

QUESTIONS BASED ON AMENDMENTS FOR MAY 25 EXAMS

Question No 1:

ABC Pvt. Ltd., an Indian entity, secured a loan of ₹1,00,00,000 from its overseas affiliate, XYZ Inc., based in the United States. The loan was provided at an interest rate of 6% per annum for a tenure of 3 years, with interest being the only consideration charged.

- i Whether the interest on loan paid to XYZ Inc. is treated as supply and chargeable to GST?
 - ii What will be your answer, if in addition to the interest, XYZ Inc. also charged a processing fee of ₹1,50,000 for facilitating the loan.
- (i) Import of services by way of loans or advances against consideration in the form of interest or discount is not treated as supply as per CBIC circular. Accordingly, ABC Pvt Ltd securing loan from XYZ incorporation against interest of 6% p.a., is not a supply and consequently it is not chargeable to GST.
- (ii) However, if the Indian affiliate pays consideration other than interest or discount i.e., processing fees or documentation charges then it will be supply under section 7(1)(b) chargeable to GST Under RCM. In the Present case ABC Pvt Ltd shall pay GST on Rs. 1,50,000 paid to XYZ Inc. as processing fee.

Question No 2:

Tata AIG has insured a motor vehicle owned by Mr. Tharun for a sum insured of ₹10,00,000. The insurance policy includes a clause that allows Tata AIG to deduct the salvage value from the final claim amount in the event of a total loss.

On 15th June 2024, Mr. Tharun's vehicle was involved in an accident and was declared a total loss by Tata AIG. Insured value of the vehicle is ₹10,00,000, assessed value of the damage is ₹9,00,000 and salvage value of the vehicle is ₹1,50,000. Tata AIG decides to deduct the salvage value from the claim amount as per the terms of the insurance contract. Mr. Tharun retains ownership of the salvage, and Tata AIG pays the balance claim amount to Mr. Tharun after deducting the salvage value.

- (i) Calculate the claim amount paid by Tata AIG to Mr. Tharun, after deducting the salvage value.
 - (ii) Determine whether Tata AIG is liable to pay GST on the salvage value
 - (iii) What will be your answer if, Tata AIG decides to settle the full claim amount of ₹9,00,000 without deducting the salvage value. The salvage becomes the property of Tata AIG, which later sells it to a salvage buyer Mr. Kumar for ₹1,50,000.
- (i) Claim Amount = Assessed Value – Salvage Value
= ₹9,00,000 - ₹1,50,000
= ₹7,50,000.
(Not treated as supply in the hands of Mr. Tharun, as the same is not in the course of furtherance of business)
- (ii) TATA AIG is not required to pay GST on salvage value as salvage belongs to the insured and accordingly, deduction is made from the claim amount.
- (iii) Claim Amount = 9,00,000 (Not treated as supply in the hands of Mr. Tharun, as the same is not in the course or furtherance of business). As salvage becomes property of TATA AIG sale of such salvage to Mr. Kumar, constitute supply u/s 7(1)(a) in the hands of TATA AIG and they are liable to pay GST on ₹1,50,000.

Question No 3:

Unilever PLC, a foreign holding company, offers an Employee Stock Option Plan (ESOP) to the employees of its Indian subsidiary, Hindustan Unilever Limited (HUL), as part of their compensation package. Under this plan, Unilever PLC issues 10,000 stock options to the employees of HUL, allowing them to purchase shares at a predetermined price of ₹200 per option. At the time of the grant, the market price per share is ₹300, and the options have a vesting period of 3 years. After the stock options vest and are exercised by the employees, Unilever PLC charges HUL ₹20,00,000 as the cost of the shares issued, which HUL reimburses on a cost-to-cost basis. Additionally, Unilever PLC charges HUL an administrative fee of ₹2,00,000 for managing the ESOP on its behalf. Assume the applicable GST rate on services is 18%.

- (i) determine whether the ₹20,00,000 reimbursed by HUL to Unilever PLC for the cost of the shares is liable for GST?
 - (ii) Calculate the GST liability on the additional ₹2,00,000 charged by Unilever PLC as an administrative fee, and determine who is liable to pay this GST?
 - (iii) compute the total amount HUL needs to pay to Unilever PLC?
 - (iv) Can the GST on additional ₹2,00,000 be availed as ITC?
- (i) As per CBIC circular, if payment made by subsidiary company to holding company towards Employee Stock Option Plan on cost-to-cost basis it is not a supply. Therefore ₹20,00,000 paid by Hindustan Unilever Limited to Unilever PLC is not a supply.
 - (ii) Additional Charges payable towards ESOP, apart from its cost is treated as supply U/s 7(1)(b) and ₹2,00,000 paid by Hindustan Unilever Limited to Unilever PLC towards administrative fee, is chargeable to GST Under RCM.
 - (iii) Total amount payable = ₹20,00,000 + ₹2,00,000 = ₹22,00,000 to Unilever PLC and GST payable to Government is ₹2,00,000*18% = ₹36,000.
 - (iv) GST Paid under RCM Can be availed as ITC, if conditions for availment of ITC is fulfilled.

Question No 4:

Mr. Rahul, an individual registered under GST, owns multiple residential and commercial properties across different cities in India. In October 2024, he rents out the properties under different situations to various individuals and entities. Compute the value of taxable supply in the hands of Mr. Rahul based on the following details of the rentals for October 2024:

Particulars	Amount per month (₹)
Renting of luxury residential flat in Mumbai to Mr. Kapoor, a proprietor of a proprietorship concern for personal use as his residence	40,000
Renting of student hostel in Pune to 20 students for a period of 6 months from October 2024	12,000 per student
Offers paying guest accommodation in Delhi for 10 working professionals for a period of 4 months from October 2024	15,000 per person
Renting of guest house accommodation in Bengaluru to a corporate company for its employees and the accommodation is used for consecutive 90 days	19,000
Renting of hostel in Chennai for 40 students pursuing CA final for attending Exam Oriented Batch on IDT of Mr. Tharun Raj for a consecutive period of 60 days	10,000 per student
Renting of commercial property in Bengaluru to XYZ Ltd., a registered company for office space	1,50,000
Offers paying guest accommodation in Kochi for 10 students who pursue a short-term skill course for a consecutive period of 90 days	25,000 per student

Particulars	Taxable Value	Reason	Taxable Value
Renting of luxury residential flat in Mumbai to Mr. Kapoor, a proprietor of a proprietorship concern for personal use as his residence	Exempted	Such renting is on his own account and not that of the proprietorship concern.	-

Renting of student hostel in Pune to 20 students for a period of 6 months from October 2024	Exempted	Supply of accommodation services having value less than or equal ₹20,000 per person per month and accommodation service is supplied for a minimum continuous period of ninety days.	-
Offers paying guest accommodation in Delhi for 10 working professionals for a period of 4 months from October 2024	Exempted	Same as above (Exemption available for both students hostel or PG accommodation)	-
Renting of guest house accommodation in Bengaluru to a corporate company for its employees and the accommodation is used for consecutive 90 days	Exempted	Same as above (Exemption available if accommodation is provided to any person)	-
Renting of hostel in Chennai for 40 students pursuing CA final for attending Exam Oriented Batch on IDT of Mr. Tharun Raj for a consecutive period of 60 days	Taxable	In this case continuous period of 90 days is not fulfilled and consequently exemption not available. (40 students X ₹10,000 per student)	₹4,00,000
Renting of commercial property in Bengaluru to XYZ Ltd., a registered company for office space	Taxable	Renting of commercial property not covered under exemptions	₹1,50,000
Offers paying guest accommodation in Kochi for 10 students who pursue a short-term skill course for a consecutive period of 90 days	Taxable	Even though accommodation is for more than 90 days but the consideration charged exceeds ₹20,000 and consequently taxable (10 students X ₹25,000 per student)	₹2,50,000
Total			₹8,00,000

Question No 5:

ICICI Lombard General Insurance provides coverage for the Coconut Palm Insurance Scheme (a government-sponsored scheme). This scheme is exempt from GST under Sl. Nos. 35 and 36 of Notification No. 12/2017-CT(R), dated 28.06.2017.

In October 2024, to manage its risk, ICICI Lombard enters into the following reinsurance arrangements:

Situation - 1:

ICICI Lombard cedes a portion of the risk associated with the Coconut Palm Insurance Scheme to General Insurance Corporation of India (GIC Re), another Indian reinsurer. The reinsurance premium for this transaction amounts to ₹4 crore.

Situation - 2:

GIC Re, in turn, cedes part of the reinsured risk to Munich Re, a Cross Border Re-insurer (CBR) based in Germany. This transaction, classified as retrocession, involves a premium of ₹2 crore.

What is the taxability in the above situations?

Situation -1: Yes, it is exempted. If General Insurance service is exempted under Notification 12/2017, also re-insurance for this general insurance is also exempted.

Situation – 2: Yes, it is exempted. The term re-insurance mentioned in the exemption notification, includes retrocession services as per circular No.228/22/2024.

Question No 6:

Air Europa Ltd. India, the Indian establishment of AirEuropa Ltd., a foreign airline company incorporated in Spain, provides various services as part of its operations in India. The airline company imports certain administrative and operational services from its head office in Madrid (Spain) without any consideration. These services include IT support, financial management, legal advisory services, and staff training. Compute the value of taxable supply on which Air Europa Ltd. is liable to pay GST under FCM/RCM:

Passenger transport services	2,00,00,000
Cargo transport services	1,50,00,000
IT support services imported from Head office in Madrid without consideration (Open Market Value u/r 28 is ₹25,00,000)	N.A
Legal advisory services imported from Head office in Madrid for consideration	20,00,000
Marketing services imported from Google Inc. for consideration	15,00,000
Catering services received from a person in India	10,00,000

What will be your answer in the above case, If government of Spain is not giving any exemptions to India airline company operating in Spain?

Compute the value of taxable supply & GST payable if rate of GST is 18%.

Outwards Supplies:

Particulars	If Govt of Spain Gives Reciprocal exemptions to foreign establishment of Indian airline company	If Govt of Spain is not giving reciprocal exemptions to foreign establishment of Indian airline company.
I. Outwards Supplies		
Passenger Transportation	$(2,00,00,000 \times 18\%) = 36,00,000$	$(2,00,00,000 \times 18\%) = 36,00,000$
Cargo Transportation	$(1,50,00,000 \times 18\%) = 27,00,000$	$(1,50,00,000 \times 18\%) = 27,00,000$
Gross GST Payable under FCM	63,00,000	63,00,000
II. Inwards supplies under RCM		
IT Supports services from head office in Spain (Import of other than OIDAR by other than NTR) – Exempted only if Govt. of Spain gives reciprocal exemption to foreign establishment of Indian airline company.	Exempted, as the same is imported from head office without consideration	$(25,00,000 \times 18\%) = 4,50,000$
Legal Advisory services from head office in Spain (Import of other than OIDAR by other than NTR)	$(20,00,000 \times 18\%) = 3,60,000$ (Exemption not available as the same is import for consideration)	$(20,00,000 \times 18\%) = 3,60,000$
Import of digital Marketing services (OIDAR Services by other than NTOR)	$15,00,000 \times 18\% = 2,70,000$	$15,00,000 \times 18\% = 2,70,000$
GST Payable Under RCM	6,30,000	10,80,000
III. ITC Available		
RCM GST Paid on Inward Supplies (II)	6,30,000	10,80,000
Catering Services-ITC Not available as the same is blocked ITC U/s 17(5)	-	-
	6,30,000	6,30,000
IV. Computation of Net GST Payable		

Gross GST Payable Under FCM	63,00,000	63,00,000
-ITC Utilized	(6,30,000)	(10,80,000)
+RCM Liability	6,30,000	10,80,000
	63,00,000	63,00,000

Question No 7:

Larsen & Toubro (L&T) has entered into a Hybrid Annuity Model (HAM) contract with the National Highways Authority of India (NHAI) for the construction, operation, and maintenance of a highway. The contract specifies that L&T will receive payments in 20 equal instalments over 10 years. Each instalment is ₹10,00,000, which includes ₹1,00,000 as an interest component. The deemed date of completion of milestone event is on 30th June 2024. The due date for the first instalment is 1st July 2024. However, L&T issued the invoice for the first instalment on 5th July 2024, and the payment was received on 15th July 2024. The applicable rate of GST for such contracts is 18%

- (i) What is the due date of invoice as per Sec. 31(5)?
- (ii) What is the time of supply as per Sec. 13(2) and what is the due date of payment of GST?
- (iii) Calculate the GST liability for the first instalment?
- (iv) What will be the time of supply, if the invoice is issued on 1st July 2024 and what is the due date of payment of GST?

- (i) As the service takes more than 3 months to complete and involves periodic payments obligations its treated as continuous supply of service sec 31(5) of CGST Act.
As per section 31(5), if due date of instalment is ascertainable from contract, invoice shall be issued on or before the due date of instalments.
In the present case due of invoice for first instalment is 1st July 2024.
- (ii) Time of Supply for first instalment as per sec 13(2) of CGST Act, is Date of Completion or date of payment which is earlier, as invoice not issued within due date:
 - (a) Date of Completion = Date of completion of milestone event i.e., 30th June 2024 (or)
 - (b) Date of payment = 15th July 2024, whichever is earlier is 30th June 2024.
Due date of payment of GST for such instalment is 20th July 2024 i.e., due date of GSTR-3B for June 2024.
- (iii) Value of Supply As per sec 15(2)(d) of CGST Act, 2017 Interest or late fee or penalty for delay in receipt of consideration is includible in value. Therefore, GST is payable on entire instalment value of ₹10,00,000.
GST Liability = 10,00,000 × 18% = ₹1,80,000.
- (iv) Time of Supply for first instalment as per sec 13(2) of CGST Act, is Date of Invoice or date of payment which is earlier, as invoice is issued within due date:

Date of Invoice = 1st July 2024 (or)

Date of payment = 15th July 2024, whichever is earlier is 1st July 2024.

Due date of payment of GST for such instalment is 20th August 2024 i.e., due date of GSTR-3B for July 2024.

Question No 8:

Reliance Jio has successfully bid for the allocation of spectrum by the Department of Telecommunications (DoT) under the Government of India's spectrum allocation model. The total bid amount for the spectrum allocation is ₹1,000 crore. Reliance Jio is given two payment options: Option 1: Make a full upfront payment of ₹1,000 crore on or before 30th June 2024. Option 2: Pay in 10 equal annual installments. The first instalment is due on 1st July 2024, with each instalment comprising both principal and interest. The instalment amounts, considering an annual interest rate of 10%, are as follows:

- Installment 1 (due 1st July 2024): ₹160 crore

- Installment 2 (due 1st July 2025): ₹144 crore
- Installment 3 (due 1st July 2026): ₹128 crore
- Installment 4 (due 1st July 2027): ₹112 crore
- Installment 5 (due 1st July 2028): ₹96 crore
- Installment 6 (due 1st July 2029): ₹80 crore
- Installment 7 (due 1st July 2030): ₹64 crore
- Installment 8 (due 1st July 2031): ₹48 crore
- Installment 9 (due 1st July 2032): ₹32 crore
- Installment 10 (due 1st July 2033): ₹16 crore

The Frequency Assignment Letter from DoT specifies these payment options and also states that GST at the rate of 18% is applicable on the spectrum allocation. Assume that the invoice is issued by DoT on 15th June 2024.

You are required to determine the following:

- (i) Determine when the GST liability arises if Reliance Jio opts for the full upfront payment, and calculate the GST amount payable. Assume that the payment is made on 28th June 2024.
- (ii) What will be your answer in (i) above if the payment is made on 5th July 2024 and such delay is condoned by DOT.
- (iii) Determine the GST liability timing and amount if Reliance Jio chooses to pay in installments, and specifically calculate the GST payable for the second installment if the payment is made on 30th June 2025.
- (iv) What will be your answer in (iii) above if the payment is made on 4th July 2025 and such delay is condoned by DOT.

Time Of Supply in case of allocation of spectrum or by govt to business entity is determined as per CBIC circular and provision of Sec 13(3) is not applicable.

- (i) In case of full upfront amount option, TOS is date on which such amount is due to be paid (30/6/24) or the date on which such amount is actual paid (28/06/2024) whichever is earlier i.e., 28/06/2024.
- (ii) If the amount is actual paid on 5th July under full upfront payment options (TOS) is (30/6/24) or (5/7/2024) whichever is earlier i.e., 30/6/2024.
- (iii) In case of instalment payment option, TOS shall be Date on which such instalment is due (1/7/2025) or Date on which such installment is actual paid (30/6/2025) whichever is earlier i.e., 30/6/2025.
GST Payable= ₹144 Crores X 18%= ₹25.92 Crores and due date of payment of GST 20th July 2025.
- (iv) If payment is actual made 4th July 2025, TOS shall be Date on which such instalment is due (1/7/2025) or Date on which such instalment is actual paid (04/07/2025) whichever is earlier i.e., 1st July 2025 and due date of payment of GST is 20th Aug 2025.

Question No 9:

Reliance Digital Ltd., an e-commerce company registered in Mumbai, Maharashtra, sells electronic goods across India through its online platform. On 10th October 2024, a customer, Mr. Ravi (an unregistered individual), placed an order for a television priced at ₹1,20,000. Mr. Ravi's billing address is in Pune, Maharashtra, but he requests delivery of the television to his vacation home located in Goa.

Additional Information:

- The GST rate applicable on the television is 18%.
- Reliance Digital Ltd. has received several similar orders where the billing and delivery addresses are different.
- For the order placed by Mr. Ravi, the company issued an invoice on 12th October 2024, and the television was dispatched on 13th October 2024.

You are required to:

1. Determine the place of supply for the television in this scenario based on the provisions of clause (ca) of section 10(1) of the IGST Act, 2017.

2. Compute the GST payable on this transaction and specify whether CGST/SGST or IGST will be applicable.
3. Explain the impact on the GST liability of Reliance Digital Ltd. if the billing address and delivery address were the same (both in Maharashtra).
4. Calculate the total invoice value (including GST) that Mr. Ravi would need to pay if the place of supply is determined to be in Goa.
 - (i) As per CBIC Circular Place of Supply is delivery address i.e., Goa as billing address and delivery address does not match.
 - (ii) As Location of supplier is Maharashtra & Place of Supply is Goa, it is an interstate supply and IGST Payable is ₹ 1,20,000 × 18% = 21,600.
 - (iii) If Billing address & Delivery address match, Place of supply as per CBIC Circular is Pune, Maharashtra and nature of supply is intra state and it is chargeable to CGST and SGST of ₹10,800 each.
 - (iv) Invoice Value is Rs. 1,41,600 and Time of Supply is 12th Oct 2024 being actual date of invoice as due date of invoice is 13th Oct 2024.

Question No 10:

TechHub Data Services Pvt. Ltd., an Indian data hosting service provider, enters into a contract with CloudCom Solutions, a cloud computing service provider based in Singapore, for providing data hosting services. TechHub operates a large data centre in Bengaluru, which CloudCom uses to host its cloud computing services. The agreement stipulates that TechHub will handle the infrastructure management, equipment maintenance, and IT monitoring for the cloud services offered by CloudCom. They entered into contract on April 1, 2024 with an annual service fee of ₹10 crore (Foreign exchange converted to INR) where the payments are made on a quarterly basis.

- (i) Evaluate whether the data hosting services provided by TechHub to CloudCom qualify as intermediary services
- (ii) Determine the place of supply for the services provided by TechHub Data Services Pvt. Ltd. to CloudCom Solutions, based on the given facts
- (iii) Analyze whether the services provided by TechHub Data Services qualify as an export of services under the IGST Act.
- (iv) Determine the place of supply if CloudCom Solutions is an entity based in India.
 - (i) The data Hosting services provided by TechHub to Cloudcom do not qualify as intermediary services as they provide services on principal to principal basis.
 - (ii) Place of Supply under section 13(2) of IGST Act. i.e. Location of recipient available in the records of supplier is Singapore.
 - (iii) Services qualifies as export of services, if the following conditions are satisfied:
 - i. Supplier of service located in India (In the present case, TechHub is in India)
 - ii. Recipient of Service Located outside India (In the present case, CloudCom is in Singapore)
 - iii. Place of supply of service is outside India (In the present case, POS is Singapore)
 - iv. Payment for such services has been received by the supplier of service in convertible foreign exchange. (In the present case, consideration is in convertible foreign exchange which is converted to INR)
 - v. Supplier and recipient are not two establishments of same person (In the present case, they are not establishments of same person)

As all the conditions are satisfied, services provided by TechHub to CloudCom qualifies as export of services.
 - (iv) Place of Supply U/s 12(2) of IGST Act is Location of recipient i.e., India.

Question No 11:

XYZ Advertising Pvt. Ltd., based in Mumbai, provides comprehensive advertising services to Global Fashion Ltd., a company headquartered in the UK. The services involve end-to-end campaign management, including media buying, content creation, strategy, and design. XYZ Advertising has entered into two agreements: one with the foreign client (Global Fashion Ltd.) for managing the advertising campaign, and the other with an Indian media company to purchase media space for the advertisements. The cost structure for the project includes ₹20,00,000 for media space (subject to 18% IGST) and ₹10,00,000 for content creation and strategy services (also subject to 18% IGST). XYZ Advertising invoices Global Fashion Ltd. for ₹30,00,000 (₹20,00,000 for media space and ₹10,00,000 for other services) and receives payment in foreign exchange. The media company issues a separate invoice to XYZ Advertising for ₹20,00,000 + IGST (18%).

- (i) Will XYZ Advertising be considered an intermediary in this transaction?
 - (ii) What is the place of supply for the services provided by XYZ Advertising?
 - (iii) Whether the services of XYZ Advertising falls under zero rated?
 - (iv) Can XYZ Advertising avail ITC w.r.to payment made to media company?
 - (v) Can XYZ consider the payment made to media company as expenditure incurred as pure agent in terms of Rule 33 of CGST Rules, 2017?
- (i) XYZ Advertising Pvt Ltd is not considered as intermediary, as they are not facilitating or arrange space for advertisement, but they are undertaking services to perform on Principal to Principal to basis.
- (ii) As per CBIC Circular, POS Determined U/s 13(2), Location of recipient in the records of supplier. Therefore, Place of supply is UK.
- (iii) Services qualifies as export of services, if the following conditions are satisfied:
- i. Supplier of service located in India (In the present case, XYZ Advertising Pvt. Ltd. is in Mumbai, India)
 - ii. Recipient of Service Located outside India (In the present case, Global Fashion Ltd. is in UK)
 - iii. Place of supply of service is outside India (In the present case, POS is UK)
 - iv. Payment for such services has been received by the supplier of service in convertible foreign exchange. (In the present case, it is given that payment is in foreign exchange)
 - v. Supplier and recipient are not two establishments of same person (In the present case, they are two separate persons)
- As all the above conditions are satisfied, Services provided by XYZ Advertising Pvt. Ltd. to Global Fashion Ltd. falls under zero rated supply.
- (iv) Payments made by XYZ advertising to media house is their inward supply for procuring the space for advertisement. Therefore, they can avail ITC of ₹ 20,00,000 × 18% = ₹3,60,000.
- (v) Payment made by XYZ Advertising Pvt Ltd to media house cannot be considered as expenditure incurred as pure agent, as the same is not the liability of Global Fashion limited. Further, invoice is in the name of the supplier, conditions for pure agent is not fulfilled.

Question No 12:

ABC Bank Ltd., a leading bank in India, provides custodial services to XYZ Investment Group, a Foreign Portfolio Investor (FPI) registered in the USA. ABC Bank safeguards the financial assets of XYZ Investment Group, maintains records, facilitates transaction settlements, and collects dividends on behalf of the FPI.

The details of the services provided by ABC Bank Ltd. are as follows:

- Custodial service fee: ₹50,00,000 for the financial year.
- Location of the service provider: Mumbai, India.
- Location of the service recipient (FPI): New York, USA.

Answer the following questions based on facts of above case

- i) Determine the place of supply for custodial services provided by ABC Bank Ltd. to XYZ Investment Group
- ii) Will the custodial services provided to XYZ Investment Group qualify as an export of services?

iii) What will be your answer, if the custodial services are provided to Indian investors?

- (i) As per CBIC circular, in case of custodial services to foreign portfolio services, Place of Supply is determined U/s 13(2) of IGST Act i.e., location of recipient in USA. (Banking services to account holders is not applicable in this case)
- (ii) Services qualifies as export of services, if the following conditions are satisfied:
 - i. Supplier of service located in India (In the present case, ABC Bank Ltd. is in India)
 - ii. Recipient of Service Located outside India (In the present case, XYZ Investment Group in USA)
 - iii. Place of supply of service is outside India (In the present case, POS is USA)
 - iv. Payment for such services has been received by the supplier of service in convertible foreign exchange. (In the present case, it is given that payment is in foreign exchange)
 - v. Supplier and recipient are not two establishments of same person (In the present case, they are two separate persons)

As all the conditions are satisfied, Services provided by ABC Bank Ltd. to XYZ Investment Group, qualifies as export of services.

- (iii) Place of Supply is determined U/s 12(2) of IGST Act i.e., India and It shall not qualify as an export of services.

Question No 13:

PQR Ltd., a manufacturer, entered a contract with DEF Ltd., a distributor, on 1st April 2024. The supply was made on 10th May 2024, with a value of ₹25,00,000, and the applicable GST rate was 12%. Payment terms required full payment within 30 days of the invoice date. A post-supply discount of 7% was agreed upon, conditional on DEF Ltd. successfully selling 80% of the goods within the quarter (April-June 2024).

By 30th June 2024, DEF Ltd. sold 85% of the goods, making it eligible for the 7% post-supply discount. Consequently, on 15th July 2024, PQR Ltd. issued a credit note for such discount to DEF Ltd. for the post-supply discount. DEF Ltd. had availed ITC on the full invoice value as they complied with the conditions of availment of ITC. To comply with the provisions of Section 15(3)(b) of the CGST Act, 2017, DEF Ltd. is required to reverse the ITC proportionate to the post-supply discount.

- (i) How much ITC needs to be reversed by DEF Ltd. based on the credit note issued by supplier?
- (ii) What is the consequence to PQR Ltd. based on such credit note?
- (iii) How PQR Ltd. can prove that recipient has reversed the ITC?
- (iv) What will be your answer in (iii) above if the ITC to be reversed is ₹5,50,000?

- (i) As Credit note is issued by PQR Ltd. to DEF Ltd. under section 34 of CGST Act, ITC to be Reversed by DEF Ltd is $₹25,00,000 \times 7\% \times 12\% = ₹21,000$.
- (ii) GST Liability of PQR Ltd gets reduced to the extent of ₹21,000 as an when Credit note is issued and reported in GSTR-1 of PQR Ltd.
- (iii) As Per CBIC Circular, as ITC reversal in a financial year does not exceed ₹5,00,000 PQR Ltd shall obtain a declaration from DEF Ltd that they have reversed the ITC along with supporting documents i.e., GSTR-3B/DRC-03 of DEF Ltd.
- (iv) As per CBIC Circular if ITC to be reversed by DEF Ltd exceeds ₹5,00,000, DEF Ltd shall obtain Certificate from CA/CMA certifying ITC reversal along with UDIN and Supporting documents. This Procedure shall also be applicable to past periods.

Question No 14:

HDFC Bank, an acquiring bank registered under GST, participates in the Incentive Scheme for the Promotion of RuPay Debit Cards and Low-Value BHIM-UPI Transactions, a scheme run by the Ministry of Electronics and Information Technology (MeitY). Under this scheme, HDFC Bank receives an incentive of ₹10,00,000 for promoting RuPay Debit Card and low-value UPI transactions.

As per NPCI guidelines, HDFC Bank is required to share a portion of this incentive with its ecosystem partners involved in facilitating digital payments. HDFC Bank distributes the incentive

to stakeholders like Paytm Payments Bank and Pine Labs, which helped facilitate UPI infrastructure and merchant onboarding, respectively.

In addition to the compliant sharing, HDFC Bank also shares ₹2,00,000 with XYZ Marketing Ltd., a marketing consultancy that is not part of the NPCI-specified ecosystem for the incentive scheme, and this distribution is not in line with the NPCI guidelines.

Details of Sharing:

- HDFC Bank retains ₹4,00,000 from the incentive.
- HDFC Bank transfers ₹3,00,000 to Paytm Payments Bank for facilitating UPI infrastructure.
- HDFC Bank distributes ₹3,00,000 to Pine Labs for merchant onboarding services.
- HDFC Bank shares ₹2,00,000 with XYZ Marketing Ltd., which is not part of the NPCI ecosystem.

Answer the following questions based on the facts given above

- (i) Is the incentive of ₹10,00,000 received by HDFC Bank from MeitY subject to GST?
 - (ii) Is the sharing of the incentive by HDFC Bank with Paytm Payments Bank and Pine Labs taxable under GST?
 - (iii) Is the further sharing of ₹2,00,000 with XYZ Marketing Ltd., which is not compliant with NPCI guidelines, taxable under GST?
 - (iv) What is the total taxable value and GST payable, if any, on the incentive-sharing transactions?
- (i) Incentive of ₹ 10,00,000 received by HDFC bank from Meity is treated as subsidy and not included in the value of supply as per sec 15(2)(e).
 - (ii) As Per CBIC Circular, further sharing of incentive by acquiring bank with paytm and pine labs its also treated as subsidy, not charged to GST as they are notified by NPCI (National Payments corporation of India) to receive incentive.
 - (iii) Incentive received by XYZ marketing Ltd is not part of NPCI Guidelines and therefore it is not treated as subsidy and will be chargeable to GST.
 - (iv) XYZ Marketing Ltd Shall Pay GST on ₹2,00,000.

Question No 15:

Infosys Ltd., a registered company in India, is engaged in IT consulting and software services. Infosys Consulting Inc., its related foreign entity based in the USA, provides software development support and consulting services to Infosys Ltd. in India. Both entities are related persons under the GST provisions.

In October 2024, Infosys Consulting Inc. provides software consulting services worth ₹20,00,000 to Infosys Ltd. Since this transaction is an import of services, Infosys Ltd. is required to pay GST under the Reverse Charge Mechanism (RCM). Additionally, Infosys Ltd. is eligible for full Input Tax Credit (ITC) on this transaction.

Moreover, Infosys Consulting Inc. also provides strategic advisory services to Infosys Ltd. without issuing an invoice. The domestic entity (Infosys Ltd.) estimates the market value of these services to be ₹5,00,000, but no official invoice is generated for these services.

Answer the following based on above mentioned facts

- (i) Whether Infosys Ltd. is required to issue any invoice to Infosys consulting Inc.?
 - (ii) Who is required to pay GST in the present case and what is the value on which GST is payable?
 - (iii) If Infosys Ltd. declares ₹20,00,000 as the value of the software consulting services from Infosys Consulting Inc. in the self-invoice, compute the GST payable by Infosys Ltd. on both the services.
- (i) As per Sec 31(3)(f) of CGST Act 2017 Infosys Ltd Shall issue invoice to Infosys consulting Inc. within 30 days from the date of receipt of services.
 - (ii) As Per Sec 9(3) Read with Notification No. 13/2017, GST Payable by Infosys Ltd Under Reverse Charge Mechanism, as the same is import of services.
 - (iii) Applying above circular, value of supply shall be invoice value, as recipient is eligible for full ITC. If Value declared in invoice is ₹20 Lakhs, then GST payable under RCM is ₹20,00,000 X 18% = ₹3,60,000.

Question No 16:

XYZ Ltd., an Indian company registered under GST, provides corporate guarantees to four different entities:

- (i) ABC Ltd., (in which XYZ Ltd. holds 60% equity) for a loan of ₹10,00,00,000 from a bank for a period of one year. XYZ Ltd. does not charge any specific consideration for this service.
- (ii) PQR Ltd., (in which XYZ Ltd. holds 20% equity) for a loan of ₹20,00,00,000 from a bank for a period of two years. XYZ Ltd. charges an annual fee of ₹2,00,000 for providing this guarantee.
- (iii) LMN Corp., a company located in Singapore (who is the largest material supplier of XYZ Ltd.), for a loan of ₹15,00,00,000 for one year. No consideration is charged for this guarantee.
- (iv) DEF Ltd., its related entity located in the UK, for a loan of ₹30,00,00,000 for a period of three years. XYZ Ltd. charged a consideration of ₹45,00,000 for providing this guarantee.

Assume the applicable GST rate is 18%. Analyze the value of the corporate guarantee and the GST implications for each case based on the GST rules.

- (i) Value Under Rule 28(2) = ₹10,00,00,000 × 1% = ₹10,00,000.
- (ii) Transaction Value Under Section 15 is ₹2,00,000 in first Year and ₹2,00,000 in Second Year based on the invoice issued.
- (iii) The said activity is not a supply as such corporate guarantee without consideration between unrelated persons.
- (iv) Value Under Rule 28(1) is Open Market Value to be determined. If OMV not available, then Like Kind Quantity. If LKQ not available, then value under Rule 30 or 31. (Transaction value not applicable as this corporate guarantee is to a related entity).

Question No 17:

TechPro Solutions Pvt. Ltd., a registered person under GST, had its registration cancelled by the proper officer on June 1, 2024, under Section 29 of the CGST Act, due to non-compliance with filing returns. The company had received input services for which it was eligible for ITC during the financial year 2023-24, but the ITC had not been availed before the date of cancellation. On August 25, 2024, TechPro Solutions applied for the revocation of the cancellation of its registration under Section 30 of the CGST Act. The registration was revoked by the proper officer on September 5, 2024, allowing TechPro to continue its business operations. However, during the period of cancellation, TechPro Solutions received several invoices and debit notes for supplies made between June 1, 2024 and August 25, 2024.

The company is now considering the possibility of claiming the ITC on:

1. Invoices pertaining to supplies made during the period June 1, 2024 to August 25, 2024 (the period of cancellation).
2. Debit notes issued during the financial year 2023-24, but not availed before the date of cancellation of the registration.

Analyse whether company can avail ITC and what is the time limit within which such ITC can be availed

Time Limit for availment of ITC with respect to invoices for the period 1st June 2024 & 25th Aug 2024, i.e., Period of cancellation of registration.

Invoices pertains to FY:2024-2025

- (a) 30/11/2025 or
- (b) Date of Filing annual return, whichever is earlier i.e., 30/11/2025 (Assumed that it is filed on 31/12/2025)

Time Limit for availment of ITC w.r.t debit note for FY:2023-24.

Regular Time Limit: (a) 30/11/2024 or (b) 31/12/2024 whichever is earlier i.e., 30/11/2024.

As the time limit for availing of ITC not expired as on the date of cancellation of registration (1/06/2024) revised time limit in terms of sec 16(6) is

- (a) Regular Time limit =30/11/24 (or)

(b) 30 days from revocation order = (5/9/24 + 30 days = 5/10/24) Whichever is later i.e., (30/11/2024).

Note: If the revocation order is passed on 15/12/2024, then their time limit is

- (a) 30/11/2024
(b) 14/01/2025, whichever is later i.e. 14/01/2025.

Question No 18:

ABC Motors, an authorized dealer for motor vehicles, purchases 5 demo vehicles from XYZ Auto Ltd., a manufacturer, on October 1, 2024. These demo vehicles are used for test drives and to showcase features to potential buyers. Each vehicle has a value of ₹10,00,000 (excluding taxes), and ABC Motors receives a tax invoice for the purchase, which includes the following:

- IGST on demo vehicles (18%) = ₹1,80,000 per vehicle
- Total purchase cost per vehicle = ₹10,00,000 + ₹1,80,000 = ₹11,80,000 per vehicle.

ABC Motors plans to capitalize these vehicles in its books of accounts at ₹10,00,000 per vehicle and intends to use them for test drives for a period of 2 years before selling them as used vehicles at a written-down value.

After two years of usage, ABC Motors sells one of the demo vehicles for ₹5,00,000, and IGST on the sale is applicable at 18%.

- (i) Determine whether ABC Motors can claim input tax credit (ITC) on the purchase of these demo vehicles. If Yes, compute the ITC availed.
 - (ii) What will be your answer, if the motor vehicles are capitalised in its books at ₹11,80,000 per vehicle
 - (iii) calculate the GST payable at the time of sale of demo vehicles.
- (i) As per CBIC Circular, a dealer of motor vehicle can avail ITC on demo vehicles purchased as the same is used for further supply. Therefore, in the present case, ITC = ₹10,00,000 × 5 × 18% = ₹9,00,000/-
 - (ii) As Per Sec 16(3) of CGST Act 2017, if motor vehicle is capitalized including the GST Component, ITC not available. However, Depreciation can be claimed Under section 32 of Income Tax Act 1961.
 - (iii) GST Payable U/s 18(6) as follows:
 - a) ITC available – 5% of every quarter or part thereof from the date of purchase or till the date of disposal
= ₹1,80,000 - 5%*8 = ₹1,80,000 - ₹72,000 = ₹1,08,000. (Or)
 - b) GST On Sale Value = ₹5,00,000 × 18% = ₹90,000.
Whichever is higher i.e., ₹1,08,000. (Buyer of such demo car if eligible, can avail ITC).

Question No 19:

Samsung Electronics sells a smartphone to a customer with a 1-year manufacturer's warranty. During the warranty period, the customer experiences a defect and visits an authorized distributor, who replaces the defective smartphone with a new one from their own stock. Samsung later replenishes the distributor's stock without charging any additional amount. Additionally, at the time of purchase, the customer buys an extended 2-year warranty from a third-party service provider, Warranty Plus, which begins after the manufacturer's 1-year warranty expires.

You are required to:

- (i) Determine the GST liability for Samsung on the replacement of the defective smartphone under the manufacturer's warranty.
- (ii) Explain the GST implications for Samsung when it replenishes the distributor's stock with a new smartphone.
- (iii) Discuss the GST treatment for the extended warranty provided by Warranty Plus, considering it was purchased at the time of the original sale but from a different supplier.
- (iv) Analyze how the GST liability would change if the extended warranty was purchased from Samsung directly, at the time of the original purchase.

- (i) As per CBIC Circular, when a dealer replaces a part or whole goods, GST not payable even though it is without consideration as GST is already paid for defective parts or goods. Also, dealer not required to reverse any ITC.
- (ii) As Per CBIC Circular, when Manufacturer replenishes defective goods i.e., smartphone to the dealer, GST not payable by manufacturer also such manufacture not required to reverse any ITC.
- (iii) If extended warranty charges is paid to different supplier at the time of purchase of product or a later time, it is treated a separate supply and chargeable to GST at applicable to extended warranty services.
- (iv) If extended warranty is purchased from the same supplier at the same time of purchase of goods it is a part of composite supply & GST payable at the rate applicable to such goods being principal supply.

Question No 20:

ABC Insurance Ltd. provides general insurance services for motor vehicles. A customer, Mr. Sharma, has a policy with ABC Insurance. His car was damaged, and he chose a non-network garage for repairs, incurring a total repair cost of ₹1,00,000. The insurance policy approved a claim of ₹80,000, which ABC Insurance later reimbursed to Mr. Sharma.

Scenario 1: The garage issued two separate invoices—one for ₹80,000 to ABC Insurance and another for ₹20,000 to Mr. Sharma.

Scenario 2: The garage issued a single invoice for ₹1,00,000 to ABC Insurance, but ABC Insurance only reimbursed ₹80,000 to Mr. Sharma.

Scenario 3: The garage issued an invoice for ₹1,00,000 directly to Mr. Sharma, who later got reimbursed ₹80,000 from ABC Insurance.

You are required to:

1. Determine the extent of ITC available to ABC Insurance Ltd. in Scenario 1, and explain the conditions under which ITC can be claimed.
2. Determine the extent of ITC available to ABC Insurance Ltd. in Scenario 2, considering the single invoice issued by the garage.
3. Discuss whether ITC is available to ABC Insurance Ltd. in Scenario 3, where the invoice is in the name of Mr. Sharma.
4. Explain how the provisions of Section 16(2) of the CGST Act apply to these scenarios and the implications for claiming ITC.

- (i) ABC insurance Ltd received an invoice for ₹ 80,000/- towards the claim amount and ₹20,000 paid by Mr. Sharma. ITC available to ABC Insurance Ltd on ₹80,000/-.
- (ii) As Per CBIC circular, ABC insurance Ltd can avail ITC on ₹ 80,000/- i.e., to the extent of reimbursement, even though invoice is for ₹ 1,00,000/-
- (iii) As Per Sec 17(5), repairs & maintenance in relation to motor vehicle is not eligible for ITC, if motor vehicle purchase is not eligible for ITC.
As car purchased by Mr. Sharma is blocked ITC and not covered under exceptions, they cannot avail ITC with respect to invoice issued by garage.
- (iv) Even if payment is not made by ABC insurance Ltd to garage, they can avail ITC and the proviso to Section 16(2) i.e., payment to supplier within 180 days condition is not applicable in this case.

Question No 21:

HDFC Life Insurance Company Ltd., a registered entity under GST, offers life insurance policies. They compute value for payment of GST in terms of Rule 32(4) of CGST Rules. In July 2024, HDFC Life Insurance received total premiums of ₹60,00,000 from customers for various life insurance policies.

- ₹30,00,000 of this premium pertains to risk cover policies
- ₹20,00,000 of this premium pertains to first year policies
- ₹10,00,000 of this premium pertains to policies issued in the earlier years

The company has ₹5,00,000 of total input tax credit for the month, which includes ITC on various inputs and services used in providing the life insurance services.

Compute the net GST payable by HDFC Life Insurance company Ltd. for the month of July 2024, if the applicable rate of GST on inward and outward supplies is 18%.

Computation of valuation under Rule 32(4) of CGST Rules, 2017:

Particulars	Amount
Risk Cover Policies	30,00,000
i First Year Premium (20,00,000 X 25%)	5,00,000
ii Subsequent Year Premium (10,00,000 X 12.5%)	1,25,000
Total Value	36,25,000
Gross GST Payable (36,25,000 X 18%)	6,52,500
Input Tax credit (As per CBIC Circular, Reversal of ITC shall not arise owing to reduction in value)	(5,00,000)
Net GST Payable	1,52,500

Question No 22:

XYZ Telecom Ltd. is engaged in providing telecommunication services and is expanding its network by laying new Optical Fiber Cables (OFCs) across various regions. The OFCs are housed within PVC ducts, and service/connectivity manholes are installed as nodes in the network to facilitate maintenance and connectivity. The company has incurred significant expenses on purchasing these ducts and manholes.

You are required to:

- Determine whether XYZ Telecom Ltd. can claim Input Tax Credit (ITC) on the purchase of ducts and manholes used in its OFC network, according to the provisions of the CGST Act.
- Explain the rationale behind the eligibility of ITC on these items, referring to the relevant sections of the CGST Act and the clarification provided in the circular.
- Discuss whether there are any specific restrictions under Section 17(5) of the CGST Act that would prevent XYZ Telecom Ltd. from claiming ITC on these purchases.
- Analyze the impact on XYZ Telecom Ltd.'s GST liability if these components were instead classified as excluded items under the definition of "plant and machinery."
 - As Ducts and manholes involves huge cost these are capitalized in the books of XYZ Telecom Ltd. and falls under capital goods. Also the same falls under plant & machinery other than Telecommunication tower, Pipelines laid outside factory, it is not covered under sec 17(5) and eligible for ITC.
 - As the same is not covered under blocked ITC, due to exceptions and it is used in the course of furtherance of business of telecom, they can avail ITC.
 - No restrictions Under Sections 17(5). However, if such parts are used for telecommunications towers, ITC not available.
 - If the same is not covered under the definition of plant and machinery, ITC not available.

Question No 23:

Tata Steel Ltd., a registered supplier in Jharkhand, sells metal scrap (falling under Chapter 72 of the Customs Tariff Act) worth ₹25,00,000 to Mahindra & Mahindra Ltd., another registered person in Maharashtra, on June 15, 2024. The transaction involves scrap of iron and steel.

Additionally, Bharat Heavy Electricals Limited (BHEL), a Public Sector Undertaking (PSU), purchases ₹15,00,000 worth of metal scrap from Tata Steel Ltd. on June 20, 2024. BHEL is also a registered person under GST.

For both transactions, the applicable GST rate is 18%.

- Determine the TDS liability for Mahindra & Mahindra Ltd. and BHEL on their respective purchases from Tata Steel Ltd.
- Calculate the total amount payable by both Mahindra & Mahindra Ltd. and BHEL to Tata Steel Ltd., including GST and after TDS deduction.
- If Mahindra & Mahindra Ltd. fails to deduct TDS on its purchase, what will be the implications under the CGST Act?

- (i) As Per Sec 51, of CGST Act 2017, Supply of Metal scrap by a registered person to another registered person is notified for TDS deduction. Accordingly, in the present case Mahindra & Mahindra Ltd is required to deduct TDS with respect to payment made to tata steel ltd i.e., (₹25 Lakhs X 2% = ₹50,000) towards IGST as location of supplier is Jharkhand and place of Supply Under section 10(1)(a) is Maharashtra. Also, as per Sec 51, supply of metal scrap by a registered person to PSU's is also notified U/s 51. However, the relaxation w.r.to Non-applicability of TDS for supply between notified recipients is not applicable in case of sale of metal scrap by a registered person to another registered person. Therefore, TDS to be deducted by BHEL is (₹15,00,000 X 2% = ₹30,000) towards IGST assuming it is an interstate transaction.

(ii)

Payment By	Mahindra & Mahindra Ltd	BHEL
Value of Supply	25,00,000	15,00,000
IGST@ 18%	4,50,000	2,70,000
TDS@2%	(50,000)	(30,000)
Amount Payable towards Tata Steel Ltd	29,00,000	17,40,000

- (iii) Failure to Deduct TDS attracts interest @18% under section 50, from the due date till the actual date of payment. Also, penalty payable u/s 122(1) which is 100% of TDS not Paid. For delay in filing TDS return, late fee payable @ ₹ 25/day subject to maximum ₹ 5000 (each Act of CGST & SGST)

Question No 24:

Due Date of filling GSTR-3B is 20th of Next Month.

Month	GROSS LIABILITY	ITC AVAILED	BAL. IN ECL AS ON 20TH OF NEXT MONTH
July 24	₹ 8,00,000	₹ 3,00,000	₹ 5,00,000 (on 20/8/24)
Aug 24	₹ 4,00,000	₹ 1,00,000	₹ 7,00,000 (on 20/9/24) ₹8,00,000 (on 30/9/24)
Sep 24	₹ 6,00,000	₹ 4,00,000	₹ 10,00,000 (on 20/10/24)

GSTR 3B for all above months is filed on 31/10/24. Compute applicable interest payable.

As Per Section 50 Read with proviso (2) Rule 88B, if a person has deposited GST due on or before the due date of filling return in Electronic Cash Ledger (ECL), then interest is not applicable on such amount deposited.

July 24: Interest not applicable in terms of Proviso (2) Rule 88B as ₹5,00,000 is deposited by 20/08/2024.

August 24: Interest not applicable on ₹2,00,000 deposited by 20/9/2024. However, interest is applicable on ₹1,00,000 deposited after the due date. Interest computed from the due date till the date of Payments that is date of filling GSTR-3B.

Interest Payable = ₹1,00,000 X 18% X 99/365 = ₹4882.

September 2024: Interest not applicable as ₹2,00,000 is deposited by 20/10/2024.

Question No 25:

ABC Exports Pvt. Ltd., an Indian exporter, imported raw materials worth ₹10 crore on 1st January 2022 for the manufacture of goods intended for export. At the time of import, ABC Exports availed exemptions under Notification No. 78/2017-Customs and Notification No. 79/2017-Customs, which allowed them to import inputs without payment of IGST and Compensation Cess, while only availing exemption on Basic Customs Duty (BCD).

Subsequently, on 31st March 2024, the company realized that they were not eligible for a refund of the IGST paid on exports of ₹20 crore, as per Rule 96(10) of CGST Rules, 2017,

due to the availed exemption on imported inputs. To regularize their position, ABC Exports now intends to pay the IGST and Compensation Cess, along with interest, on the imported inputs to claim the refund on the IGST paid on exports.

Details of the case:

- Value of inputs imported: ₹10 crore
- Basic Customs duty: 10%
- IGST rate on imports: 18%
- Compensation Cess rate: 12%

ABC Exports Pvt. Ltd. requests your assistance in determining the following:

- (i) The total IGST and Compensation Cess payable on the imported inputs, including the interest.
- (ii) Additional conditions, if any to be satisfied.
- (iii) Time limit for application of refund in this case
- (iv) The total refund of IGST that they can claim on the exported goods after making the necessary payments.

- (i) Computation of IGST and Compensation cess payable along with interest on import, for enabling ABC Exports Pvt. Ltd. to claim refund on export.

Assessable Value Under Customs	10,00,00,000.
Basic Customs Duty	Exempted
Social Welfare Surcharge	Exempted
IGST (10 Crores *18%)	1,80,00,000.
GST Compensation Cess (10 Crores *12%)	1,20,00,000
Total	3,00,00,000

Interest payable @ 15% P.a. from the date of import i.e., 1st January 2022 till the date of payment i.e., 31st March 2022.

Interest Payable for 821 days and interest payable is ₹3,00,00,000 X 15% X 821/366 = ₹1,21,13,115.

- (ii) Bill of Entry originally filed needs to be re-assessed under customs for payment of above IGST and Compensation cess along with interest.
- (iii) Application for refund to be made within 2 years from the date on which goods leave india for export.
- (iv) As export of goods is upon payment of IGST option, refund of IGST paid on exports i.e., ₹20 Crores can be claimed in FORM GST RFD 01.

Question No 26:

XYZ Pvt. Ltd. is engaged in the manufacture of tobacco and pan-masala. The company is required to register its manufacturing machines under a special procedure notified under Section 148 of the CGST Act. However, during an audit in April 2025, it was found that XYZ Pvt. Ltd. failed to register 5 machines used for the manufacture of tobacco products.

On the basis of the new Section 122A, the proper officer issued a penalty order on April 20, 2025 for non-registration of the machines.

- (i) Compute the amount of penalty as per the penalty order.
- (ii) What will be the course of action on the part XYZ Ltd. after receipt of penalty order.

As Per Section 122A of CGST Act 2017. Penalty Payable for non-registration of machines used in manufacture of goods such as tobacco, pan masala, and similar items.

- (i) Penalty payable U/S 122A is ₹1,00,000 for each unregistered machine. i.e., 5 Machines X ₹ 1,00,000 Per Machine = ₹5,00,000, in addition to penalty payable u/s 122(1) on goods.
- (ii) After receipt of penalty order, XYZ Ltd shall pay above penalty of ₹5,00,000 and register the machines in accordance with special procedure within 3 days of receiving penalty order.