempted supply for ITC purpose)
(vi) Sponsorship services to Loot Academy	₹12,00,000	Taxable under FCM in the hands of supplier LOS = M.H & LOR not available, therefore, POS is LOS i.e., M.H and it is an intra state supply
	₹ 2,84,00,000	

[2 MARKS]

##### 2. Answer (D)

###### Computation of ITC

	Event in Telangana	Event in Dubai
(i) Event management services from Shreya arts	LOS= K.A LOR = M.H POS u/s 12 (B2B) =LOR = M.H  Interstate supply, Chargeable to IGST ∴ IGST credit = ₹ 14,00,000 x 18% = ₹ 2,52,000	LOS= K.A LOR = M.H POS u/s 12 (B2B) =LOR = M.H  Interstate supply, Chargeable to IGST ∴ IGST credit = ₹ 25,00,000 x 18% = ₹ 5,04,000

(ii) Event Management services from A2Z events	LOS= Dubai LOR = M.H POS u/s 13 =LOE = Telangana  Import of Services → IGST payable under RCM  ∴ IGST Credit = ₹ 4,00,000 × 18% = ₹ 72,000	LOS= Dubai LOR = M.H POS u/s 13 =LOE = Dubai  No Levy
(iii) Classical Dance performance	Exempted as the consideration per performance ≤ ₹ 1,50,000	Not exempted as the consideration per performance > ₹ 1,50,000 ↓ LOS = M.H; LOR = M.H POS u/s 12 = M.H & it is intra state supply CGST paid = 4,00,000 × 9% = 36,000 SGST paid = 4,00,000 × 9% = 36,000
(iv) Other input & input services	6,00,000 × 18% = 1,08,000 → IGST Credit	12,00,000 × 18% = 2,16,000 → IGST Credit

	CGST	SGST	IGST
Gross ITC	36,000	36,000	11,52,000
(-) ITC w.r.to exempt supply	36,000 × 56/284 = 7,099	36,000 × 56/284 = 7,099	11,52,000 × 56/284 = 2,27,155
<b>Net ITC Available</b>	<b>28,901</b>	<b>28,901</b>	<b>9,24,845</b>

[2 MARKS]

### 3. Answer D

Net ITC computation without considering sponsorship services

	CGST	SGST	IGST
Gross ITC	36,000	36,000	11,52,000
(-) ITC w.r.to exempt supply	36,000 × 40/256 = 5625	36,000 × 40/256 = 5625	11,52,000 × 40/256 = 1,80,000
<b>Net ITC Available</b>	<b>30,375</b>	<b>30,375</b>	<b>9,72,000</b>

$$\text{Maximum refund} = \text{Net ITC} \times \frac{\text{Zero rated turnover}}{\text{Adjusted total turnover}}$$

$$= 10,32,750 \times \frac{1,92,00,000}{2,44,00,000} = 8,12,656$$

Total turnover ⇒ Revenue from sale of tickets	2,56,00,000
(-) Exempted supplies	(40,00,000)
	2,16,00,000

Without considering sponsorship services:

$$\text{Refund} = 10,32,750 \times \frac{1,92,00,000}{2,16,00,000} = 9,18,000$$

[2 MARKS]

### 4. Answer B

Sponsorship services from Fangs Technologies → Taxable under RCM as recipient is body corporate. Therefore, Filmfare corporation is not liable to pay GST on the same.

Sponsorship services from Loot academy → Taxable under FCM as recipient is individual. Therefore, Filmfare corporation is liable to pay GST on the same

$$= ₹ 12,00,000 × 18% = ₹ 2,16,000$$

[2 MARKS]

5. Answer D

Gross Liability	= $24,00,000 \times 18\%$	= $4,32,000$	(Sale of tickets)
	= $12,00,000 \times 18\%$	= $2,16,000$	(Sponsorship)
		6,48,000	
(-) ITC Available	= 12,24,000	(6,48,000)	
		0	
(+) GST Payable under RCM		72,000	(Import of services)
Net GST Payable		72000	

[2 MARKS]

CASE SCENARIO – 2:

6. Option (d) CGST = Nil; SGST = Nil & IGST = Nil

Reason

As per section 17(5), ITC in respect of motor vehicles for transportation of persons with seating capacity  $\leq$  13 persons (including the driver) is blocked.

However, ITC is available when motor vehicles are used for any of the following eligible purposes –

- making further taxable supply of such motor vehicles
- making taxable supply of transportation of passengers
- making taxable supply of imparting training on driving such motor vehicles

Since GTL is engaged in providing transportation of passenger services, ITC of motor vehicle (omnibus) with seating capacity (including driver) of 8 persons, 9 persons, 11 persons and 13 persons is available. The eligible ITC is as follows:

Seating capacity (including driver)	No. of vehicles	Purchase price (per vehicle) *	CGST @9% ₹	SGST @9% ₹	IGST @ 18% ₹
8 persons	4	10,00,000	3,60,000	3,60,000	-
9 persons	3	12,00,000	3,24,000	3,24,000	-
11 persons	2	14,00,000	2,52,000	2,52,000	-
13 persons	1	15,00,000	-	-	2,70,000
Total eligible credit			9,36,000	9,36,000	2,70,000
Blocked credit			Nil	Nil	Nil

7. Option (b) CGST = Nil; SGST = Nil & IGST = ₹ 58,000

Reason

Amount of GST payable through electronic cash ledger by GTL on the services supplied by it through POKO Ltd. in July is as follows:

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Output tax	9,00,000	9,00,000	4,00,000
Eligible ITC (as calculated in solution to MCQ 1 above)	(9,00,000)	(9,00,000)	(2,70,000)
[ITC of IGST has been utilized to pay IGST liability and ITC of CGST and SGST have been utilized to pay CGST and SGST liability first and then to pay IGST liability.]	-	-	(36,000)
GST payable in cash	-	-	58,000

8. Option (a) A) ₹ 65,000; B) ₹ 62,500 and C) ₹ 70,000

**Reason**

As per section 52 read with section 20 of the IGST Act, 2017, the electronic commerce operator (ECO) should collect TCS @ 0.5% (0.25% CGST, 0.25% SGST and 0.5% IGST) on the net value of taxable supplies made through it. However, the said 'net value' excludes services notified under section 9(5) or section 5(5) of the IGST Act, 2017.

Since the services of transportation of passengers through omnibus are being supplied through electronic commerce operator by a company (GTL), said services do not qualify as services notified under section 9(5) or section 5(5) of the IGST Act, 2017. Consequently, TCS @ 0.5% (IGST or CGST +SGST) is required to be collected by GTL on said supplies.

Thus, the amount of TCS to be collected is as follows:

Month	July (₹)	August (₹)	September (₹)
Value of taxable supplies	1,30,00,000	1,25,00,000	1,40,00,000
TCS @ 0.5%	65,000	62,500	70,000

9. Option (a) 1) Bangalore, 2) Hyderabad & 3) Hyderabad

**Reason**

As per section 12(9) of the IGST Act 2017, the place of supply of passenger transportation service to: (a) (b) a registered person, shall be the location of such person a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey. In accordance with the aforesaid provisions, place of supply will be as follows:

Order No	Starting city	Ending city	Residence	Status of customer	Place of supply
CA-435	Bangalore	Chennai	Chennai	Unregistered	Bangalore
PH-534	Chennai	Bangalore	Hyderabad	Registered	Hyderabad
GK-987	Hyderabad	Bangalore	Delhi	Unregistered	Hyderabad

10. Option (c) 1) 3rd July, 2) 20th July & 3) 23rd July

**Reason**

As per section 13(2), in case where the tax is liable to be paid under forward charge mechanism, the time of supply of services shall be the earliest of the following dates, namely:-

- the date of issue of invoice by the supplier, if the invoice is issued within 30 days of provision of service or the date of receipt of payment, whichever is earlier; or
- the date of provision of service, if the invoice is not issued within 30 days of provision of service or the date of receipt of payment, whichever is earlier; or
- the date on which the recipient shows the receipt of services in his books of account, in a case where the provisions of clause (a) or clause (b) do not apply.

In the given case, invoice is issued on the date of travel immediately after completion of journey (i.e. within 30 days of provision of service) & GTL is also liable to pay tax under forward charge mechanism for the given bookings/orders.

In accordance with the aforesaid provisions, the time of supply will be as follows.

Order No	Date of travel	Date of payment	Time of supply
CA-234	5th July	3rd July	3rd July
UV-777	22nd July	20th July	20th July
XE-001	25th July	23rd July	23rd July

**CASE SCENARIO – 3:**

11. **C) Required for both Puducherry and Goa** As per Sec 22 read with Sec 25: Every supplier shall be liable to be registered in the State or Union territory, from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds Registration threshold limit (Aggregate Turnover Includes Value of all outward supplies = Taxable supplies + Exempt supplies + Exports + Inter-State supplies of persons having same PAN be computed on all India basis). Aggregate Turnover = ₹32,34,000 + ₹18,38,000 = ₹50,72,000. The applicable threshold limit is ₹20,00,000 as they are exclusively engaged in supply of goods, But located in USTAMP, Hence Registration required for both Puducherry and Goa

**[2 MARKS]**

12. **B) ₹ 300**

As per Rule 42 of CGST Rules

ITC attributable to Exempt Supply (D1)  $D1 = C2 \times E/F$  of Tax Period = common Credit (C2)  $\times$  Exempt Supply (E) / Total Turnover (F)

Note- Exempt Supply & Total TO taken excluding Excise duty/ VAT/CST

Common Credit. ITC Eligible (C3) = Common Credit (C2) - ITC attributable to Exempt Supply (D1)

$D1 = ₹3000 \times ₹1800 / ₹2000 = ₹2700$  [Where ₹3000 is the common credit]

[Where ₹1800 is Exempt Turnover [i.e., ₹3400 - ₹1000 - ₹600 = ₹1800]

[Where ₹2000 is Total Turnover [i.e., ₹1800 + ₹200 = ₹2000]

Eligible ITC = Common Credit - ITC Reversed = ₹3000 - ₹2700 = ₹300

**[2 MARKS]**

13. **D) ₹ 11,820.**

Common credit for all CG having useful life in that tax period = (Tc)

Common Credit of CG during useful life for Tax Period (Tm) = Tc/60

Note: Useful life of any CG = 5 years from date of invoice and above formula shall be applicable during the useful life of the said capital goods.

ITC attributable To Exempt Supply (Te) = Tr \* E(ES) /F(TS of State)

Tr = ITC for all Common CG E(ES) = Exempt supply for Tax Period F(TS) = Total supply for Tax Period

Note- Exempt Supply & Total Supply taken excluding Excise duty/ VAT/CST

Te i.e. Reversal = ₹200 X ₹900 / ₹1000 = ₹180

[Where Tc = ₹12000 is the Common credit on Capital Goods]

[Where Tm = ₹12000/60 = ₹200 Common Credit for the Tax Period i.e. Month of Jan as life of asset is taken as 60 Months under GST law]

[Where ₹900 is Exempt Turnover [calculated as ₹1650 - ₹500 - ₹250 = ₹900] [Where ₹1000 is Total Turnover [calculated as ₹900 + ₹100 = ₹1000]

Eligible ITC = Common Credit Availed -ITC Reversed = ₹12000 - ₹180 = ₹11820

**[2 MARKS]**

14. **C) ABC Petroleum Limited should not avail ITC of tax paid on the spares.** As per Sec 17(5): ITC not available on goods lost or destroyed.

**[2 MARKS]**

15. **A) As per Sec. 15(2)(a) of CGST Act, all taxes, duties and cess by whatever name called other than GST shall be included in the value.** Therefore, Old indirect taxes viz. Excise duty, VAT, CST shall form part of value for payment of GST.

**[2 MARKS]**

**Section B: Descriptive (14 Marks X 5 Question = 70 Marks)**

(Question No. 1 is compulsory and answer any 4 out of 5 given below)

**ANSWER FOR QUESTION 1:**
**I. Statement showing computation of GST payable on outward supply under FCM:**

Particulars	Value (₹)	Rate	CGST (₹)	SGST (₹)	IGST (₹)
TechGadgets – Intra-State (Taxable goods)	1,20,00,000	18%	10,80,000	10,80,000	–
TechGadgets – Inter-State (Taxable goods)	80,00,000	18%	–	–	14,40,000
EcoHomes – Exempted goods	50,00,000	–	–	–	–
Interest income – As per Notification No. 12/2017 as interest or deposit on loans (or) advances (or) deposits, are exempted (Treated as taxable turnover for availment of ITC)	5,00,000	–	–	–	–
Consultancy services – Intra-State (Taxable services)	30,00,000	18%	2,70,000	2,70,000	–
Employee wellness program to employees free of cost – Not a supply as the value does not exceed ₹50,000	–	–	–	–	–
Diwali gift hamper (mixed supply) – As per Sec. 8, the given items are not naturally bundled and for a single price, taxable at the highest rate.	847	18%	77	77	–
<b>Total Output Tax under FCM</b>	<b>–</b>	<b>–</b>	<b>13,50,077</b>	<b>13,50,077</b>	<b>14,40,000</b>

For computation of ITC, Exempted turnover = 50,00,000 and taxable turnover = 2,35,00,847 and total turnover is 2,85,00,847.

**II. Statement showing computation of GST payable on inward supply under RCM:**

Particulars	Rate	CGST (₹)	SGST (₹)	IGST (₹)
Cement from unregistered – Not covered under RCM, as the same is covered under RCM only for a promoter or builder.	28%	–	–	–
Legal services – general	18%	9,000	9,000	–
Legal services – EcoHomes dispute	18%	4,500	4,500	–
<b>Total RCM liability</b>	<b>–</b>	<b>13,500</b>	<b>13,500</b>	<b>–</b>

**III. Statement showing computation of ITC availed, ITC Reversed and net eligible ITC:**
**A. ITC Availed (Before Reversal):**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Raw materials (Used for taxable outward) – Purchased from a registered supplier in Karnataka (Interstate)	–	–	9,00,000
Cement – Purchased from an unregistered person and GST not applicable.	–	–	–
Machinery X (Purchased in April 2024 and ITC availed at that time and used exclusively for taxable outward)	–	–	–

Machinery Y (Purchased in July 2024 and ITC availed at that time and used for both taxable and exempted outward)	-	-	-
Office supplies (common inward supplies within the state)	45,000	45,000	-
Legal services for general corporate compliance (Common inward supplies within the state)	9,000	9,000	-
Legal services for EcoHomes (ITC not available as the same is used for exempted outward)	-	-	-
XUV 700 – As per Sec. 17(5) it is blocked ITC as the capacity does not exceed 13 and not covered under exceptions	-	-	-
Employee training (common inward supplies. Within the state)	18,000	18,000	-
<b>Total ITC Before Reversal</b>	<b>72,000</b>	<b>72,000</b>	<b>9,00,000</b>

B. ITC Reversal:

Reversal Type	CGST (₹)	SGST (₹)
Rule 42 – Common Inputs/Services Common ITC of CGST = $45,000 + 9,000 + 18,000 = 72,000$ ITC to be reversed = $72,000 \times 50,00,000/2,85,00,847$	12,631	12,631
Rule 43 – Common Capital Goods i.e., w.r.t. to Machinery Y purchased in July 2024 ITC availed = $₹2,40,000 \times 18\% = 43,200$ Monthly ITC = $₹43,200/60 = ₹720$ ITC reversed $₹720 \times 50,00,000/2,85,00,847 = 126$	63	63
<b>Total Reversal</b>	<b>12,694</b>	<b>12,694</b>

C. Net Eligible ITC:

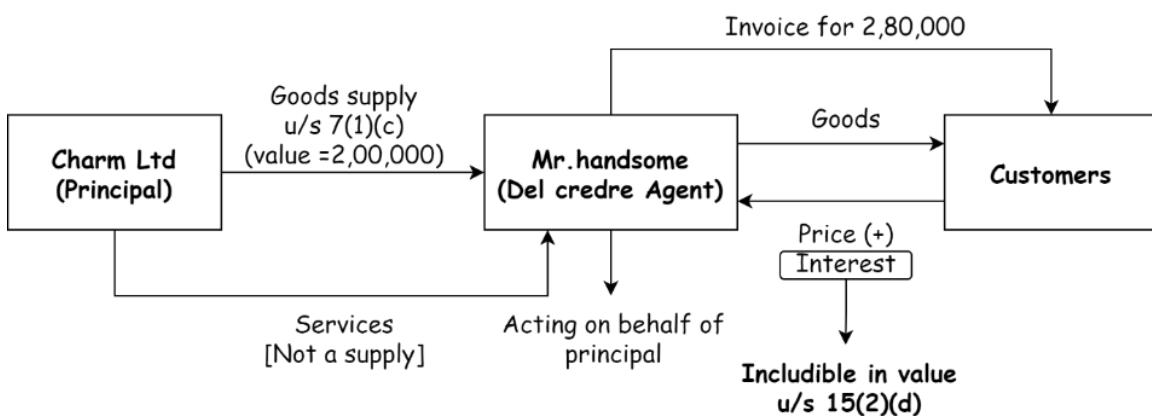
	CGST (₹)	SGST (₹)	IGST (₹)
ITC availed (A)	72,000	72,000	9,00,000
ITC Reversed (B)	(12,694)	(12,694)	-
Net eligible ITC	59,306	59,306	9,00,000

IV. Statement showing computation of net GST payable:

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Output tax under FCM	13,50,077	13,50,077	14,40,000
Less: ITC utilised	(59,306)	(59,306)	(9,00,000)
Add: RCM liability (cash)	13,500	13,500	-
Net GST payable in cash	13,04,271	13,04,271	5,40,000

[14 MARKS]

ANSWER FOR QUESTION NO. 2(A):



I. Computation of Gross GST payable by Mr. Handsome

Particulars	CGST	SGST	IGST
Sale of Goods (Note-1)	$2,80,000 \times 9\% = 25,200$	$2,80,000 \times 9\% = 25,200$	
Interest earned from customers (Note-2)	$20,000 \times 9\% = 1,800$	$20,000 \times 9\% = 1,800$	
Commission earned from principal (Note-3)			$30,000 \times 18\% = 5,400$
<b>Gross GST payable</b>	<b>27,000</b>	<b>27,000</b>	<b>5,400</b>

## II. Computation of ITC available to Mr. Handsome

Particulars	CGST	SGST	IGST
Inward supply of goods from principal (Note-4)	-	-	$2,00,000 \times 18\% = 36,000$
Inward supply of services from principal (Note-5)	-	-	-
<b>Total ITC</b>	<b>-</b>	<b>-</b>	<b>36,000</b>

## III. Computation of Net GST payable by Mr. Handsome

Particulars	CGST	SGST	IGST
Gross GST payable	27,000	27,000	5,400
(-) IGST credit utilized	(15,300)	(15,300)	(5,400)
<b>Net GST Payable</b>	<b>11,700</b>	<b>11,700</b>	<b>-</b>

### Notes to above:

1. An agent is said to be acting on behalf of principal, if such agent is raising invoice to the buyer in the name of agent. In the present case Mr. Handsome being an agent is raising invoice in his name and it is supply u/s 7(1)(a) and chargeable to GST.
2. As per CBIC circular interest received by DCA from customers treated as interest on account of delay in receipt of consideration and consequently included in the value u/s 15(2)(d), if such DCA is acting on behalf of principal. In the present case, as Mr. Handsome is acting as agent on behalf of charm Ltd by raising invoice in the name of Mr. Handsome, interest earned shall be treated as inclusion in value and chargeable to GST accordingly.
3. Commission earned by Mr. Handsome from charm Ltd. is towards Supply of services as an agent and the same constitutes as supply u/s 7(1)(a) and chargeable to GST. Charm Ltd. can avail ITC on the same.
4. As per Sec. 7(1)(c) read with schedule I of CGST Act, supply of goods by a principal to their agent acting on behalf of principal, constitutes supply and chargeable to GST, even though it is without consideration. In the present case, as Mr. Handsome is acting as agent on behalf of charm Ltd, supply of goods by charm Ltd. to Mr. Handsome, even though without consideration is chargeable to GST and the same can be availed as ITC by Mr. Handsome.
5. Principal - Agent transaction referred to in Sec. 7(1)(c) is only w.r.to goods but not w.r.to services. Therefore, services provided by charm Ltd. to Mr. Handsome, without consideration is not a supply and consequently not chargeable to GST.

[5 MARKS]

### ANSWER FOR QUESTION NO. 2(B):

To compute the **Profit Petroleum** payable to the government, we need to calculate the profit made by Draco Pvt. Ltd. from the sale of crude petroleum after deducting expenses incurred for exploration, development, and production from the total consideration received.

<b>Consideration from sale of crude petroleum:</b>		₹2,00,00,000
<b>Exploration expenses:</b>	50,00,000	
<b>Development expenses:</b>	8,00,000	
<b>Production expenses:</b>	70,00,000	
Cost petroleum recovered by Draco P. Ltd.		(₹1,28,00,000)
<b>Royalty paid:</b>		(15,00,000)
<b>Profit petroleum</b>		57,00,000
<b>Profit Petroleum Payable to Government (40%):</b>		22,80,000
<b>Profit Petroleum Payable to Draco P. Ltd. (60%):</b>		34,20,000

**Royalty** paid by Draco Pvt. Ltd. to the government is **consideration for the right to explore, develop, and produce crude petroleum**. Royalty is subject to **GST** under the reverse charge mechanism (RCM). Draco Pvt. Ltd. is required to discharge GST on royalty under RCM, and it can claim **Input Tax Credit (ITC)** on the GST paid on the royalty.

Cost petroleum is recovery of expenses by Draco Pvt. Ltd. and consequently as per CBIC circular is it exempted.

any amount paid as "Profit Petroleum" to the government is in the nature of **revenue sharing and the same is exempted as per Sec. 11 read with Notification No. 12/2017**

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 2(C):**

Taxpayer is not engaged in making inter-State supply. He does not supply through e-commerce operator. From the information given in the problem it appears that the taxpayer is not a casual taxable person/ non-resident taxable person.

Apart from satisfying these conditions, a taxpayer can opt for Alternative Composition Scheme, if he satisfies the following criteria -

**Criteria 1** - The aggregate turnover of the preceding financial year does not exceed ₹ 50 lakh. Aggregate turnover, for this purpose, includes all taxable and exempt supplies but does not include the value of exempt supply by way of extending loan/ advance/ deposit (if consideration is payable by way of interest or discount).

**Criteria 2** - The taxpayer is not eligible for normal Composition Scheme under section 10(1) (as he is engaged in supply of services or quantum of supply of services is more than 10% of total turnover or ₹ 5 lakh, whichever is higher).

To find out whether X satisfies these criteria, one has to redraft the table given in the problem (after ignoring interest on deposit/loan/ advance, which is not included in turnover for this purpose). After excluding interest on deposits, the data given in the above table will be as follows –

(₹ in Lakhs)

	Financial year 2022- 23			Financial year 2023 - 2024		
	Taxable	Exempt	Total	Taxable	Exempt	Total
Supply of goods (stationary items/books)	10	5	15	11	6	17
Supply of other services	22	8	30	20	10	30
Total	32	13	45	31	16	47

On April 1, 2023, X wants to opt for alternative Composition Scheme. His turnover for the preceding financial year 2022-2023 does not exceed ₹ 50 lakhs. He satisfies Criteria 1. Moreover, turnover of supply of services of the preceding year is ₹ 30 lakh out of the total turnover of ₹ 45 Lakh. Turnover of supply of service is more than 10% of total turnover. Consequently, he satisfies Criteria 2 [i.e., he is not eligible for normal composition scheme under section 10(1)].

X can opt for alternative Composition Scheme with effect from April 1, 2023. His tax liability for the financial year 2023-2024 will be as follows –

	₹
Turnover of the financial year 2023-24	47,00,000
CGST (3% of ₹ 47,00,000)	1,41,000
SGST (3% of ₹ 47,00,000)	1,41,000
GST	2,82,000

Note: X is required to pay GST of Rs. 2,82,000 out of his pocket. He cannot collect any GST from the recipients of supply made by him.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 3(A):**

As per Sec. 14 of IGST Act, 2017 On supply of online information and database access or retrieval services by any person located in a non-taxable territory and received by a non-taxable online recipient, the supplier of services located in a non-taxable territory shall be the person liable for paying integrated tax on such supply of services. If such services are provided through an intermediary, liability to pay GST is on such intermediary located outside India.

Only with respect to OIDAR services, such supplier or intermediary shall register and pay IGST. However, with respect to other transactions, they are treated as a person located outside India.

Transaction	Amount	Taxability	Liability to pay GST
Revenue from Non-Taxable Online Recipients	₹5 Crores	Import of OIDAR services is always taxable ₹5,00,00,000 × 18% = ₹90,00,000.	As per Section 14 of the IGST Act, InfoHub Ltd. is liable to pay IGST under FCM
Revenue from Corporate Clients	₹3.5 Crores	Import of OIDAR services is always taxable ₹3,50,00,000 × 18% = ₹63,00,000.	As the recipients are other than non taxable online recipients, RCM is applicable and GST payable by such corporate clients
Services to Non-Taxable Online Recipients through intermediary AWS	₹1.5 Crores	Import of OIDAR services is always taxable ₹1,50,00,000 × 18% = ₹27,00,000	AWS is considered an intermediary as it collects payments, sets terms, and invoices. As per Sec. 14 of IGST Act, liability to IGST is on intermediary AWS
Commission earned by AWS (Singapore) from InfoHub Ltd. (UK)	₹0.15 Crores	As both supplier of service and recipient of service is located outside India, the said service is exempted vide Notification No. 12/2017	N.A
Services provided by InfoHub Ltd. (UK) to recipient in USA	₹2.5 Crores	As both supplier of service and recipient of service is located outside India, the said service is exempted	N.A

		vide Notification No. 12/2017	
Compliance services provided by IndiaGST Solutions Pvt. Ltd. to InfoHub Ltd. (UK)	₹0.10 crores	POS u/s 13 of IGST Act is LOR i.e., UK and it is taxable. Depending upon consideration in foreign exchange, it qualifies as zero rated supply.	GST payable by IndiaGST Solutions Pvt. Ltd.

Computation of GST payable by InfoHub Ltd. through their representative IndiaGST Solutions Pvt. Ltd. (Located in India) = ₹90,00,000

Computation of GST payable by AWS (Singapore) w.r.to OIDAR Services = ₹27,00,000

**[5 MARKS]**

### **ANSWER FOR QUESTION NO. 3(B):**

Rule 31C states that the value of supply of actionable claims in casinos is the total amount paid or payable by or on behalf of the player for:

- Purchase of tokens, chips, coins, or tickets.
- Participation in any event, including games, schemes, competitions, or other activities where tokens, chips, coins, or tickets are not required.
- Any amount returned or refunded to the player for the return of tokens, chips, coins, or tickets shall not be deducted from the value of supply.
- Any amount received by the player as winnings, if used for further play without withdrawing, shall not be considered as an amount paid to or deposited with the supplier.

#### **Valuation of Actionable Claims**

##### **1. Purchase of Tokens:**

- Patron A purchases tokens worth INR 1,00,000.
- Patron B purchases tokens worth INR 2,00,000.
- **Total Value of Supply (Tokens): INR 1,00,000 + INR 2,00,000 = INR 3,00,000**

##### **2. Participation in Events:**

- Poker Tournament Entry Fee: INR 25,000 each for Patron A and Patron B.
- Blackjack Event Participation Fee: INR 50,000 for Patron B.
- **Total Value of Supply (Events): (2 \* INR 25,000) + INR 50,000 = INR 1,00,000**

#### **Handling Refunds and Winnings**

##### **1. Refund of Tokens:**

- Patron A refunds INR 20,000 worth of tokens.
- Patron B refunds INR 50,000 worth of tokens.
- As per Rule 31C, the refunded amounts are not deductible from the value of supply.

##### **2. Winnings Used for Further Play:**

- Patron A wins INR 30,000 and uses it for further play.
- Patron B wins INR 1,00,000 and uses it for further play.
- These amounts are not considered as amounts paid to or deposited with the supplier.

Therefore, value of supply is ₹4,00,000

GST payable on above = ₹4,00,000 X 28% = ₹1,12,000

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 3(C):**

As per the provisions of section 10(1)(ca) of the IGST Act, 2017, where the supply of goods is made to an unregistered person, the place of supply would be the location as per the address of said person recorded in the invoice and the location of the supplier where the address of the said person is not recorded in the invoice.

Further, as per Explanation to the said clause, recording the name of the State of the said unregistered person on the invoice shall be deemed to be the recording of the address of the said person.

Accordingly, it is clarified vide Circular No. 209/3/2024 GST dated 26.06.2024 that in the cases involving supply of goods to an unregistered person, where the address of delivery of goods recorded on the invoice is different from the billing address of the said unregistered person on the invoice, the place of supply of goods in accordance with the provisions of section 10(1)(ca) of the IGST Act, 2017, shall be the address of delivery of goods recorded on the invoice.

Also, in such cases involving supply of goods to an unregistered person, where the billing address and delivery address are different, the supplier may record the delivery address as the address of the recipient on the invoice for the purpose of determination of place of supply of the said supply of goods. Thus, the place of supply of laptop in the given case is Bareilly, Uttar Pradesh.

**[4 MARKS]**

**ANSWER FOR QUESTION NO. 4(A):**

As per Sec. 22(1) of CGST Act, 2017 a person is liable to get registered as and when their aggregate turnover exceeds threshold limit for registration i.e., ₹40 lakhs in the present case. While computing aggregate turnover for registration purpose, interest on loans, advances or deposits is included.

Invoice No.	Date	Transaction	Cumulative turnover for computation of ATO
0001	January 2, 2025	Sold industrial tools worth ₹25,00,000 – Included in ATO	25,00,000
0002	January 5, 2025	Received an advance of ₹4,00,000 from a customer – Not included in ATO as GST not payable on advances w.r.to supply of goods	25,00,000
0003	January 8, 2025	Supplied spare parts worth ₹8,00,000 to a buyer – Included in ATO	33,00,000
0004	January 12, 2025	Earned interest of ₹1,50,000 from a fixed deposit with a nationalized bank. – Included in ATO	34,50,000
0005	January 18, 2025	Supplied dishwashers worth ₹300,000 – Included in ATO	37,50,000
0006	January 25, 2025	Earned interest income of ₹2,00,000 from a fixed deposit with a scheduled bank. – Included in ATO	39,50,000
0007	January 28, 2025	Dishwashers sold on January 18, 2025 were returned by customer and a credit note was issued – Not reduced from aggregate turnover, but the GST liability only get reduced	39,50,000
0008	January 30, 2025	Paid ₹3,00,000 to a GTA (Goods Transport Agency) for transporting goods to dealers, where GST is payable under RCM @ 5%. – Not included in ATO, as the same is inward supply under RCM	39,50,000

0009	February 5, 2025	Sold mobile phones worth ₹8,00,000 within the state through an e-commerce operator who deducted 1% TCS under Section 52 of the CGST Act (GST@ 18%). – Included in Aggregate turnover	47,50,000
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- (i) As the ATO of Mr. Rithesh exceeds ₹40 lakhs on Feb 5<sup>th</sup> 2025, they are liable to get registered on that date and w.r.to Invoice 009 onwards GST is payable.
- (ii) As per Sec. 10(1) of CGST Act, 2017 a person can opt for composition scheme, if their ATO during previous year does not exceed ₹150 lakhs. As Mr. Ritesh commences business during the current year, their aggregate turnover during previous year does not exceed ₹150 lakhs and he can opt for composition scheme for the current year 2024-25.
- (iii) If Mr. Rithesh opts for composition scheme, he is required to pay 0.5% CGST and 0.5% SGST on taxable turnover and while computing the turnover for payment of GST under composition scheme, supplies from 1<sup>st</sup> April of the financial year till the date the person is liable to register should not be considered and therefore, GST payable on 28,00,000. CGST payable = ₹14,000 and SGST payable = ₹14,000. TCS deducted by ECO can be adjusted against GST payable.

[5 MARKS]

**ANSWER FOR QUESTION NO. 4(B):**

I. Section 17(5) provides that ITC in respect of services of repair of motor vehicles shall be available where received by a taxable person engaged in the supply of general insurance services in respect of motor vehicles insured by him. Further, section 2(93) defines recipient of supply of goods or services or both, as the person who is liable to pay the consideration, where such consideration is payable for the said supply of goods or services or both. As per section 2(31), consideration includes any payment made or to be made in relation to supply of the goods or services or both, whether by the recipient or by any other person.

CBIC vide Circular No. 217/11/2024 GST dated 26.06.2024 has clarified that in reimbursement mode of claim settlement, the payment is made by the insurance company for the approved cost of repair services through reimbursement to the insured.

Further, irrespective of the fact that the payment of the repair services to the garage is first made by the insured, which is then reimbursed by the insurance company to the insured to the extent of the approved claim cost, the liability to pay for the repair service for the approved claim cost lies with the insurance company, and thus, the insurance company is covered in the definition of recipient in respect of the said supply of services of vehicle repair provided by the garage, in terms of section 2(93), to the extent of approved repair liability. Moreover, availment of credit in respect of input tax paid on motor vehicle repair services received by the insurance company for outward supply of insurance services for such motor vehicles is not blocked under section 17(5).

Accordingly, it is clarified that ITC is available to insurance companies in respect of motor vehicle repair expenses incurred by them in case of reimbursement mode of claim settlement. It is further clarified that if the invoice for full amount for repair services is issued to the insurance company while the insurance company makes reimbursement to the insured only for the approved claim cost, then the ITC may be available to the insurance company only to the extent of reimbursement of the approved claim cost to the insured, and not on the full invoice value.

In the given case, although the invoice for the full amount of repair services (₹ 54,000 +GST) is raised in the name of Suraksha Insurance Company, it is liable to pay the repair service to the extent of the approved claim cost (₹ 40,000 +GST). Thus, it is covered in the definition of 'recipient' under section 2(93), to the extent of approved claim cost.

Hence, it is eligible to avail the ITC to the extent of the GST paid on the amount of ₹ 40,000 (approved claim cost). Thus, ITC of ₹ 7,200 ( $\text{₹ } 40,000 \times 18\%$ ) is available to Suraksha Insurance Company.

II. The circular further clarifies that in cases where the garage issues two separate invoices in respect of the repair services, one to the insurance company in respect of approved claim cost and second to the customer for the amount of repair service in excess of the approved claim cost, ITC may be available to the insurance company on the said invoice issued to the insurance company subject to reimbursement of said amount by insurance company to the customer.

Thus, in the given case, if the garage has issued two different invoices, the answer would remain the same because the approved claim of service cost which was reimbursed by Suraksha Insurance Company to Mr. Diwas was ₹40,000 only. Thus, ITC of ₹ 7,200 ( $\text{₹ } 40,000 \times 18\%$ ) is available to Suraksha Insurance Company.

III. The circular also clarifies that where the invoice for the repair of the vehicle is not in name of the insurance company, condition of clauses (a) and (aa) of section 16(2) is not satisfied and accordingly, ITC will not be available to the insurance company in respect of such an invoice. Thus, in the given case, if the invoice has been raised in the name of Mr. Diwas, then Suraksha Insurance Company would not be eligible to avail the ITC.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 4(C):**

Reward/Incentive	Constitutes Consideration?	Reason
Profit Margin on Sales	Yes	Payment is directly linked to the sale of goods (supply under Section 7).
Performance Incentive	Yes	Payment is an inducement for the distributor's services in achieving sales.
Recruitment Bonus	Yes	Payment is consideration for the service of recruiting new distributors.
Product Demonstration Rewards	Yes	Free samples are non-monetary consideration for promotional services provided by distributors.
Buyback Policy (Restocking Fee)	Yes	The restocking fee retained by Green Life constitutes consideration for a supply of services (acceptance and restocking of goods).

**[4 MARKS]**

**ANSWER FOR QUESTION NO. 5(A):**

As per Sec. 11 read with Notification No. 12/2017, services provided by an unincorporated association to its members as reimbursement/share of contribution upto ₹7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or residential complex is exempted.

Computation of maintenance charges per month:

Particulars	3 BHK Flats	4 BHK Flats
Maintenance charges collected	₹7,000	₹10,000
Electricity charges recovered by RWA on actual basis – Deemed to be expenditure incurred as a pure agent and not included in value	-	-

Electricity charges generated and supplied to members – As they started a company for generation and distribution of electricity as utility, the services provided by way of transmission or distribution of electricity is exempted.	-	-
Total maintenance charges per person per month	₹7,000	₹10,000
Particulars	January	February
<b>Outward supplies:</b>		
Maintenance charges for 3 BHK Flats – As charges does not exceed ₹7,500 it is exempted	Exempted	Exempted
Maintenance charges for 4 BHK Flats	$100 \times 10,000 \times 18\% = ₹1,80,000$	$100 \times 10,000 \times 18\% = ₹1,80,000$
Interest on FD – Interest on loans or advances or deposits is exempted	Exempted	Exempted
Gross GST payable	₹1,80,000	₹1,80,000
<b>Input tax credit</b>		
Taps, pipes and other fittings – ITC not available as the same is used for 3 BHK Flats whose maintenance charges are exempted	-	-
Generator purchased – ITC available as the same is used for 4 BHK Flats whose maintenance charges are taxable	-	$₹1,00,000 \times 18\% = ₹18,000$
Net GST Payable	₹1,80,000	₹1,62,000

[5 MARKS]

**ANSWER FOR QUESTION NO. 5(B);**

As per Sec. 9(5) of CGST Act, 2017 supply of food through an e commerce operator is notified for payment of GST by such e commerce operator, whether the supplier is registered or not. Also, as per CBIC circular, Such ECO who is paying GST on supply of food has to pay GST only using electronic cash ledger and they can avail ITC on their inward supplies even though the rate of GST is 5% (Without ITC). However, such ITC cannot be utilized for payment of GST on supply of food but can be utilized for payment of GST on other transactions.

**Computation of net GST payable by The Spice House and Swiggy:**

Particulars	Restaurant – The Spice House	Swiggy
Gross GST payable	$₹8,00,000 \times 5\% = ₹40,000$	$₹5,00,000 \times 18\% = ₹90,000$
(-) Input tax credit on inputs	N.A as the rate of GST is 5% without ITC	$₹1,00,000 \times 12\% = ₹12,000$
(-) Input tax credit on input services	N.A as the rate of GST is 5% without ITC	$₹1,50,000 \times 18\% = ₹27,000$
(+) GST payable u/s 9(5) on supply of food [Paid only through Electronic cash ledger]	-	$₹10,00,000 \times 5\% = ₹50,000$
Net GST payable	₹40,000	₹1,01,000

**Note:** Amount received by Restaurant from Swiggy i.e., 75% of ₹10,00,000 is treated as exempted supply to Restaurant.

[5 MARKS]

**ANSWER FOR QUESTION NO. 5(C)**

- I. As per Sec. 25 of CGST Act, 2017, a non-resident taxable person shall make application for registration at least 5 days before commencement of business. In the present case, Mr. Allan shall make application by 25/06/2024 as commencement of business is on 01/07/2024.
- II. As per Sec. 25 of the CGST Act, PAN is mandatory for registration. However, in the case of NTRP, registration is granted based on passport (or) any identification number in case of person other than individual. However, such an application should be signed by an authorized signatory having a Valid PAN.
- III. The period of validity of registration granted to NTRP is 90 days (or) no of days specified in the application, whichever is lower. It can be extended for a further period not exceeding 90 days.
- IV. NTRP cannot avail ITC on inward supplies as per Sec. 17(5) of CGST Act, except w.r.to IGST paid on import of goods. In the present case, Mr. Allan can avail ITC of IGST as follows:  
Assessable value of import = ₹ 20,00,000  
Basic customs duty @ 10% = ₹ 2,00,000  
Social welfare surcharge @ 10% of BCD = ₹ 20,000  
IGST @ 18% of (AV + BCD + SWS) = ₹ 3,99,600  
i.e., ₹ 22,20,000 × 18%
- V. As per Sec. 27 of CGST Act advance tax payable by NTRP is estimated net tax liability as follows:

Estimated gross payable (40,00,000 × 12%)	= 4,80,000
(-) IGST on import (Other inward supplies, ITC not available)	= (3,99,600)
Estimated net GST payable	₹ 80,400

**[4 MARKS]**
**ANSWER FOR QUESTION NO. 6(A):**

Taxability and Aggregate Turnover of Mr. Arjun for December 2024:

Transaction	Taxability	Liability to pay GST	Aggregate turnover
Renting of residential property in Bengaluru to ABC Pvt. Ltd.	Renting of residential property for commercial purpose is not covered under exemption and consequently it is taxable	As recipient is registered, it is covered under RCM and liability to pay GST is on ABC Pvt. Ltd.	Outward supply under RCM is included in Aggregate turnover.
Renting of commercial property to DEF Pvt. Ltd. (Registered)	Renting of commercial property is not covered under exemption and consequently it is taxable	As the supplier is unregistered and recipient is registered it is covered under RCM and liability to pay GST is on DEF Pvt. Ltd.	Outward supply under RCM is included in Aggregate turnover.
Renting of commercial property to GHI Enterprises	Renting of commercial property is not covered under exemption and consequently it is taxable	As the supplier is unregistered and recipient is also unregistered, it is not covered under RCM. Also, GST not payable as	As the same is taxable and covered under FCM, it is included in Aggregate turnover.

		supplier is not required to get registered.	
Real estate services from Betterhomes LLC (Dubai)	Import of other than OIDAR services by other than NTR is taxable	GST payable by recipient under RCM. Mr. Arjun is compulsorily required to get registered under Sec. 24.	Inward supplies under RCM is not included in ATO.

Aggregate turnover of Mr. Arjun = ₹1,50,000 + ₹2,00,000 + ₹1,50,000 = ₹5,00,000

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 6(B);**

The registration of a person can be cancelled *suo-motu* by the proper officer if they contravene specific provisions of the CGST Act or the rules made thereunder. Following are the situations where a registered person's registration can be cancelled *suo-motu* by the proper officer due to contravention of provisions:

- Not conducting business from the declared place of business.
- Issuing invoice/bill without supplying goods/services in violation of the Act or rules.
- Violating section 171, which relates to anti-profiteering measures.
- Violating rule 10A, which concerns furnishing bank account details.
- Availing Input Tax Credit (ITC) in violation of section 16 of the CGST Act or its rules.
- Furnishing details of outward supplies in Form GSTR-1 (or amended GSTR-1A) for one or more tax periods that are in excess of the outward supplies declared in the valid return under section 39 for the same periods.
- Violating rule 86B. Rule 86B restricts the use of the amount available in the electronic credit ledger for discharging output tax liability, primarily for registered persons with taxable supply exceeding ₹50 lakh in a month, with certain exceptions for government departments, public sector undertakings, local authorities, or statutory bodies.

(or)

The Central Board of Indirect Taxes and Customs (CBIC) recently issued Circular No. 221/15/2024 GST dated 26.06.2024 to clarify the time of supply for services of construction and maintenance of National Highway projects under the Hybrid Annuity Mode (HAM).

The clarification states that a HAM contract should be treated as a single, holistic contract for both construction and operation & maintenance, rather than separate agreements. This arrangement falls under the definition of 'Continuous supply of services' as per section 2(33) of the CGST Act, 2017.

Consequently, the time of supply for services under a HAM contract is determined as the earlier of the date of invoice or the date of payment, provided the invoice is issued by the due date or milestone completion date. If invoice is not issued by the due date or milestone completion date, then the time of supply is date of completion or date of payment whichever is earlier. Due date of installment as per contract is considered as the date of completion. Additionally, any interest included in the annuity payments made by NHAI to the concessionaire must be added to the taxable value under section 15(2)(d) of the CGST Act, 2017. This principle can also apply to other scenarios where the government allocates natural resources for continuous use with deferred payments.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 6(C):**

**A) Penalty for delayed delivery of raw materials**

The clarification issued by CBIC states that "Agreeing to the obligation to refrain from an act or to tolerate an act or a situation, or to do an act" is a supply of service under Para 5(e) of Schedule II, provided it constitutes a consideration. However, liquidated damages or penalties stipulated in a contract for breach of contract (such as delayed construction or forfeiture of earnest money for breaching an 'agreement to sell' immovable property) are typically viewed as compensation for losses suffered and a penalty to discourage non-serious parties, rather than a consideration for tolerating the breach. Such payments are regarded as a mere flow of money and do not constitute consideration for any supply, thus they are not taxable.

Therefore, the ₹5,000 received by ABC Pvt. Ltd. from the supplier as a penalty for delayed delivery is not subject to GST.

**B) Payment for competitor to defer product launch**

In this scenario, ABC Pvt. Ltd. paid ₹25,000 to XYZ Ltd. in exchange for XYZ Ltd. agreeing to defer the launch of its new product in a specific market for 6 months. "Agreeing to the obligation to refrain from an act or to tolerate an act or a situation, or to do an act" has been specifically declared as a supply of service under Para 5(e) of Schedule II of the CGST Act, provided there is consideration flowing for this agreement. In the given case, the amount received is not compensatory or penalising in nature and treated as consideration for tolerating the performance of contract and its taxability is based on principal supply.

Therefore, the ₹25,000 paid by ABC Pvt. Ltd. to XYZ Ltd. for deferring its product launch is a taxable supply of service under GST law.

**[4 MARKS]**



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CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

**Question Paper 6**

# CA FINAL TEST SERIES JAN' 26 EXAM

## TEST – 6

### Section – A: MCQ'S (30 Marks)

#### Case Scenario – I

Nirmalya Industries Pvt. Ltd. (NIPL), a registered taxpayer in Tamil Nadu, engaged in the business of manufacturing and exporting electrical equipment, faced the following events in FY 2024–25:

NIPL maintains its books electronically. During departmental verification, it was found that it did **not maintain stock register** for raw materials valued at ₹2 crore. Expense ledger for R&D was not updated for **4 months**. Proper officer initiated penalty proceedings u/s 35 & 122.

In **Sept 2024**, NIPL raised a **credit note** of ₹15 lakh + GST (18%) against goods supplied in **May 2024**, due to post-supply discount agreement. It also raised a **debit note** of ₹8 lakh + GST (12%) in **Oct 2024** for undercharged goods invoiced earlier in **June 2024**. NIPL reported both in its **GSTR-1 of October 2024**.

GSTR-3B for **Nov 2024** was filed on **31st Dec 2024** (due date: 20th Dec 2024). GST payable was ₹24 lakh (CGST ₹12 lakh + SGST ₹12 lakh). For payment of this liability, NIPL utilized **₹15 lakh ITC** and paid balance through electronic cash ledger. However, part of payment was wrongly deposited under **CGST head** instead of **SGST head**.

During departmental **audit u/s 65**, it was noticed that ₹1.5 crore outward taxable turnover was **under-reported** in GSTR-1 but correctly shown in audited financials. Demand notice was issued u/s 74A in **Feb 2025**.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 4 below, carrying 2 marks each:

1. What penalty is leviable for failure to maintain stock register worth ₹2 crore?
  - (a) ₹10,000
  - (b) Higher of ₹10,000 or tax evaded (if determinable)
  - (c) upto ₹25,000
  - (d) No penalty as stock register is optional
2. For under-reported taxable turnover of ₹1.5 crore, GST @18% is payable. If demand is raised u/s 74A, tax + penalty payable (ignore interest) as per notice is = ?
  - (a) ₹27,00,000
  - (b) ₹29,70,000
  - (c) ₹54,00,000
  - (d) ₹27,50,000
3. If NIPL disputes the demand of ₹27 lakh under Sec 107, minimum pre-deposit required is:
  - (a) ₹1.35 lakh
  - (b) ₹2.7 lakh
  - (c) ₹5.4 lakh
  - (d) ₹10 lakh
4. If ₹4.5 lakh was wrongly deposited under CGST instead of SGST, how can it be rectified?
  - (a) Adjustment permitted in same return
  - (b) Refund of excess CGST u/s 54 + repay correct SGST

(c) Transfer from CGST to SGST ledger permitted  
 (d) Automatic adjustment by GST portal

5. Interest payable for Nov 2024 on account of delay in payment of tax is:  
 (a) ₹4,882  
 (b) ₹13,019  
 (c) ₹8,137  
 (d) ₹4,869

### Case Scenario – II

Bansilal Private Limited, registered under GST in the State of Maharashtra, is engaged in manufacturing of goods which are used for further production in automobile industry. The company sends some semi-finished inputs to job workers, M/s Yash Enterprises and M/s Jash Enterprises, for necessary processing. The processed goods are sent back by the job workers to the company where they are used for manufacturing the finished products.

M/s Yash Enterprises has its place of business in Maharashtra. M/s Jash Enterprises has its place of business in the State of Madhya Pradesh viz. 35 km away from the place of business of Bansilal Private Limited.

The company imports some raw material and stores the same for few months in the warehouse operated by M/s Sudhankar Enterprises in the State of Tamil Nadu. Later on, it is transported to the company's factory in Maharashtra. M/s Sudhankar Enterprises is not registered under GST. The aggregate turnover of M/s Sudhankar Enterprises for the current financial year is ₹ 18,25,000.

The company maintains all the records, documents and books of accounts at its place of business in Maharashtra.

Following are the relevant details of Bansilal Private Limited for the month of August.

Particulars	Amount
Total turnover	36,00,000
Total inputs received during the month	21,12,000
Total input services received during the month	8,99,000
Goods sent to M/s Yash Enterprises during the month for job work purpose by motor vehicle	75,000
Goods sent to M/s Jash Enterprises during the month for job work purpose by motor vehicle	46,800

**Note:** All aforementioned amounts are exclusive of GST, wherever applicable. Bansilal Private Limited procures the service of M/s Jaggi Enterprises, a goods transport agency, having its places of business in Maharashtra, Gujarat and Kerela. M/s Jaggi Enterprises is registered in all these States with same PAN. Bansilal Private Limited transports its finished goods to different customers located within Maharashtra through M/s Jaggi Enterprises. M/s Jaggi Enterprises prepares a consignment note containing the details of consignor and consignee, value of consignment, vehicle number, details of party paying the taxes etc.

**Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 6 to 9 below, carrying 2 marks each:**

6. M/s Sudhankar Enterprises, owner of warehouse in Tamil Nadu, wishes to know as whether it is required to obtain registration under GST to conduct its business. Which of the following statements is true in this regard?  
 (a) Yes, being a warehouse operator, M/s Sudhankar Enterprises has to compulsorily take GST registration to conduct the business irrespective of the quantum of aggregate turnover.

(b) No, M/s Sudhankar Enterprises is not required to take registration under GST as its aggregate turnover is below the threshold limit for registration. However, it is required to obtain a unique enrolment number under GST.

(c) M/s Sudhankar Enterprises is neither required to obtain registration nor unique enrolment number under GST to conduct business.

(d) Yes, M/s Sudhankar Enterprises is required to take registration compulsorily under GST. Further, it is also required to obtain a unique enrolment number under GST as its aggregate turnover is more than ₹ 10 lakh.

7. M/s Jaggi Enterprises wishes to obtain a unique common enrolment number (referred hereafter as CEN) for generating e-way bills. Which of the following statements is true in this regard?

(a) M/s Jaggi Enterprises is not eligible for obtaining CEN as a transporter registered only in a single State is eligible for the same.

(b) M/s Jaggi Enterprises is eligible for obtaining CEN as a transporter registered in multiple States with same PAN is eligible for the same. After obtaining CEN, it can use either CEN or its GSTIN for generating e-way bills throughout the country.

(c) M/s Jaggi Enterprises is not eligible for obtaining the CEN as only unregistered transporters are eligible for the same.

(d) M/s Jaggi Enterprises is eligible for obtaining the CEN as it is registered in multiple States with same PAN. After obtaining CEN, it can use it for generating e-way bills and updating Part-B throughout the country.

8. Whether Bansilal Private Limited is required to generate e-way bill in case of transfer of goods to M/s Jash Enterprises?

(a) No, as the value of the consignment is within the prescribed limit of ₹ 50,000.

(b) No, as the movement of goods is within the distance limit of 50 kms.

(c) Yes, e-way bill is required to be generated mandatorily in case of inter-State transfer of goods by principal to job worker irrespective of value of consignment.

(d) Yes, a registered person has to generate e-way bill mandatorily for every inter-State movement of goods irrespective of the value of the consignment.

9. M/s Jaggi Enterprises wants to transport multiple consignments of Bansilal Private Limited in a single conveyance. These consignments are of different consignees and individual e-way bills (EWBs) with different validity periods have been generated for these consignments. Can M/s Jaggi Enterprises generate one consolidated e-way bill for such multiple consignments?

(a) No, M/s Jaggi Enterprises cannot generate a consolidated e-way bill containing the details of different EWBs since all the EWBs have different validity periods.

(b) Yes, M/s Jaggi Enterprises can generate a consolidated e-way bill containing the details of different EWBs even if all the EWBs have different validity periods and even if it is transporting consignments of different consignees in a single conveyance.

(c) No, M/s Jaggi Enterprises cannot generate a consolidated e-way bill since it is transporting consignments of different consignees.

(d) There are no provisions to generate a consolidated e-way bill under the GST law.

10. In which of the following cases, the refund under section 27 of the Customs Act, 1962 is credited to the consumer welfare fund?

- If the importer proves that there is no unjust enrichment. Where goods are imported for non-personal use of an individual and he could not prove that there is no unjust enrichment.
- If the amount of refund relates to drawback of duty under sections 74 and 75 of the Customs Act, 1962.
- If the amount relates to the duty paid in excess (as evident from the bill of entry in case of self-assessed bill of entry)
- by the importer before an order permitting clearance of goods for home consumption is made.

11. For the purposes of rule 7 (Deductive Value) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, determine the unit price in greatest aggregate quantity:

Shiv Ltd. makes two sales to unrelated buyers. In the first sale, 500 units are sold at a price of ₹ 95. In the second sale, 400 units are sold at a price of ₹ 100.

- ₹ 95
- ₹ 100
- Average of ₹ 95 and ₹ 100 i.e.  $(₹ 95 + ₹ 100)/2 = ₹ 97.5$
- Data is insufficient to determine the unit price in greatest aggregate quantity

12. Kapil Ltd. exported certain goods last year. The buyer has sent back those goods since the same were under warranty and required repairs. Which of the following conditions are to be satisfied by Kapil Ltd. to avail exemption on goods re-imported for repairs under *Notification No. 158/95 Cus dated 14.11.1995*?

- Kapil Ltd., at the time of importation, executes a bond.
- Goods must be re-exported within 6 months or 1 year (if time is extended) of the date of re-importation.
- In case goods are not repaired, new goods are to be sent by Kapil Ltd. within 6 months. Choose the most appropriate option.

- (i) and (iii)
- (i), (ii) and (iii)
- (ii) and (iii)
- (i) and (ii)

13. Priyanka Enterprises imported some goods through vessel from USA in the month of April. The value of goods imported was ₹ 6,50,000. The date of entry inwards was 21st April (basic customs duty on said date was 10%). Further, Priyanka Enterprises filed bill of entry for home consumption on 25th April (basic customs duty on said date was 20%). Applicable rate of integrated tax was 12% and social welfare surcharge was 10%. Ignore GST compensation cess and agriculture infrastructure and development cess.

However, before inspection and clearance for home consumption, Priyanka Enterprises found that the goods had been damaged owing to negligence on part of proper officer of customs. The proper officer accepted that due to said damage, the value of the goods has come down to ₹ 4,00,000.

Compute the total customs duty payable in the given case.

(a) ₹ 97,280  
(b) ₹ 2,38,160  
(c) ₹ 1,58,080  
(d) ₹ 1,46,560

14. After visiting Australia for a month, Mrs. and Mr. Mehta (Indian residents aged 36 and 35 years respectively) brought to India used personal effects valued at ₹ 90,000 and a personal computer for ₹ 52,000. What is the customs duty payable? Ignore Agriculture infrastructure and development cess.  
(a) ₹ 20,020  
(b) ₹ 770  
(c) ₹ 35,420  
(d) ₹ 54,670

15. Determine the total duties payable under the customs law if Mr. Gaurishankar imported rubber from Malaysia at landed price (exclusive of duties) of ₹ 25 lakh. It has been notified by the Central Government that share of imports of rubber from the developing country against total imports to India exceeds 5%. Safeguard duty notified on this product is 30% and basic customs duty is 10%. Ignore integrated tax and agriculture infrastructure and development cess.  
(a) ₹ 10,25,000  
(b) ₹ 10,00,000  
(c) ₹ 11,75,000  
(d) ₹ 9,00,000

**Section B: Descriptive (14 Marks X 5 Question = 70 Marks)**  
**(Question No. 1 is compulsory and answer any 4 out of 5 given below)**

**QUESTION 1:**

ABC Ltd., a large-scale manufacturer and distributor of consumer electronics, operates across various states in India. The company is registered under GST in multiple states and engages in both intra-state and inter-state supply of goods. Over the past few years, the company has undergone multiple audits and assessments under GST, which have uncovered several issues regarding tax compliance.

**Issue – 1:**

During a GST audit, it was discovered that ABC Ltd. had under-reported its sales in the FY 2021-22 by ₹10 crores due to a system error. The company acknowledged the discrepancy but argued that it was unintentional and offered to pay the differential tax along with interest.

**Issue – 2:**

Separately, the department found that ABC Ltd. had wrongly availed Input Tax Credit (ITC) of ₹2 crores based on invoices issued by a non-existent supplier and utilised the same for payment of their liability. ABC Ltd. contended that it had exercised due diligence and was unaware of the supplier's status.

**Issue – 3:**

Further investigation revealed that ABC Ltd. had failed to pay GST on certain high-value transactions of ₹50 crores by suppressing sales data in its returns. The authorities suspect that this was done intentionally to evade tax.

Based on the audit findings, the tax authorities issued a demand notice under Section 74 for the unpaid tax for the under-reported sales and wrongful claim of ITC along with interest and a penalty due to suppression of facts. Also, the authorities passed demand order under Section 74, alleging fraud and willful misstatement by the company.

ABC Ltd. decided to contest the penalty imposed on the under-reported sales and the non-payment of GST due to suppression of facts, arguing that the errors were purely technical and not intentional. The company filed an appeal before the Appellate Authority but lost. It then approached the Appellate Tribunal.

M/s Laxman Shukla, Firm of Chartered Accountants, responsible for auditing ABC Ltd.'s GST compliance was aware of some of the discrepancies, including the under-reporting of sales and the questionable ITC claims. However, the firm certified the returns without raising any red flags. The firm later defended their actions by claiming pressure from the client and lack of clarity in certain GST provisions.

The applicable rate of GST for ABC Ltd. Is CGST -6%, SGST is – 6% and IGST is – 12%. Based on the above-mentioned facts, answer the following questions:

- (i) Whether the action of the authorities is valid in issuing notice and passing order under section 74. Suggest an alternative, if any.
- (ii) Also determine the penalty under section 74 leviable and the penalty leviable under your suggested alternative.
- (iii) What is the time limit for filing an appeal to Appellate authority and appellate tribunal and can such time limit be extended?

- (iv) What is the pre-deposit for filing an appeal with Appellate authority in the present case? Explain legal provisions supporting your answer.
- (v) What is the pre-deposit for filing an appeal with Appellate tribunal in the present case? Explain legal provisions supporting your answer.
- (vi) Can the managing director of ABC Ltd. be arrested under GST Law? Also, whether the other directors of ABC Ltd. be arrested?
- (vii) Discuss the ethical obligations of a Chartered Accountant under GST law. Did the CA in this case breach any ethical guidelines by certifying ABC Ltd.'s returns despite

**[14 MARKS]**

**QUESTION NO. 2(A):**

Rajwada Operators Limited (ROL) is registered under GST in the State of Karnataka as an Electronic Commerce Operator (ECO). It owns and operates a web portal which supplies various goods and services on behalf of various sellers/service providers to its ultimate customers. Details of supplies undertaken through ROL in the month of October are as under:

- (i) Sale of goods worth ₹ 1,47,500/- (including GST) by A Ltd., registered supplier of Rajasthan to B Ltd., Gujarat. Also, goods worth taxable value of ₹ 1,40,000 sold by A Ltd., Rajasthan to B Ltd., Gujarat in the month of September were returned back in the month of October.
- (ii) Value of services provided from 21st October to 30th October by way of transportation of passengers by motor vehicles by X Ltd., registered under GST in Karnataka to Z Ltd., registered under GST in Karnataka amounting to ₹ 5,50,000/- (it includes ₹ 1,50,000 against transportation services provided by omnibus).
- (iii) Miss Zara of Mumbai books a room for 3 days and 2 nights in Raj Niwas Palace, Jodhpur, Rajasthan through Maharaja Resorts Ltd. (MRL), also an ECO registered under GST in Karnataka. MRL is integrated with ROL who has an agreement with Raj Niwas Palace. Raj Niwas Palace is registered under GST in Rajasthan and raises an invoice for ₹ 1,50,000 to Miss Zara and receives ₹ 1,45,000 from ROL for the same.

All the figures given above are exclusive of GST except wherever specified separately. Assume rate of CGST and SGST to be 9% each and IGST to be 18% on all inward and outward supplies of goods and services. Compute the amount of TCS to be collected by ROL for the month of October. Working notes should form part of your answer.

**[5 MARKS]**

**QUESTION NO. 2(B):**

Holistic Cosmetics Ltd. has multiple wholesale outlets of cosmetic products in Mumbai, Maharashtra. It receives an order for cosmetics worth ₹ 1,20,000 (inclusive of GST leviable @ 18%) from Raman, owner of a retail cosmetic store in Delhi. While checking the stock, it is found that order worth ₹ 55,000 can be fulfilled from the company's Dadar (Mumbai) store and remaining goods worth ₹ 65,000 can be sent from its Malad (Mumbai) store. Both the stores are instructed to issue separate invoices for the goods sent to Raman. The goods are transported to Raman in Delhi, in a single conveyance owned by Teja Transporters. You are required to advise Holistic Cosmetics Ltd. with regard to issuance of e-way bill(s).

**[5 MARKS]**

**QUESTION NO. 2(C):**

Calculate the assessable value (rounded off to nearest one rupee) under the Customs Act, 1962 with appropriate working notes from the following particulars related to import of a machine (by sea) by Daksh Industries from USA in the month of October:

Particulars	Amount
Cost of machine at the port of exportation	US \$ 8,200
Freight from port of export to port of import	US \$1,800
Daksh Industries had paid to seller the cost for packing (not as condition of sale but included in cost of machine at point (i) above)	US \$ 400
Actual selling commission paid by Daksh Industries to local agent of exporter.	₹ 20,000
Actual insurance charges paid are also not ascertainable.	-
Ship demurrage charge paid by Daksh Industries at port of importation.	₹ 15,000
Engineering charges paid by Daksh Industries to consultancy firm in Mumbai as a condition of sale.	₹ 1,25,000

Note:

- (i) Rate of exchange to be considered ₹ 80 for one US \$
- (ii) Relevant legal reasoning should form part of your answer.

**[4 MARKS]**

**QUESTION NO. 3(A):**

Henry & Co. self-assessed its CGST liability as ₹ 90,000 for the month of April, but failed to make the payment. Subsequently the Department initiated penal proceedings against Henry & Co. for recovery of penalty under section 74A of the CGST Act, 2017 for failure to pay GST and issued show cause notice on 10th August which was received by Henry & Co. on 14th August.

Henry & Co. deposited the tax along with interest on 25th August and informed the department on the same day. Department is contending that he is liable to pay a penalty of ₹ 45,000 (i.e. 50% of ₹ 90,000) under the CGST Act, 2017.

Examine the correctness of the stand taken by the Department with reference to the provisions of the CGST Act, 2017. Explain the relevant provisions in brief.

**[5 MARKS]**

**QUESTION NO. 3(B):**

Mr. Shashank intends to start a new manufacturing business in Jaipur. However, he is not able to determine the classification of the goods proposed to be manufactured and supplied by him since the classification of said goods has been contentious. Mr. Shashank read an article about advance ruling in the newspaper and decided to apply for advance ruling so as to avoid litigation later.

Mr. Prashank, who is friend of Mr. Shashank is also engaged in the supply of goods similar to which Mr. Shashank proposes to manufacture in Jaipur and Mr. Prashank advised him to apply the same classification as of his, since he has already taken advance ruling order regarding classification of the said goods.

Mr. Shashank's tax consultant also agreed with the advice given by Mr. Prashank. Mr. Shashank also thought it to be a good decision since he was unregistered and thought that he needed to be registered to apply for advance ruling in his name.

You are required to advise Mr. Shashank with respect to following:

- (i) Whether Mr. Shashank and his tax consultant are right and can classify the goods proposed to be supplied by Mr. Shashank on the basis of his friend Mr. Prashank's advance ruling order?
- (ii) Whether Shashank needs to get registered to apply for advance ruling?

**[5 MARKS]**

**QUESTION NO. 3(C):**

GHN Ltd. imported certain items on 14th October. According to GHN Ltd, these items should be classified under chapter heading no. XXXX.AB of the Customs Tariff schedule whereas the Department's view was that these items should be classified under different chapter heading number XXXX.AC. So, there was a dispute going on between GHN Ltd. and the Department regarding the classification of product.

Meanwhile, an exemption notification was issued on 26th October which exempted the disputed goods by classifying it under chapter heading number XXXX.AB for the future imports from 30<sup>th</sup> October onwards.

Now, GHN Ltd. claimed that since the Department exempted product under chapter heading XXXX.AB. Hence, its items are also to be classified under the same heading even though it imported goods earlier.

Discuss with the help of decided case law if any, whether the contention of GHN Ltd. is correct as per law?

Note: Chapter headings given above are just an example and not the real one.

**[5 MARKS]**

**QUESTION NO. 4(A):**

State the types of offence (cognizable or non-cognizable), prosecution, arrest and bail implications, if any, in respect of the following independent cases pertaining to June:

- 'Bhaskar' issues invoice without any underlying supply leading to wrongful availment of ITC. ITC availed on such invoice was ₹ 200 lakh.
- 'Raghav' fraudulently obtains the refund of tax of ₹ 550 lakh. The said tax has been recovered from the buyer also.

Note: Assume that in above cases, offence, if any, has been committed for the first time.

**[5 MARKS]**

**QUESTION NO. 4(B):**

Miss Meena is aggrieved by the order passed by the Assistant Commissioner and wants to file an appeal with Commissioner (Appeals). Her accountant, who looked after her GST related matters including filing of GST returns /other compliances online, is on leave for one month. So, she decides to file the appeal manually.

The order against which appeal is to be filed is available on the GST portal. There was no such notification issued by the commissioner that appeal can be filed manually.

With reference to the provisions of GST law, you are required to ascertain:-

- Whether Miss Meena can file an appeal to the commissioner (Appeals) in this case?
- Whether decision taken by Miss Meena to manually file an appeal is valid?

Also explain the relevant legal provisions in support of your answer.

**[4 MARKS]**

**QUESTION NO. 4(C):**

Mr. Pandya imported certain raw material from Japan. However, Mr. Pandya was not able to furnish certain supporting documents related to the said raw material imported along with the Bill of Entry for home consumption. Mr. Pandya requested the customs officials to deposit the said imported goods in a public bonded warehouse for a period of 20 days so that he obtains the required documents. The Customs officer initially denied for allowing warehousing and afterwards insisted Mr. Pandya to execute an indemnity bond for the goods to be deposited in the warehouse.

Examine the correctness of the stand taken by the Customs Officer.

**[5 MARKS]**

**QUESTION NO. 5(A):**

In an order passed dated 1st April issued to Sita Ram Pvt. Ltd., then Commissioner of Central Tax, being Revisionary Authority has confirmed IGST demand of ₹ 1400 crore, penalty of ₹ 200 crore and interest of ₹ 20 crore.

Sita Ram Pvt. Ltd. admits the tax liability, penalty and interest to the extent of ₹ 200 crore, ₹ 20 crore and ₹ 10 crore respectively but wishes to litigate the balance amount of demand and thus, Sita Ram Pvt. Ltd. deposits the required amount of pre-deposit on 12th April and files an appeal with the GSTAT.

GSTAT decides the appeal in favour of Sita Ram Pvt. Ltd. On 12th June, Sita Ram Pvt. Ltd. submits an application seeking refund of the pre-deposit along with applicable interest on 2nd July and the department acknowledges the application on the same day. The amount of pre-deposit is refunded to Sita Ram Pvt. Ltd. On 15th October.

With reference to provisions of the GST law, compute the amount of pre-deposit required to be deposited before filing an appeal to GSTAT and interest payable by the Department on refund of such pre-deposit, if any, along with necessary explanations.

**[5 MARKS]**

**QUESTION NO. 5(B):**

GST Department initiated prosecution proceedings against Mr. Sahil, a taxable person under GST. Mr. Sahil collected ₹ 8 crore as GST but failed to pay the same to the Government beyond the period of three months from the date on which such payment became due.

He approached the Commissioner on 15th October with a request for compounding of offence. Mr. Sahil made full and true disclosure of facts relating to the case. After considering the request, the Commissioner directed him to pay an amount of ₹ 5.2 crore as compounding amount on 20th October.

As per the provisions of section 138 of the CGST Act, 2017 read with relevant rule of the CGST Rules, 2017, examine the issue and provide the answers with supporting explanatory note to the following:

- 1) Determine the minimum and maximum compounding amount which can be determined by the Commissioner.
- 2) Is the amount determined by the Commissioner in this case within the limits prescribed under the GST law?
- 3) In what time period will Mr. Sahil have to pay the compounding amount ordered by the Commissioner?

**[4 MARKS]**

**QUESTION NO. 5(C):**

EcoChem Pvt. Ltd., a registered importer, imports **50 MT of a chemical on 5th February 2025** under a concessional duty notification for manufacturing an export product. The goods are received at its factory on **7th February 2025** and immediately sent to a job worker on **8th February 2025** for processing. Only **45 MT** of processed goods are received back on **2<sup>nd</sup> July 2025** and **5 MT of processed goods are received back on 25<sup>th</sup> February 2026**. The concessional duty saved at import is ₹2,00,000 (total for 50 MT). Jurisdictional customs officer, during June 2026 audit, directs duty recovery on the concessional duty availed. State the consequences with respect to Import of goods at concessional rate of duty rules, 2022 and what is the time limit within which EcoChem Pvt. Ltd. has to file the return as per these rules.

**[5 MARKS]**

**QUESTION NO. 6(A):**

Describe the provision of payment of tax and other amount in installment under section 80 of the CGST Act, 2017.

Also discuss, under what circumstances such payment facility shall not be allowed.

**[5 MARKS]**

**QUESTION NO. 6(B):**

What is search warrant? Who is the competent authority to issue Search Warrant under the CGST Act, 2017? What details should be contained in a Search Warrant?

(or)

Discuss the power of the officer under GST law of access to business premises under section 71 of the CGST Act, 2017.

**[4 MARKS]**

**QUESTION NO. 6(C):**

Global Agro Exports Pvt. Ltd. submitted objections to a proposed FTP amendment but found their suggestions were not accepted. On requesting reasons and internal decision records, DGFT refused, citing "food security" and "international commitments," and stated there is no legal obligation to incorporate such suggestions. Briefly state Whether DGFT's refusal to provide reasons is valid and Whether the company has any legal right to compel incorporation of its suggestions or disclosure of decision records.

**[5 MARKS]**



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CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

## Suggested Answer 6

# CA FINAL TEST SERIES JAN' 26 EXAM

## TEST – 6 SUGGESTED ANSWER

### Section – A: MCQ'S (30 Marks)

**ANSWER TO MCQ – 1: (B)**

As per Sec. 35 of CGST Act, 2017 a register person should maintain certain accounts and records. Stock register is one of such records and non-maintenance of accounts and records leads to penalty under Sec. 122(1) i.e., 100% of tax evaded or 10,000, whichever is HIGHER.

**[2 MARKS]**

**ANSWER TO MCQ – 2: (B)**

As per Sec. 74A of CGST Act, notice is issued on account of non payment of tax or short payment of tax or wrong availment of ITC or wrong utilisation of ITC or erroneous refund. If it is on account of other than fraud, penalty shall be 10% of tax evaded or 10,000 whichever is HIGHER. In the present case, tax payable is ₹1,50,00,000 X 18% = ₹27,00,000 and penalty shall be ₹27,00,000 X 10% = ₹2,70,000 and total amount payable (Excl. interest) shall be ₹29,70,000.

**[2 MARKS]**

**ANSWER TO MCQ – 3: (B)**

As per Sec. 107 of CGST Act, pre-deposit for appeal to first appeal authority is 10% of disputed tax, subject to maximum ₹20 crores. In the present case, disputed tax is ₹27,00,000 and pre-deposit is ₹27,00,000 X 10% = ₹2,70,000.

**[2 MARKS]**

**ANSWER TO MCQ – 4: (B)**

In case of wrong deposit of CGST instead of SGST and the return has been filed, adjustment from ledger is not possible and in such case, refund of CGST can be claimed after payment of SGST.

**[2 MARKS]**

**ANSWER TO MCQ – 5: (A)**

Net GST payable = ₹24,00,000 (-) ₹15,00,000 = ₹9,00,000

Interest = ₹9,00,000 X 18% X 11/365 = ₹4,882

**[2 MARKS]**

**ANSWER TO MCQ – 6: (B)**

No, M/s Sudhankar Enterprises is not required to take registration under GST as its aggregate turnover is below the threshold limit for registration. However, it is required to obtain a unique enrolment number under GST.

**[2 MARKS]**

**ANSWER TO MCQ – 7: (D)**

M/s Jaggi Enterprises is eligible for obtaining the CEN as it is registered in multiple States with same PAN. After obtaining CEN, it can use it for generating e-way bills and updating Part-B throughout the country.

**[2 MARKS]**

**ANSWER TO MCQ – 8: (C)**

Yes, e-way bill is required to be generated mandatorily in case of inter-State transfer of goods by principal to job worker irrespective of value of consignment.

**[2 MARKS]**

**ANSWER TO MCQ – 9: (B)**

Yes, M/s Jaggi Enterprises can generate a consolidated e-way bill containing the details of different EWBs even if all the EWBs have different validity periods and even if it is transporting consignments of different consignees in a single conveyance.

**[2 MARKS]**

**ANSWER TO MCQ – 10: (B)**

Where goods are imported for non-personal use of an individual and he could not prove that there is no unjust enrichment.

**[2 MARKS]**

**ANSWER TO MCQ – 11: (A)**

₹95

**[2 MARKS]**

**ANSWER TO MCQ – 12: (D)**

(I) AND (II)

**[2 MARKS]**

**ANSWER TO MCQ – 13: (D)**

1,46,560

**[2 MARKS]**

**ANSWER TO MCQ – 14: (B)**

770

**[2 MARKS]**

**ANSWER TO MCQ – 15: (A)**

10,25,000

**[2 MARKS]**

**Section B: Descriptive (14 Marks X 5 Question = 70 Marks)**  
**(Question No. 1 is compulsory and answer any 4 out of 5 given below)**

**ANSWER FOR QUESTION 1:**

**Validity of Action under Section 74:**

- **Section 74 of the CGST Act** deals with cases where there is a reason to believe that tax has not been paid or has been short-paid due to fraud, willful misstatement, or suppression of facts.
- In this case, the authorities issued a demand notice and passed an order under Section 74 for the under-reported sales, wrongful claim of ITC, and non-payment of GST on certain transactions, alleging fraud and willful misstatement.
- Since the Issue - 3 involve significant discrepancies on account of suppression of facts, the action under Section 74 is valid. However, w.r.to Issue-1 and Issue-2, the action of authorities is not valid as there is no intention to evade payment of tax or avail ITC.

**Suggested Alternative:**

- **Section 73 of the CGST Act** could be considered an alternative w.r.to Issue-1 and Issue-2, if the discrepancies were genuinely unintentional and there was no evidence of fraud or willful misstatement, and a separate notice and order should be passed for these 2 issues. Section 73 applies when tax has not been paid or has been short-paid due to reasons other than fraud or willful misstatement.
- If ABC Ltd. could successfully argue that the errors were purely technical or due to system errors, they might have sought relief under Section 73, which imposes lower penalties compared to Section 74.

**(ii) Penalty under Section 74 and Suggested Alternative:**

Issue	Penalty leviable under Sec. 74	Penalty leviable under suggested alternative
1. Non-payment of GST on account of system error	₹10 Crores X 12% X 100% = ₹1.2 Crores	₹10 Crores X 12% X 10% = ₹0.12 Crores
2. Availment of ITC by a non-existent supplier	₹2 Crores X 100% = ₹2 Crores	₹2 Crores X 10% = ₹0.2 Crores
3. Non-payment of GST on account of fraudulent suppression of turnover	₹50 Crores X 12% X 100% = ₹6 Crores	₹50 Crores X 12% X 100% = ₹6 Crores
Total Penalty	₹9.2 Crores	₹6.32 Crores

**(iii) Time Limit for Filing Appeals and Possibility of Extension:**

**Time Limit for Filing an Appeal to the Appellate Authority:**

- **Section 107(1) of the CGST Act** provides that an appeal to the Appellate Authority must be filed within **3 months** from the date of communication of the order.
- **Extension:** The Appellate Authority may allow a further extension of **1 month** if the appellant shows sufficient cause for the delay.

**Time Limit for Filing an Appeal to the Appellate Tribunal:**

- **Section 112(1) of the CGST Act** specifies that an appeal to the Appellate Tribunal must be filed within **3 months** from the date of communication of the order of the Appellate Authority.
- **Extension:** The Appellate Tribunal may allow an extension of **3 months** if sufficient cause for delay is shown.

**(iv) Pre-Deposit for Filing an Appeal with the Appellate Authority:**

**Legal Provisions:**

- **Section 107(6) of the CGST Act** mandates that the appellant must pay **10% of the disputed tax amount** as a pre-deposit when filing an appeal with the Appellate Authority.
- In this case, if the disputed tax amount is ₹9.2 crores, the pre-deposit required would be **₹92 lakhs** (10% of ₹9.2 crores).

**(v) Pre-Deposit for Filing an Appeal with the Appellate Tribunal:**

**Legal Provisions:**

- **Section 112(8) of the CGST Act** requires the appellant to pay an additional **20% of the disputed tax amount** as a pre-deposit when filing an appeal with the Appellate Tribunal.
- In this case, the additional 20% would be **₹1.84 Crores** (20% of ₹9.2 crores), making the total pre-deposit **₹2.76 crores** (30% of ₹9.2 crores).

**(vi) Possibility of Arrest under GST Law:**

Given the severity of the offences (under-reported sales, fraudulent ITC claims, and suppression of facts), and the fact that these offences are alleged to involve fraud and wilful misstatement, Section 137 makes the managing director directly accountable. Section 137 extends liability to any director who played a role in the decision-making process leading to the offence. Other directors of ABC Ltd. could also be liable if it is proven that the offences were committed with their consent, connivance, or due to their negligence.

Consequently, managing director and other directors can be arrested under Sec. 69 of CGST Act, if they are covered under Sec. 137.

**(vii) Ethical Obligations of a Chartered Accountant under GST Law:**

- Chartered Accountants (CAs) have a duty to act with Professional behaviour, Confidentiality, integrity, objectivity, and professional competence. They must not certify any information that they know to be incorrect or misleading.
- The **ICAI Code of Ethics** requires CAs to maintain independence and avoid conflicts of interest. They must also comply with all applicable laws and regulations.
- In this case, M/s Laxman Shukla, the firm responsible for auditing ABC Ltd.'s GST compliance, knowingly certified returns despite being aware of discrepancies. This is a clear breach of ethical guidelines as the CA failed to act with due diligence and independence.
- The defense of pressure from the client and lack of clarity in GST provisions is not sufficient to justify the certification of incorrect returns. The firm should have raised red flags and possibly refused to certify the returns if they were aware of the discrepancies.

This breach could lead to disciplinary action by the ICAI and potential legal consequences for the CA firm.

**[14 MARKS]**

**ANSWER FOR QUESTION NO. 2(A):**

(i) ROL is liable to collect tax at source under section 52 of the CGST Act, 2017 @ 0.5% under IGST of the net value of inter- State taxable supplies of goods (Value of taxable supplies made less value of supplies returned) made through it by the electronic commerce operator (ECO) - A Ltd. Net value of taxable supplies = ₹ 1,25,000 (₹ 1,47,500 × 100/118) – ₹ 1,40,000 = Nil / (Negative Value) Thus, TCS to be collected is Nil.

(ii) ROL is liable to collect TCS, since the tax on services, by way of transportation of passengers by an omnibus provided by a company through ECO, is not payable by ECO, under section 9(5) of the CGST Act, 2017.

$$= ₹ 1,50,000 \times 0.25\%$$

= ₹ 375 each under CGST and SGST

ROL is not required to collect TCS on transportation of passenger services by other motor vehicles supplied through it worth ₹ 4,00,000 as tax on the same is payable by ROL itself under section 9(5) of the CGST Act, 2017.

(iii) ROL, being supplier side ECO is liable to collect TCS @ 0.25% under CGST and 0.25% under SGST of the net value of intra- State taxable supplies of accommodation services made through it by Raj Niwas Palace.

$$= ₹ 1,50,000 \times 0.25\%$$

= ₹ 375 each under CGST and SGST

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 2(B):**

Holistic Cosmetics Ltd. would be required to prepare two separate e-way bills since each invoice value exceeds ₹ 50,000 and each invoice is considered as one consignment for the purpose of generating e-way bills. The FAQs on E-way Bill issued by CBIC clarify that if multiple invoices are issued by the supplier to one recipient, that is, for movement of goods of more than one invoice of same consignor and consignee, multiple e-way bills have to be generated. In other words, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved. Multiple invoices cannot be clubbed to generate one e-way bill. However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 2(C):**

**Computation of assessable value**

Particulars	Amount (\$)	Amount (₹)
Cost of machine at port of importation	8,200	6,56,000
Add: Local agent's commission [Includible as not a buying commission.]	250 (₹ 20,000/₹ 80)	20,000
FOB as per customs	8,450	6,76,000
Add: Freight [Freight charges till port of importation are includible in assessable value.]	1,800	1,44,000
Add: Insurance charges @ 1.125% of FOB	95.0625	7,605
Add: Ship demurrage (₹ 15,000/ ₹ 80) [Includible in cost of transport.]	187.50	15,000
Assessable Value (in \$)	10,532.5625	
Assessable value (in ₹) [\$10,532.5625 × ₹ 80]	8,42,605	8,42,605

**Note:**

Packing charges incurred by the buyer are includible in assessable value even though they are not paid as a condition of sale.

Engineering charges are not included in the assessable value as engineering work is undertaken in India.

**[4 MARKS]**

**ANSWER FOR QUESTION NO. 3(A):**

Due date for payment of tax for the month of April is 20th May. Where self-assessed tax is not paid within 30 days from due date of payment of such tax, penalty equivalent to 10% of tax or ₹ 10,000, whichever is higher, is payable. Thus, option to pay tax within 60 days of issuance of SCN to avoid penalty, is not available in case of self-assessed tax.

Since in the given case, Henry & Co. has not paid the self-assessed tax within 30 days of due date [i.e. 20th May], penalty equivalent to:

- (i) 10% of tax, viz., ₹ 9,000 (10% of ₹ 90,000) or
- (ii) ₹ 10,000,

whichever is higher, is payable by him under the CGST Act, 2017. Equivalent amount of penalty is payable under the SGST/UTGST Act 2017.

Hence, the stand taken by the Department that penalty will be levied on Henry & Co. is correct, but the amount of penalty of ₹ 45,000 under the CGST Act, 2017 is not correct.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 3(B):**

- (i) No, Mr. Shashank and his tax consultant are not correct. An advance ruling is binding only on the applicant who had sought it and on the concerned officer. An advance ruling is not applicable to similarly placed other taxable persons in the State. Thus, Mr. Shashank cannot classify the goods to be supplied by him on the basis of his friend Mr. Prashank's advance ruling order.
- (ii) No, Mr. Shashank need not register to apply for advance ruling since advance ruling can be sought by a registered person or person desirous of obtaining registration. It is not mandatory for a person seeking advance ruling to be registered.

**[4 MARKS]**

**ANSWER FOR QUESTION NO. 3(C):**

The contention of GHN Limited is correct as per law. As per judicial ruling, if an exemption notification classifies a product under a specified Chapter heading from a specific date, the said classification can be accepted for the period prior to it being beneficial to the applicant.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 4(A):**

Person	Offence	Prosecution	Arrest	Bail
Bhaskar	Not an offence as the ITC default has not exceeded ₹2 Crores	N.A	No arrest	N.A
Raghav	Non-cognizable Offence, as the same is not invoice default (or) ITC default (or) Collected an amount as tax and not paid within 3 months	Upto 5 years and with Fine	No arrest	Bailable offence

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 4(B)**

- (i) An appeal may be filed to the Commissioner (Appeals) against an adjudicating order if such an order is passed by the Additional or Joint Commissioner. However, where the order is passed by the Assistant Commissioner, the appeal is to be filed to any officer not below the rank of Joint Commissioner (Appeals). Thus, in the given case, appeal cannot be filed to the Commissioner (Appeals), but to any officer not below the rank of Joint Commissioner (Appeals).
- (ii) An appeal to the Appellate Authority may be filed manually only if-
  - (i) the Commissioner has so notified, or
  - (ii) the decision or order to be appealed against is not available on the common portal.
 Therefore, in light of the facts of the given case, the appeal cannot be filed manually.

**[4 MARKS]**

**ANSWER FOR QUESTION NO. 4(C)**

Where Assistant/Deputy Commissioner of Customs is satisfied on an application of the importer that the imported goods, entered for home consumption / warehousing cannot be cleared within a reasonable time, such goods may, pending clearance/removal, be permitted to be stored in a public warehouse for a period not exceeding 30 days.

Such goods shall not be deemed to be warehoused goods for the purpose of the Customs Act, 1962 and accordingly warehousing provisions shall not apply to such goods. This is popularly known as warehousing without warehousing. Thus, goods imported by Mr. Pandya can be stored in the public warehouse for a period of 30 days.

However, the stand taken by the Customs officer to insist him to execute an indemnity bond for goods to be deposited in warehousing is not valid in law since warehousing provisions are not applicable to such goods.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 5(A):**

The amount of pre-deposit to be made by Sita Ram Pvt. Ltd. For filing the appeal to the GSTAT is as under-

- full amount of tax, interest and penalty as admitted by it, i.e. ₹ 230 (200+20+10) crores and
- 20% of the remaining tax in dispute, i.e. ₹ 240 crore (20% of ₹ 1,200 crore) subject to a maximum of ₹ 40 crores (in case of IGST).

$$= ₹ 270 \text{ crores}$$

If the pre-deposit made by the appellant before the Tribunal is required to be refunded consequent to any order of the Tribunal, interest @ 9% p.a. shall be payable from the date of payment of the amount till the date of refund of such amount.

Period of delay counted from 12th April is 186 days

$$\text{Interest (rounded off)} = ₹ 100 \text{ crore} \times 9\% \times 186/366 = ₹ 4,57,37,705$$

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 5(B)**

- Since Mr. Sahil has collected amount exceeding ₹ 5 crores as tax but failed to pay the same to the Government beyond a period of 3 months from the date on which such payment became due:
  - minimum amount for compounding is 50% of the tax evaded, i.e., ₹ 4 crore (50% of ₹ 8 crore).
  - maximum amount for compounding is 75% of the tax evaded i.e., ₹ 6 crore (75% of ₹ 8 crore).
- Yes, the amount for compounding determined by the Commissioner i.e. ₹ 5.2 crore is within the above limits prescribed under the GST law.
- Mr. Sahil has to pay the compounding amount ordered by the Commissioner within 30 days from the date of the receipt of the order.

**[4 MARKS]**

**ANSWER FOR QUESTION NO. 5(C):**

As per Rule 7 of Import of goods at concession rate of duty rules, 2022 the imported goods under these rules can be sent on jobwork and the maximum period for job-work is 1 year from the invoice date. In the present case, 45 MT of processed goods are received within 1 year and 5 MT is received beyond 1 year and wr.to the same, proper officer can initiate recovery.

Duty computation on short-received goods:

Total concessional duty saved = ₹2,00,000 for 50 MT.

Per MT benefit = ₹2,00,000 ÷ 50 = ₹4,000.

For 5 MT not received within 1 year: Duty payable = 5 × ₹4,000 = ₹20,000 (plus applicable interest @ 15% p.a. from the date of import till the date of payment of duty).

The importer shall submit a quarterly statement on the common portal in the prescribed form by 10<sup>th</sup> day of the following quarter. In the present case, Import made in Feb 2025 falls in quarter Jan-Mar 2025 and the Statement due date is 10th April 2025 and thereafter every quarter by 10th of the month following every quarter.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 6(A):**

On an application filed by a taxable person, the Commissioner may, for reasons to be recorded in writing, allow payment of tax and other amounts due by such person in maximum 24 monthly instalments, on payment of interest and subject to prescribed conditions and limitations.

If there is default in payment of any one instalment on due date, then the whole outstanding balance shall become due and payable immediately.

The facility of payment in instalments shall not be allowed where –

- a) the taxable person has already defaulted on the payment of any amount under the GST law, for which the recovery process is on.
- b) the taxable person has not been allowed to make payment in instalments in the preceding financial year.
- c) the amount for which instalment facility is sought is less than ₹ 25,000.
- d) the amount payable is self-assessed tax.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 6(B)**

A search warrant is a written authority to conduct a search. The competent authority to issue a search warrant is an officer of the rank of Joint Commissioner or above.

A search warrant must indicate the existence of a reasonable belief leading to the search. Search warrant should contain the following details:

- the violation under the GST law,
- the premise to be searched,
- the name and designation of the person authorized for search,
- the name of the issuing officer with full designation along with his round seal,
- date and place of issue,
- serial number of the search warrant,
- period of validity i.e. a day or 2 days etc.

**(or)**

Any officer under this Act, authorised by the proper officer not below the rank of Joint Commissioner, shall have access to any place of business of a registered person to inspect books of account, documents, computers, computer programs, computer software whether installed in a computer or otherwise and such other things

as he may require and which may be available at such place, for the purposes of carrying out any audit, scrutiny, verification and checks as may be necessary to safeguard the interest of revenue.

Every person in charge of place referred above shall, on demand, make available to the officer so authorised or the audit party deputed by the proper officer or a cost accountant or chartered accountant nominated under section 66 of the CGST Act, 2017-

- (i) such records as prepared or maintained by the registered person and declared to the proper officer in such manner as may be prescribed;
- (ii) trial balance or its equivalent;
- (iii) statements of annual financial accounts, duly audited, wherever required;
- (iv) cost audit report, if any, under section 148 of the Companies Act, 2013 (18 of 2013);
- (v) the income-tax audit report, if any, under section 44AB of the Income-tax Act, 1961 (43 of 1961); and

(vi) any other relevant record, for the scrutiny by the officer or audit party or the chartered accountant or cost accountant within a period not exceeding fifteen working days from the day when such demand is made, or such further period as may be allowed by the said officer or the audit party or the chartered accountant or cost accountant.

**[4 MARKS]**

**ANSWER FOR QUESTION NO. 6(C):**

As per the amended FTP 2023, the Central Government may, on a best endeavour basis, provide reasons for non-acceptance of stakeholder views; however, it is not obliged to do so in specific circumstances, including where disclosure would affect trade relations, food, economic or national security, conflict with government policies, strategic programs, or international obligations, serve narrow private interests, or require revealing confidential/classified information.

Since DGFT cited "food security" and "international commitments," which fall within the listed exceptions, the refusal to provide reasons is valid.

Further, the provisions expressly state that nothing confers a legal right to any person to demand incorporation of their suggestions into the FTP or to seek reasons where exempted, and there is no mandate to disclose internal decision-making records. Therefore, DGFT's action is in line with the law, and Global Agro Exports Pvt. Ltd. has no enforceable legal right to compel incorporation of its suggestions or access to internal records.

**[5 MARKS]**



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CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

## Question Paper 7

# CA FINAL TEST SERIES JAN' 26 EXAM

## TEST – 7

### Section – A: MCQ'S (30 Marks)

#### CASE SCENARIO – 1:

Aspire Solutions Private Limited (hereinafter referred to as 'Aspire Solutions') is engaged in providing multidimensional services to its clients through its office in Haryana, registered under GST. During the month of July, the following transactions were undertaken by Aspire Solutions

- (i) Import of certain cloud services from Bizcart.com for an amount of ₹ 51,00,000.
- (ii) Aspire Solutions pays sitting fee of ₹ 25,000 each to its 4 directors per month. Further, there are two directors who are in the executive roles and are withdrawing ₹ 2,00,000 each per month as salary from the company and the applicable TDS amount, under section 192 of the Income-tax Act, 1961, is deducted from such salary.
- (iii) Aspire Solutions paid for life insurance of its employees in compliance of its internal policy. The total amount of premium paid for 20 employees was ₹ 5,00,000.
- (iv) Aspire Solutions provided consultancy services to its client, Zoom Corp. based in Bangalore and issued an invoice of ₹ 30,00,000.
- (v) Empowering India is a Non-Government Organisation located in Haryana. It aims at empowering the eligible companies to grow their business in India. Aspire Solutions, being one of the eligible companies, received a subsidy of ₹ 5,00,000 in lumpsum from Empowering India for the month of July.
- (vi) Aspire Solutions provided sponsorship services to Mr. X, an individual, for an event organised by it in the State of Haryana. The amount agreed for such sponsorship services is ₹ 5,00,000. All the amounts given above are exclusive of GST unless otherwise provided. There is no other outward or inward supply transaction apart from aforesaid transactions in the month of July. The opening balance of input tax credit for the relevant tax period for the company is nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

GST is applicable on all inward and outward supplies in the aforesaid case scenario @ 18%, unless otherwise specified. Ignore CGST, SGST and IGST bifurcation for the sake of simplicity.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos 1 to 4 below:

- 1) The liability to pay GST for cloud services procured by Aspire Solutions from Bizcart.com shall be:
  - (a) on Bizcart.com since the services are online information and database access or retrieval services and GST of ₹ 9,00,000 shall be paid by Bizcart.com.
  - (b) nil. There will not be any GST liability on the transaction since Bizcart.com is located outside India and services are provided electronically.
  - (c) on Bizcart.com under forward charge and GST of ₹ 9,18,000 shall be paid by Bizcart.com.
  - (d) on Aspire Solutions under reverse charge and GST of ₹ 9,18,000 shall be paid by Aspire Solutions.

(2 MARKS)

2) Aspire Solutions seeks your advice on the taxability of the sitting fee payable to directors and salary payable to the executive directors. The correct advice is:

- Sitting fees paid to the directors is liable to GST under reverse charge and the salary paid to executive directors shall not be liable to GST.
- Total amount payable to directors (sitting fees as well as salary) is exempt from GST.
- Total amount payable to directors (sitting fees as well as salary) is liable to GST under reverse charge in hands of Aspire Solutions.
- Total amount payable to directors (sitting fees as well as salary) is liable to GST under forward charge in the hands of the directors as professional income.

**(2 MARKS)**

3) What shall be the amount of input tax credit available with Aspire Solutions for the month of July?

- ₹ 10,26,000
- ₹ 11,16,000
- ₹ 9,36,000
- ₹ 1,96,000

**(2 MARKS)**

4) Compute the value of outward supplies made by Aspire Solutions in the month of July.

- ₹ 30,00,000
- ₹ 25,00,000
- ₹ 35,00,000
- ₹ 40,00,000

**(2 MARKS)**

**CASE SCENARIO – 2:**

Infotel Ltd. (hereinafter referred to as Infotel) is a telecommunication company operating in India. The company has obtained registration in all the States in India and has its head office in Haryana. The invoice for telecommunication services in India is issued to the customer by head office located in Haryana for all the services.

During the month of January, following transactions were undertaken:

- Receipts from post-paid mobile customers are ₹ 25,00,000 (₹ 5,00,000 is from customers located in Haryana and remaining amount is from customers located in rest of India). Apart from this, Infotel collected an amount of ₹ 20,00,000 as subscription income (identifiable separately on the post-paid bill) from the customers (this amount is not included in the collection at point No. 1). The same was collected for payment to Cloudzone Ltd. (hereinafter referred to as Cloudzone), an online content provider located in Maharashtra. Full amount was remitted to Cloudzone by Infotel on behalf of the post-paid customers. Cloudzone issues invoice to the customers in its own name. As per the agreement, Infotel is not involved in any sort of facilitation or arrangement of supply from Cloudzone to the customers. The customers on their own availed the facility to pay for the services provided by Cloudzone by way of payment through Infotel. Subscription income is charged from the customers on actual basis and no fee is charged by Infotel from the customers for such payment facility. Infotel receives an amount equivalent to 10% of the total amount collected from the customers as collection charges from Cloudzone.

2. Direct receipts from prepaid mobile customers are ₹ 50,00,000 (Entire payment is received from customers located outside Haryana)
3. Mobile telecommunication revenue received from Paykwik Ltd. (hereinafter referred to as Paykwik), a reseller/ selling agent of Infotel, is ₹ 30,00,000. The location of Paykwik is in Maharashtra. Commission paid to Paykwik is 10% of the revenue received.
4. Infotel collected an amount of ₹ 5,00,000 from the customers located in Haryana against the direct to home (DTH) service provided in Haryana. This amount includes a one-time installation charges of ₹ 50,000.
5. Infotel purchased certain equipment for installation of its towers in the State of Rajasthan. The goods were delivered and installed by the supplier (based in Rajasthan) at Infotel's site in Rajasthan and invoice was issued to Infotel at Haryana Head Office. Total amount charged was ₹ 75,00,000.
6. Infotel collaborated with Amaze Inc., a company based in USA, for technological support in relation to provision of cloud storage services to its customers. The amount paid by Infotel to Amaze Inc. is ₹ 5,00,00,000 for technology support. Further, the cloud storage services were provided by Infotel to its unrelated premium customers on free of cost basis for the trial period. The open market value of such services is ₹ 75,00,000.
7. As per the agreement with Amaze Inc., in case of any failure in provision of cloud storage services to the customers by Infotel, Amaze Inc. shall provide the backup server access to Infotel's customers for data storage. The customer is not aware of the fact that data is being stored on Amaze Inc.'s server in case of failure at Infotel's end. Amaze Inc. charged an amount of ₹ 50,00,000 from Infotel for such instance in the month of January.

All the amounts given above are exclusive of GST unless otherwise provided. The opening balance of input tax credit for the relevant tax period of Infotel is Nil for all the registrations. GST is applicable in the aforesaid case scenario @ 18%, unless otherwise specified. Ignore CGST, SGST and IGST bifurcation for the sake of simplicity. Assume that there is no other outward or inward supply transaction apart from aforesaid transactions, in the month of January. Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 5 to 8 below:

#### **MULTIPLE CHOICE QUESTIONS**

5. The GST payable in cash for the month of January by the Head Office of Infotel in Haryana (assuming that no ITC is utilised by it) is \_\_\_\_\_.

- (a) ₹ 20,16,000
- (b) ₹ 1,22,76,000
- (c) ₹ 29,16,000
- (d) ₹ 1,19,16,000

**(2 MARKS)**

6. The input tax credit available to Infotel in the month of January at its Head Office in Haryana is \_\_\_\_\_.

- a) ₹ 99,54,000
- b) ₹ 1,13,04,000
- c) ₹ 54,000
- d) ₹ 14,04,000

**(2 MARKS)**

7. Select the correct statement for transaction between Infotel, Cloudzone and the subscribing customer, in terms of the GST Law:

- Infotel is an agent of Cloudzone.
- Infotel is a pure agent of Cloudzone.
- Infotel is a pure agent of the subscribing customer.
- Infotel is an intermediary of Cloudzone.

(2 MARKS)

8. For the direct to home services, Infotel is exploring the possibility of providing equipment like dish antenna and cables (liable to GST at 28%) to the customers at an additional charge of ₹ 2,000. Currently, the company collects ₹ 1,000 from new customers as installation and one month charges for services (liable to GST at 18%). In case the dish antenna and cables are also provided, the combined charge would be ₹ 3,000. Please select the most appropriate statement.

- GST on amount of ₹ 2,000 shall be charged at the rate of 28% and balance amount of ₹ 1,000 to be charged at 18%.
- GST on amount of ₹ 3,000 shall be charged at the rate of 28%.
- GST on amount of ₹ 3,000 shall be charged at the rate of 18%.
- No GST on ₹ 2,000 and GST at the rate of 18% on ₹ 1,000.

(2 Marks)

#### **CASE SCENARIO – 3:**

Zoom Air is an airline company operating domestic as well as international flights. The head office of Zoom Air is in Mumbai and the company has also obtained registration under GST in each of the States from where the flight operations are being conducted. During the month of January, following transactions were undertaken by it:

- Zoom Air sold air tickets worth ₹ 5,00,000 during the month from its head office and the breakup of air fare is as follows: Basic fare excluding GST – ₹ 4,00,000 Passenger Service Fee (PSF) and User Development Fee2 (UDF) [inclusive of GST] – ₹ 1,00,000 PSF and UDF are remitted by Zoom Air to the airport authority. Further, the amount of PSF and UDF is separately disclosed in the invoice issued to customers by Zoom Air along with applicable GST. The airport authority pays an amount of 5% of PSF and UDF (inclusive of GST amount) collected as collection charges to Zoom Air on which GST is applicable. There is no levy of PSF and UDF on the tickets booked by Zoom Air for its own crew or other employees.
- Zoom Air (Head Office) has collaborated with Supertrip India, an online travel portal, providing services to the customers by way of booking air tickets through its electronic commerce platform and registered under GST in the State of Maharashtra. During the month, Supertrip India booked tickets for ₹ 2,00,000 (base fare excluding GST, PSF and UDF) for the customers of Zoom Air. The amount was remitted by Supertrip India to Zoom Air after adjusting the amount of tax collected at source under section 52. In addition to the aforesaid amount, Supertrip India charged commission from Zoom Air at the rate of 5% of the base fare of air tickets booked.
- Zoom Air (Head Office) charged 100% cancellation fee from the customers for bookings made in prior months. The amount of cancellation fee charged was ₹ 1,00,000 inclusive of GST. Instead of actually collecting the cancellation fee from the customers, such amount was adjusted against the booking amount and GST discharged at the time of initial bookings. However, the PSF and UDF amounting to ₹ 10,000 (inclusive of GST) charged from the customers against such bookings were refunded.

(iv) Zoom Air (Head Office) provided gifts in the form of air tickets to 10 of its employees based at its head office for an amount equivalent to ₹ 60,000 each. No amount was recovered from the employees for such air tickets.

(v) Zoom Air has a corporate tie-up with Welcome Hotel, located in Rajasthan, for stay of its crew members. For January, the hotel issued an invoice of ₹ 5,00,000 in the name of Zoom Air, Head office, Mumbai.

Haryana office of Zoom Air has provided services by way of sale of online advertisement space to Amazing Pvt. Ltd. (a company registered in the State of Haryana) for promotion of Amazing Pvt. Ltd.'s products. The amount charged for such service by Haryana office of Zoom Air is ₹ 5,00,000.

All the amounts given above are exclusive of GST unless otherwise provided. The opening balance of Electronic Credit Ledger of Zoom Air and Supertrip India for the relevant tax period is nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Assume that there is no other outward or inward supply transaction apart from aforesaid transactions, in the month of January.

GST is applicable on all inward and outward supplies unless otherwise specified @ 18%. (Ignore CGST, SGST and IGST bifurcation for the sake of simplicity.)

In case of cancellation of tickets, the airport authority and Zoom Air had an agreement that PSF and UDF related adjustment shall be finalized at the end of financial year, i.e., during the month of March. Further, separate GST invoice shall be issued to carry out such adjustment in books of accounts.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 9 to 13 below:

9. The gross GST liability of Mumbai Head Office of Zoom Air for the month of January is:

- ₹ 1,08,000
- ₹ 72,000
- ₹ 1,80,000
- ₹ 2,16,900

**(2 MARKS)**

10. Determine all kinds of credits available to Mumbai Head Office of Zoom Air for setting off against its GST liability for the month of January is:

- ₹ 2,800
- ₹ 93,800
- ₹ 3,800
- ₹ 96,800

**(2 MARKS)**

11. Assuming that the customers, in point (i) of the case scenario above, are registered customers and all other conditions for availment of input tax credit are complied with, the amount of input tax credit available to such customers would be:

- ₹ 90,000
- ₹ 72,000
- ₹ 87,254
- ₹ 76,272

**(2 MARKS)**

12. Choose the most appropriate answer in relation to the transaction between Haryana office of Zoom Air and Amazing Pvt. Ltd.:

- The service is in the nature of online information and database access or retrieval services and Amazing Pvt. Ltd. is liable to pay IGST of ₹ 90,000.
- The sale of advertisement space is deemed sale of services as per Schedule II of CGST Act, 2017 and liable to CGST of ₹ 45,000 and SGST of ₹ 45,000.
- Zoom Air is required to pay IGST of ₹ 90,000 and Amazing Pvt. Ltd. is required to collect tax at source on consideration paid to Zoom Air.
- Zoom Air is required to pay CGST of ₹ 45,000 and SGST of ₹ 45,000 and full credit shall be allowed to Amazing Pvt. Ltd.

**(2 MARKS)**

13. Supertrip India purchases 1,000 air tickets in bulk for an amount of ₹ 1,000 per ticket from Zoom Air and made these tickets available for sale at its electronic portal to the customers on its own account. Supertrip India was able to sell only 800 air tickets for which the total amount collected from customers was ₹ 15,00,000. As per the agreement, the remaining 200 air tickets purchased by Supertrip India from Zoom Air lapsed, and amount was forfeited by Zoom Air. Choose the most appropriate statement.

- Supertrip India shall be liable to pay net GST of ₹ 90,000 and collect TCS of ₹ 10,000.
- Supertrip India is acting as an agent of Zoom Air and shall be liable to pay net GST of ₹ 1,26,000 and no GST will be payable by Zoom Air separately.
- Supertrip India shall be liable to pay net GST of ₹ 90,000 and Zoom Air shall be liable to pay GST of ₹ 1,80,000.
- Supertrip India shall be liable to pay net GST of ₹ 1,57,500 and Zoom Air shall be liable to pay GST of ₹ 1,80,000.

**(2 MARKS)**

14. Goods belonging to importer are obtained clearance [Value ₹5,00,000 and Duty ₹11,000]. While they are in transport, importer finds them damaged and their residual value is ₹1,00,000. The reason for damage is seepage of sea water while they were in Ship. Determine duty payable \_\_\_\_\_

- ₹11,000
- ₹2,200
- ₹10,000
- Nil

**(2 MARKS)**

15. Mr. Sitaraman exported goods worth Rs. 10 lakhs to Canada by a vessel. The details of related transactions are as follows:

Particulars	Date of submission	Rate of Import Duty
Shipping Bill	1.1.20XX	10%
Entry outward granted	5.1.20XX	12%
Let export order	8.1.20XX	18%
Ship crosses the territorial water	10.1.20XX	12.5

Calculate the amount of export duty payable by Mr. Sitaraman.

- Rs. 180000
- Rs. 100000
- Rs. 120000
- Rs. 125000

**(2 MARKS)**

**Section B: Descriptive (14 Marks X 5 Question = 70 Marks)**  
**(Question No. 1 is compulsory and answer any 4 out of 5 given below)**

**QUESTION 1:**

The details of transactions of J Ltd, Vadodara (Gujarat), a registered taxable person, during the month of February, 2025, are as under:

S. No	Particulars
1	Purchased goods from a manufacturer in Maharashtra as a merchant exporter (on payment of 0.1% IGST) and exported the same directly to an importer of Spain under LUT. FOB value is ₹ 7,00,000. Invoice for the supply of J Ltd was received on 05/02/25 and payment was made on 08/02/25.
2	Imported goods from China with CIF value of ₹ 5,00,000. The goods were sold for ₹ 5,10,000 as high sea sales to an Indian party on 21/02/25.
3	Purchased goods from a party in Taiwan. Sold the goods to a party in Turkey without bringing the goods to India. Purchase value was ₹ 5,00,000 and the sale price was ₹ 7,00,000. J Ltd paid sales commission of ₹ 50,000 to Mrs. T, their agent in connection with this transaction. The transaction was completed in the third week of February. (The figures in rupees have been given after conversion though transaction was in convertible foreign currency).
4	J Ltd has agreed to provide technical services to Mr. K of Ahmedabad who is an unregistered person in connection with the manufacturing operations to be undertaken by him for a consideration of ₹ 5,00,000 and has received an advance of ₹ 1,00,000 for the same on 02/02/25.
5	It has imported raw materials from China. CIF Value of the goods for the purpose of customs included ₹ 1,00,000 as ocean freight paid by J Ltd. The value for the purpose of levy of IGST worked out by customs was ₹ 6,00,000. Clearance of the goods took place of 04/02/25.
6	Locally purchased taxable war material stored in the factory got spoiled due to rain water in the factory and became unusable. J Ltd claimed and received insurance amount of ₹ 60,000 for the same. Value of the raw material at the time of the receipt was ₹ 70,000. Raw material was purchased from a party in Gujarat on 03/02/25 and payment was made on 07/02/25.
7	Company purchased a three-wheeler having capacity of 2 persons including driver (engine capacity 20CC) at a cost of ₹ 2,50,000 which is being used for transportation of staff of company from residence to factory and back. The vehicle was received on 05/02/25 and payment was made on the same date.
8	It has paid inward transportation expense of ₹ 30,000 to Mr. Z, a tempo owner who has not issued any consignment notes. He has issued a consolidated bill only on 03/02/25 and payment was made on 04/02/25.
9	It has supplied goods of value of ₹ 50,00,000 to V Ltd, Padra, Gujarat (includes ₹ 10,00,000 supplied to SEZ unit of V Ltd).
10	It has purchased goods from X Impex Ltd, Kadi, Gujarat for use as raw materials in its factory. The value of the goods is ₹ 30,00,000. Invoice is dated 02/02/25.
11	It has availed supply of manpower security services from Y Ltd, Vadodara, Gujarat, a registered taxable person. The amount paid is ₹ 1,00,000. The invoice was received on 01/02/25 and payment was made on the same day.

Assume the CGST and SGST rates to be 9% each and IGST rate to be 18% excepting the supply received as a merchant exporter. Ignore compensation cess. J Ltd had an opening balance of ITC of CGST ₹ 20,000 and SGST ₹ 20,000 as on 01/02/2025. In respect of all the inward supplies, suppliers have uploaded their invoices in respective GSTR 1 and the supplies are reflected in GSTR 2B. All the figures given above are exclusive of GST, wherever applicable.

Work out the admissible ITC and GST liability (CGST, SGST or IGST, as the case may be) payable in cash, by J Ltd Vadodara (Gujarat), for February, 2025.

Ensure that all the items in the table are covered in your answer. Provide supporting explanatory note for your conclusion wherever required.

**[14 MARKS]**

**QUESTION NO. 2(A):**

SpeedAuto Pvt. Ltd., a registered automobile dealer in Chennai, entered into an Ex-Works (EXW) contract with M/s. Alpha Motors Ltd., an Original Equipment Manufacturer (OEM) located in Pune. As per the terms of the contract, the ownership of the goods (cars) passed to SpeedAuto at the factory gate of Alpha Motors once the cars were handed over to the transporter, M/s. XYZ Logistics, arranged by Alpha Motors on behalf of SpeedAuto.

The details of the transaction are as follows:

- Tax invoice was issued by Alpha Motors on 20th April 2025 for 10 cars, each priced at ₹10,00,000 plus GST @ 28%.
- Goods were handed over to the transporter at Pune factory gate on 22nd April 2025.
- Goods reached SpeedAuto's premises in Chennai on 28th April 2025.
- Out of the 10 cars:
  - 6 cars were sold to customers during May 2025.
  - 2 cars were used by company directors for personal use.
  - 1 car was gifted to a business partner.
  - 1 car was damaged in transit and written off in the books of accounts.

Assume that SpeedAuto files GSTR-3B within the prescribed time limit.

Based on the above facts, answer the following:

- (i) What is the date of deemed receipt of goods for the purpose of availing input tax credit (ITC) under Section 16(2)(b) of the CGST Act, 2017?
- (ii) Compute the eligible amount of ITC that SpeedAuto Pvt. Ltd. can claim in the month of April 2025.
- (iii) Would your answer change if the contract had been on FOR (Free on Road) basis instead of EXW?

**[5 MARKS]**

**QUESTION NO. 2(B):**

XYZ Pvt. Ltd., a registered company under GST, whose aggregate turnover during the previous year exceeds threshold limit, procures legal consultancy services from Mr. Santhanam, an advocate who is not registered under GST. The legal consultancy services are provided on June 15, 2023, and Mr. Santhanam charges a fee of ₹1,00,000, which is paid by XYZ Pvt. Ltd. on June 16, 2023.

However, the company's accountant issues the invoice for the legal consultancy services only on August 20, 2024, and pays the applicable GST in the GSTR-3B of August 2024 filed on September 18, 2024 and also wanted to avail ITC in August 2024. Answer the following questions:

- (i) Who is liable to pay GST in this case?
- (ii) What is the due date of invoice and who is required to issue invoice?

(iii) What is the time of supply of service and due date of payment of GST assuming that due date of GSTR-3B is 20th of next month?

(iv) By when XYZ Pvt. Ltd. can avail ITC and whether they can avail ITC in June 2023?

(v) Is there any interest payable in the present case?

**[5 MARKS]**

**QUESTION NO. 2(C):**

M/s Global Importers Ltd. imports **1,200 units of electronic components** from Korea in **March 2026**. The goods are imported from a related party and the value declared by importer is rejected, but the Customs Authorities obtain the transaction values of **identical goods** imported into India from the same country. The details are as follows:

Case	Quantity Imported	Commercial Level	Transaction Value (CIF, ₹ per unit)	Remarks
A	1,000 units	Wholesale	₹1,150	Imported in March 2026
B	800 units	Retail	₹1,120	Imported in February 2026
C	1,500 units	Wholesale	₹1,100	Imported in March 2026

Additional information:

1. In Case B, the commercial level is **retail** while for M/s Global Importers Ltd. it is **wholesale**. Based on evidence, a downward adjustment of **₹20 per unit** is allowed for difference in commercial level.
2. In Case C, since the identical goods were imported in a larger quantity (1,500 units vs 1,200 units), an upward adjustment of **₹10 per unit** is justified to align quantities.
3. Freight and insurance charges in Case A are significantly higher than in the present import because of longer distance. Adjustment reduces the value by **₹15 per unit**.

Calculate the total assessable value of the consignment imported.

**[4 MARKS]**

**QUESTION NO. 3(A):**

A banking company M/s. YVPAY Bank Ltd. is registered under GST laws and provided the following services during the month of October.

S.No.	Particulars	Amount (₹)*
(i)	Discount earned on bills discounted	6,00,000
(ii)	Interest earned on reverse repo transaction	2,00,000
(iii)	Penal interest recovered from the borrower for the delay in payment of loan EMIs/Dues	5,00,000
(iv)	Services to merchants accepting credit /debit card payments using Point of Sale (POS) machine of bank. (In 50% cases, the amount per transaction was up to ₹ 1,500 while in the other cases, the amount was between ₹ 1,500 to ₹ 2,000)	6,50,000
(v)	Commission received for debt collection service	12,00,000
(vi)	Interest charges for last payment of credit card dues	4,00,000

\*exclusive of GST

M/s. YVPAY Bank Ltd. had opted for optional method, under section 17(4) of the CGST Act, 2017, for claiming input tax credit in respect of its operations. For the month of October, the relevant details for input tax credit are as follows:

Amount of GST paid on eligible input services - ₹ 8,00,000

Amount of GST paid on eligible capital goods - ₹ 6,00,000

Amount of GST paid on items whose credit is blocked under section 17(5) of the CGST Act, 2017 - ₹ 3,00,000 Applicable rate of GST is 18% on services provided.

Based on the information given above, calculate the net GST payable by the bank for the month of October. Ignore bifurcation of CGST and SGST or IGST.

**[5 MARKS]**

**QUESTION NO. 3(B):**

Determine place of supply along with reasons in the following cases:

Chitranjan, registered in Guwahati, has availed land-line services from BSNL. The telephone is installed in residential premises in Kolkata and the billing address is office of Chitranjan in Guwahati.

Digvijay, residing in Maharashtra, is travelling with 'Heera Airlines' aircraft and is provided with movie-on-demand service for ₹ 500 as on-board entertainment during Delhi- Maharashtra leg of a Bangkok-Delhi- Maharashtra flight. Kunwar of Delhi purchased online tickets for Chill water park in Mumbai Maldeo, an unregistered person of Orissa, sends a courier from New Delhi to his friend in Ahmedabad, Gujarat while he was on trip to New Delhi. Rajyavardhan, a registered person in Ranchi, Jharkhand, buys shares from a broker in Patna on NSE, Mumbai. Determine the place of supply of brokerage service assuming that the location of the recipient of service is available in the records of the supplier of service.

**[5 MARKS]**

**QUESTION NO. 3(C):**

With reference to the Customs Act, 1962, decide the validity of the following independent cases with proper legal provisions:

- Smooth Rubber Limited is a 100% EOU located in a Special Economic Zone. It imported certain items from China for its production process. Customs officer proposed to impose anti-dumping duty on such imports. The importer contends that no anti-dumping duty can be imposed on imports by a 100% EOU under any circumstances.
- Customs Department proposed to impose anti-dumping duty retrospectively in respect of certain items. Importer's association claimed that anti-dumping duty cannot be levied with retrospective effect under any circumstances.

**[4 MARKS]**

**QUESTION NO. 4(A):**

GST Department initiated prosecution proceedings against Mr. Sahil, a taxable person under GST. Mr. Sahil collected ₹ 8 crore as GST but failed to pay the same to the Government beyond the period of three months from the date on which such payment became due.

He approached the Commissioner on 15th October with a request for compounding of offence. Mr. Sahil made full and true disclosure of facts relating to the case. After considering the request, the Commissioner directed him to pay an amount of ₹ 5.2 crore as compounding amount on 20th October.

As per the provisions of section 138 of the CGST Act, 2017 read with relevant rule of the CGST Rules, 2017, examine the issue and provide the answers with supporting explanatory note to the following:

- Determine the minimum and maximum compounding amount which can be determined by the Commissioner.
- Is the amount determined by the Commissioner in this case within the limits prescribed under the GST law?
- In what time period will Mr. Sahil have to pay the compounding amount ordered by the Commissioner?

**[5 MARKS]**

**QUESTION NO. 4(B):**

In an order passed dated 1st April issued to Sita Ram Pvt. Ltd., the Commissioner of Central Tax, being Revisionary Authority has confirmed IGST demand of ₹ 1400 crore, penalty of ₹ 200 crore and interest of ₹ 20 crore.

Sita Ram Pvt. Ltd. admits the tax liability, penalty and interest to the extent of ₹ 200 crore, ₹ 20 crore and ₹ 10 crore respectively but wishes to litigate the balance amount of demand and thus,

Sita Ram Pvt. Ltd. deposits the required amount of pre-deposit on 12th April and files an appeal with the GSTAT.

GSTAT decides the appeal in favour of Sita Ram Pvt. Ltd. On 12th June, Sita Ram Pvt. Ltd. submits an application seeking refund of the pre-deposit along with applicable interest on 2nd July and the department acknowledges the application on the same day. The amount of pre-deposit is refunded to Sita Ram Pvt. Ltd. On 15th October.

With reference to provisions of the GST law, compute the amount of pre-deposit required to be deposited before filing an appeal to GSTAT and interest payable by the Department on refund of such pre-deposit, if any, along with necessary explanations.

**[5 MARKS]**

**QUESTION NO. 4(C)**

Mr. Arun, an Indian citizen, had been residing in Dubai for employment and decides to permanently transfer his residence to India in **March 2026**. He stayed abroad for **2 years and 1 month**, during which he visited India for short trips amounting to **4 months** in total. This is the **first time in 4 years** that he is availing the **Transfer of Residence** concession. On his return, he brings with him the following goods as part of his bona fide baggage:

Item	Value (₹)
Personal & household articles	3,80,000
Laptop	80,000
Washing machine	60,000
Luxury wristwatch	90,000
Misc. household items	1,20,000

compute the customs duty payable on the ineligible and excess goods. (Make suitable assumptions where necessary)

**[4 MARKS]**

**QUESTION NO. 5(A)**

M/s Zenith Traders, a registered supplier in Delhi, filed its annual return for FY 2025–26 declaring outward supplies of ₹8 crore. On departmental scrutiny conducted in August 2028, the proper officer detected discrepancies. It was found that the taxpayer had not paid GST on outward supplies valued at ₹20,00,000 taxable at 18%, due to a clerical error. Further, input tax credit of ₹6,00,000 was wrongly availed, out of which ₹4,00,000 was already utilised in returns filed. It was also noticed that a refund of ₹5,00,000, sanctioned earlier in FY 2025–26, was erroneously granted. Before issue of any notice, the taxpayer voluntarily paid ₹2,16,000 (inclusive of interest) relating to part of the unpaid tax. The proper officer now proposes to issue a notice in September 2028.

- You are required to examine the validity of issue of notice with reference to the time limit under Section 74A(2),
- Compute the amount of tax, interest and penalty payable in both cases where (i) the default is for reasons other than fraud, wilful misstatement or suppression, and (ii) the default is due to fraud, wilful misstatement or suppression with intent to evade tax.
- Also, briefly comment on the effect of the voluntary payment already made by the taxpayer before issuance of notice on the penalty liability.

**[5 Marks]**

**QUESTION NO. 5(B)**

Rajwada Operators Limited (ROL) is registered under GST in the State of Karnataka as an Electronic Commerce Operator (ECO). It owns and operates a web portal which supplies various goods and services on behalf of various sellers/service providers to its ultimate customers. Details of supplies undertaken through ROL in the month of October are as under:

- (i) Sale of goods worth ₹ 1,47,500/- (including GST) by A Ltd., registered supplier of Rajasthan to B Ltd., Gujarat. Also, goods worth taxable value of ₹ 1,40,000 sold by A Ltd., Rajasthan to B Ltd., Gujarat in the month of September were returned back in the month of October.
- (ii) Value of services provided from 21st October to 30th October by way of transportation of passengers by motor vehicles by X Ltd., registered under GST in Karnataka to Z Ltd., registered under GST in Karnataka amounting to ₹ 5,50,000/- (it includes ₹ 1,50,000 against transportation services provided by omnibus).
- (iii) Miss Zara of Mumbai books a room for 3 days and 2 nights in Raj Niwas Palace, Jodhpur, Rajasthan through Maharaja Resorts Ltd. (MRL), also an ECO registered under GST in Karnataka. MRL is integrated with ROL who has an agreement with Raj Niwas Palace. Raj Niwas Palace is registered under GST in Rajasthan and raises an invoice for ₹ 1,50,000 to Miss Zara and receives ₹ 1,45,000 from ROL for the same.

All the figures given above are exclusive of GST except wherever specified separately. Assume rate of CGST and SGST to be 9% each and IGST to be 18% on all inward and outward supplies of goods and services. Compute the amount of TCS to be collected by ROL for the month of October. Working notes should form part of your answer.

**[5 Marks]**

**QUESTION NO. 5(C)**

XYZ Ltd., an Indian company, imports 10,000 kg of copper concentrate and stores it in a bonded warehouse. The company has been permitted by the Commissioner to carry out manufacturing operations in the warehouse under Section 65 of the Customs Act, 1962. The import duty on copper concentrate is ₹100 per kg. During processing in the warehouse, the company manufactures 7,000 kg of copper rods, of which the entire quantity is cleared for home consumption. It also manufactures 2,000 kg of copper wire, which is exported out of India. The balance 1,000 kg results in waste/refuse, out of which 400 kg is destroyed while 600 kg is cleared for home consumption. The Central Government, exercising powers under Section 66, has issued a notification exempting imported copper concentrate from the excess duty where the duty on input exceeds the duty leviable on the finished goods; in this case, the duty on copper concentrate (₹100 per kg) exceeds the effective duty on copper rods (₹80 per kg) by ₹20 per kg. You are required to compute the customs duty liability of XYZ Ltd. on the goods cleared for home consumption and the waste/refuse, explain the treatment of exported goods and destroyed waste, and apply the Section 66 exemption to determine the net duty impact.

**[4 MARKS]**

**QUESTION NO. 6(A)**

State the various modes of service of a notice, decision, order, summons, or any other communication under the CGST Act, 2017 on the taxable person or any other person to whom it is intended.

**[5 MARKS]**

**QUESTION NO. 6(B)**

Section 158(1) of the CGST Act, 2017 lays down that the information obtained by a public servant from the record of any proceeding under the CGST Act, 2017 is confidential and cannot be disclosed.

Is there any exception to this rule? Discuss in brief.

(or)

Explain the scope of circulars and instructions issued by the Board.

**[5 MARKS]**

**QUESTION NO. 6(C)**

Under Foreign Trade Policy (FTP), what does the National Trade Facilitation Action Plan aim to achieve? Enumerate the trade facilitation measures which are provided under Foreign Trade Policy (FTP).

**[4 MARKS]**



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CA FINAL

# INDIRECT TAX LAWS

TEST SERIES FOR  
JAN'26 EXAM

**Suggested Answer 7**

# CA FINAL TEST SERIES JAN' 26 EXAM

## SUGGESTED ANSWER – 7

### **Section – A: MCQ'S (30 Marks)**

#### **CASE SCENARIO – 1:**

**1. Answer (D)**

on Aspire Solutions under reverse charge and GST of ₹ 9,18,000 shall be paid by Aspire Solutions.

**Reason**

Online Information Database Access and Retrieval services (OIDAR) is a category of services provided through the medium of internet and received by the recipient online; such services cannot be rendered in the absence of information technology [Section 2(17) of the IGST Act, 2017]. Supply of cloud services provided to Aspire Solutions is covered under the purview of OIDAR services in terms of section 2(17) of the IGST Act, 2017.

Further, in case of supply of OIDAR services by the supplier of OIDAR service located outside India to a registered recipient located in India – the place of supply would be India [Section 13(2) of the IGST Act, 2017] and the transaction would be amenable to tax under reverse charge (if the recipient is a business entity) under section 5(3) of the IGST Act, 2017 vide Notification No. 10/2017 IT (R) dated 28.06.2017. Thus, Aspire Solutions is liable to discharge such GST liability under reverse charge and not Bizcart.com.

Further, the amount of GST payable @ 18% of ₹ 51,00,000 under reverse charge by Aspire Solutions is ₹ 9,18,000.

**[2 MARKS]**

**2. Answer (A)**

Sitting fees paid to the directors is liable to GST under reverse charge and the salary paid to executive directors shall not be liable to GST.

**Reason**

Services provided by a director as or in the capacity of director of that company or body corporate shall be taxable under reverse charge mechanism in the hands of the company or body corporate. However, the part of director's remuneration which are declared as Salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), are not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Para 1 of Schedule III. Sitting fee payable to a director is liable to GST under reverse charge basis in the hands of company [Circular No. 140/10/2020 GST dated 10.06.2020 read with Circular No. 201/13/2023 GST dated 01.08.2023]. Accordingly, in the given case, sitting fee paid to the directors is liable to GST under reverse charge in the hands of Aspire Solutions and the salary paid to executive directors shall not be liable to GST.

**[2 MARKS]**

3. Answer C ₹ 9,36,000

**Reason**

Computation of input tax credit available with Aspire Solutions for the month of July

Particulars	GST @ 18% (₹)
Services procured from Bizcart.com [ITC is available since said services are used in the course or furtherance of business.]	9,18,000
Director's sitting Fee (₹ 25,000 × 4) [ITC is available since said services are used in the course or furtherance of business. Salary paid to executive directors is not liable to GST.]	18,000
Life insurance premium of employees [Credit is blocked under section 17]	Nil
<b>Total</b>	<b>9,36,000</b>

[2 MARKS]

4. Answer C

**Reason**

Computation of value of outward supplies made by Aspire Solutions in the month of July

Particulars	(₹)
Consultancy services provided to Zoom Corp.	30,00,000
Add: Subsidy received from Empowering India [Blanket subsidy/ donation received are not includable in the value, in terms of section 15.]	Nil
Add: Sponsorship services are being provided to Mr. X [Tax is payable under forward charge, since sponsorship services are not being provided to a partnership firm or body corporate.] 5,00,000	
<b>Total</b>	<b>35,00,000</b>

[2 MARKS]

**CASE SCENARIO – 2:**

5. Answer (D) ₹ 1,19,16,000

**Reason**

Computation of GST payable in cash for the month of January by the Head Office of Infotel in Haryana

Particulars	Value (₹)	GST@18% (₹)
<b>GST payable under forward charge mechanism</b>		
Collection from postpaid customers	25,00,000	4,50,000
Subscription income collected from customers for Cloudzone Ltd. [Amount collected is not liable to GST in the hands of Infotel Ltd. (in terms of rule 33) as it is acting as pure agent of Cloudzone India.]	20,00,000	Nil
Collection charges received from Cloudzone Ltd. [Taxable outward supplies.]	2,00,000 [₹ 20,00,000 × 10%]	36,000
Collection from prepaid customers	50,00,000	9,00,000
Mobile telecommunication revenue received through Paykwik	30,00,000	5,40,000
Collection for DTH services	5,00,000	90,000
Cloud storage services provided to unrelated premium customers [Not a supply since cloud storage services are being provided to unrelated customers without consideration.]	Nil	Nil

<b>Total GST on outward supply</b>		20,16,000
GST payable under reverse charge mechanism		
GST payable on import of services under reverse charge for services received from Amaze Inc. [₹ 5,00,00,000 + ₹ 50,00,000]	5,50,00,000	99,00,000
<b>GST payable in cash for the month of January by the Head Office of Infotel in Haryana (assuming that no ITC is utilised by it)</b>		1,19,16,000

**[2 MARKS]**

6. **Answer (A) ₹ 99,54,000**

**Reason**

Computation of ITC available to Infotel in the month of January at its Head Office in Haryana

Particulars	GST @ 18% (₹)
Equipment purchased and installed for towers [It is an intra-State supply since supplier is located in Rajasthan and the place of supply is also Rajasthan since in case where the goods are assembled or installed at site place of supply is the place of such installation or assembly. However, ITC of the same will not be available as CGST/SGST of one State cannot be utilized for discharging of CGST/SGST liability of another State.]	Nil
Commission paid to Paykwik [₹ 30,00,000 × 10%]	54,000
Technological support in relation to cloud storage services and backup server access received from Amaze Inc. taxable on reverse charge basis [₹ 5,00,00,000 + ₹ 50,00,000]	99,00,000
ITC available to Infotel in the month of January at its Head Office in Haryana	99,54,000

7. **Answer (C) Infotel is a pure agent of the subscribing customer.**

**Reason**

Infotel Ltd is acting as a pure agent of the subscribing customer as it fulfils the following conditions mentioned in rule 33:

- (i) The subscription charges are paid by Infotel Ltd. to Cloudzone Ltd. on actual basis as received from the customers.
- (ii) The services provided by Infotel Ltd. on its own account to the customers are charged separately by Infotel Ltd. from the customers in the invoice.

8. **Answer (c) GST on amount of ₹ 3,000 shall be charged at the rate of 18%.**

**Reason**

Infotel Ltd. provides direct to home services to the customers. The supply of equipment like dish antenna and cable to the customer is a part of principal supply which is the direct to home service in the present case. Hence, the supply shall be treated as composite supply as per section 2(30). Further, here, the principal supply is direct to home service provided by Infotel Ltd. As per section 8(a), the tax shall be charged at the rate of GST applicable on principal supply i.e. 18% (viz. GST rate applicable on direct to home services).

**CASE SCENARIO – 3:**

9. Option (A) ₹ 2,16,900

Reason

Particulars	Value (₹)	GST @ 18% (₹)
<b>Air tickets sold in January</b>	<b>city</b>	<b>city</b>
Basic fare	4,00,000	72,000
PSF and UDF	Nil	Nil
[PSF and UDF being charges levied by airport operator for services provided to passengers, are collected by the airlines - Zoom Air - as a pure agent and is not a consideration for any service provided by Zoom Air. Thus, Zoom Air is not liable to pay GST on the same, in terms of rule 333 <sup>1</sup> ] Collection charges in relation to PSF and UDF [Collection charges paid by airport authority to Zoom Air are a consideration for the services provided by Zoom Air to the airport authority and Zoom Air shall be liable to pay GST on the same under forward charge <sup>2</sup> .]	5,000 (₹ 1,00,000 × 5%)	5,000
Basic fare of air tickets sold through Supertrip India	2,00,000	36,000
Air tickets gifted to employees [As per Schedule I of the CGST Act, 2017, gifts provided to employees exceeding the amount of ₹ 50,000 are deemed to be supply. GST is applicable on such gifts on the value determined in terms of rule 28.]	6,00,000 [₹ 60,000 × 10]	1,08,000
100% cancellation fee charged from customers [No additional GST liability is there as no amount is refunded to the customer except statutory levies like PSF and UDF. GST previously charged at the time of booking is adjusted by Zoom Air against the tax payable on cancellation charges. For PSF and UDF, since the airline is acting as pure agent no tax is applicable at the time of refund of such taxes to the customers.]	Nil	Nil
Gross GST liability of Mumbai Head Office of Zoom Air for the month of January		2,16,900

10. Option (a) ₹ 2,800

Reason

Computation of credits available to Mumbai Head Office of Zoom Air for setting off against its GST liability for the month of January:

Particulars	GST @ 18% (₹)
TCS collected @ 0.5% on amount received from Supertrip India [₹ 2,00,000 × 0.5%]	1,000
Commission received from Supertrip India - ₹ 10,000 [5% of ₹ 2,00,000] [ITC is available.]	1,800
Hotel accommodation services availed [It is intra-State supply since place of supply in case of immovable property related services is location of the Hotel, viz. Rajasthan. However, ITC of the same will not be available as CGST/SGST of one State cannot be utilized for discharging of CGST/SGST liability of another State.]	Nil
<b>Credits available to Mumbai Head Office for the month of January</b>	

<sup>1</sup> Circular No. 115/34/2019 GST dated 11.10.2019

<sup>2</sup> Circular No. 115/34/2019 GST dated 11.10.2019

11. Answer (C) ₹ 87,254

**Reason**

Assuming that the customers, in point (i) of the case scenario above, are registered customers and all other conditions for availment of input tax credit are complied with, the amount of input tax credit available to such customers would be as follows:

Particulars	GST (₹)
PSF and UDF [₹1,00,000 × 18/118] [Since Zoom Air has recovered the statutory duties of PSF and UDF as a pure agent of the Airport Authority, it cannot avail ITC of said dues collected as pure agent. However, the registered passengers, who are the ultimate recipient of the airport services, are eligible to take ITC of GST paid on PSF and UDF on the basis of pure agent's invoice issued by Zoom Air to them.]	15,254
Basic fare [ITC is available to registered customers of GST paid on basic fare of the air tickets.]	72,000
ITC available to registered customers	87,254

[2 MARKS]

12. Answer (D)

Zoom Air is required to pay CGST of ₹ 45,000 and SGST of ₹ 45,000 and full credit shall be allowed to Amazing Pvt. Ltd.

**Reason**

Sale of online advertisement space is covered under the definition of online information and database access or retrieval services in terms of section 2(17) of the IGST Act, 2017. However, since both supplier and recipient of OIDAR services are registered in the State of Haryana, Zoom Air shall be liable to pay GST under forward charge. CGST and SGST @ 9% each will be charged on said supply as it is an intraState supply since the place of supply is Haryana being location of registered recipient, in terms of section 12(2) of the IGST Act, 2017. Further, input tax credit of the same shall be available to Amazing Ltd. as the same is used in course and furtherance of business.

[2 MARKS]

13. Answer (C) Supertrip India shall be liable to pay net GST of ₹ 90,000 and Zoom Air shall be liable to pay GST of ₹ 1,80,000.

**Reason**

Supertrip India purchased air ticket in bulk from Zoom Air for an amount of ₹ 10,00,000 (1,000 tickets of ₹ 1,000 each). The output tax liability of Zoom Air shall be ₹ 1,80,000. The amount forfeited by Zoom Air shall also be treated as supply liable to GST against 200 air tickets which were not booked by the customers of Supertrip India. Since all other compliances were met by Supertrip India and the tickets were purchased and sold by Supertrip India in its own capacity, the input tax credit of ₹ 1,80,000 shall be available to Supertrip India.

The amount collected by Supertrip India for 800 tickets was ₹ 15,00,000. GST @ 18% payable on the same shall be ₹ 2,70,000. The net GST payable after adjusting input tax credit of ₹ 1,80,000 shall be ₹ 90,000.

No TCS is required to be collected by Supertrip India as the air tickets are sold by Supertrip India in its independent capacity.

[2 MARKS]

14. (B) ₹2,200

15. (A) ₹1,80,000

[2 MARKS]

**Section B: Descriptive (14 Marks X 5 Question = 70 Marks)**  
**(Question No. 1 is compulsory and answer any 4 out of 5 given below)**

**ANSWER FOR QUESTION 1(A):**

I. Statement showing computation of Gross GST payable under FCM by J Ltd. for the month of February 2022:

Particulars	Value	CGST	SGST	IGST
Export of goods to Spain under LUT [Treated as Zero rated supplies, without payment of GST. Such goods are procured by paying concessional tax @0.1% and it can be availed as ITC. Also, such goods can be exported only under LUT/Bond and cannot be exported on payment of IGST]	7,00,000	-	-	-
High Seas Sales to an Indian party [As per Sec. 7(2) read with Schedule III of CGST Act, supply of goods after the goods have been dispatched from the port of Origin located outside India but before clearance for home consumption, is neither supply of goods nor supply of services]	Not included in aggregate turnover	-	-	-
Sale of goods to a party in Turkey [As per Sec. 7(2) read with Schedule III to CGST Act, supply of goods from non-taxable territory to non-taxable territory without goods entering into India is neither supply of goods nor supply of services]	Not included in aggregate turnover	-	-	-
Technical Services to Mr. K [Technical Services provided to K Ltd. of Ahmedabad, is a taxable supply within the state, and as per Sec. 13(2), GST payable on advances]	Advance received not part of aggregate turnover	1,00,000 X 9% = 9,000	1,00,000 X 9% = 9,000	-
Supply of goods to V Ltd, SEZ [It is Zero rated supply as in the absence of information about LUT/Bond, it is treated as supply upon payment of IGST] <sup>3</sup>	10,00,000	-	-	10,00,000 X 18% = 1,80,000
Supply of goods to V Ltd, (other than SEZ and intra state supply)	40,00,000	40,00,000 X 9% = 3,60,000	40,00,000 X 9% = 3,60,000	-
<b>Total Gross GST liability under FCM</b>	<b>57,00,000</b>	<b>3,69,000</b>	<b>3,69,000</b>	<b>1,80,000</b>

<sup>3</sup> Alternatively, it can be assumed that it is supplied to SEZ without payment of IGST under bond/LUT

**II. Statement showing computation of Gross GST payable under RCM by J Ltd. for the month of February 2022:**

Particulars	CGST	SGST	IGST
Ocean Freight [Services provided by a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India shall not be taxable in lieu of SC decision in Mohit minerals P. Ltd. case w.e.f 1.10.23]	-	-	-
Import of goods from China [As per section 12 of customs Act, 1962 read with section 3 of Customs Tariff Act, 1975 Customs duty shall be levied on ₹6,00,000]	-	-	₹6,00,000 X 18% = 1,08,000
<b>RCM ITC shall be available on payment of tax.</b>			

**III. Statement showing computation of input tax credit available for utilization of J Ltd. for the month of February 2022:**

Particulars	CGST	SGST	IGST
Opening balance	20,000	20,000	
Purchase of goods from Manufacturing supplier @ 0.1% IGST (Note: It is assumed that the price at which J Ltd. has purchased such goods is ₹7,00,000)	-	-	₹7,00,000 X 0.1% = 700
Imported goods from China - CIF Value ₹ 5,00,000 [As the said goods are sold on high seas basis by the original importer (J Ltd.), the buyer (Indian party) who takes delivery of such goods shall pay customs duty incl. IGST and can avail ITC w.r.to the same but not by J Ltd.]	-	-	-
Commission paid to Mrs. T, an agent of J Ltd. for purchase of goods from Taiwan and sales to Turkey [As per Notification No. 9/2017-IT services provided by an intermediary when location of supplier and recipient of goods is outside India is exempted]	-	-	-
Import of goods from China [As per section 12 of customs Act, 1962 read with section 3 of Customs Tariff Act, 1975 Customs duty shall be levied on ₹6,00,000]	-	-	₹6,00,000 X 18% = 1,08,000
ITC on raw material purchased and destroyed [As per section 17(5)(h) of CGST Act, ITC shall not be availed in respect of goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples. Even though insurance compensation is received on the same, ITC not available and it is not a supply, as ITC not availed]	-	-	-

Three Wheeler, with an engine capacity of 20cc [It is not a motor vehicle, as per the definition of motor vehicle as per Motor Vehicles Act, 1988. Therefore, it is not a blocked ITC as per Sec. 17(5) and ITC available on the same. Also, it is assumed to be intrastate supply. "motor vehicle" or "vehicle" means any mechanically propelled vehicle adapted for use upon roads whether the power of propulsion is transmitted thereto from an external or internal source and includes a chassis to which a body has not been attached and a trailer; <u>but does not include</u> a vehicle running upon fixed rails or a vehicle of a special type adapted for use only in a factory or in any other enclosed premises or <u>a vehicle having less than four wheels fitted with engine capacity of not exceeding 25 cubic centimetres.</u> ]	₹2,50,000 X 9% = 22,500	₹2,50,000 X 9% = 22,500	-
Transportation services received [Service by way of transportation of goods, other than GTA or Courier agency is exempted as per Sec. 11 read with Notification No. 12/2017. As the supplier not issued consignment note, it is not a GTA service]	-	-	-
Purchase of goods from X Impex, Gujrat	30,00,000 X 9% = 2,70,000	30,00,000 X 9% = 2,70,000	-
Availment of Manpower security services from Y Ltd. [As the supplier is body corporate, the same is not covered under RCM in terms of Sec. 9(3) of CGST Act read with Notification No. 13/2017]	1,00,000 X 9% = 9,000	1,00,000 X 9% = 9,000	-
<b>Total</b>	<b>3,21,500</b>	<b>3,21,500</b>	<b>1,08,700</b>

**IV. Statement showing computation of net GST payable by J Ltd. for the month of February 2022:**

Particulars	Statement Reference	CGST	SGST	IGST
Gross GST payable under FCM	I	3,69,000	3,69,000	1,80,000
(-) Input Tax Credit	III			
IGST Credit utilized				1,08,700
CGST Credit utilized		3,21,500		
SGST Credit utilized			3,21,500	
<b>Liability to be discharged under FCM</b>		<b>47,500</b>	<b>47,500</b>	<b>71,300</b>
Reverse Charge Mechanism liability (To be discharged only through Electronic Cash Ledger)	II	-	-	1,08,000
<b>Net GST payable</b>		<b>47,500</b>	<b>47,500</b>	<b>1,79,300</b>

**Alternative Answer: If export is without payment of IGST under bond/LUT**

Particulars	Statement Reference	CGST	SGST	IGST
Gross GST payable under FCM	I	3,69,000	3,69,000	-
(-) Input Tax Credit	III			
IGST Credit utilized		54,350	54,350	
CGST Credit utilized		3,21,500		
SGST Credit utilized			3,21,500	
<b>Liability to be discharged under FCM</b>		<b>0</b>	<b>0</b>	-
Reverse Charge Mechanism liability (To be discharged only through Electronic Cash Ledger)	II	-	-	1,08,000
<b>Net GST payable</b>		<b>0</b>	<b>0</b>	<b>1,08,000</b>

[14 MARKS]

**ANSWER FOR QUESTION NO. 2(A):**

(i) As per clause (b) of Section 16(2) of the CGST Act, 2017, a registered person is entitled to avail ITC only when the goods are "received" by him. The Explanation to Section 16(2)(b) provides that where the goods are delivered by the supplier to a transporter for transmission to the recipient, the goods shall be deemed to be received by the recipient at the time of such delivery to the transporter. In the given case, the goods were handed over to the transporter by Alpha Motors at their factory gate on 22nd April 2025. Since the contract is Ex-Works, the property in goods and responsibility for transit passes to SpeedAuto at that point. Therefore, the goods shall be deemed to have been received by SpeedAuto on **22nd April 2025**, and ITC can be availed from that date.

(ii) The invoice issued by Alpha Motors is for 10 cars at ₹10,00,000 each, and GST is chargeable @28%.

Total GST: 10 cars  $\times$  ₹10,00,000  $\times$  28% = ₹28,00,000

However, ITC is eligible only to the extent the goods are used for business purposes.

Particulars	GST Amount (₹)	ITC Eligibility
6 cars sold to customers	$6 \times 2,80,000 = 16,80,000$	Fully allowed (business use)
2 cars used by directors (personal use)	$2 \times 2,80,000 = 5,60,000$	Not allowed – Not for business
1 car gifted to business partner	$1 \times 2,80,000 = 2,80,000$	Blocked – Sec 17(5)(h)
1 car written off due to damage in transit	$1 \times 2,80,000 = 2,80,000$	Blocked – Sec 17(5)(h)

Therefore, Total Eligible ITC = ₹16,80,000

(iii) In a **Free on Road (FOR)** contract, the supplier is responsible for delivering the goods to the recipient's premises. Therefore, the ownership and delivery would be deemed to take place at the time the goods physically reach SpeedAuto's location in Chennai. Accordingly, the **date of receipt for ITC eligibility would shift to 28th April 2025** in this case. However, the amount of ITC eligible (₹16,80,000) remains unchanged, assuming no disqualifications arise later.

[5 MARKS]

**ANSWER FOR QUESTION NO. 2(B):**

(i) As per Sec 9(3) of CGST Act 2017 read with Notification No. 13/2017, advocate services provided by individual advocate to business entity, where aggregate turnover during previous year exceeds threshold limits is taxable under RCM. In the Present Case with respect to legal services by Mr. Santhanam to XYZ Pvt Ltd, GST Payable by XYZ Pvt Ltd Under RCM.

(ii) As Supplier is not registered, Invoice to be issued by XYZ Pvt Ltd as per sec 31(3)(f). Self-invoice within 30days from the date of receipt of legal services. Therefore, Due date of invoice (15th June 2023 + 30 days = 15th July 2023).

(iii) As Per Sec 13(3) if Invoice is to be issued by recipient to unregistered supplier, Time of Supply is

(a) Date of Payment to Supplier = 16th June 2023  
 (b) Date of Invoice to Supplier = 20th Aug 2024  
 Whichever is earlier i.e., 16th June 2023. Due date of Payment of GST is 20th July 2023.

(iv) Time Limit for availment of ITC U/s 16(4) FY in which invoice is issued

(a) 30th Nov of Next FY i.e., (30/11/2025) or  
 (b) Date of Filing of annual return whichever is earlier.  
 Even through service are received in June 2023, ITC cannot be availed in June 2023 as invoice is issued by recipient to supplier is Aug 2024. Therefore, ITC can be availed in Aug 2024 (or) Later months before time limit for availing of ITC.

(v) Interest on account of delay in payment of tax shall be payable @18% p.a. from 20th July 2023 till 18th Sep 2024. (365+11+31+18=426 days)  
 Interest Payable =  $(1,00,000 * 18\%) * 18\% * 426 / 366 = 3,771.14/-$   
 Note: As invoice is issued by recipient beyond due date penalty can be levied.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 2(C):**

- Transaction value of **identical goods** imported at or about the same time is to be adopted.
- If different quantities or commercial levels, **reasonable adjustments** are permitted.
- If more than one comparable value is found, the **lowest adjusted value** is adopted [Rule 4 of Customs Valuation Rules, 2007].

Case	Base Value (₹/unit)	Adjustment for commercial level	Adjustment for quantity	Adjustment for transport cost	Adjusted Value (₹/unit)
A (1,000 units, wholesale)	1,150	–	–	(15)	1,135
B (800 units, retail)	1,120	(20)	–	–	1,100
C (1,500 units, wholesale)	1,100	–	+10	–	1,110

More than one adjusted transaction value is available: ₹1,135 (Case A), ₹1,100 (Case B), and ₹1,110 (Case C). Therefore, **Lowest adjusted value = ₹1,100 per unit (Case B)** is relevant.

Total Assessable Value = ₹1,100 × 1,200 units = ₹13,20,000

**[4 MARKS]**

**ANSWER FOR QUESTION NO. 3(A):**

Computation of net GST payable by YVPAY Bank Ltd.

Particulars	Taxability/Exemption	Amount (₹)
Discount earned on bills discounted	Exempt (consideration represented by way of discount)	-
Interest on reverse repo transaction	Exempt (consideration represented by way of interest paid to bank)	-
Penal interest on delayed payment of EMIs	Not a consideration and not taxable (penal interest is now changed to penal charges as per RBI circular and it is treated as liquidated damages, which are penalizing in nature)	-
Services to merchants accepting credit/debit card payments (for settlement up to ₹2,000 per transaction)	Exempt (services in relation to amount up to ₹2,000 per transaction)	-
Commission for debt collection services	Not exempt (not a service of extending deposits, loans or advances)	2,16,000
Interest charges for late payment of credit card dues	Not exempt (specifically excluded from exemption)	72,000
<b>Total Output Tax Payable</b>		<b>2,88,000</b>
<i>Less: 50% of eligible ITC on input services and capital goods availed in October [Blocked credit cannot be availed.]</i>	$[(₹ 8,00,000 + ₹ 6,00,000) \times 50\%]$	(7,00,000)
<b>Net GST payable</b>		<b>Nil</b>

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 3(B):**

- The place of supply of services by way of fixed telecommunication line is the location where the telecommunication line is installed for receipt of services. Thus, the place of supply in the given case is Kolkata.
- The place of supply of services on board an aircraft is the location of the first scheduled point of departure of that aircraft or flight for the journey. Thus, the place of supply in the given case is Bangkok.
- The place of supply of services provided by way of admission to an amusement park is the place where the park is located. Thus, the place of supply in the given case is Mumbai.
- The place of supply of services by way of transportation of goods by courier to a person other than a registered person is the location at which such goods are handed over for their transportation. Thus, the place of supply in the given case is New Delhi.
- The place of supply of stock broking services to any person shall be the location of the recipient of services on the records of the supplier of services. Thus, the place of supply in the given case is Ranchi, (Jharkhand).

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 3(C):**

The contention of the importer is partially correct. Anti-dumping duty cannot be imposed on imports made by 100% EOU. However, following circumstances are exception to the same:

- where it is specifically made applicable in such notifications or such impositions, as the case may be; or
- where such article imported is either cleared as such into the DTA or used in the manufacture of any goods that are cleared into the DTA, and in such cases anti- dumping duty shall be

levied on that portion of the article so cleared or so used as was leviable when it was imported into India.

The claim of the importer's association is not correct. Anti- dumping duty can be levied with retrospective effect not beyond 90 days from the date of such notification, if Central Government is of the opinion that:

- there is a history of dumping which caused injury or that the importer was, or should have been, aware that the exporter practices dumping and that such dumping would cause injury, and
- the injury is caused by massive dumping of an article imported in a relatively short time which is likely to seriously undermine the remedial effect of anti-dumping duty liable to be levied owing to timing and volume of imported article dumped and other circumstances.

[4 MARKS]

**ANSWER FOR QUESTION NO. 4(A):**

- Since Mr. Sahil has collected amount exceeding ₹ 5 crores as tax but failed to pay the same to the Government beyond a period of 3 months from the date on which such payment became due:
  - minimum amount for compounding is 50% of the tax evaded, i.e., ₹ 4 crore (50% of ₹ 8 crore).
  - maximum amount for compounding is 75% of the tax evaded i.e., ₹ 6 crore (75% of ₹ 8 crore).
- Yes, the amount for compounding determined by the Commissioner i.e. ₹ 5.2 crore is within the above limits prescribed under the GST law.
- Mr. Sahil has to pay the compounding amount ordered by the Commissioner within 30 days from the date of the receipt of the order.

[5 MARKS]

**ANSWER FOR QUESTION NO. 4(B):**

The amount of pre-deposit to be made by Sita Ram Pvt. Ltd. For filing the appeal to the GSTAT is as under-

- full amount of tax, interest and penalty as admitted by it, i.e. ₹ 230 (200+20+10) crores and
- 20% of the remaining tax in dispute, i.e. ₹ 240 crore (20% of ₹ 1,200 crore) subject to a maximum of ₹ 40 crores (in case of IGST). = ₹ 270 crores

If the pre-deposit made by the appellant before the Tribunal is required to be refunded consequent to any order of the Tribunal, interest @ 9% p.a. shall be payable from the date of payment of the amount till the date of refund of such amount.

Period of delay counted from 12th April is 186 days

Interest (rounded off) = ₹ 40 crore × 9% × 186/366 = ₹ 1,82,95,082.

[5 MARKS]

**ANSWER FOR QUESTION NO. 4(C):**

As per Rule 6 of Baggage Rules, 2006 concession is available in case of transfer of residence subject to following

- Mr. Arun stayed abroad for **2 years and 1 month**, with **short visits to India of 4 months** ( $\leq$  6 months allowed).
- He has **not availed this benefit in the preceding 3 years**.
- Thus, he qualifies under the **highest slab** of Rule 6 (minimum stay abroad of 2 years), making him eligible for **duty-free clearance of personal & household articles (excluding Annexure I & II, but including Annexure III) up to ₹5,00,000**.

Item	Value (₹)	Eligible?	Reason	Dutiable value
Personal & household articles	3,80,000	Yes	Covered under Rule 6, (Balance available 5,00,000 - 3,80,000 = 1,20,000)	0
Laptop	80,000	Yes	Specific exemption for laptop	0
Washing machine	60,000	No	not allowed under Rule 6	60,000
Luxury wristwatch	90,000	No	not allowed under Rule 6	90,000
Misc. household items	1,20,000	Yes	Eligible household items (Utilised out of balance allowance available)	0
Sub-total				1,50,000
(-) General Free allowance			Upto 50,000 under Rule 3	(50,000)
Dutiable Value				1,00,000
Bagagge Duty			(1,00,000 X 38.5%)	38,500

[4 MARKS]

**ANSWER FOR QUESTION NO. 5(A):**

As per Sec. 74A of CGST Act, 2017 notice to be issued within 42 months from the due date of furnishing annual return for a financial year. Annual return for FY 2025–26 is due on **31st December 2026**. Notice can be issued within 42 months from this date = up to **30th June 2030**. Since the proposed notice is in **September 2028**, it is **well within time**.

**Tax not paid** = ₹20,00,000 × 18% = ₹3,60,000 (Out of this, ₹2,16,000 already paid with applicable interest. Balance liability remains.)

**ITC wrongly availed** = ₹6,00,000 (₹4,00,000 utilised, ₹2,00,000 unutilised) – full amount to be recovered.

**Erroneous refund** = ₹5,00,000 to be recovered.

**Total tax liability (before adjustments)** = ₹3,60,000 + ₹6,00,000 + ₹5,00,000 = ₹14,60,000 (Out of this 2,16,000 is assumed to be paid before notice)

**Case (i) Non-fraudulent default (other than fraud / wilful misstatement / suppression)**

- **Penalty = 10% of tax due or ₹10,000, whichever higher** [Sec. 74A(5)(i)].
- **Tax due** = ₹12,44,000 → 10% = ₹1,24,400 (higher than ₹10,000).
- **Voluntary payment effect:** Since part of the tax was paid **before issue of notice**, no penalty is leviable on that portion [Sec. 74A(8)(i)]. For balance paid within **60 days of SCN**, penalty is waived [Sec. 74A(8)(ii)].

**Case (ii) Fraudulent default (fraud / wilful misstatement / suppression)**

- **Penalty = equal to tax due** [Sec. 74A(5)(ii)].
- **Tax due** = ₹12,44,000 → **penalty = ₹12,44,000**.
- **Voluntary payment effect:** If tax paid **before notice**, penalty = 15% of tax [Sec. 74A(9)(i)] is levied as penalty and accordingly on 2,16,000 paid before notice, penalty of ₹2,16,000 × 15% = ₹32,400.
- **Therefore, total penalty payable = ₹12,44,000 + ₹32,400 = ₹12,76,400.**

[5 MARKS]

**ANSWER FOR QUESTION NO. 5(B):**

(i) ROL is liable to collect tax at source under section 52 of the CGST Act, 2017 @ 0.5% under IGST of the net value of inter- State taxable supplies of goods (Value of taxable supplies made less value of supplies returned) made through it by the electronic commerce operator (ECO) - A Ltd.

Net value of taxable supplies = ₹ 1,25,000 (₹ 1,47,500 × 100/118) – ₹ 1,40,000 = Nil / (Negative Value)

Thus, TCS to be collected is Nil.

(ii) ROL is liable to collect TCS, since the tax on services, by way of transportation of passengers by an omnibus provided by a company through ECO, is not payable by ECO, under section 9(5) of the CGST Act, 2017.

$$= ₹ 1,50,000 \times 0.25\%$$

= ₹ 375 each under CGST and SGST

ROL is not required to collect TCS on transportation of passenger services by other motor vehicles supplied through it worth ₹ 4,00,000 as tax on the same is payable by ROL itself under section 9(5) of the CGST Act, 2017.

(iii) ROL, being supplier side ECO is liable to collect TCS @ 0.25% under CGST and 0.25% under SGST of the net value of intra- State taxable supplies of accommodation services made through it by Raj Niwas Palace.

$$= ₹ 1,50,000 \times 0.25\%$$

= ₹ 375 each under CGST and SGST

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 5(C):**

XYZ Ltd. imported 10,000 kg copper concentrate into a bonded warehouse and undertook manufacturing under S.65. Balance after processing: 7,000 kg copper rods (cleared for home consumption), 2,000 kg copper wire (exported), and 1,000 kg waste/refuse (400 kg destroyed; 600 kg cleared home).

Under **s.65(2)(a)**, for exported goods, import duty on the quantity of warehoused input contained in the export as well as the portion of waste/refuse **arising in relation to the exported goods is remitted**, provided such waste is destroyed or duty is paid on it "as if imported in that form". Here, export-attributable waste on a reasonable proportionate basis =  $1,000 \times (2,000/9,000) = \approx 222 \text{ kg}$ .

Since **400 kg** waste has been destroyed in the warehouse, the destruction covers the entire export-related waste; hence, **no import duty** is payable on

- (i) the 2,000 kg input contained in copper wire exported and
- (ii) the  $\approx 222 \text{ kg}$  export-related waste (**full remission**).

For goods cleared for home consumption, **s.65(2)(b)** requires import duty on (i) the quantity of warehoused input contained in the finished goods cleared domestically and (ii) the quantity of warehoused input **contained in so much of the waste/refuse as has arisen from operations carried on in relation to the goods cleared for home consumption**.

On a proportionate basis, home-related waste =  $1,000 \times (7,000/9,000) = \approx 778 \text{ kg}$  (this charge arises **whether or not** that waste was destroyed/cleared).

Duty rates: input (copper concentrate) ₹100/kg; effective duty on copper rods ₹80/kg by Section 66 notification (exempting the **excess** of input duty over rods' duty, i.e., ₹20/kg).

Accordingly, duty is:

- A. on input contained in rods:  $7,000 \text{ kg} \times ₹80 = ₹5,60,000$  (Section 66 benefit applied); and
- B. on home-related waste:  $\approx 778 \text{ kg} \times ₹100 = \approx ₹77,800$  (Section 66 does not reduce this, as the levy under **s.65(2)(b)** is on the warehoused input contained in waste/refuse, not on the finished rods).

Thus, **total duty payable  $\approx ₹6,37,800$** .

**[4 MARKS]**

**ANSWER FOR QUESTION NO. 6(A):**

Any decision, order, summons, notice or other communication under the CGST Act, 2017 and the rules made thereunder can be served by any one of the following methods:

- a) Giving/tendering directly including by a courier to the addressee or authorised representative or to any adult member of family residing with the taxable person; or
- b) By Registered post/speed post/courier with acknowledgement due at the last known place of business or residence; or

- c) By Email to the e-mail address provided at the time of registration or as amended from time to time; or
- d) By making the same available at common portal; or
- e) Publication in newspaper circulating in the locality in which the addressee is last known to have resided, carried on business or personally worked for gain; or
- f) If none of the above modes is practicable then by Affixing at last known place of business or residence and if such mode is not practicable for any reason, then by affixing a copy thereof on the notice board of the office of the concerned officer or authority concerned.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 6(B):**

Yes, the confidential information can be disclosed by the public servant for certain specific purposes in terms of section 158(3) of the CGST Act, 2017. Such specific purposes are given in brief hereunder:

- (i) For prosecution
- (ii) For carrying out the objects of the CGST Act
- (iii) For service of notice or recovery of demand
- (iv) For furnishing information to Court in a proceeding where Government is a party
- (v) For audit of tax receipts or refunds
- (vi) For inquiry into the conduct of a GST officer
- (vii) For enabling levy, realisation of any tax or duty
- (viii) In lawful exercise of powers
- (ix) For enquiry into a charge of misconduct by any professional
- (x) For data entry on automated system
- (xi) For fulfilling the requirement under any other law and in public interest.

**(or)**

Section 168 empowers the Board (CBIC) to issue orders, instructions or directions to the CGST officers for the purpose of uniformity in the implementation of the CGST Act. All officers and all other persons employed in the implementation of the Act observe and follow such orders, instructions or directions.

The binding nature of such orders, instructions and directions has been a matter of debate and scrutiny. The general understanding that prevails now is that a circular is binding on the officers, but not on the assessee. However, in case such circular states something contrary to the law, the law shall prevail over the circular.

**[5 MARKS]**

**ANSWER FOR QUESTION NO. 6(C):**

The National Trade Facilitation Action Plan aims to achieve:

- Improvement in ease of doing business through reduction in transaction cost and time
- Reduction in cargo release time
- A paperless regulatory environment
- A transparent and predictable legal regime
- Improved investment climate through better infrastructure

The following are some of the trade facilitation measures provided under FTP:

- Free passage will be provided to export consignment
- There will not be any seizure of export related stock except in exceptional cases.
- Single window system to facilitate export of perishable agricultural produce.

**[4 MARKS]**