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# MIGHTY 50

**For CA Final IDT**  
January '26 Exam

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IDT 'Wizard'



**CA FINAL INDIRECT TAX LAWS - MIGHTY 50 - JAN 26 EXAM**

**QUESTION 1**

OnePoint Supply Private Limited, a registered entity under GST in the State of Maharashtra, is engaged in making various supplies. It provides the following information for the month of April:

S. No.	Particulars	Amount (₹)
	<b>OUTWARD SUPPLY:</b>	
(i)	Supplied a consignment of 50 Power Drill Kits to M/s BuildPro & Sons in the State of Maharashtra at the instruction of M/s ToolMart of Tamil Nadu	6,00,000
(ii)	Supplied silk yarn (manufactured from silk worm cocoons) to SilkAura Creations for manufacturing saree. SilkAura Creations is not registered under GST. Invoice issued for the supply contains the address of the factory of SilkAura Creations located in Nasik, Maharashtra	4,00,000
(iii)	Provided complimentary training at Kalyani Village Resort, Mumbai, Maharashtra to its agents within Maharashtra on effective handling of customer queries [Open market value of said service is ₹ 2,60,000. Value of supply of service of like kind and quality is ₹ 2,50,000.]	9,00,000
(iv)	Transferred the tenancy rights of a commercial complex (taken on rent) located in Mumbai for a tenancy premium to Nexus Source Ltd. of Kanpur, Uttar Pradesh. Stamp duty and registration fee have already been paid on the tenancy premium.	8,00,000
	<b>INWARD SUPPLY:</b>	
(i)	Imported Bluetooth speakers from Korea [The goods landed in Mumbai Port and reached at its registered premises on 30 <sup>th</sup> April. Value for the purpose of levying IGST is ₹ 4,00,000.]	
(ii)	Participation fee paid for the business exhibition held in Germany organised by Dhvani India Limited	45,00,000
(iii)	Salary paid to employees on rolls	10,40,000
(iv)	Consumables procured from registered suppliers located in Gujarat [includes diesel (excise and VAT paid) worth ₹ 75,000 used for running machinery in the factory.]	1,50,000

The company provided the following additional information:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.
- (ii) All the amounts given above are exclusive of taxes, wherever applicable.
- (iii) There was no opening balance of any ITC.

From the information given above, you are required to compute the eligible Input Tax Credit (ITC) available and minimum net GST liability in cash (CGST, SGST or IGST, as the case may be), payable through Electronic Cash ledger and through ICEGATE portal of customs, for the month of April for One Point Supply Private Limited, Maharashtra.

**Solution:**

**I. Computation of Gross GST Payable on outward supplies under FCM:**

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Consignment of Power Drill Kits supplied at the instruction of a third person	6,00,000	-	-	1,08,000 [6,00,000]



	[Since it is a bill to ship to supply where the goods are delivered on the directions of a third person- M/s ToolMart, goods are deemed to be received by such third person and thus, the place of supply is Tamil Nadu, in terms of section 10(1)(b) of the IGST Act, 2017. Hence, it is an inter-State supply.]				× 18%]
(ii)	Supplied silk yarn to SilkAura Creations [Intra-State supply since place of supply is the location as per the address of the said person recorded in the invoice issued in respect of the said supply, viz. Maharashtra, in terms of section 10(1)(ca) of IGST Act, 2017. Further, tax will be payable under forward charge since such silk yarn is being supplied to an unregistered person (Notification No. 4/2017 IT (R) dated 28.06.2017 as amended).]	4,00,000	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	-
(iii)	Free of cost training to agents [Services provided by the company to agents without consideration is not deemed as supply in terms of para 3 of Schedule - I since only goods supplied by principal to agent are covered therein. Further, such services are also not covered in para 2 of Schedule I as agents are not related persons.]	-	-	-	-
(iv)	Transfer of tenancy rights [Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable even though stamp duty and registration fee have been paid on the same. It is an intra-State supply since place of supply is location of immovable property being Mumbai, Maharashtra.]	8,00,000	72,000 (8,00,000 × 9%)	72,000 (8,00,000 × 9%)	
	<b>Total output tax</b>		<b>1,08,000</b>	<b>1,08,000</b>	<b>1,08,000</b>

## II. Computation of GST payable on inward supplies under RCM:

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Import of Bluetooth speakers [IGST payable on import of Bluetooth speakers payable in cash through ICEGATE portal while making customs clearance]	4,00,000	Nil	Nil	72,000 [4,00,000 ×18%]

## III. Computation of input tax credit available for set-off:

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Import of Bluetooth speakers [Input tax, <i>inter alia</i> , includes IGST charged on import of goods.]	4,00,000	Nil	Nil	72,000 [4,00,000 ×18%]

Participation fee paid for the business exhibition held in Germany organised by Dhvani India Limited [Since services provided by an organiser to any person in respect of a business exhibition held outside India, no GST is payable on said services. Consequently, no ITC is available.]	-	-	-	-
Salary paid to employees on rolls [Services by an employee to the employer in the course of or in relation to his employment is not a supply in terms of para 1 of Schedule III and hence, no GST is payable thereon. Consequently, no ITC is available.]	-			
Consumables procured from suppliers in Gujarat [ITC on consumables, being inputs used in the course or furtherance of business, is available in terms of section 16(1). However, levy of GST on diesel has been deferred till such date as may be notified by the Government on recommendations of the GST Council in terms of section 9(2). Hence, there being no levy of GST on diesel, there cannot be any ITC; VAT & excise paid are not covered in the definition of input tax under section 2(62).]	75,000 [1,50,000 – 75,000]			13,500 [75,000 × 18%]
<b>Total ITC available for set off</b>		<b>Nil</b>	<b>Nil</b>	<b>85,500</b>

#### IV. Computation of net GST payable in cash by OnePoint Supply Private Limited

S. No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)
1.	Output tax liability (Refer Statement -1)	1,08,000	1,08,000	1,08,000
2.	Less: Input Tax Credit (Refer Statement -3)	Nil	Nil	(85,500)
3.	Net GST payable in cash through Electronic Cash Ledger on GSTN portal [A]	1,08,000	1,08,000	22,500
4.	GST payable under RCM through ICEGATE (Refer Statement – 2) [B]	Nil	Nil	72,000

#### QUESTION 2

Consider the following independent scenarios in the financial year 2025–26 and answer the questions that follow:

##### Case 1: Supply of Food in a Cinema Hall

Galaxy Cinemas, located in Hyderabad, runs a multiplex and also operates a food counter in the cinema premises. During the month of April 2025, the following sales were made:

1. Cinema ticket sales: ₹8,00,000 (GST @18%)
2. Standalone sale of food and beverages at the food counter: ₹3,00,000 (GST 5%)
3. Combo offers (ticket + food package, bundled together): ₹2,00,000

The company wants to know how GST applies to each of the above.

##### Case 2: Supply of Electricity with Renting of Commercial Space

UrbanSpaces Realty, a commercial property management firm in Mumbai, rents out furnished office space to tenants.

In April 2025, it raised the following invoices to a single tenant:

1. Rent for premises: ₹1,50,000
2. Maintenance charges: ₹30,000
3. Electricity charges (billed separately): ₹20,000

Note: UrbanSpaces procures electricity from Maharashtra DISCOM at ₹20,000 and charges the same amount to tenants without markup.

You are required to:

- (A) Determine whether supplies in both cases are treated as composite supply or separate supplies.  
 (B) Compute the GST payable at 18% where applicable.

### Solution

#### Case 1: Galaxy Cinemas - Cinema + Food Supplies

Nature of Supply:

Type of Supply	Treatment as per CBIC Circular No. 201/13/2023-GST
Standalone food sales	• Treated as restaurant service, taxed separately
Combo (ticket + food)	• Treated as composite supply, principal supply=cinema exhibition

GST computation:

Particulars	Amount	GST Rate	GST
Cinema tickets	₹8,00,000	18%	₹1,44,000
Standalone food and beverages	₹3,00,000	5%	₹15,000
Combo offer (taxed as cinema)	₹2,00,000	18%	₹36,000
Total GST Payable	—	—	₹1,95,000

#### Case 2: UrbanSpaces Realty - Renting + Electricity

As per CBIC Circular No. 206/18/2023-GST:

- Renting + Maintenance + Electricity billed separately = Composite supply
- Principal supply = Renting of immovable property
- Electricity forms part of composite supply unless charged as a pure agent.

Note: As per CBIC Circular No.206/18/2023-GST dt. 31st October 2023, It is clarified that whenever electricity is being supplied bundled with renting of immovable property and/or maintenance of premises, as the case may be, it forms a part of composite supply and shall be taxed accordingly. The principal supply is renting of immovable property and/or maintenance of premises, as the case may be, and the supply of electricity is an ancillary supply as the case may be. Even if electricity is billed separately, the supplies will constitute a composite supply and therefore, the rate of the principal supply i.e., GST rate on renting of immovable property and/or maintenance of premise, as the case may be, would be applicable.

Since UrbanSpaces charges exact electricity cost (₹20,000) without markup, they are acting as a pure agent.

#### (B) GST Computation

Particulars	Amount	GST Rate	GST
Rent	1,50,000	18%	27,000
Maintenance	30,000	18%	5,400
Electricity (pure agent)	20,000	Not included in value	Nil
Total GST Payable	—	—	₹32,400

### QUESTION 3

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

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

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

Answer the below questions:

1. Is M/s Global Trade Solutions Pvt. Ltd. (Guwahati) liable to pay IGST on the commission received?
2. If yes, how is IGST calculated if USD 1,20,000 is received in April 20XX?  
Exchange Rate (As per Generally Accepted Accounting Principles - GAAP): ₹75.50 and  
Exchange Rate (As per RBI): ₹75.00  
Applicable IGST Rate: 18%
3. Whether the IGST paid on commission is eligible for Input Tax Credit (ITC)
4. If aggregate turnover of M/s Global Trade Solutions Pvt. Ltd. during the preceding year is ₹550 crores, whether E-invoice or dynamic QR code in India is applicable?
5. What is the treatment of commission earned by M/s Global Trade Solutions Pvt. Ltd. if M/s Orion Textiles Ltd., is making sales to buyers in Sri Lanka.

#### Solution:

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

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

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

1. Yes, IGST is payable. As per **Section 7(5)(c) of the IGST Act, 2017**, IGST is applicable since the place of supply is within India, but the recipient is outside India.
2. Exchange Rate (GAAP): ₹75.50 per USD is relevant in this scenario  
Total Commission Value in INR: ₹75.50 × USD 1,20,000 = ₹90,60,000  
IGST @ 18% on ₹90,60,000 = ₹16,30,800
3. Since M/s Global Trade Solutions Pvt. Ltd. is paying IGST as a forward charge (not under Reverse Charge Mechanism - RCM), it is not eligible to avail ITC on IGST paid on commission received. Also, as the recipient is outside India, they cannot avail the ITC on the same.
4. E-Invoice not applicable in the given case as the same is not an export of service or the recipient is not registered. Also, Dynamic QR code in invoice is not applicable as the recipient is located outside India.
5. As per Sec. 11 read with Notification No. 12/2017-CT, services by an intermediary to a person in non-taxable territory supplying goods to a person in non-taxable territory is exempted. In the present case, as supplier of goods is outside India and buyer of goods is outside India, commission earned by M/s Global Trade Solutions Pvt. Ltd., is exempted.

### QUESTION 4

Skyway Travel Solutions Pvt. Ltd., an air travel agency, needs to determine its GST liability for the quarter ended June 30, 2025, based on the following details:

- Basic air fare collected for domestic ticket bookings – ₹60,00,000
- Basic air fare collected for international ticket bookings – ₹95,00,000
- Commission received from airlines on domestic and international ticket sales – ₹5,20,000
- Year-end bonus received from airlines – ₹75,000

Compute the GST liability of Skyway Travel Solutions Pvt. Ltd. for the quarter ended June 30, 2025. Additionally, determine whether the GST liability would be reduced if the company opts for the special provision for GST payment under Rule 32(3) of the CGST Rules, 2017. The applicable GST rate is 18%.

**Solution:**

Statement Showing GST Liability of Skyway Travel Solutions Pvt. Ltd. for the Quarter Ending June 30, 2025

A) GST Liability Without Opting for Rule 32(3) (i.e., Transaction Value)

Total taxable supply of services = ₹5,95,000 (₹5,20,000 + ₹75,000)

GST @18% on ₹5,95,000 = ₹1,07,100

(B) GST Liability Under Special Provision (Rule 32(3) of CGST Rules, 2017)

Total taxable supply of services:

5% of Basic Domestic Airfare (₹60,00,000 × 5%) = ₹3,00,000

10% of Basic International Airfare (₹95,00,000 × 10%) = ₹9,50,000

Total = ₹12,50,000

GST @18% on ₹12,50,000 = ₹2,25,000

Since the GST liability is higher under the Rule 32(2), Skyway Travel Solutions Pvt. Ltd. should continue with the transaction value for GST payment to minimize tax liability, as it is at the option of supplier to adopt value under Rule 32.

**QUESTION 5**

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

Subsequently, a Supplementary Agreement (Conveyance Deed) was executed on 15th June 2024, wherein 10 residential units and 2 commercial units were to be constructed by the Developer, out of which 4 units (i.e., 40%) would be allotted to the Landowner.

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

Answer the following:

- Is the Transfer of Development Rights (TDRs) a taxable supply under GST? If yes, who is liable to pay GST and what is the time of supply?
- Is GST payable on the residential flats allotted to the Landowner under the JDA? If yes, what is the time of supply?
- What is the GST implication and time of supply for flats sold by the Developer to independent buyers after the Completion Certificate?
- Compute GST payable by GK Developers Ltd. on the inward supply of TDR, if the value of flats allotted to Mr. Nagarajan is ₹200 lakhs and the applicable rate of GST is 18%.

**Solution**

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

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

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

- Since the flats are handed over before the issuance of the Completion Certificate, consideration is in the form of TDR, the transaction is liable to GST. It is not excluded from supply as per Sec. 7(2) of CGST Act read with schedule II of CGST Act, as entire consideration is not received after obtaining completion certificate.
- Time of Supply: Completion Certificate or First Occupation, whichever is earlier.

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

- As per Schedule II of CGST Act, 2017, sale of building, where entire consideration is received after obtaining completion certificate or first occupation, whichever is earlier, is excluded from supply.
- Therefore, GST not payable on sale of flats to independent buyers.

(d) **Computation of GST payable by M/s GK Developers Ltd. on the inward supply of TDR:**

Value of inward supply of TDR = Value of units allotted to the land owner	₹200 lakhs
GST payable on above (₹200 lakhs X 18%)	₹36,00,000
As per Sec. 11 read with Notification No. 12/2017-CT, Exemption w.r.to residential units sold before completion certificate or first occupation, whichever is earlier. Units allotted to land owner are considered to be sold before completion certificate and exemption available w.r.to same (₹36,00,000 X 4/12)	(₹12,00,000)
Net GST payable by M/s GK Developers Ltd. on inward supply	₹24,00,000

#### QUESTION 6

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

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

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

You are required to calculate the net GST payable by M/s Glamoré Cosmetics Pvt. Ltd. for the financial year based on the following information. Wherever applicable, they make zero rated supplies without payment of GST under bond or LUT. (Assume all supplies as interstate supplies)

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

#### Solution

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

Product Name	Description	Sale Price per 20ml	Transaction Value (₹)	GST @ 12% (₹)	For payment of GST	For Computation of ITC
Blush	Sale to Domestic Tariff Area	₹ 36	21,60,000	2,59,200	Taxable	Taxable
Gloss	Sale to SEZ Unit (Without payment of IGST under bond/LUT)	₹ 48	28,80,000	-	Zero-rated supply	Taxable



Luxe	Export to Elan Inc., Canada (Without payment of IGST under bond/LUT)	₹ 60	36,00,000	-	Zero-rated supply	Taxable
Shine	Sale to Armed Forces Canteen	₹ 72	43,20,000	-	Exempted	Exempted
<b>Total</b>			<b>1,29,60,000</b>	<b>2,59,200</b>		

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

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

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

Particulars	ITC Reversal (₹)	Working Note
Input tax credit attributable to exempt supplies (Rule 42(1)(i)) – Common ITC X Exempted turnover ÷ Total turnover.	1,20,000	(₹ 43,20,000 ÷ ₹ 1,29,60,000) × ₹ 3,60,000 = ₹ 1,20,000
Input tax credit attributable to non-business use (Rule 42(1)(j))	18,000	₹ 3,60,000 × 5% = ₹ 18,000
<b>Total ITC to be Reversed</b>	<b>1,38,000</b>	
<b>Net Eligible ITC for utilization</b>	<b>₹2,22,000</b>	₹3,60,000 (-) ₹1,38,000

#### Computation of Net GST Liability / Excess Credit

Particulars	Amount (₹)
GST payable on taxable supplies as above	2,59,200
Less: ITC utilized (Rule 86B not applicable as the balance in ITC is less than the liability)	(2,22,000)
<b>Net GST Payable in Cash</b>	<b>37,200</b>

#### QUESTION 7

Zenith Chemical & Allied Ltd. is a diversified Indian conglomerate dealing in specialty chemicals, industrial reagents and allied services.

Over the years, it has established production, trading and services units across multiple States. It has obtained separate Input Service Distributor (ISD) registration in the State of Kerala. The ISD receives invoices for services used across the group and distributes the Input Tax Credit (ITC) pertaining to these invoices to the various units. Following details are furnished for a particular month, and you are required to distribute the ITC to other units that are carrying manufacturing, trading and supplying services to the customers.

Sl. No.	Particulars	Amount in lakh (₹)
(1)	Turnover in the relevant month of each of the units:	
	Mumbai (Maharashtra)	12.00
	Bangalore (Karnataka)	60.00
	Hyderabad (Andhra Pradesh)	36.00
	Trivandrum (Kerala)	72.00
(2)	Total ITC of input services available during the month with the ISD (includes CGST/ SGST & IGST) on account of supplies received during the month	48.00
(3)	Out of the above, ITC of input services exclusive to Bangalore unit, available as IGST credit	12.00
(4)	Out of the above, ITC of input services exclusive to Trivandrum and Hyderabad units (CGST and SGST of ₹ 3.00 lakh each)	6.00
(5)	Rest of the credit of input services available is allocable as common credit to all the units and is received from local suppliers in Kerala	
(6)	Basic value of a debit note received for input services during the month,	50.00

	in respect of a previous supply, with tax levied @ 12% IGST - being charged and shown separately This pertains to all the four units of the company.	
(7)	Total value in the credit note received for input services, during the month, applicable exclusively to Trivandrum (Kerala) unit, taxed at the rate of 9% CGST and 9% SGST, which is charged and indicated separately	118.00 (inclusive of GST)

**Notes:**

1. All the above amounts are exclusive of GST unless otherwise specified.
2. Also make your comments regarding the amount of ITC in credit notes, if exceeds the ITC from invoices and debit notes in a particular month for all or any of the units.

**Solution:**

Computation of the amount of credit distributed by the ISD to various units of Zenith Chemical & Allied Ltd.

Particulars	Mumbai Unit	Bangalore Unit	Hyderabad Unit	Trivandrum Unit		
	IGST (₹)	IGST (₹)	IGST (₹)	CGST (₹)	SGST (₹)	IGST (₹)
ITC exclusive to Bangalore unit available as IGST [ITC of IGST is distributed as IGST only.]		12				
ITC exclusive to Trivandrum and Hyderabad units [ITC of CGST and SGST is distributed as CGST and SGST to unit located in Kerala (Trivandrum unit) and as IGST to unit located in a different State (Hyderabad unit) in the ratio of 2:1.]			2	2	2	
Common credit for all units [Balance credit of CGST and SGST (since supplies are received locally) of ₹ 15 lakh each (₹ 48 lakh – ₹ 12 lakh – ₹ 6 lakh) to be distributed among all four units in proportion of their turnover of the relevant month, i.e., 1:5:3:6. Further, ITC will be distributed to Mumbai, Bangalore and Hyderabad unit as IGST and to Trivandrum unit as CGST and SGST.]	2	10	6	6	6	
Additional ITC [₹ 6 lakh (₹ 50 lakh × 12%)] on account of debit note received from supplier to be distributed among all four units in proportion of their turnover of the relevant month, i.e., 1:5:3:6. [ITC of IGST is distributed as IGST only.]	0.4	2	12			2.4
ITC to be reduced on account of credit note received from supplier, exclusive to Trivandrum unit 9% of (₹ 118 lakh × 100/118) [ITC of CGST & SGST is reduced as CGST & SGST credit]				(9)	(9)	
Total ITC apportioned to each unit	2.4	24	9.2	(1)	(1)	2.4
Negative amount apportioned to Trivandrum unit shall be added to its output tax liability since ITC distributed to it by ISD is less than the amount reduced on account of receipt of credit note				1	1	

### QUESTION 8

M/s Brighton Engineers (Karnataka) had its GST registration cancelled with effect from 31st December 2024 due to non-filing of returns. Later, revocation of cancellation was granted on 31st May 2025.

During the period, the following transactions occurred under Reverse Charge Mechanism (RCM):

1. Security Agency Service received from Beast & Co., registered person (RCM applicable):

- a. Service completed Date: 10th January 2025
- b. Invoice Received: 15th January 2025
- c. Invoice Value: ₹1,00,000
- d. GST Rate: 18%
- e. Full amount paid to supplier on 15th January 2025

2. Goods Transport Service from an unregistered transporter (RCM applicable):

- a. Invoice Date (self-invoice issued by the recipient): 28th December 2024
- b. Invoice Value: ₹50,000
- c. GST Rate: 5%
- d. Full amount paid to supplier on 8th December 2024

3. Import of Services (RCM applicable):

- a. Invoice Date (self-invoice issued by the recipient): 1st August 2023
- b. Invoice Value: ₹2,00,000
- c. GST Rate: 18%
- d. Full amount paid to supplier on 8th August 2023.

For all the above services GST paid to department through e-cash ledger on 30-Jun-2025 under RCM. Input Tax Credit has not been availed for all the above transactions till 31st May 2025. Assume that annual return is filed by 31<sup>st</sup> December of subsequent financial year for each financial year.

You are required to:

- a) Determine ITC eligibility for these RCM invoices as per Section 16(4) and Section 16(6) of the CGST Act, 2017.
- b) Compute GST payable and interest @18% p.a., if any.

### Solution

(a) Time of supply under Sec. 13(3) and ITC Eligibility under Section 16(4) & 16(6):

Transaction	Invoice Date	GST Amount	Time of supply	ITC availability
Security Agency Service (Beast & Co.)	15/01/25 (FY: 24-25)	₹ 18,000	a) Date of payment to supplier (15/01/25) b) 61 <sup>st</sup> day from DOI (17/03/25), whichever is earlier TOS = 15/01/25	Invoice pertains to cancellation period. Minimum time limit for availment of ITC = 31/05/25 + 30 days = 30/06/25 Maximum time limit for availment of ITC = 30/11/25.
Goods Transport (Unregistered GTA)	28/12/24 (FY: 24-25)	₹ 2,500	a) Date of payment to supplier (8/12/24) b) Self-Invoice to supplier (28/12/24), whichever is earlier TOS = 8/12/24.	Invoice before cancellation date and regular time limit not expired as on the cancellation date; Minimum time limit for availment of ITC = 31/05/25 + 30 days = 30/06/25 Maximum time limit for availment of ITC = 30/11/25.
Import of Services (Overseas)	01/08/23 (FY: 23-24)	₹36,000	a) Date of payment to supplier (8/08/23)	Invoice before the date of cancellation and the regular time limit for availment of ITC is

			b) Self-Invoice to supplier (1/08/23), whichever is earlier TOS = 1/08/23	30/11/24, which is before the date of cancellation and ITC not available in this case as the regular time limit for availment of ITC is expired as on the cancellation date.
Total ITC allowed u/s 16(6)		₹20,500		

**(b) GST Payable, Interest & Penalty Calculation:**

Transaction	GST Payable	Due date of payment of GST as per TOS	Actual date of payment	Delay (Days)	Interest @18% p.a.
Legal Consultancy (₹ 1,00,000 @18%)	₹18,000	20/02/25	30/06/25	130 days	$\text{₹ } 18,000 \times 18\% \times 130/365 = \text{₹}1,154/-$
Goods Transport (₹ 50,000 @5%)	₹ 2,500	20/01/25	30/06/25	161 days	$\text{₹}2,500 \times 18\% \times 161/365 = \text{₹}198/-$
Import of Services (₹2,00,000 @18%)	₹ 36,000	20/09/23	30/06/25	649 days	$\text{₹}36,000 \times 18\% \times 649/366 = \text{₹}11,490/-$

**QUESTION 9**

M/s AutoDrive Dealers Pvt. Ltd., engaged in the sale of passenger motor vehicles (seating capacity  $\leq 13$ ), undertakes the following transactions related to demo vehicles for providing test drives to potential customers:

**1. Scenario A:**

In April 2024, the company purchases a demo vehicle for ₹10,00,000 (excluding GST).

- GST charged: ₹1,80,000 (18%).
- The vehicle is not capitalized in the books and is used exclusively for promoting sales of similar vehicles.

**2. Scenario B:**

In May 2024, the company purchases another demo vehicle for ₹12,00,000 (excluding GST).

- GST charged: ₹2,16,000 (18%).
- The vehicle is capitalized, but no depreciation is claimed on the GST component under the Income Tax Act.
- The vehicle is sold after 2 years for ₹8,00,000 (excluding GST).

**3. Scenario C:**

In June 2024, the company purchases a demo vehicle for ₹15,00,000 (excluding GST).

- GST charged: ₹2,70,000 (18%).
- The vehicle is capitalized, and depreciation is claimed on the GST component under the Income Tax Act.
- The vehicle is sold after 3 years for ₹6,00,000 (excluding GST)

**4. Scenario D:**

In July 2024, the company does not capitalize another demo vehicle purchased for ₹9,00,000 (excluding GST).

- GST charged: ₹1,62,000 (18%).
- The vehicle is sold after 1 year for ₹7,00,000 (excluding GST).

**5. Scenario E:**

Acting as an agent of service provider to the manufacturer, M/s AutoDrive purchases a demo vehicle from the manufacturer in August 2024 for ₹12,00,000 (excluding GST) to provide test drives on behalf of the manufacturer.



- a. GST charged: ₹2,16,000 (18%).
- b. After 1 year, the company sells this vehicle for ₹8,00,000 (excluding GST).

Based on the above scenarios, answer the following:

- a. Determine ITC eligibility on the purchase of demo vehicles in each scenario as per Section 16(3) and Section 17(5)(a) of the CGST Act, 2017.
- b. Compute the GST liability on the sale of demo vehicles, specifying whether ITC reversal or GST on transaction value applies, in scenarios where the vehicles are sold.

**Solution:**

a) ITC Eligibility as per Section 16(3) & Section 17(5)(a):

Scenario	ITC Eligibility	Reason
<b>Scenario A:</b> Demo vehicle not capitalized	<b>Allowed (₹1,80,000)</b>	Considered as further supply of similar vehicles (Section 17(5)(a), clarified by CBIC Circular No. 231/25/2024-GST).
<b>Scenario B:</b> Demo vehicle capitalized, no depreciation on GST	<b>Allowed (₹2,16,000)</b>	Capitalized as capital goods, but no depreciation on GST component (Section 16(3)).
<b>Scenario C:</b> Demo vehicle capitalized, depreciation claimed on GST	<b>Not Allowed</b>	Depreciation claimed on GST component under Income Tax Act, blocked by Section 16(3).
<b>Scenario D:</b> Demo vehicle not capitalized, later sold	<b>Allowed (₹1,62,000)</b>	Treated as further supply of similar vehicles (Section 17(5)(a)).
<b>Scenario E:</b> Acting as agent for manufacturer	<b>Not Allowed</b>	Dealer is not making further supply, only providing test drives as agent (Section 17(5)(a)).

b) GST Liability on Sale of Demo Vehicles

Scenario	Sale Price (Excl. GST)	GST Rate	Applicable Section	ITC availed (-) 5% for every quarter or part thereof (i)	GST on Sale Value (ii)	GST Payable on Sale (i) or (ii), whichever is HIGHER
Scenario A	Not sold	N/A	N/A	N/A	N/A	N/A
Scenario B	₹ 8,00,000	18%	Sec. 18(6)	₹2,16,000 (-) 8 Q × 5% = ₹1,29,600	₹ 1,44,000	₹ 1,44,000
Scenario C	₹6,00,000	18%	Sec. 15	N/A (ITC not availed)	₹1,08,000	₹1,08,000
Scenario D	₹ 7,00,000	18%	Sec. 15	N/A (Not capital goods)	₹ 1,26,000	₹ 1,26,000
Scenario E	₹ 8,00,000	18%	Sec. 15	N/A (ITC not availed)	₹ 1,44,000	₹ 1,44,000

**QUESTION 10**

ArchiSpace Designs Private Limited (hereinafter referred as ArchiSpace) and Skyview Infra LLP (hereinafter referred as Skyview) entered into an agreement in June to provide architectural services. Skyview paid an advance of ₹ 2,00,000 on 15th May for provision of said services. However, before ArchiSpace could render the architectural services (scheduled to be supplied in June), the contract was cancelled on 25th May due to some legal permission delays. ArchiSpace had already issued an invoice for the advance in May and had paid the applicable GST on the advance amount. As its tax consultant, you are required to advise whether ArchiSpace is eligible to claim a refund of the GST already paid on the advance or whether it should adjust its tax liability in its GST returns.

**Solution:**

When GST has been paid by the supplier on advances received for a service to be supplied in the future, the contract for which is subsequently cancelled, and for which the invoice was issued before the supply of service, the supplier is required to issue a credit note under section 34. The details of such credit notes must be declared in the GST return for the month in which the credit note is issued but not later than 30th November following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in the prescribed manner.

In this situation, there is no need to file a separate refund claim. However, in cases where the supplier does not have any output liability against which the credit note can be adjusted, he may file a refund claim [Circular No. 137/07/2020 GST dated 13.04.2020].

Therefore, ArchiSpace must issue a credit note in accordance with the provisions of section 34. If there is no output liability available for adjustment, the company may proceed with a refund claim.

**QUESTION 11**

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

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

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

**Solution:**

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

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

In the present Case,

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

### QUESTION 12

M/s Triveni Tech Solutions, located in Pune, Maharashtra, had a total GST liability of ₹90,000 (₹45,000 CGST + ₹45,000 SGST) for July 2024.

- The due date to file GSTR-3B was 20th August 2024.
- M/s Triveni credited ₹60,000 to its Electronic Cash Ledger on 20th August 2024 (the due date).
- The balance ₹30,000 was credited to the ECL on 24th August 2024.
- The return was filed belatedly on 25th August 2024, and entire ₹90,000 was debited from ECL at the time of filing.

You are required to compute the interest payable under Section 50(1) of the CGST Act, 2017, read with Rule 88B(1) & its proviso, assuming interest rate is 18% p.a.

**Solution:**

Particulars	Amount
Total GST Liability	₹ 90,000
Amount credited to ECL on 20-08-2024	₹ 60,000
Balance credited to ECL on 24-08-2024	₹ 30,000
Return filed (and payment made)	30-08-2024
Delay in filing	5 days

For ₹60,000 (credited on due date – 20th August 2024), No interest payable, because amount was in ECL on due date and remained till 25th August 2024 (filing date).

However w.r.to ₹30,000 (credited on 24th August 2024) interest is payable, because the amount was not in ECL on the due date, so it does not qualify for the exemption under the proviso.

Hence, interest is payable for 10 days (from 21st August to 30th August, because payment was deposited on 24th and debited on 30<sup>th</sup> but the amount was not available as on the due date).

Interest Calculation: = ₹30,000 × 18% × 10 / 365 = ₹147.94 ≈ ₹148

### QUESTION 13

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

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

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

**Solution:**

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

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

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

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

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

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

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

**QUESTION 14**

M/s NovaCart and M/s TerraLink are e-commerce operators (ECOs) registered under the ONDC Network (Open Network for Digital Commerce).

M/s TerraLink (seller-side ECO) sells taxable goods directly to M/s Flora Ltd. (registered buyer), who places the order via M/s NovaCart (buyer-side ECO).

- Supplier-side ECO (M/s TerraLink) is itself the supplier of the goods (i.e., supplier and ECO are the same).

Transaction Details:

- M/s Flora Ltd. pays ₹95,000 to the buyer-side ECO, M/s NovaCart.
- M/s NovaCart deducts a platform fee @6% and remits the balance to the supplier-side ECO, M/s TerraLink.
- Applicable TCS rate: 0.50% (0.25% CGST and 0.25% SGST under Section 52 of CGST Act, 2017).

Required:

1. Who is liable to collect TCS under Section 52 of CGST Act, 2017 in this transaction?
2. Calculate the amount of TCS, showing detailed workings



**Solution:**

**1. TCS Liability under Section 52 of CGST Act, 2017:**

- As per Section 52(1), Every e-commerce operator (ECO) who collects payment from the buyer for taxable goods/ services is liable to collect TCS on the net value of taxable supplies.
- In this case:
  - Buyer-side ECO (M/s NovaCart) collects payment from the buyer (M/s Flora Ltd.).
  - Even though the supplier (M/s TerraLink) is also an ECO, M/s NovaCart (who collects the payment) is liable to collect TCS.

**Conclusion:**

M/s NovaCart (buyer-side ECO) is liable to collect TCS under Section 52 of CGST Act, 2017.

**2. Calculation of TCS:**

Particulars	Amount (₹ )
Total payment by buyer (M/s Flora Ltd.) to M/s NovaCart	₹ 95,000
Platform fee deducted by M/s NovaCart @6% = ₹ 95,000 × 6%	₹ 5,700
Less: TCS 0.5% on ₹ 95,000	₹ 475
Balance remitted to supplier-side ECO (M/s TerraLink)	₹ 88,825

TCS is collected on the full taxable value, i.e., ₹95,000 (the amount received from the buyer before deduction of platform fees).

TCS @0.50% on ₹95,000 = ₹475 (deposited to the Government by M/s NovaCart.)

**QUESTION 15**

M/s HerbalGlow Naturals LLP, a registered GST supplier, is engaged in the manufacture of herbal personal care products in the State of Maharashtra. The entity has provided the following details for the month of March 2025:

**Transaction Details for March 2025:**

Particulars	CGST Rate	SGST Rate	Value of Supply (exclusive of GST)
Outward supply of herbal face cream	2.5%	2.5%	₹ 40,00,000
Outward supply of hair oil	6%	6%	₹ 80,000
Inward supply of inputs (e.g., essential oils, plant extracts)	6%	6%	₹ 28,00,000
Inward supply of input services (e.g., packaging, transport)	2.5%	2.5%	₹ 4,50,000
Inward supply of capital goods (e.g., mixing machinery)	9%	9%	₹ 20,00,000

**Additional Information:**

- M/s HerbalGlow has claimed ITC in respect of all inward supplies in the relevant GSTR-3B, and the same is reflected in GSTR-2B.
- All conditions for claiming refund under inverted duty structure are complied with.
- No refund has been claimed for the month of March 2025.

Compute the maximum refund amount eligible to M/s HerbalGlow Naturals LLP under the Inverted Duty Structure for the month of March 2025.

Note: Include working notes as part of your answer.

**Solution:**

Computation of Maximum Refund Admissible to M/s HerbalGlow Naturals LLP under Rule 89(5) of CGST Rules, 2017 for March 2025

Component	Amount (₹ )	Working
i. Turnover of inverted rated supply	₹40,00,000	Only outward supply taxed at 2.5% CGST + 2.5% sGST is considered.
ii. Adjusted Total Turnover	₹40,00,000 + ₹80,000 = ₹ 40,80,000	Includes all outward taxable supplies.
iii. Net ITC (on Inputs only)	₹ 28,00,000 × 12% = ₹ 3,36,000	Input services & capital goods not included.
iv. Tax payable on inverted rated supply	₹ 40,00,000 × 5% = ₹ 2,00,000	Combined CGST + SGST rate (2.5% + 2.5%)
v. ITC on input services	4,50,000 × 5% = 22,500	Not considered in refund calculation
vi. ITC on capital goods	20,00,000 × 18% = 3,60,000	Not considered in refund calculation

**Max. Refund**

$\{₹40,00,000 \times ₹3,36,000\} / \{₹40,80,000\} - [₹2,00,000 \times \{3,36,000\} / \{3,58,500\}] = ₹3,29,412 - ₹1,87,448 = ₹1,41,964$

Final Refund Amount = ₹1,41,964 (Split equally between CGST and SGST: ₹ 70,982 each)

**Notes:**

- Refund is restricted to ITC on inputs only.
- Input services and capital goods are excluded from "Net ITC" as per Rule 89(5).
- All conditions under the GST Act for refund eligibility have been complied with

**QUESTION 16**

Agora Ltd., a registered exporter located in Mumbai, exported goods worth ₹ 50,00,000 on 1st January 2024 and received ₹25,00,000 as sale proceeds by 30th June 2024. The company had earlier claimed and received a refund of unutilized input tax credit (ITC) amounting to ₹25,00,000 under Rule 89 of the CGST Rules.

As per the conditions of FEMA, 1999, the time limit to realize export proceeds is 9 months from the date of export (i.e., up to 30th September 2024), which may be extended by RBI.

Agora Ltd. fails to realize the balance 50% export proceeds within the permissible time under FEMA. You are required to answer the following:

- What is the implication of non-realization of sale proceeds on refund already received?
- Will refund be recovered if RBI writes off the unrealized export proceeds?
- Can Agora Ltd. reclaim the refund amount if the pending export proceeds are realized after deposit of refund with interest? Assume if the remaining ₹25,00,000 is realized on 15th January 2025.

**Solution:**

- Refund recovery on non-realization of export proceeds:

As per Proviso to Section 16(3) of the IGST Act, 2017 read with Rule 96B(1) of the CGST Rules, 2017, if the sale proceeds of exported goods are not realized within the period allowed under FEMA, 1999 (including extensions), the exporter is required to deposit the refund amount proportionate to the unrealized proceeds along with interest under Section 50.

In this case:

- Export Value = ₹50,00,000
- Realized = ₹25,00,000
- Unrealized = ₹25,00,000 (50%)
- Refund earlier claimed = ₹25,00,000
- Proportion to be refunded = ₹12,50,000 + interest

Agora Ltd. must deposit ₹12,50,000 along with applicable interest within 30 days from expiry of the FEMA period, i.e., by 30th October 2024 (if no RBI extension is granted).

(b) No. As per Proviso to Rule 96B(1), if the RBI writes off the realization requirement of the remaining ₹25,00,000 on merits, then the refund shall not be recovered, even though the sale proceeds remain unrealized.

In this case, if RBI issues a write-off letter for the remaining ₹25,00,000, Agora Ltd. can retain the entire refund of ₹25,00,000 without any repayment obligation.

(c) Yes. As per Rule 96B(2):

- If the pending ₹25,00,000 is realized later, and
- The refund amount proportionately was already deposited under Rule 96B(1),
- Then Agora Ltd. can claim a refund of the recovered amount (up to the extent of realization), provided:
  - Realization happens within RBI-permitted extension, and
  - A refund claim is filed within 3 months from the date of realization.

If the remaining ₹25,00,000 is realized on 15th January 2025, Agora Ltd. must file the claim for re-refund by 15th April 2025.

### QUESTION 17

Imperial Manufacturing & Exports Pvt. Ltd. (IMEPL) is registered under GST in the State of Gujarat and is engaged in both manufacturing and trading of goods. The company supplies goods both domestically and internationally. It exports goods without payment of tax under a Letter of Undertaking (LUT) in accordance with the provisions of Section 16(3) of the IGST Act, 2017.

IMEPL provides the following details for the tax period May 2025:

#### Details of Supplies Made

S.No.	Particulars	Amount (₹)
1	Taxable value of goods "Alpha" supplied within India	18,00,000
2	Taxable value of goods "Beta" exported without payment of tax under LUT (However, taxable value of such goods when supplied domestically in similar quantities is ₹ 7,50,000)	12,50,000
3	Taxable value of goods "Gamma" exported without payment of tax under LUT (However, taxable value of such goods when supplied domestically in similar quantities is ₹ 2,25,000)	3,00,000

#### Input Tax Credit (ITC) Availed for May 2025

S.No.	Particulars	Amount (₹)
1	ITC availed on capital goods	1,20,000
2	ITC availed on inputs	4,00,000
3	ITC availed on input services	2,00,000
	Total ITC availed	7,20,000

#### Additional Information:

1. All inputs, input services, and capital goods are used in the manufacturing process, and all conditions for availing ITC have been complied with.
2. Balance in the Electronic Credit Ledger at the time of filing the refund application: ₹2,00,000.
3. Balance in the Electronic Credit Ledger at the end of May 2025 (after filing GSTR-3B): ₹4,50,000.

Required:

Compute the refund amount of accumulated unutilized ITC for IMEPL for the tax period May 2025 under the provisions of GST law, along with necessary explanations for the treatment of various items.

**Solution:**

**Refund Calculation as per Rule 89(4) of CGST Rules, 2017**

Refund of unutilized ITC in case of exports without payment of tax is calculated as per the following formula:

**Turnover of Zero-rated Supply of Goods (after applying Rule 89(4)(C)):**

As per Rule 89(4)(C), lower of the following two values is to be considered for each exported good:

- Actual export value, or
- 1.5 times the value of like goods supplied domestically.

**For "Beta" goods:**

- Export value = ₹ 12,50,000
- 1.5 × domestic value (₹7,50,000) = ₹ 11,25,000
- Value for refund calculation = ₹ 11,25,000

**For "Gamma" goods:**

- Export value = ₹ 3,00,000
- 1.5 × domestic value (₹2,25,000) = ₹ 3,37,500
- Value for refund calculation = ₹ 3,00,000

Total Turnover of Zero-rated Supply = ₹ 11,25,000 + ₹ 3,00,000 = ₹ 14,25,000

Adjusted Total Turnover:

- Domestic turnover ("Alpha") = ₹ 18,00,000
- Zero-rated turnover (for refund) = ₹ 14,25,000
- Adjusted Total Turnover = ₹ 18,00,000 + ₹ 14,25,000 = ₹ 32,25,000

S.No.	Particulars	Amount (₹)	Eligible for Refund
1	ITC availed on capital goods	1,20,000	Not eligible
2	ITC availed on inputs	4,00,000	Eligible
3	ITC availed on input services	2,00,000	Eligible
	<b>Total Net ITC</b>	<b>6,00,000</b>	

**Refund Amount Calculation:**

Refund Amount =  $14,25,000 / 32,25,000 \times 6,00,000 = ₹ 2,65,116$

**Final Refund Eligibility (as per Rule 89(4)):**

Refund is restricted to the least of the following three amounts:

Criteria	Amount (₹)
a) Refund amount as per formula (Rule 89(4))	2,65,116
b) Balance in Electronic Credit Ledger at the end of May 2025 (after GSTR-3B filing)	4,50,000
c) Balance in Electronic Credit Ledger at the time of filing refund application	2,00,000

**Conclusion:**

The refund of accumulated unutilized ITC allowable to IMEPL for the tax period May 2025 is ₹2,00,000.

**QUESTION 18**

(A) M/s EduGlobal Ltd., a company registered in the United Kingdom, provides online educational courses (recorded and downloadable content) to individual consumers (unregistered persons) in India.

- Turnover from Indian consumers in March 2025: ₹15,00,000
- GST rate applicable: 18% (IGST)

Determine who is liable to pay GST, compute the GST liability, and mention the return to be filed.



(B) M/s PlayNet Ltd., based in Malta (outside India), offers online money gaming services (e.g., online poker tournaments) to both registered and unregistered users in India.

- Turnover from Indian customers in March 2025: ₹30,00,000
- GST rate applicable: 28% (IGST)

Determine who is liable to pay GST, compute the GST liability, and specify the return to be filed.

**Solution:**

(A) As per Section 14 of IGST Act, 2017 applies to OIDAR services supplied by a foreign service provider to unregistered persons in India. The foreign service provider (M/s EduGlobal Ltd.) is liable to pay IGST in India.

Particulars	Amount
Turnover (March 2025)	₹ 15,00,000
GST Rate (IGST)	18%
<b>GST Payable (IGST)</b>	<b>₹ 2,70,000</b>

Return to be Filed:

- a. GSTR-5A (Monthly return for foreign OIDAR service providers).
- b. Due date: 20th April 2025 (for March 2025).

(B) As per Section 14A of IGST Act, 2017 applies to online money gaming services provided by a foreign gaming operator to any person in India (registered or unregistered). The foreign gaming operator (M/s PlayNet Ltd.) is liable to pay IGST in India, irrespective of the customer's registration status.

Particulars	Amount
Turnover (March 2025)	₹ 30,00,000
GST Rate (IGST)	28%
<b>GST Payable (IGST)</b>	<b>₹ 8,40,000</b>

Return to be Filed:

- a. GSTR-5A (Monthly return for foreign gaming service providers).
- b. Due date: 20th April 2025 (for March 2025).

**QUESTION 19**

M/s Rapid Traders, registered under GST in Karnataka, engaged in the supply of electronic goods, failed to file GSTR-3B returns for the period April 2025 to June 2025. The Proper Officer (PO) issued a notice under Rule 100(1) but received no response within the stipulated period. The officer proceeds with best judgment assessment under Section 62 based on available records (Invoices & e-way bills):

- Reported outward supplies: ₹60,00,000 (April 2025 to June 2025).
- Applicable GST rate: 18% (CGST 9% + SGST 9%).
- Due date for filing GSTR-3B for June 2025: 20th July 2025.
- Best judgment assessment order issued: 10th October 2025.
- Rapid Traders files pending returns: 5th November 2025 (within 60 days of order)

Based on the above facts, answer the following:

1. Can the Proper Officer proceed with best judgment assessment under Section 62?
2. What is the GST liability determined under best judgment assessment?
3. Will the assessment order be withdrawn if Rapid Traders files the returns?
4. What is the interest payable on delayed tax payment? Compute interest till 5th November 2025.
5. What happens if the returns are filed after 60 days but within 120 days (assume Filed after 75 days)?

**Solution:**

(i) Yes, under Section 62 of CGST Act, 2017, if a registered person fails to furnish returns even after receiving a notice under Section 46, the Proper Officer can proceed with best judgment assessment using available data (invoices, e-way bills, etc.).

In this case, Rapid Traders did not file GSTR-3B returns for April to June 2025 despite notice, so the officer can initiate assessment.

(ii) Outward supplies (April to June 2025): ₹60,00,000 and GST rate: 18% (CGST 9% + SGST 9%)

Particulars	Amount
Taxable value	₹ 60,00,000
GST @ 18%	₹ 10,80,000
CGST (9%)	₹ 5,40,000
SGST (9%)	₹ 5,40,000

**Total GST liability under assessment: ₹ 10,80,000**

(iii) Yes, under Section 62(2), if the registered person files a valid return within 60 days from the service of the assessment order, the order is deemed withdrawn.

- Assessment order date: 10th October 2025
- Return filed date: 5th November 2025 (within 60 days)  
Therefore, the assessment order is withdrawn, but interest and late fees remain payable.

(iv) interest payable on delayed tax payment:

- Tax payable: ₹10,80,000
- Due date (for June 2025 GSTR-3B): 20th July 2025
- Payment date: 5th November 2025
- Delay period: 108 days (from 21st July 2025 to 5th November 2025)
- Interest rate: 18% per annum  
Interest = ₹10,80,000 × 18% × 108 × 365 = ₹57,521

(v) if the returns are filed after 60 days but within 120 days:

- If returns are filed between 61 to 120 days after the order, the assessment order can still be withdrawn, but the registered person must pay an additional late fee of ₹200 per day (₹100 CGST + ₹100 SGST) for the extended period.
- Filed after 75 days: o Additional late fee for 15 extra days = 15 × ₹200 = ₹3,000

**QUESTION 20**

Zentronix Technologies Pvt. Ltd. received a notice under Section 65(3) of the CGST Act, 2017 on 10th May 2025.

Date on which documents were required to be submitted: 25th May 2025

Date on which documents were actually made available to the Department: 4th June 2025  
Date of actual institution of audit at Zentronix Technologies Pvt. Ltd. premises: 18th June 2025

Find the following:

- What is the date of commencement of audit?
- What is the date by which audit should be completed in normal course?
- What is the date by which audit should be completed (including extended period)?

**Solution:**

Particulars	Date	Remarks
Date of commencement of audit	18th June 2025	Date on which documents were made available to the Department (4th June 2025) or date of actual institution of audit (18th June 2025), whichever is later.
Date by which audit should be completed (normal)	17th September 2025	As per Section 65(4) of the CGST Act, 2017: Audit must be completed within 3 months from the date of commencement of audit.
Date by which audit should be completed (extended)	17th March 2026	Commissioner may extend the period by a further 6 months, if satisfied that the audit cannot be completed within 3 months (with reasons recorded in writing).

**QUESTION 21**

Mr. Vikramaditya Rao, a registered supplier under GST in the State of Gujarat, is engaged in providing financial consultancy services across various States in India. He made several taxable supplies during the month of April. On 18th April, he collected the IGST of ₹ 15,50,000 from his clients for services rendered. However, owing to internal accounting delays and a system migration going on in his firm, Mr. Rao failed to deposit the said tax amount within 30 days from the due date of payment.

No Show Cause Notice (SCN) had been issued by the GST Department until that time. Before any such notice could be served, Mr. Vikramaditya Rao, upon reconciling his accounts, voluntarily decided to discharge his outstanding tax liability. He believes that if the tax is paid before the issuance of an SCN, no penalty would be levied and only interest, if any, would be payable.

Accordingly, Mr. Rao self-assessed his total tax liability of ₹ 15,50,000 and made the payment on 26th June.

You are required to determine, under the relevant provisions of the GST law and rules made thereunder, the interest and penalty, if any, payable by Mr. Vikramaditya Rao in this case, assuming that he has not opted for Quarterly Return Monthly Payment scheme.

**Solution:**

Due date for payment of tax collected on 18<sup>th</sup> April is 20<sup>th</sup> May. However, since tax is actually paid on 26th June, interest @ 18% p.a. is payable for the period for which the tax remains unpaid [37 days] in terms of section 50 read with Notification No. 13/2017 CT dated 28.06.2017. Amount of interest is as follows:

$$= ₹ 15,50,000 \times 18\% \times 37/365 = ₹ 28,282 \text{ (rounded off)}$$

As per section 74A(11), where self-assessed tax/any amount collected as tax is not paid within 30 days from due date of payment of tax, then, inter alia, option to pay such tax before issuance of SCN to avoid penalty, is not available.

Consequently, penalty equivalent to

(i) 10% of tax, viz., ₹ 1,55,500 or

(ii) ₹ 20,000,

whichever is higher,

is payable in terms of section 74A(5)(i). Therefore, penalty of ₹ 1,55,500 is payable by Vikramaditya Rao in the given case.

## QUESTION 22

M/s Bright Metals Pvt. Ltd., registered in Rajasthan, filed an appeal (FORM GST APL-01) on 15th March 2025 before the Appellate Authority (Commissioner (Appeals)) under Section 107(1) of the CGST Act, 2017 against an order of the adjudicating authority (dt. 1st February 2025) for demand of GST dues amounting to ₹1,50,00,000.

- Date of appeal filing (APL-01): 15th March 2025
- Final acknowledgment (APL-02) issued by Appellate Authority: 20th March 2025
- Hearing notice under Section 107(11) not yet issued.

On 10th May 2025, M/s Bright Metals Pvt. Ltd. reaches a settlement with the department and wishes to withdraw the appeal. Withdrawal approved on 15th May 2025. Comment on the following:

- (i) Is withdrawal of appeal permissible at this stage under Rule 109C?
- (ii) What is the procedure to withdraw the appeal, and within what timeline will the appellate authority decide?
- (iii) If Bright Metals Pvt. Ltd. wishes to file a fresh appeal later, is it permissible? What will be the time limit?

### Solution:

(i) Yes, as per Rule 109C of the CGST Rules, 2017 (inserted via Notification No. 26/2022-CT), withdrawal of appeal is allowed at any time before Issuance of show cause notice under Section 107(11) (for hearing), OR Issuance of final order under Section 107(11), whichever is earlier.

In this case:

Particulars	Date
Appeal filing date (APL-01)	15th March 2025
Acknowledgment issued (APL-02)	20th March 2025
No SCN or final order issued yet	Pending

Therefore, withdrawal is permissible since no show cause notice or order has been issued

(iii) Application for withdrawal must be submitted in FORM GST APL-01W (for taxpayer's appeal) by Bright Metals Pvt. Ltd. As the final acknowledgment (APL-02) has been issued, approval of the appellate authority is mandatory for withdrawal. The Appellate Authority must approve or reject the withdrawal application within 7 days from the date of filing FORM GST APL-01W.

(iii) Fresh appeal is permissible under Section 107(1) if withdrawal is approved. The usual time limit to file an appeal before the Appellate Authority is 3 months from the date of communication of the order passed by the adjudicating authority.

But in case of withdrawal, the period during which the earlier appeal was pending (from the original filing date to the date of withdrawal approval) is excluded.

In the given case:

Adjudication order received: 1<sup>st</sup> February 2025

Original time limit to file appeal (3 months): Till 1<sup>st</sup> May 2025

Event	Date
Appeal filed (APL-01)	15th March 2025
Acknowledgment (APL-02) issued	20th March 2025
Withdrawal application (APL-01W) filed	10th May 2025
Withdrawal approved	15th May 2025
Time period between the original appeal date to withdrawal approval date	2 months

Revised time limit for filing fresh appeal = 1<sup>st</sup> Feb 2025 + 3 months + 2 months = 1<sup>st</sup> July 2025.

### QUESTION 23

Mr. Aditya Khurana, registered under the CGST Act, 2017, has committed a breach in the payment of tax amounting to ₹7,800. The Assessing Authority has imposed a penalty in accordance with the law applicable to the breach. Invoking the provisions of Section 126, Mr. Khurana contends that this is a minor breach, and therefore, no penalty should be imposed.

In another instance, Mr. Khurana has omitted certain details in documentation, which are not easily rectifiable. This occurred due to gross negligence on the part of his accountant, and he argues that since he was unaware of it, no penalty should be levied.

Mr. Khurana also voluntarily acknowledges a major procedural lapse on his part and requests the Assessing Authority to condone the lapse, stating that the loss to the revenue was not substantial.

Further, in a separate matter, a lapse on the part of Mr. Khurana does not attract any specific penalty provision under the CGST Act, 2017. He firmly believes that no penalty can be levied without a specific statutory provision.

Discuss what action may be taken by the Assessing Authority under the law for each of the above breaches.

### Solution:

As per Section 126(1) of the CGST Act, 2017, a breach shall be considered a 'minor breach' if the amount of tax involved is less than ₹5,000. In such cases, no penalty is imposed.

In the present case, the tax amount involved is ₹7,800. Therefore, the breach does not qualify as a minor breach, and the argument made by Mr. Aditya Khurana is not valid. The penalty imposed by the Assessing Authority is in accordance with the law.

Further, as per Section 126(1), an omission or mistake in documentation is deemed easily rectifiable only if it is an error apparent on the face of the record and is not due to fraudulent intent or gross negligence. In the given situation, Mr. Khurana has omitted documentation details that are not easily rectifiable, and the error occurred due to gross negligence of his accountant. Hence, penalty is applicable in this case.

According to Section 126(5), if a person voluntarily discloses to a proper officer any breach of tax law, regulation, or procedural requirement before it is discovered by the officer, such voluntary disclosure may be considered as a mitigating factor while determining the penalty amount.

In this instance, since Mr. Khurana voluntarily accepted a major procedural lapse and there is no significant loss to revenue, the officer may consider condoning the lapse or imposing a reduced penalty depending on the facts.

Lastly, Section 126(6) states that the general principles under Section 126 do not apply where the penalty is fixed under the Act—either as a fixed sum or a fixed percentage. Therefore, in situations where a specific penalty provision exists, such penalty shall be imposed regardless of Section 126.

Hence, in all the above instances, the Assessing Authority is empowered to take action in accordance with the nature of breach and provisions of Section 126.



#### QUESTION 24

Horizon Holidays Pvt. Ltd., a registered taxable person under GST in the State of Karnataka, provides overseas package tours. The company's gross receipts from such tours for the month of March 2025 amounted to ₹ 60 crore.

Out of ₹ 60 crore:

- ₹ 15 crore were received from registered persons.
- The company, while filing GSTR-1 for March 2025, tampered the invoice amounts issued to unregistered persons and under-reported ₹ 25 crore on account of B2C transactions (i.e., transactions with unregistered persons), thereby understating tax liability by ₹ 4.50 crore (i.e., 18% of ₹25 crore).

In addition, while filing GSTR-3B for the same month, Horizon Holidays Pvt. Ltd. availed ITC of ₹ 0.50 crore on account of fake invoices received without the actual receipt of goods/services. The GST Department initiated prosecution proceedings against Horizon Holidays Pvt. Ltd. for these offences.

Horizon Holidays Pvt. Ltd.:

- Deposited the tax due, along with interest and penalty.
- Deposited ₹ 1.10 crore as compounding amount (being 25% of the tax evaded) and requested the Commissioner for compounding of the offence.

Even though all other conditions for compounding were fulfilled, the Commissioner rejected the request on the ground that the compounding amount deposited was less than the minimum required.

Examine the case and comment upon the rejection of the compounding request by the Commissioner under Section 138 of the CGST Act, 2017 read with relevant CGST Rules, 2017. Also, discuss the relevant legal provisions briefly.

#### Solution:

Offences Committed by Horizon Holidays Pvt. Ltd.:

1. Availing ITC using fake invoices without receipt of goods/services (Section 132(1)(c)).
2. Falsification or substitution of financial records with the intent to evade tax (Section 132(1)(f)).

Aggregate Amount of Tax Evasion/ITC Wrongly Availed:

- Understated output tax liability: ₹ 4.50 crore
- Fake ITC availed: ₹ 0.50 crore
- Total amount involved = ₹ 5 crore

Compounding Provisions (Section 138 of CGST Act, 2017):

- Compounding amount is prescribed under Rule 162 of CGST Rules, 2017.
- Where multiple offences are committed, the higher rate of compounding amount is applicable

Offence Type	Minimum Compounding Rate	Maximum Compounding Rate
Availing ITC on fake invoices	40% of ITC wrongly availed	60% of ITC wrongly availed
Falsification of financial records (tax evasion)	25% of tax evaded	25% of tax evaded

Since the higher rate applies, 40% is used for both offences.

Compounding amount = ₹5 crore × 40% = ₹2 crore

Conclusion:

- Horizon Holidays Pvt. Ltd. deposited ₹ 1.10 crore, which is less than the required compounding amount of ₹ 2 crore.
- Therefore, the Commissioner's rejection of the compounding request is justified.

### QUESTION 25

M/s Omega Enterprises, registered in Delhi, engaged in trading of electronic goods, was found guilty of issuing fake invoices without actual supply of goods or services during a GST investigation. The findings revealed:

- Total value of fake invoices issued: ₹30 crore.
- Tax evaded (GST @18%): ₹5.4 crore.

The offence falls under Section 132(1)(i) of the CGST Act, 2017, as the tax evaded exceeds ₹5 crore, categorizing it as a cognizable and non-bailable offence.

The Commissioner of Central Tax authorizes the arrest of Mr. Rohan Kapoor, the Managing Director of Omega Enterprises, under Section 69 of CGST Act, 2017. Whether arrest can be made in the given case?

### Solution:

As per Sec. 69, The Commissioner of Central Tax can authorize arrest if a person is believed to have committed offences specified under Section 132, which includes:

- Fake invoicing.
- Tax evasion.
- Wrongful ITC availment or utilization.
- If tax evasion exceeds ₹5 crore, the offence is classified as cognizable and non-bailable:
  - Cognizable offence: An offence for which the person can be arrested without a warrant and requires production before a Magistrate.
  - Non-bailable offence: Bail is at the discretion of the Magistrate.
- For cognizable offences:
  - The arrested person must be informed of the grounds of arrest.
  - Must be produced before a Magistrate within 24 hours.
- The arrest procedure must comply with the Code of Criminal Procedure (CrPC).

Details of Offence	Amount (₹)
Value of fake invoices issued	₹ 30 crore
Tax evaded (18%)	₹ 5.4 crore
Cognizable offence threshold	₹ 5 crore
Nature of offence (Section 132(5))	Cognizable & Non-bailable

### Therefore,

1. Commissioner of Central Tax authorized arrest under Section 69(1) due to ₹5.4 crore tax evasion (exceeds ₹5 crore).
2. Grounds of arrest communicated to Mr. Kapoor at the time of arrest.
3. Arrest memo prepared with details of arrest, signed by independent witnesses.
4. Family member informed about the arrest as per CrPC.
5. Produced before Magistrate within 24 hours of arrest.

### QUESTION 26

From the details given below, determine the maximum amount of fine in lieu of confiscation leviable under Section 130 of the CGST Act, 2017 for the following:

(i) Goods liable for confiscation.

(ii) Conveyance used for carriage of such goods.

Details:

Particulars	Amount (₹)
Cost of goods for owner (before GST)	₹ 12,00,000
Market value of goods	₹ 18,00,000
GST payable on such goods (@18%)	₹ 3,24,000

**Solution:**

As per Sec. 130, The fine in lieu of confiscation of goods shall not exceed the market value of goods (excluding tax). The minimum fine shall not be less than the amount of tax payable on such goods. If the conveyance is used for carriage of goods or passengers for hire, the owner is given the option to pay fine equal to the tax payable on the goods transported

**(i) Fine in lieu of confiscation on goods:**

Particulars	Amount (₹)
Market value of goods	₹ 18,00,000
Less: GST payable on goods	₹ 3,24,000
Maximum fine leviable (Market value - GST)	₹ 14,76,000

**(ii) Fine in lieu of confiscation on conveyance:**

Particulars	Amount (₹)
Tax payable on goods transported (GST)	₹ 3,24,000
Fine leviable on conveyance (equal to GST)	₹ 3,24,000

**QUESTION 27**

Discuss the prosecution, arrest, and bail implications, if any, in respect of the following cases pertaining to the period November 2025

1. Mr. Arjun avails input tax credit of ₹162 lakh without actual receipt of excisable goods. However, he is yet to utilize the same (i.e., yet to confirm this credit in his GSTR-2B return).
2. Mr. Sameer wilfully evades payment of tax of ₹275 lakh.
3. Mr. Dinesh collects ₹585 lakh as tax from his clients but deposits only ₹25 lakh with the Central Government.
4. Mr. Manish collects ₹265 lakh as IGST from his clients, deposits ₹261 lakh with the Central Government, but falsifies or substitutes financial records or produces fake accounts or documents.

**Solution:**

Person	Offence	Prosecution / Imprisonment	Arrest	Bail
Arjun	No offence, as ITC availed but not utilized (not confirmed in GSTR-2B).	Not applicable	Not applicable	Not applicable
Sameer	Non-cognizable offence under Section 132(1)(e) (tax evasion).	Up to 3 years with fine [Section 132(1)(ii)]	Arrest by Commissioner of Central Tax possible	Bailable [Section 132(4)1]
Dinesh	Cognizable offence [Section 132(1)(d)] (tax collected but not deposited).	Up to 5 years with fine [Section 132(1)(i)](iv)]	Arrest without warrant (by Commissioner)	Non bailable [Section 132(5)1]
Manish	Non-cognizable offence [Section 132(1)(f)] (falsifying accounts).	Up to 6 months or fine or both [Section 132(1)(iv)]	Arrest by Commissioner of Central Tax possible	Bailable [Section 132(4)1]

Prosecution Implications for Subsequent Offences (Section 132(2)):

If Sameer, Dinesh, and Manish are convicted for subsequent offences:

Person	Prosecution for Subsequent Offences
Sameer	Imprisonment up to <b>5 years with fine</b>
Dinesh	Imprisonment up to <b>5 years with fine</b>
Manish	Imprisonment up to <b>5 years with fine</b>

#### QUESTION 28

A show cause notice was issued demanding GST of ₹2,10,500 for the month of August, 20XX on 5th October, 20XX. However, after conducting a personal hearing, the adjudicating authority found that there was a typographical error in the SCN while mentioning the GST amount and confirmed the demand for ₹21,10,500. The assessee now seeks your advice.

What would be your advice in the following situations:

- (a) The assessee approaches you after the issuance of the order, or
- (b) A corrigendum revising the amount to ₹21,10,500 is issued on 18th November, 20XX

**Solution:**

**(a) Advice after issue of order:**

As per Section 75(7) of the CGST Act, 2017, the amount of tax, interest, and penalty demanded in the order cannot exceed the amount specified in the show cause notice. In the present case, the amount of tax confirmed in the order (₹21,10,500) is significantly higher than the amount mentioned in the SCN (₹2,10,500). Therefore, the assessee has valid grounds to file an appeal against the adjudication order, as it violates the statutory limit prescribed under Section 75(7).

**(b) Advice after issue of corrigendum:**

As per Section 161 of the CGST Act, 2017, any authority who has issued a notice may rectify any error apparent on the face of the record, either on its own motion or otherwise, within 6 months from the date of issue of such notice. However, where the rectification is purely clerical or arithmetical in nature, arising from any accidental slip or omission, the 6-month time limit does not apply.

In this case, the corrigendum issued on 18th November, 20XX seeks to correct a typographical error in the original SCN by revising the tax amount from ₹2,10,500 to ₹21,10,500. Since this is a clerical error apparent on face of the record, the rectification is valid in law, and the time limit will not apply.

Therefore, the assessee should respond to the show cause notice considering the revised amount of demand as mentioned in the corrigendum.

#### QUESTION 29

In an appeal filed with the High Court by Prateek Ltd., on the question whether activity undertaken by Prateek Ltd. amounts to supply, the appeal was decided in favour of Prateek Ltd. The amount of tax, interest and penalty involved were IGST of ₹ 1.2 crore, interest of ₹ 60 lakh and penalty of ₹ 50 lakh.

**Solution:**

Section 120 of the CGST Act, 2017 provides that the Board may, on the recommendations of the Council, from time to time, issue orders or instructions or directions fixing such monetary limits, as it may deem fit, for the purposes of regulating the filing of appeal or application by the officer of the central tax under the provisions of this Chapter. CBIC vide Circular No. 207/1/2024 GST dated 26.06. 2024 has fixed the following monetary limits for filing appeals/ applications/ Special Leave Petition by the Department before GSTAT, High Courts and Supreme Court subject to specified exclusions:

Appellate forum	Monetary limit (Amount involved in ₹)
GSTAT	20 lakh
High Court	1 crore
Supreme Court	2 crore

Further, where the dispute pertains to demand of tax (with or without penalty and/or interest), the aggregate of the amount of tax in dispute (including CGST, SGST/UTGST, IGST and Compensation Cess) only shall be considered while applying the monetary limit for filing appeal, viz. ₹ 1.2 crore (amount of tax only) in the given case. Thus, appeal cannot be filed by the Department to Supreme Court in the given case as the amount involved as per the circular does not exceed the monetary limit of ₹ 2 crore. However, the circular further provides that the monetary limits specified above for filing appeal or application by the Department before GSTAT or High Court and for filing Special Leave Petition or appeal before the Supreme Court shall not be applicable in the following circumstances where the decision to file appeal shall be taken on merits irrespective of the said monetary limits:

- i. Where any provision of the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act has been held to be ultra vires to the Constitution of India; or
- ii. Where any rules or regulations made under the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act have been held to be ultra vires the parent Act; or
- iii. Where any order, notification, instruction, or circular issued by the Government or the Board has been held to be ultra vires of the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act or the rules made thereunder; or
- iv. Where the matter is related to –
  - a. valuation of goods or services; or
  - b. classification of goods or services; or
  - c. refunds; or
  - d. place of supply; or
  - e. any other issue,
 which is recurring in nature and/or involves interpretation of the provisions of the GST law/ the Rules/ notification/ circular/ order/ instruction etc.; or
- v. Where strictures/adverse comments have been passed and/or cost has been imposed against the Government/Department or their officers; or
- vi. Any other case or class of cases, where in the opinion of the Board, it is necessary to contest in the interest of justice or revenue.

In view of the above, if in the given case the matter is related to valuation of services, appeal can be filed by the Department to the Supreme Court based on the merits irrespective of the monetary limits.

### QUESTION 30

Smith Inc., a company located in USA, charges subscription fee from its unregistered customers in India at its online money gaming portal. The Department contends that GST should be charged on the subscription fees which Smith Inc. receives from Indian customers. Smith Inc. opposes the above view stating that since online money gaming are intangible goods and do not cross customs frontiers physically in this case, GST is not leviable thereon. Considering the above facts, you are required to answer the following questions:

- (i) What would be the place of supply in this case?
- (ii) Whether GST is leviable on the subscription fee charged by Smith Inc. from unregistered customers? If yes, who is required to pay said GST?

### Solution:

- (i) As per section 11 of the IGST Act, 2017, the place of supply of goods imported into India is the location of the importer. Online money gaming being specified actionable claim is covered in goods, in terms of section 2(52) read with section 2(102A). Accordingly, in the



given case, the place of supply would be location of the recipient of specified actionable claim of online money gaming, i.e., India.

- (ii) As per proviso to section 5(1) of the IGST Act, 2017, IGST on goods imported into India is levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962.

However, in case of intangible goods, it is not possible to levy and collect IGST on imports in said manner, as the goods do not cross the customs frontiers physically. Resultantly, the Government has notified certain goods for whom proviso to section 5(1) of the IGST Act, 2017 will not be applicable for levy and collection of IGST; in such cases, IGST shall be levied and collected in the manner specified in section 5(1) only. Supply of online money gaming has been notified for the said purpose.

So, import of specified actionable claim of online money gaming will be taxed under IGST as import of goods.

Accordingly, the contention of department is correct in this case and Smith Inc. is liable to pay IGST on subscription fees that it receives from unregistered customers from India. As per section 14A of the IGST Act, 2017, a supplier of online money gaming, not located in the taxable territory, shall in respect of the supply of online money gaming by him to a person in the taxable territory, be liable to pay IGST on such supply. Section 24(xia) makes it mandatory for a every person supplying online money gaming from a place outside India to a person in India to obtain registration irrespective of quantum of aggregate turnover. A supplier of online gaming services is required to take a single registration under a Simplified Registration Scheme.

However, if the supplier has a representative in India for any purpose, such person (representative in India) shall get registered and pay IGST on behalf of the supplier.

In case the overseas supplier neither has a physical presence nor has any representative for any purpose in India, he may appoint a person in India for the purpose of paying IGST and such person shall be liable for payment of such tax.

Accordingly, in the given case, since Smith Inc. is required to pay the IGST on the subscription fees that it charges from Indian customers, it is required to pay the IGST in the manner specified above.

### QUESTION 31

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

Due to urgency, he got his car repaired in the local garage of a nearby market instead of garage authorized by his general insurance company, i.e. Suraksha Insurance Company, through which his car was insured. The total cost of repairs was ₹ 54,000 (excluding GST @ 18%). On the instructions of Mr. Divas, the invoice for the entire amount was raised by garage in the name of Suraksha Insurance Company. The insurance company approved the claim amount of only ₹ 40,000 after the survey and reimbursed the same amount along with GST @ 18% to Mr. Divas. In light of the above facts, you are required to answer the following questions:

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

### Solution:

- (i) Section 17(5) provides that ITC in respect of services of repair of motor vehicles shall be available where received by a taxable person engaged in the supply of general insurance services in respect of motor vehicles insured by him. Further, section 2(93) defines recipient of supply of goods or services or both, as the person who is liable to pay the consideration,

where such consideration is payable for the said supply of goods or services or both. As per section 2(31), consideration includes any payment made or to be made in relation to supply of the goods or services or both, whether by the recipient or by any other person.

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

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

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

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

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

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

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

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

### QUESTION 32

ABC & Associates LLP (ABC), a firm of Chartered Accountants, was empanelled with the Commissioner of GST for appointment as Special Auditor under section 66 of the CGST Act, 2017. X Ltd., a registered person under GST, was selected by the Office of the Commissioner for special audit under section 66 of the CGST Act, 2017 for a financial year on account of irregularities noticed during scrutiny of returns. ABC was nominated by the Office of the Commissioner for special audit of X Ltd. The input tax credit claim by X Ltd. i.e. the auditee, under Form GST ITC- 01, was certified by one of the associate firms of ABC in favour of X Ltd. Such certificate was based on incorrect facts and against the eligibility criteria for input tax

credit as per section 18 of the CGST Act, 2017. However, if ABC fails to exercise due diligence and the certificate is taken on record by ABC as an audit procedure and is relied upon at the time of finalization of audit report and submission of findings. Discuss briefly, what will be its implications under GST law?

**Solution:**

**Non-reporting of material discrepancies noticed during the audit procedure and reliance upon incorrect certificates and information**

ABC audit team did not exercise due diligence to ascertain that the input tax credit availed by X Ltd. is not in compliance with the GST provisions. Instead, ABC relied on the certificate issued by its own associate firm which justified the incorrect input tax credit claim by X Ltd. In such a scenario both ABC and the associate firm, which issued the certificate to justify the input tax credit claim, were aiding and abetting X Ltd. in wrongful availment of credit, which is an offence punishable with penalty under 122(3). This offence may also be punishable with imprisonment and fine under section 132(1) depending on the amount of default involved and subject to specified conditions. Further, ABC as well as its associate firm may be held guilty of professional misconduct.

**QUESTION 33**

Arnav Enterprises, a registered supplier located in Madhya Pradesh, has duly filed its monthly GST returns for the financial year 2024–25. During the scrutiny of its returns for the said financial year in August 2025, the proper officer noticed an inadvertent short payment of CGST and SGST totaling ₹ 4,60,000 in the month of October 2024, on account of a bonafide error. Before issuance of the show cause notice by the proper officer, Arnav Enterprises paid the tax of ₹ 1,00,000 (₹ 50,000 CGST and ₹ 50,000 SGST) on the basis of its own ascertainment along with applicable interest and with penalty, if any, on 15th September 2025 and informed the proper officer in writing of such payment.

Based on the facts above, answer the following:

- 1) Ascertain the last date by which show cause notice can be issued by the proper officer for the amount of tax short paid by Arnav Enterprises.
- 2) Determine the amount of penalty, if any, payable on the payment of tax of ₹ 1,00,000 by Arnav Enterprises on the basis of its own ascertainment along with applicable interest on 15th September 2025.
- 3) Assuming that the proper officer decides to issue a show cause notice under section 74A on 10th October 2025, determine the maximum amount of tax for which he can issue the show cause notice. Ascertain the last date by which the proper officer should issue order under section 74A assuming that show cause notice is issued by proper officer on said date.
- 4) In continuation of sub-part (3) above, if proper officer issues a show cause notice under section 74A on 10th October, 2025 for the amount of tax so allowed and Arnav Enterprises decides to pay said tax along with applicable interest, on 5th December, 2025, you are required to determine penalty, if any, payable by Arnav Enterprises.

In each of the above cases, will your answer be different if the short payment of tax is on account of fraud, other facts remain the same?

**Note –** Assume that the due date for furnishing annual return has not been extended and limitation period for issuance of order under section 74A has not been extended by the Commissioner. Ignore computation of interest in the above question.

**Solution:**

- 1) The proper officer can issue a show cause notice within 42 months from the due date of furnishing the annual return for relevant financial year to which short payment relates to [Section 74A(2)]. For the financial year 2024–25, the due date for furnishing the annual return is 31st December, 2025. Therefore, the last date by which show cause notice can be issued by the proper officer for the amount of tax short paid by Arnav Enterprises is 30th

June 2029. Further, section 74A stipulates the same limitation period for issuance of show cause notice whether the short payment is on account of fraud or on account of a bonafide error. Thus, answer will remain same if the short payment of tax is on account of fraud.

- 2) The person chargeable with tax where any tax has been short paid, may, before service of show cause notice, pay the amount of tax along with interest payable under section 50 of such tax on the basis of his own ascertainment of such tax and inform the proper officer in writing of such payment, and the proper officer, on receipt of such information shall not serve any show cause notice in respect of the tax so paid or any penalty payable under the provisions of the CGST Act or the rules made thereunder [Section 74A(8)(i)]. Thus, no penalty is payable by Arnav Enterprises in respect of payment of tax of ₹ 1,00,000 before issuance of show cause notice.

No show cause notice will be issued by the proper officer in respect of the tax of ₹ 1,00,000 so paid.

However, in case where the short payment of tax is on account of fraud, the person chargeable with tax, may before service of show cause notice, pay the amount of tax along with interest payable under section 50 and a penalty equivalent to 15% of such tax on the basis of his own ascertainment of such tax or the tax as ascertained by the proper officer and inform the proper officer in writing of such payment, and the proper officer, on receipt of such information, shall not serve any show cause notice, in respect of the tax so paid or any penalty payable under the provisions of the CGST Act or the rules made thereunder [Section 74A(9)(i)]. Thus, a penalty of ₹ 15,000 [ $₹ 1,00,000 \times 15\%$ ] is payable by Arnav Enterprises along with payment of tax of ₹ 1,00,000 with applicable interest, before issuance of show cause notice. No show cause notice will be served by the proper officer after payment of tax along with interest and penalty, in respect of the tax so paid.

- 3) Since Arnav Enterprises has paid the tax of ₹ 1,00,000 alongwith interest before issuance of show cause notice, no show cause notice will be issued by the proper officer in respect of the tax so paid [Section 74A(8)(i)].

However, where the proper officer is of the opinion that the amount paid under section 74A(8)(i) falls short of the amount actually payable, he shall proceed to issue the show cause notice in respect of such amount which falls short of the amount actually payable [Section 74A(10)].

Thus, in the given case, the proper officer will issue the notice for the remaining tax of ₹ 3,60,000 [ $₹ 4,60,000 - ₹ 1,00,000$ ].

In case where the short-payment is on account of fraud, answer will be as follows:

Since Arnav Enterprises has paid the tax of ₹ 1,00,000 alongwith applicable interest and penalty before issuance of show cause notice, no show cause notice will be issued by the proper officer in respect of the tax so paid [Section 74A(9)(i)].

However, where the proper officer is of the opinion that the amount paid under section 74A(9)(i) falls short of the amount actually payable, he shall proceed to issue the show cause notice in respect of such amount which falls short of the amount actually payable [Section 74A(10)].

Thus, in the given case, the proper officer will issue the notice for the remaining tax of ₹ 3,60,000 [ $₹ 4,60,000 - ₹ 1,00,000$ ].

Further, the proper officer is required to issue the order within 12 months from the date of issuance of show cause notice, in both fraud and non-fraud cases [Section 74A(7)]. Thus, in the given case, the proper officer has to issue the order on or before 10th October, 2026, whether the short payment is on account of fraud or on account of a bonafide error.

- 4) Where the person chargeable with tax, where any tax has been short paid, pays the said tax along with interest payable under section 50 within 60 days of issue of show cause notice, and on doing so, no penalty shall be payable and all proceedings in respect of the said notice shall be deemed to be concluded [Section 74A(8)(ii)].



Thus, in the given case, since Arnav Enterprises has paid the tax of ₹ 3,60,000 along with applicable interest within 60 days of issuance of show cause notice, i.e. on or before 9th December, 2025, no penalty shall be payable and all proceedings in respect of the said notice shall be deemed to be concluded.

In case where the short-payment is on account of fraud, answer will be as follows:

Where the person chargeable with tax, where any tax has been short paid, pays the said tax along with interest payable under section 50 and a penalty equivalent to 25% of such tax within 60 days of issue of the notice, and on doing so, all proceedings in respect of the said notice shall be deemed to be concluded [Section 74A(9)(ii)].

Thus, in the given case, Arnav Enterprises has to pay penalty of ₹ 90,000 [₹ 3,60,000 × 25%]. If Arnav Enterprises has paid the tax of ₹ 3,60,000 along with applicable interest and penalty of ₹ 90,000 [₹ 3,60,000 × 25%] on 5th December, 2025, which is within 60 days of issuance of show cause notice, i.e. on or before 9th December, 2025, all proceedings in respect of the said notice shall be deemed to be concluded.

#### QUESTION 34

The Appellate Authority (AA) passed an order against Venue Automobiles Pvt. Ltd. demanding IGST of ₹ 1,200 crore. Venue Automobiles Pvt. Ltd. wishes to file an appeal against the order of the AA. The company admits the liability of ₹ 100 crore but wishes to litigate the balance demand amount and thus, files an appeal to the Appellate Tribunal.

You are required to determine the amount of the pre-deposit, which is required to be paid by Venue Automobiles Pvt. Ltd. for filing the appeal.

#### Solution:

Section 112(8) lays down that no appeal can be filed before the Appellate Tribunal, unless the appellant deposits:

- a) full amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him, and
- b) 10% of the remaining amount of tax in dispute, in addition to the amount deposited before the AA, arising from the said order, subject to a maximum of ₹ 20 crore (₹ 40 crore in case of IGST), in relation to which appeal has been filed.

Accordingly, in the given case, the amount of pre-deposit to be made by Venue Automobiles Pvt. Ltd. for filing the appeal to the Appellate Tribunal is computed as under-

- (i) Full amount of tax, interest and penalty as admitted by the company, i.e. ₹ 100 crore and
- (ii) 10% of the tax in dispute, i.e. ₹ 110 crore (10% of ₹ 1,100 crore) subject to a maximum of ₹ 40 crore

Therefore, total pre-deposit to be made by the company before filing an appeal in the Appellate Tribunal is ₹ 100 crore (total liability admitted by the company) plus ₹ 40 crore, i.e. ₹ 140 crore.

#### QUESTION 35

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.

**Solution:**

- 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 36**

Sitaram Industries Limited, a registered entity under GST, in the State of Karnataka, is engaged in manufacture and supply of both taxable and exempt goods and services. Following information for the month of October, 2023 is provided by it:

S. No.	Particulars	Amount (₹)
	<b>OUTWARD SUPPLIES:</b>	
A	Sold an old warehouse building in the State of Karnataka to a retail giant in the same State	30,00,000
B	Supplied 30 laptops over the counter to Mr. Sudhakar, an unregistered buyer, who took it to his residence in Haryana. [Invoice issued to him mentions only his name and State. However, his complete address of Haryana is missing in the invoice.]	12,00,000
	Special boxes for packing of the laptops	1,30,000
C	Provided Direct Selling Agent service to Kumkum Bank, registered in Karnataka	4,00,000
D	Provided pure labour services pertaining to a single residential unit in Mumbai, Maharashtra (otherwise than as a part of residential complex) for erection and installation of renovation works for a client registered in Maharashtra	6,20,000
E	Provided free of cost training in a resort in Puducherry to its agents based in the State of Karnataka on effective use of the products of the company. [Open market value of the said service is ₹ 1,00,000. Value of supply of service of like kind and quality is ₹ 1,20,000.]	

F	Interest received on fixed deposits from Sulakshan Bank, registered in Karnataka	2,00,000
	<b>INWARD SUPPLIES:</b>	
G	Received a debit note in respect of inward intra- State taxable supplies received in the financial year 2020-21 for the quantity difference as agreed. These inward supplies were used for all goods manufactured in factory. Date of debit note is 16th October, 2023.	4,00,000
H	Solar panels installed in the factory for providing electricity to be used in factory (Intra- State)	5,00,000
I	Purchased employee uniforms for 1000 employees (Inter-State) [Uniforms worth ₹ 3,00,000 were necessary to ensure the safety of the workers while carrying out the manufacturing activity. Remaining uniforms worth ₹ 4,00,000 were sometimes worn by the employees outside the factory for personal purposes.]	7,00,000

The company provided the following additional information:

- In respect of sale of old warehouse building, stamp duty was paid on ₹ 32 lakh.
- The company provided a corporate guarantee of ₹ 2 crores to Laxmi Logistics Limited, its related company having registered office in the State of Karnataka, for loan availed by the latter from Jandhan Bank Ltd., Karnataka.
- The accountant of the company did not claim input tax credit in respect of debit note received for the reason that the original purchase related to earlier years for which ITC claim eligibility was over.
- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services, except special packing boxes for which the applicable rates of CGST, SGST and IGST are 6%, 6% and 12% respectively.
- All the amounts given above are exclusive of taxes, wherever applicable. From the information given above, you are required to compute the eligible ITC available for set off and minimum net GST payable in cash (CGST, SGST or IGST, as the case may be) for the month of October, 2023. Provide brief reasons for the treatment of each item.

**Solution:**

Particulars	Value	IGST @ 18%	CGST @ 9%	SGST @ 9%
	₹	₹	₹	₹
<b>Outward Supply:</b>				
<b>Sale of old warehouse building</b>	Nil	-	-	-
[Since sale of building is neither supply of goods nor supply of services in terms of para 5 of Schedule III of the CGST Act, 2017, it does not qualify as supply.]				
<b>Supply of laptops</b> [Inter-State supply since place of supply here is the location as per the address of the unregistered recipient (name of the State) recorded in the invoice issued in respect of the supply, viz. Haryana, in terms of section 10(1)(ca) of the IGST Act, 2017. Further, as per section 8(a), supply of laptops with packing is a composite supply, chargeable to tax at the rate applicable to the principal supply (viz. supply of laptops) i.e., 18%.]	1330000 [12,00,000+ 1,30,000]	2,39,400	-	-

<b>Direct Selling Agent service</b> [Intra-State supply since place of supply here is the location of recipient, viz. Karnataka, in terms of section 12(2)(a) of the IGST Act, 2017. Further, tax will be payable under forward charge since such services are provided by a person other than individual - Notification No. 13/2017 CT(R) dated 28.06.2017.]	4,00,000	-	36,000	36,000
<b>Pure labour servicer</b> [Inter-State supply since place of supply here is the location of immoveable property, viz. Maharashtra in terms of section 12(3) of the IGST Act, 2017. Further, services by way of pure labour contracts of erection and installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt in terms of Notification No. 12/2017 CT(R) dated 28.06.2017. However, such services in relation to renovation work are not exempt.]	6,20,000	1,11,600	-	-
<b>Free training to agents [Services provided by the company to agents]</b> [Services provided by the company to agents without consideration is not deemed as supply in terms of para 3 of Schedule-I since only goods supplied by principal to agent are covered therein. Further, such services are also not covered in para 2 of Schedule I as agents are not related persons.]	1,00,000	-	-	-
<b>Corporate guarantee provided to Laxmi Logistics Limited</b> [Supply of service between related parties even when made without any consideration is deemed supply in terms of Schedule I. Further, value of corporate guarantee, in terms of rule 28(2), will be higher of: (i) 1% of the amount of such guarantee offered per annum, or (ii) actual consideration] (i.e. 1% of ₹ 2 crore) [Circular No. 204/16/2023 GST dated 27.10.2023]	2,00,000	-	18,000	18,000
Interest received on fixed deposits [Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest are exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017]	2,00,000	-	-	-
<b>Gross GST liability [A]</b>		<b>3,51,000</b>	<b>54,000</b>	<b>54,000</b>
Less: ITC available for set off [Refer Note (iii) below]		24,958	16,639	16,639
<b>Net GST payable in cash</b>		<b>3,26,042</b>	<b>37,361</b>	<b>37,361</b>

**Notes:**

**(i) Computation of ITC admissible to Sitaram Industries Ltd. for the month of October, 2023**

Particulars	Value	IGST	CGST	SGST
	₹	₹	₹	₹
Debit note received [ITC on debit notes issued in a financial year can be availed any time till 30th November of the succeeding financial year or the date of filing of the relevant annual return, whichever is earlier, irrespective of the date of original invoice/ supply, in terms of section 16(4).]	4,00,000	-	36,000	36,000
Solar panels purchased [ITC cannot be claimed in respect of solar panels, since ITC on goods or services or both received by a taxable person for construction of an immovable property (other than plant and machinery on his own account including when such goods or services or both are used in the course of furtherance of business is blocked in terms of section 17(5)(d).]		-	-	-
Uniforms purchased [ITC on the uniforms which are necessary to ensure the safety of the employees while carrying out the business activity, is available. However, uniforms not provided for any safety purpose are construed as being used for personal consumption and thus, ITC thereon is blocked in terms of section 17(5)(d).]	3,00,000	54,000	-	-
<b>Total</b>		<b>54,000</b>	<b>36,000</b>	<b>36,000</b>

**(ii) Computation of common credit attributable to exempt supplies in respect of Sitaram Industries Ltd. for the month of October, 2023**

Particulars	Value	IGST	CGST	SGST
	(₹)	(₹)	(₹)	(₹)
Common credit on receipt of debit note [Debit note, although received in respect of taxable inward supply, is being used for all goods manufactured in factory which comprises of both taxable and exempt goods.]		--	36,000	36,000
Common credit on purchase of uniforms [Uniforms are being used commonly for manufacturing of both taxable and exempt goods.]		54,000		
Common credit attributable to exempt supplies (rounded off) = Common credit x (Exempt turnover during the period / Total turnover during the period) = ₹ 54,000 x ₹ 32,00,000 / ₹ 59,50,000 (IGST) = ₹ 36,000 x ₹ 32,00,000 / ₹ 59,50,000 (CGST/SGST) Exempt turnover = ₹ 32,00,000 and total turnover = ₹ 59,50,000 [Refer note below]		29,042	19,361	19,361

**Note:** As per explanation to section 17(3), the expression "value of exempt supply" shall not include the value of activities or transactions specified in Schedule III, except, inter alia, sale of building subject to clause (b) of paragraph 5 of Schedule II. Further, as per explanation to Chapter V

(Input Tax Credit) of the CGST Rules, 2017, for determining the value of an exempt supply as referred to in section 17(3), the value of exempt supply in respect of land and building is the value adopted for the purpose of paying stamp duty. Further, as per explanation 1 to rule 43, the aggregate value of exempt supplies for the purpose of rules 42 and 43, inter alia, excludes the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances. Therefore, value of exempt turnover in the given case will be the value of building (₹ 32,00,000). Total turnover will be sum of value of building (₹ 32,00,000) + supply of laptop (₹ 13,30,000) + supply of Direct Selling Agent service (₹ 4,00,000) + supply of pure labour service (₹ 6,20,000) + supply of corporate guarantee (₹ 2,00,000) + interest received on fixed deposits (₹ 2,00,000) = ₹ 59,50,000

**(iii) Computation of ITC available for set off of Sitaram Industries Limited for the month of October, 2023**

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Common credit on inputs and input services		54,000	36,000	36,000
<b>ITC available in the Electronic Credit Ledger</b>		<b>54,000</b>	<b>36,000</b>	<b>36,000</b>
Less: Common credit attributable to exempt supplies during the tax period [As calculated in Note (ii) above]		29,042	19,361	19,361
<b>ITC available for set off</b>		<b>24,958</b>	<b>16,639</b>	<b>16,639</b>

**QUESTION 37**

ABC Ltd., a unit in SEZ, received services from XYZ Ltd. in relation to authorized operations as well as other operations in SEZ during the month May, 2024. The following details are furnished for the month May, 2024:

- (i) Value of Taxable services used exclusively for authorized operations within SEZ: ₹ 8,00,000.
- (ii) Value of Taxable Services used partly for authorised operations and partly for non-authorized operations: ₹ 9,00,000.
- (iii) Value of Taxable Service used wholly for non-authorized operations: ₹ 7,00,000.
- (iv) Export Turnover of SEZ Unit: ₹ 90,00,000
- (v) Domestic Turnover of SEZ Unit: ₹ 60,00,000

Compute the Input Tax Credit (ITC) that can be availed by ABC Ltd. and amount of refund if any, if the applicable rate of GST is 18%

**Solution:**

As per Section 16 of the IGST Act, 2017, supplies of goods and services to a unit in a Special Economic Zone (SEZ) in relation to their authorised operations are treated as zero-rated supplies. Consequently, supplier of such supplies claims refund under either of the options available under Section 16 and shall not charge GST to SEZ unit. However, when the supplies are for other than authorised operations then it is not a zero rated and supplier shall charge GST to SEZ unit as the supplier is not eligible for any refund.

Such GST paid by recipient can be availed as ITC and can claim refund of such ITC upon making export

Value of Taxable Services Used Exclusively for Authorized Operations: Nil

Value of Taxable Services Used Partly for Authorized Operations and Partly for Non-Authorized Operations: ₹9,00,000 × 18% = ₹1,62,000

Value of Taxable Services Used Wholly for Non-Authorized Operations: ₹7,00,000 × 18% = ₹1,26,000

Total Eligible ITC = ₹1,62,000 + ₹1,26,000 = ₹2,88,000

Refund = ₹2,88,000 × 90/150 = ₹1,72,800



### QUESTION 38

XYZ Ltd., a registered entity under GST, was found to be involved in fraudulent activities during a GST audit conducted in July 2022. The audit revealed that XYZ Ltd. had issued fake tax invoices worth ₹60 lakhs to PQR Ltd. during the period from January 2022 to March 2022, without making any actual supply of goods or services. The applicable GST rate on these invoices was 18%. On the basis of these invoices, PQR Ltd. fraudulently availed input tax credit (ITC) of ₹10.8 lakhs. PQR Ltd. further utilized this ITC to discharge its GST liability on outward supplies valued at ₹80 lakhs. The applicable GST rate on these outward supplies was 18%. It was also found that PQR Ltd. issued fake invoices amounting to ₹30 lakhs to DEF Ltd. without any underlying supply of goods or services, enabling DEF Ltd. to fraudulently claim ITC of ₹5.4 lakhs (18% of ₹30 lakhs).

Calculate the penalty that may be imposed on XYZ Ltd., PQR Ltd., and DEF Ltd. under the provisions of the CGST Act, 2017, for issuing fake invoices, availing fraudulent ITC, and passing on ITC without any actual supply of goods or services.

#### Solution

Based on the analysis of the Circular No. 171/03/2022-GST, the following points apply to the case you described:

XYZ Ltd. is liable for penal action under Section 122(1)(ii) for issuing invoices without actual supply. The penalty is the higher of the tax amount of ₹60 lakhs X 18% ₹10.8 lakhs. or ₹10,000. Therefore, the penalty is ₹10.8 lakhs

PQR Ltd. will be liable for demand and recovery of fraudulent ITC under Section 74A (₹10.8 lakhs) as they have utilised ITC for payment of their liability of ₹80 lakhs X 18% = ₹14.4 lakhs and further penal action under Section 122(1)(vii) for invoice without supply i.e., ₹30 lakhs X 18% = ₹5.4 lakhs (or) ₹10,000 whichever is higher and the total penalty shall be ₹16.2 lakhs.

DEF Ltd. is liable for penal action under Section 122(1)(vii) (i.e., ITC default) for fraudulent ITC of ₹5.4 lakhs.

### QUESTION 39

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

Particulars	Award function in Hyderabad (Telangana)	Award function in Dubai
Revenue from sale of tickets		
10,000 tickets of ₹400 each sold to audience residing in India	₹30,00,000 (7,500 tickets)	₹10,00,000 (2,500 tickets)
2,000 tickets of ₹1,200 each sold to audience residing outside India	₹24,00,000	Nil
8,000 tickets of ₹2,400 each sold to audience residing outside India	Nil	₹1,92,00,000
"Shreya arts" an event management company (Registered in K.A) provided services by way of organising an event for a consideration	₹14,00,000	₹28,00,000
"A2Z Events" an event management company (Located in Dubai) provided	4,00,000	32,00,000

services by way of organising and event for a consideration		
Various actors and actress based at M.H performed classical dance in the event	₹3,00,000 for 3 performances	₹4,00,000 for 2 performances
Fangs Technologies (p) Ltd. gave money for title sponsor	₹4,00,000	₹12,00,000
"Loot Academy" owned by an individual also gave a title sponsor	₹3,00,000	₹9,00,000
Other inputs and input services received for the event from outside M.H	₹6,00,000	₹12,00,000

**Additional information:**

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

Based on the above information, compute the net GST payable.

**Solution:**

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

### Computation of ITC

	Event in Telangana	Event in Dubai
(i) Event management services from Shreya arts	LOS= K.A LOR = M.H POS u/s 12 (B2B) =LOR = M.H  Interstate supply, Chargeable to IGST $\therefore$ IGST credit = ₹ 14,00,000 × 18% = ₹ 2,52,000	LOS= K.A LOR = M.H POS u/s 12 (B2B) =LOR = M.H  Interstate supply, Chargeable to IGST $\therefore$ IGST credit = ₹ 25,00,000 × 18% = ₹ 5,04,000
(ii) Event Management services from A2Z events	LOS= Dubai LOR = M.H POS u/s 13 =LOE = Telangana  Import of Services → IGST payable under RCM  $\therefore$ IGST Credit = ₹ 4,00,000 × 18% = ₹ 72,000	LOS= Dubai LOR = M.H POS u/s 13 =LOE = Dubai  No Levy
(iii) Classical Dance performance	Exempted as the consideration per performance ≤ ₹ 1,50,000	Not exempted as the consideration per performance > ₹ 1,50,000 ↓ LOS = M.H; LOR = M.H POS u/s 12 = M.H & it is intra state supply  CGST paid = 4,00,000 × 9% = 36,000  SGST paid = 4,00,000 × 9% = 36,000
(iv) Other input & input services	6,00,000 × 18% = 1,08,000 → IGST Credit	12,00,000 × 18% = 2,16,000 → IGST Credit

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

Gross Liability	= 24,00,00 × 18%	= 4,32,000	(Sale of tickets)
	= 12,00,000 × 18%	= 2,16,000	(Sponsorship)
		6,48,000	
(-) ITC Available	=12,24,000	(6,48,000)	
		0	
(+) GST Payable under RCM		72,000	(Import of services)
<b>Net GST Payable</b>		<b>72,000</b>	

#### QUESTION 40

Determine whether GST is payable in respect of each of the following independent services provided by the registered persons:

- (1) Service provided to a Governmental Authority by way of slum improvement and upgradation.
- (2) Fees of ₹ 20,000 charged from office staff for in-house personality development course conducted by Banarsidas College providing education as part of a curriculum for obtaining a qualification recognised by Indian law.
- (3) Bus fees of ₹ 2,000 per month collected from students by RPSD College providing education as part of a curriculum for obtaining a qualification recognised by Indian law.
- (4) Housekeeping service provided by M/s. Buff Ltd. to Bloom Montessori school, a play school, for cleaning its playground and classrooms for ₹ 30,000 per month.
- (5) Grow Buds supplied 'Gratitude Jot', an online educational journal, to students of UKG class of Seeds Montessori School for ₹ 2,000.

#### Solution

- (1) Services provided to a Governmental Authority by way of slum improvement and upgradation is specifically exempt from GST vide exemption notification under GST law.
- (2) Services provided by an educational institution to its students, faculty and staff are exempt from GST vide exemption notification. Educational Institution has been defined to mean, inter alia, an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force. Since Banarsidas College provides education as part of a curriculum for obtaining a qualification recognised by Indian law, the services provided by it to its staff by way of conducting personality development course would be exempt from GST, it being an educational institution.
- (3) Since RPSD College provides education as a part of a curriculum for obtaining a qualification recognised by Indian law, the transport services provided by RPSD College to its students are exempt from GST.
- (4) Services provided to an educational institution, by way of, inter alia, house-keeping services performed are exempt from GST vide exemption notification provided such services are performed in such educational institution. However, such exemption is available only when the said services are provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent. In view of the above discussion, house-keeping services provided to Bloom Montessori Play School are exempt from GST since housekeeping services have been performed in such play school itself.
- (5) Services provided to an educational institution by way of supply of online educational journals or periodicals is exempt from GST vide exemption notification. However, such exemption is not available to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent. Therefore, supply of online journal to students of UKG class of Seeds Montessori School is not exempt from GST.

#### QUESTION 41

M/s Maxiline Corp (not an EOU) had imported technical instruments from the USA at a value of ₹180 lakh on payment of customs duty. Later, the same instruments were sent back to the supplier for repairs.

- The supplier offered a 50% discount on the fair cost of repairs, and Maxiline Corp paid USD 15,000.
- Additional details:

Particulars	Date	Rate of Duty	Interbank Exchange Rate	CBIC Notified Rate
Bill of Entry Filing	21-02-20XX	20%	60	62
Aircraft Arrival	26-02-20XX	15%	62	61

IGST applicable under Section 3(7) of the Customs Tariff Act, 1975: 12%

- Insurance: Outward ₹20,000, Inward ₹30,000
- Air Freight: Outward ₹80,000, Inward ₹1,20,000

Other Information:

- The goods were re-imported within 3 years of dispatch for repairs.
- The exported and imported goods are the same.
- Ownership of the goods remained unchanged. 61
- Export was not from a warehouse, and repairs did not amount to manufacture.

You are required to compute:

- The Assessable Value (CIF)
- The Total Customs Duty Payable

**Solution:**

Particulars	Amount (₹)	Working Notes
Fair cost of repairs	18,60,000	(USD 15,000 -f 50%) × ₹ 62 = USD 30,000 × ₹ 62 = ₹ 18,60,000
Add: Insurance (Outward + Inward)	50,000	₹ 20,000 + ₹ 30,000
Add: Air Freight (Outward + Inward)	2,00,000	₹ 80,000 + ₹ 1,20,000
Total Assessable Value (CIF)	21,10,000	

**Computation of Customs Duty Payable**

Duty Component	Amount (₹)	Working Notes
Basic Customs Duty (BCD) @15%	3,16,500	15% of ₹ 21,10,000
Social Welfare Surcharge (SWS) @10% on BCD	31,650	10% of ₹ 3,16,500
Subtotal for IGST computation	24,58,150	₹21,10,000 + ₹3,16,500 + ₹ 31,650
IGST @12%	2,94,978	12% of ₹ 24,58,150
Total Customs Duty Payable	6,43,128	BCD+ SWS + IGST = ₹ 3,16,500 + ₹ 31,650 + ₹ 2,94,978

#### QUESTION 42

M/S Xenon Minerals Ltd. Imported 500 Units Of Minerals Under High Seas Sales For Resale In India. The Selling Price Is Exclusive Of Duties And Taxes.

Additional Information:

- Freight From Port To Depot (India): ₹10,150
- Insurance From Port To Depot (India): ₹1,250
- Basic Customs Duty (BCD): 12% • Social Welfare Surcharge (SWS): 10% On BCD
- No IGST Applicable On This Product.

The Sales Data For Identical Minerals During The Same Period Is As Follows:

Sale Quantity (Units)	Unit Price
400	100
300	90
150	100
500	95
250	105
350	90
50	100



**Requirement:**

Compute The Assessable Value And Total Customs Duty Payable Under Rule 7 Of The Customs Valuation (Determination Of Value Of Imported Goods) Rules, 2007.

**Solution:**

As per Rule 7 of the Customs Valuation Rules, 2007, where the goods are sold in India and there are multiple unit prices, the unit price at which the greatest aggregate quantity is sold is taken for customs valuation.

Unit Price	Quantity Sold (Units)
90	300 + 350 = 650
95	500
100	400 + 150 + 50 = 600
105	250

Greatest quantity sold: 650 units at ₹90/unit.

Thus, unit price for valuation = ₹90.

Compute CIF Value (Assessable Value)

Particulars	Calculation	Amount
Total units imported	500 units	
Unit price (based on Rule 7)	₹ 90 × 500 units	₹ 45,000
Less: Freight (post-importation)		₹ 10,150
Less: Insurance (post-importation)		₹ 1,250
Assessable Value (CIF Value)	₹ 45,000 - ₹ 10,150 - ₹ 1,250	₹ 33,600

**Note:**

Freight and insurance from port to depot in India are excluded from the assessable value as per Rule 10(2) of the Customs Valuation Rules, 2007.

**Customs Duty Computation**

Duty Component	Calculation	Amount
Basic Customs Duty (BCD) @12%	12% of ₹ 33,600	₹ 4,032
Social Welfare Surcharge (SWS) @10% on BCD	10% of ₹ 4,032	₹ 403.20
Total Customs Duty Payable	BCD + SWS	₹ 4,435.20

**QUESTION 43**

Compute the assessable value and total customs duty payable under the Customs Act, 1962 for an imported machine based on the following information

Particulars	Amount (US \$)
(i) Cost of the machine at the factory of the exporter	20,000
(ii) Transport charges from the factory of exporter to the port for shipment	800
(iii) Handling charges paid for loading the machine on the ship	50
(iv) Buying commission paid by the importer	100
(v) Lighterage charges paid by the importer	200
(vi) Freight incurred from port of entry to Inland Container Depot (ICD)	1,000
(vii) Ship demurrage charges	400
(viii) Freight charges from exporting country to India	5,000

**Additional details:**

- Date of bill of entry: 20.03.20XX (Exchange rate: ₹60 per US \$)
- Date of entry inward: 25.02.20XX (Exchange rate: ₹65 per US \$)

Determine: Assessable Value in INR

**Solution**

- As per Section 15 of the Customs Act, 1962, for exchange rate determination date of submission of bill of entry.
- Exchange rate: ₹60 per US \$

Computation of Assessable Value (CIF Value)

Particulars	Amount (US \$)	Remarks
Cost of the machine (factory price)	20,000	Given
Add: Transport charges (factory to port of shipment)	800	Addable under Rule 10(2)(a)
Add: Handling charges (loading on ship)	50	Addable under Rule 10(2)(a)
FOB value (for customs purposes)	20,850	
Add: Insurance @1.125% of FOB (if not available)	234.56	1.125% of 20,850
Add: Freight (exporting country to India)	5,000	Addable under Rule 10(2)(a)
Add: Lighterage charges	200	Addable under Rule 10(2)(a)
Add: Ship demurrage charges	400	Addable under Rule 10(2)(a)
Assessable Value (CIF Value)	26,684.56	

**Note:**

- Buying commission (₹100) is NOT addable under Rule 10(1)(a).
- Freight from port of entry to ICD (₹1,000) is NOT addable as it is post-importation.

Particulars	Calculation	Amount (₹)
Assessable Value in USD	26,684.56 × 60	₹ 16,01,074

**QUESTION 44**

SkyLeaf Imports Pvt. Ltd. imported goods valued at ₹20,00,000 through a Bill of Entry presented to the proper officer on 15th July 2024, when the applicable rate of customs duty was 10%.

- The importer submitted all required documents, but the officer ordered a provisional assessment on 15th July 2024 due to the need for further inquiry.
- Provisional duty of ₹2,00,000 was paid on 15th July 2024.
- Later, the following occurred:
  - ₹50,000 was voluntarily paid by SkyLeaf on 20th August 2024.
  - Final duty assessment was completed on 31st August 2024, with the total duty determined at ₹3,00,000.
  - The balance duty was paid on 31st August 2024 itself.

You are required to compute the interest payable by the importer under Section 18(3) of the Customs Act, 1962.

**Solution**

As per Section 18(3) of the Customs Act, 1962, interest at 15% per annum is payable on the differential duty amount, from the 1st day of the month in which provisional assessment was made (i.e., 1st July 2024) till the date of actual payment.

Breakdown of Differential Duty

Particulars	Amount (₹)
Final Duty Assessed	3,00,000
Less: Provisional Duty Paid	2,00,000
Total Differential Duty	1,00,000

**Interest Calculation:**

- ₹50,000 paid on 20th August 2024  
Interest from 1st July to 20th August = 51 days  
 $\text{₹50,000} \times 15\% \times 51 / 365 = \text{₹1,048}$
- **Balance ₹50,000 paid on 31st August 2024**  
Interest from 1st July to 31st August = 62 days  
 $\text{₹50,000} \times 15\% \times 62 / 365 = \text{₹1,274}$

Total Interest Payable:  
₹1,048 + ₹1,274 = ₹2,322

**Conclusion:**

SkyLeaf Imports Pvt. Ltd. is liable to pay interest of ₹2,322 on the differential duty of ₹1,00,000, computed as per Section 18(3).

**QUESTION 45**

After staying abroad for 16 months, Mr. Vasudev shifted his residence to India, from Sydney to Kolkata on 12.10.2021. At the time of landing at Kolkata, he brought the following Items:

SL. No.	Particulars	Amount (₹)
(i)	Gold Bars 30 grams valued at	90,000
(ii)	Alcoholic Liquor 4 litre valued at	10,000
(iii)	20 boxes of Cigarettes, each box containing 10 nos., valued at	4,000
(iv)	One Notebook Computer	1,00,000
(v)	One PC meant for personal use	40,000
(vi)	Hand Pistol	83,000

You are required to compute the Customs Duty payable by him for the Baggage

**Solution**

**Baggage Allowance and Duty Payable**

SN	Particulars	Eligible for GFA	Not Eligible for GFA
1	Gold bar covered under Annexure 1 & Not eligible for GFA However gold jewellery eligible)		90,000 @38.5%
2	Alcoholic Liquor (upto 2 litres covered under GFA) → ₹ 10,000 for 4 litres & 2 litres it is ₹ 5,000	5,000	5,000 @38.5%
3	Cigarettes (upto 100 no's covered under GFA) → ₹ 4,000 for 200 no's & for 100 no's it is ₹ 2,000	2,000	2,000 @ 110%
4	One personal Notebook Computer – Exempted as the person is aged ≥ 18 years	-	-
5	One personal computer – Exemption not available & it is dutiable but eligible for GFA	40,000	40,000
6	Hand Pistol (Covered under Annexure – 1 & not eligible for GFA)	-	83,000 @ 110%
	Gross value of Baggage	47,000	1,80,000
	(-) General Free Allowance upto ₹ 50,000	(47,000)	-
	Dutiable Value	0	1,80,000
	Baggage Duty payable @ 38.5%	-	₹ 36,575
	Baggage Duty payable @ 110%	-	₹ 93,500

**QUESTION 46**

M/s Bhola Ltd. imported Super Kerosene Oil (SKO) valued at US \$80,000 and stored it in a public warehouse. The exchange rate at the time of import was ₹70/US \$. An ex-bond bill of entry for home consumption was filed on 1st August 2024, with BCD @10% applicable on that date. The proper officer passed the order for clearance for home consumption, and customs duty was paid.

Due to the combustible nature of SKO, the importer requested continued storage in the same warehouse under Section 49 until the actual sale/use of the goods. The application was approved. However, on 15th September 2024, when the goods were actually removed from the warehouse, the rate of BCD increased to 12%. The Department demanded differential duty at the new rate.

Discuss whether the Department's demand is sustainable. Compute the customs duty payable by M/s Bhola Ltd. and justify the legal position with case law reference.

#### Solution

Compute Customs Duty (Based on ex-bond BOE date - 1st August 2024)

- Assessable Value = US \$80,000 × ₹70 = ₹56,00,000
- BCD @10% = ₹56,00,000 × 10% = ₹5,60,000 • SWS @10% on BCD = ₹5,60,000 × 10% = ₹56,000
- Total Customs Duty Paid = ₹5,60,000 + ₹56,000 = ₹6,16,000

#### Legal Position:

- As per Section 68 of the Customs Act, 1962, once duty is paid and the out-of-charge order is passed for home consumption, the goods cease to be warehoused goods.
- Under Section 49, if cleared goods are permitted to remain in the warehouse for storage (due to specific circumstances like combustibility), they are not treated as warehoused goods.
- Referencing the case of CCus vs. Biecco Lawrie Ltd. 2008 (223) ELT 3 (SC), the Supreme Court held that once customs duty is paid and clearance order is passed, any subsequent storage does not attract additional duty, even if the rate changes.

**Conclusion:** M/s Bhola Ltd. is not liable to pay differential duty at the enhanced rate. The Department's demand is not sustainable.

#### QUESTION 47

M/s Stellar Industries Pvt. Ltd., located in Bengaluru, is a manufacturer operating under the Advance Authorisation scheme. In FY 2024–25, the company undertook the following:

- Imported raw materials with CIF value of ₹25,00,000, duty-free under Advance Authorisation.
- Received free-of-cost inputs from a foreign client valued at ₹5,00,000 to address quality contingencies.
- Manufactured finished goods and supplied them to M/s BlueWave SEZ Unit, Kochi.
- Payment was received in Indian Rupees (INR) through banking channels.
- Separately, Stellar Industries also supplied goods to UNICEF India Office, New Delhi, receiving payment in INR.

Answer the following questions based on Foreign Trade Policy 2023:

- Is supply from M/s Stellar Industries (DTA) to M/s BlueWave SEZ Unit an export or deemed export? Can Advance Authorisation be availed if payment is received in INR?
- What is the minimum FOB value?
- Can Stellar Industries claim Advance Authorisation for supplies to UNICEF India Office, where payment was received in INR?

#### Solution

Basis	Provision
SEZ Act, 2005	Section 2(m): "Export" includes supply of goods from DTA to SEZ Unit
IGST Act, 2017	Section 16(1)(b): Supplies to SEZ = Export and Zero-rated
RBI/FTP Policy	INR payment allowed for SEZ supplies if routed through RBI-approved channels

(i) Hence, the supply is an Export, and Advance Authorisation is available, even though payment is received in INR.

(ii) The minimum FOB value required as per 15% value addition norm:

- CIF value of imports = ₹25,00,000
- Free-of-cost inputs = ₹5,00,000
- Total value for value addition calculation = ₹30,00,000

Minimum FOB Value = ₹30,00,000 × 115% = ₹34,50,000

Thus, minimum export value required = ₹34,50,000

**(iii) Not Eligible**

- Supplies to international organizations like UNICEF are allowed under Advance Authorisation only if payment is received in foreign exchange.
- Here, since payment was in INR, the condition is not fulfilled.

Therefore, Stellar Industries cannot claim Advance Authorisation for this supply

**QUESTION 48**

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

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

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

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

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

**Solution**

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

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

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

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

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

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

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

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



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

- (i) adversely affect trade relations with any foreign country.
- (ii) adversely affect food, economic or national security of India;
- (iii) is in conflict with any government policies, strategic programs, international obligations or commitments or long- term plans and would undermine the objectives of such policies or programs;
- (iv) addresses matters unrelated to trade or serve narrow, private or special interests to the detriment of or contrary to the broader public interest, good; or
- (v) would require the disclosure of confidential or classified information Nothing shall confer any legal right whatsoever on any person to seek reasons for his views comments, opinions or feedback, not being incorporated in the FTP thereof.

#### QUESTION 49

Suhasi Electronics Pvt. Ltd., an importer, who availed the benefit of the notification imported the raw materials for manufacturing LED panels. No condition or time period has been specified in the notification in relation to re export of unutilized or defective goods, so imported. The goods were imported on 10th February, 2024. However, a small portion of the goods received were found to be defective and remained unutilized due to a production shift in the company. Suhasi Electronics approached you to obtain advice for dealing with these defective and unutilized goods. On the basis of provisions of the Customs (Import of Goods at Concessional Rate of Duty or for Specified Purposes) Rules, 2022 as amended, you are required to discuss:

- a) Whether Suhasi Electronics can re-export these unutilised or defective goods? If yes, what is the maximum permissible time period, in which Suhasi Electronics can re-export the goods?
- b) What are the conditions applicable in case of re-export of goods?
- c) If Suhasi Electronics chooses to clear the goods for home consumption, explain the procedure for the same.

#### Solution:

- a) As per rule 10 of the Customs (Import of Goods at Concessional Rate of Duty or for Specified Purposes) Rules, 2022 as amended, the importer who has availed the benefit of a notification shall use the goods imported in accordance with the conditions mentioned in the concerned notification within the period and with respect to unutilised or defective goods, so imported, the importer shall have an option to either re-export or clear the same for home consumption.

Thus, Suhasi Electronics Pvt. Ltd. can re-export such defective and unutilized goods. The re-export or home clearance must be made –

- (i) within the period specified in the notification;
- (ii) within one year from the date of import, where the time period is not specified in the notification:

However, the said period of one year can be further extended by the jurisdictional Commissioner for a period not exceeding 3 months, if sufficient reason is shown that the causes for not conforming to the time period were beyond the importer's control. So, re-export can be made by 9th February, 2025 in this case as no condition or time period has been specified in the notification in relation to re export of unutilized or defective goods, so imported. Further, the date of re-export can be extended by the jurisdictional Commissioner upto 3 months.

#### b) Conditions applicable for re-export of goods:

- (i) Re export of the unutilized or defective goods shall be recorded by the importer in the quarterly statement by providing the details of necessary export documents.
- (ii) The value of such goods for re-export shall not be less than the value of the said goods at the time of import.

c) If Suhasi Electronics opts to clear the goods for home consumption:

- It can make voluntary payment of applicable customs duties along with interest on the common portal.
- The details of such duty payment and clearance must be disclosed in the importer's quarterly statement.

**QUESTION 50**

Mr. Fedrick imported second-hand goods from a supplier in the United Kingdom by air under a CIF contract. As part of the transaction, vendor inspection charges amounting to £ 600 were incurred. This inspection is carried out by the foreign supplier on his own and were neither contractually agreed nor essential for making the goods ready for shipment. Additionally, a commission is payable to a local agent in India, calculated at 1% of the FOB (Free on Board) value in Indian currency. The bill of entry was filed on 18th February, on which date the basic customs duty rate was 10%, and the exchange rate notified by CBIC was ₹ 102 per UK Pound. The aircraft carrying the goods arrived on 15th February, when the customs duty rate was 15%, and the CBIC- notified exchange rate was ₹ 98 per UK Pound. The inter-bank exchange rate prevailing on both dates was ₹ 106 per UK Pound. However, the transaction underwent multiple price revisions due to fluctuations in international market rates between the date of contract and actual importation. Eventually, both parties settled on a negotiated price payable as follows:

Particulars	Contract Price (£)	Changed Price (£)	Negotiated Price (£)
CIF Value	5,200	5,900	5,500
Air Freight	400	600	500
Insurance	450	750	600

Compute the assessable value of second hand goods.

**Solution:**

**Computation of custom duty payable**

Particulars	Amount
CIF value (negotiated price) [Note-1]	5,500 £
Less: Air freight	500 £
Less: Insurance	600 £
FOB value	4,400 £
	₹
FOB Value (in ₹) [4,400 £ × ₹ 102] [Note-2]	4,48,800
Add: Vendor inspection charges [Note-3]	Nil
Add: Commission payable to local agent [1% of FOB value] [Note-4] = (US \$ 4,400 × ₹ 102) × 1%	<u>4,488</u>
FOB value as per Customs	4,53,288
Freight [Note-5] [500 £ × ₹ 102]	51,000
Insurance [Note-6] [600 £ × ₹ 102]	<u>61,200</u>
Assessable value	5,65,488
Add: Basic custom duty @ 10% [Note-7] – rounded off	56,548.80
Social Welfare Surcharge (10% of ₹ 56,548.80) [rounded off]	<u>5,655</u>
Customs duty payable [rounded off]	62,204

**Notes:**

1. As per section 14 of the Customs Act, 1962, the value of the imported goods is the transaction value, which means the price actually paid or payable for the goods. In this case, since the contract was re-negotiated and the importer paid the renegotiated price, the transaction value would be such re-negotiated price and not the contract price.
2. Rate of exchange notified by CBIC on the date of filing of bill of entry will be considered as per third proviso to section 14 of the Customs Act, 1962.
3. Only the payments actually made as a condition of sale of the imported goods by the buyer to the seller are includible in the assessable value under rule 10(1)(e) of the Customs

Valuation (Determination of Value of Imported Goods) Rules, 2007. Charges of vendor inspection on the goods carried out by foreign supplier on his own and not required for making the goods ready for shipment, are not includible in the assessable value of the imported goods [Bombay Dyeing & Mfg. v. CC 1997 (90) ELT 276 (SC)].

4. Commission paid to local agent (since it is not buying commission) is includible in the assessable value on the presumption that local agent has been appointed by the exporter [Rule 10(1)(a)(i) of the Customs Valuation Rules].
5. Actual amount incurred towards freight will be considered since freight is not more than 20% of FOB value [Fifth proviso to rule 10(2) of Customs Valuation Rules].
6. Actual insurance charges paid are includible in the assessable value as per rule 10(2)(b) of the Customs Valuation Rules.
7. As per proviso to section 15 of the Customs Act, 1962, rate of duty will be the rate in force on the date of presentation of bill of entry or on the date of arrival of the aircraft, whichever is later.