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Indirect Tax Mighty 50

For **CA Final**
Nov'26 Exam

IDT 'Wizard'
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CA FINAL INDIRECT TAX LAWS - MIGHTY 50 - NOV 26 EXAM
QUESTION 1

Shree Ganesh Industries Pvt. Ltd., a registered person under GST in the State of Rajasthan (registered office at Jaipur), is a subsidiary of Shree Ganesh Global Inc., a company incorporated in the USA. It is engaged in supply of a bouquet of goods and services. It furnishes the following particulars for the month of July:

1. Outward Supplies

Particulars	Amount (₹)
Sold an old factory shed located in Jaipur, Rajasthan, to an unrelated buyer. Stamp duty was paid on ₹ 47,00,000.	45,00,000
Designed an integrated chip layout for a German client, using specifications sent electronically by the client. Under the same contract, the client also couriered a small hardware kit so that Shree Ganesh could test the design before final delivery. Testing was incidental; Shree Ganesh's core deliverable was the design work. Consideration was invoiced and received in convertible foreign exchange.	22,00,000
Supplied printed corrugated boxes to a customer in Punjab. The company used its own board and paper and printed the customer's logo (supplied by the customer in digital form) on the boxes. Material cost was ₹32,00,000 and printing charges were ₹ 4,72,000.	36,72,000
Provided maintenance services (including replacement of defunct fittings) to Udaipur Municipal Corporation for upkeep of streetlights. Out of the total contract value, value of defunct lights and other spares replaced was ₹ 40,000.	1,80,000
Gave five-seater cars (seating capacity of 5 persons, including driver) on hire to Rajasthan State Road Transport Corporation (RSRTC), Jaipur	3,00,000
Provided business support and marketing services on a principal-to-principal basis to its holding company, Shree Ganesh Global Inc., USA. Consideration was invoiced and received in convertible foreign exchange.	18,00,000
Provided consultancy services to its own branch office located in San Diego, USA	15,00,000
Sold a futures derivatives contract at the National Stock Exchange (NSE), due in the following month, having no delivery option.	20,00,000
Sold goods to Kavita Print Works on high-seas-sale basis, i.e., by endorsement of documents of title to the goods in favour of Kavita Print Works while the goods were still in transit, before filing of the bill of entry for home consumption. Kavita Print Works filed the bill of entry for home consumption.	12,00,000

2. Inward Supplies

Particulars	Amount (₹)
Paid to Poseidon Marine Services (PMS), Rotterdam (Netherlands), towards Maintenance, Repair and Overhaul (MRO) services carried out on Shree Ganesh's own cargo vessel (used for transporting export consignments of the company), at the yard of PMS at Rotterdam port.	8,00,000
Purchased raw cotton (used as a cushioning material in packaging) directly from Mr. Devraj, an agriculturist of Rajasthan.	7,00,000
Imported raw materials from Italy under a CIF contract. CIF value of the goods for the purpose of customs included ₹ 20,000 as ocean freight paid	

by the exporter on transport of goods through vessel from port of shipment to port of import. The value for the purpose	
	₹ 2,00,000.
Purchased a labelling machine from a registered supplier in Gujarat. As per the purchase terms, on Shree Ganesh's instructions, the machine was delivered directly by the supplier to a third party, M/s Anand Job Works, located in Gujarat and has not been moved to Rajasthan.	6,00,000
Paid for security personnel services for the month to Suraksha Security Services Pvt. Ltd., a private limited company not registered under GST.	1,20,000

Additional Information:

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for all inward and outward supplies of goods and services, except supply of raw cotton and supply of corrugated boxes, for which the applicable rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% respectively.
- Shree Ganesh Industries Pvt. Ltd. had an opening balance of ITC of CGST of ₹45,000 and SGST of ₹45,000 for the relevant period. In respect of all inward supplies (other than reverse charge supplies), the suppliers have uploaded their invoices in their respective Form GSTR-1 and the same are reflected in Form GSTR-2B.
- All the amounts given above are exclusive of GST, wherever applicable.
- Shree Ganesh Industries Pvt. Ltd. always makes zero-rated supplies under a bond or letter of undertaking (LUT).
- The goods sold in high seas to Kavita Print Works was originally imported by Shree Ganesh from Japan on 2nd July, with CIF value of ₹ 10,00,000 and FOB value of ₹ 8,50,000.
- Unless stated otherwise, all recipients of Shree Ganesh's outward supplies are located within the State of Rajasthan.
- Unless stated otherwise, assume that all the conditions prescribed under section 16 of the CGST Act, 2017 for availment of ITC are duly complied with.
- The MRO services received on the cargo vessel are used exclusively for effecting zero-rated supplies, the vessel being used only to transport the company's export consignments. All other inward supplies on which ITC is availed, including the labelling machine, are common inputs/input services/capital goods used for effecting both taxable and exempt supplies. No inward supply is being used for any non-business purpose.

From the information given above, compute the minimum net GST payable in cash (CGST, SGST or IGST, as the case may be) by Shree Ganesh Industries Pvt. Ltd. for the month of July.

I. Computation of Gross GST payable on outward supplies under FCM by Shree Ganesh Industries Pvt. Ltd. for the month of July

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Sale of old factory shed [Sale of an old factory shed is treated as neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, 2017.] [However, it is treated as exempted supply for computation of ITC and stamp duty value to be considered]	47,00,000	--	--	--
Designing of integrated chip layout for German client [Being a composite supply where principal supply is the digital designing service and testing of prototype samples couriered to India is only an ancillary activity to validate design quality ¹ , place of	22,00,000	--	--	--

¹ Circular No. 118/37/2019 GST dated 11.10.2019

supply is location of the recipient, Germany, in terms of section 13(2) of the IGST Act, 2017. Since supplier is in India, recipient is outside India, place of supply is outside India, payment stipulated in and supplier/ recipient are not merely establishments of a distinct person; it qualifies as 'export of service' under section 2(6) of the IGST Act, 2017. Further, all exports made by Shree Ganesh are through furnishing of LUT without payment of IGST. Thus, no GST is payable.] [Treated as taxable supply for ITC computation]				
Supply of printed corrugated boxes to Punjab customer [Being a composite supply where printed boxes are supplied by the printer using its physical inputs including paper to print the logo supplied by the recipient of goods, predominant supply is supply of goods ² , thus, GST rate applicable is 5%. Further, it is an inter-State supply of goods since place of supply is location of goods at the time at which movement of goods terminates, in terms of section 10(1)(a), IGST Act, 2017.] [Treated as taxable supply for ITC computation]	36,72,000	--	--	1,83,600
Maintenance services to Udaipur Municipal Corporation [Exempt since the value of goods (defunct lights/ spares) involved (₹ 40,000, i.e., 22.22% of ₹ 1,80,000) does not exceed 25% of the value of the composite supply of maintenance service provided to a local authority by way of a function entrusted to a Municipality under Article 243W of the Constitution.] [Treated as exempted supply for ITC Computation]	1,80,000	--	--	--
Five-seater cars given on hire to RSRTC [Taxable since the exemption for giving motor vehicles on hire to a State Transport Undertaking is available only where the vehicle is meant to carry more than 12 passengers; here seating capacity is only 5. Further, since Shree Ganesh (supplier) is a body corporate, tax is payable under forward charge. It is an intra-State supply as location of supplier and place of supply (being location of recipient) is Rajasthan. [Treated as taxable supply for ITC computation]	3,00,000	27,000	27,000	--
Business support & marketing services to holding company, Shree Ganesh Global Inc., USA [Qualifies as export of service by Shree Ganesh Industries Pvt. Ltd. to Shree Ganesh Global Inc. since all the conditions of 2017 are complied with ³ . Further, all exports made by Shree Ganesh are through furnishing of LUT without payment of IGST. Thus,	18,00,000	--	--	--

² Circular No. 11/11/2017 GST dated 20.10.2017

³ Holding company and Subsidiary company are not considered as "merely establishments of a distinct person" for the purpose of complying with the conditions of Export of Service in terms of Circular No. 161/17/2021 GST dated 20.09.2021

no GST is payable.] [Treated as taxable supply for ITC computation]				
Consultancy services to own branch office, San Diego, USA [Since supplier and recipient (being an Indian establishment and its own foreign branch) are merely establishments of a distinct person in terms of Explanation 1 to section 8 of the IGST Act, 2017, said supply does not qualify as export of service. The place of supply is outside India being location of recipient [Section 13(2) of the IGST Act, 2017]. However, services supplied by an establishment of a person in India to any establishment of that person outside India, which are treated as establishments of distinct persons in terms of Explanation 1 to section 8 are exempt provided the place of supply of service is outside India ⁴ . Thus, services provided by Shree Ganesh are exempt from GST.] [Treated as Exempted supply for ITC computation]	15,00,000	--	--	--
Futures derivatives contract [Futures derivative contracts with no delivery option qualify as securities. Securities are neither goods nor services. Thus, given transaction does not qualify as supply.] [Treated as exempted supply for ITC computation and Value is 1% of Sale value]	20,000	--	--	--
Sold goods to Kavita Print works on High seas basis [As per Section 7(2) of CGST Act, 2017 read with Schedule III, sale of goods by way of transfer of documents to tile on high seas basis before import of goods is neither supply of goods nor supply of services] [For computation of ITC it is ignored as the same is neither taxable supply nor exempted supply]	--	--	--	--
Total output tax under forward charge	1,43,72,000	27,000	27,000	1,83,600

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

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
MRO services on Shree Ganesh's cargo vessel [Tax is payable on import of services under reverse charge.]	--	--	1,44,000
Raw cotton purchased from Mr. Devraj, an agriculturist [Tax on raw cotton supplied by an agriculturist to any registered person is payable under reverse charge by Shree Ganesh. Being an intra-State supply (since place of supply is Rajasthan being location where movement of goods terminates), rate of tax applicable is CGST and SGST @ 2.5% each.]	17,500	17,500	--
Imported raw material from Italy [IGST on goods imported is payable by the importer.]	--	--	36,000
Total GST Payable under RCM	17,500	17,500	1,80,000

⁴ Entry 10F of Notification 9/2017 IT(R) dated 28.06.2017

III. Computation of ITC available for set-off:

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Computation of ITC credited to Electronic Credit Ledger in July				
MRO services received on cargo vessel [The place of supply of MRO service in respect of vessels supplied to a person for use in course or furtherance of business is the location of the recipient of service (here, Jaipur, Rajasthan), being a notified services under section 13(13) of the IGST Act, 2017. Since in given case, supplier is located outside India, recipient is located in India and place of supply is in India, said services satisfy all the three conditions of import of services in terms of section 2(11) of IGST Act, 2017. Further, since said services are used exclusively for effecting zero-rated supplies (considered as taxable supplies), full ITC is available on the same and does not require reversal.]	8,00,000	--	--	1,44,000
Raw cotton purchased [ITC is available as said goods are used in course or furtherance of business.]	7,00,000	17,500	17,500	--
Imported raw material from Italy [Input tax, inter alia, includes IGST charged on import of goods, in terms of section 2(62). No separate levy of IGST will be there on the component of ocean freight paid by the foreign exporter to the foreign shipping line in the CIF contract by virtue of Union of India vs. Mohit Minerals Pvt. Ltd. 2022 (61) G.S.T.L. 257 (SC) since the Indian importer is liable to pay IGST on the 'composite supply', comprising of supply of goods and supply of services of transportation, insurance, etc. in a CIF contract.	2,00,000	--	--	36,000
Labelling machine purchased [Since machinery is delivered	6,00,000	--	--	1,08,000

by supplier to M/s Anand Job Works on the direction of Shri Ganesh (Bill To Ship To), it is deemed to have been received by Shree Ganesh and thus, ITC is available. Further, it is an inter-State supply as location of supplier is Gujarat and place of supply is Shree Ganesh's principal place of business, i.e., Jaipur, Rajasthan.]				
Security personnel services [Since security services are being provided by a body corporate, tax is not payable under reverse charge. Further, since supplier is unregistered, no tax is payable. Consequently, no ITC is available.]	--	--	--	--
Goods imported from Japan sold in high sea [No ITC is available since tax is not payable by Shree Ganesh on the same; in case of high sea sales, IGST is paid by the last high sea sales buyer (Kavita Print Works) who clears the goods for home consumption by filing the bill of entry.]	--	--	--	--
Total ITC credited to the electronic credit ledger in July		17,500	17,500	2,88,000
Less: ITC attributable to input services intended to be used exclusively for effecting taxable supplies [Zero-rated supplies are considered as taxable supplies.]				(1,44,000)
Common credit		17,500	17,500	1,44,000
Less: Reversal of ITC of inputs & input services attributable to exempt supplies, in terms of rule 42 = (Aggregate value of exempt supplies during the tax period ÷ Total turnover in the State of the registered person during the tax period) × Common Credit (Refer Note below the Table)		7,793 [17,500 × 64,00,000 / 1,43,72,000]	7,793 [17,500 × 64,00,000 / 1,43,72,000]	16,031 [36,000 × 64,00,000 / 1,43,72,000] (Value of labelling machine excluded)
Less: Reversal of ITC of capital goods (labelling machine) attributable to exempt supplies under rule 43 = ₹ 1,08,000/60				802

months × 64,00,000/ 1,43,72,000				
ITC of inputs, input services and capital goods attributable to taxable supplies		9,707	9,707	1,27,167
Add: ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies		--	--	1,44,000
Add: Opening balance of ITC	--	45,000	45,000	--
ITC available for set-off		54,707	54,707	2,71,167

Note: Computation of Aggregate value of exempt supplies and Total turnover in Rajasthan for the month Computation of Aggregate value of exempt supplies Under section 17(3), value of exempt supply excludes transactions specified in Schedule III except paragraph 5 thereof, but expressly includes transactions in securities and, subject to paragraph 5(b) of Schedule II, sale of land and building. Accordingly, aggregate value of exempt supplies is as under:

Particulars	Amount (₹)
Sale of old factory shed [As per explanation to Chapter V of the CGST Rules, the value of exempt supply in respect of land and building is the value adopted for paying stamp duty.]	47,00,000
Maintenance services to Udaipur Municipal Corporation [Exempt from GST.]	1,80,000
Sale of futures contract (transaction in securities) [As per explanation to Chapter V of the CGST Rules, the value of exempt supply in respect of security is 1% of the sale value of such security.]	20,000
Consultancy to own branch, San Diego [Exempt from GST.]	15,00,000
Designing of integrated chip layout for German client [It is a zero-rated supply, hence, is considered as a taxable supply.]	--
Business support & marketing services to holding company, Shree Ganesh Global Inc., USA [It is a zero-rated supply, hence, is considered as a taxable supply.]	--
High-seas sale of goods to Kavita Print Works [As per section 17(3), 'value of exempt supply' excludes transactions specified in Schedule III, except specified transactions.]	--
Aggregate value of exempt supplies for July	64,00,000

Computation of Total turnover in Rajasthan for July

Particulars	Amount (₹)
Sale of factory shed	47,00,000
Export of chip-designing service	22,00,000
Supply of printed corrugated boxes	36,72,000
Maintenance services to Udaipur Municipal Corporation	1,80,000
Cars on hire to RSRTC	3,00,000
Export of business support services	18,00,000
Consultancy to own branch, San Diego	15,00,000
Transaction in securities	20,000
High-seas sale (Not a supply)	-
Total turnover in the State (Rajasthan) for the month	1,43,72,000

Note: In above answer, unless otherwise stated specifically, rate of CGST, SGST and IGST applied is 9, 9% and 18% respectively.

IV. Computation of net GST payable:

Particulars	CGST	SGST	IGST
Gross GST payable	27,000	27,000	1,83,600
Less: ITC available for set-off (Refer Working Note) [ITC of IGST is utilised for payment of IGST liability and thereafter for payment of CGST and SGST liability.]	(27,000)	(27,000)	(1,83,600)
Net GST	Nil	Nil	Nil
Minimum net GST payable in cash (CGST and SGST of ₹ 17,500 each and IGST of ₹ 1,44,000 will be paid in cash through GSTN portal and IGST of ₹ 36,000 will be paid in cash through ICEGATE portal while making customs clearance.)	17,500	17,500	1,80,000
Excess ITC carried forward	54,707	54,707	33,567

Note: Taxable turnover for the purpose of Rule 86B (Excl. Zero rated turnover) = 36,72,000 + 1,80,000 + 3,00,000 = 41,52,000 and it does not exceed 50,00,000. Therefore, Rule 86B is not applicable in the present case.

QUESTION 2

- Mohit Sharma runs "Mohit Enterprises," a small electronics accessories trading firm based out of a single shop in Karol Bagh, Delhi. Having heard from fellow traders in the market about a new "Fast Track Registration" facility under rule 14A that promises registration within days rather than weeks, Mohit decides to explore this option. He determines that his output tax liability on supplies made to registered dealers and retailers (i.e., B2B supplies), taking together CGST, SGST and IGST, is ₹ 2.30 lakh per month. Mohit is keen to avoid the delay and hassle of a physical site visit. He duly applies for registration under rule 8, opts for Aadhaar authentication and completes it successfully using his personal Aadhaar linked to his PAN. Examine whether Mohit Enterprises is eligible to obtain registration under Rule 14A.
- Kavya Agarwal of Jaipur, who owns "Kavya Industries," has recently diversified her single garment-manufacturing business into two distinct verticals operating from two different premises within the same city, one dealing in men's ethnic wear and the other in women's western wear. Both verticals are run under the same PAN and individually, each has monthly B2B output tax liability of ₹ 2.2 lakh and ₹1.8 lakh and satisfy other conditions prescribed under rule 14A. Kavya's tax consultant advises her that she should obtain two separate Fast Track Registrations under rule 14A- one for each vertical -so that both verticals can get quick, Aadhaar-based registration without any site visit. Examine whether Kavya Industries can validly obtain two separate rule 14A registrations for consultant.

Rule 14A provides a simplified and faster mode of GST registration for small taxpayers whose monthly output tax liability on B2B supplies does not exceed ₹ 2.5 lakh. Under this option, a person can get registered electronically within 3 working days, based purely on Aadhaar authentication, without the need for physical verification (no site visit). A person is eligible to opt for this facility provided: He has made an application for registration under rule 8

- His total output tax liability on supply of goods and/or services made
- to registered persons (CGST and SGST/UTGST and IGST and compensation cess) does not exceed ₹ 2.5 lakh per month. He must opt for and undergo successful Aadhaar authentication.
- Where these conditions are met, registration is granted electronically by the common portal within 3 working days of successful Aadhaar authentication, without any physical/site verification. Further, rule 14A restricts a taxpayer to only one registration per State/UT against the same PAN under this option. In view of above provisions, registration requirements in given cases are as follows:

- a) Monthly B2B output tax liability of Mohit Enterprises is determined at ₹ 2.30 lakh, which is within the prescribed threshold of ₹ 2.5 lakh. Mohit has also applied under rule 8 and successfully completed Aadhaar authentication. All conditions prescribed under rule 14A are thus satisfied. Thus, Mohit Enterprises is eligible to opt for Fast Track Registration under rule 14A.
- b) Although both verticals of Kavya Industries independently satisfy the tax-liability and Aadhaar-authentication conditions, rule 14A expressly permits only a single registration per State/UT under the same PAN. Since both verticals are located within the same State (Rajasthan) and operate under the same PAN, the restriction applies regardless of the fact that they represent distinct business lines. Thus, Kavya Industries cannot obtain two separate rule 14A registrations for its two verticals. Only one Fast Track Registration under rule 14A can be obtained for a State and the consultant's advice to seek two such registrations is not correct in law.

QUESTION 3

Answer the following questions:

- a) Mr. Suresh, a partner in M/s Trinity & Co., a firm registered under GST, retired from the said firm on 30th June by executing a retirement deed. The GST Consultant of the said firm was requested to file the said change with the appropriate GST Authority. The said consultant, however, intimated this change to the Department only on 15th October. In the meanwhile, Suresh received a notice for demand of tax related to the month of September. Examine the liability of Mr. Suresh in respect of said notice in terms of the GST law.
 - b) Rathore Ltd., registered in Maharashtra, purchased Product D as a merchant exporter from Shravan Ltd., a manufacturer registered in Maharashtra, at the concessional rate of tax of 0.05% CGST and 0.05% SGST applicable to such a supply. Product D was exported by Rathore Ltd. to Gates Inc. of USA next month. The Accountant of Rathore Ltd. is of the view that Rathore Ltd. cannot take credit of the concessional tax so paid by it and that it can export the goods only under LUT/bond and cannot export on payment of IGST. Is the view of the Accountant of Rathore Ltd. correct? Discuss.
- (i) Where any partner retires from the firm, he or the firm, shall intimate the date of retirement of the said partner to the Commissioner by a notice in that behalf in writing and such partner shall be liable to pay tax, interest or penalty due up to the date of his retirement whether determined or not, on that date. However, if no such intimation is given within 1 month from the date of retirement, the liability of such partner shall continue until the date on which such intimation is received by the Commissioner. Since, in the given case, intimation is not given within 1 month from the retirement date, Suresh is liable for liability till the date of intimation, which is 15th October.
 - (ii) A merchant exporter receiving goods at concessional rate of tax @ 0.1% (0.05% CGST + 0.05% SGST & 0.1% IGST) is eligible to take credit of the concessional tax so paid by him. Further, he can: export under LUT/bond without payment of IGST and claim
 - refund of unutilized ITC, or export on payment of IGST and claim refund of that IGST.
 - 5 Circular No. 186/18/2022 GST dated 27.12.2022 6 Notification No. 40/2017 CT(R) dated 23.10.2017 read with Circular No. 37/11/2018- GST dated 15.03.2018 7 Earlier, merchant exporter could export the goods only under LUT / bond and could not export on payment of IGST by virtue of restriction given in rule 96(10). However, Notification No. 20/2024 CT dated 08.10.2024 omitted sub-rule (10) of rule 96. Thus, a merchant exporter can now export under LUT/bond without payment of IGST and claim refund of unutilized ITC, or export on payment of IGST and claim refund of that IGST.
 concessional tax paid by it. Further, it can export under LUT/bond without payment of IGST and claim refund of unutilized ITC or export on payment of IGST and claim refund of that IGST. Hence, the view of the accountant of Rathore Ltd. is incorrect.

QUESTION 4

M/s Sunrise Traders is an importer eligible to avail the facility of deferred payment of import duty under section 47 of the Customs Act, 1962. Examine the due dates for payment of deferred import duty, in respect of the following Bills of Entry returned for payment:

- (i) A Bill of Entry returned for payment on 10th April
- (ii) A Bill of Entry returned for payment on 20th April
- (iii) A Bill of Entry returned for payment on 8th March
- (iv) A Bill of Entry returned for payment on 25th March

Rule 4 of the Deferred Payment of Import Duty Rules, 2016, provides as follows:

- a) for goods corresponding to Bills of Entry returned for payment from the 1st day to the last day of any month other than March, the duty shall be paid by the 1st day of the following month; and
- b) for goods corresponding to Bills of Entry returned for payment from the 1st day to the 31st day of March, the duty shall be paid by the 31st day of March.

In view of the above provisions, due date for payment of duty is as follows:

S. No.	Bill of Entry returned for payment on	Due date of payment of duty
(i)	10th April	1st May
(ii)	20th April	1st May
(iii)	8th March	31st March
(iv)	25th March	31st March

Note: Information not available in the question that 1st May is a holiday.

QUESTION 5

M/s Coastal Imports Pvt. Ltd., a Mumbai-based importer of specialised industrial machinery, files a Bill of Entry for import of a consignment of precision equipment from Germany. On examination, the proper officer at the Nhava Sheva port is unable to determine the correct classification and valuation of the goods, as the matter requires verification of manufacturer's technical certifications and a reference to the foreign supplier's cost data. Consequently, the proper officer decides to assess the duty leviable on the goods provisionally, pending further enquiry into both classification and valuation. The company's compliance team is anxious to know within what time the Department is required to conclude this enquiry and finalise the amount of security and is affecting their working capital planning. Advise M/s Coastal Imports Pvt. Ltd. on the time-limit prescribed for concluding the enquiry and finalising the provisional assessment.

The time-limit prescribed for concluding the enquiry and finalising the provisional assessment as per the Customs (Finalisation of Provisional Assessment) Regulations, 2025, is as under: Where duty leviable on imported/export goods is assessed provisionally by the proper officer because he deems it necessary to make further enquiry, the officer of customs shall complete the enquiry and transfer the relevant documents, along with a report in writing, to the proper officer for finalisation of assessment, within 14 months from the date of provisional assessment.

Further, the proper officer shall finalise the duty provisionally assessed, where it is possible to do so, within 3 months of conclusion of enquiry in accordance with regulation 5 above, where the duty leviable was assessed provisionally for that reason. An officer to whom the proper officer is subordinate may allow additional time period of 2 months at a time (for reasons to be recorded in writing). Moreover, the assessment shall be finalised within 2 years from the date of the provisional assessment. However, the Commissioner of Customs may, on sufficient cause being shown and reasons to be recorded in writing, extend the period of 2 years for finalisation of provisional assessment by an additional time of 1 year in terms of the first proviso to section 18(1B) of the Customs Act, 1962.

QUESTION 6

Mrs. Subhadra, an Indian resident (36 years old) who was on a visit to China, returned after 6 months. She was carrying with her the following items:

- (i) Used personal effects ₹ 75,000
- (ii) Laptop computer ₹ 60,000
- (iii) Jewellery - 25 grams (purchased in China) ₹ 2,75,000
- (iv) Music system ₹ 50,000

Compute the customs duty payable by Mrs. Subhadra with reference to the Baggage Rules, 2026. Ignore Agriculture infrastructure and development cess.

Particulars	₹
Used personal effects [Duty free clearance is allowed as per Rule 3 of Baggage Rules, 2026]	Nil
Laptop computer [A passenger of 18 years of age or above is allowed clearance of one new laptop including notepad free of duty in bona fide baggage as per Rule 5 of Baggage Rules, 2026]	Nil
Jewellery [Special allowance for jewellery under Rule 6 is not available to Mrs. Subhadra since she did not reside abroad for more than 1 year]	2,75,000
Music system [Dutiable Baggage]	50,000
Total value	3,25,000
Less: General duty free baggage allowance of ₹ 75,000	(75,000)
Value of baggage liable to customs duty	2,50,000
Rate of duty	35%
Customs duty @ 35%	87,500

Note: Rule 7 not applicable as she is not engaged in any profession abroad or not transferring residence to India.

QUESTION 7

Earthovia Ltd., 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 (₹)
	OUTWARD SUPPLY:	
(i)	Information technology services provided to unrelated clients located in foreign countries. In all cases, the consideration has been received in convertible foreign exchange	20,00,000
	Supplied 50 bluetooth speakers at Hyderabad to the State Government of Telangana.	8,00,000
	Charging cables mandatorily required for charging the bluetooth speakers were also supplied along with these speakers.	72,000
(iii)	Provided intra-State service as a Direct Selling Agent (D.S.A.) to Ujjval Growth Small Finance Bank Limited for their retail loan products	3,80,000
(iv)	Passenger transportation service provided to tourists by the company owned ferries between two islands in the State of Maharashtra for tourism purpose.	1,20,000
(v)	Supplied goods to its agent in the State of Bihar. Open market value of the said goods were ₹ 3,00,000. The said agent is supplying goods of like kind and quality to his unrelated customer at ₹ 3,20,000.	
	INWARD SUPPLY:	
(i)	Purchased silk yarn (to be used as raw material) from Mr. Subhash, who manufactures silk yarn from raw silk. Mr. Subhash is registered in the State of Maharashtra.	4,00,000

(ii)	Purchased a new truck from a dealer in Cochin, Kerala for transport of materials. The company claimed depreciation under the Income-tax Act on the value of new truck purchased including all applicable taxes.	14,00,000
(iii)	Fees paid to a Chartered Accountant - Mr. Prashant, registered in Gujarat (₹ 35,000 for the statutory audit of preceding financial year and ₹ 25,000 for certification work.)	2,00,000

The company provided the following additional information:

- (i) Earthovia Ltd. wishes to choose the most beneficial option in respect of supply to agent and branch transfer.
- (ii) Earthovia Ltd. transferred certain taxable items to its Kerala branch for distributing as free samples on the occasion of inauguration of said branch which is yet to be registered. Value declared in the invoice for transfer was ₹ 2.50 lakh whereas open market value of the same was ₹ 3 lakh. Kerala branch has yet not sold such kind of goods to any of the customer.
- (iii) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services, except charging cable for which the rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% respectively.
- (iv) All the amounts given above are exclusive of taxes, wherever applicable.
- (v) No inward supply is used for non-business purpose.
- (vi) 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 payable in cash (CGST, SGST or IGST, as the case may be) for the month of April for the Earthovia Ltd., Maharashtra.

I. Computation of Gross GST payable for the month of April

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Information technology services provided to unrelated clients located in foreign countries. [The activity is an export of service in terms of section 2(6) of the IGST Act, 2017 as- <ul style="list-style-type: none"> the supplier of service is located in India; the recipient of service is located outside India; place of supply of service is outside India (in terms of section 13(2) of the IGST payment for the service has been received in convertible foreign exchange or in Indian rupees wherever permitted by the RBI; and supplier of service and recipient of service are not merely establishments of distinct person. Export of services is a zero-rated supply in terms of section	20,00,000	-	-	Nil

	16(1)(a) of the IGST Act, 2017. A zero-rated supply can be supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act. ^{5]}				
(ii)	Supply of 50 bluetooth speakers [It is an inter- State supply since place of supply here is the location where the movement of goods terminates, viz. Hyderabad. Further, supply of bluetooth speaker with charging cable is a composite supply, chargeable to tax at the rate applicable to the principal supply (viz. supply of bluetooth speakers) i.e.,18%.]	8,72,000 [8,00,000 + 72,000]	-	-	1,56,960 [8,72,000 × 18%]
(iii)	Intra-State supply as Direct Selling Agent (DSA) [Taxable under forward charge. Reverse charge mechanism is not applicable since services are provided by a body corporate and not by an individual DSA.]	3,80,000	34,200 [3,80,000 × 9%]	34,200 [3,80,000 × 9%]	-
(iv)	Passenger transportation service transportation service provided for tourism purpose, in a vessel between places located in India is taxable. Further, the place of supply of passenger transportation service to an unregistered person, shall be the place where the passenger embarks on the conveyance for a continuous journey. Thus, in the given case, place of supply is Maharashtra.]	1,20,000	10,800	10,800	-
(v)	Supply of goods to an agent [Value of inter- State supply of goods to agent shall be: (i) Open Market Value (₹ 3,00,000) or (ii) 90% of the price of goods of like kind and quality charged by recipient to unrelated customer [₹ 2,88,000 (3,20,000 × 90%)], at the option of supplier, in terms of rule 29 ^{6]} .	2,88,000	-	-	51,840 [2,88,000 × 18%]
(vi)	Inter-State transfer of taxable items to Kerala branch [Since recipient is not eligible for full	3,00,000	-	-	54,000 [3,00,000 × 18%]

⁵ It is assumed that export has been made under LUT

⁶ Since the company wishes to choose most beneficial option, least of the two values has been taken.

	ITC and goods are not intended for further supply as such by the recipient, value of supply of goods to branch shall be open market value, in terms of rule 28.]				
	Total output tax		45,000	45,000	2,62,800

II. Computation of GST payable on inward supplies under RCM

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Silk yarn purchased from a silk yarn manufacturer [The said transaction is covered under Notification No. 4/2017 and taxable under RCM. As supplier is in MH and POS is ending point i.e., MH, it is intrastate supply]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	-

III. Computation of eligible ITC available for set off

S. No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Silk yarn purchased [Intra-State supply since place of supply is location where movement of goods terminates, viz. Maharashtra. Further, ITC on goods to be used in course or furtherance of business is available.]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	-
(ii)	Truck purchased [ITC of truck purchased is not available in terms of section 17(5) since depreciation has been claimed on the GST component.]	-	-	-
(iii)	Fees paid to a Chartered Accountant [It is inter- State supply since place of supply is Maharashtra. Further, services of the Chartered Accountant are being used in the course/furtherance of business and input tax paid on such service is available.]	-	- 36,000	[2,00,000 × 18%]
	Eligible ITC available for set off	36,000	36,000	36,000

IV. Computation of net GST payable

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Total output tax	45,000	45,000	2,62,800
Less: ITC available for set off	36,000	36,000	36,000
Net GST payable	9,000	9,000	2,26,800
Add: GST payable under reverse charge [Tax on silk yarn purchased by a registered person from any person who manufactures silk yarn from raw silk.]	36,000	36,000	
Minimum net GST payable in cash	45,000	45,000	2,26,800

QUESTION 8

Sattva & Associates is a supplier of taxable goods. It has entered into a contract to supply a consignment of certain taxable goods. However, since it is unable to determine the value of the goods to be supplied by it, it applies for payment of tax on such goods on a provisional basis along with the required documents in support of its request. On 12th January, the Assistant Commissioner of Central Tax issues an order allowing payment of tax on provisional basis indicating the value on the basis of which the assessment is allowed on provisional basis and the amount for which the bond is to be executed and security is to be furnished. Goods

are cleared on 25th January thereafter paying the tax on provisional basis in respect of said consignment on 19th February.

Consequent to the final assessment order passed by the Assistant Commissioner of Central Tax on 21st March, a tax of ₹ 1,80,000 becomes due on the consignment.

Sattva & Associates pays the tax due on 9th April. Determine the interest payable, if any, by Sattva & Associates in the above case.

Assuming all the other facts remaining the same, if consequent to the final assessment order passed on 21st March, a tax of ₹ 4,20,000 becomes refundable on the consignment, refund of which is applied by Sattva & Associates on 9th April and tax was refunded to it on 5th June, determine the interest receivable, if any, by Sattva & Associates in the given case.

Section 60(4) stipulates that where the tax liability as per the final assessment is higher than under provisional assessment i.e. tax becomes due consequent to order of final assessment, the registered person shall be liable to pay interest on tax payable on supply of goods but not paid on the due date, at the rate specified under section 50(1) [18% p.a.], from the first day after the due date of payment of tax in respect of the goods supplied under provisional assessment till the date of actual payment, whether such amount is paid before or after the issuance of order for final assessment.

In the given case, due date for payment of tax on goods cleared on 25th January under provisional assessment is 20th February.

In view of the provisions of section 60(4), in the given case, Sattva & Associates is liable to pay following interest in respect of the consignment of goods supplied:

$$= ₹ 1,80,000 \times 18\% \times 48/365$$

$$= ₹ 4,261 \text{ (rounded off)}$$

If, in the given case, it is assumed that consequent to the final assessment order passed on 21st March, a tax of ₹ 4,20,000 becomes refundable to Sattva & Associates, answer would be as follows:

Section 60(5) stipulates that where the tax liability as per the final assessment is less than in provisional assessment i.e. tax becomes refundable consequent to the order of final assessment, the registered person shall be paid interest at the rate specified under section 56 [6% p.a.] from the date immediately after the expiry of 60 days from the date of receipt of application under section 54(1) till the date of refund of such tax.

However, since in the given case, refund has been made (05th June) within 60 days from the date of receipt of application of refund (09th April), interest is not payable to Sattva & Associates on tax refunded.

QUESTION 9

PrimeAxis Ltd. and BluePeak Ltd., two well-established manufacturing companies registered under GST in the State of Maharashtra, decided to strengthen their market presence by merging their operations. After following due legal procedures, they filed an application for merger before the Court. On 22nd May, the Court passed an order approving the merger, stating that it would take effect retrospectively from 1st April. However, an important transaction had already taken place on 15th May, wherein PrimeAxis Ltd. supplied a consignment of taxable goods to BluePeak Ltd. The accountant of PrimeAxis Ltd. took the view that no GST was payable on this transaction. According to him, since the merger was effective from 1st April (as per the Court's order), both companies were deemed to be one entity from that date. Therefore, the transfer of goods on 15th May does not qualify as "supply" under GST. You are required to assess the technical veracity of the claim of the accountant of PrimeAxis Ltd.

As per section 87, when two or more companies are merged in pursuance of an order of court or of Tribunal or otherwise and the order is to take effect from a date earlier to the date of the order and any two or more of such companies have supplied or received any goods or services or both to or from each other during the period commencing on the date from which the order takes effect till the date of the order, then such transactions of supply and receipt shall be included in the turnover of supply or receipt of the respective companies and they shall be liable to pay tax accordingly.

For the purposes of this Act, the said two or more companies shall be treated as distinct companies for the period up to the date of the said order. The registration certificates of the said companies shall be cancelled with effect from the date of the said order.

Thus, in the given case, then such transactions of supply and receipt shall be included in the turnover of supply and receipt of PrimeAxis Ltd. and BluePeak Ltd. respectively and they shall be liable to pay tax accordingly.

QUESTION 10

SuperArc Paper Mills Ltd. imported 500 tons of bamboo pulp paper rolls on 5th April. It warehoused the said rolls in its private bonded warehouse, as per the order dated 15th April permitting deposit of the said goods in warehouse for 5 months. The rate of customs duty applicable on the date of deposit was 5%.

SuperArc Paper Mills Ltd. filed an application for extension of warehousing period on 10th September which was rejected. So, an 'ex-bond bill of entry' was filed on 4th October claiming nil customs duty since the rate of customs duty on bamboo pulp paper rolls was exempted by virtue of an exemption notification with effect from 2nd October and valid till 15th October. On 17th October under section 72 of the Customs Act, 1962, a notice has been issued to the company demanding customs duty @ 7.5%, rate being effective on the date of issue of notice along with interest.

You are required to determine the technical veracity of claim of SuperArc Paper Mills Ltd. and notice issued by the proper officer.

Explain in brief the relevant provisions of the Customs Act, 1962. Rates of customs duty mentioned here represents rates of basic customs duty

As per section 72 of the Customs Act, 1962, the proper officer may demand, the full amount of duty chargeable on account of warehoused goods together with interest, fine and penalties payable in respect of such goods, where any warehoused goods have not been removed from a warehouse at the expiration of the period during which such goods are permitted.

In case of *Kesoram Rayon v. CC* 1996 (86) ELT 464 (SC), it was held that goods which are not removed from the warehouse after the expiry of the period permitted for warehousing or extended, are deemed to be improperly removed in terms of section 72. The rate of duty applicable in such case will be the rate in force on the date of deemed removal, i.e. the date on which the permitted period or its permitted extension comes to an end. When the demand notice is issued is not relevant for determining the rate of duty. Section 15(1)(b) has no application in such cases where the goods are removed from warehouse beyond the permitted period of warehousing; it is applicable only to the cases where a bill of entry is presented for removal from warehouse under section 68, i.e. only when goods are cleared from the warehouse within the permitted period or its permitted extension.

In the given case, the date of deemed removal will be 15th September, being 5 months from 15th April. Accordingly, the applicable rate of duty will be 5%.

QUESTION 11

Aurex Global Industries Ltd. imported certain machinery, and the customs authorities passed an assessment order determining the duty payable. Aurex Global Industries Ltd. was of the view that excess duty had been levied due to an incorrect classification adopted in the assessment order. However, Aurex Global Industries Ltd. paid the duty under protest. Subsequently, the company filed a refund application contending that the duty had been wrongly assessed and excess duty had been collected.

With reference to the principles laid down in a decided case law, if any, examine whether the refund claim filed by Aurex Global Industries Ltd. is maintainable in law.

No, the refund claim filed by Aurex Global Industries Ltd. is not maintainable in law. In the case of *Priya Blue Industries Limited v. CCus. (Preventive)* 2004 (172) ELT 145 (SC), Supreme Court ruled that unless an assessment order has been reviewed and/or modified in an appeal, that assessment order stands. Duty is payable only as per that assessment order. A refund claim is not an appeal proceeding. Further, the officer considering the refund claim, cannot review the

assessment order. Thus, refund claims based on challenge to an order of assessment are liable to be rejected

In view of the above ruling of the Supreme Court, refund claims based on challenge to an order of assessment are liable to be rejected.

Appeal should be filed and not a refund claim when adjudication order has been issued or even when self-assessment is made. An adjudication order should be appealed against, if assessee is aggrieved by adjudication order. The order cannot be challenged by filing refund application.

QUESTION 12

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 (₹)
	OUTWARD SUPPLY:	
(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
	INWARD SUPPLY:	
(i)	Imported Bluetooth speakers from Korea [The goods landed in Mumbai Port and reached at its registered premises on 30th 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:

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.
- All the amounts given above are exclusive of taxes, wherever applicable.
- 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.

I. Computation of Gross GST payable on outward supply

S.No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Consignment of Power Drill Kits supplied at the instruction of a third person [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 interState supply.]	6,00,000	-	-	1,08,000 [6,00,000 × 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	8,00,000	72,000 (8,00,000 × 9%)	72,000 (8,00,000 × 9%)	-

	paid on the same ⁷ . It is an intra-State supply since place of supply is location of immovable property being Mumbai, Maharashtra.]				
	Total output tax		1,08,000	1,08,000	1,08,000

II. Computation of input tax credit available for set-off

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Import of Bluetooth speakers [Input tax, inter alia, 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%]
Total ITC available for set off		Nil	Nil	85,500

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

S. No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)
1.	Output tax liability (Refer statement I)	1,08,000	1,08,000	1,08,000
2.	Less: Input Tax Credit (Refer statement II)	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.	IGST payable on import of Bluetooth speakers payable in cash through ICEGATE portal while making customs clearance [B]	Nil	Nil	72,000

⁷ Circular No. 44/18/2018 CT dated 02.05.2018

QUESTION 13

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, 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.	50.00
(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:

- All the above amounts are exclusive of GST unless otherwise specified.
- 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.

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

Particulars	Mumbai Unit	Mumbai Unit	Mumbai Unit	Bangalore Unit	Bangalore Unit	Bangalore Unit	Hyderabad Unit	Hyderabad Unit	Hyderabad Unit	Trivandrum Unit	Trivandrum Unit	Trivandrum Unit
	CGST (₹)	SGST (₹)	IGST (₹)	CGST (₹)	SGST (₹)	IGST (₹)	CGST (₹)	SGST (₹)	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			1.2			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	0	0	2.4	0	0	24	0	0	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 14

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.

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 15

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.

Due date for payment of tax collected on 18th April is 20th 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 × 18% × 37/365 = ₹ 28,282 (rounded off) As per section 74A(11) of the CGST Act, 2017 read with section 20 of the IGST Act, 2017 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) of the CGST Act, 2017 read with section 20 of the IGST Act, 2017. Therefore, penalty of ₹ 1,55,500 is payable by Vikramaditya Rao in the given case.

QUESTION 16

Singsang Ltd., a registered company under the GST law in the State of Uttar Pradesh, is engaged in the business of manufacturing and supplying electronic musical instruments. The company has an office and warehousing facility in Noida, Uttar Pradesh, from where it carries out its business operations and maintains all accounting and GST related records. On 10th July, Singsang Ltd. received a notice for audit from the jurisdictional tax authority under section 65. Singsang Ltd. submitted all the records, books of accounts and supporting documents as sought by the tax authority on 25th July. Subsequently, the tax audit team visited the premises of Singsang Ltd. in Noida on 8th August for conducting the audit. Determine the time-limit within which the audit under section 65 is required to be completed assuming that no extension is permitted in the given case.

According to section 65(4), the audit must be concluded within 3 months from the date of commencement. The commencement of audit is defined as the later of the following two events:

1. The date on which the taxpayer provides the records and other documents as requested by the tax authorities; or
2. The date on which the audit is actually carried out at the taxpayer's place of business.

In this scenario, the relevant dates are: Records and documents were made available by Singsang Ltd. on

- 25th July. The tax authority physically conducted the audit at the office of
- Singsang Ltd., Noida, Uttar Pradesh on 8th August.

The later date is 8th August, which is therefore considered as the date of commencement of audit. Accordingly, the audit under section 65(4) must be completed within three months from 8th August.

QUESTION 17

M/s. Global Machines Pvt. Ltd., an importer based in Chennai, imported a consignment of specialized steel rods in May, 2025 for manufacturing high-precision auto parts. Since the company does not have the required machinery for cutting and shaping, it sent these rods to a local job worker, M/s. Sharp Tools & Co. same day under a delivery challan and e-way bill, mentioning the description and quantity of rods. The job

scrap generated. However, due to delays in production schedules, the rods remain with the job worker till June, 2026. Upon inspection by the jurisdictional Customs Officer, the importer is unable to establish proper utilization of some of the rods as per the particulars furnished earlier. Based on the above-mentioned information furnished by M/s. Global Machines Pvt. Ltd., you are required to answer the following questions based on the Customs (Import of Goods at Concessional Rate of Duty or for Specified Purposes) Rules, 2022 as amended:

- (a) What is the maximum time limit for which the goods can be sent to the job worker? Has Global Machines Pvt. Ltd. complied with this requirement?
- (b) Discuss whether the importer shall be responsible for ensuring that the said goods are used in accordance with the purposes provided in the aforesaid rules?
- (c) What record-keeping responsibilities does the job worker - Sharp Tools & Co. - have in this case?
- (d) If part of the processed rods needs to be sent to another job worker for further finishing, which document must accompany such movement of goods?

- a) In accordance with Rule 7 of the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022, the maximum period for which the goods can be sent to the job worker is one year from the date of invoice or electronic way bill. Since the rods remained with the job worker, M/s. Sharp Tools & Co. beyond one year, the Global Machines Pvt. Ltd. has not complied with the requirement.
- b) Yes, importer shall be responsible for ensuring that the said goods are used in accordance with the purposes prescribed in the rules and in the event of failure to do so, the jurisdictional Customs Officer would take necessary action against the importer prescribed under rules 11 & 12 of the Customs (Import of Goods at Concessional Rate of Duty or for Specified Purposes) Rules, 2022.

- c) The job worker - Sharp Tools & Co.- have following recordkeeping responsibilities in this case
- It shall maintain an account of receipt of goods, manufacturing process undertaken thereon and the waste generated, if any, during such process; and
 - It shall produce the account details before the jurisdictional Customs Officer as and when required by the said officer.
- d) If part of the processed rods needs to be sent to another job worker for further finishing, the processed goods must move under the cover of an invoice or an electronic way bill.

QUESTION 18

Nandita Pvt. Ltd., registered under GST in the State of Rajasthan, is engaged in making various supplies of goods and services. It also has a branch located in Uttarakhand and a manufacturing unit in Jharkhand.

The company has provided the following transactions undertaken by Rajasthan office, for the month of January:

S. No.	Particulars	Amount (₹)
	OUTWARD SUPPLY:	
(i)	Entered into a forward contract for a commodity on the Multi Commodity Exchange (MCX) which was settled by netting off the difference between the forward rate and market rate on the settlement date in January itself	18,00,000
(ii)	Renting of dumpers including driver given for transport of minerals within the mining area in Jharkhand for a period of 2 years to Dhanvarsha Builders, registered in Jharkhand	11,50,000
(iii)	Manufactured the silk yarn from raw silk and supplied it to Gajodhar Traders, registered in Mumbai	80,00,000
(iv)	Amount received for accommodation services provided to 10 students preparing for UPSC. The said accommodation service is supplied for a continuous period of 6 months at a monthly rent of ₹ 20,000 per student.	2,00,000
(v)	Supplied branded electronic goods to a consignment agent -Suhasini Traders - in Jodhpur, Rajasthan. (Suhasini Traders issued an invoice using its own name while further supplying goods to customers.) Suhasini Traders supplied the goods of like kind and quality to the unrelated wholesalers in the States of Madhya Pradesh and Uttar Pradesh for ₹ 5,60,000 during the same month. Open market value is ₹ 5,40,000.	-
	INWARD SUPPLY	
(i)	Availed event management services from "White Frame Events" (registered in Rajasthan) for organizing the company's product launch meet at a convention centre in Delhi.	5,50,000
(ii)	Purchased high-capacity industrial machine from TechFab Engineering Ltd., a registered supplier based in Ranchi, Jharkhand to produce taxable items. As per the terms of the contract, parts of the machine were brought at the manufacturing unit located in Jharkhand and assembled and commissioned thereat and after recipient's inspection and approval, its delivery was completed.	2,00,000
(iii)	Purchased 3 electric scooters with engine capacity of 25 cc for use by its employees for commuting within the office premises and nearby client locations. Scooters were supplied in Jaipur by a GST-registered dealer located in Kerala.	1,80,000

The company provided the following additional information:

- Some taxable goods were transferred to the company's branch located in Uttarakhand for promotional gifting by branch. Invoice value was ₹ 2,40,000, but open market value was ₹ 2,80,000.

- (ii) Nandita Pvt. Ltd. had secured a loan amounting to ₹ 120 crores in the month of April from Manimani Bank, Rajasthan. Penal charges amounting to ₹ 26,00,000 were levied by Manimani Bank in the month of January, in compliance with RBI directions, since Nandita Pvt. Ltd. failed to comply with the material terms and conditions of the loan contract.
- (iii) All the amounts given the question are exclusive of taxes, wherever applicable.
- (iv) All the inward supplies were used for taxable as well as exempted outward supplies.
- (v) There was no opening balance of any ITC for the relevant tax period.
- (vi) The company always chooses the most beneficial option for valuation of supplies made to agent and branches.
- (vii) Rates of CGST, SGST and IGST on all inward and outward supplies are 9%, 9% and 18% respectively. Based on the information provided above, determine the following for Nandita Pvt. Ltd. (Rajasthan) for the month of January, providing brief reasoning thereof:
1. Eligible Input Tax Credit (ITC) available for set-off.
 2. Minimum net GST liability payable in cash (CGST and SGST or IGST, as the case may be).

I. Computation of Gross GST payable by Nandita Pvt. Ltd. for the month of January

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Forward derivatives contract [Forward derivative contracts where the settlement takes place by netting off the difference between the forward rate and market rate qualify as securities. Hence, they are neither goods nor services in terms of definitions of goods and services under sections 2(52) and 2(102). Thus, given transaction is not a supply.]	18,00,000	-	-	-
(ii)	Renting of dumpers to Dhanvarsha Builders [Not specifically exempt. Further, it is an inter-State supply since place of supply provided to registered person is location of recipient, i.e. Jharkhand.]	11,50,000	-	-	2,07,000 [11,50,000 × 18%]
(iii)	Supply of silk yarn [Tax on silk yarn supplied by a person who manufactures it from raw silk to a registered person is payable under reverse charge by the recipient. Thus, tax is payable by Gajodhar Traders.]	80,00,000	-	-	-
(iv)	Accommodation service provided to students [Supply of accommodation services having value of	2,00,000	-	-	-

	supply less than or equal to ₹ 20,000 per person per month is exempt provided that the accommodation service is supplied for a continuous period of at least 90 days.]				
(v)	Supply of goods to an agent [Supply of goods by the company to agent qualifies as supply in terms of para 3 of Schedule I of the CGST Act, 2017 since agent issues invoice to customers in its own name. Further, it is an intra-State supply since place of supply is location where movement of goods terminates, viz. Rajasthan. Moreover, value of supply of goods to agent is: (i) Open Market Value (₹ 5,40,000) or (ii) 90% of the price of goods of like kind and quality charged by recipient to unrelated customer ₹ 5,04,000 (₹ 5,60,000 × 90%), at the option of supplier [Rule 29]. Since the company wishes to choose most beneficial option, least of the two values has been taken.]	5,04,000	45,360 [5,04,000 × 9%]	45,360 [5,04,000 × 9%]	-
(vi)	Inter-State transfer of taxable goods to Uttarakhand branch [ITC of goods received for promotional gifting is not available to branch, as ITC in respect of goods disposed of by way of gift or free samples is blocked in terms of section 17(5)(h). Since recipient -branch - is not eligible for full ITC and goods are not intended for further supply as such by it, value of supply of said goods shall be open market value (Rule 28).]	2,80,000	-	-	50,400 [2,80,000 × 18%]
	Total output tax		45,360	45,360	2,57,400

II. Computation of eligible ITC available for set off

S. No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Event management services availed [It is intra-State supply as place of supply of event management services provided to registered person is location of recipient, i.e. Rajasthan. Further, ITC of services used in course or furtherance of business is available.]	49,500 [5,50,000 × 9%]	49,500 [5,50,000 × 9%]	
(ii)	Machine purchased [It is intra-State supply since place of supply in case of goods not involving movement of goods is location of goods at the time of delivery to recipient, viz. Jharkhand. However, ITC of the same will not be available since the recipient of said intra-State supply is located in a different State than that of place of supply ⁸ .]	-	-	-
(iii)	Electric scooters purchased [It is inter-State supply since place of supply is Jaipur and supplier is in Kerala. Further, ITC on two-wheelers with engine capacity upto 25cc, used in course or furtherance of business, is not blocked in terms of section 17(5)(a) since they are excluded from the definition of motor vehicle.]			32,400 [1,80,000 × 18%]
(iv)	Penal charges [Penal charges levied by regulatory entities including banks, in directions are essentially in the nature of charges for breach of terms of contract and hence, no GST is payable on the same ⁹ . Thus, no ITC is available.]			
	Total ITC	49,500	49,500	32,400
	Common credit [All inward supplies are used commonly for exempt and taxable supplies.]	49,500	49,500	32,400
	Less: ITC attributable to exempt supplies [Common credit × (Exempt turnover/ Total turnover)] to be reversed ₹ [Common credit × 82,18,000/1,01,52,000] – Refer note below	(40,070)	(40,070)	(26,228)
	Eligible ITC available for set off	9,430	9,430	6,172

Note - As per section 17(3), value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis and transactions in securities. As per explanation to Chapter V of the CGST Rules, the value of exempt supply for security is 1% of the sale value of such security.

Therefore, value of exempt supply in the given case will be the sum of value of output supply on which tax is payable under reverse charge (₹ 80,00,000), accommodation service provided to students (₹ 2,00,000), and value of supply of securities (1% of ₹ 18,00,000 = ₹ 18,000), which comes out to be ₹ 82,18,000.

⁸ Circular No. 170/02/2022 GST dated 06.07.2022

⁹ Circular No. 245/02/2025 GST dated 28.01.2025

Total turnover = ₹ 1,01,52,000 (₹ 18,000 + ₹ 11,50,000 + ₹ 80,00,000 + ₹ 2,00,000 + ₹ 5,04,000 + ₹ 2,80,000)

III. Computation of eligible ITC available for set off

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Total output tax	45,360	45,360	2,57,400
Less: ITC available for set off [Refer Working note below]	9,340	9,340	6,172
Minimum net GST payable in cash (rounded off)	36,020	36,020	2,51,228

QUESTION 19

Aakarsha Traders, a registered supplier under GST in Uttar Pradesh, had their GST registration cancelled retrospectively with effect from 1st September of current financial year. The cancellation order was passed on 15th September of current financial year. At the time of cancellation, the supplier had not availed ITC on certain eligible invoices issued in February and March of the preceding financial year for inward supplies of taxable goods on which ITC is otherwise available under GST law. Subsequently, on filing an application for revocation, the cancellation of registration was revoked by the Proper Officer on 15th December of current financial year. The firm wishes to file its GSTR-3B return for the month of September on 21st December of current financial year and wishes to claim ITC on the said invoices of February and March of preceding financial year in this return. You are required to advise Aakarsha Traders whether it is entitled to claim input tax credit (ITC) in respect of invoices issued in February and March of the preceding financial year in terms of provisions of the GST law assuming that annual return for previous year is furnished on 31st December of the current financial year.

As per section 16(6), where:

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

whichever is later.

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

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

whichever is later.

Thus, Aakarsha Traders is entitled to claim input tax credit (ITC) in respect of invoices issued in February and March of the preceding financial year in the return for the month of September furnished on 21st December of current financial year.

QUESTION 20

Mr. Divas, a registered person in Agra, Uttar Pradesh purchased a car for ₹ 12,50,000 on 15th October. On 31st October, the car met with an accident resulting in minor damage. Due to urgency, he got his car repaired in the local garage of a nearby market instead of garage authorized by his general insurance company, i.e. Suraksha Insurance Company, through which his car was insured.

The total cost of repairs was ₹ 54,000 (excluding GST @ 18%). On the instructions of Mr. Divas, the invoice for the entire amount was raised by garage in the name of Suraksha Insurance Company. The insurance company approved the claim amount of only ₹ 40,000 after the survey and reimbursed the same amount alongwith GST @ 18% to Mr. Divas.

In light of the above facts, you are required to answer the following questions:

- (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 ₹ 14,000 + 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?

- (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 21

Mr. Manmeet imported certain goods from his son, Mr. Harbhajan residing in US and transaction value has been rejected. Rules 4 and 5 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 are found inapplicable as no similar/ identical goods are imported in India.

Mr. Manmeet furnishes cost-related data of imports and requests customs authorities to determine value accordingly as per rule 8. The relevant data are given below:-

Sr. No.	Particulars	Amount
1.	Cost of materials incurred by Mr. Harbhajan	\$ 2000
2.	Fabrication charges incurred by Mr. Harbhajan	\$ 1000
3.	Other chargeable expenses incurred by Mr. Harbhajan	\$ 400
4.	Other indirect costs incurred by Mr. Harbhajan	\$ 250
5.	Freight from Mr. Harbhajan 's factory to US port	\$ 250
6.	Loading charges at US port	\$ 100
7.	Normal net profit margin of Mr. Harbhajan	20% of FOB
8.	Air freight from US port to Indian port	\$ 1,500
9.	Insurance from US port to Indian port	\$ 50
10.	Exchange rate	₹ 85 per \$

The customs authorities are of the opinion that since value as per rule 7 can be determined at ₹ 5,00,000, there is no need to apply rule 8. Can the request of Mr. Manmeet be legally acceptable? If so, compute the assessable value under the Customs Act, 1962.

Rule 2(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (hereinafter referred to as Import Valuation Rules), inter alia, provides that persons shall be deemed to be "related" if they are members of the same family. Thus, since Mr. Manmeet and his son are related, transaction value has been rejected [Rule 3]. Rules 4 and 5 are found inapplicable as no similar/ identical goods are imported in India. Rule 6 provides that if the value of imported goods cannot be determined under the provisions of rules 3, 4 and 5, the value shall be determined under the provisions of rule 7 or, when the value cannot be determined under that rule, under rule 8. Thus, the value of the imported goods is determined under rule 8 if the same cannot be determined under the earlier rules. However, the order of application of rules 7 and 8 can be reversed at the request of the importer and with the approval of the proper officer. Thus, request of Mr. Manmeet for determination of value under rule 8 is legally acceptable, if the same is also approved by the proper officer. Assuming that the request of Mr. Manmeet has been approved by the proper officer, the assessable value of the imported goods under rule 8 will be the sum of-

- the cost of materials and fabrication or other processing
- an amount for profit and general expenses
- the cost or value of all other expenses under rule 10(2) of the said rules.

Computation of assessable value

Particulars	Amount (\$)
Cost of materials	2,000
Add: Fabrication charges	1,000
Other chargeable expenses	400
Other indirect costs	250
Cost of the goods at Mr. Harbhajan's factory	3,650
Cost of transportation and Loading charges [\$ 250 + \$ 100]	350
Cost	4,000
Add: Net profit margin @ 20% of FOB, i.e. 25% of total cost i.e., 4,000 X 25%	1,000
FOB Price	5,000
Add: Air Freight	650
a) Actual = \$250 + \$100 + \$1,500 = \$1,850	
b) 20% of FOB = \$1,000, whichever is lower i.e., \$1,000	
(-) Already considered in FOB = (\$350)	
Insurance charges	50
Assessable value	5,700
Particulars	Amount (₹)
Assessable value in Indian Rupees (Exchange rate - ₹ 85 per \$)	4,84,500

QUESTION 22

Mr. Dinkar is the owner of Dinkar Associates which is registered in Ahmedabad, Gujarat. He is engaged in supply of various goods and services in the domestic market and exporting the same outside India. During the month of February, he has undertaken the following transactions:

Outward Supplies

- Transferred the tenancy rights of a commercial complex (taken on rent) located in Vadodra for a tenancy premium of ₹ 8,00,000 to DB Morgan Ltd. of Ahmedabad, Gujarat. Stamp duty and registration fee have already been paid on the tenancy premium.
- Hired out excavators and dumpers alongwith operators to mining lease holders of Kuchchh, Gujarat for extracting and transporting minerals within the mining area for a period of 5 years. The excavators/dumpers are invariably hired out along with operators. Similarly, operators are supplied only when the excavators/dumpers are hired out. Hire charges for excavators and dumpers are ₹ 10,00,000 and service charges for supply of manpower for operation of the excavators/dumpers - ₹ 2,00,000.
- Supplied goods of value of ₹ 35,00,000 to Choksi Ltd. Jamnagar, Gujarat (including goods worth ₹ 10,00,000 supplied to SEZ unit of Choksi Ltd. in Gujarat).
- Agreed to provide consultancy services to Mr. Krishna of Surat, Gujarat who is an unregistered person in connection with his newly commenced business for a consideration of ₹ 6,80,000. An advance of ₹ 1,50,000 has been received for the same on 10th February.
- Exported the goods to George Inc. of the USA. FOB value of the goods is ₹ 8,40,000.
- Sold a heavy printing machinery purchased from Japan for ₹ 5,10,000 in high sea to Dhoomketu Printers, Mumbai, Maharashtra on 10th February.
- Supplied goods to Timahi Corporation, China for ₹ 12,00,0000 on 15th February. These goods were purchased for ₹ 10,00,000 from Jamsam Corporation, Japan on 5th February and were supplied in China without bringing them to India.

Inward Supplies

- The goods exported to George Inc., USA, were purchased by Mr. Dinkar as a merchant exporter for ₹ 7,00,000 from Shravan Ltd., a manufacturer registered in Bengaluru, Karnataka.

- (ii) The heavy printing machinery sold in high sea to Dhoomketu Printers was originally imported by Mr. Dinkar from Japan on 2nd February, with CIF value of ₹ 5,00,000 and FOB value of ₹ 4,50,000.
- (iii) Mr. Dinkar paid a sales commission of ₹ 5,00,000 to Mr. Kenzo of Japan, his agent in connection with all the imports from Japan.
- (iv) Imported raw materials from Italy under a CIF contract. CIF value of the goods for the purpose of customs included ₹ 2,00,000 as ocean freight paid by the exporter on transport of goods through vessel from port of shipment to port of import. The value for the purpose of levy of IGST worked out by the customs was ₹ 9,00,000.
- (v) Purchased raw cotton for manufacture of garments for ₹ 12,00,000 from Mr. Poonawala, an agriculturist of Kuchch, Gujarat.
- (vi) Monthly rent of ₹ 35,00,000 payable to Dharam Ltd., Gujarat, for the retail outlet (a commercial property) in Ahmedabad, Gujarat (one third of total space available is used by Mr. Dinkar for personal residential purposes).

Compute the net GST payable in cash [CGST and SGST or IGST, as the case may be], by Mr. Dinkar for February.

Notes:

- A. Rates of CGST, SGST and IGST for hiring out of excavators and dumpers are 6%, 6% and 12%. As regards the supply received as a merchant exporter, Mr. Dinkar paid GST at the concessional rates by fulfilling all requisite conditions thereof. Rates of CGST, SGST and IGST for all the other supplies of goods and services including supply of manpower services are 9%, 9% and 18%. Ignore GST compensation cess.
- B. Mr. Dinkar had an opening balance of ITC of CGST of ₹ 35,000 and SGST of ₹ 35,000 for the relevant period. In respect of all the inward supplies, suppliers have uploaded their invoices in respective Form GSTR-1 and the supplies are reflected in Form GSTR 2B.
- C. All the figures given above are exclusive of GST, wherever applicable. The amounts given in respect of import and export transactions in rupees have been arrived after conversion thereof, though transactions were undertaken in convertible foreign currency.
- D. Mr. Dinkar always makes zero-rated supplies under a bond or letter of undertaking (LUT). Provide supporting explanatory notes for your conclusion wherever required.

I. Computation of Gross GST payable on outward supplies:

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable on outward supplies				
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 (Circular No. 44/2018 CT dated 02.05.2018). It is an since place of supply is location of immovable property being Ahmedabad, Gujarat.]	8,00,000	72,000 (8,00,000 × 9%)	72,000 (8,00,000 × 9%)	
Hiring out excavators and dumpers including operators [Taxable since renting of trucks and other freight vehicles with driver for a period of time is a service of renting of transport vehicles (with operator) and not service of transportation of	12,00,000 [10,00,000 + 2,00,000]	72,000 (12,00,000 × 6%)	72,000 (12,00,000 × 6%)	

goods by road. Further, since the excavators and dumpers are invariably hired out along with operators and the operators are supplied only when the excavators/ dumpers are hired out, it is a case of composite supply under section 2(30) wherein the principal supply is the hiring out of the excavators and dumpers. As per section 8(a), the composite supply is treated as the supply of the principal supply. Therefore, the supply of manpower for operation of the excavators/ dumpers will also be taxed at the rate applicable for hiring out of the excavator and dumpers (principal supply). Further, it is a taxable intra-State supply since place of supply is location of recipient being Kuchchh, Gujarat.]				
Goods supplied to SEZ unit of Choksi Ltd. [Supply to SEZ unit is a zero-rated supply in terms of section 16(1)(b) of the IGST Act, 2017. No IGST is payable since Mr. Dinkar makes all zero-rated supplies under LUT/bond.]	10,00,000			Nil
Supply of goods to Choksi Ltd., Gujarat [It is a taxable intra-State supply since place of supply is location of goods when movement of such goods terminates, viz., Jamnagar, Gujarat.	25,00,000 [35,00,000 - 10,00,000]	2,25,000 [25,00,000 × 9%]	2,25,000 [25,00,000 × 9%]	
Advance received for to be provided to Mr. Krishna [Tax on the services to be provided is payable at the time of receipt of advance. Since the place of supply is location of recipient, i.e. Gujarat, it is an intra- State supply.]	1,50,000	13,500 [1,50,000 × 9%]	13,500 [1,50,000 × 9%]	
Export of goods to USA under LUT/bond [Export of goods outside India is a zero-rated supply in terms of section 16(1)(b) of the IGST Act, 2017. No IGST is payable since Mr. Dinkar makes all zero-rated supplies under LUT/bond.]	8,40,000			Nil

High sea sales of heavy printing machinery imported from Japan [High sea sales is neither treated as supply of goods nor as supply of services in terms of para 8(b) of Schedule III of the CGST Act, 2017.]	Nil	--	--	--
Goods purchased from Japan sold in China without bringing them into India [Third country shipments or triangular trade is neither treated as supply for goods nor as supply of services in terms of para 7 of Schedule III of the CGST Act, 2017.]	Nil	--	--	--
Total output tax		3,82,500	3,82,500	Nil

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

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Raw material purchased from Mr. Poonawala, Gujarat [Tax on the raw cotton purchased by any registered person from an agriculturist is payable under reverse charge vide Notification No. 4/2017 IT (R) dated 28.06.2017.]	12,00,000	1,08,000 [12,00,000 × 9%]	1,08,000 [12,00,000 × 9%]	

III. Computation of admissible ITC for February

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	35,000	35,000	
Goods purchased as merchant exporter [It is an inter-State supply since the place of supply is Gujarat, i.e. location where the movement of goods terminates. Shravan Ltd. would have supplied the goods to merchant exporter – Mr. Dinkar - at concessional rate of IGST of 0.1% prescribed under Notification Nos. 41/2017 IT(R) dated 23.10.2017. Further, the merchant exporter is eligible to take ITC of concessional IGST so paid ¹⁰ .]	--	--	700
Heavy printing machinery imported from Japan [No ITC is available since tax is not payable by Mr. Dinkar on the same since in case of high sea sales, IGST is paid by the last high sea sales buyer who clears the goods for home consumption by filing the bill of entry.]	-	-	-
Goods purchased from Jamsam Corporation, Japan [No ITC is available since tax is not payable by Mr. Dinkar on the same as goods do not become part of the landmass of the country.]	-	-	-

¹⁰ Circular No. 125/44/2019 GST dated 18.11.2019

Sales commission paid to agent - Mr. Kenzo [Since service provider - Mr. Kenzo - is an intermediary in the given transaction, place of supply is location of supplier - Mr. Kenzo, i.e. outside India (Japan), in terms of section 13(8)(b) of the IGST Act, 2017. Since location of supplier and place of supply are outside India, tax is not payable on said transaction under reverse charge on said services.]	-	-	-
Imported raw material from Italy [Input tax, inter alia, includes IGST charged on import of goods, in terms of section 2(62). No separate levy of IGST will be there on the component of ocean freight paid by the foreign exporter to the foreign shipping line in the CIF contract by virtue of Union of India vs. Mohit Minerals Pvt. Ltd. 2022 (61) G.S.T.L. 257 (SC) since the Indian importer is liable to pay IGST on the 'composite supply', comprising of supply of goods and supply of services of transportation, insurance, etc. in a CIF contract.]			1,62,000 [9,00,000 × 18%]
Raw cotton purchased from Mr. Poonawala, Gujarat [It is an intra-State supply since the place of supply is location where movement of goods terminates, i.e. Gujarat, in terms of section 10(1)(a) of the IGST Act, 2017. ITC on goods used in course or furtherance of business is allowed in terms of section 16.]	1,08,000 [12,00,000 × 9%]	1,08,000 [12,00,000 × 9%]	
GST paid on monthly rent [In case of services used partly for the business purpose and partly for other purposes, ITC is restricted to so much of ITC as is attributable to the purposes of business. Thus, ITC for GST paid on only 2/3rd of monthly rent is available since GST paid on monthly rent attributable to personal purposes (one-third) is not allowed. Further, it is an intra-State supply since the place of supply of services provided in relation to an immovable property is location of immovable property, i.e. Gujarat in terms of section 12(3) of the IGST Act, 2017.]	2,10,000 [35,00,000 × 9%×2/3]	2,10,000 [35,00,000 × 9%×2/3]	-
Total ITC available	3,53,000	3,53,000	1,62,700

Note – Since as per section 49(5) read with rule 88A, ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order, the ITC of IGST of ₹ 1,62,700 can be set off against the CGST and SGST liability in any proportion and in any order. In above answer, ITC of IGST has been set off in equal proportion against the payment of CGST and SGST liability. However, multiple answers are possible to given question owing to multiple ways of utilizing the ITC of IGST for payment of CGST and SGST liability.

IV. Computation of admissible ITC for February

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Total output tax	3,82,500	3,82,500	Nil
Less: ITC [Refer working note below]	81,350 (IGST)	81,350 (IGST)	

[IGST credit has been utilized for payment of CGST and SGST liability in equal proportion. Thereafter, CGST credit and SGST credit have been utilized to pay the CGST liability and SGST liability respectively.]	3,01,150 (CGST)		
		3,01,150 (SGST)	
Net GST payable	Nil	Nil	Nil
Add: GST payable on inward supplies			
Imported raw material from Italy			1,62,000 [9,00,000 × 18%]
Raw material purchased from Mr. Poonawala, Gujarat	1,08,000 [12,00,000 × 9%]	1,08,000 [12,00,000 × 9%]	
Total net GST payable in cash (CGST and SGST of ₹ 1,08,000 each will be paid in cash through GSTN portal and IGST of ₹ 1,62,000 will be paid in cash through ICEGATE portal while making customs clearance.)	1,08,000	1,08,000	1,62,000

QUESTION 23

Mr. Jignesh of Delhi books accommodation, through an e-commerce operator - Plan My Trip Ltd. (PMTL), registered under GST in Uttarakhand, in a newly established budget hotel - Paras Resorts Ltd. (PRL) located in Nainital, Uttarakhand. The turnover of PRL in the current financial year is ₹ 18 lakh. PRL raises an invoice for ₹ 1,00,000 to Mr. Jignesh. PMTL collects the payment from Mr. Jignesh and after deducting its fees and other charges from the same, remits the balance amount to PRL. Advise PRL as to whether it is required to obtain GST registration. Also, whether tax is required to be collected at source by PMTL under section 52 on the services provided by PRL to Mr. Jignesh through electronic commerce operator - PMTL. If yes, determine the amount of tax to be collected at source. Suppose in the above case, other facts remaining same, if PRL, supplying accommodation services, is also an e-commerce operator (registered in Uttarakhand as TCS collector as well as a regular tax payer since its aggregate turnover exceeds the threshold limit) and PMTL has an agreement with PRL for booking the accommodation at the time when Mr. Jignesh booked the accommodation, ascertain whether tax is required to be collected at source under section 52 on the services provided by PRL to Mr. Jignesh through electronic commerce operator - PMTL. If yes, determine the amount of tax to be collected at source and since two e- required to collect the tax at source under section 52? Note - Amounts given above are exclusive of GST. Assume applicable rate of CGST and SGST to be 9% each and IGST to be 18%.

As per section 22, every supplier of goods or services or both is required to obtain registration in the State/ Union territory from where he makes the taxable supply if his aggregate turnover exceeds threshold limit in a financial year. However, section 24, inter alia, provides that persons who supply goods or services or both through an electronic commerce operator (hereinafter referred as ECO), who is required to collect tax at source under section 52, are required to obtain registration mandatorily. However, said mandatory registration is not applicable, inter alia, to the suppliers of the services which are notified under section 9(5) or section 5(5) of the IGST Act, 2017; such suppliers are entitled for threshold exemption.

In case where services are notified under section 5(5) of the IGST Act, 2017, the ECO is liable to pay the entire tax on behalf of the suppliers of services. Notification No. 14/2017 IT (R) dated 28.06.2017 issued under said section notifies services by way of providing accommodation in hotels, provided the person supplying such service through ECO is not liable for registration under section 22(1), as one such service where the ECO is liable to pay tax on behalf of the suppliers.

In the given case, PRL provides services by way of providing accommodation in hotel through an ECO. Services by way of providing accommodation in hotels provided by a supplier - PRL - which is not liable for registration under section 22(1) as its turnover is less than the threshold limit for registration, [viz. ₹ 20 lakh], is a service notified under section 5(5). Thus, PRL will be entitled for threshold exemption for registration and will not be required to obtain registration even though it supplies services through ECO.

As per section 52, ECO is not required to collect tax at source (TCS) in cases where the service is notified under section 9(5) of the CGST Act, 2017/section 5(5) of the IGST Act, 2017. The applicable tax on such services is to be paid by the ECO as if he is the supplier liable to pay tax on the supply of such services.

Thus, in the given case, no tax is required to be collected at source under section 52. Further, the supply of accommodation services by PRL to Mr. Jignesh is an intra-State supply liable to CGST and SGST since the place of supply of services by way of lodging accommodation by a hotel is the location at which the immovable property is located in terms of section 12(3) of the IGST Act, 2017. Accordingly, in the given case, place of supply is Uttarakhand and location of supplier - PRL - is also Uttarakhand.

As discussed above, entire tax of ₹ 9,000 (each under CGST and SGST) on ₹ 1,00,000 will be paid by the ECO - PMTL.

In case where PRL is registered under GST, service by way of providing accommodation in hotels provided by it through ECO will no longer be a service notified under section 5(5). The reason for the same is that services by way of providing accommodation in hotels are notified under section 5(5) only where the person supplying such service through ECO is not liable for registration under section 22(1). Consequently, said services shall be subject to the TCS provisions under section 52.

Further, in a situation where multiple ECOs are involved in a single transaction of supply of goods or services or both through ECO platform and the supplier-side ECO is himself the supplier of the said supply, Circular No. 194/06/2023 GST dated 17.07.2023 clarifies that the buyerside ECO will be required to collect TCS, as applicable, pay the same to the Government in accordance with section 52 and also make other compliances under said section.

As discussed above, the supply of accommodation services by PRL to Mr. Jignesh is an intra-State supply liable to CGST and SGST.

Accordingly, in the given case, buyer side ECO - PMTL - is required to collect TCS on ₹ 1,00,000 @ 0.25% each under CGST and SGST as follows:

= ₹ 1,00,000 × 0.25%

= ₹ 250 each under CGST and SGST

QUESTION 24

Agora Ltd. exported certain goods to its customer located in Germany against which a refund of IGST amounting to ₹ 50 lakh was claimed and received by Agora Ltd. The sale proceeds covering 50% of the value of exports were immediately received by Agora Ltd. However, due to financial constraints, the customer failed to pay the balance amount of sale proceeds within the permissible time limits under regulatory provisions prevailing in India.

In view of the aforesaid scenario:

- Determine the amount of refund, if any, which Agora Ltd. is required to deposit back. Also, discuss the time limit which is permissible under law within which the sale proceeds in respect of exported goods should have been realized by Agora Ltd.
- Will your answer to sub-part (a) differ if the Reserve Bank of India writes off the requirement of realisation of sale proceeds on merits?
- Whether Agora Ltd. can claim the refund back in case sale proceeds are realised at a later date?

- As per proviso to section 16(3) of the IGST Act, 2017 read with rule 96B(1) of the CGST Rules, 2017, in the given case, Agora Ltd. shall deposit the amount of refund proportionate to the sale proceeds not realized i.e. 50% of the value of exports. The amount of such refund is ₹ 25 lakh alongwith applicable interest under section 50. Further, such amount is required to

be deposited by Agora Ltd. within 30 days of the expiry of the time period allowed under Foreign Exchange Management Act, 1999, including any extension of such time period permitted.

- b) As per proviso to rule 96B, where sale proceeds, or any part thereof, in respect of such export goods are not realised by the applicant within the time period allowed under the Foreign Exchange Management Act, 1999, but the Reserve Bank of India writes off the requirement of realisation of sale proceeds on merits, the refund paid to the applicant shall not be recovered. Thus, if the RBI writes off the requirement of realisation of sale proceeds by Agora Ltd., the refund amount received by Agora Ltd. is not liable to be recovered.
- c) As per rule 96B(2), where the sale proceeds are realised by the applicant, in full or part, after the amount of refund has been recovered from him under rule 96B(1) and the applicant produces evidence about such realisation within a period of 3 months from the date of realisation of sale proceeds, the amount so recovered shall be refunded by the proper officer, to the applicant to the extent of realisation of sale proceeds, provided the sale proceeds have been realised within such extended period as permitted by the Reserve Bank of India. In case the refund amount is deposited by Agora Ltd. alongwith interest as per rule 96B(1) on account of non-realization of sale proceeds from the customer, which is realized on a later date, Agora Ltd. can claim the refund within 3 months from the date of realization of sale proceeds in proportion of the sale proceeds recovered. However, in order to claim such refund, the sale proceeds should have been realized within such extended period as may be permitted by the RBI.

QUESTION 25

A Ltd. is registered under GST in Rajasthan, Delhi, Haryana and Punjab. Due to closure of business activities in Rajasthan with effect from May 31, 2023, A Ltd. filed an application for cancellation of registration before the jurisdictional tax authorities of Rajasthan. The application for cancellation of registration was filed on June 30, 2023. The registration was suspended with immediate effect from June 30, 2023, by the jurisdictional tax authorities. The final order of cancellation was dated July 31, 2023.

You are required to advise A Ltd. regarding the last date for filing the final return by it in Rajasthan.

Further, A Ltd. was also registered as an ISD (Input Service Distributor) in Rajasthan; said registration was cancelled with effect from June 30, 2023 with an order dated July 31, 2023. Advise whether the final return is required to be filed upon cancellation of ISD registration by A Ltd.? If yes, what is the due date for filing said final return?

As per section 45 read with rule 81, every registered person who is required to file a return under section 39(1) and whose registration has been cancelled is required to file a final return electronically in Form GSTR-10 through the common portal. The final return has to be filed within 3 months of the:

(i) date of cancellation

Or

(ii) date of order of cancellation
whichever is later.

Thus, in the given case, final return for Rajasthan registration has to be furnished within three months of the date of order of cancellation of registration (July 31, 2023). Hence, final return has to be filed by A Ltd. on or before October 31, 2023.

Further, since an ISD is not required to furnish return under section 39(1) but under section 39(4), final return is not required to be filed upon cancellation of ISD registration. Therefore, A Ltd. is not required to furnish final return for ISD registration cancelled.

QUESTION 26

Product 'Hexa' was imported by Mr. Narayan by air. The details of the import transaction are as follows:

Particulars	US \$
Price of 'Hexa' at exporter's factory	8,000
Freight from factory of the exporter to load airport (airport in the country of exporter)	500
Loading and handling charges at the load airport	500
Freight from load airport to the airport of importation in India	4,000
Insurance charges	2,000

Though the aircraft arrived on 24th November, the bill of entry for home consumption was presented by Mr. Narayan on 20th November. The other details furnished by Mr. Narayan are:

	20th November	24th November
Rate of basic customs duty	15%	10%
Exchange rate notified by CBIC	₹ 70 per US\$	₹ 73 per US\$
Exchange rate prescribed by RBI	₹ 72 per US\$	₹ 74 per US\$
Integrated tax leviable under section 3(7) of the Customs Tariff Act, 1975	15%	12%

Compute-

- value of product 'Hexa' for the purpose of levying customs duty
- total customs duty and tax payable

Computation of assessable value of product 'Hexa'

Particulars	Amount
Ex-factory price of the goods 'Hexa'	8,000 US \$
Freight from factory of the exporter to load airport (airport in the country of exporter)	500 US \$
Loading and handling charges at the load airport	500 US \$
Freight from load airport to the airport of importation in India	4,000 US \$
Total cost of transport, loading and handling charges associated with the delivery of the imported goods to the place of importation	5,000 US \$
Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation (restricted to 20% of FOB value) [Note 1]	1,800 US \$
Insurance (actual)	2,000 US \$
CIF for customs purpose	11,800 US \$
Value for customs purpose	11,800 US \$
Exchange rate as notified by CBIC [Note 2]	₹ 70 per US \$
	Amount (₹)
Assessable value (₹ 70 × 11,800 US \$)	8,26,000
Add: Basic customs duty @ 10% [Note 3]	82,600
Add: SWS @ 10%	8,260
Value for the purpose of levying integrated tax [Note 4]	9,16,860
Add: Integrated tax @ 12%	1,10,023.20
Total duty & tax payable (rounded off)	2,00,883

Notes:

- In the case of goods imported by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation shall not exceed 20% of the FOB value of the goods [Fifth proviso to rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007].

FOB value in this case is the ex-factory price of the goods (8,000 US \$) plus the cost of transport from factory to load airport (500 US \$) plus loading and handling charges at the load airport (500 US \$) which is 9,000 US \$.

- 2) Rate of exchange as notified by CBIC on the date on which bill of entry is presented under section 46 of the Customs Act, 1962 is to be considered [Clause (a) of the explanation to section 14 of the Customs Act, 1962].
- 3) Section 15 of the Customs Act, 1962 provides that rate of duty shall be the rate in force on the date of presentation of bill of entry or the rate in force on the date of arrival of aircraft, whichever is later.
- 4) Integrated tax is levied on the sum total of the assessable value of the imported goods and customs duties [Section 3(8) of the Customs Tariff Act, 1962]. Social Welfare Surcharge (SWS) leviable on integrated tax has been exempted.

QUESTION 27

Shivansh Ltd. imported a machine from Germany for ₹ 180 lakh during the month of March 2022 on payment of all duties of customs. Due to some technical manufacturing defect the machine was exported (sent back) to supplier for repairs in October 2022. The machine was re imported without any re-manufacturing or reprocessing in August 2023 after repairs. Since the machine was under warranty period, the repairs were carried out free of cost.

However, the fair cost of repairs carried out (excluding cost of material ₹ 10 lakh) would have been ₹ 5 lakh. Actual insurance and freight charges (to and from) were ₹ 5 lakh (₹ 2.50 lakh each side). The ownership of machinery has not been changed during the period.

You are required to advice Shivansh Ltd. on the concessions (if any) available for importation of the machinery after repairs, also state the conditions to be satisfied for availing such concession.

Also compute the customs duty and integrated tax payable (if any) on the re-import of the machine after repairs.

The rate of basic customs duty is 15% and integrated tax is 12%. Ignore Agriculture infrastructure and development cess.

As per Notification No. 45/2017 Cus. dated 30.06.2017, duty payable on re-importation of goods which had been exported for repairs abroad is the duty of customs which would be leviable if the value of re-imported goods after repairs were made up of the fair cost of repairs carried out including cost of materials used in repairs (whether such costs are actually incurred or not), insurance and freight charges, both ways. However, following conditions need to be satisfied for availing this concession:

- a) goods must be re-imported within 5 years, extendable by further 2 years, after their exportation;
- b) exported goods and the re-imported goods must be the same;
- c) ownership of the goods should not change.

Since all the conditions specified above are fulfilled in the given case, the customs duty payable on re-imported goods will be computed as under:

Particulars	₹
Value of goods re-imported after exports [Cost of materials ₹ 10 lakh + fair cost of repairs ₹ 5 lakh + actual insurance and freight Rs. 5 lakh]	20,00,000
Add: Basic customs duty @ 15% (A)	3,00,000
Add: Social Welfare Surcharge @ 10% on ₹ 3,00,000 (B)	30,000
Value for computing integrated tax	23,30,000
Integrated tax @ 12% (₹ 23,30,000 × 12%) - (C)	2,79,600
Customs duty and integrated tax payable [(A) + (B) + (C)]	6,09,600

QUESTION 28

Vasudha Agro Exports Pvt. Ltd., a registered person in Madhya Pradesh, is engaged in the export of various agricultural products including raw cotton (HSN 5201) and refined rice (HSN 1006).

For the month of November 2024, Vasudha undertakes the following exports:

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

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

1. Refund on Raw Cotton Export – Not Allowed

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

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

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

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

3. Refund of IGST Paid on Refined Rice – Allowed

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

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

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

QUESTION 29

Mahadev Housing Society (MHS) is registered under GST in Lucknow, Uttar Pradesh. The society has in all 200 flats and 20 shops as under:

Block	Type	Units (nos.)
A	3BHK Flats	50
B	4 BHK Flats	50
C	3BHK Flats	50
D	4BHK Flats	50
E	Shops	10
F	Shops	10

Flats and Shops are the members of Mahadev Housing Society (MHS). The society received/paid the following amounts in the month of January:

Particulars	Amount for each unit of a 3BHK flat (₹)	Amount for each unit of a 4BHK flat (₹)
Maintenance charges collected (including property tax ₹ 1,000 for a 3BHK flat and ₹ 1,500 for a 4BHK flat collected on behalf of the Municipal Corporation)	8,000	10,000

Additional information:

- Maintenance charges collected from each shop is ₹ 7,000 during the month.
- Interest ₹ 75,000 received on fixed deposit with a nationalized bank.
- 4 generators each costing ₹ 1,00,000 were purchased from a registered supplier for power backup of the blocks, of which 2 were installed for 3BHK blocks and 2 for 4BHK blocks. The amount capitalised in the books but no depreciation charged.
- Pipes and other sanitary fittings costing ₹ 25,000 were purchased for Block A from a registered supplier and debited in the Profit and Loss account.
- 3 members own 2 units (flats) each of the 3BHK type.
- All inward and outward supplies are Intra-State supplies.
- Ignore the effect of common credit, if any.

Assume that all conditions necessary for claiming Input Tax Credit (ITC) were complied with and not claimed any depreciation on any assets. All the figures given are exclusive of GST wherever applicable. Assume rate of CGST @ 9%, SGST @ 9% and IGST @ 18% on all inward and outward supplies wherever applicable. Compute the net GST liability for the month of January.

Computation of GST payable on outward supply:

Particulars	Amount
Maintenance charges for 100 4BHK flats (₹ 8,500 × 100) [₹ 10,000 – ₹ 1,500 property tax (taxes collected qualifies as expenditure incurred by supplier as a pure agent of recipient)]. [Since value of maintenance per month is more than ₹ 7,500 per member it is not exempted].	8,50,000
Maintenance charges for 20 shops (₹ 7,000 × 20). [The exemption of ₹ 7,500 of maintenance per month is also available to shops as it is the member of Society].	-
Maintenance charges for 100 3BHK flats (₹ 7,000 × 100) [Rs 8,000 – ₹ 1,000 (taxes collected qualifies as expenditure incurred by supplier as a pure agent of recipient)]. [Since value of maintenance per month is less than ₹ 7,500 per member it is exempted vide entry 77 of Notification No. 12/2017 CT (R). Also 3 members owning 2 flats each of 3BHK will be a member of the society for each flat owned by him.]	-
Interest on Fixed Deposit – Interest or Discount on loans (or) advances (or) deposits is exempted vide Notification NO. 12/2017 CT (R).	-
Value of taxable supply	8,50,000
CGST payable on above (₹8,50,000 × 9%)	76,500
SGST payable on above (₹8,50,000 × 9%)	76,500

Computation of ITC on inward supplies:

Particulars	CGST	SGST
2 Generators for 4BHK towers $[(₹ 1,00,000 \times 2) \times 9\%]$.	18,000	18,000
ITC cannot be claimed for purchase of generators (3 BHK Blocks) and pipe & sanitary fittings for block A since maintenance charges for the same is exempted.	Nil	Nil
Value of ITC that can be availed.	18,000	18,000

Computation of Net GST Payable:

Particulars	CGST	SGST
Gross GST payable on outward supplies	76,500	76,500
(-) ITC Utilised	(18,000)	(18,000)
Net GST payable	58,500	58,500

QUESTION 30

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.

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

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

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

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

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

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

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

QUESTION 31

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 31st 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 30th January 2024:

Inward supply	Purchased prior to 30 th January 2024	Transaction value at the time of purchase	Rate of GST	Value determined as per Rules as on the 30 th 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 31st 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.

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

View – 1: Separate comparison for inputs

ITC on such inputs = ₹8,00,000 X 18% or ₹10,00,000 X 18%, whichever is higher i.e., ₹1,80,000

ITC on inputs in WIP = ₹5,00,000 X 12% or ₹3,00,000 X 12%, whichever is higher i.e., ₹60,000

ITC on inputs in FG = ₹4,50,000 X 18% or ₹4,00,000 X 18%, whichever is higher i.e., ₹81,000

Therefore, Total ITC to be reversed on inputs is ₹3,21,000

View – 2: Combined comparison for inputs

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 32

M/s SecureSure Insurance Ltd., a registered insurer under GST, is engaged in providing general motor insurance services and settles insurance claims for vehicle repairs through Cashless Mode and Reimbursement Mode. During January 2025, the company processed multiple claims and seeks to determine its eligibility for Input Tax Credit (ITC) in each case and the total ITC available for the said month. In one case, a network garage performed repairs worth ₹5,00,000, issuing an invoice in the name of SecureSure Insurance Ltd., with GST @ 18%, and SecureSure directly paid the garage. In another case, a non-network garage conducted repairs worth ₹4,50,000, but the insured initially paid the full amount and was later reimbursed ₹4,00,000 (approved claim cost) by SecureSure. The garage issued the invoice in the name of SecureSure Insurance Ltd., and GST was included in the invoice. Further, a vehicle owner incurred ₹3,00,000 in repair costs, but after deductibles, depreciation, and non-insurable components, SecureSure reimbursed only ₹2,50,000. The garage issued a single invoice for ₹3,00,000 in the name of SecureSure Insurance Ltd., with GST @ 18%. In another case, SecureSure processed a claim where the garage invoice for ₹2,00,000 was issued in the name of the insured, and SecureSure reimbursed ₹1,80,000 (approved claim cost).

As per Sec. 17(5) of CGST Act, repairs and maintenance services in relation to motor vehicles is eligible for ITC available, if the said service is received by a general insurance company in relation to the motor vehicles insured by them.

Also, as per CBIC circular, ITC is available to insurance companies on motor vehicle repair expenses if the invoice is issued in their name, even under the reimbursement mode. However, ITC is limited to the approved claim amount and is not available if the invoice is in the name of the insured.

Also, 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 input tax credit 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.

Transaction	Invoice Issued To	Repair Cost (₹)	Approved Claim (₹)	GST @ 18% (₹)	ITC Eligible (₹)	ITC Eligibility Reasoning
Network Garage Repair	SecureSure Insurance Ltd.	₹5,00,000	₹5,00,000	₹5,00,000 × 18% = ₹90,000	₹90,000	ITC is available since the invoice is in the name of SecureSure

						Insurance Ltd. and they have made payment to Garage
Non-Network Garage Repair	SecureSure Insurance Ltd.	₹4,50,000	₹4,00,000	₹4,50,000 × 18% = ₹81,000	₹81,000 × 4/4.5 = ₹72,000	ITC is available as the invoice is in SecureSure's name, even though the payment is not made by them to Garage.
Partial Reimbursement with Deductibles	SecureSure Insurance Ltd.	₹3,00,000	₹2,50,000	₹3,00,000 × 18% = ₹54,000	₹54,000 × 2.5/3 = ₹45,000	ITC is available as the invoice is in SecureSure's name, even though the payment is not made by them to Garage.
Invoice Issued to Insured	Insured (Not SecureSure)	₹2,00,000	₹1,80,000	₹2,00,000 × 18% = ₹36,000	₹0	ITC not available since the invoice is not in SecureSure's name.

Total ITC available to M/s SecureSure Insurance Ltd = ₹90,000 + ₹72,000 + ₹45,000 = ₹2,07,000.

QUESTION 33

Mr. Bhaskar wrongly availed ₹ 1,25,000 Input Tax credit (CGST + SGST) at the time of furnishing return under section 39 of the CGST Act, 2017 for the month of October 2022. This ITC is not utilized against the output liability for the month of October, 2022. Mr. Bhaskar utilised of ₹ 75,000 from the above wrongly availed ITC of ₹ 1,25,000 against output liability for the month of November, 2022. Mr. Bhaskar paid the amount of ITC wrongly utilised ₹ 75,000 on 10th March, 2023 and reversed the unutilized amount of ITC wrongly utilized ₹ 75,000 on 10th March and reversed the unutilized amount ₹ 50,000 on 20th March 2023. Calculate the total interest payable (CGST + SGST) rounded off to nearest one ₹ under GST law if, Mr. Bhaskar files:

- Form GSTR-3B for the month of October on 18th November, 2022.
- Form GSTR-3B for the month of November on 25th December, 2022.

Note: Assume there is no extension of due date of filing of Form GSTR-3B and no other transactions during the year 2022-23.

In the given case, Mr. Bhasker is registered person liable to file monthly return (by 20th) and liable to make monthly payment of tax liability. It has wrongly availed ITC (CGST+SGST) of ₹ 1,25,000/- in Oct, 2022 month, out of this ITC, 75,000 was utilized in November, 2022 (return of which was filed belatedly on 25th Dec, 2022). This component of ITC was paid back on 10th March, 2023. The balance component of wrongly availed ITC was paid back on 20th March, 2023 without utilizing the same.

In the given case, applicable interest liability shall be computed in terms of Sec 50(3) of the CGST Act which provides for charging of interest only on 'ITC wrongly availed and utilized'. Thus, interest shall be chargeable only on component of ₹ 75,000 and not of ₹ 50,000. The applicable rate of interest shall be 18% p.a. The computation of interest shall be as stated below:

	ITC wrongly availed in Oct 2022 Month GSTR-3B	Interest payable on	Provisions	Period for which interest shall be payable	
(i)	₹ 75,000 of ITC wrongly availed in OCT, 2022 Month's return (filed on 18 th Nov, 2022) and utilised in Nov, 2022 month return (filed on 25 th Dec, 2022 – beyond due date) And paid back on 10 th March, 2023 (after utilizing such ITC)	Interest payable @ 18% p.a.	[Sec 50 (3) + R-88-B(3)]	(Starting from date of utilization of wrongly availed ITC)	<u>i.e. 21st Dec</u> (DoU = 20 th Dec being earlier of due date of return or actual date of return filing)
				Till the date of reversal of such credit or payment of tax in respect of such amount)	10 th March
	Interest payable shall be = 75,000 * 18% p.a. * 11 Days (Dec) + 31 days (Jan) + 28 days (Feb) +10 Days (March)/365 days = 2,959				
(ii)	₹ 50,000 of ITC wrongly availed in Oct, 2022 Month's return (filed on 18 th Nov, 2022) and paid back on 20 th March, 2023 (without utilising such ITC)	No interest payable No interest payable is as ₹ 50,000 wrongly availed ITC has been paid back without utilization	[Sec 50 (3) + R-88-B (3)]	---	

QUESTION 34

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

Imported crude is used as input in the refinery and the following major products are extracted after the refining process:

Products chargeable to GST (Group A)	Products not chargeable to GST (Group B)
Base oil (an input for blending lubricants)	Petrol
Furnace oil	Diesel
Bitumen (used for road construction)	Air turbine fuel
LPG (domestic and industrial)	

Base oils are further sent to blending plants where they are blended with additives to produce lubricants. The Company provides the following particulars for the States of Tamil Nadu, Maharashtra and Kerala for the month of January 20XX:

(Amount in thousands)

Particulars	Tamil Nadu (₹)	Maharashtra (₹)	Kerala (₹)
Value of supply inclusive of all taxes/duties (Group B products)	1,650	3,400	1,575
Value of supply (Group A products) before all taxes/duties	100	200	20
Excise duty leviable on supply of Group B products	500	1,000	110
VAT on supply of Group B products	250	600	65
Tax paid on inputs and input services procured at the blending plant	5	6	0
Tax paid on spares procured at the refinery (spares are booked in revenue account)	3	8	0
Tax paid on inputs and input services procured at the marketing cum administrative office	2	3	1
Tax paid on capital asset procured at the blending plant	0	5	0
Tax paid on capital asset procured at the refinery	12	0	0

Assume that all of the Group A products are chargeable to GST @ 18% (including both CGST and SGST or IGST, as the case may be).

The Finance department of ABC Petroleum Limited seeks your professional advice on the following questions:

QUESTION (I)

The value of the company's supply in the Union Territory of Puducherry is ₹ 32,34,000 (Group A products) and in the State of Goa is ₹ 18,38,000 (Group A and Group B products) for the year ending March 20XX. GST registration is –

- (a) Not required for both Puducherry and Goa
- (b) Not required for Goa but required for Puducherry
- (c) Required for both Puducherry and Goa
- (d) Not required for Puducherry but required for Goa

[2 MARKS]

QUESTION (II)

The eligible ITC available at the marketing cum administrative office located in the State of Maharashtra, for the month of January 20XX, is –

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

[2 MARKS]

QUESTION (III)

The eligible ITC in respect of the capital asset procured in the State of Tamil Nadu, for the month of January 20XX, is –

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

[2 MARKS]

QUESTION (IV)

Lubricant valued at ₹ 10,000 has been stock transferred from the blending plant located in the State of Tamil Nadu to the refinery located in the same State, in the month of January 20XX. The GST (CGST and SGST) payable on such transaction is –

- (a) Nil as the transaction is not a supply
- (b) ₹ 900
- (c) ₹ 1,800
- (d) Nil as such supply is exempted from GST

[2 MARKS]

ANSWER (I): OPTION (C) – REQUIRED FOR BOTH PUDUCHERRY AND GOA

Legal provisions: Under section 22(1) of the CGST Act, 2017, every supplier is liable to be registered in the State/Union Territory from where he makes a taxable supply of goods or services, if his aggregate turnover in a financial year exceeds the threshold limit.

As per section 2(6), "**aggregate turnover**" means the aggregate value of all taxable supplies, exempt supplies, exports and inter-State supplies of persons having the same PAN, computed on an all-India basis. Further, "exempt supply" under section 2(47) includes non-taxable supplies. Petrol, diesel and air turbine fuel (Group B products) are non-taxable supplies under GST and are therefore included in the aggregate turnover even though no GST is leviable on them.

Application to the facts:

- The aggregate turnover is computed on an all-India PAN basis. Even considering only Puducherry and Goa, the turnover is ₹ 32,34,000 + ₹ 18,38,000 = ₹ 50,72,000, which exceeds the applicable threshold limit of ₹ 20 lakh. (In fact, the company's all-India aggregate turnover, including Tamil Nadu, Maharashtra, Kerala, etc., is far higher.)
- Once the aggregate turnover exceeds the threshold, registration is required in every State/UT from where a taxable supply is made.
- From Puducherry, the company supplies Group A products, which are taxable under GST – hence registration is required in Puducherry.
- From Goa, the company supplies both Group A (taxable) and Group B (non-taxable) products. Since taxable supplies are made from Goa as well, registration is required in Goa too.

Conclusion: GST registration is required for both Puducherry and Goa. Hence, option (c) is correct.

ANSWER (II): OPTION (B) – ₹ 300

Legal provisions: The marketing cum administrative office in Maharashtra is used for supplying both Group A products (taxable) and Group B products (non-taxable, i.e., exempt supplies as per section 2(47)). Therefore, under section 17(2) of the CGST Act read with rule 42 of the CGST Rules, the ITC on inputs and input services procured at that office is common credit, and only the portion attributable to taxable supplies is eligible.

Crucially, the Explanation to Chapter V of the CGST Rules (for the purposes of rules 42 and 43) provides that the **aggregate value of exempt supplies shall exclude the duty of excise leviable under Entry 84 of List I (central excise on petroleum products) and the tax levied under Entries 51 and 54 of List II (State VAT/sales tax) of the Seventh Schedule to the Constitution.** Hence, the value of Group B products for the purpose of the reversal ratio is taken net of excise duty and VAT.

Computation (Maharashtra, January 20XX) – amounts in thousands where stated:

Particulars	Amount (₹)
Value of Group B products inclusive of all taxes/duties	3,400
Less: Excise duty	(1,000)
Less: VAT	(600)
Value of exempt supplies (E) for rule 42	1,800
Value of taxable supplies – Group A (before taxes)	200
Total turnover (F) = 1,800 + 200	2,000

Common credit (C2) = ₹ 3,000 (tax paid on inputs and input services at the marketing cum administrative office, Maharashtra = 3 thousand).

Credit attributable to exempt supplies (D1) = $C2 \times E/F = 3,000 \times 1,800/2,000 = ₹ 2,700$ (to be reversed).

Eligible ITC = $3,000 - 2,700 = 3,000 \times 200/2,000 = ₹ 300$.

Conclusion: The eligible ITC at the Maharashtra marketing cum administrative office for January 20XX is ₹ 300. Hence, option (b) is correct. [Note: ₹ 166.67 (option (c)) would result only if the exempt turnover were wrongly taken gross of excise duty and VAT, i.e., $3,000 \times 200/3,600$ – which is contrary to the Explanation to rules 42 and 43.]

ANSWER (III): OPTION (D) – ₹ 11,820

Legal provisions: The capital asset is procured at the refinery in Tamil Nadu. The refinery produces both Group A products (taxable) and Group B products (exempt/non-taxable). Therefore, the capital goods are used commonly for taxable and exempt supplies, and rule 43 of the CGST Rules applies.

Under rule 43:

- The entire input tax on such common capital goods (denoted “A”) is credited to the electronic credit ledger, and its useful life is taken as 5 years (60 months) from the date of invoice.
- The ITC attributable to the tax period (T_m) = $A \div 60$.
- The amount attributable to exempt supplies (T_e) = $T_m \times (E \div F)$ is reversed (added to output tax liability) every month, where E and F carry the same meaning as in rule 42 – and, by virtue of the Explanation to Chapter V of the CGST Rules, E excludes excise duty and VAT on the petroleum (Group B) products.

Computation (Tamil Nadu, January 20XX):

Particulars	Amount (₹)
Total ITC on the capital asset at the refinery (A) [12 thousand]	12,000
ITC attributable to the month (T_m) = $12,000 \div 60$	200
Value of exempt supplies (E) = 1,650 – 500 (excise) – 250 (VAT)	900
Total turnover (F) = 900 + 100 (Group A)	1,000
Reversal for the month (T_e) = $200 \times 900/1,000$	180
Eligible ITC for January 20XX = $12,000 - 180$	11,820

Conclusion: The entire credit of ₹ 12,000 is taken to the electronic credit ledger and ₹ 180 is reversed for the month; the net eligible ITC in respect of the capital asset is ₹ 11,820. Hence, option (d) is correct.

ANSWER (IV): OPTION (A) – NIL, AS THE TRANSACTION IS NOT A SUPPLY

Legal provisions: Under section 7 of the CGST Act, a transaction qualifies as a “supply” generally when made for a consideration in the course or furtherance of business. Para 2 of Schedule I deems the supply of goods between “distinct persons” (as specified in section 25(4)/(5), i.e., separate registrations of the same person) or related persons, made without consideration, to be a supply. A stock transfer is therefore taxable only when it moves between two different GST registrations.

Application to the facts:

- As per the company’s stated policy, all places of business within a State are covered under one registration. The blending plant and the refinery are both located in Tamil Nadu and therefore operate under the same GSTIN.
- A stock transfer of lubricant (a Group A product, otherwise taxable @ 18%) between two units under the same registration is a mere internal movement of goods within the same registered person. There are not two “distinct persons” involved, so Schedule I is not attracted, and no consideration flows either.
- Consequently, the transaction does not constitute a “supply” at all, and no CGST/SGST is payable. Note that option (d) is incorrect because the transaction is not an “exempt supply” – it simply falls outside the scope of supply altogether.

Conclusion: GST payable is Nil as the transaction is not a supply. Hence, option (a) is correct.

QUESTION 35

Pragati Integrated Technologies Limited, hereinafter referred to as PITL, is registered under GST in Karnataka and furnishes monthly returns. It manufactures industrial electronic equipment and also provides software-development services. PITL makes domestic taxable supplies, exports goods and services under Letter of Undertaking without payment of IGST and supplies goods to Export-Oriented Units. The following particulars are available for April and May 2026. All amounts are exclusive of GST unless otherwise stated.

During April 2026, PITL made the following supplies:

A. Export of goods under LUT

PITL exported industrial controllers without payment of IGST.

Particulars	Amount
Value declared in export tax invoices	₹42,00,000
FOB value declared in shipping bills	₹40,00,000
Value of like goods domestically supplied by PITL for the same quantity	₹24,00,000

The exported goods were not subjected to export duty. PITL availed drawback relating only to customs duties and did not avail drawback relating to IGST.

B. Export of services under LUT

The following information relates to export of software-development services:

Particulars	Amount
Payments received during April 2026 for zero-rated services	₹14,00,000
Amount included above representing advance for services not completed during April 2026	₹4,00,000
Services completed during April 2026 for which advance had been received in March 2026	₹6,00,000

All the conditions for treating the services as exports of services are satisfied.

C. Other outward supplies

Supply	Turnover
Domestic taxable supply of goods	₹18,00,000
Domestic exempt supply of goods	₹6,00,000
Domestic taxable supply of services	₹10,00,000
Domestic exempt supply of services	₹5,00,000

D. Input tax credit availed

Particulars	ITC
Eligible ITC on inputs	₹8,00,000
Eligible ITC on input services	₹4,00,000
ITC on capital goods	₹2,00,000

The balance in PITL's electronic credit ledger was:

- ₹8,00,000 at the end of April 2026 after furnishing Form GSTR-3B; and
- ₹7,50,000 on the date of filing the refund application.

PITL has undergone Aadhaar authentication, is not engaged in supplying any category of goods notified as ineligible for provisional refund and the system has identified the application as eligible for provisional sanction.

During May 2026, PITL made the following supplies:

Particulars	Turnover	GST rate
Product A manufactured using inputs taxable predominantly at 18%	₹30,00,000	5%
Product B, not involving an inverted rate structure	₹20,00,000	18%
Product C purchased when it attracted 18% GST and sold after its GST rate was reduced to 12%	₹10,00,000	12%
Domestic taxable services	₹10,00,000	18%
Exempt services	₹5,00,000	Nil

None of the supplies has been notified as a supply in respect of which refund of accumulated ITC is prohibited.

ITC availed during May 2026

Particulars	ITC
Inputs used in manufacturing Product A	₹4,50,000
Product C purchased	₹1,20,000
Inputs used for Product B	₹60,000
Packing materials and stores charged as revenue expenditure and used in business	₹30,000
Input services	₹2,20,000
Capital goods	₹1,00,000

The balance in the electronic credit ledger was:

- ₹1,90,000 at the end of May 2026 after furnishing Form GSTR-3B; and
- ₹1,75,000 on the date of filing the refund application.

Compute the amount of refund that PITL can claim for the month of April and May. Make suitable assumptions wherever required. Also, comment on whether they can claim provisional refund and if the answer is affirmative, compute the amount of provisional refund.

(a) Refund on account of zero-rated supplies

Rule 89(4) prescribes the following formula:

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

For this purpose,

- Net ITC includes eligible ITC availed on inputs and input services during the relevant period but not ITC on capital goods.
- The value of exported goods is subject to both the FOB/invoice-value restriction and the limit of 1.5 times the value of like goods domestically supplied.

Zero rated supply of goods:

The value of goods exported is initially the lower of:

Particulars	Amount
FOB value	₹40,00,000
Tax invoice value	₹42,00,000
Lower amount	₹40,00,000

The value is further restricted to 1.5 times the value of like goods domestically supplied i.e.,
 $\text{₹}24,00,000 \times 1.5 \text{ times} = \text{₹}36,00,000$

Therefore, the turnover of zero rated goods is ₹36,00,000 and it should be considered while computing adjusted total turnover. It would be incorrect to include either the invoice value of ₹42,00,000 or the FOB value of ₹40,00,000 in the denominator.

Zero rated supply of services:

Turnover of zero-rated services is payments received during the relevant period + Services completed for which advance was received earlier (-) Current period advances for services not completed

Therefore, value of zero rated supply of services is $\text{₹}14,00,000 + \text{₹}6,00,000 - \text{₹}4,00,000 = \text{₹}16,00,000$.

Net ITC:

Particulars	Treatment	Amount
Eligible ITC on inputs	Included	₹8,00,000
Eligible ITC on input services	Included	₹4,00,000
ITC on capital goods	Excluded	Nil
Net ITC		₹12,00,000

Adjusted total turnover:

Particulars	Amount
Zero-rated supply of goods, after restriction	₹36,00,000
Domestic taxable supply of goods	₹18,00,000
Zero-rated supply of services	₹16,00,000
Domestic taxable supply of services	₹10,00,000
Adjusted total turnover	₹80,00,000

Domestic exempt supplies of goods and services are excluded.

Maximum refund under rule 89(4) = $\text{₹}12,00,000 \times \frac{(36,00,000+16,00,000)}{80,00,000} = \text{₹}7,80,000$.

Actual refund admissible:

For a refund of unutilised ITC, the refundable amount is the least of:

1. maximum refund calculated under rule 89(4);
2. electronic credit ledger balance at the end of the relevant tax period after filing Form GSTR-3B; and
3. electronic credit ledger balance on the date of filing the refund application.

Particulars	Amount
Maximum refund under rule 89(4)	₹7,80,000
Credit ledger balance at the end of April	₹8,00,000
Credit ledger balance on the date of application	₹7,50,000
Actual refund admissible	₹7,50,000

The refund is restricted by the electronic credit ledger balance on the date of filing the application.

The fact that PITL availed drawback relating only to customs duties does not bar refund of unutilised GST ITC. The restriction applies where drawback relating to CGST is availed or where refund of IGST paid on the same zero-rated supply is claimed.

Provisional refund:

Provisional refund may be granted at 90% of the amount claimed in respect of eligible zero-rated supplies.

The balance ₹75,000 will be considered at the time of final sanction. Under the amended procedure, provisional sanction is based on system identification and risk evaluation, subject to the notified exclusions.

(b) Refund on account of inverted duty structure

The formula under rule 89(5) is:

S.No.	Particulars
(1)	Net ITC = ITC only w.r.to inputs
(2)	Inverted turnover
(3)	Adjusted total turnover
(4)	Tax on inverted turnover
(5)	ITC on inputs and input services

$$\text{Maximum Refund} = (1) \times \frac{(2)}{(3)} (-)(1) \times \frac{(4)}{(5)}$$

For this formula, Net ITC includes ITC on inputs only. ITC on input services is excluded from the numerator but included in the denominator of the second part of the formula. ITC on capital goods is excluded from both.

Identify inverted-rated turnover:

Product A

Product A is taxable at 5%, while the inputs used in manufacturing it are taxable predominantly at 18%.

Therefore, Product A constitutes an inverted-rated supply.

Product C

Product C was purchased when it attracted 18% GST and sold after the rate on the same goods was reduced to 12%.

Where the input and output are the same goods and the difference in rates arises merely because the GST rate changed at different points in time, the accumulation is not treated as arising from an inverted duty structure under section 54(3)(ii).

Therefore, Product C is not included in inverted rate turnover.

However, its turnover forms part of adjusted total turnover.

Compute Net ITC:

Particulars	ITC	Treatment
Inputs used for Product A	₹4,50,000	Included
Goods sold as Product C	₹1,20,000	Included in Net ITC
Inputs used for Product B	₹60,000	Included in Net ITC
Packing materials and stores	₹30,000	Included
Input services	₹2,20,000	Excluded from Net ITC
Capital goods	₹1,00,000	Excluded

Therefore:

Net ITC = ₹6,60,000

Net ITC covers eligible ITC on all inputs availed during the relevant period. It is not restricted only to inputs directly attributable to Product A.

Packing materials and stores charged as revenue expenditure qualify as inputs, provided they are used in the course or furtherance of business and their credit is not otherwise restricted.

ITC availed on inputs and input services = ₹8,80,000

Adjusted total turnover =

Particulars	Amount
Product A	₹30,00,000
Product B	₹20,00,000
Product C	₹10,00,000
Domestic taxable services	₹10,00,000
Adjusted total turnover	₹70,00,000

The exempt-service turnover of ₹5,00,000 is excluded.

Tax payable on inverted-rated supply = ₹30,00,000 X 5% = ₹1,50,000

Maximum refund =

$$6,60,000 \times \frac{30,00,000}{70,00,000} (-) 6,60,000 \times \frac{1,50,000}{8,80,000} = ₹1,70,357$$

Actual refund after ledger restriction

Particulars	Amount
Refund under rule 89(5)	₹1,70,357
Credit ledger balance at the end of May	₹1,90,000
Credit ledger balance on date of application	₹1,75,000
Actual refund admissible	₹1,70,357

The formula amount is the lowest of the three figures.

QUESTION 36

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

- If the owner of the goods comes forward to pay the penalty, calculate the amount of penalty payable for the release of the goods.
- If the owner of the goods does not come forward to pay the penalty, what would be the penalty payable for the release of the goods?
- Suppose the consignment included a few items that are exempt from GST, with a total value of ₹5,00,000. If the owner of the goods comes forward, calculate the penalty applicable to the exempted goods.
- In the case that XYZ Electronics Pvt. Ltd. fails to pay the penalty within 15 days of the order under Section 129(3), what will happen to the detained goods and conveyance?

(v) Assume that XYZ Electronics Pvt. Ltd. (Owner of the goods coming forward to claim penalty) disputes the penalty and prefers an appeal. What is the amount of pre-deposit for filing an appeal with appellate authority?

- (i) As per Section 129(1)(a), if the owner comes forward, the penalty is **200% of the tax payable i.e., 200% of ₹4,50,000 = ₹9,00,000 (CGST Act)**
So, XYZ Electronics Pvt. Ltd. will have to pay **₹18,00,000** as a penalty for the release of the goods and conveyance. (Total penalty under CGST Act and SGST Act)
- (ii) As per Section 129(1)(b), if the owner does not come forward, the penalty is **50% of the value of the goods or 200% of the tax payable, whichever is higher.**
- **50% of the value of goods:** ₹50,00,000 × 50% = ₹25,00,000
 - **200% of tax payable:** 200% of ₹4,50,000 = ₹9,00,000
- Since ₹25,00,000 is higher (CGST Act), XYZ Electronics Pvt. Ltd. will have to pay **₹50,00,000** as a penalty for the release of the goods and conveyance. (Total penalty under CGST Act and SGST Act)
- (iii) As per Section 129(1)(a), the penalty for exempted goods is **2% of the value of goods or ₹25,000, whichever is less.**
2% of ₹5,00,000 = ₹10,000 (CGST Act)
Since ₹10,000 is less than ₹25,000, the penalty applicable to the exempted goods would be **₹10,000 × 2 = ₹20,000 (Total Penalty under CGST Act and SGST Act)**
- (iv) If XYZ Electronics Pvt. Ltd. fails to pay the penalty within 15 days, the goods and conveyance will be **liable to be sold or disposed of** by the GST authorities to recover the penalty amount.
- (v) As per Section 107 of the GST Act, for filing an appeal with the appellate authority, the appellant is required to make a **pre-deposit of 10% of the penalty under Sec. 129.**
Pre-deposit amount: 10% of ₹9,00,000 = **₹90,000.** (CGST Act)
Therefore, XYZ Electronics Pvt. Ltd. would need to deposit **₹1,80,000** to file an appeal with the appellate authority (CGST Act & SGST Act).

QUESTION 37

GST Department initiated prosecution proceedings against Mr. Sahil, a taxable person under GST. Mr. Sahil collected ₹ 8 crore as GST but failed to pay the same to the Government beyond the period of three months from the date on which such payment became due. He approached the Commissioner on 15th October with a request for compounding of offence. Mr. Sahil made full and true disclosure of facts relating to the case. After considering the request, the Commissioner directed him to pay an amount of ₹ 5.2 crore as compounding amount on 20th October.

As per the provisions of section 138 of the CGST Act, 2017 read with relevant rule of the CGST Rules, 2017, examine the issue and provide the answers with supporting explanatory note to the following:

- 1) Determine the minimum and maximum compounding amount which can be determined by the Commissioner.
 - 2) Is the amount determined by the Commissioner in this case within the limits prescribed under the GST law?
 - 3) In what time period will Mr. Sahil have to pay the compounding amount ordered by the Commissioner?
- 1) As per **section 132(1)(d) of the CGST Act, 2017**, where a person collects any amount as tax but fails to pay the same to the Government beyond a period of **three months from the date on which such payment becomes due**, such act constitutes an offence. Since the amount

involved in the given case is **₹8 crore**, i.e. exceeding ₹5 crore, the offence is punishable under **section 132(1)(i)** with imprisonment which may extend to 5 years and with fine. Further, section 138 permits compounding of an eligible offence either before or after institution of prosecution. Compounding can be allowed only after payment of the **tax, interest and penalty** involved in the offence. Under rule 162, where an offence specified in section 132(1)(d) is punishable under section 132(1)(i), the compounding amount may be determined at **not less than 50% and up to 75% of the amount of tax involved**.

1. Minimum and maximum compounding amount

Particulars	Computation	Amount
Tax involved		₹8 crore
Minimum compounding amount	₹8 crore × 50%	₹4 crore
Maximum compounding amount	₹8 crore × 75%	₹6 crore

Thus, the Commissioner may determine the compounding amount between **₹4 crore and ₹6 crore**.

2) The Commissioner has determined the compounding amount at **₹5.20 crore**.

Since **this amount lies between the prescribed minimum of 50% and maximum of 75%**, the amount of ₹5.20 crore determined by the Commissioner is **within the limits prescribed under rule 162**.

The fact that Mr. Sahil has made a **full and true disclosure of the facts relating to the case** also satisfies the relevant condition to be considered by the Commissioner while deciding the compounding application.

3) As per **rule 162 of the CGST Rules, 2017**, the applicant is required to pay the compounding amount **within 30 days from the date of receipt of the compounding order** and furnish proof of such payment to the Commissioner. Failure to make payment within the said period renders the compounding order **void**.

Therefore, Mr. Sahil must pay ₹5.20 crore **within 30 days from the date of receipt of the order dated 20th October**. Assuming that the order is received by him on 20th October itself, the amount should be paid within 30 days therefrom.

Note: The general limits under section 138(2) are 25% to 100% of the tax involved; however, the **specific amount prescribed under rule 162** for the offence in this question, punishable under section 132(1)(i), is **50% to 75%**.

QUESTION 38

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

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

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

Additional relevant information:

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

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

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

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

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

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

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

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

QUESTION 39

Cine Star Events Limited, an entertainment and media company registered under GST in Mumbai, Maharashtra, is engaged in conducting award functions and entertainment events in India and outside India. During December 2026, it conducted two award functions, one in Bengaluru, Karnataka, and another in Singapore. The following particulars are available:

Particulars	Award function in Bengaluru	Award function in Singapore
7,500 tickets of ₹400 each sold to audience located in India	₹30,00,000	Nil
2,000 tickets of ₹1,500 each sold to audience located outside India	₹30,00,000	Nil
2,000 tickets of ₹2,000 each sold to audience located in India	Nil	₹40,00,000
8,000 tickets of ₹2,500 each sold to audience located outside India	Nil	₹2,00,00,000

The following inward supplies were received by CineStar Events Limited during December 2026:

Particulars	Consideration	GST treatment
Stage Craft LLP, registered in Karnataka, provided services for organising the Bengaluru award function	₹20,00,000	GST charged as applicable
Global Stage LLC, located in Singapore, provided services for organising the Bengaluru award function	₹10,00,000	GST, if any, is to be determined
Promo Tech Limited, registered in Delhi, provided digital promotion and ticketing support services commonly for both award functions	₹10,00,000	GST charged as applicable
Expo Works Private Limited, registered in Karnataka, provided services for organising the Singapore award function	₹30,00,000	GST charged as applicable
Global Stage LLC, Singapore, also rendered certain event-organisation services specifically for the Singapore award function	₹20,00,000	GST, if any, is to be determined
Cine Star purchased a 5-seater SUV in Maharashtra exclusively for use by its directors	₹20,00,000	GST @ 28%

Additional information

- All amounts given above are exclusive of GST.
- GST rate on all taxable services, wherever applicable, is 18%.
- All conditions prescribed for availment of ITC are satisfied except where credit is specifically blocked under the CGST Act.
- Cine Star has paid tax payable under reverse charge, wherever applicable, in cash and has availed eligible ITC thereof in December 2026.
- The services of Stage Craft LLP and Global Stage LLC relating to the Bengaluru event and the services of Promo Tech Limited are treated as common input services for the purposes of rule 42.
- The services of Expo Works Private Limited relate exclusively to taxable supplies including zero-rated supplies of the Singapore event.
- There is no use of any common input/input service for non-business purposes.
- All payments relating to tickets sold to persons located outside India for the Singapore award function were received in convertible foreign exchange during December 2026.
- Cine Star furnished a valid LUT and opted to export services without payment of IGST.
- The balance of IGST credit brought forward from November 2026 was ₹20,00,000.

- The balance in the electronic credit ledger after filing the return for December 2026 and on the date of filing the refund application was sufficient to support the refund computed under rule 89(4).

Based on the above information, choose the most appropriate answer to Questions 1 to 5.

- What is the GST treatment of the following ticket sales by CineStar Events Limited?
 - 7,500 tickets of ₹400 each for the Bengaluru award function sold to audience located in India.
 - 2,000 tickets of ₹1,500 each for the Bengaluru award function sold to audience located outside India.
 - 2,000 tickets of ₹2,000 each for the Singapore award function sold to audience located in India.
 - 8,000 tickets of ₹2,500 each for the Singapore award function sold to audience located outside India.
 - Exempt; Taxable – Inter-State; Taxable – Inter-State; Zero-rated supply
 - Exempt; Zero-rated supply; Exempt; Zero-rated supply
 - Taxable – Inter-State; Taxable – Inter-State; Zero-rated supply; Zero-rated supply
 - Exempt; Taxable – Inter-State; Zero-rated supply; Exempt
- What is the GST liability under reverse charge in respect of services received from Global Stage LLC, Singapore?
 - IGST of ₹5,40,000 on the aggregate consideration of ₹30,00,000
 - IGST of ₹1,80,000 only on services relating to the Bengaluru award function
 - IGST of ₹3,60,000 only on services relating to the Singapore award function
 - Nil, since Global Stage LLC is located outside India
- What is the net ITC available to CineStar Events Limited for December 2026 after considering blocked credit and reversal attributable to exempt supplies under rule 42?
 - ₹12,60,000
 - ₹11,88,000
 - ₹12,48,000
 - ₹6,48,000
- What is the maximum refund of unutilised ITC available to CineStar Events Limited on account of zero-rated supply of services under rule 89(4)?
 - ₹11,88,000
 - ₹8,80,000
 - ₹7,92,000
 - ₹9,77,778
- What is the minimum amount of GST that CineStar Events Limited is required to discharge in cash for December 2026, before filing the refund application?
 - Nil
 - ₹72,000
 - ₹1,92,600
 - ₹2,52,000

Question	Correct Option	Answer
1	(a)	Exempt; Taxable – Inter-State; Taxable – Inter-State; Zero-rated supply
2	(b)	IGST under RCM = ₹1,80,000

3	(b)	Net eligible ITC = ₹11,88,000
4	(b)	Maximum refund = ₹8,80,000
5	(c)	Minimum cash payment = ₹1,80,000

1. Taxability and Place of Supply of Ticket Sales

Provision: Where both the supplier and recipient are located in India, section 12(6) of the IGST Act, 2017 provides that the place of supply of services by way of admission to an entertainment event is the place where the event is actually held (As the supply is made to audience who are unregistered). Where either the supplier or recipient is located outside India, section 13(5) provides that the place of supply of admission to an entertainment event is the place where the event is actually held. Further, services by way of right to admission to an award function are exempt where the consideration for admission does not exceed ₹500 per person.

Discussion: Applying the above provisions, the Bengaluru ticket priced at ₹400 is exempt. The Bengaluru ticket priced at ₹1,500 supplied to an overseas audience has its place of supply in Karnataka and is therefore a taxable inter-State supply. In the case of the Singapore event, tickets supplied to persons located in India have the place of supply outside India, but the supply does not qualify as export because the recipient is located in India; it is therefore an inter-State taxable supply. Tickets for the Singapore event supplied to recipients located outside India satisfy the conditions of export of service, including receipt of consideration in convertible foreign exchange, and constitute zero-rated supply.

Particulars	Place of Supply	GST Treatment
Bengaluru tickets @ ₹400 – audience in India	Karnataka	Exempt
Bengaluru tickets @ ₹1,500 – audience outside India	Karnataka	Taxable – Inter-State
Singapore tickets @ ₹2,000 – audience in India	Singapore	Taxable – Inter-State; not export
Singapore tickets @ ₹2,500 – audience outside India	Singapore	Export of service – Zero-rated

Conclusion: Correct option – (a).

2. Reverse Charge on Services Received from Global Stage LLC

Provision: An import of service requires (i) the supplier to be located outside India, (ii) the recipient to be located in India and (iii) the place of supply to be in India. In the case of event-organisation services where the supplier or recipient is outside India, section 13(5) of the IGST Act fixes the place of supply at the place where the event is actually held. Import of services from a person located in a non-taxable territory is liable to IGST under reverse charge in the hands of the recipient located in the taxable territory.

Discussion: Global Stage LLC is located in Singapore. For services relating to the Bengaluru event, the place of supply is Bengaluru, India. Therefore, all conditions of import of service are satisfied and CineStar is liable to pay IGST under reverse charge. In contrast, services of Global Stage LLC relating to the Singapore event have their place of supply in Singapore and do not qualify as import of service.

Particulars	Computation	IGST Payable
Global Stage LLC – Bengaluru event	₹10,00,000 × 18%	₹1,80,000
Global Stage LLC – Singapore event	Place of supply outside India	Nil

Conclusion: IGST payable under reverse charge = ₹1,80,000. Correct option – (b).

3. Net Input Tax Credit Available for December 2026

Provision: Subject to the conditions of section 16, eligible ITC is available on inward supplies used in the course or furtherance of business. ITC on a motor vehicle for transportation of persons having approved seating capacity not exceeding 13 persons, including the driver, is blocked under section 17(5)(a) unless it is used for the specified eligible purposes. Common credit attributable to exempt supplies is required to be reversed in accordance with rule 42. Zero-rated supplies are treated as taxable supplies for the purpose of apportionment.

Inward Supply	GST / ITC	Treatment
StageCraft LLP – ₹20,00,000 × 18%	₹3,60,000	Common ITC
Global Stage LLC – Bengaluru event (RCM)	₹1,80,000	Common ITC
PromoTech Ltd. – ₹10,00,000 × 18%	₹1,80,000	Common ITC
ExpoWorks Pvt. Ltd. – ₹30,00,000 × 18%	₹5,40,000	Exclusively taxable / zero-rated
5-seater SUV – ₹20,00,000 × 28%	₹5,60,000	Blocked under section 17(5)

Common credit (C_2) = ₹3,60,000 + ₹1,80,000 + ₹1,80,000 = ₹7,20,000.

Exempt turnover (E) = ₹30,00,000.

Total turnover (F) = ₹30,00,000 + ₹30,00,000 + ₹40,00,000 + ₹2,00,00,000 = ₹3,00,00,000.

Particulars	Computation	Amount
Common credit attributable to exempt supplies (D_1)	$₹7,20,000 \times ₹30,00,000 / ₹3,00,00,000$	₹72,000
Eligible common ITC	$₹7,20,000 - ₹72,000$	₹6,48,000
Add: ITC exclusively attributable to taxable / zero-rated supplies	—	₹5,40,000
Net eligible ITC	$₹6,48,000 + ₹5,40,000$	₹11,88,000

Conclusion: Net eligible ITC = ₹11,88,000. Correct option – (b).

4. Refund of Unutilised ITC on Zero-Rated Supply

Provision: Under rule 89(4) of the CGST Rules, 2017, the refund of unutilised ITC in respect of zero-rated supplies made without payment of tax is computed as: Refund amount = Turnover of zero-rated supply of goods and services × Net ITC ÷ Adjusted Total Turnover. For the present case, the relevant zero-rated turnover is the export of admission services for the Singapore event, and exempt domestic turnover is excluded from adjusted total turnover.

Particulars	Computation	Amount
Turnover of zero-rated services	8,000 tickets × ₹2,500	₹2,00,00,000
Adjusted Total Turnover	$₹3,00,00,000 - ₹30,00,000$ exempt turnover	₹2,70,00,000
Net ITC	Eligible ITC for the relevant period	₹11,88,000
Maximum refund	$₹2,00,00,000 \times ₹11,88,000 \div ₹2,70,00,000$	₹8,80,000

The brought-forward ITC balance of ₹20,00,000 does not form part of Net ITC for the rule 89(4) formula, though the electronic credit ledger balance must be sufficient to support the refund claim.

Conclusion: Maximum refund admissible = ₹8,80,000. Correct option – (b).

5. Minimum GST Payable in Cash

Provision: Tax payable under reverse charge cannot be discharged through utilisation of input tax credit and is required to be paid in cash. Subject to fulfilment of the prescribed conditions, the tax so paid under reverse charge may thereafter be availed as ITC.

Balance in ITC after refund = 11,88,000 (-) 8,80,000 (+) 20,00,000 = ₹23,08,000

Outward / Inward Liability	Computation	GST
Taxable Bengaluru tickets – overseas audience	₹30,00,000 × 18%	₹5,40,000
Taxable Singapore tickets – Indian audience	₹40,00,000 × 18%	₹7,20,000
Total forward-charge output IGST	₹5,40,000 + ₹7,20,000	₹12,60,000
1% liability through ECL	₹12,60,000 × 1%	₹12,600
Global Stage LLC – Bengaluru event under RCM	₹10,00,000 × 18%	₹1,80,000
Total GST payable using ECL		₹1,92,600

The forward-charge output liability can be discharged by utilising the available electronic credit ledger, including the brought-forward IGST credit. However, the reverse-charge liability of ₹1,80,000 must necessarily be paid in cash.

Conclusion: Minimum GST payable in cash = ₹1,92,600. Correct option – (c).

QUESTION 40

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

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

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

Answer the following:

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

(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.

Value of inward supply $\times 18\% \times 4/10$ = Exempted

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

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

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

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

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

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

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

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

QUESTION 41

M/s Vardhan Components Ltd., a registered manufacturer, availed input tax credit during FY 2025-26 on three inward supplies. The respective invoices were duly furnished by the suppliers in FORM GSTR-1 and appeared in Vardhan Components Ltd.'s FORM GSTR-2B. ITC of Rs. 2,40,000 related to A Ltd., Rs. 1,80,000 to B Ltd. and Rs. 3,60,000 to C Ltd. However, the suppliers had not furnished the corresponding returns under section 39 containing the tax payable in respect of such supplies by 30 September 2026. A Ltd. subsequently furnished its relevant FORM GSTR-3B on 25 October 2026, B Ltd. on 28 November 2026 and C Ltd. only on 18 January 2027. The entire ITC of Rs. 7,80,000 relating to the above three inward supplies was availed and fully utilised by Vardhan Components Ltd. in the FORM GSTR-3B for March 2026 filed on 20 April 2026.

Vardhan Components Ltd., believing that reflection of the invoices in GSTR-2B was sufficient, did not make any reversal by 30 November 2026. On 20 December 2026, after reviewing Rule 37A of the CGST Rules, 2017, it made the reversal considered necessary. Assume that interest on any amount not reversed within the time prescribed under Rule 37A is payable at 18% per annum and is to be computed on a 365-day basis. For the purpose of this question, compute interest from the date of utilisation of ITC, i.e. 20 April 2026, up to the date of reversal, i.e. 20 December 2026. Ignore interest consequences under provisions other than Rule 37A.

Required: Determine, with reasons, the amount of ITC required to be reversed under Rule 37A and compute the interest payable on account of delayed reversal. Clearly identify the period for which interest is payable. Also state whether the credit relating to C Ltd. can be re-availed after C Ltd. furnishes its FORM GSTR-3B on 18 January 2027 and whether such re-availment is restricted by the time limit under section 16(4).

1. Reversal and re-availment under Rule 37A

All three suppliers had not furnished the corresponding FORM GSTR-3B by 30 September 2026. Hence, the ITC relating to all three invoices falls within Rule 37A and was required to be reversed on or before 30 November 2026. The proviso to Rule 37A permits the recipient to re-avail the credit where the supplier subsequently furnishes the relevant FORM GSTR-3B. The re-availment is of the credit reversed earlier; therefore, where the supplier has already filed before the recipient actually makes the delayed reversal, the recipient may re-avail the credit immediately after making that reversal.

Supplier	ITC (Rs.)	Relevant GSTR-3B filed	Reversal under Rule 37A	When can recipient re-avail?
A Ltd.	2,40,000	25-10-2026	Required since not filed by 30-09-2026	From 25-10-2026, but only after the Rule 37A credit has first been reversed. Since actual reversal is 20-12-2026, it may be re-availed immediately thereafter.
B Ltd.	1,80,000	28-11-2026	Required since not filed by 30-09-2026	From 28-11-2026, but only after the Rule 37A credit has first been reversed. Since actual reversal is 20-12-2026, it may be re-availed immediately thereafter.
C Ltd.	3,60,000	18-01-2027	Required since not filed by 30-09-2026	After 18-01-2027, since the credit had already been reversed on 20-12-2026.
Total	7,80,000		Rs. 7,80,000	

Specific treatment of A Ltd. and B Ltd.: A Ltd. filed the relevant GSTR-3B on 25 October 2026. Thus, the condition for subsequent re-availment was satisfied from that date; however, Vardhan had not yet reversed the credit. When Vardhan actually reverses the Rs. 2,40,000 on 20 December 2026, it can re-avail that credit immediately thereafter. Likewise, B Ltd. filed on 28 November 2026. The condition for re-availment was satisfied from that date, but since the Rs. 1,80,000 was actually reversed only on 20 December 2026, it can be re-availed immediately thereafter. C Ltd. files only on 18 January 2027; hence its Rs. 3,60,000 can be re-availed only after that date.

2. Interest on delayed reversal

As specifically stipulated in the question, the entire credit was availed and utilised on 20 April 2026 and the Rule 37A reversal was actually made on 20 December 2026. Interest is therefore computed for 244 days.

Supplier	ITC utilised (Rs.)	Interest period	Days	Interest @ 18% (Rs.)
A Ltd.	2,40,000	20-04-2026 to 20-12-2026	244	28,097
B Ltd.	1,80,000	20-04-2026 to 20-12-2026	244	21,659
C Ltd.	3,60,000	20-04-2026 to 20-12-2026	244	43,318
Total	7,80,000			93,074

Total interest = Rs. 93,074 (rounded).

3. Section 16(4)

The time limit under section 16(4) does not restrict the subsequent re-availment contemplated by Rule 37A. Accordingly, C Ltd.'s credit may be re-availed after 18 January 2027, and the A Ltd. and B Ltd. credits may be re-availed immediately after their delayed reversal on 20 December 2026 because the respective suppliers had already furnished their relevant returns by then.

Rule 37A reversal = Rs. 7,80,000; interest = Rs. 93,074; A Ltd. and B Ltd. credits may be re-availed immediately after reversal on 20 December 2026; C Ltd. credit may be re-availed after 18 January 2027

QUESTION 42

Divine Appliances Pvt. Ltd. ("DAPL"), registered under GST in Gujarat, manufactures household electrical appliances (a taxable line of business) and also manufactures agricultural implements (a wholly exempt line of business). Its aggregate turnover in the preceding financial year was ₹15 crore. The following details pertain to the month of December (all figures are exclusive of GST unless stated otherwise; all supplies/purchases are intra-State unless stated otherwise):

(A) Outward Supplies

Particulars	Amount (₹)
(a) Intra-State taxable supply of appliances (GST @ 18%)	40,00,000
(b) Inter-State taxable supply of appliances (GST @ 18%)	20,00,000
(c) Export of appliances under a valid LUT, without payment of IGST	15,00,000
(d) Supply of agricultural implements (wholly exempt from GST)	25,00,000
(e) Advance received in December towards a taxable supply of goods to be made in January	5,00,000

(B) Inward Supplies

Particulars	Value (₹)	GST Rate	ITC (₹)
(a) Raw material used exclusively for taxable appliances	12,00,000	18%	2,16,000
(b) Raw material used exclusively for exempt agricultural implements	4,00,000	18%	72,000
(c) Raw material used commonly for both divisions	6,00,000	18%	1,08,000
(d) Motor car purchased for use of the Managing Director (mixed personal/official use)	8,00,000	28%	2,24,000
(e) Membership of a club, for employees	1,00,000	18%	18,000
(f) Capital goods (machinery) used exclusively for taxable appliances division	10,00,000	18%	1,80,000
(g) Capital goods (plant) purchased on 1st December, used commonly for both divisions (residual useful life to be taken as 60 months)	18,00,000	18%	3,24,000
(h) GTA services for transport of raw material of both divisions (RCM applies; GTA has not opted to pay under forward charge); consignment note issued	2,00,000	5%	10,000
(i) Legal services from an individual advocate located in Gujarat, relating to general corporate compliance of both divisions	1,50,000	18%	27,000
(j) Import of technical consultancy service from a supplier in USA, used exclusively by the taxable appliances division	4,00,000	18% (IGST)	72,000

Additional Information:

- GST rates: CGST 9% + SGST 9% (18% total) for intra-State supplies and 18% IGST for inter-State supplies, unless otherwise specified.
- All conditions for availment of ITC (other than eligibility under section 17 and rule 43) are duly fulfilled; tax under reverse charge has been paid in cash within the same tax period and self-invoices, where required, have been issued.
- Interest, if any, on account of rule 43(1)(h) may be ignored for the purpose of this computation.
- There is no non-business use to be considered separately.
- Opening balance of electronic credit ledger and electronic cash ledger as on 1st December is Nil.

You are required to compute, for the month of December:

- (i) Gross GST liability of DAPL (under forward charge as well as reverse charge, including any addition to output tax liability required under rule 43 of the CGST Rules, 2017);
 - (ii) Total ITC availed, and the amount of ITC to be reversed on inputs/input services attributable to exempt turnover in terms of rule 42 of the CGST Rules, 2017;
 - (iii) Net eligible ITC; and
- Net GST payable in cash by DAPL.

(i) Computation of Gross GST payable on outward supplies under FCM for the month of December.

Particulars	Taxable value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State taxable appliances @18%	40,00,000	3,60,000	3,60,000	-
Inter-State taxable appliances @18%	20,00,000	-	-	3,60,000
Export under LUT (zero-rated without payment)	15,00,000	-	-	-
Exempt agricultural implements	25,00,000	-	-	-
Advance for taxable goods to be supplied in January	5,00,000	-	-	-
Total FCM output tax		3,60,000	3,60,000	3,60,000

Note: In terms of Notification No. 66/2017-CT, registered persons supplying goods do not pay GST merely on receipt of advance; tax arises at the invoice/supply stage. Export under LUT is zero-rated without payment of IGST.

(ii) Computation of GST payable on inward supplies under RCM for the month of December.

Inward supply liable to RCM	CGST (₹)	SGST (₹)	IGST (₹)
GTA service: ₹2,00,000 @ 5%	5,000	5,000	-
Legal service by individual advocate: ₹1,50,000 @ 18%	13,500	13,500	-
Import of consultancy service: ₹4,00,000 @ 18%	-	-	72,000
Total RCM	18,500	18,500	72,000

Total RCM liability = ₹1,09,000, payable wholly in cash. Eligible ITC thereof may be availed since the question states that tax under RCM is paid in the same tax period and all other conditions are fulfilled.

(iii) ITC Availed, ITC Reversed and Net Eligible ITC.

A. Rule 42 - Inputs and Input Services

Total GST paid on inward supplies (T)

Eligible credit credited to ECL	CGST (₹)	SGST (₹)	IGST (₹)
Raw material - exclusively taxable (T4)	1,08,000	1,08,000	-
Raw material - exclusive exempted (T2)	36,000	36,000	
Common raw material	54,000	54,000	-
Motor car purchased (T3)	1,12,000	1,12,000	
Membership of Club (T3)	9,000	9,000	
GTA RCM - common	5,000	5,000	-
Legal services RCM - common	13,500	13,500	-
Import of consultancy - exclusively taxable (T4)	-	-	72,000

Total GST paid on inward supply of inputs	3,37,500	3,37,500	72,000
(-) T1 (Non-Business)	0	0	-
(-) Raw material – exclusive exempted (T2)	(36,000)	(36,000)	-
(-) Motor car purchased (T3)	(1,12,000)	(1,12,000)	-
(-) Membership of Club (T3)	(9,000)	(9,000)	-
ITC availed in GSTR-3B (C1)	1,80,500	1,80,500	72,000
(-) Raw material – exclusively taxable (T4)	(1,08,000)	(1,08,000)	-
(-) Import of consultancy – exclusively taxable (T4)	-	-	(72,000)
Common ITC (C2)	72,500	72,500	0
Common ITC attributable to exempted supplies (D1 = C2 × Exempt turnover / Total turnover)	72,500 X 25/100 = 18,125	72,500 X 25/100 = 18,125	0
Common ITC attributable to non business purpose (D2 = Nil, as inward supplies are not partly used for business and non-business purpose).	0	0	0
Net Eligible ITC on inputs and input services for utilization = C1 – D2	1,80,500 (-) 18,125 = 1,62,375	1,80,500 (-) 18,125 = 1,62,375	72,000

B. Rule 43 – Common Capital Goods

Eligible credit credited to ECL	CGST (₹)	SGST (₹)	IGST (₹)
Capital goods – exclusively taxable	90,000	90,000	-
Common capital goods	1,62,000	1,62,000	-
ITC availed on capital goods	2,52,000	2,52,000	-
Total ITC available for utilization (Inputs, Input services and capital goods)	4,14,375	4,14,375	72,000

Common plant ITC = ₹3,24,000 (ITC availed CGST = 1,62,000 & SGST = 1,62,000)

Useful life = 60 months. Monthly common credit Tm = ₹3,24,000 ÷ 60 = ₹5,400.

Te attributable to exempt supplies = ₹5,400 × ₹25,00,000 / ₹1,00,00,000 = ₹1,350. Under Rule 43(1)(h), Te is added to output tax liability (CGST ₹675 + SGST ₹675). Interest is ignored as specifically directed by the question. (Alternatively, this ITC can be reversed from the ITC availed)

(iv) Net GST Payable in Cash

Tax head	FCM liability (₹)	ITC available (₹)	Cash after ITC (₹)
IGST	3,60,000	72,000 + ₹1,07,400 spillover from CGST/SGST	1,80,600
CGST	3,60,675	4,14,375	Nil
SGST	3,60,675	4,14,375	Nil
Total FCM	10,81,350	9,00,750	1,80,600

After using IGST credit first against IGST, the excess CGST and SGST credits remaining after discharging their respective liabilities (₹53,700 each) may be used against the balance IGST liability in terms of section 49(5).

FCM payable in cash = ₹1,80,600. Add RCM payable in cash = ₹1,09,000. Therefore total net GST payable in cash = ₹2,89,600.

QUESTION 43

M/s Apex Components Ltd., a manufacturer-importer having a valid IEC, active GST registration showing manufacturing activity, aggregate turnover of ₹12 crore in the preceding financial year and a clean indirect-tax compliance record, is approved by the Directorate of International Customs as an Eligible Manufacturer Importer (EMI) with effect from 1 April 2026.

The following Bills of Entry are returned for payment:

Bill of Entry	Date returned for payment	Import duty
A	9 April 2026	₹8,00,000
B	22 April 2026	₹10,00,000
C	12 March 2027	₹7,00,000

The company is also an AEO-T1 entity.

With reference to the provisions relating to deferred payment of import duty:

- (i) State whether AEO-T1 status by itself entitles Apex Components Ltd. to deferred payment of import duty and briefly state why it is eligible in the present case.
 - (ii) Determine the due dates for payment of import duty relating to Bills of Entry A, B and C.
- (i) AEO-T1 status by itself does not automatically entitle an importer to deferred payment of import duty. However, an existing AEO-T1 entity may avail the facility as an **Eligible Manufacturer Importer** if it satisfies the prescribed conditions and is approved by the Directorate of International Customs. Since Apex Components Ltd. has been so approved with effect from 1 April 2026, it is eligible to avail the deferred payment facility.
- (ii) Under amended Rule 4 of the Deferred Payment of Import Duty Rules, 2016, effective from 1 March 2026, for Bills of Entry returned for payment during any month other than March, the due date is the **1st day of the following month**, irrespective of whether the Bill of Entry is returned during the first or second half of the month. Accordingly, Bills of Entry A and B are both payable on **1 May 2026**. For Bills of Entry returned during March, the due date is **31 March**; hence, Bill of Entry C is payable on **31 March 2027**.

QUESTION 44

M/s Orion Distributors Pvt. Ltd. is under investigation by the GST authorities. The following facts emerge:

- The company deliberately supplied goods without issuing invoices, resulting in tax evasion of ₹3.40 crore.
- In a separate transaction, it issued invoices without actual supply of goods, which enabled another person to wrongfully avail ITC of ₹5.60 crore.
- The company also collected amount as GST of ₹1.25 crore from customers but failed to deposit the same with the Government even after expiry of three months from the due date of payment.
- During investigation, one of the directors falsified certain financial records with the intention of concealing the transactions.

The Commissioner, having reasons to believe that offences punishable under section 132 have been committed, proposes to authorise arrest of the persons concerned.

With reference to sections 69 and 132 of the CGST Act, 2017, examine:

- (i) the maximum term of imprisonment applicable in respect of the first two offences;
- (ii) whether such offences are cognizable/non-cognizable and bailable/non-bailable; and
- (iii) whether arrest can be authorised in respect of the above offences.

Note: M/s Orion Distributors Pvt. Ltd. is a first time offender and not a habitual offender.

Under section 132(1), where the amount of tax evaded or ITC wrongly availed/utilised exceeds **₹5 crore**, imprisonment may extend to **5 years with fine**; where such amount exceeds **₹2 crore but does not exceed ₹5 crore**, imprisonment may extend to **3 years with fine**. Further, offences specified in section 132(1)(a) to (d) become **cognizable and non-bailable only when they are punishable under section 132(1)(i), i.e. where the amount exceeds ₹5 crore**. All other offences are non-cognizable and bailable.

Accordingly:

Offence	Amount involved	Punishment	Nature of offence	Arrest under section 69
Supply without invoice with intention to evade tax — section 132(1)(a)	₹3.40 crore	Imprisonment up to 3 years + fine	Non-cognizable and bailable	Yes
Issue of invoice without supply leading to wrongful ITC — section 132(1)(b)	₹5.60 crore	Imprisonment up to 5 years + fine	Cognizable and non-bailable	Yes

For the first offence, although the amount does not exceed ₹5 crore and hence the offence is non-cognizable and bailable, section 69 still permits arrest because the Commissioner may authorise arrest where he has reasons to believe that an offence under section 132(1)(a) to (d) has been committed and such offence is punishable under clause (i) or (ii) of section 132(1). Thus, an offence exceeding ₹2 crore can still attract the arrest power even though it is not cognizable and non-bailable.

For the second offence, since wrongful ITC exceeds ₹5 crore and the offence falls under section 132(1)(b), it is punishable with imprisonment up to 5 years and is **cognizable and non-bailable**. The Commissioner may therefore authorise arrest; where a person is arrested for such an offence, the grounds of arrest must be communicated and the person must be produced before a Magistrate within **24 hours**.

The third offence, namely collection of tax but failure to pay it to the Government beyond three months, falls under section 132(1)(d). However, since the amount involved is only **₹1.25 crore**, it does not fall within clause (i) or (ii) of section 132(1). Hence, **section 69 does not empower the Commissioner to authorise arrest on these facts merely for this offence**.

Falsification of financial records falls under section 132(1)(f). Such offence is punishable with imprisonment which may extend to **6 months or with fine or both**. It remains **non-cognizable and bailable**, and section 69(1) does not independently confer arrest power for clause (f), since the arrest power there is specifically linked to offences under clauses (a) to (d) punishable under clause (i) or (ii), or a repeat offence covered by section 132(2).

QUESTION 45

M/s Vertex Industries Ltd. received an adjudication order dated 10 January 2026 determining tax liability of ₹18,40,000. While passing the order, the proper officer committed the following errors:

1. Though the tax computation annexure correctly showed tax of ₹18,40,000, the final page of the order mentioned the amount as ₹81,40,000 due to a transposition error.
2. The officer did not allow a deduction claimed by Vertex Industries on the ground that the supporting notification was not applicable. Vertex Industries contends that the officer has wrongly interpreted the notification and requests reconsideration of the issue.
3. On 25 April 2026, Vertex Industries filed an application requesting rectification of both the above matters.
4. On 20 August 2026, the proper officer noticed on his own that while calculating interest in the order, multiplication of the applicable rate with the number of days had been arithmetically computed incorrectly.
5. The officer proposes to rectify the interest computation in a manner that would increase the liability of Vertex Industries by ₹1,20,000.

With reference to section 161 of the CGST Act, 2017, examine:

- (i) Whether the request made by Vertex Industries on 25 April 2026 can be entertained in respect of the transposition error and the disputed interpretation of the notification.
- (ii) Whether the proper officer can rectify the arithmetical error noticed on 20 August 2026.
- (iii) Whether any procedural safeguard is required before making the rectification which increases the liability of Vertex Industries.

Section 161 permits the authority which has passed or issued any decision, order, notice, certificate or other document to rectify any **error apparent on the face of the record**, either suo motu or where such error is brought to its notice by the prescribed officer or the affected person. Where the error is brought to the authority's notice by the **affected person**, it should be brought within **3 months from the date of issue** of the relevant document. Further, ordinarily, no rectification can be made after **6 months from the date of issue**. However, the six-month limitation does not apply where the rectification is purely for correction of a **clerical or arithmetical error arising from an accidental slip or omission**.

(i) Application dated 25 April 2026

The order was issued on **10 January 2026**. The application was filed on **25 April 2026**, i.e. beyond three months from the date of issue.

Accordingly, the request made by Vertex Industries cannot be entertained as an application by the affected person under section 161 after expiry of the prescribed three-month period.

Further, the transposition of ₹18,40,000 as ₹81,40,000 is clearly a **clerical error apparent on the face of the record** and is rectifiable under section 161.

However, the issue relating to interpretation of the notification involves **reconsideration of a legal view or debatable issue**. Such an issue cannot ordinarily be regarded as an "error apparent on the face of the record". Rectification cannot be used as a substitute for review or appeal.

Thus, the interpretation issue is **not rectifiable under section 161**.

(ii) Arithmetical error noticed on 20 August 2026

Six months from the date of the order expired on **9 July 2026**. Ordinarily, rectification after this date would not be permissible.

However, the error noticed on 20 August 2026 is an **arithmetical error arising from an accidental mistake in computation**. The second proviso to section 161 specifically provides that the six-

month limitation does **not** apply to correction of clerical or arithmetical errors arising from accidental slip or omission.

Therefore, the officer can rectify the arithmetical error even on **20 August 2026**.

(iii) Increase in liability

The proposed rectification increases the liability of Vertex Industries by ₹1,20,000 and therefore **adversely affects the person concerned**.

The third proviso to section 161 mandates that where rectification adversely affects any person, the authority must follow the **principles of natural justice**.

Accordingly, Vertex Industries must be given an appropriate opportunity of being heard before the adverse rectification is carried out.

QUESTION 46

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

Discuss the taxability of each transaction and compute the aggregate turnover of Mr. Arjun for December 2024.

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

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

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

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

QUESTION 47

M/s. Zenith Components Ltd., registered in Tamil Nadu, dispatched industrial components valued at ₹12,00,000 from Chennai to a registered customer in Bengaluru on 8th September 2026. The goods were transported by road for a total distance of 560 km and an e-way bill was generated at 8.00 a.m. on 8th September 2026.

During transit on 9th September, the vehicle broke down near Salem and the goods were transferred to another vehicle. The transporter commenced movement of the new vehicle and travelled about 60 km before updating the new vehicle number in Part B of FORM GST EWB-01.

On 10th September 2026, the conveyance was intercepted at Hosur by a proper officer authorised under rule 138B and the goods and conveyance were physically verified. The vehicle remained detained for 50 minutes before commencement of inspection. The proper officer uploaded the summary report in Part A of FORM GST EWB-03 on 12th September and the final report in Part B of FORM GST EWB-03 on 15th September, without obtaining any extension from the Commissioner or an officer authorised by him.

On 11th September, another proper officer in Karnataka proposed to physically verify the same conveyance again, though no fresh or specific information relating to evasion of tax had been received.

Owing to an unexpected closure of the highway, the goods could not reach Bengaluru within the original validity of the e-way bill. The transporter applied for extension of its validity six hours after its expiry, after updating the particulars in Part B. Zenith Components Ltd. also proposed to cancel the original e-way bill after the physical verification on the ground that certain commercial particulars in the underlying transaction had subsequently changed.

With reference to the provisions of the CGST Rules, 2017, examine:

1. the validity period of the e-way bill and whether its extension can be made six hours after expiry;
2. whether the procedure followed on change of vehicle is valid;
3. whether the time limits followed by the proper officer for uploading Part A and Part B of FORM GST EWB-03 are valid;
4. whether the second physical verification and the detention of the vehicle for 50 minutes have any consequences under the e-way bill provisions; and
5. whether Zenith Components Ltd. can cancel the e-way bill after it has been verified in transit.

Under rule 138 of the CGST Rules, 2017, an e-way bill for goods transported by a normal conveyance is valid for one day for every 200 km or part thereof. In exceptional circumstances, including trans-shipment, the transporter may extend its validity after updating Part B, and such extension may be made within eight hours before or eight hours after the expiry of the e-way bill.

Where goods are transferred from one conveyance to another, the consignor, recipient or transporter, as the case may be, is required to update the details of the new conveyance in Part B of FORM GST EWB-01 before such transfer and further movement of the goods.

As per rule 138C, the proper officer is required to upload the summary report of inspection in Part A of FORM GST EWB-03 within 24 hours and the final report in Part B within 3 days of inspection. The said periods are counted from midnight of the date on which the vehicle was intercepted. On sufficient cause, the time for recording the final report may be extended for a further period not exceeding 3 days.

Further, once physical verification has been carried out at one place during transit, the conveyance cannot ordinarily be subjected to another physical verification unless specific information relating to evasion of tax is subsequently received. Where a vehicle is intercepted and detained for more than 30 minutes, the transporter may upload the details of detention in FORM GST EWB-04.

An e-way bill cannot be cancelled after it has been verified in transit under rule 138B.

Particulars	Application to the Case	Conclusion
1. Validity of e-way bill	Distance is 560 km. Up to 200 km = 1 day; next 200 km = 1 additional day; balance 160 km, being part of another 200 km = 1 additional day.	Validity = 3 days.
Extension after expiry	Highway closure is an exceptional circumstance. Application is made 6 hours after expiry, which is within the permitted window of 8 hours after expiry, and Part B has been updated.	Extension can be made, subject to satisfaction of the prescribed conditions.
2. Change of vehicle	Goods were transferred to a new vehicle and it travelled 60 km before the new vehicle number was updated. Rule 138 requires updating of Part B before the transfer and further movement.	Procedure is not valid. Updating after commencement of further movement does not cure the initial non-compliance.
3. Part A of EWB-03	Vehicle was intercepted and inspected on 10th September, whereas the summary report was uploaded only on 12th September.	Not within the prescribed 24-hour period.
Part B of EWB-03	Final report was uploaded on 15th September without obtaining any extension.	Not within the prescribed 3-day period. An extension of up to a further 3 days could have been granted only on sufficient cause by the Commissioner or authorised officer.
4. Second physical verification	Physical verification had already been carried out at Hosur. No subsequent specific information regarding tax evasion was available.	Second physical verification cannot ordinarily be carried out.
Detention for 50 minutes	The vehicle was detained for more than 30 minutes.	The transporter may upload the detention details in FORM GST

		EWB-04 on the common portal.
5. Cancellation after verification	The e-way bill has already been physically verified during transit.	Cancellation is not permitted, even if the taxpayer subsequently wishes to cancel it because of changes in the commercial transaction.

Thus, the e-way bill is valid for 3 days and its extension sought within 6 hours after expiry is permissible in the stated exceptional circumstances. However, the transporter failed to comply with the requirement of updating the new vehicle details before further movement. The proper officer also failed to comply with the statutory reporting timelines for both Parts A and B of FORM GST EWB-03. No second physical verification can be undertaken in the absence of fresh specific information of tax evasion; detention exceeding 30 minutes may be reported by the transporter in FORM GST EWB-04; and the e-way bill cannot be cancelled after verification in transit.

QUESTION 48

M/s. Regal Pan Products Ltd., a registered manufacturer in Maharashtra, manufactures pan masala falling under tariff item 2106 90 20. During March 2026, it made intra-State supplies of the following goods to M/s. Metro Distributors, a registered dealer in Maharashtra. In respect of 30,000 pouches, the retail sale price (RSP) declared on each pouch was ₹128, though the goods were sold to Metro Distributors at ₹75 per pouch. In respect of another 15,000 pouches, two RSPs of ₹128 and ₹160 were declared on each pouch and the wholesale selling price was ₹90 per pouch. A further 12,000 pouches were originally supplied with an RSP of ₹128 per pouch at a wholesale price of ₹100 per pouch; however, on 25th March 2026, the declared RSP of these pouches was increased to ₹192 per pouch by affixing a revised label.

All the above goods are covered by rule 31D of the CGST Rules, 2017. The applicable GST rate is 28% [CGST 14% and SGST 14%]. Ignore any cess or Central Excise implications.

Both Regal Pan Products Ltd. and Metro Distributors have sufficient balance in their respective electronic credit ledgers to discharge their entire output tax liability. Their value of taxable supplies, other than exempt and zero-rated supplies, exceeds ₹50 lakh during the respective months and none of the exceptions contained in clauses (a) to (e) of the first proviso to rule 86B is applicable.

Metro Distributors subsequently sold all the aforesaid goods within Maharashtra during April 2026 with the same RSPs as finally applicable above. Regal Pan Products Ltd. has duly discharged GST on its supplies in accordance with rule 31D.

Determine:

1. The value of supply and GST payable by Regal Pan Products Ltd. for March 2026.
2. The minimum amount of GST required to be discharged in cash by Regal Pan Products Ltd. under rule 86B.
3. The GST payable by Metro Distributors on resale of the goods and the minimum amount required to be discharged by it in cash, after considering the amendment to rule 86B.

As per **section 15(5) of the CGST Act, 2017** read with Notification No. 19/2025-Central Tax and **rule 31D of the CGST Rules, 2017**, with effect from 1st February 2026, the value of supply of specified goods, including pan masala falling under tariff item 2106 90 20, is deemed to be the **retail sale price declared on such goods less the applicable tax**. Thus, the normal transaction value is not relevant for determining the taxable value of such notified goods.

The tax included in the RSP is determined as follows:

$$RSP \text{ Declared} \times \left[\frac{\text{Rate of tax}}{100 + \text{Rate of tax}} \right]$$

Further, where **more than one RSP is declared**, the **maximum RSP** is deemed to be the RSP. Where the declared RSP is **increased at any stage before, during or after the supply**, such increased RSP is deemed to be the RSP.

1. Computation of value of supply and GST payable by Regal Pan Products Ltd.

Particulars	No. of Pouches	RSP adopted per pouch (₹)	Taxable value per pouch (₹)	Total taxable value (₹)	GST @ 28% (₹)
Batch I	30,000	128	128 X 100/128 = 100	30,00,000	8,40,000
Batch II – multiple RSPs	15,000	160	160 X 100/128 = 125	18,75,000	5,25,000
Batch III – RSP subsequently increased	12,000	192	192 X 100/128 = 150	18,00,000	5,04,000
Total	57,000			66,75,000	18,69,000

Therefore, the GST liability is:

Particulars	Amount (₹)
CGST @ 14%	9,34,500
SGST @ 14%	9,34,500
Total GST	18,69,000

The wholesale consideration actually charged by Regal Pan Products Ltd. is **irrelevant for valuation**, since rule 31D overrides the normal valuation provisions and adopts the RSP-based deemed valuation mechanism.

2. Application of Rule 86B to Regal Pan Products Ltd.

Rule 86B ordinarily restricts utilisation of the electronic credit ledger where the value of taxable supplies other than exempt and zero-rated supplies exceeds ₹50 lakh in a month. In such a case, ITC cannot be utilised to discharge more than **99% of the output tax liability**, unless one of the prescribed exceptions applies.

Notification No. 20/2025-Central Tax has inserted clause (f) in the first proviso to rule 86B. However, this exemption is specifically available to a registered person **other than a manufacturer**, in respect of goods covered by rule 31D on which the supplier has paid tax on the RSP basis. Therefore, Regal Pan Products Ltd., being the **manufacturer**, cannot claim the benefit of newly inserted clause (f).

Particulars	CGST (₹)	SGST (₹)	Total (₹)
Output tax liability	9,34,500	9,34,500	18,69,000
Maximum discharge through ITC – 99%	9,25,155	9,25,155	18,50,310
Minimum tax payable in cash	9,345	9,345	18,690

Thus, notwithstanding sufficient ITC, Regal Pan Products Ltd. is required to discharge at least **₹18,690 in cash**, assuming no other exception to rule 86B is applicable.

3. GST liability of Metro Distributors

Rule 31D applies to the **value of supply of the specified goods** and is not confined only to the first supply by the manufacturer. Therefore, Metro Distributors' subsequent supply of the same goods is also valued on the applicable RSP basis.

Since the same finally applicable RSPs continue at the time of resale, its output tax liability will be:

Particulars	Amount (₹)
Deemed taxable value under rule 31D	66,75,000
CGST @ 14%	9,34,500
SGST @ 14%	9,34,500
Total output GST	18,69,000

Metro Distributors is entitled, subject to the normal ITC conditions, to the corresponding credit of GST charged by Regal Pan Products Ltd.

However, unlike the manufacturer, Metro Distributors is a **registered person other than a manufacturer**. Further, the goods are covered under rule 31D and Regal Pan Products Ltd., its supplier, has discharged tax on the RSP basis.

Consequently, the newly inserted **clause (f) to the first proviso to rule 86B exempts Metro Distributors from the 1% mandatory cash-payment restriction** in respect of such goods.

Net GST payable by Metro Distributors

Particulars	CGST (₹)	SGST (₹)	Total (₹)
Output GST liability	9,34,500	9,34,500	18,69,000
Less: Eligible ITC	(9,34,500)	(9,34,500)	(18,69,000)
Net GST payable in cash	Nil	Nil	Nil

Conclusion

Regal Pan Products Ltd. is required to compute GST on the **deemed RSP-based value of ₹66,75,000**, irrespective of the lower wholesale transaction price, and its total GST liability is **₹18,69,000**. Being a manufacturer, it cannot claim the newly inserted clause (f) exemption from rule 86B and must discharge at least **₹18,690 in cash**.

Metro Distributors must also determine its output liability on the RSP basis. However, since it is **not a manufacturer** and its supplier has already discharged GST on the specified goods on the RSP basis, the newly inserted clause (f) to rule 86B applies. Hence, it can utilise eligible ITC for the **entire output liability** and no mandatory 1% cash payment is required.

QUESTION 49

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

Particulars	Amount
a) Supplied a latest technology laptop with touch screen option to Managing Director's friend (Open market value as well as sale to unknown customers was at ₹ 90,000)	₹60,000
b) Supplied printed letter cards to M K Industries, a registered person in Gandhinagar, Gujarat. Logo design was supplied by M K Industries. Out of ₹ 5,00,000, Materials cost was ₹ 4,00,000 and balance was Printing cost.	₹5,00,000
c) Provided services of transportation of passengers by an Omnibus through an Electronic Commerce Operator (ECO).	12,58,000
d) Provided catering services to Excel University of Patna, Bihar, which is recognized by UGC for granting recognised qualification	2,12,000

e) Provided commissioning services under pure labour contract to M/s. Raj Builders for multi-storey residential complex.	4,50,000
f) Paid towards rent to Local Municipal Corporation for the shop taken on rent at a Bus Terminal in Gujarat.	1,00,000
g) Stock transferred without consideration to its branch in Gujarat and branch has the same GSTIN	1,25,000
h) Paid to Mr. Mahajan, whose residential house was taken on rent for MD of the company for his residential use.	50,000
i) Paid as donation to a local old age home for setting a water cooler where the name of the company is embedded on the water cooler to express their support for the good cause	4,50,000

Additional Information :

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

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

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

Particulars	Value	CGST	SGST
GST payable under forward charge			
Supply of laptop to Managing Director's Friend [Since supply is made to an unrelated person (Managing Director's friend not being a related person) and price is the sole consideration, value of supply is the transaction value i.e. the price actually paid or payable for the said supply.]	60,000	3,600 [60,000 × 6%]	3,600 [60,000 × 6%]
Supplied printed letter cards to M K Industries [Since letter cards are supplied by the printer using its own physical inputs to print the logo supplied by the recipient, it is a composite supply wherein the predominant/ principal supply is supply of goods]	5,00,000	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]
Transportation of passenger services by an omnibus provided through electronic commerce operator (ECO) [Tax on transportation of passengers services by an omnibus provided through ECO by a company is not a notified service under section 9(5) of the CGST Act, 2017 and hence tax is payable by Galaxy Cube Private Ltd. and not by the ECO since the person supplying such service through ECO is a company.]	12,58,000	1,13,220 [12,58,000 × 9%]	1,13,220 [12,58,000 × 9%]
Catering services to Excel University [Taxable/Not exempt since catering services are exempt only when such services are provided to an educational institution providing services by way of pre-school education & education up to higher secondary school or equivalent. In this case, catering services are provided to an educational institution providing education as a part of a curriculum for obtaining a qualification recognized by any law. Thus, same are taxable]	2,12,000	19,080 [2,12,000 × 9%]	19,080 [2,12,000 × 9%]
commissioning services under pure labour contract to M/s. Raj Builders for multi-storey residential complex.	4,50,000	40,500	40,500

[Taxable/Not exempt since the services are not in relation to individual house but in relation to complex]		[4,50,000 × 9%]	[4,50,000 × 9%]
Stock transferred without consideration to its branch in Gujarat and branch has the same GSTIN [Not a supply as branch is in the same state and not separately registered. Consequently it is not a distinct person]	N.A	-	-
GST payable under Reverse Charge			
Rent to local municipal corporation [Services provided by government to registered business entity is covered under RCM as per Notification No. 13/2017]	1,00,000	9,000 [1,00,000 × 9%]	9,000 [1,00,000 × 9%]
Renting of residential property [Services by way of renting of residential property for residential purpose, where recipient is registered is covered under RCM as per Notification No. 13/2017]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]
Donation to old age home where recipient name is entered [As per CBIC circular, when donor's name is mentioned against donation which leads to business advantage to donor it is conditional donation and treated as sponsorship service. In case of sponsorship service by a person other than body corporate to body corporate/firm is covered under RCM as per Notification No. 13/2017]	4,50,000	40,500 [4,50,000 × 9%]	40,500 [4,50,000 × 9%]
Total GST payable by Galaxy Cube Private Ltd., for May 2025		2,60,400	2,60,400

QUESTION 50

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

1. Provided consultancy services for market analysis to XYZ Ltd., a registered client in Chennai, Tamil Nadu (Inter-State), for ₹ 4,50,000. Additionally, the company paid an amount of ₹ 4,500 as professional tax applicable in the State of Maharashtra as per requirement of local state legislation. The amount of professional tax was recovered separately from XYZ Ltd.
2. Conducted digital marketing for an upcoming product launch for Mr. A based in Rajasthan, who is an unregistered person under GST. The agreed fee for the said services is ₹ 3,00,000. Out of the agreed fee, an amount of ₹ 25,000 is incurred by Mr. A. The company was liable to pay the same in relation to the supply and the net payment received by the company was ₹ 2,75,000 (exclusive of any tax).
3. The employees incurred an amount of ₹ 50,000 on travel to Kolkata for client project, which the client should incur as per the contract and claimed a reimbursement of the same from the company. As a policy, company charged such expenses from the clients on actual basis.
4. Post supply discount was offered to a customer amounting to ₹ 50,000 against a supply for which invoice was issued in September, 2024. The customer has not reversed the input tax credit relating to such discount.

5. The company received an amount of ₹ 1,00,000 as late payment charges for delay in payment for consideration from a client whose service contract was completed in June, 2024.
6. Advance received towards digital marketing services to be provided to Orochem Ltd., a drug manufacturer, located in Delhi [Digital marketing services have been provided in November, 2024 and invoice is issued on 28.11.2024]
7. Mr. Balaram approached them to provide project management services for a consideration of ₹1,20,000, which they have outsourced to their related company M/s Smart Advisors Pvt. Ltd. and paid ₹1,00,000 to such related company. M/s Smart Advisors usually take 30 hours to complete such service and usual charges is ₹4,000 per hour.
8. They received incentive of ₹50,000 from Pine Labs for promoting UPI transactions and such amount received is in conformity with NCPI guidelines but the said amount is not received by them from Ministry of Electronics and Information Technology.

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

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

Note:

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

Computation of total value of supply for October, 2024

Particulars	Value
Consultancy services provided to XYZ Ltd. (As per section 15(2)(a) of the CGST Act, 2017, the value of supply includes the amount of any tax paid under any law other than GST. Accordingly, the amount of professional tax is includible in the value of services. = ₹4,50,000 + ₹4,500)	4,54,500
Digital marketing services provided to Mr. A (As per Section 15(2)(b) of CGST Act, 2017 The amount incurred by the recipient on behalf of the supplier is includible in the value of supply. = ₹2,75,000 + ₹25,000)	3,00,000
Travelling expenses recovered from the client (As per Section 15(2)(c) of CGST Act, 2017 Incidental expenses like travelling expenses incurred in course of supply is includible in value of supply.)	50,000
Post supply discount (As per Sec. 15(3) of CGST Act, 2017 No adjustment of post supply discount is allowed as the customer has not reversed the input tax credit.)	-
Late payment charges (As per Sec. 15(2)(d) of CGST Act, 2017 The late payment charges recovered are includible in GST and liable to tax at the time of receipt of amount.)	1,00,000
Advance received for digital marketing services (As per Sec. 13(2) of CGST Act, 2017 time of supply in case of services is date of invoice or date of payment whichever is earlier. In the present case, payment is received in October 2024 but invoice is issued in November 2024 and time of supply is October 2024)	-

Project management services provided to Mr. Balaram (Supply u/s 7(1)(a) of CGST Act and contract price treated as transaction value under Section 15)	₹1,20,000
Incentive from Pine labs for promoting UPI transactions (As per CBIC Circular, sharing of incentive by acquiring bank with various stakeholders in the digital payment ecosystem as approved by NPCI is treated as subsidy from CG/SG and not included in the value of supply as per Sec. 15(2)(e) of CGST Act, 2017)	-
(a) Total Value of supply	₹10,24,500

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

Computation of inward supply on which ITC can be availed:

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

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

Gross GST on outward supply = ₹1,84,410

(-) IGST Credit = (₹21,600)

(-) CGST Credit = (₹20,000)

(-) SGST Credit = (₹20,000)

Net GST payable = ₹1,22,810