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CMA Final

June'26 Exam

Tharun Raj
IDT 'Wizard'



CMA FINAL IDT MIGHTY 50

QUESTION 1

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.

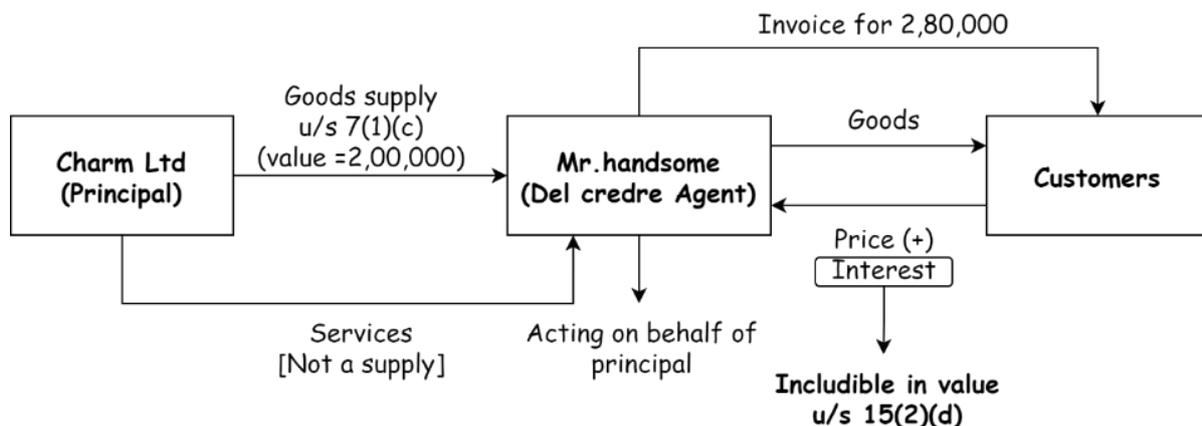
Mr. handsome provides you the following details of transactions carried out during the month of March 2022.

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).

Answer:



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
Gross GST payable	27,000	27,000	5,400

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)	-	-	-
Total ITC	-	-	36,000

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)
Net GST Payable	11,700	11,700	-

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.

QUESTION 2

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 export duty 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.

Answer:

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.

QUESTION 3

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.

(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 – Gyaati 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).

QUESTION 4

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.

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

QUESTION 5

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.
- 1) As per Sec. 11 read with Notification No. 12/2017, Import of services other than OIDAR service by Government for other than business or commerce is exempted. In the present case import of services of ₹12,00,000 for pollution control by Government is for noncommercial purposes

and therefore it is exempted. When they recover ₹3,00,000 from Delhi Government, the same is also exempted under services provided by one department of government to another department of government (Inter departmental services)

- 2) As per Sec. 11 read with Notification No. 12/2017, services provided by Indian tour operator to a foreign tourist in relation to tour partly conducted in India and partly outside India is exempted as follows:

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

b) Total Consideration $\times 50\%$, whichever is lower

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

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

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

QUESTION 6

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)

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.

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

Tax Payable Under Section 9(5):

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

→ ₹60,000 CGST + ₹60,000 SGST

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

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

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

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

Balance ITC to be carried forward = ₹63,000 (-) ₹54,000 = ₹9,000

QUESTION 7

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

Outward supplies:

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

Inward supplies:

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

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

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

Tax Payable Under Section 9(5):

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

→ ₹60,000 CGST + ₹60,000 SGST

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

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

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

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

QUESTION 8

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]

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 X 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.

QUESTION 9

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)

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	

QUESTION 10

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?

- (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.

QUESTION 11

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.

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).

QUESTION 12

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.?

As per Sec. 41 read with Rule 37A, as Rudra Ltd., not filed GSTR-3B of sept 2023 by 30th Sept 2024, ITC availed by Abhi Ltd needs to be reversed by 30th Sept 2024. As, ITC availed by Abhi Ltd not reversed by 30th 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 18th 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.

QUESTION 13

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.

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

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

Transaction	Amount	Taxability	Liability to pay GST
Revenue from Non-Taxable Online Recipients	₹5 Crores	Import of OIDAR services is always taxable ₹5,00,00,000 × 18% = ₹90,00,000.	As per Section 14 of the IGST Act, InfoHub Ltd. is liable to pay IGST under FCM
Revenue from Corporate Clients	₹3.5 Crores	Import of OIDAR services is always taxable ₹3,50,00,000 × 18% = ₹63,00,000.	As the recipients are other than non taxable online recipients, RCM is applicable and GST payable by such corporate clients

Services to Non-Taxable Online Recipients through intermediary AWS	₹1.5 Crores	Import of OIDAR services is always taxable ₹1,50,00,000 X 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

QUESTION 14

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:

- 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.
- 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.
- 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.

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.

QUESTION 15

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

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

Based on the above, answer the following questions:

- (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?

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

Invoice No.	Date	Transaction	Cumulative turnover for computation of ATO
0001	January 2, 2025	Sold industrial tools worth ₹25,00,000 – Included in ATO	25,00,000
0002	January 5, 2025	Received an advance of ₹4,00,000 from a customer – Not included in ATO as GST not payable on advances w.r.to supply of goods	25,00,000
0003	January 8, 2025	Supplied spare parts worth ₹8,00,000 to a buyer – Included in ATO	33,00,000
0004	January 12, 2025	Earned interest of ₹1,50,000 from a fixed deposit with a nationalized bank. – Included in ATO	34,50,000
0005	January 18, 2025	Supplied dishwashers worth ₹300,000 – Included in ATO	37,50,000
0006	January 25, 2025	Earned interest income of ₹2,00,000 from a fixed deposit with a scheduled bank. – Included in ATO	39,50,000
0007	January 28, 2025	Dishwashers sold on January 18, 2025 were returned by customer and a credit note was issued – Not reduced from aggregate turnover, but the GST liability only get reduced	39,50,000
0008	January 30, 2025	Paid ₹3,00,000 to a GTA (Goods Transport Agency) for transporting goods to dealers, where GST is payable under RCM @ 5%. – Not included in ATO, as the same is inward supply under RCM	39,50,000
0009	February 5, 2025	Sold mobile phones worth ₹8,00,000 within the state through an e-commerce operator who deducted 1% TCS under Section 52 of the CGST Act (GST@ 18%). – Included in Aggregate turnover	47,50,000

As the ATO of Mr. Rithesh exceeds ₹40 lakhs on Feb 5th 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. Rithesh 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 1st 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.

QUESTION 16

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 18th 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.

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 – 18th 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., 20th 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 – 18th March 2026 and
- Date of payment received - 15th April 2026, being the date of redemption of voucher, whichever is earlier i.e., 18th 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.

QUESTION 17

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:

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

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:

- Credit attributable to a single recipient shall be distributed only to that recipient;
- (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;
- eligible and ineligible ITC shall be distributed separately;
- IGST shall always be distributed as IGST;
- 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					
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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.

QUESTION 18

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

Answer the following questions

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

(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.

QUESTION 19

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:

- (i) Whether the Superintendent of Central Tax was the proper officer to issue the show cause notice dated 15.10.2025 under section 74A(1)?
- (ii) 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?
- (iii) 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?
- (iv) 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?

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).

QUESTION 20

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

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

- I. Compute the net tax payable in cash while filing the said return as well as the interest payable for the delayed remittance of tax.
- II. Assuming the company has an ITC balance of ₹ 2,50,000 each under CGST and SGST for the said month, compute the interest payable, if entire tax due for the said month was paid through the Electronic Credit Ledger to the extent possible as per the provisions of Act?

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 20th Feb 2021

Actual date of filing GSTR – 3B for Jan 2021 is 11th 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 20th Feb 2021

Actual date of filing GSTR – 3B for Jan 2021 is 11th 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:

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

QUESTION 21

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.?

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.

QUESTION 22

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

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

3. Dispatched sandbags and earth-filling material (exempt under GST) worth ₹2,00,000 from Karnataka to Kerala.

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

- (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.

QUESTION 23

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 rd Nov 2024	Legal consultancy services from Advocate V. Kumar	Unregistered	50,000
5 th Nov 2024	Services of Goods Transport Agency (GTA) – Consignment note issued	Registered	20,000
7 th Nov 2024	Raw cotton purchased from farmer	Unregistered	60,000
10 th Nov 2024	Manpower supply services received from Sam Workforce Pvt. Ltd.	Unregistered	80,000
13 th Nov 2024	Purchase of steel shelves from a local unregistered trader for office infrastructure	Unregistered	30,000
20 th Nov 2024	Sponsorship services availed from Chennai Sports Club, 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

S. No.	Description of Supply	Supplier Type	FCM/ RCM	Reason	Invoice by	Due date of self-invoice
1	Legal services from Advocate V. Kumar	Unregistered	RCM	Legal services by individual advocate to business – notified under 9(3)	Recipient	03-Dec-2024
2	GTA services (with consignment note)	Registered	RCM	GTA services – notified under 9(3) (Default option)	Supplier	N.A

3	Raw cotton from unregistered farmer	Unregistered	RCM	Raw cotton by agriculturist to registered person – notified under 9(3)	Recipient	07-Dec-2024
4	Manpower services from registered supplier	unregistered	FCM, but no GST	Manpower supply is not notified and only security agency is notified	N.A	N.A
5	Steel shelves from local unregistered trader	Unregistered	FCM, but no GST	Not covered under notified goods for RCM	N.A	N.A
6	Sponsorship from registered club	Registered	RCM	Sponsorship to body corporate – notified under 9(3)	Supplier	N.A

QUESTION 24

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.

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.

QUESTION 25

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?

- (i) As per Section 129(1)(a), if the owner comes forward, the penalty is **200% of the tax payable i.e., 200% of ₹9,00,000 = ₹18,00,000**
So, XYZ Electronics Pvt. Ltd. will have to pay **₹18,00,000** as a penalty for the release of the goods and conveyance.
- (ii) As per Section 129(1)(b), if the owner does not come forward, the penalty is **50% of the value of the goods or 200% of the tax payable, whichever is higher.**
 - **50% of the value of goods:** ₹50,00,000 × 50% × 2 = ₹50,00,000
 - **200% of tax payable:** 200% of ₹9,00,000 = ₹18,00,000

Since ₹50,00,000 is higher, XYZ Electronics Pvt. Ltd. will have to pay **₹50,00,000** as a penalty for the release of the goods and conveyance.
- (iii) As per Section 129(1)(a), the penalty for exempted goods is **2% of the value of goods or ₹25,000, whichever is less.**
2% of ₹5,00,000 = ₹10,000
Since ₹10,000 is less than ₹25,000, the penalty applicable to the exempted goods would be **₹10,000.**
- (iv) If XYZ Electronics Pvt. Ltd. fails to pay the penalty within 15 days, the goods and conveyance will be **liable to be sold or disposed of** by the GST authorities to recover the penalty amount.
- (v) As per Section 107 of the GST Act, for filing an appeal with the appellate authority, the appellant is required to make a **pre-deposit of 25% of the penalty under Sec. 129.**
Pre-deposit amount: 25% of ₹18,00,000 = **₹4,50,000.**

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

QUESTION 26

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 2nd 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 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.

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.

QUESTION 27

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

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)

QUESTION 28

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 :

- (i) All the figures given above are exclusive of GST.
- (ii) All inward and outward supplies are intra-state.
- (iii) Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.
- (iv) 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.

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

Particulars	Value	CGST	SGST
GST payable under forward charge			
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	5,00,000	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]

recipient, it is a composite supply wherein the predominant/ principal supply is supply of goods]			
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	-	-
GST payable under Reverse Charge			
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%]
Total GST payable by Galaxy Cube Private Ltd., for May 2025		2,60,400	2,60,400

QUESTION 29

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.

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	–
Total Output Tax under FCM	–	–	13,50,077	13,50,077	14,40,000

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	–
Total RCM liability	–	13,500	13,500	–

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	-
Total ITC Before Reversal	72,000	72,000	9,00,000

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
Total Reversal	12,694	12,694

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

QUESTION 30

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.

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.

QUESTION 31

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.

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)

QUESTION 32

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

Computation of Basic Customs Duty payable by Mr. X

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

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

Thus, depreciation % will be computed as follows:

2019: 4 quarter x 4= 16%

2020: 4 quarter x 3= 12%

2021: 4 quarter x 3= 12%

2022: 2 quarter x 2.5= 5%

Total depreciation % will be 45%

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

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

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

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

= ₹ [2.20-1.00] lakh = ₹ 1.20 lakh

QUESTION 33

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:

- (a) 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.
- (b) 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.

- (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.

QUESTION 34

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 st February	12%	61.40	62
Aircraft Arrival	26 th 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?

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

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

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

Computation of total Duty payable by Kankan Corp.

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

Notes:

- 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.**

QUESTION 35

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

Computation of import duty payable by Niryaat Exporters

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

Notes:

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

Computation of interest payable by Niryaat Exporters

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

Therefore, interest payable will be computed as under:

Period of 90 days commencing from the date of order made under 60 expires on	15 th 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

QUESTION 36

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?
- (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.

QUESTION 37

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

QUESTION 38

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?

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	8,000

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.]	
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

QUESTION 39

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.

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.

QUESTION 40

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.

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.

QUESTION 41

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.

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.

QUESTION 42

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 2nd July 2025 and 5 MT of processed goods are received back on 25th 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.

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 10th 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.

QUESTION 43

Global Agro Exports Pvt. Ltd. submitted objections to a proposed FTP amendment but found their suggestions were not accepted. On requesting reasons and internal decision records, DGFT refused, citing “food security” and “international commitments,” and stated there is no legal obligation to incorporate such suggestions. Briefly state Whether DGFT’s refusal to provide reasons is valid and Whether the company has any legal right to compel incorporation of its suggestions or disclosure of decision records.

As per the amended FTP 2023, the Central Government may, on a best endeavour basis, provide reasons for non-acceptance of stakeholder views; however, it is not obliged to do so in specific circumstances, including where disclosure would affect trade relations, food, economic or national security, conflict with government policies, strategic programs, or international obligations, serve narrow private interests, or require revealing confidential/classified information.

Since DGFT cited “food security” and “international commitments,” which fall within the listed exceptions, the refusal to provide reasons is valid.

Further, the provisions expressly state that nothing confers a legal right to any person to demand incorporation of their suggestions into the FTP or to seek reasons where exempted, and there is no mandate to disclose internal decision-making records. Therefore, DGFT’s action is in line with the law, and Global Agro Exports Pvt. Ltd. has no enforceable legal right to compel incorporation of its suggestions or access to internal records.

QUESTION 44

M/s Global Importers Ltd. imports 1,200 units of electronic components from Korea in March 2026. The goods are imported from a related party and the value declared by importer is rejected, but the Customs Authorities obtain the transaction values of identical goods imported into India from the same country. The details are as follows:

Case	Quantity Imported	Commercial Level	Transaction Value (CIF, ₹ per unit)	Remarks
A	1,000 units	Wholesale	₹1,150	Imported in March 2026
B	800 units	Retail	₹1,120	Imported in February 2026
C	1,500 units	Wholesale	₹1,100	Imported in March 2026

Additional information:

- In Case B, the commercial level is retail while for M/s Global Importers Ltd. it is wholesale. Based on evidence, a downward adjustment of ₹20 per unit is allowed for difference in commercial level.
- In Case C, since the identical goods were imported in a larger quantity (1,500 units vs 1,200 units), an upward adjustment of ₹10 per unit is justified to align quantities.
- Freight and insurance charges in Case A are significantly higher than in the present import because of longer distance. Adjustment reduces the value by ₹15 per unit.

Calculate the total assessable value of the consignment imported.

- Transaction value of **identical goods** imported at or about the same time is to be adopted.
- If different quantities or commercial levels, **reasonable adjustments** are permitted.
- If more than one comparable value is found, the **lowest adjusted value** is adopted [Rule 4 of Customs Valuation Rules, 2007].

Case	Base Value (₹/unit)	Adjustment for commercial level	Adjustment for quantity	Adjustment for transport cost	Adjusted Value (₹/unit)
A (1,000 units, wholesale)	1,150	–	–	(15)	1,135
B (800 units, retail)	1,120	(20)	–	–	1,100
C (1,500 units, wholesale)	1,100	–	+10	–	1,110

More than one adjusted transaction value is available: ₹1,135 (Case A), ₹1,100 (Case B), and ₹1,110 (Case C). Therefore, **Lowest adjusted value = ₹1,100 per unit (Case B) is relevant.**

Total Assessable Value = ₹1,100 × 1,200 units = ₹13,20,000

QUESTION 45

Mr. Arun, an Indian citizen, had been residing in Dubai for employment and decides to permanently transfer his residence to India in March 2026. He stayed abroad for 2 years and 1 month, during which he visited India for short trips amounting to 4 months in total. This is the first time in 4 years that he is availing the Transfer of Residence concession. On his return, he brings with him the following goods as part of his bona fide baggage:

Item	Value (₹)
Personal & household articles	3,80,000
Laptop	80,000
Washing machine	60,000
Luxury wristwatch	90,000

Misc. household items	1,20,000
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compute the customs duty payable on the ineligible and excess goods. (Make suitable assumptions where necessary)

As per Rule 6 of Baggage Rules, 2006 concession is available in case of transfer of residence subject to following

- Mr. Arun stayed abroad for **2 years and 1 month**, with **short visits to India of 4 months** (≤ 6 months allowed).
- He has **not availed this benefit in the preceding 3 years**.
- Thus, he qualifies under the **highest slab** of Rule 6 (minimum stay abroad of 2 years), making him eligible for **duty-free clearance of personal & household articles (excluding Annexure I & II, but including Annexure III) up to ₹5,00,000**.

Item	Value (₹)	Eligible?	Reason	Dutiable value
Personal & household articles	3,80,000	Yes	Covered under Rule 6, (Balance available 5,00,000 – 3,80,000 = 1,20,000)	0
Laptop	80,000	Yes	Specific exemption for laptop	0
Washing machine	60,000	No	not allowed under Rule 6	60,000
Luxury wristwatch	90,000	No	not allowed under Rule 6	90,000
Misc. household items	1,20,000	Yes	Eligible household items (Utilised out of balance allowance available)	0
Sub-total				1,50,000
(-) General Free allowance			Upto 50,000 under Rule 3	(50,000)
Dutiable Value				1,00,000
Bagagge Duty			(1,00,000 × 38.5%)	38,500

QUESTION 46

XYZ Ltd., an Indian company, imports 10,000 kg of copper concentrate and stores it in a bonded warehouse. The company has been permitted by the Commissioner to carry out manufacturing operations in the warehouse under Section 65 of the Customs Act, 1962. The import duty on copper concentrate is ₹100 per kg. During processing in the warehouse, the company manufactures 7,000 kg of copper rods, of which the entire quantity is cleared for home consumption. It also manufactures 2,000 kg of copper wire, which is exported out of India. The balance 1,000 kg results in waste/refuse, out of which 400 kg is destroyed while 600 kg is cleared for home consumption. The Central Government, exercising powers under Section 66, has issued a notification exempting imported copper concentrate from the excess duty where the duty on input exceeds the duty leviable on the finished goods; in this case, the duty on copper concentrate (₹100 per kg) exceeds the effective duty on copper rods (₹80 per kg) by ₹20 per kg. You are required to compute the customs duty liability of XYZ Ltd. on the goods cleared for home consumption and the waste/refuse, explain the treatment of exported goods and destroyed waste, and apply the Section 66 exemption to determine the net duty impact.

XYZ Ltd. imported 10,000 kg copper concentrate into a bonded warehouse and undertook manufacturing under S.65. Balance after processing: 7,000 kg copper rods (cleared for home consumption), 2,000 kg copper wire (exported), and 1,000 kg waste/refuse (400 kg destroyed; 600 kg cleared home).

Under **s.65(2)(a)**, for exported goods, import duty on the quantity of warehoused input contained in the export as well as the portion of waste/refuse **arising in relation to the exported goods** is **remitted**, provided such waste is destroyed or duty is paid on it "as if imported in that

form". Here, export-attributable waste on a reasonable proportionate basis = $1,000 \times (2,000/9,000) = \approx 222 \text{ kg}$.

Since **400 kg** waste has been destroyed in the warehouse, the destruction covers the entire export-related waste; hence, **no import duty** is payable on

- (i) the **2,000 kg** input contained in copper wire exported and
- (ii) the **$\approx 222 \text{ kg}$** export-related waste (**full remission**).

For goods cleared for home consumption, **s.65(2)(b)** requires import duty on (i) the quantity of warehoused input contained in the finished goods cleared domestically and (ii) the quantity of warehoused input **contained in so much of the waste/refuse as has arisen from operations carried on in relation to the goods cleared for home consumption**.

On a proportionate basis, home-related waste = $1,000 \times (7,000/9,000) = \approx 778 \text{ kg}$ (this charge arises **whether or not** that waste was destroyed/cleared).

Duty rates: input (copper concentrate) **₹100/kg**; effective duty on copper rods **₹80/kg** by Section 66 notification (exempting the **excess** of input duty over rods' duty, i.e., ₹20/kg).

Accordingly, duty is:

- A. on input contained in rods: $7,000 \text{ kg} \times ₹80 = ₹5,60,000$ (Section 66 benefit applied); and
- B. on home-related waste: $\approx 778 \text{ kg} \times ₹100 = \approx ₹77,800$ (Section 66 does not reduce this, as the levy under s.65(2)(b) is on the warehoused input contained in waste/refuse, not on the finished rods).

Thus, **total duty payable $\approx ₹6,37,800$** .

QUESTION 47

Mr. Ravishankar, an importer based in Chennai, filed a claim for refund of customs duty of **₹12,00,000** paid under protest, which was assessed on the value of imported textile machinery.

- The **assessment order**, based on which the **duty was paid**, has **neither been reviewed nor modified** in any appeal proceedings.
- The **Customs Department rejected the refund claim** filed by Mr. Ravishankar.

Discuss, with the help of **decided case law**, whether the **action of the Department rejecting the refund claim is correct in law**. Provide reasons to support your answer.

What **other options** are available to Mr. Ravishankar?

1. Whether the action of the Department is correct?

Yes, the action of the Department rejecting the refund claim is legally correct.

- The facts of the case are **similar to the decision of the Hon'ble Supreme Court** in the case of Priya Blue Industries Ltd. v. Union of India (2004).
- In this judgment, the Court held that:
 - o **Unless the assessment order has been reviewed or modified through appeal**, the **assessment order stands final**, and **duty is payable as per that order**.
 - o **A refund claim is not a substitute for an appeal proceeding**.
 - o **The officer handling the refund claim has no authority to review or revise the assessment order** while processing the refund.
 - Since Mr. Ravishankar has not challenged the assessment order through an appeal or review, and no modification has been made to the original assessment order, the refund claim cannot be entertained.

2. Other Options Available to Mr. Ravishankar:

Mr. Ravishankar has the following **alternative legal options**:

1. File an appeal:
 - a. He can **file an appeal against the assessment order** with which he is **aggrieved**, before the **Commissioner (Appeals)** under **Section 128 of the Customs Act, 1962**.
2. Request for review:
 - a. He can **request the competent authority** (proper officer) to **review the assessment order** under **Section 129D of the Customs Act, 1962**.

Conclusion:

Since the assessment order remains unchallenged, the refund claim is not maintainable unless the order is overturned through appeal or review. The Department's action is correct in law.

QUESTION 48

You are required to calculate the amount of interest receivable/payable (rounded off to the nearest ₹1) in the following independent cases along with brief explanations under the Customs Act, 1962 and rules made thereunder:

Case (i): Interest Receivable on Delayed Duty Drawback Payment

M/s Delta Impex Pvt. Ltd. filed a duty drawback claim of ₹2,40,000 on 15th August 2025. However, the duty drawback was received on 20th November 2025.

Case (ii): Interest Payable on Erroneous Duty Drawback Refund

M/s Sigma Traders was erroneously refunded a sum of ₹55,000 in excess drawback on 10th March 2025. The Department issued a demand notice on 20th June 2025, and the excess amount was returned by Sigma Traders on 25th July 2025.

Case (i): Interest Receivable by M/s Delta Impex Pvt. Ltd.

- As per Section 75A(1) of the Customs Act, 1962, if duty drawback is not paid within one month from the date of filing of the claim, interest @6% p.a. is payable for the delayed period.

Particulars	Date
Date of filing drawback claim	15th August 2025
One month expiry date	15th September 2025
Actual date of drawback receipt	20th November 2025
Delay period (16th September – 19th November)	65 days

Interest Calculation:

Particulars	Calculation	Amount (₹)
Interest	₹2,40,000 × 6% × 65 / 365	₹2,564.38
Rounded Interest Receivable		₹2,564

Case (ii): Interest Payable by M/s Sigma Traders

- As per Section 75A(2) read with Section 28AA of the Customs Act, 1962, if erroneous drawback refund is recovered, interest @15% p.a. is payable from the date of refund to the date of recovery.

Particulars	Date
Date of excess refund	10th March 2025
Date of repayment by Sigma Traders	25th July 2025
Interest period	138 days

Interest Calculation:

Particulars	Calculation	Amount (₹)
Interest	₹55,000 × 15% × 138 / 365	₹3,119.18
Rounded Interest Payable		₹3,119

QUESTION 49

Calculate the **duty drawback** allowable under the **Customs Act, 1962** in the following cases:

1. **Mr. Jaggi Mehta** imported a **car** from the **U.K.** for his **personal use** and paid **₹4,50,000** as import duty. However, he **re-exported** the car **immediately without bringing it into use**.
2. **Ms. Meenakshi** imported a **music player** from **Dubai** and paid **₹12,000** as import duty. She *used the music player for four months and re-exported it.*
3. **XYZ Ltd.** exported **1,000 kgs** of metal with an **FOB value of ₹1,00,000**. The **rate of duty drawback** on such export is **₹60 per kg**. The **market price** of the goods is **₹40,000** (in the wholesale market).

(a) Duty Drawback for Mr. Jaggi Mehta:

- **Import Duty Paid:** ₹4,50,000
- Since the **car was re-exported immediately without use**, as per **Section 74(1)** of the **Customs Act, 1962**, **98%** of the import duty paid is allowed as **duty drawback**.

Calculation	Amount (₹)
98% of ₹4,50,000	₹4,41,000

Duty Drawback Allowed: ₹4,41,000

(b) Duty Drawback for Ms. Meenakshi:

- **Import Duty Paid:** ₹12,000
- **Usage Period:** 4 months
- As per the **Notification No. 19/65-Cus.**, when goods are **used before re-export**, the **duty drawback percentage** reduces based on the **period of use**.

Period of Use	Percentage of Duty Drawback
3-6 months	85% of duty paid

Calculation	Amount (₹)
85% of ₹12,000	₹10,200

Duty Drawback Allowed: ₹10,200

(c) Duty Drawback for XYZ Ltd.:

- **Quantity Exported:** 1,000 kgs
- **FOB Value:** ₹1,00,000
- **Market Price:** ₹40,000
- **Drawback Rate:** ₹60 per kg
- **Drawback Amount (calculated)** | 1,000 kgs × ₹60 = **₹60,000** |
- Since, market value of exported goods is less than the value of Duty Drawback. XYZ Ltd. is not entitled to claim duty drawback in this case.
- **Final Summary:**

Case	Duty Drawback Admissible	Amount (₹)
Mr. Jaggi Mehta (Car)	Yes	₹4,41,000
Ms. Meenakshi (Music Player)	Yes	₹10,200
XYZ Ltd. (Metal Export)	No	-

QUESTION 50

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.

(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.

MULTIPLE CHOICE QUESTIONS

Question 1

Mr. T, a thief, sells a stolen motorbike to Mr. Q for ₹50,000. In a separate transaction, Mr. T sells prohibited Narcotic drugs to Mr. Q for ₹3,00,000. Based on the GST framework and legal precedents regarding the marketability of goods, evaluate the taxability.

- a) Both transactions are outside the scope of GST as they are criminal acts.
- b) Only the sale of the stolen motorbike is a supply; the narcotics are prohibited and do not constitute a supply under the law.
- c) Both are taxable supplies because GST is neutral to the legality of the transaction.
- d) Only the narcotics are taxable because the value exceeds the threshold of a gift.

Correct Answer: C

Explanation: While illegal activities like selling stolen goods (where a commercial market exists) constitute a supply, transactions in prohibited/contraband goods also constitute a "supply" and are subject to criminal statutes.

Question 2

M/s. Alpha Ltd. transfers the right to use a high-end Xerox machine to M/s. Beta Ltd. for 6 months for a consideration of ₹20,000 per month. The title to the machine remains with M/s. Alpha Ltd. How is this transaction classified under the CGST Act?

- a) Supply of Goods.
- b) Supply of Service.
- c) Deemed Supply under Schedule I.
- d) Neither a supply of goods nor service.

Correct Answer: B

Explanation: As per Schedule II, Para 1(b) and Example 7 of the source, the transfer of the right in goods or undivided share in goods without the transfer of title is specifically classified as a supply of service.

Question 3

Mr. C, a Cost Accountant, provides audit services to M/s. Tech-Flow Ltd. In lieu of a cash fee, the company provides Mr. C with three high-end laptops. Which of the following statements is legally accurate?

- a) This is a barter transaction where only the auditor is liable to pay GST.
- b) This is a barter transaction where only the company is liable to pay GST on the laptops.
- c) It is a two-way supply; both the audit service and the laptops are taxable supplies.
- d) No GST is applicable as no monetary consideration changed hands.

Correct Answer: C

Explanation: Under Section 7(1)(a) and Example 8, barter involves a reciprocal exchange of goods and services. Both parties are making a supply for non-monetary consideration and are liable for GST on their respective supplies.

Question 4

A dealer in electronics supplies a new smartphone for ₹25,000 to a customer who exchanges an old phone. The open market value of the new smartphone is ₹32,000. The dealer's invoice shows a "net price" of ₹25,000 after allowing ₹7,000 for the old phone. What is the value of supply for GST purposes?

- a) ₹25,000.
- b) ₹7,000.
- c) ₹32,000.
- d) ₹18,000.

Correct Answer: C

Explanation: Under the "Exchange" mechanism (Example 10), the value of supply is the Open Market Value (OMV). The dealer is liable to pay GST on the full OMV of ₹32,000.

Question 5

M/s. Zenith Ltd. purchased a centralized Air Conditioning system for its office and availed Input Tax Credit (ITC) of ₹1,80,000. After three years, the company donated the system to a local charitable trust without consideration. Is this a supply?

- No, because there is no consideration and it is for charity.
- Yes, it is a deemed supply under Schedule I, Para 1.
- No, because the asset was used for more than two years.
- Yes, but only if the charitable trust is a registered person.

Correct Answer: B

Explanation: Schedule I, Para 1 specifies that the permanent transfer or disposal of business assets where ITC has been availed is treated as a supply even if made without consideration.

Question 6

Mr. Raj, an individual, sells his personal car to a second-hand car dealer for ₹4,50,000. He had not claimed any ITC on this car. Does this transaction attract GST?

- Yes, it is a "transfer" for consideration under Section 7(1)(a).
- No, as it is not made in the course or furtherance of business.
- Yes, because the buyer is a registered dealer.
- No, because the value is below the threshold of ₹20 lakhs.

Correct Answer: B

Explanation: As per Section 7(1)(a) and Illustration 12, a supply must be in the "course or furtherance of business." The sale of a personal asset by an individual does not meet this criterion.

Question 7

The Indian branch of a Singapore-based MNC receives technical support services from its Head Office free of cost for its business operations in India. Evaluate the taxability.

- Not a supply as there is no consideration.
- Taxable supply under Section 7(1)(c) read with Schedule I, Para 4.
- Exempted as it is an intra-company transfer.
- Taxable only if the value exceeds ₹50,000.

Correct Answer: B

Explanation: The import of services by a taxable person from a related person or any of his other establishments outside India, in the course or furtherance of business, is a deemed supply even without consideration.

Question 8

M/s. Maruti Suzuki Ltd. provides a free replacement of a defective engine part to a customer under a standard warranty agreement. Is GST chargeable on this specific replacement?

- Yes, on the market value of the part.
- No, it is not a supply as it is provided without consideration under warranty.
- Yes, because it is a transfer of title in goods.
- Only if the dealer claims a refund for the part.

Correct Answer: B

Explanation: As per Illustration 3 of the Source Context, free replacements provided to customers without consideration under a valid warranty are not taxable supplies.

Question 9

Under a Hire-Purchase agreement, Mr. A provides a harvester to Mr. B. The agreement stipulates that the title will pass to Mr. B only after the payment of the 24th monthly installment. How is this transaction classified?

- Supply of Service until the last installment.
- Supply of Goods at the inception of the agreement.
- Deemed supply of service.
- No supply until the title is transferred.

Correct Answer: B

Explanation: As per Schedule II, Para 1(c), the transfer of title in goods under an agreement which stipulates that property shall pass at a future date upon payment of full consideration is classified as a supply of goods.

Question 10

A software firm grants a 2-year license to a client to use its proprietary Enterprise Resource Planning (ERP) software for a periodic fee. This transaction constitutes:

- a) Supply of Goods.
- b) Supply of Service.
- c) Neither goods nor services as it is an intangible.
- d) Mixed Supply.

Correct Answer: B

Explanation: Clause 5(d) of Schedule II specifically declares the development, design, and permitting the use (licensing) of IT software as a supply of service.

Question 11

A Joint Venture (JV) collects "Cash Calls" from its four members to purchase equipment from a third-party vendor. The total collection is ₹10 Crores. Is the collection of these cash calls from members a supply?

- a) Yes, a supply of service by the JV to members.
- b) Yes, a supply of goods.
- c) No, it is a transaction in money/capital contribution.
- d) Only if the JV is a corporate body.

Correct Answer: C

Explanation: Circular No. 35/9/2018-GST clarifies that cash calls which are merely transactions in money or capital contributions for the JV to function are not taxable.

Question 12

An operating member of a JV uses its own specialized drilling rig to perform services for the JV and recovers the rig's operational costs from other members based on their interest ratio. Is this a supply?

- a) No, because the member is a part of the JV.
- b) Yes, it is a supply of service by the member to the JV.
- c) No, it is a mere reimbursement of expenses.
- d) Only if the member makes a profit on the recovery.

Correct Answer: B

Explanation: As per Illustration 6, when a member uses its own resources to provide services to the JV and recovers costs, the member and JV are distinct persons, and it is a taxable supply of service.

Question 13

M/s. Vinayak Ltd. sells its entire manufacturing unit as a "going concern" (Slump Sale) to M/s. Kartikeya Ltd. for a lump sum of ₹50 Crores. This transaction is:

- a) A supply of goods taxable at 18%.
- b) A supply of service that is specifically exempt from GST.
- c) Outside the scope of supply under Section 7(2).
- d) A mixed supply taxable at the highest rate of assets involved.

Correct Answer: B

Explanation: A slump sale is treated as a supply of service. However, the transfer of a business as a going concern is exempt from GST.

Question 14

Which of the following is NOT a parameter for characterizing a transaction as "supply" under the GST framework?

- a) Presence of consideration (subject to Schedule I).
- b) Furtherance of business (subject to Section 7(1)(b)).
- c) Realization of a minimum 10% profit margin.
- d) Location within the taxable territory.

Correct Answer: C

Explanation: The six parameters are: Supply of goods/services, consideration, furtherance of business, taxable person, taxable supply, and taxable territory. Profit margin is irrelevant to the legal definition of supply.

Question 15

A furniture dealer takes a dining table from his business stock for his personal residence. He had opted for the Composition Scheme and never availed ITC on his purchases. Is this a supply?

- a) Yes, it is a deemed supply under Schedule I.
- b) No, because ITC was not availed on the asset.
- c) Yes, because it is a transfer of business assets.
- d) Only if the value exceeds ₹50,000.

Correct Answer: B

Explanation: Under Schedule I, Para 1, the permanent transfer of business assets without consideration is a supply ONLY if ITC was availed on those assets.

Question 16

A passenger books a ticket on the Rajdhani Express which includes the cost of the meal served during the journey. This transaction is:

- a) A mixed supply taxable at the rate of the meal (18% or 5%).
- b) A composite supply where transportation of the passenger is the principal supply.
- c) Taxed separately for the journey and the food based on individual values.
- d) Exempt from GST as a public utility.

Correct Answer: B

Explanation: This is a natural bundle. Transportation is the predominant element; thus, it is a composite supply, and the rate for rail travel applies to the total ticket price.

Question 17

A "Diwali Gift Hamper" contains sweets (5% GST), chocolates (18% GST), and dry fruits (12% GST) sold for a single price of ₹1,500. This is:

- a) A composite supply taxed at 5%.
- b) A mixed supply taxed at 18%.
- c) A supply of goods where each item is taxed at its own rate.
- d) Fully exempt if given to employees.

Correct Answer: B

Explanation: Since these items can be sold separately and are not naturally bundled, it is a mixed supply. As per Section 8(b), the entire bundle is taxed at the highest rate (18% for chocolates).

Question 18

A dealer sells a laptop bag along with a laptop for a total price of ₹60,000. The bag is typically provided with the laptop in the ordinary course of business. Tax rates: Laptop (18%), Bag (28%). Calculate the GST liability.

- a) ₹10,800 (18% of ₹60,000).
- b) ₹16,800 (28% of ₹60,000).
- c) ₹13,800 (Weighted average).
- d) ₹12,000 (Fixed rate for electronics).

Correct Answer: A

Explanation: This is a composite supply. The laptop is the principal supply. The rate of 18% applies to the entire value.

Question 19

A Five-star hotel offers a "Stay & Breakfast" package for ₹10,000. The hotel accommodation attracts 18% tax, and the restaurant service attracts 5% tax. The package is naturally bundled. The tax rate applicable is:

- a) 5%.
- b) 18%.
- c) 11.5% (Average).
- d) 28% (Luxury rate).

Correct Answer: B

Explanation: This is a composite supply (Example 63). Accommodation is the principal supply; therefore, the 18% rate applies to the total package price.

Question 20

M/s. Reliable Corp seeks to opt for the Composition Scheme for FY 2024-25. In FY 2023-24, its records show:

- Intra-state taxable supplies: ₹110 Lakhs
- Intra-state exempt supplies: ₹20 Lakhs
- Interest earned on Bank Deposits: ₹15 Lakhs
- Inward supplies subject to Reverse Charge: ₹10 Lakhs

Calculate the "Aggregate Turnover" for composition eligibility.

- a) ₹155 Lakhs (Ineligible).
- b) ₹130 Lakhs (Eligible).
- c) ₹145 Lakhs (Eligible).
- d) ₹140 Lakhs (Eligible).

Correct Answer: B

Explanation: Aggregate Turnover includes taxable and exempt supplies but excludes (i) taxes like CGST/SGST, (ii) Inward supplies under RCM, and (iii) Interest on deposits/loans.

Calculation: $110 + 20 = 130$ Lakhs. The threshold is ₹150 Lakhs.

Question 21

A manufacturer in a general category state opted for the Composition Scheme. His turnover in the preceding FY was ₹1.2 Crores. What is the maximum value of services (other than restaurant services) he can supply in the current year to remain in the scheme?

- a) ₹12 Lakhs.
- b) ₹5 Lakhs.
- c) ₹17 Lakhs.
- d) ₹1.2 Lakhs.

Correct Answer: A

Explanation: Under Section 10, a composition dealer can supply services up to 10% of the turnover in the State in the preceding year or ₹5,00,000, whichever is higher. 10% of ₹1.2 Crores = ₹12 Lakhs.

Question 22

Which of the following persons is ELIGIBLE to opt for the Composition Scheme under Section 10?

- a) A person making inter-state outward supplies of goods.
- b) A person supplying non-taxable goods (e.g., alcohol).
- c) A person supplying restaurant services with a turnover of ₹80 Lakhs.
- d) A person supplying goods through an E-commerce operator who collects TCS.

Correct Answer: C

Explanation: Restaurant service providers are specifically eligible (Module 1, Section 10). Inter-state suppliers and non-taxable goods suppliers are expressly excluded.

Question 23

What is the threshold limit for Composition eligibility in the "Special Category States" of Sikkim and Himachal Pradesh?

- a) ₹50 Lakhs.
- b) ₹75 Lakhs.
- c) ₹1.5 Crore.
- d) ₹1 Crore.

Correct Answer: B

Explanation: For specific special category states (including Sikkim/HP), the threshold limit is reduced to ₹75 Lakhs from the standard ₹1.5 Crores.

Question 24

In calculating "Aggregate Turnover" for composition eligibility, which of the following is specifically EXCLUDED as per the 2019 Clarification?

- a) Export of goods.
- b) Intra-state exempt supplies.
- c) Interest earned on bank deposits or loans.
- d) Value of goods returned by customers.

Correct Answer: C

Explanation: Interest earned on deposits, loans, or advances is excluded for determining the value of turnover in a State for composition purposes.

Question 25

M/s. Tech-Hub (a composition dealer) has a turnover of ₹90 Lakhs in the preceding year. In the current year, they provide IT repair services worth ₹8 Lakhs and interest income from a fixed deposit of ₹2 Lakhs. Are they still eligible for the scheme?

- a) No, because total service (8+2) exceeds 10% of ₹90L.
- b) Yes, because the ₹2L interest is excluded, and ₹8L is below the ₹9L limit (10%).
- c) No, because IT services are not allowed for manufacturers.
- d) Yes, but only if they pay tax at 18% on the repair services.

Correct Answer: B

Explanation: The 10% service limit is calculated by excluding interest income. 10% of ₹90L = ₹9L. Since the IT service (₹8L) is less than ₹9L, they remain eligible.

Question 26

In the GST Council, what is the weightage of the votes cast by all the State Governments combined?

- a) One-half.
- b) One-third.
- c) Two-thirds.
- d) Three-fourths.

Correct Answer: C

Explanation: As per Article 279A, the Central Government has 1/3rd weightage, and all State Governments combined have 2/3rd weightage.

Question 27

Every decision of the GST Council requires a majority of not less than _____ of the weighted votes of the members present and voting.

- a) 50%.
- b) 66.6%.

- c) 75%.
- d) 90%.

Correct Answer: C

Explanation: Decisions must be taken by a 3/4th (75%) majority of the weighted votes of the members present and voting.

Question 28

An insurance company grants a "No Claim Bonus" (NCB) to a policyholder, reducing the annual premium from ₹50,000 to ₹42,000. Is the NCB of ₹8,000 taxable?

- a) Yes, as consideration for the insured's service of "not claiming."
- b) No, it is a pricing adjustment/discount and not a supply by the insured.
- c) Yes, under Reverse Charge by the insurance company.
- d) Only if the insured is a corporate entity.

Correct Answer: B

Explanation: Circular No. 186/18/2022 clarifies that NCB is not a consideration for any supply provided by the insured to the insurer; it is simply a deduction from the premium.

Question 29

Services provided by an employee to an employer in the course of employment are:

- a) Taxable as supply of service.
- b) Neither supply of goods nor service as per Schedule III.
- c) Taxable only if the salary exceeds ₹2.5 Lakhs per month.
- d) Exempt only if the company is a Public Sector Undertaking.

Correct Answer: B

Explanation: Schedule III (Negative List) explicitly excludes services by an employee to the employer in the course of or in relation to employment.

Question 30

A company pays remuneration to its Managing Director. TDS is deducted under Section 192 (Salary) of the Income Tax Act. How is this treated under GST?

- a) Taxable under Reverse Charge.
- b) Neither supply of goods nor service as per Schedule III.
- c) Taxable under Forward Charge by the Director.
- d) Exempt only up to ₹50,000 per month.

Correct Answer: B

Explanation: Circular 140/10/2020 clarifies that if remuneration is treated as salary (TDS u/s 192), it falls under Schedule III and is not a taxable supply.

Question 31

Which of the following activities is specifically included in the Schedule III Negative List?

- a) Services of a funeral, burial, or crematorium.
- b) Sale of lottery tickets.
- c) Online money gaming for virtual assets.
- d) Supply of goods by a commission agent.

Correct Answer: A

Explanation: Funeral and burial services, including transportation of the deceased, are excluded from the scope of GST under Schedule III.

Question 32

A real estate developer sells a plot of land after leveling it and laying down water and electricity lines. Evaluate the taxability.

- a) Taxable as a supply of service.
- b) Not a supply, as it remains a sale of land under Schedule III.
- c) Only the development charges are taxable at 18%.
- d) Taxable as a works contract.

Correct Answer: B

Explanation: Circular No. 177/09/2022 clarifies that the sale of land, even with basic development, is still a "sale of land" under Schedule III.

Question 33

Effective October 1, 2023, which of the following is classified as a "Specified Actionable Claim" and is thus TAXABLE?

- a) Right to recover insurance money.
- b) Fixed Deposit Receipts.
- c) Betting, Casinos, and Online Money Gaming.
- d) Unsecured loans.

Correct Answer: C

Explanation: Amendments to Section 2(102A) and Schedule III now classify specified actionable claims (lottery, betting, gambling, etc.) as taxable supplies, generally at 40%.

Question 34

In a co-insurance agreement where multiple insurers share a risk, the "Lead Insurer" pays the full GST on the total premium. The subsequent apportionment of premium to co-insurers is:

- a) Taxable as a supply of service.
- b) Treated as "No Supply" under Schedule III as per the 2024 amendment.
- c) A mixed supply taxable at the highest rate.
- d) Subject to RCM by the co-insurers.

Correct Answer: B

Explanation: As per Circular No. 228/22/2024 and the 2024 amendment to Schedule III, the apportionment of premium by the lead insurer to co-insurers is "No Supply," provided the full tax was paid by the lead insurer.

Question 35

An insurance company (Insurer A) cedes risk to a reinsurer (Reinsurer B). Reinsurer B pays a "Ceding Commission" to Insurer A. This commission is:

- a) Taxable as a service provided by Insurer A.
- b) Treated as "No Supply" under Schedule III as per the 2024 amendment.
- c) Exempt only if the underlying policy is for life insurance.
- d) Taxable under RCM by the reinsurer.

Correct Answer: B

Explanation: The 2024 amendment to Schedule III clarifies that ceding commissions deducted from the reinsurance premium are "No Supply," provided the reinsurer pays tax on the gross premium.

Question 36

"Retrocession" (re-insurance of re-insurance) is:

- a) Fully taxable under forward charge.
- b) Eligible for GST exemption under Notification No. 12/2017-CTR.
- c) Taxable only if the value exceeds ₹1 Crore.
- d) Not a supply.

Correct Answer: B

Explanation: Circular No. 228/22/2024 confirms that retrocession qualifies for exemption under Sl. No. 36A of Notification No. 12/2017-CTR.

Question 37

A registered supplier in Mumbai procures goods from a vendor in Germany and sells them directly to a buyer in Brazil without the goods ever entering the Indian customs frontier. This is:

- a) An inter-state supply.
- b) An export of goods.

- c) Neither a supply of goods nor services under Schedule III.
d) Subject to IGST in Mumbai.

Correct Answer: C

Explanation: Schedule III, Para 7 excludes the supply of goods from a place in non-taxable territory to another place in non-taxable territory without such goods entering India.

Question 38

M/s. Edu-Bright Pvt. Ltd. gives a Diwali gift worth ₹60,000 to an employee. What is the tax implication?

- a) Fully exempt as it is a gift.
b) Taxable on the entire ₹60,000.
c) Taxable only on the excess ₹10,000.
d) Exempt if it is non-monetary.

Correct Answer: B

Explanation: Schedule I, Para 2 provides that gifts by an employer to an employee exceeding ₹50,000 in a financial year are treated as a supply. Once the limit is breached, the entire value is taxable.

Question 39

A litigant pays a fee to the Consumer Disputes Redressal Commission to file an appeal. Is GST applicable?

- a) Yes, as a service by the government.
b) No, services by a Court or Tribunal are in the Schedule III Negative List.
c) Yes, under RCM.
d) Only if the claim amount exceeds ₹50 Lakhs.

Correct Answer: B

Explanation: Schedule III and Circular No. 32/06/2018 confirm that fees paid to Consumer Commissions are not taxable as they are treated as services by a Court or Tribunal.

Question 40

M/s. Solar Tech (a partnership firm) dissolves. The remaining stock of solar panels is distributed among partners. No ITC was claimed on these panels. Is this a supply?

- a) Yes, it is a supply of goods.
b) No, because no ITC was claimed and there is no consideration.
c) No, because it is a transfer between partners.
d) Yes, but only if the value exceeds ₹20 Lakhs.

Correct Answer: B

Explanation: Under Schedule I, Para 1, permanent transfer of business assets without consideration is a supply only if ITC was availed. If no ITC was claimed, it is not a "deemed supply."

Question 41

Mr. Sitaraman exported goods worth Rs. 10 lakhs to Canada by a vessel. The details of related transactions are as follows:

Particulars	Date of submission	Rate of Import Duty
Shipping Bill	1.1.20XX	10%
Entry outward granted	5.1.20XX	12%
Let export order	8.1.20XX	18%
Ship crosses the territorial water	10.1.20XX	12.5

Calculate the amount of export duty payable by Mr. Sitaraman.

- a) Rs. 180000
b) Rs. 100000
c) Rs. 120000

d) Rs. 125000

Correct Answer: A

Explanation: The relevant date for determination of rate of duty in case of export is the date of let export order i.e., 8.1.20XX and the rate is 18%. Therefore, customs duty is ₹10,00,000 X 18% = ₹1,80,000.

Question 42

An exporter paid Customs Duty on imported raw materials and used them to manufacture goods that were subsequently exported. He seeks a "Duty Drawback", Which statement is accurate?

- a) Drawback is only available if the goods are exported to SAARC countries.
- b) Drawback is a rebate of duties paid on inputs used in the manufacture of export goods to ensure global competitiveness.
- c) Drawback is a subsidy provided in cash regardless of the duty paid.
- d) Drawback is only available for IGST and not for Basic Customs Duty.

Correct Answer: B

Explanation: Duty Drawback is a trade facilitation measure that refunds taxes/duties paid on inputs used for exports, supporting national export promotion.

Question 43

An international traveler brings a high-end camera worth ₹1.2 Lakhs as part of his "Baggage." evaluate the procedure.

- a) All personal baggage is exempt regardless of value.
- b) Baggage is subject to specific allowances; value exceeding the free allowance is taxable at a flat concessional rate.
- c) Baggage is always taxed at the standard GST rate of 18%.
- d) Only goods meant for sale are treated as baggage.

Correct Answer: B

Explanation: Customs Baggage Rules provide specific value-based allowances. Goods exceeding these limits attract duty at specific rates determined by duration of stay and origin.

Question 44

An overseas affiliate provides a loan to its Indian subsidiary. No fee is charged for processing or facilitating the loan. What is the GST implication?

- a) GST is payable on the "deemed" processing fee.
- b) No GST is applicable on processing as no fee was charged.
- c) Interest on the loan is taxable at 18%.
- d) IGST is payable on the loan principal under RCM.

Correct Answer: B

Explanation: Circular No. 218/12/2024 clarifies that if no fee is charged for processing/facilitating a loan between related entities, there is no taxable supply.

Question 45

If a fee of ₹75,000 is charged by a lender for "processing" a loan for a related entity, the tax treatment is:

- a) Exempt, as it is related to a loan.
- b) Subject to GST as a consideration for a supply of service.
- c) Taxable only if the loan is in foreign currency.
- d) A mixed supply.

Correct Answer: B

Explanation: While interest is exempt, any fee charged for "processing or facilitating" a loan qualifies as a consideration for service and is taxable.

Question 46

Import of services by a foreign airline company from its headquarters abroad without consideration is:

- a) Always taxable under Schedule I.
- b) Exempt from GST effective October 10, 2024, subject to reciprocity and specific conditions.
- c) Taxable at 28%.
- d) Not a supply under any circumstances.

Correct Answer: B

Explanation: Notification No. 08/2024-Integrated Tax (Rate) exempts such imports without consideration by foreign airlines, provided reciprocity exists and GST is paid on their Indian transport services.

Question 47

A unit in a Special Economic Zone (SEZ) receives maintenance services from a vendor located in the Domestic Tariff Area (DTA). This is treated as:

- a) An import.
- b) A zero-rated supply.
- c) An exempt supply.
- d) A mixed supply.

Correct Answer: B

Explanation: Supplies to SEZ units are treated as zero-rated supplies under Section 16 of the IGST Act to promote export-oriented growth.

Question 48

When an insurance company settles a total loss motor vehicle claim for the full "Insured's Declared Value" (IDV) and retains the salvage, the subsequent sale of that salvage is:

- a) Exempt from GST.
- b) A taxable supply by the insurance company.
- c) Not a supply as it is wreckage.
- d) Taxable only if sold to the original owner.

Correct Answer: B

Explanation: Circular No. 215/9/2024 clarifies that if the insurer retains the salvage after a full IDV settlement, they are liable for GST on its eventual sale.

Question 49

If an insurance company settles a claim by "deducting" the salvage value from the IDV, and the insured keeps the salvage:

- a) The insurer must pay GST on the deducted value.
- b) There is no GST liability for the insurer on the salvage value.
- c) The insured must pay GST on the deduction.
- d) It is a composite supply.

Correct Answer: B

Explanation: In this scenario, no supply of salvage occurs by the insurer; the salvage remains with the owner.

Question 50

An Indian branch of a Singapore software firm receives "Customization" services for its IT systems from the Singapore head office without consideration. The Indian branch had availed ITC on the original systems. This is:

- a) Not a supply.
- b) A taxable supply of service under Schedule I.
- c) Classified as "Supply of Goods."
- d) Exempt under the Customs Act.

Correct Answer: B

Explanation: Import of service from a related person outside India without consideration in the course of business is a deemed supply under Schedule I, Para 4.

THEORY QUESTIONS

1. Exclusions from Supply – Section 7(2) read with Schedule III (Dec'25)
2. Composite Supply and Mixed Supply (Dec'23)
3. Valuation in case of Related Persons / Distinct Persons under Rule 28 (June'25)
4. E-Invoice – Applicability and Non-applicability (June'25, Dec'24)
5. Blocking of E-Way Bill – Provisions and implications (June'24)
6. TDS & TCS under GST – In brief and Non-applicability (Dec'25, Dec'24)
7. Consequences of Non-compliance of TCS provisions (June'24)
8. NRTP (Non-Resident Taxable Person) and Returns to be filed (Dec'24)
9. Matters to be covered by Advance Ruling (Dec'25)
10. Features of QRMP Scheme (June'24)
11. Various Returns under GST (Dec'25)
12. Difference between Annual Return and Final Return (Dec'23)
13. Key Benefits of SEZ (Dec'25)
14. Difference between SEZ and EOU (Dec'24)
15. Major Schemes for Exports under FTP (Dec'24)
16. Advance Authorisation Scheme (Dec'24, June'24)
17. EPCG Scheme (June'24)
18. RODTEP Scheme (Dec'25, Dec'23)
19. 'Deemed Exports' under FTP (June'25, Dec'23)
20. National Trade Facilitation Action Plan under FTP (June'25)

Question No. 1:

Exclusions from Supply – Section 7(2) read with Schedule III (Dec'25)

Under Section 7 of the CGST Act, 2017, GST is levied on the supply of goods or services. However, certain activities are specifically excluded from the scope of supply.

As per Section 7(2), the activities or transactions specified in Schedule III shall be treated as neither supply of goods nor supply of services, and therefore no GST is leviable on such activities.

Sl. No.	Activity
1	Services by an employee to the employer in the course of employment
2	Services by any court or tribunal established under law
3	Functions performed by Members of Parliament, Members of State Legislature, Members of Panchayats, Municipalities and other local authorities
4	Duties performed by constitutional functionaries such as the President, Governor, etc.
5	Services provided by a Chairperson or member of a statutory body who is not considered as an employee
6	Services of funeral, burial, crematorium or mortuary, including transportation of the deceased
7	Sale of land
8	Sale of building after issuance of completion certificate (except construction services before completion)
9	Actionable claims, other than lottery, betting and gambling

Schedule III also includes the following transactions which are not treated as supply:

1. Supply of warehoused goods before clearance for home consumption.
2. Supply of goods by endorsement of documents of title after dispatch from port of origin but before clearance for home consumption.

3. Supply of goods from a place outside India to another place outside India without entering India (High Sea / Merchanting Trade transactions).

**Question No. 2:
Composite Supply and Mixed Supply (Dec'23)**

Basis of Difference	Composite Supply	Mixed Supply
Meaning	Supply consisting of two or more taxable supplies which are naturally bundled and supplied together in the ordinary course of business, where one supply is the principal supply.	Supply consisting of two or more individual supplies made together for a single price, which are not naturally bundled.
Relevant Section	Defined under Section 2(30) of CGST Act	Defined under Section 2(74) of CGST Act
Principal Supply	Exists – one supply is dominant and other supplies are ancillary.	Does not exist – each supply is independent.
Nature of Bundling	Supplies are naturally bundled in the normal course of business.	Supplies are artificially bundled for convenience or promotion.
Tax Treatment	Entire supply is taxed at the rate applicable to the principal supply.	Entire supply is taxed at the highest rate applicable to any of the supplies.
Purpose	Reflects normal business practice where supplies are inseparable.	Often used for promotional or marketing offers.
Example	Sale of a machine with installation and warranty service. Here, machine is the principal supply.	Gift hamper containing chocolates, dry fruits and beverages sold for a single price.
Another Example	Air transport service including meals provided during the journey.	Festival package containing sweets, juices and toys sold together.

**Question No. 3:
Valuation in case of Related Persons / Distinct Persons under Rule 28 (June'25)**

Under GST, the value of supply is normally the transaction value as per Section 15 of the CGST Act, 2017. However, when supply takes place between related persons or distinct persons, the transaction value may not reflect the true market value.

Therefore, Rule 28 of the CGST Rules, 2017 provides a special method for determining the value of supply in such cases.

The value of supply between related persons or distinct persons shall be determined in the following order:

1. Open Market Value (OMV)

The value shall be the open market value of such supply.

Example: If goods are sold to an unrelated buyer at ₹10,000, then ₹10,000 will be the value.

2. Value of Like Kind and Quality

If OMV is not available, value shall be the value of goods or services of like kind and quality.

3. Value as per Rule 30 or Rule 31

If value cannot be determined under the above methods:

- Rule 30: Cost of production or acquisition plus 10% markup.
- Rule 31: Value determined using reasonable means consistent with GST principles.

4. Special Provisions under Rule 28

Two important provisos exist:

1. Full ITC Proviso, If the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value.

2. 90% Valuation Option, If goods are supplied to a recipient who further supplies such goods, the value may be 90% of the price charged by the recipient to its customer.

Question No. 4:

E-Invoice – Applicability and Non-applicability (June'25, Dec'24)

E-Invoicing refers to a system in which B2B invoices are electronically authenticated by the GST system through the Invoice Registration Portal (IRP). After validation, the invoice is assigned a unique Invoice Reference Number (IRN) along with a QR code. The provisions relating to e-invoicing were introduced to curb tax evasion, improve transparency, and automate return filing.

E-invoicing is applicable to registered persons whose aggregate turnover exceeds the prescribed threshold limit in any financial year from 2017-18 onwards.

Currently, the system applies to taxpayers having aggregate turnover exceeding ₹5 crore.

E-invoice is required for the following transactions:

1. Business-to-Business (B2B) supplies.
2. Exports of goods or services.
3. Supplies made to SEZ units or SEZ developers.

The invoice must be uploaded to the Invoice Registration Portal (IRP) to generate the IRN and QR code before issuing the invoice.

The Government has exempted certain categories of persons from e-invoicing requirements.

E-invoice provisions do not apply to:

1. Banking companies, financial institutions and NBFCs.
2. Insurance companies.
3. Goods Transport Agencies (GTA) supplying services for transportation of goods by road.
4. Suppliers of passenger transportation services.
5. Suppliers providing services by way of admission to exhibition of cinematograph films (cinema halls).
6. Government departments and local authorities.

Question No. 5:

Blocking of E-Way Bill – Provisions and implications (June'24)

The E-Way Bill system was introduced under GST to track the movement of goods and prevent tax evasion. To ensure proper GST compliance, the law provides for blocking of E-way bill generation facility for taxpayers who fail to file returns.

As per Rule 138E, a registered person will not be allowed to generate an E-way bill if the taxpayer has not furnished the required GST returns for a specified period.

This restriction applies to:

- The taxpayer himself
- Consignors
- Consignees
- Transporters acting on behalf of such taxpayers

The E-way bill generation facility is blocked in the following situations:

1. A regular taxpayer fails to file GSTR-3B for two consecutive tax periods (months).
2. A taxpayer under the QRMP scheme fails to file GSTR-3B for two consecutive quarters.
3. A composition taxpayer fails to file CMP-08 for two consecutive quarters.

The consequences of blocking are:

1. Inability to generate E-way bill for outward movement of goods.
2. Restriction on transportation of goods, affecting supply chain operations.
3. Business disruption due to inability to dispatch goods legally.
4. May lead to delay in deliveries and contractual issues.
5. Encourages taxpayers to comply with return filing requirements.

The blocked facility can be restored when:

1. The taxpayer files the pending GST returns.
2. In exceptional cases, the taxpayer may request temporary unblocking through Form EWB-05, which may be approved by the tax officer through Form EWB-06.

Question No. 6:

TDS & TCS under GST – In brief and Non-applicability (Dec'25, Dec'24)

Basis	TDS under GST	TCS under GST
Relevant Section	Section 51 of CGST Act	Section 52 of CGST Act
Person Responsible	Deducted by Government departments, local authorities, government agencies and notified persons	Collected by E-commerce operators (ECOs)
Nature of Transaction	Deducted from payment made to supplier for taxable supply	Collected on supplies made through an e-commerce platform
Rate of Tax	2% (1% CGST + 1% SGST) or 2% IGST	0.5% (0.25% CGST + 0.25% SGST) or 0.5% IGST
Threshold Limit	Applicable when value of supply exceeds ₹2,50,000 under a contract	No such threshold; applicable on net taxable supplies made through the platform
Return Form	GSTR-7	GSTR-8
Credit to Supplier	Deducted amount reflected in supplier's electronic cash ledger	Collected amount reflected in supplier's electronic cash ledger
Objective	Ensure tax compliance in government procurement	Ensure tax collection from online marketplace transactions

TDS is not required in the following cases:

1. When the value of supply under a contract does not exceed ₹2,50,000.
2. When location of supplier and place of supply are in a State different from the State of the recipient.
3. On exempt supplies or non-taxable supplies.
4. Where payment is made between two government entities notified as exempt.

TCS provisions do not apply in the following situations:

1. When the supplier supplies goods/services directly without using the e-commerce operator's platform.
2. When the supplier is not liable to collect TCS under GST provisions.
3. On exempt supplies made through e-commerce platforms.
4. Where supplies are made by suppliers not liable to register under GST (subject to notified exceptions).

Question No. 7:

Consequences of Non-compliance of TCS provisions (June'24)

Under Section 52 of the CGST Act, 2017, an E-commerce Operator (ECO) is required to collect Tax Collected at Source (TCS) on the net value of taxable supplies made through its electronic platform by other suppliers.

If the e-commerce operator fails to comply with these provisions, certain legal consequences such as interest, penalty and recovery proceedings may arise.

The major consequences of failure to comply with TCS provisions are as follows:

- 1. Liability to Pay TCS Amount:** If the e-commerce operator fails to collect TCS or collects less amount, the operator is liable to pay the amount not collected or short collected to the Government.
- 2. Interest Liability:** As per Section 50 of the CGST Act, if the collected TCS amount is not remitted to the Government within the prescribed time, the operator is liable to pay interest at the prescribed rate (generally 18% per annum) for the period of delay.
- 3. Penalty:** Under Section 122 of the CGST Act, failure to comply with TCS provisions may attract a penalty of ₹10,000 or the amount of tax involved, whichever is higher.
- 4. Recovery Proceedings:** If the e-commerce operator fails to pay the TCS amount, the tax authorities may initiate recovery proceedings under Section 79 of the CGST Act to recover the amount along with interest and penalty.
- 5. Liability for Incorrect Details:** If the e-commerce operator furnishes incorrect details of supplies or TCS collected in GSTR-8, it may lead to notices, demand for differential tax and penalties.

Question No. 8:

NRTP (Non-Resident Taxable Person) and Returns to be filed (Dec'24)

As per Section 2(77) of the CGST Act, 2017, a Non-Resident Taxable Person (NRTP) means any person who occasionally undertakes transactions involving supply of goods or services or both in India, but does not have a fixed place of business or residence in India.

Example:

A foreign company participating in an exhibition in India and selling goods during the event. An NRTP is required to obtain compulsory GST registration irrespective of the threshold limit.

Important conditions:

1. Registration must be obtained at least 5 days before commencing business in India.
2. Registration is temporary in nature, normally valid for 90 days, which may be extended for another 90 days.
3. The NRTP must deposit advance tax equivalent to the estimated tax liability for the period of registration.

A Non-Resident Taxable Person is required to file the following return:

Return Form	Purpose	Due Date
GSTR-5	Contains details of outward supplies, inward supplies, tax payable, tax paid and ITC claimed	Within 13 days after the end of the month or within 7 days after expiry of registration, whichever is earlier

Question No. 9:

Matters to be covered by Advance Ruling (Dec'25)

The concept of Advance Ruling is provided under Section 97 of the CGST Act, 2017. An advance ruling is a decision provided by the Authority for Advance Ruling (AAR) to an applicant regarding the applicability of GST provisions to a particular transaction.

The main objective of advance ruling is to provide certainty in tax liability, reduce litigation, and ensure uniformity in the interpretation of GST law.

As per Section 97(2) of the CGST Act, an applicant can seek advance ruling on the following matters:

1. Classification of goods or services - Determination of the correct HSN or SAC classification applicable to goods or services.
2. Applicability of a notification issued under GST law - Clarification regarding the applicability of exemption or concessional notifications.
3. Determination of time and value of supply - Issues relating to when the supply is deemed to take place and how the value of supply should be determined.
4. Admissibility of input tax credit (ITC) - Whether ITC can be claimed on certain goods or services.
5. Determination of liability to pay tax - Whether a particular transaction is liable to GST or not.
6. Requirement of registration - Whether a person is required to obtain GST registration.
7. Whether a particular activity amounts to supply - Determination of whether a specific activity constitutes supply of goods or services under GST.

Question No. 10:
Features of QRMP Scheme (June'24)

The QRMP Scheme (Quarterly Return Monthly Payment Scheme) was introduced by the Government of India under GST to simplify compliance for small taxpayers. Under this scheme, eligible taxpayers can file GST returns quarterly while paying tax on a monthly basis. The scheme was implemented from 1 January 2021 to reduce the compliance burden on small businesses.

Key Features of QRMP Scheme:

1. Quarterly Filing of Returns - Under the scheme, taxpayers are required to file Form GSTR-1 and Form GSTR-3B on a quarterly basis instead of monthly, thereby reducing the frequency of return filing.
2. Monthly Payment of Tax - Although returns are filed quarterly, tax must be paid every month through Form PMT-06. This ensures continuous tax collection by the government.
3. Eligibility Based on Turnover - The scheme is available to registered taxpayers whose aggregate annual turnover does not exceed ₹5 crore in the preceding financial year.
4. Optional Scheme - The QRMP scheme is optional, and eligible taxpayers may opt in or opt out of the scheme through the GST portal within prescribed timelines.
5. Invoice Furnishing Facility (IFF) - Taxpayers can use the Invoice Furnishing Facility (IFF) to upload B2B invoices for the first two months of the quarter, enabling recipients to claim input tax credit earlier.
6. Two Methods for Monthly Tax Payment - Tax under QRMP can be paid using:
 - Fixed Sum Method (FSM) – payment of 35% of the previous quarter's tax liability.
 - Self-Assessment Method (SAM) – tax calculated based on actual supplies.
7. Separate Option for Each GSTIN - Where multiple GST registrations exist under one PAN, each GSTIN can independently opt for or opt out of the QRMP scheme.

Question No. 11:
Various Returns under GST (Dec'25)

Return Form	Person Required to File	Purpose / Contents	Frequency
GSTR-1	Registered taxpayer	Details of outward supplies of goods or services	Monthly / Quarterly
GSTR-2A / GSTR-2B	Auto-generated for taxpayers	Statement of inward supplies and eligible ITC	Auto-generated
GSTR-3B	Registered taxpayer	Summary return showing tax liability and ITC claimed	Monthly / Quarterly
GSTR-4	Composition taxpayers	Annual return for composition scheme taxpayers	Annually

CMP-08	Composition taxpayers	Statement of tax payable under composition scheme	Quarterly
GSTR-5	Non-Resident Taxable Person (NRTP)	Details of outward supplies and tax payable	Monthly
GSTR-6	Input Service Distributor (ISD)	Distribution of input tax credit to branches	Monthly
GSTR-7	Persons required to deduct TDS	Details of tax deducted at source	Monthly
GSTR-8	E-commerce operators	Details of supplies made through portal and TCS collected	Monthly
GSTR-9	Regular taxpayers	Annual return summarizing yearly transactions	Annually
GSTR-9C	Taxpayers above prescribed turnover	Reconciliation statement and audit report	Annually
GSTR-10	Taxpayers whose registration is cancelled	Final return after cancellation of GST registration	Once
GSTR-11	Persons having UIN (e.g., foreign diplomatic missions)	Details of inward supplies for refund of taxes	Monthly (as applicable)

Question No. 12:
Difference between Annual Return and Final Return (Dec'23)

The Annual Return is a yearly consolidated statement of all GST transactions undertaken by a registered person during a financial year. It summarizes details of outward supplies, inward supplies, input tax credit, tax paid, and other particulars.

- It is filed in Form GSTR-9.
- Required under Section 44 of the CGST Act.
- Applicable to all registered persons except certain specified categories such as composition taxpayers, casual taxable persons, non-resident taxable persons, and input service distributors.

The Final Return is filed by a registered person whose GST registration has been cancelled or surrendered. It ensures that all tax liabilities are settled before the closure of registration.

- It is filed in Form GSTR-10.
- Required under Section 45 of the CGST Act.
- Must be filed within three months of the date of cancellation of registration or three months from the date of cancellation order, whichever is later.

Basis	Annual Return	Final Return
Purpose	Summary of transactions for a financial year	Settlement of tax liabilities on cancellation of registration
Legal Provision	Section 44 of CGST Act	Section 45 of CGST Act
Form	GSTR-9	GSTR-10
Applicability	All regular registered taxpayers (with certain exceptions)	Taxpayers whose registration is cancelled
Frequency	Filed once every financial year	Filed only once at the time of cancellation
Objective	Consolidation of yearly GST data	Closure of GST obligations

Question No. 13:

Key Benefits of SEZ (Dec'25)

A Special Economic Zone (SEZ) is a specifically designated area in a country where business and trade laws are different from the rest of the country. In India, SEZs are governed by the Special Economic Zones Act, 2005 and SEZ Rules, 2006.

The objective of SEZs is to promote exports, attract foreign investment, generate employment, and develop infrastructure.

The major benefits available to SEZ units and developers are as follows:

1. Zero-Rated Supplies under GST

Supplies made to SEZ units or SEZ developers are treated as zero-rated supplies under GST, meaning that:

- Goods/services can be supplied without payment of GST under bond/LUT, or
- GST paid can be claimed as refund.

2. Duty-Free Import and Procurement

SEZ units are allowed to import or procure goods and services duty-free for their authorized operations.

This includes exemption from customs duty, GST and other indirect taxes.

3. Simplified Customs Procedures

SEZ units enjoy simplified and faster customs procedures, including:

- Self-certification for certain processes
- Faster clearance of goods
- Minimal physical inspections.

4. Single Window Clearance

SEZ units benefit from single window approval mechanisms, which simplify administrative procedures and reduce compliance burden.

5. 100% Foreign Direct Investment (FDI)

SEZs permit 100% FDI under the automatic route in most sectors, encouraging foreign investment and technology inflow.

6. Infrastructure and Logistics Support

SEZs provide world-class infrastructure, such as:

- Industrial facilities
- Warehousing
- Transport and logistics support.

7. Export Promotion

SEZs are designed primarily to boost exports by providing tax incentives and operational advantages to exporting units.

Question No. 14:

Difference between SEZ and EOU (Dec'24)

Both Special Economic Zone (SEZ) and Export Oriented Unit (EOU) schemes are introduced by the Government of India to promote exports and boost foreign exchange earnings. However, they differ in terms of location, regulatory framework, and operational features.

SEZ (Special Economic Zone):

SEZ refers to a designated geographical area treated as a foreign territory for trade operations and duties, where businesses enjoy various fiscal and regulatory benefits to promote exports.

EOU (Export Oriented Unit):

EOU is a unit established with the objective of exporting its entire production of goods and services, which can be located anywhere in India but must operate under export-oriented conditions.

Basis	SEZ	EOU
Legal Framework	Governed by SEZ Act, 2005 and SEZ Rules, 2006	Governed by Foreign Trade Policy (FTP)

Location	Must be located within a notified SEZ area	Can be set up anywhere in India
Customs Territory	Treated as foreign territory for trade and duties	Remains within Domestic Tariff Area (DTA)
Infrastructure	Provides integrated infrastructure and facilities within the zone	No specific infrastructure requirement
Domestic Sales	Limited sales allowed in DTA subject to duties	Can sell limited goods in DTA as per FTP rules
Administration	Administered by Development Commissioner of SEZ	Administered by Development Commissioner under EOU scheme

Question No. 15
Major Schemes for Exports under FTP (Dec'24)

The Foreign Trade Policy (FTP) of India provides various schemes to promote exports, enhance foreign exchange earnings, and improve the competitiveness of Indian products in the international market. These schemes provide incentives such as duty exemptions, duty remission, and procedural facilitation to exporters.

The important export promotion schemes under the FTP are as follows:

1. Advance Authorisation Scheme

This scheme allows duty-free import of inputs required for the manufacture of export products.

Features:

- Inputs can be imported without payment of customs duty.
- Inputs must be physically incorporated in export products.
- Export obligation must be fulfilled within the prescribed period.

2. Export Promotion Capital Goods (EPCG) Scheme

The EPCG scheme allows import of capital goods at concessional or zero customs duty for the production of export goods.

Features:

- Import of machinery and equipment at reduced duty.
- Export obligation must be fulfilled, generally six times the duty saved.

3. Remission of Duties and Taxes on Exported Products (RODTEP)

RODTEP provides remission of embedded duties and taxes that are not refunded under other schemes.

Features:

- Refund of hidden taxes such as electricity duty and fuel taxes.
- Duty credit is provided in electronic form through customs portal.

4. Duty Drawback Scheme

Under this scheme, customs duties paid on imported inputs used in export products are refunded to exporters.

Features:

- Refund of duties on inputs used in the manufacture of export goods.
- Helps reduce the cost of exports.

3. Objective of Export Promotion Schemes

These schemes aim to:

1. Encourage export-oriented manufacturing.
2. Reduce the tax burden on export products.
3. Improve the global competitiveness of Indian exports.

Promote foreign exchange earnings and economic growth.

Question No. 16

Advance Authorisation Scheme (Dec'24, June'24)

Advance Authorisation is an authorization issued by the Director General of Foreign Trade (DGFT) which permits the duty-free import of inputs that are physically incorporated in export products, including fuel, oil, catalysts, and packing materials.

The imported inputs must be used in the manufacture of goods that are meant for export.

Key Features of Advance Authorisation Scheme

1. Duty-free import of inputs required for manufacturing export goods.
2. Inputs imported must be physically incorporated in the export product.
3. The authorization is issued by DGFT.
4. Exporter must fulfill a specified export obligation within the prescribed time.
5. The scheme is available to manufacturer exporters as well as merchant exporters tied to supporting manufacturers.

Export Obligation

The exporter must export finished goods manufactured using the imported inputs within the prescribed period specified in the authorization.

The quantity and value of exports must correspond to the inputs imported duty-free.

Benefits of the Scheme

1. Reduction in cost of imported raw materials.
2. Improves competitiveness of export products in international markets.
3. Encourages value addition and domestic manufacturing.
4. Facilitates growth of exports and foreign exchange earnings.

Question No. 17

EPCG Scheme (June'24)

The Export Promotion Capital Goods (EPCG) Scheme is an export promotion scheme under the Foreign Trade Policy (FTP) of India. The scheme allows import of capital goods required for the production of goods or services at concessional or zero customs duty, subject to fulfillment of an export obligation.

The primary objective of the scheme is to facilitate modernization of Indian industries and enhance export competitiveness.

Under the EPCG scheme, capital goods include:

- Plant and machinery
- Equipment and instruments
- Tools and accessories
- Computer systems and software required for production

These goods must be used for manufacturing export goods or rendering export services.

Key Features of EPCG Scheme

1. Import of capital goods at zero customs duty.
2. The importer must fulfill a specific export obligation (EO).
3. Export obligation is generally six times the duty saved on capital goods.
4. Export obligation must be fulfilled within six years from the date of authorization.
5. The scheme is available to manufacturer exporters and merchant exporters.

Export Obligation

Export obligation means the exporter must export goods or services equivalent to a specified multiple of the duty saved on the imported capital goods.

Example:

If duty saved = ₹10 lakh

Export obligation = ₹60 lakh (6 times).

Benefits of the Scheme

1. Reduction in cost of importing capital goods.
2. Helps in technological upgradation and modernization of industries.
3. Improves productivity and quality of export goods.
4. Enhances international competitiveness of Indian exporters.

Question No. 18:

RODTEP Scheme (Dec'25, Dec'23)

The RODTEP Scheme (Remission of Duties and Taxes on Exported Products) was introduced by the Government of India under the Foreign Trade Policy (FTP) to support exporters by refunding embedded duties and taxes that are not refunded under any other existing scheme. The scheme became effective from 1 January 2021 and replaced the earlier MEIS (Merchandise Exports from India Scheme).

The objective is to ensure that exported goods are free from domestic taxes, thereby improving the global competitiveness of Indian exports.

Certain duties and taxes incurred during the production and distribution of exported goods were not refunded under GST or other duty remission schemes. RODTEP was introduced to neutralize these unrefunded taxes.

Key Features of the RODTEP Scheme

1. Refund of embedded duties and taxes on exported products.
2. Applicable to exports of goods notified by the government.
3. Refund is provided in the form of electronic duty credit scrips.
4. These credits are maintained in an electronic ledger on the customs portal.
5. The duty credit can be used for payment of basic customs duty on imports.
6. The scheme operates through an IT-enabled system integrated with customs ICEGATE portal.

Implementation Mechanism

1. Exporter files shipping bill and claims RODTEP benefit.
2. Customs verifies the eligibility.
3. Duty credit is generated electronically in the exporter's ledger.
4. The credit can be utilized for payment of customs duties or transferred as permitted.

Benefits of the Scheme

1. Reduction in export costs.
2. Ensures tax neutrality on exported goods.
3. Improves competitiveness of Indian exports in global markets.
4. Supports export growth and manufacturing sector.

Remember "REMIT"

R – Refund of embedded taxes
E – Export promotion
M – Manufacturing competitiveness
I – ICEGATE electronic credit system
T – Tax neutrality on exports

Ineligible Categories under the RODTEP Scheme:

1. Exports by Units in Special Economic Zones (SEZs)
2. Exports under Certain Export Promotion Schemes
3. Export of Restricted or Prohibited Goods
4. Deemed Exports
5. Re-export of Imported Goods
6. Products Not Notified under the Scheme
7. Exports Made through Courier or Personal Baggage

Question No. 19:

'Deemed Exports' under FTP (June'25, Dec'23)

The concept of Deemed Exports is defined under the Foreign Trade Policy (FTP) of India. As per the FTP, deemed exports refer to transactions in which goods supplied do not leave the country, but the payment for such supplies is received either in Indian Rupees or in freely convertible foreign exchange. These supplies are treated as exports for the purpose of granting certain benefits under the FTP.

Thus, even though the goods remain within India, such supplies are considered equivalent to exports for policy incentives.

The important characteristics of deemed exports are:

1. The goods supplied do not physically leave India.
2. The supply must involve manufactured goods in India.
3. Such supplies are treated as exports for the purpose of granting benefits under FTP.
4. Benefits such as refund of duties and taxes may be granted.
5. The objective is to promote domestic manufacturing and encourage supply to export-oriented projects.

The FTP specifies certain supplies that are treated as deemed exports, such as:

1. Supply of goods against Advance Authorisation / Advance Authorisation for Annual Requirement.
2. Supply of capital goods against EPCG Authorisation.
3. Supply of goods to Export Oriented Units (EOUs).
4. Supply of goods to projects financed by multilateral or bilateral agencies / funds as notified by the Government of India.
5. Supply of goods to projects financed by international organisations or United Nations agencies.
6. Supply of goods to nuclear power projects or mega power projects as notified.

Supplies categorized as deemed exports may receive the following benefits:

1. Refund of duties or taxes paid on inputs used in manufacturing the supplied goods.
2. Exemption or refund of GST paid on such supplies, as applicable under GST law.
3. Availability of export incentives under FTP, where notified.

These benefits help reduce the tax burden on domestic suppliers.

The concept of deemed exports aims to:

- Encourage domestic manufacturing.
- Facilitate supplies to export-oriented or internationally funded projects.
- Reduce the tax cost in the supply chain.
- Promote overall export competitiveness of India.

Question No. 20

National Trade Facilitation Action Plan under FTP (June'25)

The National Trade Facilitation Action Plan (NTFAP) is an initiative of the Government of India aimed at simplifying and streamlining trade procedures to facilitate exports and imports. It is aligned with the objectives of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) and seeks to improve India's position in global trade.

The plan focuses on reducing time and cost associated with cross-border trade and improving the efficiency of trade logistics.

The key objectives of the National Trade Facilitation Action Plan are:

1. Reduction in time and cost of export and import procedures.
2. Simplification and standardization of trade documentation and procedures.
3. Improvement in logistics and infrastructure for international trade.
4. Enhancement of transparency and predictability in trade regulations.

5. Better coordination among various government agencies involved in trade.

The action plan includes several important measures to facilitate trade:

1. Digitization of trade processes through electronic filing and online documentation.
2. Single Window Interface for Facilitating Trade (SWIFT) to enable traders to submit documents through a single portal.
3. Risk Management Systems to reduce physical inspections and expedite customs clearance.
4. Paperless customs procedures to minimize manual documentation.
5. Improved coordination among customs, ports, and other regulatory authorities.

Implementation of NTFAP provides several advantages:

1. Faster clearance of goods at ports and borders.
2. Reduction in logistics and compliance costs for exporters and importers.
3. Improved efficiency in customs administration.
4. Enhanced competitiveness of Indian exports in global markets.
5. Promotion of ease of doing business in India.

Remember "CLEAR":

- C – Customs digitization and clearance reforms
- L – Logistics and infrastructure improvement
- E – Ease of doing trade procedures
- A – Agency coordination (single window)
- R – Reduction in time and cost of trade