



CA FINAL SOLVED WORK BOOK  
- ADDENDUM FOR NOV 23



THARUN RAJ

**Note**

Corrections has been highlighted in **yellow shade**

## SEGMENT – 2 TAXABLE EVENT

**Solved Work Book – 11<sup>th</sup> Edition – Question No. 67 (Pg. No. 47)**

Aasma ltd had supplied goods to a local authority for ₹7,56,000 (inclusive of GST @12%). Determine the amount of tax to be deducted at source.....

**IV.** The disbursing officer has not paid the tax deducted in the month of February 2021, amounting to ₹ 2,00,000.....

IV. Failure to deposit TDS with the Government and failure to furnish TDS return within the stipulated time period will result in following consequences:

- a) Interest @ 18% p.a. on the amount of tax deducted shall be payable.
- b) Late fee of ₹ 25 per day for the period of delay in furnishing return, maximum ₹ 1,000 under CGST Act, shall be payable. Equal amount of late fee will be payable under the respective State law.
- c) Applicable penalty will also be levied under Sec. 122(1) of CGST Act.

# SEGMENT –5 VALUATION UNDER GST

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 11 (Pg. No. 110)

ABC Ltd., Noida (Uttar Pradesh) is a supplier of machinery used for making bottle caps. The supply of machinery is effected as under:

Interest collected @ 3% on ₹ 44,10,000 [Note 10] (₹45,30,000 + ₹80,000 - ₹ 2,00,000)	1,32,300
Cash discount recovered [Note 10]	80,000
Cum-tax value of interest and cash discount	2,12,300
IGST = (₹ 2,12,300 × 12/112)	22,746
Total IGST payable on the machinery = 5,43,600 + 22,746	5,66,346

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 17 (Pg. No. 117)

Shri Krishna Pvt. Ltd., a registered dealer, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd. in the course of Intra-State –

(iv) Subsidies received from Shri Ram Trust (As the product is going to be used by blind association, includible as only subsidy received from Government is not includible) already included as the given price without considering subsidy.	—
(v) Late fees for delayed payment (Though Shri Balram Pvt. Ltd. made late payment but these charges are waived by Shri Krishna Pvt. Ltd.) – ₹1,000 (not to be added as tax is payable only when late payment charges are actually received)	—
(vi) Weighment charges paid by Shri Balram Pvt. Ltd. to Radhe Pvt. Ltd. (on behalf of Shri Krishna Pvt. Ltd.) (includible as amount paid on behalf of supplier is as good as amount paid to supplier and hence, forms part of transaction value)	₹2,000
<b>Total Value</b>	<b>₹1,19,000</b>

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 36 (Pg. No. 128)

A pharmaceutical company supplies a drug intermediate to its own unit in another State for conversion into formulations.

However, if the recipient unit is eligible for full ITC, the value declared in the invoice will be deemed to be the open market value of the drug intermediate and thus, the invoice value will be the value of taxable supply.

**Note:** As recipient unit is making further supply after processing, 90% of the resale price cannot be considered as value as per Rule 28.

## SEGMENT – 6 INPUT TAX CREDIT (ITC)

### Solved Work Book – 11<sup>th</sup> Edition – Question No. 3 (Pg. No. 142)

AK pvt Ltd purchased machinery as on 20.07.2020 for its unit in Nashik, worth ₹12,50,000 & GST@12% was levied i.e., ₹1,50,000 thus total cost of machinery including taxes was ₹14,00,000. The machinery was put to use as on 26.07.2021. In the given case if AK pvt Ltd has capitalized the value of machinery including its tax component of ₹ 1,50,000 **in his books. However as per IT Act 1961 depreciation is computed on value excluding GST.** Determine whether AK pvt Ltd shall be eligible to claim the Input tax credit paid on purchase of Machinery?

As per section 16(3) of CGST Act, If registered person has claimed depreciation on the tax component of cost of capital goods under IT Act 1961 then ITC on such tax component not allowed.

The GST paid on purchases of machinery i.e., ₹ 1,50,000 has also been capitalized in books but not in IT Act and hence **eligible to claim Input tax credit on such tax component.**

### Solved Work Book – 11<sup>th</sup> Edition – Question No. 27 (Pg. No. 156)

X is a chartered accountant by profession. He gives the following information pertaining to October 2021 –

1. Consultancy given to different clients during October 2021 (but not including the transactions given below) (invoice value: ₹35,70,000).
2. Consultancy given to A Ltd. (invoice value: ₹8,000, market value of supply: ₹50,000, X holds **60 per cent** shares in A Ltd.)

### Solved Work Book – 11<sup>th</sup> Edition – Question No. 19 (Pg. No. 151)

Honey Ltd is located in Delhi and engaged in manufacture of mechanical appliances. It submits the following information pertaining to inward supplies during Dec 2020

Heating system	Input tax credit is available even if it is installed in canteen	<b>28,000</b>
Corporate membership	GST on club membership is not eligible for input tax credit	<b>—</b>
<b>Total</b>	<b>Total eligible ITC available in the month of December 2020</b>	<b>53,200</b>

# SEGMENT – 7 EXEMPTIONS & CHARGE

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 10 (Pg. No. 228)

Kesar Maharaj, a renowned classical dancer gave a classical dance performance in an auditorium. The consideration charged for the said performance is ₹ 98,500.

However, exemption will not apply to service provided by such artist as a brand ambassador, even if consideration is not more than ₹ 1,50,000 per performance

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 18 (Pg. No. 234)

A Ltd. (Registered under GST) collected following sums (exclusive of taxes) for the month ending April, 2021 towards transport of passengers. Determine taxable value and GST taking maximum benefits available under law and ignoring ITC

(10) Transport of passengers by non-AC contract carriage for tourist purposes – [Not Exempt – Further transport of passengers includes transport of 'accompanied belongings'; hence, ₹50,000 towards charges for extra baggage of passengers is also includible.]	5	5%	0.25
(11) Transport of passengers by ropeway – [Not exempt]	1	18%	0.18
(12) Transport of passengers in radio taxis – [Liable to GST]	3	5%	0.15
(13) Transport of passengers through metered cabs & e-rickshaws – [Exempt]	Nil	Exempt	Exempt
<u>GST</u>			<b>18.16</b>

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 35 (Pg. No. 247)

Pehalal has obtained registration in the current financial year in Uttar Pradesh. His turnover in the preceding financial year was ₹ 19,90,000. He has received the following amounts in respect of the activities undertaken by him in the month of September:.....

Further, he has received following services in the month of September:

S.No.	Particulars	₹
(a)	Freight paid to unregistered GTA for his business activities related to serial number (1) above	<b>1,00,000</b>

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 40 (Pg. No. 253)

Vividh Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka, having turnover of ₹ 200 lakh in the last financial year. It has furnished the following information for the month of June:.....

Computation of gross GST liability of Vividh Pvt. Ltd.:

Particulars	Taxable Value (₹)	GST@ 18% (₹)
Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide exemption notification. Labour contracts for repairing, are thus, taxable.]	1,30,000	<b>23,400</b>
Fee received from students of competitive exam training academy [Fee received from students of competitive exam training academy is taxable as it is not an educational institution since	5,40,000	97,200

competitive exam training does not lead to grant of a recognized qualification]		
Buses each with seating capacity of 72 passengers given on hire to State Transport Undertaking [Services by way of giving on hire to a state transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers, are exempt from GST vide exemption notification.]	Nil	Nil
<u>Services on which reverse charge:</u>		
Rent paid to Local Municipal Corporation [GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.]	2,50,000	45,000
GTA services availed [Since GTA is paying tax @ 12%, tax is payable under forward charge by GTA only and not by Vividh Pvt. Ltd.]	Nil	Nil
<u>Gross GST payable</u>		<b>1,65,600</b>

**Solved Work Book – 11<sup>th</sup> Edition – Question No. 48 (Pg. No. 259)**

Calculate the value of taxable supply and GST liability of GG Freight and Goods carries engaged in the business of transport of goods by road for the month of March, 2022 from the given particulars...

Less: Freight collected for transporting goods in small vehicles for persons who paid less than Rs. 1500 per trip (Exempt, since the freight on all consignments transported into a goods carriage doesn't exceed Rs.1500). This exemption is now withdrawn & consequently taxable.	<b>Nil</b>
<b>Total value of taxable supply</b>	<b>15,00,000</b>
<b>GST payable @ 12% on ₹ 15,00,000</b>	<b>1,80,000</b>

**Note:** In this Question, it is assumed GG Freight is goods transport agency.

**Solved Work Book – 11<sup>th</sup> Edition – Question No. 52 (Pg. No. 261)**

Romeo Small Finance Bank Ltd is engaged in providing financial related services and of various types of loan facilities to its constituents, furnishes the following information.....

<b>Value of Taxable Supply</b>	<b>29,00,000</b>
<b>Total GST payable @18% on ₹ 29,00,000</b>	<b>5,22,000</b>

# SEGMENT – 8 COMPOSITION SCHEME

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 20 (Pg. No. 279)

B & D Company, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and an exempt product 'Q'. The firm supplies these products only in the eastern part of Maharashtra.....

Further, since the firm is trading in goods, tax will be payable @ 1% [0.5% CGST + 0.5% SGST] of the turnover of taxable supplies of goods (i.e., 'P') in the State [Section 10(1) read with Rule 7 of CGST Rules, 2017].

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 21 (Pg. No. 281)

Keeping all the facts and figures of Q.20 unchanged, compute the ITC credited to the Electronic Credit Ledger of the B & D Company,.....

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
Computers [₹36,000 – (5% × 4 quarters)] / 2	14,400	14,400

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 22 (Pg. No. 283)

Keeping all the facts and figures of Q.20 & 21 unchanged, compute the GST Liability,.....

**Entire answer to be updated as follows:**

### Output tax liability of B & D Company under regular scheme :

From 03.10.20XX, firm will pay tax under regular scheme on monthly basis in terms of sub-sections (1) and (7) of section 39 of the CGST Act, 2017 and will be eligible to avail ITC on inputs held in stock and capital goods as on 02.10.20XX in terms of section 18 of the CGST Act, 2017 as also on goods and services procured on or after 03.10.20XX and used in the course or furtherance of business in accordance with section 16 of the CGST Act, 2017. However, since common input services and capital goods are used in effecting taxable supplies as well as exempt supplies, ITC attributable to the exempt supplies will need to be added to the output tax liability of the month of October, 20XX in terms of section 17(2) read with rules 42 and 43 of the CGST Rules, 2017 respectively. Further, since all the sales are made within the State (eastern part of Maharashtra), CGST and SGST @ 9% each will be payable on the outward supplies.

**The tax liability for the month of October, 20XX under regular scheme will be computed as under:**

Particulars	Value (₹)	CGST (₹)	SGST (₹)
Tax on outward supply of 'P' Taxable supplies from 03.10.20XX to 31.10.20XX chargeable to CGST and SGST 9% each (Refer Working Note 4)	3,97,000	35,730	35,730
Tax on inward supplies attracting reverse charge GTA services availed chargeable to CGST and SGST @ 2.5% each (₹1,40,000 / 7)	20,000	500	500
ITC reversal on input services [Refer Working Note 1 below]		392	392
ITC reversal on capital goods [Refer Working Note 2 below]		136	136
<b>Total GST liability</b>		<b>36,758</b>	<b>36,758</b>
<b>Less: ITC [Refer Working Note 3 below]</b>		<b>36,258</b>	<b>36,258</b>
<b>Tax paid in cash</b> As per section 49(4) of the CGST Act, 2017 amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.		<b>500</b>	<b>500</b>

**Working Note 1:**

<u>Particulars</u>	<u>Value</u> <u>(₹)</u>	<u>CGST</u> <u>(₹)</u>	<u>SGST</u> <u>(₹)</u>
CGST & SGST @ 2.5% each paid under reverse charge on freight paid to GTA on 10.10.20XX (for the goods transported between 11.10.20XX & 20.10.20XX) will be available as ITC under regular scheme	20,000	500	500
CGST & SGST @ 9% each paid to Packing Agency on 09.10.20XX (for specialized packing to be carried out on 10.10.20XX on goods to be transported between 11.10.20XX & 20.10.20XX) will be available as ITC under regular scheme.	30,000	2,700	2,700
<b>Total common credit</b>		<b>3,200</b>	<b>3,200</b>
Common credit on input services attributable to exempt supplies (rounded off) Common credit on input services availed during the period under regular scheme x (Exempt turnover made during the period under regular scheme / Total turnover during the period under regular scheme) = ₹ 3,200 x ₹55,500 / ₹4,52,500 Turnover of 'Q' (exempt turnover) from 03.10.20XX to 31.10.20XX - ₹55,500 [Refer Working Note 4] Total turnover from 03.10.20XX to 31.10.20XX - ₹4,52,500 [Refer Working Note 4]		392	392

**Working Note 2**

<u>Particulars</u>	<u>CGST @</u> <u>9% (₹)</u>	<u>SGST @</u> <u>9% (₹)</u>
ITC claimed on capital goods on 02.10.20XX [Refer earlier sum]	48,600	48,600
Air conditioner used in the office purchased on 15.10.20XX	18,000	18,000
Common ITC [Since all the capital goods are used for effecting both taxable and exempt supplies, the entire ITC on capital goods is common]	66,600	66,600
Common credit for a tax period [Common credit / 60] (rounded off)	1,110	1,110
Common credit on capital goods attributable to exempt supplies (rounded off)= Common credit on capital goods during the period under regular scheme x (Exempt turnover made during the period under regular scheme / Total turnover during the period under regular scheme) = ₹ 1,110 x ₹55,500 / ₹4,52,500	136	136

**Working Note: 3**

<u>Particulars</u>	<u>CGST(₹)</u>	<u>SGST(₹)</u>
ITC on inputs and capital goods claimed on 02.10.20XX	82,800	82,800
ITC on air conditioner used in office purchased on 15.10.20XX	18,000	18,000
ITC on freight paid to GTA	500	500
ITC on packing charges	2,700	2,700
<b>Total ITC available with the firm</b>	<b>1,04,000</b>	<b>1,04,000</b>

**Working Note 4:**

<u>Particulars</u>	<u>Total turnover for the month</u> <u>of October, 20XX* (₹)</u>	<u>Turnover in the month of October under</u> <u>regular scheme [03.10.20XX-31.10.20XX] (₹)</u>
'P'	8,00,000 [(10,00,000 – 3,60,000) x 125%]	3,97,000 [8,00,000 – 2,00,000 – 1,36,000 – 67,000]



'Q'	1,00,000 [(2,00,000 – 1,20,000) × 125%]	55,500 [1,00,000 – 3,000 – 2,250 – 39,250]
<b>Aggregate turnover</b>	<b><u>9,00,000</u></b>	<b><u>4,52,500</u></b>

**Note - Turnover for October, 20XX will be computed as under:**

\*Turnover = Cost of goods sold\*\* × 125% (20% margin on sales = 25% margin on cost)

\*\*Cost of goods sold = Stock as on 30.09.20XX less stock as on 31.10.20XX (since no purchases are made after September, 20XX)

# SEGMENT – 9 REGISTRATION UNDER GST

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 2 (Pg. No. 293)

M/s Usha enterprises, a sole proprietor has effected following supplies within the state of Telangana. You are required to determine whether it is required to obtain registration under GST law.

S. No	Particulars	₹
1	Intra-State supply of goods agricultural produce grown out of cultivation of land by family	18,00,000
2	Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017	7,50,000
3	Intra-State supply of goods chargeable with GST @12%	12,50,000
	<b>Total Value of supplies</b>	<b>38,00,000</b>

As per **Sec. 2(7)** an “**agriculturist**” means an Individual or HUF who undertakes cultivation of land by own labour (or) by the labour of family (or) by servants on wages payable in Cash or Kind or by hired labour under personal supervision or the personal supervision of any member of the family.

As per **Sec. 23** an agriculturist, **to the extent of supply of produce out of cultivation of land shall not be liable to registration.**

S. No	Particulars	₹
1	Intra-State supply of goods agricultural produce grown out of cultivation of land by family (Note – 1)	18,00,000
2	Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017 (Note – 2)	7,50,000
3	Intra-State supply of goods chargeable with GST @12% (Note – 3)	12,50,000
	<b>Total Value of supplies</b>	<b>38,00,000</b>

### Notes:

- Person engaging supplier as agriculturist is exempted from registration as per Sec 23 of CGST Act, 2017. However, in the present case, they are not exclusively engaged in supply out of cultivation of land.
- Intra-State supply of goods which are **wholly exempt from GST** under section 11 of CGST Act, 2017 is to be **included** since the same is **specially included in the definition of aggregate turnover**
- Intra-State supply of goods chargeable with GST @12% is specially included for determination of aggregate turnover

The **threshold limit for Telangana is ₹20 lakhs**, as Telangana is in the list of 10 notified states. **As the aggregate turnover does exceed ₹20 lakhs, M/s Usha enterprises is required to obtain registration under GST Act.**

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 13(Pg. No. 303)

- I. CMA Mr. Sandesh, an unregistered person under GST, has place of profession in Bhubaneswar, Odisha, supplies taxable services to Infosys Ltd., a registered person under GST in Bangalore.
- a) Is it inter-State supply or intra-State supply?.....

Any person making inter-state supply of goods has to compulsorily obtain registration **under Sec 24 of CGST Act.**

However, **service providers providing inter-state supply are required to get registered only when aggregate turnover exceeds ₹ 20 Lakhs.**

- It is inter-state supply.
- CMA Mr. Sandesh is not liable to pay IGST if he chooses not to register under GST. Since, registration is not made mandatory to him. Infosys Ltd. will also not be liable to pay GST under RCM as Section 9(4) has been deferred presently.

# SEGMENT – 10 GST PAYMENT PROCESS

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 8(Pg. No. 315)

Mr. George, a registered supplier of goods at Kerala who pays GST under regular scheme, has made the following transactions (exclusive of tax) during April 2018:

IGST Credit utilised	(5,000)	(5,000)	(1,80,000)
CGST & SGST Credit utilised	(52,500)	(52,500)	
<b>Net Liability payable through Cash Ledger</b>	<b>14,500</b>	<b>14,500</b>	<b>0</b>

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 10(Pg. No. 316)

Vaibhav, a registered supplier under GST law, has furnished the following details for the month of August, 2021:

Output tax $10,00,000 \times 18\%$	= 1,80,000
<b>Less: ITC <math>(8,00,000 - 20,000) \times 18\%</math></b>	= <b>1,40,400</b>
Balance GST Payable	= 39,600

# SEGMENT – 14 APPEALS & REVISION

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 2 (Pg. No. 330)

Company received adjudication order passed by the Assistant Commissioner of Central Tax on 01-11-20XX under section 73 of the CGST Act, 2017 wherein it was decided as follows:.....

**Case I:** Payment (Pre-deposit) = 10% of disputed tax = 10% of ₹3,00,000 = **₹30,000** (within overall maximum limit of ₹25 cr CGST)

**Case II:** Payment (Admitted tax + Pre-deposit)

= Admitted Dues (₹1,00,000 + 18% interest for period of delay + Proportionate penalty of ₹10,000) + (Pre-deposit of 10% of disputed tax of ₹2,00,000 viz. **₹20,000** - (within overall maximum limit of ₹25 cr CGST).

**Note:** The question is based on CGST Act for computation of pre-deposit only CGST is considered if the question is common for computation of pre-deposit then both CGST and SGST should be considered.

**If Both CGST and SGST is considered computation are as follows**

**Case I:** Payment (Pre-deposit) = 10% of disputed tax = 10% of ₹6,00,000 = **₹60,000** (within overall maximum limit of ₹50 cr - ₹25 cr CGST + ₹25 cr SGST)

**Case II:** Payment (Admitted tax + Pre-deposit)

= Admitted Dues (₹2,00,000 + 18% interest for period of delay + Proportionate penalty of ₹20,000) + (Pre-deposit of 10% of disputed tax of ₹4,00,000 viz. **₹40,000** - (within overall maximum limit of ₹50 cr i.e., ₹25 cr CGST + ₹25 cr SGST))

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 5(Pg. No. 332)

Compute the quantum of pre-deposit required to be made under Section 107 of the CGST Act, 2017 in each of the following independent cases:.....

**Note:** tax demanded amounting ₹ 45,00,000 is assumed as CGST fully.

Alternatively, if tax demanded amounting ₹ 45,00,000 is assumed as CGST and SGST computation are as follows.

₹ 2.5 Lakhs + (10% of 20,00,000) i.e., ₹ 2 Lakhs = ₹ 4.5 Lakhs

10% of 22,50,000 = 2,25,000

# SEGMENT – 15

## SEARCH, SEIZURE & RELEASE OF GOODS

Solved Work Book – 11<sup>th</sup> Edition – Question No. 4(Pg. No. 339)

From the following details, calculate the amount to be paid, for release of goods detained or seized under section 129 of the CGST Act, 2017, if owner of the goods does not come forward for payment of applicable tax and penalty.....

Therefore, in the given case, the amount payable\* = ₹ 30,00,000 × 50% = ₹ 15,00,000 (or) ₹ 2,70,000 × 200% = ₹ 5,40,000, whichever is higher. i.e., ₹ 15,00,000

## SEGMENT – 16 OFFENCES & PENALTIES

Solved Work Book – 11<sup>th</sup> Edition – Question No. 19(Pg. No. 351)

State the consequences of the following violations/defaults under the provisions of GST Laws:

c) K, a registered person purchased goods from L and claimed ₹ 1,20,000 as input tax credit while L, the seller, declared ₹ 1,00,000 as outward tax in respect of the goods sold by him to K. L. did not rectify this mismatch till the time allowed to rectify the discrepancy.....

# SEGMENT – 18 DEMAND & RECOVERY

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 3(Pg. No. 357)

Everest Technologies Private Limited has been issued a show cause notice (SCN) on 31.01.2021 under section 73(1) of the CGST Act, 2017 on account of short payment of tax during the period between 01.07.2017 and 31.12.2017.....

Last before 2 lines...

### As per Sec 74(10)

The proper officer shall issue the order under sub-section (9) within a period of five years from the due date for furnishing of annual return for the financial year to which the tax not paid or short paid or input tax credit wrongly availed or utilised relates to or within five years from the date of erroneous refund.

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 4(Pg. No. 357)

On 05/07/2021, a show cause notice for ₹5,00,000 was issued to Mr. Vijay Kumar Sharma demanding short payment of GST ₹4,50,000 for the month of January, 2021 and also interest of ₹50,000.

Mr. Sharma raised objections.....

Payment of tax liability – 02/09/2021 (₹3,50,000 tax, but interest liability not mentioned)

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 7(Pg. No. 359)

Mr. Anant Kumar Gupta self-assessed his tax liability as ₹90,000 for the month of April 2021 but failed to make the payment.....

**Note: The above circular (Question 6 Circular No. 76/50/2018 - GST) is not applicable in this case, as the recovery of penalty is in terms of Sec. 73, in case if recovery is initiated under Sec 79 penalty = ₹ 25,000**

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 8(Pg. No. 360)

Mr. Defrauder was served with a notice of demand for ₹ 20 Lakhs on 10th June 2021.....

As per section 81,

Any amount has become due from a person, creates a charge on or transfers any of his properties in favour of any other person with the intention of defrauding the Government revenue, such charge or transfer shall be void. Provided that, such charge or transfer shall not be void if it is made for adequate consideration, in good faith and without notice of the pendency of such proceedings under this Act or with the previous permission of the proper officer.

Therefore, the said transfer

## Solved Work Book – 11<sup>th</sup> Edition – Question No. 11(Pg. No. 362)

M/s Nose Ltd. reduced the amount of ₹2,25,000 from the output tax liability in contravention of the provisions of the CGST Act, 2017 in the month of January 2021 (vide invoice dated 12th January, 2021), which is ineligible credit at invoice level.....

### As per Sec 50(3)

Where the input tax credit has been wrongly availed and utilised, the registered person shall pay interest on such input tax credit wrongly availed and utilised, at such rate not exceeding twenty-four per cent. as may be notified by the Government, on the recommendations of the Council, and the interest shall be calculated, in such manner as may be prescribed.

It is assumed that ITC is utilised in the month availment.

- Interest rate shall be 18% per annum.
- January month return due date is 20th of February, 2021.
- From 21st February 2021 to 5th March 2021 = 13 days
- Interest = ₹1,443 (₹ 2,25,000 × 18% × 13/365)

**Author's Note: Applicable rate of Interest with effect from 5<sup>th</sup> July, 2022 is 18%**

# SEGMENT – 19 REFUND UNDER GST

## Solved Work Book – 10<sup>th</sup> Edition - Question No. 7 (Pg. No. 373)

Y Ltd. exported service valued at US \$ 1,00,000. Supply of service was completed on 15th November 2020. Payment for this service was received on 30th December 2020. Refund claim was filed by Y Ltd.

As per clause (i) of first proviso to section 54(3) of the CGST Act, 2017, refund claim admissible to Y Ltd. on account of export of services being a zero-rated supply, is the unutilized ITC of ₹ 6,00,000.

Where the supply of services had been completed prior to the receipt of payment, **relevant date is the date of receipt of payment in convertible foreign exchange, i.e. 30th December, 2020**

[Explanation to section 54 of the CGST Act, 2017.

As per section 56 of the CGST Act, 2017, where any tax ordered to be refunded to any applicant is not refunded within 60 days from the date of receipt of application, **interest shall be payable @ 6% p.a.** from the date immediately after the expiry of 60 days from the date of receipt of application till the date of refund of such tax.

**Since in the given case, tax ordered to be refunded is not refunded within 60 days from the date of receipt of application, viz., 31st January, 2020, interest @ 6% p.a. is payable.**

**Interest on Refund = ₹ 6,00,000 × 6% × 29/365 = ₹ 2860**

## Solved Work Book – 10<sup>th</sup> Edition - Question No. 8 (Pg. No. 373)[ICAI RTP May 19]

Kailash Global (P) Ltd. supplies various goods in domestic and international markets. It is engaged in both manufacturing and trading of goods. The company is registered under GST in the State of Karnataka. The company exports goods without payment of tax under letter of undertaking in accordance with the provisions of section 16(3)(a) of the IGST Act, 2017.

The company has made the following supplies during a tax period:

S.No.	Particulars	(₹)
(i)	Export of product 'A' to UK for \$ 10,000. Assessable value under customs in Indian rupees. [Export duty is levied on product 'A' at the time of exports. Further, value of like goods domestically supplied by the similarly placed supplier is ` 6,00,000]	7,00,000
(II)	Domestic supplies of taxable product 'B'* during the period [excluding tax @ 5%] [Inputs used in manufacturing of such goods are taxable @18%] *not notified as a product, in respect of which refund of unutilised ITC shall not be allowed under section 54(3)(ii)	10,00,000
(III)	Supply of goods to Export Oriented Unit [excluding tax @ 18%] [ITC has been claimed by the recipient]	5,00,000
(IV)	Export of exempt supplies of goods (Value of like goods domestically supplied by the similarly placed supplier is ` 5,00,000)	

The ITC available for the above tax period is as follows:

S.No	Particulars	₹
I	On inputs (including ` 50,000 on export of exempt supplies)	3,50,000
II	On capital goods	1,20,000
III	On input services (including ₹ 18,000 on outdoor catering)	2,00,000

Determine the maximum amount of refund admissible to Kailash Global (P) Ltd. for the given tax period.



The ITC available for the above tax period is as follows:

S.No.	Particulars	Nature of Supply for payment of GST	Whether refund admissible	Amount of Refund
(i)	Exports of product 'A' to UK	Zero rated Supply - Sec. 16 of IGST Act	As the said transaction in export without payment of tax, refund of unutilized ITC is applicable. But, refund of unutilized ITC is not available as goods are subject to export duty - Proviso to Sec. 54	N.A
(ii)	Domestic supplies of taxable product 'B' during the period	Taxable	As the rate of GST on outward supply is less than the rate of GST on inward supply, the same is inverted tax structure and refund of unutilised ITC is available. [Also, the goods are neither notified for ineligibility of refund nor they are exempted or nil rated]	₹ 92,105 [Refer Note 1 Below]
(iii)	Supply of goods to export oriented unit	Deemed Export - Sec. 147 Therefore, since in the given case the Recipient is claiming ITC, cannot claim refund	In respect of supplies regarded as deemed exports, the application of refund can be filed by the supplier of deemed export supplies only in cases where the recipient does not avail of ITC on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund.	NA

Notes to above:

1. Rule 89(5) of the CGST Rules, 2017 stipulates that in the case of refund on account of inverted duty structure, refund of ITC is granted as per the following formula -

$$\text{Maximum Refund} = \frac{[\text{Net ITC} \times (\text{Turnover of Inverted rate supply/Adjusted total turnover})]}{(\text{Net ITC} \times (\text{Tax payable on such inverted rate supply/ITC availed on inputs and input services}))}$$

Where-

“**Net ITC**” means ITC availed on inputs during the relevant period other than the ITC availed for which refund is claimed under sub- rules (4A) or (4B) or both. **Here, Net ITC = ₹3,50,000**

“**Adjusted total turnover**” means the sum total of the value of:

- a) the turnover in a State/ Union territory, as defined under section 2(112), excluding turnover of services; &
- b) the turnover of zero-rated supply of services determined in terms of specified manner and non-zero-rated supply of services, excluding:

- I. the value of exempt supplies other than zero-rated supplies; and
- II. the turnover of supplies in respect of which refund is claimed under sub-rule (4A) or sub-rule (4B) or both, if any, during the relevant period.

“Relevant period” means the period for which the claim has been filed.

**Adjusted Total Turnover = ₹28,00,000 [₹7,00,000 + ₹10,00,000 + ₹5,00,000 + ₹6,00,000] and Turnover of inverted rated supply of goods = ₹10,00,000,**

**ITC availed on inputs and input services = ₹ 5,32,000 (ITC on outdoor catering disallowed under section 17(5) of CGST Act, 2017)**

**Thus, maximum refund amount under Rule 89(5) =**

$$\frac{(\text{₹3,50,000} \times \text{₹10,00,000} / \text{₹28,00,000}) - (\text{₹3,50,000} \times \text{₹5,00,000} / \text{₹5,32,000})}{\text{₹5,32,000}} = \text{₹1,25,000} - \text{₹32,895} = \text{₹92,105}$$

2. Rule 89(4) of the CGST Rules, 2017 stipulates that in the case of zero-rated supply of goods or services or both without payment of tax under bond/LUT in accordance with the provisions of section 16(3) of the IGST Act, 2017, refund of ITC shall be granted as per the following formula:

$$\text{Maximum Refund} = \text{Net ITC} \times \left[ \frac{\text{Turnover of zero-rated supply of goods} + \text{Turnover of zero-rated supply of services}}{\text{Adjusted total turnover}} \right]$$

where-

"Net ITC" means ITC availed on inputs and input services during the relevant period other than the ITC availed for which refund is claimed under sub-rules (4A) or (4B) or both. Here, Net ITC = ₹ 5,32,000 (ITC on outdoor catering disallowed under section 17(5) of CGST Act, 2017)

"Turnover of zero-rated supply of goods" means the value of zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking or the value which is 1.5 times the value of like goods domestically supplied by the same or, similarly placed, supplier, as declared by the supplier, whichever is less, other than the turnover of supplies in respect of which refund is claimed under

"Adjusted Total Turnover" means Local Turnover + \*Zero rated Turnover - Supplies for which refund is claimed under Rule 89(4A) and/or Rule 89(4B).

\* Zero Rated TO = TO of ZR supply of goods (as below) + TO of ZR supply of services

Here, Turnover of zero-rated supply of goods = ₹6,00,000 (or) ₹5,00,000 × 1.5 = ₹7,50,000, whichever is lower i.e. ₹ 6,00,000

and Adjusted Total Turnover = ₹28,00,000 (as computed in point 1 above)

Thus, maximum refund amount under rule 89(4) = ₹5,32,000 × ₹6,00,000 / ₹28,00,000 = ₹1,14,000.

# SEGMENT – 20 MISCELLANEOUS PROVISIONS IN GST

Question No 1: [ICAI Nov 18/Dec 21 – 5 Marks] | ICAI June 18 – 6 Marks]

What are the Functions of CCI enumerated in the CGST Act?

- (I) to determine whether any reduction in the rate of tax on any supply of goods or services or the benefit of input tax credit has been passed on to the recipient by way of commensurate reduction in prices;
- (II) to identify the registered person who has not passed on the benefit of reduction in the rate of tax on supply of goods or services or the benefit of input tax credit to the recipient by way of commensurate reduction in prices;
- (III) to order,
  - (a) reduction in prices;
  - (b) return to the recipient, an amount equivalent to the amount not passed on by way of commensurate reduction in prices along with interest at the rate of eighteen percent. from the date of collection of the higher amount till the date of the return of such amount or recovery of the amount not returned, as the case may be, in case the eligible person does not claim return of the amount or is not identifiable, and depositing the same in the Fund referred to in section 57 (Consumer Welfare Fund);
  - (c) imposition of penalty as specified in the Act; and
  - (d) cancellation of registration under the Act.
- (IV) to furnish a performance report to the Council by the tenth 1 day of the close of each quarter.

**Note: w.e.f 01/12/2022, NAPA is replaced by CCI.**

# Segment – 24

## Valuation Under Customs

**Solved Work Book – 10<sup>th</sup> Edition - Question No.22 (Pg. No. 423)**

Product 'Vertigo' was imported by Mr. Mrinal Sen by air from Singapore to Hyderabad. The details of the import transaction are as under:.....

Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation [Note 1]	
a) € 8,000 × 20% = € 1,600 or b) € 1,350 + € 300 + € 200 = € 1,850	} €1,600
Whichever is LOWER	
Less: Already considered in FOB (€500)	1,100
Purchase Commission is not to be included	Nil

**Solved Work Book – 10<sup>th</sup> Edition - Question No.28 (Pg. No. 428)**

Jolly overseas Ltd. of Hyderabad has imported a machine from U.K (England) through the sea route by a vessel. The details of the import transaction are as follows:.....

**Computation of Assessable Value of Machine**

Particulars	Amount (UK £)
Cost of the machine at the factory of the exporter	20,000
Add: transport charges from Factory of exporter to the port of Shipment	600
Add: Handling charges paid for loading the machine on the ship at the port of exportation	500
Add: License fee relating to the imported goods payable by the importer as a condition of sale [Note 1 (i)]	900
FOB value	22,000
Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation [Note 1 (ii)] £ 22,000 × 20% = £ 4,400	
Less: Already considered in FOB = (£ 1,100)	3,300
Insurance charges [Taken at actuals]	200
CIF value	25,500
Add: Landing charges paid at the place of importation and handling charges associated with the delivery of the imported goods at the place of importation [Note 1 (iii)]	Nil
Assessable Value	25,500
Assessable Value in Indian rupees @ ₹ 101/ per £ [Note 2]	25,75,500

**Solved Work Book – 10<sup>th</sup> Edition - Question No.29(Pg. No. 430)**

Determine the Assessable Value under customs law of an imported machine based on the following information:.....

**Computation of Assessable Value of the imported machine under Customs Law:**

Particulars	(₹)
Cost of machine [Note-1]	1,50,000
Add: Freight from the factory of exporter to the port of shipment	20,000
Add: Handling charges paid for loading the machine in the ship	5,000
Add: Commission paid to local agent appointed by Exporter [Note-4]	1,000
FOB	1,76,000
Add: Cost of transport, loading, unloading and handling charges associated with	

the delivery of the imported goods to the place of importation - [Note-2 & 5]	
20% × 1,76,000 = 35,200	
Less: Already considered in FOB (20,000 + 5,000)	10,200
Add: Insurance @ 1.125 % of FOB [Note-3 & 5]	1,980
<b>Assessable Value</b>	<b>1,88,180</b>

Notes:

- Demurrage Charges are paid by importer for delay in clearances after import, which are port import charges and not included in value.

However, **Ship Demurrage** charges if given, should be included in computation of freight.

**Solved Work Book – 10<sup>th</sup> Edition - Question No.30(Pg. No. 431)**

M/s Detox Ltd. wants to import customized machine to be used in its business. M/s Detox Limited provides the following further details:.....

Assessable Value	12,81,250.00
Add: Basic Custom Duty @15% (Rounded off)	1,92,188
[Rate in force on the date of presentation of Bill of Entry or on the date of Arrival of Aircraft, whichever is later - <b>Section 16(1)(a) of the Customs Act, 1962</b> ]	
Add: Social Welfare Surcharge @ 10% of ₹ 1,92,188 (Rounded off)	19,219
Total	14,92,657
Integrated Tax @ 12% (Rounded off)	1,79,119
<b>Total Customs Duties Payable [₹ 1,92,188 + ₹ 19,219 + ₹ 1,79,119]</b>	<b>3,90,526</b>

**Solved Work Book – 10<sup>th</sup> Edition - Question No.32(Pg. No. 432)**

From the particulars given below, find out the Assessable Value of the imported goods under the Customs Act, 1962:.....

Value	11668.6875
<b>Assessable Value (US\$ 11668.6875 × ₹ 65)</b>	<b>₹ 7,58,464</b>

**Solved Work Book – 10<sup>th</sup> Edition - Question No.25(Pg. No. 426)**

ABC Trade International Limited has imported one machine from USA. It has given the following particulars:

(i) Price of the machine	10,000 USD
(ii) Freight paid (air)	2,500 USD
(iii) Design and development charges paid to supplier in USA	500 USD
(iv) Commission payable to Local agent of exporter, paid by	₹14,000
(v) Date of Bill of Entry	24-10-2021
- Rate of Basic Customs Duty (BCD)	10%
- Exchange Rate as notified by CBIC:	<b>₹ 70 per USD</b>
- Inter-bank exchange rate on the Date of bill of entry:	₹ 72 per USD

# SEGMENT - 25

## Import & Export Procedures

### Question no :4

An importer filed a Bill of Entry after 3 days of filing Import Manifest and Arrival of Vessel. The Deputy Commissioner of Customs imposed a penalty of ₹10,000 by endorsement on the Bill of Entry. Since, importer wants to clear the goods he paid the penalty. Can penalty be imposed for late filing of the Bill of Entry? Examine the issue in the light of relevant statutory provisions.

In the given case, there is a delay by 4 days and penalty of ₹ 25,000 ( $₹5000 \times 3 + 10000 \times 1$ ) is valid. Hence, as per the provisions of the Customs Act, 1962, penalty can be imposed for late filing of the Bill of Entry.

## Segment – 28

# Duty Drawback (DBK) & Refund

**Question No :22 [ICAI May 17 – 4 Marks] | [ICMAI Dec 19 – 8 Marks] | [ICSI Aug 21 – 5 Marks]**

X Ltd. exported following goods to USA. Discuss whether any Duty Drawback is admissible under Section 75 of the Customs Act, 1962.

Product	FOB Value of Exported goods	Market price of goods	Duty drawback rate
A	2,50,000	1,80,000	30% of FOB
B	1,00,000	50,000	0.75% of FOB
C	8,00,000	8,50,000	3.50% of FOB
D	2,000	2,100	1.50% of FOB

Note: Imported value of product C is Rs. 9,50,000.

**Product B:**

Drawback amount allowed is ₹ 750 (i.e., ₹ 1,00,000 × 0.75%).

Since, the amount is more than ₹ 50 even though the rate is less than 1% it is allowed.

# Segment – 29

## Baggage

Question no 11

[ICMAI Dec 18 – 7 Marks]

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

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

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

### Baggage Allowance and Duty Payable

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

Question no :16

[ICAI RTP Nov 22 ] | [ICAI MTP May 23 – 5 Marks]

John Biden, aged 32, is a tourist of US origin. He has come to India on a travel visa and carries with him the following articles as part of baggage:

Particulars	Value in ₹
Used personal effects	50,000
Travel souvenirs	50,000
Laptop	1,20,000
200 gms tobacco [Valued @ ₹ 5 per gram]	1,000
50 cigars [Valued @ ₹ 100 each]	5,000
Fire-arms	80,000
80 cartridges of fire-arms [Valued @ ₹ 500 per cartridge]	40,000
1.5 litres wine	5,000
Mobile phone	80,000



**With reference to the Baggage Rules, 2016, determine customs duty payable. Ignore agriculture infrastructure and development cess.**

As per rule 3 of the Baggage Rules, 2016, tourist of foreign origin, excluding infant, is allowed duty free clearance of:

- (I) used personal effects and travel souvenirs; and
- (II) Articles up to the value of ₹ 15,000 (excluding, inter alia, fire-arms, cartridges of fire arms exceeding 50, wine in excess of 2 litres, tobacco exceeding 125 gms and cigars exceeding 25), if carried on in person or in the accompanied baggage of the passenger.

In view of the said provisions, customs duty shall be computed as follows

Particulars	₹
Used personal effects	Nil
Travel souvenirs	Nil
Laptop [One laptop computer is exempt when imported into India by a passenger > 18 years of age]	Nil
Tobacco [₹ 5 x 125 gm] [125 gms tobacco can be accommodated in General Free Allowance (GFA)]	625
Cigars [₹ 100 x 25] [25 cigars can be accommodated in GFA]	2,500
Fire-arms' cartridges [₹ 500 x 50] [50 fire-arms' cartridges can be accommodated in GFA]	25,000
1.5 litres wine [Wine upto 2 litres can be accommodated in GFA]	5,000
Mobile phone [Can be accommodated in GFA]	80,000
Total value	1,13,125
Less: GFA	15,000
Baggage on which duty is payable	98,125
Duty payable on baggage @ 38.50% (including 10% Social welfare surcharge) [rounded off]	37,778

**Note:** Firearms, cartridges of firearms exceeding 50, cigars exceeding 25 and tobacco exceeding 125 gms are not chargeable to rate applicable to baggage [Notification No. 26/2016 Cus. Dated 31.03.2016]. These items are charged @ 100% applicable to baggage under Heading 9803 of the Customs Tariff.

Tobacco exceeding 125gms	75 x 5	375
Cigars exceeding 25	25 x 100	2500
Cartridges Firearms exceeding 50	30 x 500	15000
Firearms (NO GFA)		80,000
<b>Total (Baggage on which duty is payable at 110%)</b>		<b>97875</b>
<b>Duty Payable on baggage @ 110%</b>	<b>97,875 x 110%</b>	<b>1,07,663</b>

# Segment - 30

## warehousing under customs

Question no :7

[ICMAI Dec 19 – 6 Marks]

importer imported some goods. Entry Inwards granted to the vessel on 7<sup>th</sup> February, and the goods were cleared from Chennai port for warehousing on 8<sup>th</sup> February, after Assessment. The Bill of Entry was presented on 1<sup>st</sup> February for warehousing. Assessable Value was US \$ 10,000. Assume that no additional Duty is payable. The goods were warehoused at Chennai and were cleared from Chennai warehouse on 4<sup>th</sup> March. How much is the Duty payable while removing the goods from Chennai warehouse on 4<sup>th</sup> March? Exchange rates and rate of Customs Duties are as follows:

Particulars	Date	Exchange rate declared by the CBIC	Basic Customs Duty
Date of submission of Bill of Entry for warehousing	1 <sup>st</sup> February	₹ 55/USD	10%
Date of entry inwards granted to the vessel	7 <sup>th</sup> February	₹ 59/USD	15%
Date of clearance of goods from warehouse by submission of bill of entry	4 <sup>th</sup> March	₹ 60/USD	12%

Relevant Rate of Duty - Date of submission of Bill of Entry for clearance to home consumption i.e., four months

Relevant Exchange Rate - Date of submission of into bond Bill of Entry i.e., 1<sup>st</sup> Feb.

Assessable value = \$ 10000 × ₹ 55/\$ = ₹ 5,50,000

BCD @ 12% on above = ₹ 66,000

SWS @ 10% of BCD = ₹ 6,600

Total Customs duty payable = ₹ 72,600

Note: IGST not provided in this question.

Question no :9

[ICAI RTP Nov 22]

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

You are required to compute: (a) total customs duty payable and (b) interest, if any, payable.

Therefore, interest payable will be computed as under:

Period of 90 days commencing from the date of order made under 60 expires on	16 <sup>th</sup> April
No. of days for which interest shall be payable [15 days of April + 31 days of May]	46 days
Interest payable = ₹ 87,120 × $\frac{15}{100}$ × $\frac{46}{365}$ (rounded off)	₹ 1,647