



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**Question Paper 1**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# CA FINAL TEST SERIES MAY' 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)

Manavtaa Trust ('trust') is a charitable trust registered under section 12AB of the Income-tax Act, 1961. The trust is well known for its educational, charitable and religious activities. The trust became liable to registration under GST in the current financial year since it exceeded the threshold limit for registration and thus, registered in the State of Gujarat in the month of May.

In the month of June, a multinational company, Dhruvtara Ltd., gifted 500 laptops worth ₹ 50 lakh to the trust free of cost for charitable purposes, without any intention of seeking any benefit by way of business promotion from such activity. The trust distributed these laptops for free of cost in the same month to the deprived students for assisting them in their higher studies.

The trust also runs a higher secondary school in the name of Manavtaa Higher Secondary School in the state of Gujarat. In the month of July, the trust availed security personnel services from 'Perfect Security Solutions', Gujarat, a proprietorship concern, for security of the school premises for a consideration of ₹ 2,00,000. It also received legal consultancy services from 'Maya & Co.', a firm of advocates for the issues relating to the said school for ₹ 1,20,000, in the same month.

The trust furnished following information regarding the expenses incurred by it in the month of August; all transactions being inter-State:

- i) Services received and used for supplying taxable outward supplies – ₹ 3,50,000.
- ii) Catering services received for students of Manavtaa Higher Secondary School – ₹ 2,00,000.
- iii) Bus purchased with seating capacity of 25 persons including driver – ₹ 10,50,000 (Bus was delivered in the first week of September).

The trust provided the following information in respect of the services provided by it during the month of August:

- I. It runs an old age home for citizens aged 65 years or more. Nominal monthly charges of ₹ 15,000 for boarding, lodging and maintenance are charged from each member. The total number of members is 20.
- II. It rents out a community hall situated within the precincts of a temple managed by it on 15th August for a religious function in the first half for ₹ 5,000 and for an art exhibition in second half for ₹ 6,000.
- III. It rents out the rooms in the precincts of said temple to the devotees for a rent of ₹ 950 per room per day. Total rent collected in August amounts to ₹ 35,000.

All the figures given above are exclusive of taxes wherever applicable. Aggregate turnover of the trust for the preceding financial year was ₹ 15 lakh. All the conditions necessary for availment of ITC are fulfilled subject to the information given. The trust intends to avail exemption from GST wherever applicable.

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

1. Which of the following activities of the trust does not amount to supply under the GST law?
  - a) Free laptops distributed to the deprived students
  - b) Boarding, lodging and maintenance of the senior citizens by the old age home run by the trust
  - c) Renting of community hall situated within the precincts of the temple managed by the trust
  - d) Renting of rooms in the precincts of the temple managed by the trust

[2 Marks]

2. Compute the value of inward supplies on which tax is payable by the trust under reverse charge, for the month of July.
  - a) ₹ 2,00,000
  - b) ₹ 3,20,000
  - c) ₹ 1,20,000
  - d) Nil

[2 Marks]

3. Compute the value of exempt supply made by the trust for the month of August.
  - a) ₹ 3,00,000
  - b) Nil
  - c) ₹ 3,35,000
  - d) ₹ 35,000

[2 Marks]

4. Compute the value of taxable supply made by the trust for the month of August.
  - a) ₹ 3,00,000
  - b) ₹ 11,000
  - c) Nil
  - d) ₹ 35,000

[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:**

Galaxy Cube Private Ltd., a registered person in Bharuch, Gujarat, engaged in various lines of business, provided the following details regarding its transactions made during the month of May 2025:

Particulars	Amount
a) Supplied a latest technology laptop with touch screen option to Managing Director's friend (Open market value as well as sale to unknown customers was at ₹ 90,000)	₹60,000
b) Supplied printed letter cards to M K Industries, a registered person in Gandhinagar, Gujarat. Logo design was supplied by M K Industries. Out of ₹ 5,00,000, Materials cost was ₹ 4,00,000 and balance was Printing cost.	₹5,00,000
c) Provided services of transportation of passengers by an Omnibus through an Electronic Commerce Operator (ECO).	12,58,000
d) Provided catering services to Excel University of Patna, Bihar, which is recognized by UGC for granting recognised qualification	2,12,000
e) Provided commissioning services under pure labour contract to M/s. Raj Builders for multi-storey residential complex.	4,50,000
f) Paid towards rent to Local Municipal Corporation for the shop taken on rent at a Bus Terminal in Gujarat.	1,00,000
g) Stock transferred without consideration to its branch in Gujarat and branch has the same GSTIN	1,25,000
h) Paid to Mr. Mahajan, whose residential house was taken on rent for MD of the company for his residential use.	50,000
i) Paid as donation to a local old age home for setting a water cooler where the name of the company is embedded on the water cooler to express their support for the good cause	4,50,000

Additional Information :

- All the figures given above are exclusive of GST.
- All inward and outward supplies are intra-state.
- Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.
- GST rates for goods are 6% CGST, 6% SGST and GST Rates for services are 9% CGST, 9% SGST.

Compute the GST payable (FCM as well as RCM) by Galaxy Cube Private Ltd. for the month of May 2025.

**[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:

- (i) 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.

- (ii) 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:

- (a) Apportionment of co-insurance premium by ABC Insurance Ltd. To XYZ Insurance Ltd. for the insurance services jointly supplied by them to Gyaati Industries.
- (b) 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):**

Play Sphere Pvt. Ltd., a company registered under GST in Karnataka, operates an online digital platform during the month of October 2025 offering multiple gaming-related activities. It offers "Pro Chess Arena", where users pay a subscription fee of ₹500 per month to access prerecorded tutorials, practice games against AI and downloadable PDFs, and no cash prizes are offered. During the month, 2,000 users subscribed to this service. It also offers "Mega Fantasy League", where users pay an entry fee of ₹1,000 per contest to participate in online contests in which winners receive cash prizes. During the month, 1,200 users participated, and the entire entry fee is pooled and distributed to winners after retaining a platform fee of 10% by Play Sphere Pvt. Ltd. Further, it offers "Spin & Win", where users deposit money into their gaming wallet and participate in an online game with outcomes based purely on chance. During the month, total deposits amounted to ₹15,00,000, out of which Play Sphere retained ₹3,00,000 as its margin and the balance was paid out as winnings. Lastly, it offers "Stock Market Simulator", where users pay ₹300 per month to access a simulation game with real-time data and downloadable reports, but no real money can be won or withdrawn; during the month, 3,000 users subscribed. All supplies are made within India. The applicable GST rate on OIDAR services is 18% and on specified actionable claims (online money gaming) is 40%. Ignoring exemptions and input tax credit, determine the GST payable by Play Sphere Pvt. Ltd. for October 2025, giving reasons.

**[5 MARKS]**

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

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

- 1) 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.
- 2) 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.

- 3) 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.
- 4) 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.
- 5) 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 <b>homestays</b> provided by unregistered persons through platform	₹10,00,000	12%
<b>Platform usage fee</b> charged to property owners (commission)	₹2,00,000	18%
<b>Advertising space</b> 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)**

Apex Global Traders Pvt. Ltd., registered in Gujarat, imports specialised machinery parts from Germany in July 2024 and stores them in a Free Trade Warehousing Zone (FTWZ) in India. The CIF value of the goods is ₹80,00,000. While the goods are lying in the FTWZ and before any clearance either for export or for supply to the Domestic Tariff Area (DTA), Apex Global Traders sells the entire lot to Zenith Components Ltd., another registered person in India, for a consideration of ₹1,00,00,000. Out of the said goods, Zenith Components Ltd. exports 60% of the goods directly from the FTWZ, and clears the remaining 40% of the goods into the DTA after one month. The applicable GST rate on such goods is 18%. Apex Global Traders, being of the view that the sale to Zenith Components Ltd. constitutes a taxable supply, charges GST on the entire consideration of ₹1,00,00,000 and pays the same.

Examine the GST implications and customs duty implications of the above transactions and compute the correct GST liability, if any, on each stage, payable by the respective person. Also, briefly comment on whether Apex Global Traders can claim refund of GST already paid, if any, with reasons. [Note: Customs duty computation is not required]

**[5 MARKS]**

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

**Razor Online Pvt. Ltd.**, a company registered under GST in Maharashtra, is a **Payment Aggregator (PA)** regulated by the **Reserve Bank of India (RBI)**. It facilitates digital payments for thousands of small merchants and e-commerce platforms.

Razor Online receives customer payments through **credit cards, debit cards, and UPI**, collects the funds in an **escrow account**, and settles them to the merchants within the RBI-prescribed timeline. It charges a nominal **transaction fee** for each payment processed.

In addition to that they **Payment Gateway (PG)** services (i.e., facilitating transaction routing and security authentication for online payments, but not handling funds), and charges platform usage fees to online merchants.

In the month of **May 2025**, the following transactions were recorded:

Type of Service Provided	Avg. Transaction Value	Total No. of Transactions	Fees Charged (Total)
Payment settlement (card transactions)	₹1,500	20,000	₹4,00,000
Payment settlement (UPI transactions)	₹2,500	10,000	₹3,00,000
Payment gateway charges (Card transactions)	₹1,500	20,000	₹3,60,000
Payment gateway charges (UPI transactions)	₹2,500	10,000	₹2,60,000

Compute the GST liability of Razor Online Pvt. Ltd. For the month of May 2025, if the applicable rate of GST is 18% (Write relevant legal provisions supporting your answer)

**[4 MARKS]**



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**Suggested Answer 1**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# CA FINAL TEST SERIES MAY' 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)

**MCQ – 1:**

Option (a): Free laptops distributed to the deprived students

#### Reason

As per the provisions of Section 7 of the CGST Act, 2017, the activity of distribution of laptops to deprived students is not a supply as the same does not involve any flow of consideration from such students to the trust.

**MCQ – 2:**

Option (d) Nil

#### Reason

- The services by way of security services provided to a higher secondary school is exempt from GST
- Further, the legal consultancy services by a firm of advocates to a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration under the CGST Act, 2017, are exempted from GST

**MCQ – 3:**

Option (c) ₹ 3,35,000

**MCQ – 4:**

Option (b) ₹ 11,000

#### Reason for MCQ – 3 & 4:

Following services are exempt:-

(a) Renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust under section 12AB of the Income Tax Act, 1961 except:

(i) renting of rooms where charges are ₹ 1,000 or more per day;

(ii) renting of community halls where charges are ₹ 10,000 or more per day;

(b) Services by an old age home run by Central Government, State Government or an entity registered under section 12AA or 12AB of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto ₹ 25,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.

**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:**

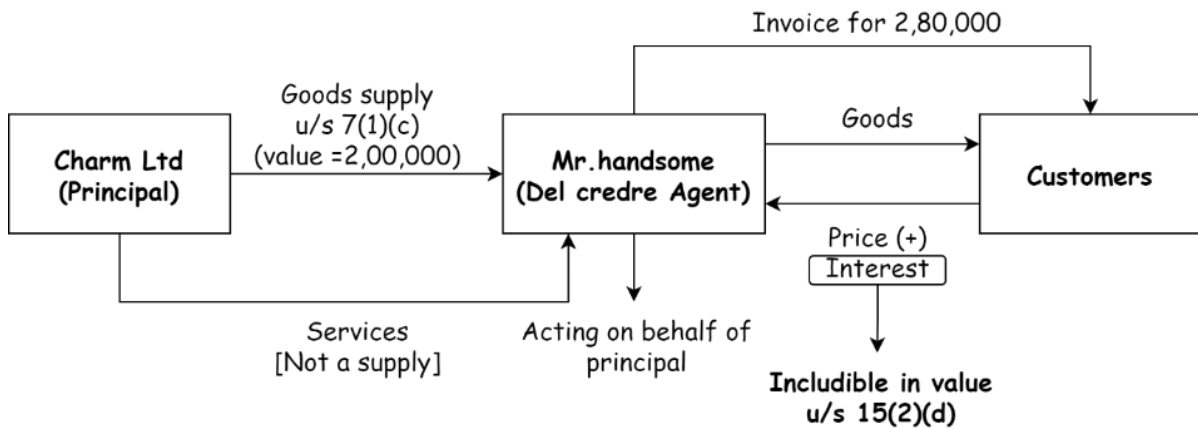
**Computation of output tax liability of Galaxy Cube Pvt. Ltd. For May, 2025**

Particulars	Value	CGST	SGST
<b>GST payable under forward charge</b>			
Supply of laptop to Managing Director's Friend [Since supply is made to an unrelated person (Managing Director's friend not being a related person) and price is the sole consideration, value of supply is the transaction value i.e. the price actually paid or payable for the said supply.]	60,000	3,600 [60,000 × 6%]	3,600 [60,000 × 6%]
Supplied printed letter cards to M K Industries [Since letter cards are supplied by the printer using its own physical inputs to print the logo supplied by the recipient, it is a composite supply wherein the predominant/ principal supply is supply of goods]	5,00,000	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]
Transportation of passenger services by an omnibus provided through electronic commerce operator (ECO) [Tax on transportation of passengers services by an omnibus provided through ECO by a company is not a notified service under section 9(5) of the CGST Act, 2017 and hence tax is payable by Galaxy Cube Private Ltd. and not by the ECO since the person supplying such service through ECO is a company.]	12,58,000	1,13,220 [12,58,000 × 9%]	1,13,220 [12,58,000 × 9%]
Catering services to Excel University [Taxable/Not exempt since catering services are exempt only when such services are provided to an educational institution providing services by way of pre-school education & education up to higher secondary school or equivalent. In this case, catering services are provided to an educational institution providing education as a part of a curriculum for obtaining a qualification recognized by any law. Thus, same are taxable]	2,12,000	19,080 [2,12,000 × 9%]	19,080 [2,12,000 × 9%]
commissioning services under pure labour contract to M/s. Raj Builders for multi-storey residential complex. [Taxable/Not exempt since the services are not in relation to individual house but in relation to complex]	4,50,000	40,500 [4,50,000 × 9%]	40,500 [4,50,000 × 9%]
Stock transferred without consideration to its branch in Gujarat and branch has the same GSTIN [Not a supply as branch is in the same state and not separately registered. Consequently it is not a distinct person]	N.A	-	-
<b>GST payable under Reverse Charge</b>			
Rent to local municipal corporation [Services provided by government to registered business entity is covered under RCM as per Notification No. 13/2017]	1,00,000	9,000 [1,00,000 × 9%]	9,000 [1,00,000 × 9%]
Renting of residential property [Services by way of renting of residential property for residential purpose, where recipient is registered is covered under RCM as per Notification No. 13/2017]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]

Donation to old age home where recipient name is entered [As per CBIC circular, when donor's name is mentioned against donation which leads to business advantage to donor it is conditional donation and treated as sponsorship service. In case of sponsorship service by a person other than body corporate to body corporate/firm is covered under RCM as per Notification No. 13/2017]	4,50,000	40,500 [4,50,000 × 9%]	40,500 [4,50,000 × 9%]
<b>Total GST payable by Galaxy Cube Private Ltd., for May 2025</b>		<b>2,60,400</b>	<b>2,60,400</b>

[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 × 9% =25,200	2,80,000 × 9% =25,200	
Interest earned from customers (Note-2)	20,000 × 9% =1,800	20,000 × 9% =1,800	
Commission earned from principal (Note-3)			30,000 × 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 × 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):**

Sl. No.	Particulars	Nature of Supply	Value of Supply (₹)	Rate of GST	GST Amount (₹)	Brief Reason
1	Pro Chess Arena (₹500 × 2,000 users)	OIDAR Service	10,00,000	18%	1,80,000	Subscription for digital content; no money staked or winnings
2	Stock Market Simulator (₹300 × 3,000 users)	OIDAR Service	9,00,000	18%	1,62,000	Access to digital simulation only; no money's worth can be won
3	Mega Fantasy League (₹1,000 × 1,200 users)	Online Money Gaming (Specified Actionable Claim)	12,00,000	40%	4,80,000	Entry fee paid in expectation of winning money
4	Spin & Win (Total deposits by users)	Online Money Gaming (Specified Actionable Claim)	15,00,000	40%	6,00,000	Money deposited to play with chance of winning money

[5 MARKS]

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

- 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)
- 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:

- Total Consideration ×  $\frac{\text{No. of days tour outside India}}{\text{Total no. of days for which tour is conducted}}$  (or)
- Total Consideration × 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.,  $\text{₹}5,00,000$ .

- 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  $\text{₹}30$  lakhs collected by Kerala Industrial development corporation is exempted. However, annual lease rental of  $\text{₹}5$  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

→  $\text{₹}60,000$  CGST +  $\text{₹}60,000$  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):**

In the given case, Apex Global Traders Pvt. Ltd. sells the goods to Zenith Components Ltd. while the goods are lying in the FTWZ and before any clearance for export or DTA for a consideration of ₹1,00,00,000. As per Sec. 7(2) of CGST Act 2017 read with Schedule III, such transaction is neither a supply of goods nor a supply of services. Hence, no GST is payable on this sale transaction by Apex Global Traders Pvt. Ltd.

Thereafter, Zenith Components Ltd. exports 60% of the goods directly from the FTWZ. Since exports take place without the goods entering the DTA, no GST is payable on this portion under GST, as export of goods from FTWZ does not involve a taxable supply within India at this stage. Also, Customs duty is payable, if such goods are dutiable for export as per Customs Tariff Act, 1975.

The remaining 40% of the goods are cleared into the DTA. Such clearance amounts to import into India and is chargeable to customs duties including IGST under the Customs Tariff Act, 1975. However, this liability arises at the time of clearance into DTA and the value shall be the original import value i.e., ₹1,00,00,000 × 40% = ₹40,00,000 and it is payable by Zenith Components Ltd. Apex Global Traders had wrongly treated the FTWZ sale as a taxable supply and paid GST @ 18% on ₹1,00,00,000, i.e., ₹18,00,000. However, in view of the retrospective amendment, such tax was not required to be paid. Nevertheless, the amendment specifically provides that no refund shall be granted of any tax already collected on such transactions. Therefore, Apex Global Traders is not entitled to claim any refund of the GST already paid.

**[5 MARKS]**

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

As per Sec. 11 read with Notification No. 12/2017, services by an acquiring bank, to any person, in relation to settlement of an amount up to ₹2,000 in a single transaction, transacted through credit card, debit card, charge card, or other payment card service is exempted.

"Acquiring bank" includes banks, NBFCs, or any person who makes payment to the merchant accepting such cards.

As per clarification in Circular, RBI-regulated PAs qualify as "acquiring banks" only for payment settlement and are eligible for exemption. However, the exemption is not available for payment gateway charges.

Type of Service Provided	Avg. Transaction Value	Fees Charged (Total)	Taxability
Payment settlement (card transactions)	₹1,500	₹4,00,000	Exempted as transaction amount is upto ₹2,000
Payment settlement (UPI transactions)	₹2,500	₹3,00,000	Taxable as the said exemption is for card transactions

Payment gateway charges (Card transactions)	₹1,500	₹3,60,000	Taxable as the exemption is only for payment settlement
Payment gateway charges (UPI transactions)	₹2,500	₹2,60,000	Taxable as the exemption is only for payment settlement
Value of taxable supply		₹10,20,000	
GST payable on above		₹1,65,600	

[4 MARKS]



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**Question Paper 2**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# CA FINAL TEST SERIES MAY' 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 Fee<sup>2</sup> (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.

- (i) 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/\$.
- (ii) 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.
- (iii) 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):**

Alpha Motors Ltd., a manufacturer of electronic appliances, supplies goods to Beta Distributors, a registered dealer, on principal-to-principal basis. During the month of December 2025, the following transactions took place:

1. Alpha Motors sold goods to Beta Distributors for a list price of ₹50,00,000 plus GST @ 18%. After the end of the month, Alpha Motors issued a financial/commercial credit note of ₹2,00,000 to Beta Distributors towards year-end performance incentives. The said credit note was not linked to any pre-agreed discount and no GST credit note was issued. Beta Distributors made payment to Alpha Motors after adjusting the said amount.
2. Out of the above goods, Beta Distributors sold certain goods to end customers at a discounted price of ₹55,00,000 as per a pre-existing agreement between Alpha Motors and the end customers. To enable this, Alpha Motors issued a financial credit note of ₹1,50,000 to Beta Distributors.
3. Separately, Beta Distributors undertook a special advertising and co-branding campaign for Alpha Motors as per a written agreement, for which Alpha Motors agreed to pay a fixed consideration of ₹1,00,000.

You are required to compute the amount of ITC, if any, to be reversed by Beta Distributors, and the GST payable, if any, by Beta Distributors and/or Alpha Motors on the above transactions.

[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 <b>industrial tools worth ₹25,00,000</b>
0002	January 5, 2025	Received an <b>advance of ₹4,00,000</b> from a customer
0003	January 8, 2025	Supplied <b>spare parts worth ₹8,00,000 to a buyer</b>
0004	January 12, 2025	Earned <b>interest of ₹1,50,000</b> from a <b>fixed deposit with a nationalized bank.</b>
0005	January 18, 2025	Supplied <b>dishwashers worth ₹300,000</b>
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</b> (GST @ 18%).
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:

- (i) What is the date on which Mr. Ritesh is liable to get registered?  
(ii) 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?

[4 MARKS]

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

ZenFit Wellness Pvt. Ltd., a company registered under GST in Maharashtra, provides taxable wellness and physiotherapy services. On 10th January 2026, ZenFit issued gift vouchers worth ₹5,00,000 to Corporate Solutions Ltd. after receiving the full consideration on the same date. The vouchers were redeemable by the employees of Corporate Solutions Ltd. for availing services within six months. ZenFit treated the issuance of vouchers as a taxable supply and paid GST accordingly in January 2026.

Out of the said vouchers, vouchers worth ₹3,50,000 were redeemed on 20th February 2026, vouchers worth ₹1,00,000 were redeemed on 15th April 2026, and the balance vouchers worth ₹50,000 remained unredeemed even after expiry. Invoices for the services rendered by Zenfit Wellness Pvt. Ltd. is raised on 18<sup>th</sup> March 2026 for ₹4,50,000 to the customers who redeemed or intended to redeem the vouchers against services.

Assuming that the applicable GST rate on the services is 18% and ignoring input tax credit and exemptions, determine the correct time of supply of services, the taxability of unredeemed vouchers, and compute the GST payable for the relevant tax periods, giving reasons in brief.

[5 MARKS]

**QUESTION NO. 4(B)**

Apex Manufacturing Ltd. has its Head Office at Mumbai (Maharashtra) registered as an Input Service Distributor (ISD). It has three operational units under the same PAN:

Unit	State	Turnover in Preceding FY (₹)
Unit M	Maharashtra	60 crore
Unit G	Gujarat	30 crore
Unit K	Karnataka	10 crore

During April 2026, the ISD received the following invoices for input services:

Invoice	Nature of Service	Taxable Value (₹)	GST Charged	Attribution
A	Common Advertising Service	10,00,000	CGST 90,000 + SGST 90,000	Common to all three units
B	IT Maintenance Service	6,00,000	IGST 1,08,000	Attributable only to Unit G
C	Guest House Services (Blocked u/s 17(5))	4,00,000	CGST 36,000 + SGST 36,000	Common to all units (Ineligible ITC)
D	Legal Consultancy (RCM) paid by Unit M	5,00,000	IGST 90,000 (paid under RCM)	Common to all units (transferred to ISD)

Further, the following adjustments took place:

Particulars	Details
Credit Note (May 2026)	Issued by supplier of Invoice A reducing taxable value by ₹2,00,000 and CGST ₹18,000 + SGST ₹18,000
Debit Note (May 2026)	Issued by supplier of Invoice B for additional taxable value of ₹1,00,000 with IGST ₹18,000

Assume:

- All units are operational during the year.
- ISD follows Rule 39 for distribution.
- Ignore time limits and procedural lapses.

Required:

- (a) Compute the ITC to be distributed by ISD for April 2026 to each unit (tax-wise).
- (b) Compute the adjustments required in May 2026 on account of the above credit note and debit note.
- (c) Briefly state the tax consequence if ISD wrongly distributed Invoice B ITC equally to all three units.

[5 MARKS]

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

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

- a) Whether M/s AutoGlide Motors Ltd can avail ITC on purchase of demo vehicles and compute the ITC available in Jan 2025.
- b) Compute GST payable on sale of such demo vehicles
- c) 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.

[4 MARKS]



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**Suggested Answer 2**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# CA FINAL TEST SERIES MAY' 26 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: REGISTRTRION

### 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 × 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 × 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
ITC available to registered customers	87,254

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 includible 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 includible 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 includible 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 includible 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 × 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 × ₹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 × 18% × 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 $₹5,00,00,000 \times 18\% = ₹90,00,000.$	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 $₹3,50,00,000 \times 18\% = ₹63,00,000.$	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 $₹1,50,00,000 \times 18\% = ₹27,00,000$	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 Section 16(1) of the CGST Act, 2017, a registered person is entitled to avail input tax credit (ITC) of the tax charged on supplies used in the course or furtherance of business. Further, as clarified by CBIC Circular No. 251/08/2025-GST, where a supplier issues financial/commercial credit notes (and not GST credit notes), the supplier is not entitled to reduce his output tax liability and, correspondingly, the tax charged from the recipient also does not get reduced. In the present case, Alpha Motors Ltd. sold goods to Beta Distributors for ₹50,00,000 plus GST @ 18% amounting to ₹9,00,000 and subsequently issued a financial/commercial credit note of ₹2,00,000 towards year-end incentives, which was not pre-agreed. Since this credit note does not result in any reduction in the transaction value or tax liability, Beta Distributors is not required to reverse any ITC attributable to such discount.

Further, in respect of the post-sale discount of ₹1,50,000 given by Alpha Motors to enable Beta Distributors to sell goods to end customers at a discounted price as per a pre-existing agreement between Alpha Motors and the end customers, the CBIC has clarified that such discount is in the nature of an inducement for the supply of goods by the dealer to the end customer and, therefore, forms part of the overall consideration for such supply by the dealer to the end customer. Therefore, value of supply shall be ₹55,00,000 + ₹1,50,000 = ₹56,50,000 and GST payable on above is ₹56,50,000 X 18% i.e., ₹10,17,000. However, this does not affect the original supply from Alpha Motors to Beta Distributors and does not require any reversal of ITC by Beta Distributors in respect of the original purchase.

Separately, Beta Distributors has undertaken special advertising and co-branding activities for Alpha Motors for a fixed consideration of ₹1,00,000 under a written agreement. As clarified, where a dealer undertakes specific promotional activities for the manufacturer for a clearly defined consideration, such activity constitutes a distinct supply of service by the dealer to the manufacturer and is liable to GST. Accordingly, Beta Distributors is liable to pay GST @ 18% on ₹1,00,000 i.e., ₹18,000.

[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 <b>industrial tools worth ₹25,00,000 – Included in ATO</b>	25,00,000
0002	January 5, 2025	Received an <b>advance of ₹4,00,000</b> 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 <b>spare parts worth ₹8,00,000 to a buyer – Included in ATO</b>	33,00,000
0004	January 12, 2025	Earned <b>interest of ₹1,50,000</b> from a <b>fixed deposit with a nationalized bank.</b> – Included in ATO	34,50,000
0005	January 18, 2025	Supplied <b>dishwashers worth ₹300,000 – Included in ATO</b>	37,50,000
0006	January 25, 2025	Earned <b>interest income of ₹2,00,000</b> 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 <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> – Not included in ATO, as the same is inward supply under RCM	39,50,000

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</b> (GST@ 18%). – Included in Aggregate turnover	47,50,000
------	------------------	---	-----------

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.

- (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. 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.

**[4 MARKS]**

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

As per the CBIC clarification on vouchers, transactions in vouchers themselves are neither a supply of goods nor a supply of services, and GST is leviable only on the underlying goods or services when such vouchers are redeemed.

Further, vide the Finance Act, 2025, the specific provisions relating to time of supply of vouchers have been omitted, and vouchers are now treated merely as a mode of consideration. Accordingly, the date of redemption of the voucher is to be treated as the date of receipt of payment for the purpose of determining the time of supply of the underlying goods or services. In the present case, ZenFit issued vouchers worth ₹5,00,000 on 10th January 2026 and received the consideration on that date. However, since issuance of vouchers is not a supply, GST was not correctly payable in January 2026. The time of supply of services arises only when the vouchers are redeemed.

Therefore, in respect of vouchers worth ₹3,50,000 redeemed on 20th February 2026, the time of supply for services under Sec. 13(2) of CGST Act, as invoice is issued within due date, shall be -

- Date of invoice – 18<sup>th</sup> March 2026 and
- Date of payment received - 20th February 2026, being the date of receipt of consideration in terms of redemption, Whichever is earlier i.e., 20<sup>th</sup> February 2026.

Similarly, in respect of vouchers worth ₹1,00,000 redeemed on 15th April 2026, the time of supply for services under Sec. 13(2) of CGST Act, as the invoice is issued prior to supply of service, shall be -

- Date of invoice – 18<sup>th</sup> March 2026 and
- Date of payment received - 15th April 2026, being the date of redemption of voucher, whichever is earlier i.e., 18<sup>th</sup> March 2026.

As regards the balance vouchers worth ₹50,000 which remained unredeemed (breakage), the CBIC has clarified that where vouchers are not redeemed, there is no supply of underlying goods or services, and the amount retained cannot be treated as consideration for any supply. Accordingly, no GST is payable on such unredeemed vouchers.

**[5 MARKS]**

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

As per Section 20 of the CGST Act read with Rule 39 (Rule 71A), an Input Service Distributor (ISD) shall distribute ITC of input services in the same month in which it is available, subject to conditions:

- (i) Credit attributable to a single recipient shall be distributed only to that recipient;
- (ii) (ii) credit attributable to more than one or all recipients shall be distributed pro-rata on the basis of turnover of the recipients during the relevant period;
- (iii) eligible and ineligible ITC shall be distributed separately;
- (iv) IGST shall always be distributed as IGST;
- (v) CGST/SGST shall be distributed as CGST/SGST to recipients in the same State as ISD and as IGST to recipients in other States.

Further, ITC of services paid under RCM can be transferred to ISD and distributed similarly. Any credit note/debit note requires proportionate adjustment in the same ratio as the original distribution. If ISD distributes credit in contravention, the excess credit is recoverable from recipients with interest under Section 21.

Particulars	Unit M (M.H)			Unit G (Gujarat)	Unit K (K.A)
	CGST	SGST	IGST	IGST	IGST
Invoice A – Common Advertising (Eligible)	90,000 X 60/100 = 54,000	90,000 X 60/100 = 54,000	-	1,80,000 X 30/100 = 54,000	1,80,000 X 10/100 = 18,000
Invoice B – IT Maintenance (Eligible, Attributable only to Unit G)	-	-	-	1,08,000	-
Invoice C – Guest House (Ineligible u/s 17(5), Common)	36,000 X 60/100 = 21,600	36,000 X 60/100 = 21,600	-	72,000 X 30/100 = 21,600	72,000 X 10/100 = 7,200
Invoice D – Legal Consultancy (RCM paid by Unit M, transferred to ISD; Common)	-	-	90,000 X 60/100 = 54,000	90,000 X 30/100 = 27,000	90,000 X 10/100 = 9,000
Total ITC					

Credit Note for Invoice A

Reduction: CGST ₹18,000 + SGST ₹18,000 → Apportion in same ratio as original:

Recipient	Share	CGST Reduction (₹)	SGST Reduction (₹)	IGST Reduction (₹)
Unit M (MH)	60%	10,800	10,800	—
Unit G (GJ)	30%	—	—	10,800
Unit K (KA)	10%	—	—	3,600
Total	100%	18,000	18,000	14,400

Debit Note for Invoice B

Additional tax: IGST ₹18,000, attributable only to Unit G → Distribute IGST ₹18,000 to Unit G in May.

If ISD wrongly distributed the entire IGST ₹1,08,000 of Invoice B equally to all three units, it would be in contravention of Section 20/Rule 39 (since it is attributable only to Unit G). As per Section 21, the excess credit so distributed shall be recovered from the recipients (i.e., Units M and K) along with interest, following Section 73/74/74A as applicable.

**[5 MARKS]**

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

**(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.

**[4 MARKS]**



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**Question Paper 3**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# CA FINAL TEST SERIES MAY' 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. Certain services provided by Doodle LLC fall within the scope of OIDAR services and are liable to GST in India. Since Doodle LLC does not have any place of business in India, it appointed Mr. X as its authorised representative and authorised signatory for GST and regulatory compliances in India.

Mr. X is also a partner in XYZ & Associates LLP, a GST registered firm providing consultancy and compliance services.

Further, Doodle LLC is also engaged in the sale of certain notified goods in India (through third-party logistics partners) which are covered under the Track and Trace Mechanism under Section 148A of the CGST Act. However, the unique identification markings were not affixed on several consignments, and prescribed electronic records were not properly maintained.

Post appointment of Mr. X, the following events occurred:

Mr. X, in his personal capacity, was appointed by Doodle LLC and was paid a fixed monthly professional fee for acting as authorised representative and handling GST compliances. However, instead of Mr. X raising invoices, XYZ & Associates LLP issued invoices to Doodle LLC treating the supply as export of services and claimed refund of ITC. During departmental audit, it was found that the actual supplier of services was Mr. X in individual capacity, not the LLP. The LLP had wrongly issued invoices and claimed refund of ITC. Doodle LLC had no contract with XYZ & Associates LLP.

Doodle LLC appointed multiple Indian influencers for promotion of its services. The invoices of influencers were raised in the name of XYZ & Associates LLP, ITC was availed and utilised by XYZ & Associates LLP, Whereas the actual recipient of service was Doodle LLC. This arrangement was done at the instruction of Mr. X.

For certain notified goods supplied in India, Unique Identification Markings were not affixed, Electronic records prescribed under Section 148A were not properly maintained, and Machinery details were not furnished to the department. On inspection, the department found unaccounted stock without Track & Trace markings.

Based on intelligence inputs the department conducted search and seizure under Section 67 at the premises of XYZ & Associates LLP and at the godown used by Doodle LLC's logistics partner. Certain incriminating documents, digital records and unaccounted stock were seized. The department issued SCN to XYZ & Associates LLP, Mr. X, and Doodle LLC.

XYZ & Associates LLP and Mr. X propose to file appeals against the orders before the Appellate Authority.

**Q1.** With respect to wrong invoicing, fake export of services and refund of ITC, which of the following statements are incorrect?

- (i) Mr. X should have raised invoices in his individual capacity and not XYZ & Associates LLP.
  - (ii) Demand under Section 74A cannot be raised as the transaction is revenue neutral.
  - (iii) XYZ & Associates LLP is liable to penalty under Section 122(1) for issuing incorrect invoices and wrongful ITC refund.
  - (iv) XYZ & Associates LLP can retain the refund since the services were actually rendered to Doodle LLC.
- a) (i) & (iii)
  - b) (ii) & (iv)
  - c) (ii) & (iii)
  - d) (i) & (iv)

[2 Marks]

**Q2.** With respect to wrongful ITC availed on influencer services, which of the following statements are correct?

- (i) XYZ & Associates LLP is not eligible to avail ITC since it is not the real recipient of service.
  - (ii) Demand and recovery under Section 74A can be initiated against XYZ & Associates LLP.
  - (iii) Penalty under Section 122(1) is leviable for wrongful availment and utilisation of ITC.
  - (iv) Proceedings under Section 132 may be attracted if mens rea and threshold limits are satisfied.
- a) (i) & (iii)
  - b) (i), (ii) & (iii)
  - c) (i), (ii) & (iv)
  - d) (i), (ii), (iii) & (iv)

[2 Marks]

**Q3.** With respect to Track & Trace non-compliance under Section 148A, which of the following consequences may arise?

- (i) Penalty may be imposed for failure to affix unique identification marking and maintain records.
  - (ii) Unaccounted goods may be seized under Section 67.
  - (iii) Demand under Section 74A can be raised if tax evasion is established.
  - (iv) No proceedings can be initiated if GST on such goods was otherwise paid.
- a) (i) & (ii)
  - b) (i), (ii) & (iii)
  - c) (ii) & (iv)
  - d) (i), (iii) & (iv)

[2 Marks]

**Q4.** Which of the following penal provisions may be attracted on Mr. X?

- (i) Penalty under Section 122(1A) for being beneficiary and mastermind of fake ITC arrangement
  - (ii) Penalty under Section 122(1) for supply without invoice.
  - (iii) Penalty under Section 125 for general penalty for residual offences
  - (iv) Imprisonment under Section 132, subject to fulfilment of statutory conditions
- a) (i) & (ii)
  - b) (i), (ii) & (iv)
  - c) (ii) & (iii)
  - 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:**

M/s Autotech Components Private Limited, registered under GST in the State of Gujarat, is engaged in the manufacture of specialised automobile components. The company supplies goods to OEM manufacturers in India and also exports a part of its production. It also sends certain inputs to job workers for processing and receives the processed goods back.

The company sends semi-finished goods for job work to:

- M/s Alpha Engineering, located in Gujarat, at a distance of 40 kms from the factory of Autotech compoenets Pvt. Ltd. and
- M/s Beta Engineering, located in Rajasthan, at a distance of 48 km from the factory of Autotech Components Pvt. Ltd.

The company also imports certain raw materials and stores them in a warehouse operated by M/s Delta Warehousing, located in the State of Maharashtra. M/s Delta Warehousing is not registered under GST and has an aggregate turnover of ₹17,80,000 during the current financial year.

Autotech Components Pvt. Ltd. maintains its books of accounts and records at its principal place of business in Gujarat.

During the month of September 2025, the following details are available:

Particulars	Amount (₹)
Domestic turnover (excluding exports)	42,00,000
Export turnover (under LUT, without payment of tax)	18,00,000
Inputs received during the month	12,00,000
Input services received during the month	4,00,000
Capital goods purchased during the month	6,00,000
Goods sent to M/s Alpha Engineering for job work	42,000
Goods sent to M/s Beta Engineering for job work	48,000

(All amounts are exclusive of GST)

The applicable GST rate is 18% for both goods and services.

Autotech Components Pvt. Ltd. uses the services of M/s Swift Logistics, a Goods Transport Agency (GTA) registered in Gujarat, which issues consignment notes and transports goods to customers across different States. The company also makes some inter-State supplies during the month.

Due to certain classification and valuation disputes, the department later issued a Show Cause Notice under Section 74A demanding additional tax of ₹40,00,000, interest as applicable and penalty of ₹40,00,000 on account of fraud. The adjudicating authority passed an order creating demand against the company.

Aggrieved by the order, Autotech Components Pvt. Ltd. is considering filing an appeal to Commissioner (Appeals) against the penalty alleging that such nonpayment of tax is not account of fraud.

Separately, the company is planning to launch a new product and is unsure about the applicable GST rate and classification and is considering approaching the Advance Ruling Authority.

Based on the above facts, answer the following:

- (i) Whether M/s Delta Warehousing is required to obtain GST registration? Give reasons.
- (ii) Whether Autotech Components Pvt. Ltd. is required to generate e-way bill for sending goods to M/s Alpha Engineering for job work and M/s Beta Engineering in Rajasthan? Also specify whether there is any relaxation for updating vehicle details in Part-B of Form GST EWB 01?
- (iii) What is the validity period of e-way bill, and Can M/s Swift Logistics generate a consolidated e-way bill for multiple consignments covered by different individual e-way bills?

- (iv) Compute the refund of ITC admissible to Autotech Components Pvt. Ltd. for September 2025, assuming exports are made without payment of tax under LUT.
- (v) State the provisions relating to demand and recovery under Section 74A and the pre-deposit requirement for filing an appeal against the order passed by the adjudicating authority.
- (vi) Whether Autotech Components Pvt. Ltd. can seek an Advance Ruling on the classification and applicable rate of GST on its new product? State the matters on which advance ruling can be sought.
- (vii) With respect of demand order under Section 74A, can the recovery be initiated even if the appeal is filed against such demand order.

**[14 MARKS]**

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

M/s Alpha Industries Ltd., registered in Maharashtra, is engaged in the manufacture of electrical equipment. During audit proceedings for the financial year 2023–24, the department detected certain irregularities and initiated proceedings in October 2025. On 15th October, 2025, the Superintendent of Central Tax issued a show cause notice under section 74A(1) of the CGST Act, 2017, demanding CGST of ₹9.5 lakh and IGST of ₹9 lakh (total tax involved being ₹18.5 lakh, excluding interest and penalty). Subsequently, on 20th December, 2025, a statement under section 74A(6) was issued enhancing the demand to CGST of ₹12 lakh and IGST of ₹12 lakh (total tax involved being ₹24 lakh). In another matter relating to the same assessee, a show cause notice under section 127 of the CGST Act, 2017 proposing penalty under Section 122 of CGST Act, 2017 was issued by the Deputy Commissioner of Central Tax involving CGST penalty of ₹60 lakh and IGST penalty of ₹80 lakh (total penalty of ₹1.40 crore). Further, in a separate case, a show cause notice was issued under section 74(1) of the CGST Act, 2017 by the Assistant Commissioner alleging fraud and suppression of facts; however, on appeal, the Appellate Authority held that fraud and suppression were not proved.

In the light of the provisions of the CGST Act, 2017 and Circular No. 254/11/2025-GST dated 27.10.2025, answer the following with reasons:

- Whether the Superintendent of Central Tax was the proper officer to issue the show cause notice dated 15.10.2025 under section 74A(1)?
- Who is the proper officer to adjudicate the demand after issuance of the statement dated 20.12.2025 enhancing the tax demand and what procedural step is required to be taken?
- Whether the Deputy Commissioner of Central Tax is the proper officer to issue and adjudicate the penalty proceedings under section 122 in the second matter?
- In the last case, after the appellate order holding that fraud/suppression is not proved, which officer will determine the tax liability and under which section?

**[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

- 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**:

- 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.
- 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**.
- 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 <b>Goods Transport Agency (GTA)</b> – 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 <b>local 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 2023.

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]**



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**Suggested Answer 3**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# CA FINAL TEST SERIES MAY' 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:

Correct Answer: **b) (ii) & (iv)**

Explanation:

- **(i) Correct** – Mr. X was appointed in **personal capacity**, hence he should raise invoice, not XYZ & Associates LLP.
- **(ii) Incorrect** – **Revenue neutrality** is **NOT** a defence against demand under **Section 74A** when there is **wrongful ITC / refund / suppression**.
- **(iii) Correct** – XYZ & Associates LLP issued **incorrect invoices** and **wrongfully claimed refund**, hence **penalty u/s 122(1)** is attracted.
- **(iv) Incorrect** – XYZ & Associates LLP **cannot retain refund** since it was **not the actual supplier** of service.

Hence, incorrect statements = **(ii) & (iv)**.

[2 MARKS]

### ANSWER FOR QUESTION 2:

Correct Answer: **c) (i), (ii) & (iv)**

Explanation:

- **(i) Correct** – ITC can be taken **only by the actual recipient**. LLP was **not recipient**, hence **ITC not eligible**.
- **(ii) Correct** – Wrong availment & utilisation of ITC attracts **demand and recovery under Section 74A**.
- **(iii) Incorrect** – **As demand and recovery** is initiated under **Section 74A**, **penalty under Section 122(1) is not applicable**
- **(iv) Correct** – If conditions of **mens rea + threshold** are satisfied, **Section 132 (prosecution)** can be invoked.

Hence, all four are correct.

[2 MARKS]

**ANSWER FOR QUESTION 3:**

Correct Answer: **b) (i), (ii) & (iii)**

**Explanation:**

- **(i) Correct** – Failure to affix **unique ID / maintain records** attracts **penalty**.
- **(ii) Correct** – **Unaccounted goods** can be **seized under Section 67**.
- **(iii) Correct** – If tax evasion is found, **demand u/s 74A** can be raised.
- **(iv) Incorrect** – Even if tax is otherwise paid, **Track & Trace violation is a separate offence**.

Hence, correct = **(i), (ii), (iii)**.

**[2 MARKS]**

**ANSWER FOR QUESTION 4:**

Correct Answer: **b) (i), (ii) & (iv)**

**Explanation:**

- **(i) Correct** – Mr. X is **beneficiary and mastermind** and at whose instance the ITC default occurred → penalty u/s **122(1A)**.
- **(ii) Correct** – Supply without invoice is an offence under section 122(1) and accordingly penalty is payable
- **(iii) Incorrect** – As penalty is levied on Mr. X for the offences under Section 122(1) and 122(1A)
- **(iv) Correct** – If conditions are satisfied, **Section 132 (prosecution)** applies.

**[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) The applicable threshold limit for a service provider in Maharashtra is ₹20 lakhs. As per **Section 22 of CGST Act, 2017**, a supplier is liable to take registration if **aggregate turnover exceeds ₹20 lakh**(₹10 lakh in special category States). In the given case, M/s Delta Warehousing has **aggregate turnover of ₹17,80,000**, which is **below the threshold limit**. Hence, it is **not required to obtain GST registration**, provided it is not making any compulsory registration supplies. However, they shall obtain unique enrollment number (UEN) from the portal and maintain necessary records.
- (ii) As per **Rule 138 of CGST Rules**, e-way bill is required if Movement of goods is **inter-State**, and **Consignment value exceeds ₹50,000**. While computing the consignment value, GST to be included. Also, in case of interstate movement of goods for jobwork, E way bill is required, irrespective of consignment value. Vehicle details in part-B of Form GST EWB 01 is not required if the movement of goods is intrastate with a distance of upto 50 kms from the place of business of consignor to the place of transporters office in consignors state (or) from the place of transporter office in consignees state to the place of business of consignee.

Goods sent on jobwork to	M/s Alpha Engineering	M/s Beta Engineering
Type of movement	Intrastate	Interstate
Consignment value (incl. GST)	42,000 X 1.18 = ₹49,560	48,000 X 1.18 = ₹56,640
E-Way bill applicability	Not required being intrastate movement and value does not exceed ₹50,000	Required irrespective of consignment value, as there is an interstate movement.
Relaxation in entering Part-B details in Form GST EWB 01	Not applicable as e-way bill not required	Not applicable as the same is interstate movement.

- (iii) The validity of E-Way bill is 1 day for every 200 kms or part thereof in case of normal cargo and in case of over dimensional cargo it is 1 day for every 20 kms or part thereof, with respect to each consignment. As per **Rule 138(6)**, the transporter may generate a **consolidated e-way bill for multiple consignments** being transported in **one conveyance**, even if they are covered by **different individual e-way bills** having different validity periods.
- (iv) Formula (Rule 89):

$$\text{Refund} = \text{Net ITC} \times \frac{\text{Turnover of zero-rated supply}}{\text{Adjusted Total Turnover}}$$

Given:

- Export turnover = ₹18,00,000
- Domestic turnover = ₹42,00,000
- Adjusted total turnover = ₹60,00,000
- Inputs = ₹12,00,000
- Input services = ₹4,00,000
- GST on inputs @18% = ₹2,16,000
- GST on input services @18% = ₹72,000
- **Net ITC = ₹2,88,000**

Refund:

$$= \frac{18,00,000 \times 2,88,000}{60,00,000} = ₹86,400$$

**Section 74A** applies where tax is short paid / not paid / ITC wrongly availed or utilized/ Erroneous refund. If there is non payment of tax **by reason of fraud, suppression or**

**wilful misstatement**, the penalty shall be 100% of such tax not paid. In the present case, SCN under Section 74A is valid and penalty of ₹40,00,000 is also valid. However, Autotech Components Pvt. Ltd., is of the opinion that there is no fraud involved and wanted to file an appeal against the demand order, where the dispute is related to penalty. As per the amendment in Finance Act, 2025, **when there is a dispute relating to penalty in appeals, the pre-deposit is 10% of such penalty. Therefore, in the present case, the pre-deposit is 10% of ₹40,00,000 i.e., ₹4,00,000.**

- (v) Yes, Autotech Components Pvt. Ltd. can seek **Advance Ruling** under **Section 95–98**.  
Advance ruling can be sought on:
- Whether an activity is supply
  - Classification of goods/services
  - Applicability of notification
  - Determination of time and value of supply
  - Admissibility of ITC
  - Liability to pay tax
  - Whether applicant is required to be registered
- (vi) Filing of an appeal against a demand order passed under Section 74A does not automatically stay recovery proceedings. Recovery can be initiated unless the appellant makes the mandatory pre-deposit under Section 107(6), upon which recovery of the balance disputed amount is deemed to be stayed till disposal of the appeal. In the present case, as the dispute is related to penalty and pre-deposit is paid only w.r.to penalty, stay is granted for recovery of penalty but not w.r.to tax of ₹40,00,000 and its applicable interest.

**[14 MARKS]**

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

As per Circular No. 254/11/2025-GST dated 27.10.2025, the Superintendent of Central Tax is empowered as a proper officer to adjudicate cases under section 74A where the combined amount of CGST and IGST (including cess) does not exceed ₹20 lakh. In the given case, the SCN issued on 15.10.2025 involves CGST of ₹9.5 lakh and IGST of ₹9 lakh, aggregating to ₹18.5 lakh, which is within the prescribed combined limit of ₹20 lakh. Since the determination of the proper

officer is based only on the amount of tax demanded (excluding penalty and interest), the Superintendent was within his monetary jurisdiction. Hence, the Superintendent of Central Tax was the proper officer to issue the SCN under section 74A(1).

On 20.12.2025, the statement issued under section 74A(6) enhances the demand to CGST of ₹12 lakh and IGST of ₹12 lakh, aggregating to ₹24 lakh, which exceeds the combined limit of ₹20 lakh prescribed for a Superintendent. As per the said Circular, where the initial SCN is issued within the monetary limit of an officer but the tax demanded in a subsequent statement exceeds that limit, the case must be handled by the higher-ranked officer as per the prescribed monetary limits.

In the present case, a combined demand of ₹24 lakh falls within the jurisdiction of the Deputy/Assistant Commissioner (combined limit ₹20 lakh to ₹2 crore). Accordingly, the Deputy/Assistant Commissioner of Central Tax shall be the proper officer to adjudicate the matter. The earlier officer (Superintendent) is required to issue a corrigendum making the earlier notice and statement answerable to the Deputy/Assistant Commissioner.

In this case, the SCN under section 122 proposes penalty of ₹60 lakh (CGST) and ₹80 lakh (IGST), aggregating to ₹1.40 crore. As per Circular No. 254/11/2025-GST, for penalty cases under section 127, the proper officer is determined based on the combined amount of CGST and IGST penalty. The monetary limits prescribe that the Deputy/Assistant Commissioner can adjudicate cases where the combined penalty is between ₹20 lakh and ₹2 crore. Since the total penalty

involved is ₹1.40 crore, which falls within this range, the Deputy Commissioner of Central Tax is the proper officer to issue and adjudicate the proceedings under section 122.

As per the clarification relating to section 75(2) in Circular No. 254/11/2025-GST, where an appellate authority, appellate tribunal or court holds that fraud or suppression is not proved, the same adjudicating officer who had issued the original SCN under section 74(1) shall proceed to determine the tax liability under section 73(1). Therefore, in the given case, the Assistant Commissioner who issued the original SCN under section 74(1) will determine the tax liability afresh under section 73(1).

[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
Total Net Tax payable through Electronic Cash Ledger	1,50,000	1,50,000

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 = ₹1,50,000 × 18% × 50/365 = ₹3,699

Interest payable under SGST = ₹1,50,000 × 18% × 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
Total Net Tax payable through Electronic Cash Ledger	40,000	40,000
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 × 18% × 50/365 = ₹986

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

**Notes:**

- RCM liability cannot be paid using Electronic Credit Ledger and has to be paid using Electronic Cash Ledger.
- As turnover information in a month is not available, Rule 86B restriction is not applied i.e., payment of 1% through Electronic Cash ledger.
- 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	unregistered	FCM, but no GST	Manpower supply is not notified and	N.A	N.A

	registered supplier			only security agency is notified		
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 10% of the penalty under Sec. 129.**

**Pre-deposit amount:** 10% of ₹18,00,000= ₹1,80,000.

Therefore, XYZ Electronics Pvt. Ltd. would need to deposit ₹1,80,000 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]



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**QUESTION PAPER 4**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# CA FINAL TEST SERIES MAY' 26 EXAMS

## TEST – 4

Portion Covered

CUSTOMS & FTP

**Section – A: MCQ'S (8 Marks)**

Zenith Global Ltd., a public limited company registered in Maharashtra, is engaged in import and trading of industrial machinery.

During the month of February, Zenith Global Ltd. imported three identical industrial machines (Machine X, Machine Y and Machine Z) from Germany under a single contract. The details are as follows:

- FOB value (each machine): ₹ 40,00,000
- Total freight: ₹ 6,00,000
- Total insurance: ₹ 3,00,000

The consignment arrived at Nhava Sheva Port on 12th February. Before filing any bill of entry, Zenith Global Ltd. sold Machine X on high-sea basis to Alpha Engineering Pvt. Ltd., Gujarat for ₹ 52,00,000 on 14th February. Alpha Engineering Pvt. Ltd. filed the bill of entry for home consumption.

Zenith Global Ltd. filed a bill of entry for warehousing in respect of Machine Y and Machine Z on 16th February. Both machines were deposited in a bonded warehouse on 18th February.

While the goods were lying in the warehouse, Zenith Global Ltd. sold Machine Y by transfer of documents of title to Beta Manufacturing Ltd., Karnataka on 25th March for ₹ 58,00,000. Beta Manufacturing Ltd. subsequently cleared Machine Y for home consumption on 10th April.

Machine Z, while stored in the warehouse, was damaged due to accidental fire. The proper officer allowed abatement under Sec. 22 of Customs Act. Zenith Global Ltd. cleared Machine Z for home consumption on 20th April after such abatement, where the value of such damaged goods is ₹ 30,10,000.

Additional Information

- Exchange rate notified by CBIC: ₹ 75 per USD
- Basic Customs Duty (BCD): 10%
- Social Welfare Surcharge (SWS): 10% of BCD
- IGST on import: 18%
- All values are exclusive of taxes.
- Ignore interest on warehoused goods unless specifically required.

1. What is the assessable value and total customs duty payable on Machine X?
  - a) Assessable value ₹ 43,00,000; Duty ₹ 11,32,340
  - b) Assessable value ₹ 52,00,000; Duty ₹ 16,10,960
  - c) Assessable value ₹ 52,00,000; Duty ₹ 13,42,080
  - d) Assessable value ₹ 40,00,000; Duty ₹ 12,02,940

2. what is the total customs duty payable on Machine Y at the time of clearance for home consumption?
  - a) ₹ 11,32,340
  - b) ₹ 13,42,080
  - c) ₹ 15,17,000
  - d) ₹ 16,10,960
  
3. What is the total customs duty payable on Machine Z
  - a) ₹ 11,32,340
  - b) ₹ 9,32,498
  - c) ₹ 8,42,280
  - d) ₹ 7,94,580
  
4. Who is required to pay the customs duty in respect of Machine X, Machine Y and Machine Z respectively?
  - a) Machine X – Zenith Global Ltd.; Machine Y – Zenith Global Ltd. & Machine Z – Zenith Global Ltd.
  - b) Machine X – Alpha Engineering Pvt. Ltd.; Machine Y – Zenith Global Ltd. & Machine Z – Zenith Global Ltd.
  - c) Machine X – Alpha Engineering Pvt. Ltd.; Machine Y – Beta Manufacturing Ltd. & Machine Z – Zenith Global Ltd.
  - d) Machine X – Alpha Engineering Pvt. Ltd.; Machine Y – Beta Manufacturing Ltd. & Machine Z – Warehouse operator

**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:

- 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).
- 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**.
- **Inland freight and insurance charges** from the port of importation to the place of sale in India are **INR 2,500 per unit**.
- The **Basic Customs Duty (BCD)** applicable to "NextGen Processor Modules" is **7.5% ad valorem**.
- **Social Welfare Surcharge (SWS)** is levied at **10% on the Basic Customs Duty**.
- **Integrated Tax (IGST)** is applicable at **18%**.
- 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.
- **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):**

M/s Alpha Imports Ltd. filed a Bill of Entry for import of specialized machinery on 10th April 2025. Due to non-submission of a test report and certain valuation documents, the proper officer resorted to provisional assessment under section 18 of the Customs Act, 1962 on the same date. The proper officer intimated M/s Alpha Imports Ltd. in writing on 20th April 2025 to submit the required documents. The importer, however, submitted all the required documents only on 25th September 2025.

Meanwhile, during the pendency of the provisional assessment, M/s Alpha Imports Ltd. voluntarily paid ₹5,00,000 towards duty on 15th July 2025 based on its own ascertainment. After receipt of documents, the proper officer took time to finalise the assessment and eventually passed the final assessment order on 30th January 2026, which resulted in a differential duty payable of ₹1,20,000 after adjusting the amount already paid.

In the light of the Customs (Provisional Assessment) Regulations, 2025 and Section 18 of the Customs Act, 1962, answer the following:

- Examine whether the time taken by the importer to submit the documents is within the permissible time limits and whether the proper officer was justified in waiting till 25th September 2025 for finalisation.
- State the time limit within which the proper officer is required to finalise the provisional assessment after receipt of documents and comment on the validity of the finalisation done on 30th January 2026.

(c) Explain the treatment of the voluntary payment of ₹5,00,000 made by the importer and whether interest is payable on any amount.

Briefly state the procedure to be followed for recovery of the differential duty of ₹1,20,000, if the importer fails to pay the same.

[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:

- I. 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.
- II. 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]



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**SUGGESTED ANSWER 4**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# CA FINAL TEST SERIES MAY' 26 EXAM

## SUGGESTED ANSWER – 4

PORTION COVERED

CUSTOMS & FTP

**Section – A: MCQ'S (8 Marks)**

**MCQ – 1:**

**Answer: (b)**

Assessable value = Last purchase price on high seas sale = ₹ 52,00,000.

- BCD @10% = 5,20,000
- SWS @10% of BCD = 52,000
- IGST @18% on (52,00,000 + 5,20,000 + 52,000) = 18% of 57,72,000 = 10,38,960

Total Customs Duty (Machine X) = 5,20,000 + 52,000 + 10,38,960 = ₹ 16,10,960

**[2 MARKS]**

**MCQ – 2:**

**Answer: (c)**

Machine Y (Sold by original importer to subsequent buyer) – Customs duty payable by Beta Manufacturing Ltd.

Assessable Value (Original import price) FOB Price = ₹40,00,000 Freight = 6,00,000/3 = ₹2,00,000 Insurance = ₹3,00,000/3 = ₹1,00,000	₹43,00,000
BCD @10%	₹4,30,000
SWS @ 10%	₹43,000
IGST @ 18% on a) AV + BCD + SWS = ₹47,73,000 b) Transaction value = ₹58,00,000, Whichever is HIGHER	₹10,44,000
Total Customs duty payable	₹15,17,000

**[2 MARKS]**

**MCQ – 3:**

**Answer: (b)**

Machine Z (Cleared after damage)

Original Assessable Value = ₹43,00,000

BCD @10%	₹4,30,000
SWS @ 10%	₹43,000
IGST @ 18% on AV + BCD + SWS = ₹47,73,000	₹8,59,140
Total Customs duty payable	₹13,32,140

Value of damaged goods = ₹30,10,000

Proportionate customs duty payable =  $[\text{₹}13,32,140 / \text{₹}43,00,000] \times \text{₹}30,10,000 = \text{₹}9,32,498$

**[2 MARKS]**

MCQ – 4:

**Answer: (c)**

- Machine X (High-Sea Sale) - Buyer filing bill of entry = Importer → Alpha Engineering Pvt. Ltd.
- Machine Y (Warehoused → Title transferred) - Person clearing goods for home consumption = Importer → Beta Manufacturing Ltd.
- Machine Z (Warehoused & damaged) - Original importer who clears goods = Zenith Global Ltd.

**[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 X 18/118)	(13,957.62)
Balance	77,542.37
(-) Customs duty and SWS (77,542.37 X 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 <b>more than one developing countries</b> (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.			
<b>Therefore, Safeguard duty is not applicable to X Ltd., Z Ltd., and A Ltd.</b>			
<b>Note:</b> 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 × 4= 16%

2020: 4 quarter × 3= 12%

2021: 4 quarter × 3= 12%

2022: 2 quarter × 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:

= [₹ 11 lakh × 20%] - [₹ 20 lakh × 5%]

= ₹ [2.20-1.00] lakh = ₹ 1.20 lakh

[4 MARKS]

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

- (a) As per Customs (Provisional Assessment) Regulations, 2025, where provisional assessment is made due to non-submission of documents, the proper officer shall seek specific documents within 15 days and the importer must submit the same within 2 months from the date of requisition. The proper officer may allow a further extension not exceeding 2 months, and even the superior officer may allow additional time; however, no extension can go beyond 14 months from the date of provisional assessment. In the given case, provisional assessment was done on 10.04.2025 and the requisition was made on 20.04.2025. The importer submitted the documents on 25.09.2025, i.e., after about 5 months from the requisition date. This is beyond the initial 2 months but still within the maximum permissible outer limit of 14 months from the date of provisional assessment. Hence, the delay is within the permissible extended time, subject to proper extensions being recorded in writing.
- (b) As per Regulation 8, the proper officer shall, where possible, finalise the provisional assessment within 3 months from the receipt of documents or from the expiry of the time limit for submission, as the case may be, subject to permissible extensions and an overall cap of 2 years from the date of provisional assessment. Here, documents were submitted on 25.09.2025. Therefore, the normal 3-month period would expire on 25.12.2025. The final assessment was passed on 30.01.2026, i.e., beyond 3 months, but still within 2 years from 10.04.2025. Hence, the finalisation would be valid only if a proper

extension was granted by the superior officer; otherwise, it would be time-barred under the regulations.

- (c) As per Regulation 7, an importer may voluntarily pay duty on self-ascertainment during the pendency of provisional assessment, and such amount shall be adjusted against the duty finally assessed or re-assessed. However, the importer is also liable to pay interest on such amount as per Section 18(3), consequent to the final assessment order. Accordingly, the amount of ₹5,00,000 paid on 15.07.2025 shall be adjusted against the final duty liability, and interest shall be payable as per Section 18 on the amount determined to be payable.
- (d) As per Regulation 9 and Regulation 10, where differential duty becomes payable after finalisation, the Bill of Entry shall be returned for payment and the importer shall also be liable to pay interest as per Section 18(2). If the amount due is not paid within 90 days and has attained finality, it shall be adjusted from the security furnished or recovered under Section 142 of the Customs Act, 1962, after due intimation to the importer.

[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: -

- (a) The time limit for re-importation is 3 years  
 (b) The exported goods and the re-imported goods must be the same.  
 (c) 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:**

- 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.**
- 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.**
- 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):**

- (i) 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.
- (ii) The maximum duty that can be levied is equal to the subsidy amount, which is \$100 per metric ton.
- (iii) 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.
- (iv) 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.
- (v) 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:**

1. 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.
2. 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 × $\frac{15}{100}$ × $\frac{46}{365}$ (rounded off)	₹ 1,647

[5 Marks]

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

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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	30,00,000	2%	60,000

shall be recovered if the proceeds are not realised within the time permitted under FEMA.			
(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

- travel souvenirs; and
- 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	<u>1,73,000</u>
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]**



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**Question Paper 5**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# CA FINAL TEST SERIES MAY' 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 and 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)

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

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

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

**(2 MARKS)**
- With respect to sponsorship services, determine GST payable by Filmfare Corporation (Without adjusting any ITC)?
  - ₹5,04,000
  - ₹2,16,000
  - ₹1,62,000
  - Nil
- 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)?
  - Nil, as there is excess credit
  - ₹31,43,250
  - ₹7,20,000
  - ₹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/booking	Status of customer
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:**

- All amounts are exclusive of CGST/SGST or IGST, as the case may be.
- Booking is confirmed only after paying total fare for the journey.
- 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:

(₹ in thousand)

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:
- not required for both Puducherry and Goa
  - not required for Goa but required for Puducherry
  - required for both Puducherry and Goa
  - 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:
- ₹ 3,000
  - ₹ 300
  - ₹ 166.67
  - ₹ 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:
- ₹ 12,000.
  - ₹ 200.
  - ₹ 11,811.11.
  - ₹ 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?
- No action is required on the part of ABC Petroleum Limited under GST Law.
  - ABC Petroleum Limited should report to jurisdictional GST Department for verification of the loss inputs on account of fire.
  - ABC Petroleum Limited should not avail ITC of tax paid on the spares.
  - 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
- Excise duty and VAT is not included for computation of GST payable.
  - Excise duty and VAT is not included for computation of ITC
  - 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
  - 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):**

M/s GK Developers Ltd. (hereinafter referred to as "the Developer") entered into a Joint Development Agreement (JDA) with Mr. Nagarajan (the Landowner) on 31st May 2024, wherein Transferable Development Rights (TDRs) in respect of a plot of land were granted to the Developer. However, the ownership of land remained with Mr. Nagarajan, i.e., only license to occupy land was granted.

Subsequently, a Supplementary Agreement (Conveyance Deed) was executed on 15th June 2024, wherein 10 residential flats were to be constructed by the Developer, out of which 4 units (i.e., 40%) would be allotted to the Landowner.

All units pertain to non-affordable residential housing, and no bookings were made before the issuance of the Completion Certificate.

Answer the following:

- Is the Transfer of Development Rights (TDRs) a taxable supply under GST? If yes, who is liable to pay GST and what is the time of supply?
- Is GST payable on the residential flats allotted to the Landowner under the JDA? If yes, what is the time of supply?
- What is the GST implication and time of supply for flats sold by the Developer to independent buyers after the Completion Certificate?
- Rework the scenario assuming the TDRs are permanently and irrevocably transferred by the Landowner (i.e., sale/transfer of land). Is GST applicable on such transfer of TDRs?

**[5 MARKS]**

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

M/s Glamoré Cosmetics Pvt. Ltd., manufactures four variants of nail enamel, namely Blush, Gloss, Luxe, and Shine.

The company has availed input tax credit of ₹3,60,000 on common inputs used in the production of these variants. A portion of these inputs is also used for non-business purposes. During the financial year, the company manufactured 1,200 litres of each variant of nail enamel. However, the company has not maintained a separate record of input usage for each final product.

GST is payable on final goods at the rate of 12%.

You are required to calculate the net GST payable by M/s Glamoré Cosmetics Pvt. Ltd. for the financial year based on the following information

Product Name	Description	Sale Price (per 20ml bottle) All values exclusive of GST
Blush	Sold in Domestic Tariff Area	₹ 36
Gloss	Sold to a Special Economic Zone	₹ 48
Luxe	Exported to Elan Inc., Canada	₹ 60
Shine	Sold to Armed Forces Canteen (GST Exempt)	₹ 72

**[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):**

M/s Global Trade Solutions Pvt. Ltd., based in Guwahati, Assam, operates as an Indenting Agent. M/s Orion Textiles Ltd., headquartered in Dubai, UAE, supplies yarns as per the instructions of M/s Global Trade Solutions Pvt. Ltd. to buyers located in India and Sri Lanka.

M/s Orion Textiles Ltd. pays a commission to M/s Global Trade Solutions Pvt. Ltd., Guwahati, at a pre-determined percentage of the sales value. M/s Orion Textiles Ltd. (Dubai) is a foreign entity with no permanent establishment in India. The commission is received in foreign currency by M/s Global Trade Solutions Pvt. Ltd..

This commission receipt is not subject to any other tax liability in India.

Answer the below questions:

1. Is M/s Global Trade Solutions Pvt. Ltd. (Guwahati) liable to pay IGST on the commission received?
2. If yes, how is IGST calculated if USD 1,20,000 is received in April 20XX?  
Exchange Rate (As per Generally Accepted Accounting Principles - GAAP): ₹75.50 and  
Exchange Rate (As per RBI): ₹75.00  
Applicable IGST Rate: 18%
3. Whether the IGST paid on commission is eligible for Input Tax Credit (ITC)

**[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):**

Aakarsha Traders, a registered supplier under GST in Uttar Pradesh, had their GST registration cancelled retrospectively with effect from 1<sup>st</sup> September of current financial year. The cancellation order was passed on 15th September of current financial year. At the time of cancellation, the supplier had not availed ITC on certain eligible invoices issued in February and March of the preceding financial year for inward supplies of taxable goods on which ITC is otherwise available under GST law.

Subsequently, on filing an application for revocation, the cancellation of registration was revoked by the Proper Officer on 15th December of current financial year.

The firm wishes to file its GSTR-3B return for the month of September on 21st December of current financial year and wishes to claim ITC on the said invoices of February and March of preceding financial year in this return.

You are required to advise Aakarsha Traders whether it is entitled to claim input tax credit (ITC) in respect of invoices issued in February and March of the preceding financial year in terms of provisions of the GST law assuming that annual return for previous year is furnished on 31<sup>st</sup> December of the current financial year.

[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 along with GST @ 18% to Mr. Divas. In light of the above facts, you are required to answer the following questions:

- I. 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?

- II. 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?
- III. 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:

1. **Profit Margin on Sales:** Distributors earn a margin of 20% on the sale of products purchased from Green Life Pvt. Ltd.
2. **Performance Incentive:** Distributors receive an incentive of ₹10,000 for achieving sales of ₹1,00,000 or more in a month.
3. **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.to 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]**



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**Suggested Answer 5**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# CA FINAL TEST SERIES MAY' 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 × ₹ 400)	Exempted, as ticket price ≤ ₹ 500 per person
(ii) 2,500 tickets sold to audience in India w.r.to event to Dubai	₹ 10,00,000 (2,500 × ₹ 400)	Exempted as ticket price ≤ ₹ 500 per person
(iii) 2,000 tickets sold to audience outside India w.r.to event in Telangana	₹ 24,00,000 (2,000 × ₹ 1200)	<b>Not exempted as ticket price &gt; ₹ 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 × 2,400)	<b>Not exempted as ticket price &gt; ₹ 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	<b>Taxable under RCM as recipient is body corporate (Treated as exempted supply for ITC purpose)</b>
(vi) Sponsorship services to Loot Academy	₹12,00,000	<b>Taxable under FCM in the hands of supplier</b> 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 × 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 × 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>

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

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

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

$$= ₹ 12,00,000 \times 18\% = ₹ 2,16,000$$

[2 MARKS]

5. Answer (D)

Gross Liability	= 24,00,00 × 18%	= 4,32,000	(Sale of tickets)
	= 12,00,000 × 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 ≤ 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
<b>Blocked credit</b>			<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

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)
<b>GST payable in cash</b>	-	-	<b>58,000</b>

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) 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) =  $Tr * E(ES) / F(TS \text{ of State})$

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 =  $₹200 \times ₹900 / ₹1000 = ₹180$

[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>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>13,500</b>	<b>13,500</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 = $72,000 \times \frac{50,00,000}{2,85,00,847}$	12,631	12,631
Rule 43 – Common Capital Goods i.e., w.r.to Machinery Y purchased in July 2024 ITC availed = ₹2,40,000 × 18% = 43,200 Monthly ITC = ₹43,200/60 = ₹720 ITC reversed ₹720 × $\frac{50,00,000}{2,85,00,847}$ = 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):**

(a) Yes, the transfer of development rights (TDRs) by Mr. Nagarajan (Landowner) in favour of the Developer is a taxable supply of service under GST.

- As per Notification No. 13/2017-Central Tax (Rate), GST on TDR is payable by the Developer (Promoter) under Reverse Charge Mechanism (RCM) [Section 9(3) of CGST Act, 2017], if the Developer is not paying GST on construction service for the units transferred to the Landowner.
- Time of Supply: As per Notification No. 6/2019-CTR dated 29-03-2019, the time of supply for TDR shall be:

Date of Completion Certificate or First Occupation, whichever is earlier.

(b) Yes, the transfer of constructed flats by the Developer to the Landowner in exchange for TDRs is considered a taxable supply of construction service under GST.

- Since the flats are handed over before the issuance of the Completion Certificate, the transaction is liable to GST.
- Time of Supply: As per the valuation and timing rules under GST:

Date of Completion Certificate or First Occupation, whichever is earlier.

(c) Flats sold to other buyers after obtaining the Completion Certificate do not qualify as supply under GST law

- As per Schedule II of CGST Act, 2017, construction of a building intended for sale is a supply of service only if sold before completion.
- Therefore, no GST is applicable on such post-completion sales.

(d) If the Landowner permanently and irrevocably transfers the ownership of land (including TDRs) to the Developer, it constitutes a transfer of immovable property.

- As per Entry 5 of Schedule III of CGST Act, 2017, sale of land is neither a supply of goods nor a supply of service.
- Hence, such transfer is not taxable under GST.

**Conclusion:** In a JDA, GST applicability hinges on the timing of transfer and the nature of consideration (TDR or monetary). While flats transferred before completion attract GST, sale post-completion is outside GST scope. TDRs granted without transferring land ownership invoke RCM liability on the promoter.

[5 MARKS]

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

Statement Showing GST on Outward Supplies – M/s Glamoré Cosmetics Pvt. Ltd.

Product Name	Description	Sale Price per 20ml	Transaction Value (₹ )	GST @ 12% (₹)	Remarks
Blush	Sale to Domestic Tariff Area	₹ 36	21,60,000	2,59,200	GST Payable
Gloss	Sale to SEZ Unit (treated as export)	₹ 48	28,80,000	-	Zero-rated supply
Luxe	Export to Elan Inc., Canada	₹ 60	36,00,000	-	Zero-rated supply
Shine	Sale to Armed Forces Canteen (Exempt)	₹ 72	43,20,000	-	Exempt supply
<b>Total</b>			<b>1,29,60,000</b>	<b>2,59,200</b>	

Note: 1,200 litres = 1,200,000 ml → 60,000 bottles (20ml each) per product

Transaction Value per product = 60,000 bottles × sale price

**Reversal of Common ITC (Rule 42 of CGST Rules)**

Particulars	ITC Reversal (₹)	Working Note
Input tax credit attributable to exempt & zero-rated supplies (Rule 42(1)(i))	1,20,000	(₹ 43,20,000 ÷ ₹ 1,29,60,000) × ₹ 3,60,000 = ₹ 1,20,000
Input tax credit attributable to non-business use (Rule 42(1)(j))	18,000	₹ 3,60,000 × 5% = ₹ 18,000
<b>Total ITC to be Reversed</b>	<b>1,38,000</b>	

Computation of Net GST Liability / Excess Credit

Particulars	Amount (₹)
GST payable on taxable supplies	2,59,200
Add: ITC reversed	1,38,000
Total Output Tax Liability	3,97,200
Less: ITC available	(3,60,000)
Net GST Payable in Cash	₹ 37,200

**[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 exceeds ₹ 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):**

**Place of Supply:** Location of Supplier i.e., Guwahati, Assam (Taxable Territory) as per Section 13(8)(b) of the IGST Act, 2017.

**Location of Supplier:** M/s Global Trade Solutions Pvt. Ltd., Guwahati, Assam.

Since one of the conditions of Section 2(6) of the IGST Act, 2017 (i.e., the place of supply should be outside India) is not satisfied, the commission received does not qualify as an export of services.

- (i) Yes, IGST is payable. As per **Section 7(5)(c) of the IGST Act, 2017**, IGST is applicable since the place of supply is within India, but the recipient is outside India.
- (ii) Exchange Rate (GAAP): ₹75.50 per USD is relevant in this scenario  
Total Commission Value in INR: ₹75.50 × USD 1,20,000 = ₹90,60,000  
IGST @ 18% on ₹90,60,000 = ₹16,30,800
- (iii) Since M/s Global Trade Solutions Pvt. Ltd. is paying IGST as a forward charge (not under Reverse Charge Mechanism - RCM), it is not eligible to avail ITC on IGST paid on commission received.

**[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 × 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 section 16(6), where:

- the registration of a registered person is cancelled under section 29,
- and subsequently cancellation is revoked by any order under section 30,
- and availment of ITC was not restricted under section 16(4) on the date of cancellation, then such person is entitled to take ITC on such invoice or debit note in a return under section 39:
  - (i) filed up to 30th November following the financial year to which such invoice or debit note pertains, or date of furnishing annual return, whichever is earlier; or
  - (ii) for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within 30 days from the date of order of revocation of cancellation of registration whichever is later.

In view of the aforementioned legal provisions in the given case, Aakarsha Traders is entitled to claim input tax credit (ITC) in respect of invoices issued in February and March of the preceding financial year in a return under section 39:

- (i) filed up to 30th November of current financial year  
or
- (ii) return filed for the period from effective date of cancellation of registration till the date of order of revocation of cancellation of registration, within 30 days of revocation of cancellation i.e., up to 14th January whichever is later.

**[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 (₹ 40,000 × 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 (₹ 40,000 × 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 × 10,000 × 18% = ₹1,80,000	100 × 10,000 × 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 × 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 × 5% = ₹40,000	₹5,00,000 × 18% = ₹90,000
(-) Input tax credit on inputs	N.A as the rate of GST is 5% without ITC	₹1,00,000 × 12% = (₹12,000)
(-) Input tax credit on input services	N.A as the rate of GST is 5% without ITC	₹1,50,000 × 18% = (₹27,000)
(+) GST payable u/s 9(5) on supply of food [Paid only through Electronic cash ledger]	-	₹10,00,000 × 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]**



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**Question Paper 6**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# CA FINAL TEST SERIES MAY' 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?
- Adjustment permitted in same return
  - Refund of excess CGST u/s 54 + repay correct SGST
  - Transfer from CGST to SGST ledger permitted
  - Automatic adjustment by GST portal
5. Interest payable for Nov 2024 on account of delay in payment of tax is:
- ₹4,882
  - ₹13,019
  - ₹8,137
  - ₹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 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?
- (a) 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.
- (b) If the amount of refund relates to drawback of duty under sections 74 and 75 of the Customs Act, 1962.
- (c) 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)
- (d) 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.
- (a) ₹ 95
- (b) ₹ 100
- (c) Average of ₹ 95 and ₹ 100 i.e.  $(₹ 95 + ₹ 100)/2 = ₹ 97.5$
- (d) 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*?
- (i) Kapil Ltd., at the time of importation, executes a bond.
- (ii) Goods must be re-exported within 6 months or 1 year (if time is extended) of the date of re-importation.
- (iii) In case goods are not repaired, new goods are to be sent by Kapil Ltd. within 6 months.
- Choose the most appropriate option.
- (a) (i) and (iii)
- (b) (i), (ii) and (iii)
- (c) (ii) and (iii)
- (d) (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 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 applicable 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 GST liability. ABC Ltd. contended that it had exercised due diligence while selecting the supplier and was unaware that the supplier was fictitious.

Issue – 3: Further investigation revealed that ABC Ltd. had failed to report certain high-value transactions amounting to ₹50 crores in its GST returns. The authorities suspect that ABC Ltd. had suppressed sales data intentionally in order to evade payment of GST.

Based on the audit findings, the tax authorities issued a Show Cause Notice under Section 74A of the CGST Act, 2017 demanding payment of unpaid tax, interest and penalty for the under-reported sales, wrongful ITC claim and suppression of turnover. The authorities alleged that these actions amounted to fraud, willful misstatement and suppression of facts. Subsequently, an order under Section 74A was passed confirming the demand of tax, interest and penalty.

ABC Ltd. decided to contest the penalty imposed in respect of under-reported sales and the alleged suppression of turnover, arguing that the discrepancies were technical errors and not deliberate attempts to evade tax. The company filed an appeal before the Appellate Authority, but the appeal was dismissed. ABC Ltd. has now decided to file an appeal before the Appellate Tribunal.

Further, M/s Laxman Shukla & Co., a firm of Chartered Accountants, responsible for auditing ABC Ltd.'s GST compliance, was aware of certain discrepancies including under-reporting of sales and questionable ITC claims. However, the firm certified the GST returns without reporting these irregularities. Later, the firm defended its actions by claiming pressure from the client and ambiguity in certain GST provisions.

The applicable rate of GST for ABC Ltd. is:

CGST – 6%

SGST – 6%

IGST – 12%

(i) Examine whether the action of the tax authorities in issuing a Show Cause Notice and passing an order under Section 74A is valid in the above circumstances. If the discrepancies relating to under-reporting of sales are proved to be unintentional, suggest the appropriate legal provision that should apply instead of invoking fraud-related provisions.

(ii) Compute the penalty payable under Section 74A in respect of:

Under-reported sales of ₹10 crores

Wrongly availed ITC of ₹2 crores

Suppressed sales of ₹50 crores

Also compute the penalty payable under the alternative provision suggested in Question (i), assuming the under-reporting of ₹10 crores is not due to fraud or suppression.

(iii) State the time limit for filing an appeal before the Appellate Authority and Appellate Tribunal under the CGST Act. Can such time limits be extended? If yes, specify the maximum period of condonation permitted.

(iv) Determine the pre-deposit required for filing an appeal before the Appellate Authority against the order passed under Section 74A. Explain the legal provisions governing such pre-deposit.

(v) Determine the pre-deposit required for filing an appeal before the Appellate Tribunal against the order of the Appellate Authority. Explain the relevant statutory provisions.

(vi) Considering the allegations of suppression of turnover and fraudulent ITC claims, examine whether the Managing Director of ABC Ltd. can be arrested under GST law. Also discuss whether other directors of the company can be arrested.

(vii) Discuss the ethical obligations of a Chartered Accountant under GST law and the ICAI Code of Ethics. In the given case, analyse whether M/s Laxman Shukla & Co. breached professional and ethical standards by certifying ABC Ltd.'s returns despite being aware of discrepancies.

**[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):**

M/s Zenith Components Pvt. Ltd. imported electronic parts and filed a Bill of Entry on 5th June 2025, on the basis of which the goods were cleared for home consumption on the same date after self-assessment and payment of duty. Subsequently, on 20th July 2025, the company discovered that due to an internal classification error, certain components were wrongly classified, resulting in short-payment of customs duty of ₹3,50,000.

Before any audit, search, seizure or summons was initiated or intimated by the Customs Department, M/s Zenith Components Pvt. Ltd. decided to voluntarily correct the mistake. The company proposes to revise the entry under Section 18A of the Customs Act, 1962.

In the light of the provisions of Section 18A and the Customs (Voluntary Revision of Entries Post Clearance) Regulations, 2025, answer the following:

- (a) Whether M/s Zenith Components Pvt. Ltd. is eligible to revise the entry under Section 18A? Give \_\_\_\_\_ reasons.
- (b) State the procedure to be followed for revision of entry and payment of duty.
- (c) Explain the consequence if, upon revision and self-assessment, the duty is found to be short-paid.
- (d) Briefly state the power of the proper officer in respect of verification and re-assessment of the revised entry.

**[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:

- (i) 'Bhaskar' issues invoice without any underlying supply leading to wrongful availment of ITC. ITC availed on such invoice was ₹ 200 lakh.
- (ii) '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):**

M/s Prime Manufacturing Pvt. Ltd., registered under GST in the State of Karnataka, received an adjudication order dated 10th January 2026 confirming demand of tax, interest and penalty under Section 74A of the CGST Act. Aggrieved by the order, the company filed an appeal before the Appellate Authority in Form GST APL-01 on 20th February 2026.

The Appellate Authority issued the final acknowledgement in Form GST APL-02 on 25th February 2026. During the course of appeal proceedings, the company entered into a settlement with the department and decided to withdraw the appeal.

Later, in another matter relating to classification dispute, the company filed an appeal before the GST Appellate Tribunal in Form GST APL-05 on 10th April 2026. Before the Tribunal could issue its order, the company decided to withdraw this appeal as well since the dispute was resolved through a circular issued by the Government. Based on the above facts, answer the following:

- (i) Whether M/s Prime Manufacturing Pvt. Ltd. can withdraw the appeal filed before the Appellate Authority? If yes, state the form in which the application for withdrawal should be filed and whether approval of the Appellate Authority is required.
- (ii) Assuming the acknowledgement in Form GST APL-02 has already been issued, explain the procedure and time limit within which the Appellate Authority must decide the withdrawal application.

- (iii) In the second case, where the appeal was filed before the Appellate Tribunal, state whether the appeal can be withdrawn and specify the form in which such application must be filed.
- (iv) Where acknowledgement of the appeal has been issued and an application for withdrawal is filed before the Appellate Tribunal, state the time limit within which the Tribunal must decide the withdrawal application.

**[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):**

The Central Government is in the process of drafting an amendment to the Foreign Trade Policy (FTP). During this process, it circulates a draft for stakeholder consultation and provides them 30 days for feedback. Global Exporters' Association (GEA) submits detailed suggestions, on the same. The Government acknowledges receipt of their suggestions but, in the final amendment, these recommendations are not accepted.

GEA requests the Government to explain why their views were rejected. The Ministry provides a brief explanation, stating that acceptance of the suggestions would conflict with India's international obligations under a trade agreement.

Separately, another association, Fresh Food Exporters Forum (FFEF), also submitted views relating to said amendment. Their suggestions were not incorporated, and the Government did not provide any reasons for the rejection.

Based on the above mentioned information, you are required to answer the following:

- Is the Central Government obliged to always consult stakeholders before formulating or amending the FTP?
- Whether the action taken by Government for rejecting the proposal of GEA and giving only limited reasons was valid? Explain with brief reasoning.
- Can FFEF demand the Government to legally disclose the reasons for not accepting its feedback? Also, list the situations where the Government is not required to provide reasons for rejecting stakeholder views.

**[5 MARKS]**



**Brainery**

Institute Of Commerce Studies  
(A Unit of Tharuns Brainery Pvt. Ltd)

CA Final  
**INDIRECT  
TAX LAWS**

**TEST SERIES**  
**FOR MAY'26 EXAM**

**Suggested Answer 6**

[www.tharunsbrainery.com](http://www.tharunsbrainery.com)

# **CA FINAL TEST SERIES MAY' 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 × 18% = ₹27,00,000 and penalty shall be ₹27,00,000 × 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 × 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 × 18% × 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:**

(i) Section 74A provides for determination of tax not paid, short paid, erroneously refunded or input tax credit wrongly availed or utilised. Where the tax authorities believe that such short payment or wrongful availment has occurred due to fraud, willful misstatement or suppression of facts, they may issue a show cause notice demanding tax along with interest and penalty and thereafter pass an adjudication order determining such liability.

In the present case, three issues have been identified during audit:

1. Under-reporting of sales of ₹10 crores due to a system error.
2. Wrong availment of ITC of ₹2 crores based on invoices issued by a non-existent supplier.
3. Suppression of sales worth ₹50 crores allegedly done intentionally.

The invocation of Section 74A is justified in respect of the suppressed turnover of ₹50 crores if the department establishes fraud or suppression. Similarly, wrongful ITC availed on invoices of a non-existent supplier may also fall under Section 74A if it is proved that the assessee knew or ought to have known that the supplier was fictitious.

However, with respect to the under-reporting of sales of ₹10 crores due to system error, if the company is able to demonstrate that the discrepancy was purely unintentional and not due to fraud or suppression, the matter should ideally be treated as a non-fraud case under the general demand provisions.

Therefore, invocation of Section 74A is valid in relation to fraudulent ITC and suppression of turnover. However, for the under-reported sales caused by system error, the case should be dealt with under the non-fraud demand provisions instead of Section 74A, if the company successfully proves absence of fraud or suppression.

(ii) Where tax has not been paid or has been short paid due to fraud, willful misstatement or suppression of facts, the person liable to pay tax shall also be liable to pay a penalty equal to the amount of tax.

1. Under-reported sales (₹10 crores) GST @ 12% = ₹1.2 crores tax. If treated under Section 74A → Penalty = 100% of tax = ₹1.2 crores. However, if the error is proved to be non-fraudulent, the penalty under the non-fraud provisions would be 10% of tax or ₹10,000 whichever is higher.  
10% of ₹1.2 crores = ₹12 lakhs.
2. Wrong ITC of ₹2 crores. Penalty under Section 74A = ₹2 crores (equal to tax).
3. Suppressed turnover of ₹50 crores. GST @ 12% = ₹6 crores.  
Penalty under Section 74A = ₹6 crores.

(iii) As per Section 107 and Section 112 of CGST Act, An appeal before the Appellate Authority must be filed within three months from the date of communication of the order. The Appellate Authority may allow a further extension of one month if sufficient cause is shown.

An appeal before the Appellate Tribunal must be filed within three months from the date of communication of the order of the Appellate Authority. The Tribunal may condone delay up to three additional months. ABC Ltd. first filed an appeal before the Appellate Authority within the prescribed time but lost. It can now file an appeal before the Appellate Tribunal within three months from the date of communication of the Appellate Authority's order. Thus, appeals must be filed within the statutory period of three months, subject to limited condonation of delay by the respective appellate authorities.

(iv) As per Section 107(6) of CGST Act, For filing an appeal before the Appellate Authority, the appellant must:

1. Pay 100% of admitted tax liability, and
2. Deposit 10% of the disputed tax amount as pre-deposit.

Upon such payment, the recovery of the remaining disputed amount is deemed to be stayed. ABC Ltd. is disputing the tax determined under Section 74A. Therefore, before filing appeal, the company must deposit 10% of the disputed tax amount along with full payment of admitted liability.

Pre-deposit of 10% of disputed tax is mandatory for filing an appeal before the Appellate Authority.

(v) As per Section 112 of CGST Act, For filing an appeal before the Appellate Tribunal, the appellant must deposit an additional 20% of the disputed tax amount, over and above the amount deposited at the first appellate stage. Since ABC Ltd. has already deposited 10% of disputed tax while filing appeal before the Appellate Authority, it must deposit an additional 20% to file appeal before the Tribunal. Thus, total pre-deposit before the Tribunal becomes 30% of disputed tax (10% + 20%), subject to statutory caps.

(vi) As per Section 69 and Section 132 of CGST Act, The Commissioner may authorize arrest if a person has committed certain offences involving tax evasion exceeding prescribed limits, such as issuing fake invoices, wrongful ITC or suppression of turnover. If the suppression of turnover and fraudulent ITC claims exceed the statutory threshold and involve intent to evade tax, the Managing Director, being responsible for the conduct of business, may be arrested under GST law.

However, other directors can be arrested only if they are directly involved in the offence or responsible for the conduct of business.

Therefore, the Managing Director may be arrested if evidence shows involvement in the offence, while other directors may be arrested only if their role in the offence is established.

(vii) As per ICAI Code of Ethics and Chartered Accountants Act, 1949, A Chartered Accountant is required to maintain integrity, objectivity, professional competence and due care. He must not certify statements or returns that he knows to be false or misleading.

In the present case, M/s Laxman Shukla & Co. was aware of discrepancies such as under-reported sales and questionable ITC claims but still certified the GST returns. Claiming pressure from the client does not absolve the professional from his responsibility.

Therefore, the CA firm appears to have breached professional and ethical obligations, which may attract disciplinary proceedings under the Chartered Accountants Act, 1949.

**[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 × 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.

$$= ₹ 1,50,000 \times 0.25\%$$

$$= ₹ 375 \text{ each under CGST and SGST}$$

**[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):**

(a) As per Section 18A(1) of the Customs Act, 1962, an importer may revise an entry after clearance in the prescribed form, manner and time. However, Section 18A(5) prohibits such revision where any audit, search, seizure or summons has been initiated and intimated, or where duty has already been re-assessed under Sections 17, 18 or 84, or in other notified cases. In the given case, M/s Zenith Components Pvt. Ltd. discovered the error before initiation of any audit or investigation and the case does not fall under any prohibited category. Hence, the importer is eligible to revise the entry under Section 18A.

(b) As per the Customs (Voluntary Revision of Entries Post Clearance) Regulations, 2025, the importer shall file an electronic application at the port where duty was paid, for revision of the Bill of Entry. On acceptance, the system generates an Acknowledgement Reference Number (ARN). The importer shall self-assess the duty on the revised entry and pay the differential duty along with interest, if any, against the ARN. After payment, a Revised Entry Reference is generated. The application is processed on a self-assessment basis, subject to risk-based verification by the proper officer.

(c) As per Section 18A(3)(a), where the revised entry and self-assessment result in duty short-levied, not levied, short-paid or not paid, the importer may voluntarily pay such duty along with interest under Section 28AA. Accordingly, in the given case, M/s Zenith Components Pvt. Ltd. shall pay the short-paid duty of ₹3,50,000 along with applicable interest.

(d) Under Section 18A(4), the proper officer may verify the revised entry and self-assessment based on risk evaluation. If it is found that the self-assessment is not correct, the Deputy/Assistant Commissioner of Customs (designated proper officer) may re-assess the duty by passing a speaking order after following the principles of natural justice, without prejudice to any other action under the Act.

**[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) Yes, the appellant may withdraw the appeal at any time before issuance of the order in appeal, whichever is earlier. The application for withdrawal must be filed in Form GST APL-01W. If the final acknowledgement in Form GST APL-02 has not been issued, the appellant may withdraw the appeal without requiring approval of the Appellate Authority.
- (ii) Where the final acknowledgement in Form GST APL-02 has already been issued, withdrawal of the appeal is subject to the approval of the Appellate Authority (AA). The appellant must file an application for withdrawal in Form GST APL-01W. The Appellate Authority shall decide such withdrawal application within 7 days from the date of filing of the application.
- (iii) Yes, the appeal can be withdrawn. As per Rule 113A, the appellant may withdraw the appeal any time before issuance of the order by the Appellate Tribunal.
- (iv) Where the final acknowledgement of the appeal has been issued, withdrawal of the appeal/application before the Appellate Tribunal requires approval of the Tribunal. The Appellate Tribunal must decide the withdrawal application within 15 days from the date of filing of such application.

**[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-

- (i) full amount of tax, interest and penalty as admitted by it, i.e. ₹ 230 (200+20+10) crores and
- (ii) 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) = ₹ 100 crore × 9% × 186/366 = ₹ 4,57,37,705

**[5 MARKS]**

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

- 1) 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:
  - (i) minimum amount for compounding is 50% of the tax evaded, i.e., ₹ 4 crore (50% of ₹ 8 crore).
  - (ii) maximum amount for compounding is 75% of the tax evaded i.e., ₹ 6 crore (75% of ₹ 8 crore).

- 2) Yes, the amount for compounding determined by the Commissioner i.e. ₹ 5.2 crore is within the above limits prescribed under the GST law.
- 3) 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):**

- (a) The Central Government, in the course of formulation of FTP, as and when it deems reasonable to do so, may seek views/ suggestions/ comments/ feedback from relevant stakeholders, including importers/exporters/industry experts with regard to formulation, incorporation of specific provision(s) or amendments in the FTP.

However, Central Government reserves the right to suo moto formulate, amend or incorporate any specific provisions, without seeking views, suggestions, comments or feedback from stakeholders.

Thus, the Central Government is not obliged to always consult stakeholders before formulating or amending the FTP.

- (b) If the views, suggestions, comments or feedback are not incorporated in the FTP, the Central Government may to the extent possible and if deems reasonable to do so, provide, to the relevant stakeholders, including importers/exporters/industry experts the reasons for not considering their views etc. while formulating, amending or incorporating specific provisions in the FTP.

Thus, the action taken by Government is valid in rejecting the proposal of GEA and giving only limited reasons.

- (c) Central Government is not obliged or mandated to disclose reasons for not incorporating views etc., that

No legal right is conferred on any person to seek reasons for his views, comments, opinions or feedback, not being incorporated in the FTP thereof. Disclosure is at the discretion of the Government.

Thus, FFEF cannot demand the Government to legally disclose the reasons for not accepting its feedback.

The Government is not required to provide reasons for rejection in case of stakeholder views that:-

- I. adversely affect trade relations with any foreign country.
- II. adversely affect food, economic or national security of India;
- III. is in conflict with any government policies, strategic programs, international obligations or commitments or long- term plans and would undermine the objectives of such policies or programs;

- IV. addresses matters unrelated to trade or serve narrow, private or special interests to the detriment of or contrary to the broader public interest, good; or
- V. would require the disclosure of confidential or classified information Nothing shall confer any legal right whatsoever on any person to seek reasons for his views comments, opinions or feedback, not being incorporated in the FTP thereof.

**[5 MARKS]**