



Tharun's
BRAINERY



Academy for
Commerce
Education

CA FINAL - IDT MIGHTY **50**

FOR MAY 25 EXAMS



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QUESTION 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.

ANSWER:

- (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 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.

ANSWER:

- (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 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%.

- determine whether the ₹20,00,000 reimbursed by HUL to Unilever PLC for the cost of the shares is liable for GST?
- 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?
- compute the total amount HUL needs to pay to Unilever PLC?
- Can the GST on additional ₹2,00,000 be availed as ITC?

ANSWER:

- 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.
- 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.
- 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.
- GST Paid under RCM Can be availed as ITC, if conditions for availment of ITC is fulfilled.

QUESTION 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

ANSWER:

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 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?

ANSWER:

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 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%.

ANSWER:

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	Exempted, as the same is imported from head office without consideration	$(25,00,000 \times 18\%) = 4,50,000$

Govt. of Spain gives reciprocal exemption to foreign establishment of Indian airline company.		
Legal Advisory services from head office in Spain (Import of other than OIDAR by other than NTR)	(20,00,000 × 18%) = 3,60,000 (Exemption not available as the same is import for consideration)	(20,00,000 × 18%) = 3,60,000
Import of digital Marketing services (OIDAR Services by other than NTOR)	15,00,000 × 18% = 2,70,000	15,00,000 × 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 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%

- What is the due date of invoice as per Sec. 31(5)?
- What is the time of supply as per Sec. 13(2) and what is the due date of payment of GST?
- Calculate the GST liability for the first instalment?
- 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?

ANSWER:

- 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.
- 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:
 - Date of Completion = Date of completion of milestone event i.e., 30th June 2024 (or)
 - 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.
- 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 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:

- Instalment 1 (due 1st July 2024): ₹160 crore
- Instalment 2 (due 1st July 2025): ₹144 crore
- Instalment 3 (due 1st July 2026): ₹128 crore
- Instalment 4 (due 1st July 2027): ₹112 crore
- Instalment 5 (due 1st July 2028): ₹96 crore
- Instalment 6 (due 1st July 2029): ₹80 crore
- Instalment 7 (due 1st July 2030): ₹64 crore
- Instalment 8 (due 1st July 2031): ₹48 crore
- Instalment 9 (due 1st July 2032): ₹32 crore
- Instalment 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 instalment 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.

ANSWER:

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 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.

ANSWER:

- (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 X 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 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.

ANSWER:

- (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 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?
- Can XYZ consider the payment made to media company as expenditure incurred as pure agent in terms of Rule 33 of CGST Rules, 2017?

ANSWER:

- (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 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?

ANSWER:

- (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 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?

ANSWER:

- (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 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?

ANSWER:

- (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 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?

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.

ANSWER:

- (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 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.

ANSWER:

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

ANSWER:

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 they time limit is

(a) 30/11/2024

(b) 14/01/2025, whichever is later i.e. 14/01/2025.

QUESTION 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

calculate the GST payable at the time of sale of demo vehicles.

ANSWER:

- (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, $ITC = ₹10,00,000 \times 5 \times 18\% = ₹9,00,000/-$
- (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
 $= ₹1,80,000 - 5\% \times 8 = ₹1,80,000 - ₹72,000 = ₹1,08,000$. (Or)
 - b) GST On Sale Value = $₹5,00,000 \times 18\% = ₹90,000$.
Whichever is higher i.e., ₹1,08,000. (Buyer of such demo car if eligible, can avail ITC).

QUESTION 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.

ANSWER:

- (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 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.

ANSWER:

- (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 re-imbursement, 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 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%.

ANSWER:

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 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:

1. 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.
2. 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.
3. 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.
4. 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."

ANSWER:

- (i) 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.
- (ii) 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.
- (iii) No restrictions Under Sections 17(5). However, if such parts are used for telecommunications towers, ITC not available.
- (iv) If the same is not covered under the definition of plant and machinery, ITC not available.

QUESTION 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%.

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

ANSWER:

- (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 × 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 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 28/12/24. Compute applicable interest payable.

ANSWER:

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 filing GSTR-3B.

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

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

QUESTION 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:

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

ANSWER:

- 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 × 15% × 821/366 = ₹1,21,13,115.

- Bill of Entry originally filed needs to be re-assessed under customs for payment of above IGST and Compensation cess along with interest.
- Application for refund to be made within 2 years from the date on which goods leave india for export.
- 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 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.

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

ANSWER:

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.

- Penalty payable U/S 122A is ₹1,00,000 for each unregistered machine. i.e., 5 Machines × ₹ 1,00,000 Per Machine = ₹5,00,000, in addition to penalty payable u/s 122(1) on goods.
- 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.

QUESTION 27

The Resident Welfare Association (RWA) of Kutumb Housing Society is registered under GST in the State of Maharashtra. There are 100 three BHK flats and 100 four BHK flats in the society. It received/paid the following amounts (excluding GST, wherever applicable) in the months of January and February:

- Maintenance charges per flat received (excluding electricity charges) from all 3 BHK flat owners- ₹ 7,000 per member per month.
- Maintenance charges per flat received (excluding electricity charges) from all 4 BHK flat owners- ₹ 10,000 per member per month.
- Electricity charges w.r.to common area lifts and lighting collected from all 3 BHK and 4 BHK flat owners by equally apportioning the bill received from electricity board (Bill value: ₹2,00,000) - ₹1,000 per member per month.
- Electricity supplied through its company that has built and maintained solar panels that delivers electricity to various consumers, as power backup for common area lifts and lighting, on adhoc basis - ₹600 per member per month.
- Interest received on the fixed deposit with Dhansukh Bank - ₹ 5,00,000.
- Generator purchased for the power back-up of 4 BHK flats in February - ₹ 1,00,000.
- Taps, pipes, other sanitary fittings purchased for 3 BHK flats in January- ₹ 50,000.

Determine the net GST liability to be paid for the months of January and February, assuming that the GST rate is 18% on all inward and outward supplies.

ANSWER:

As per Sec. 11 read with Notification No. 12/2017, services provided by an unincorporated association to its members as reimbursement/share of contribution upto ₹7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or residential complex is exempted.

Computation of maintenance charges per month:

Particulars	3 BHK Flats	4 BHK Flats
Maintenance charges collected	₹7,000	₹10,000
Electricity charges recovered by RWA on actual basis – Deemed to be expenditure incurred as a pure agent and not included in value	-	-
Electricity charges generated and supplied to members – As they started a company for generation and distribution of electricity as utility, the services provided by way of transmission or distribution of electricity is exempted.	-	-
Total maintenance charges per person per month	₹7,000	₹10,000
Particulars	January	February
Outward supplies:		
Maintenance charges for 3 BHK Flats – As charges does not exceed ₹7,500 it is exempted	Exempted	Exempted
Maintenance charges for 4 BHK Flats	100 X 10,000 X 18% = ₹1,80,000	100 X 10,000 X 18% = ₹1,80,000
Interest on FD – Interest on loans or advances or deposits is exempted	Exempted	Exempted
Gross GST payable	₹1,80,000	₹1,80,000
Input tax credit		

Taps, pipes and other fittings – ITC not available as the same is used for 3 BHK Flats whose maintenance charges are exempted	-	-
Generator purchased – ITC available as the same is used for 4 BHK Flats whose maintenance charges are taxable	-	₹1,00,000 × 18% = (₹18,000)
Net GST Payable	₹1,80,000	₹1,62,000

QUESTION 28

Bharuch Dahej Railway Company Ltd. (BDRCL), a Special Purpose Vehicle (SPV), has been tasked with enhancing industrial connectivity in Gujarat by undertaking gauge conversion projects. During the month of December 2024, the following transactions took place:

- Indian Railways used the converted broad-gauge line for passenger and freight operations. BDRCL charged Indian Railways ₹15,00,000 for the infrastructure use under the concession agreement.
- Indian Railways carried out maintenance services, including track inspections and repair work, for the converted line. The cost of these services was ₹6,00,000.
- BDRCL leased commercial space at one of the railway stations on the converted line to a private logistics company for ₹8,00,000 per month.
- Indian Railways transported construction materials for BDRCL's ongoing infrastructure projects. The freight charges were ₹3,00,000.

Analyze the taxability of each transaction and provide supporting explanation for your answer.

ANSWER:

S.No.	Transaction	Taxability	Justification
(i)	Use of infrastructure by Indian Railways (₹15,00,000)	Exempted	As per Notification No. 12/2017, services provided by SPV's to Indian railways by way of allowing Indian Railways to use the infrastructure built and owned by SPV's against a consideration, during the concession period is exempted from GST.
(ii)	Maintenance services by Indian Railways to BDRCL (₹6,00,000)	Exempted	As per Notification No. 12/2017, Services of maintenance supplied by Ministry of Railways to SPV's in relation to the said infrastructure built and owned by SPV's, against a consideration during the concession period is exempted from GST.
(iii)	Leasing of commercial space to logistics company (₹8,00,000)	Taxable	Leasing of commercial space is a taxable supply under GST (not covered under exemptions).
(iv)	Freight services by Indian Railways (₹3,00,000)	Taxable	Only transportation of notified goods by Indian railways is exempted. However, construction materials are not covered under notified goods and consequently, such freight collected by railways is taxable.

QUESTION 29

Charm Limited registered under GST in the state of Jharkhand, manufactures cosmetic products and appointed Mr. Handsome of Mumbai, who is registered under GST in the state of Maharashtra, as their Del-credere agency agent (DCA) to sell their products. Being a DCA, he agrees to raise invoices in his own name and also guarantees for the realisation of payment from customers to Charm Limited.

In order to realise the payments from customers on time, he extends short term transaction-based loans to them and charges interest for the same.

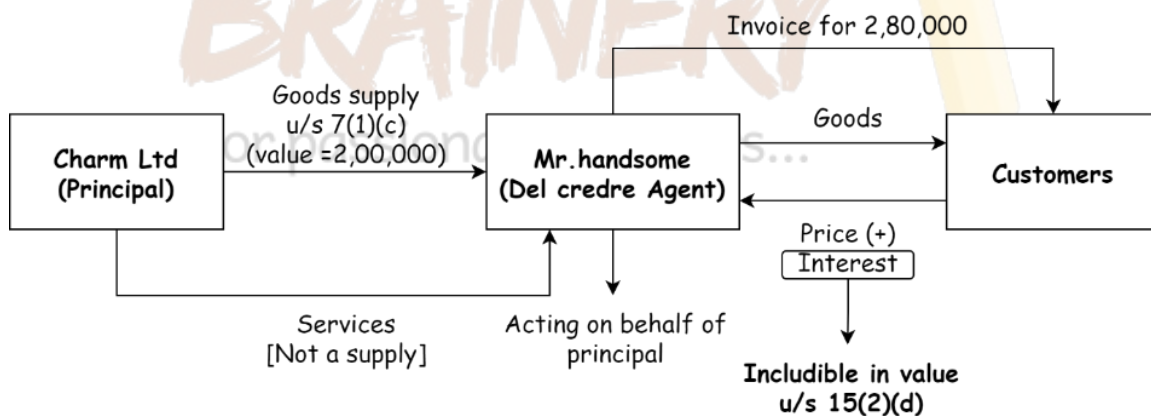
Mr. handsome provides you the following details of transactions carried out during the month of March 2022.

Sl. No	Particulars	Amount in ₹
	Outward Supply:	
i.	Goods sold by MR. Handsome in the DCA capacity (Intra-State transaction)	2,80,000
ii.	Interest earned from the above customers for short term credit facility provided for timely payment of dues. (Intra-State transaction)	20,000
iii.	Commission bill raised on Charm Limited (Inter-State transaction) in respect of DCA services provided.	30,000
	Inward Supply:	
iv.	Inter-State supply of goods received from Charm Limited. Since being a DCA, no consideration was paid. Value under section 15 - ₹ 2,00,000	Nil
v.	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost. Company charges ₹ 75,000 for such training when they provide the same to others	Nil

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amount given above are exclusive of taxes wherever applicable. Subject to the information given above, necessary conditions are complied with for availment of Input Tax Credit.

You are required to calculate the gross GST liability and eligible Input Tax Credit for the month of March 2022 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No (i) to (v).

ANSWER:



I. Computation of Gross GST payable by Mr. Handsome

Particulars	CGST	SGST	IGST
Sale of Goods (Note-1)	2,80,000 × 9% =25,200	2,80,000 × 9% =25,200	
Interest earned from customers (Note-2)	20,000 × 9% =1,800	20,000 × 9% =1,800	
Commission earned from principal (Note-3)			30,000 × 18% =5,400
Gross GST payable	27,000	27,000	5,400

II. Computation of ITC available to Mr. Handsome

Particulars	CGST	SGST	IGST
Inward supply of goods from principal (Note-4)	-	-	2,00,000 × 18% = 36,000
Inward supply of services from principal (Note-5)	-	-	-
Total ITC	-	-	36,000

III. Computation of Net GST payable by Mr. Handsome

Particulars	CGST	SGST	IGST
Gross GST payable	27,000	27,000	5,400
(-) IGST credit utilized	(15,300)	(15,300)	(5,400)
Net GST Payable	11,700	11,700	-

Notes to above:

1. An agent is said to be acting on behalf of principal, if such agent is raising invoice to the buyer in the name of agent. In the present case Mr. Handsome being an agent is raising invoice in his name and it is supply u/s 7(1)(a) and chargeable to GST.
2. As per CBIC circular interest received by DCA from customers treated as interest on account of delay in receipt of consideration and consequently included in the value u/s 15(2)(d), if such DCA is acting on behalf of principal. In the present case, as Mr. Handsome is acting as agent on behalf of charm Ltd by raising invoice in the name of Mr. Handsome, interest earned shall be treated as inclusion in value and chargeable to GST accordingly.
3. Commission earned by Mr. Handsome from charm Ltd. is towards Supply of services as an agent and the same constitutes as supply u/s 7(1)(a) and chargeable to GST. Charm Ltd. can avail ITC on the same.
4. As per Sec. 7(1)(c) read with schedule I of CGST Act, supply of goods by a principal to their agent acting on behalf of principal, constitutes supply and chargeable to GST, even though it is without consideration. In the present case, as Mr. Handsome is acting as agent on behalf of charm Ltd, supply of goods by charm Ltd. to Mr. Handsome, even though without consideration is chargeable to GST and the same can be availed as ITC by Mr. Handsome.
5. Principal - Agent transaction referred to in Sec. 7(1)(c) is only w.r.to goods but not w.r.to services. Therefore, services provided by charm Ltd. to Mr. Handsome, without consideration is not a supply and consequently not chargeable to GST.

QUESTION 30

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

ANSWER:

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

Transaction	Taxability	Liability to pay GST	Aggregate turnover
Renting of residential property in Bengaluru to ABC Pvt. Ltd.	Renting of residential property for commercial purpose is not covered under exemption and consequently it is taxable	As recipient is registered, it is covered under RCM and liability to pay GST is on ABC Pvt. Ltd.	Outward supply under RCM is included in Aggregate turnover.
Renting of commercial property to DEF Pvt. Ltd. (Registered)	Renting of commercial property is not covered under exemption and consequently it is taxable	As the supplier is unregistered and recipient is registered it is covered under RCM and liability to pay GST is on DEF Pvt. Ltd.	Outward supply under RCM is included in Aggregate turnover.
Renting of commercial property to GHI Enterprises	Renting of commercial property is not covered under exemption and consequently it is taxable	As the supplier is unregistered and recipient is also unregistered, it is not covered under RCM. Also, GST not payable as supplier is not required to get registered.	As the same is taxable and covered under FCM, it is included in Aggregate turnover.
Real estate services from Betterhomes LLC (Dubai)	Import of other than OIDAR services by other than NTR is taxable	GST payable by recipient under RCM. Mr. Arjun is compulsorily required to get registered under Sec. 24.	Inward supplies under RCM is not included in ATO.

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

QUESTION 31

Swiggy, a prominent e-commerce operator, collaborates with The Spice House, a restaurant based in Mumbai, for food delivery services. During December 2024, Swiggy incurred input costs of ₹1,00,000 for goods (GST @ 12%) and ₹1,50,000 for services (GST @ 18%). Swiggy's total revenue from food sales amounted to ₹10,00,000 (GST @ 5%, no ITC). Additionally, Swiggy earned ₹5,00,000 as commission, platform fees, advertisement fees, and delivery charges (GST @ 18%). Out of the food sales, 75% of the revenue was shared with The Spice House.

The Spice House also directly sold food worth ₹8,00,000 to customers (GST @ 5%, no ITC).

The restaurant incurred material costs of ₹3,00,000 (GST @ 12%) and service costs of ₹1,00,000 (GST @ 18%). Compute the net GST liability for both Swiggy and The Spice House.

ANSWER:

As per Sec. 9(5) of CGST Act, 2017 supply of food through an e commerce operator is notified for payment of GST by such e commerce operator, whether the supplier is registered or not. Also, as per CBIC circular, Such ECO who is paying GST on supply of food has to pay GST only using electronic cash ledger and they can avail ITC on their inward supplies even though the rate of GST is 5% (Without ITC). However, such ITC cannot be utilized for payment of GST on supply of food but can be utilized for payment of GST on other transactions.

Computation of net GST payable by The Spice House and Swiggy:

Particulars	Restaurant – The Spice House	Swiggy
Gross GST payable	₹8,00,000 × 5% = ₹40,000	₹5,00,000 × 18% = ₹90,000
(-) Input tax credit on inputs	N.A as the rate of GST is 5% without ITC	₹1,00,000 × 12% = (₹12,000)
(-) Input tax credit on input services	N.A as the rate of GST is 5% without ITC	₹1,50,000 × 18% = (₹27,000)
(+) GST payable u/s 9(5) on supply of food [Paid only through Electronic cash ledger]	-	₹10,00,000 × 5% = ₹50,000
Net GST payable	₹40,000	₹1,01,000

Note: Amount received by Restaurant from Swiggy i.e., 75% of ₹10,00,000 is treated as exempted supply to Restaurant.

QUESTION 32

XYZ Ltd., a registered taxpayer in Tamil Nadu, is engaged in manufacturing, trading, and providing consultancy services. During December 2024, the company undertakes the following inward and outward transactions. Determine the POS for each transaction and comment on the nature of supply:

- XYZ Ltd. hires a vessel for transporting goods to Andaman and Nicobar Islands from Sea King Pvt. Ltd. operating within territorial waters, with a rental charge of ₹5,00,000. Sea King Pvt. Ltd. is not having any place of business in India and the vessels are usually anchored in Krishnapatnam Port (Andhra Pradesh).
- An engineering service contract for ₹15,00,000 is provided to a SEZ unit in Telangana, with 70% of the work completed on-site in Telangana and 30% remotely from Tamil Nadu.
- Provides repair services worth ₹15,00,000 to an offshore oil exploration company based in Andhra Pradesh for its oil rig operating in 180 nautical miles in Bay of Bengal and the nearest coastal state is T.N to such oil exploration rig.

ANSWER:

(i) Hire of Vessel for Transport to Andaman and Nicobar Islands:

Location of supplier is determined as per Sec. 9 of IGST Act, 2017 i.e., nearest coastal state i.e., Andhra Pradesh. As both location of supplier and location of recipient is in India, POS determined under Sec. 12 of IGST Act i.e., LOR as per transportation. Therefore, POS is Tamil Nadu and it is interstate supply chargeable to IGST.

(ii) Engineering Service Contract to SEZ Unit in Telangana:

where a supply is made from more than one establishment, whether the place of business (Tamil Nadu) or fixed establishment (Telangana), the location of the establishment most directly concerned with the provision of the supply is the location of supplier. In the present case, as 70% of the work is completed in the site in Telangana, that is considered as the

location of supplier and POS as per general provisions is LOR i.e., Telangana. Even though both LOS and LOR is in Telangana, it is deemed interstate supply as per Sec. 7(5)(b) of IGST Act, 2017 and chargeable to IGST.

(iii) Repair Services to Offshore Oil Rig Operating 180 Nautical Miles in Bay of Bengal:

Oil rig is an immovable structure and repair services to oil rig is services in relation to immovable property. As LOS and LOR is in India, POS under Sec. 12 is Location of property, if the property is located in India. India is upto 200 nautical miles from base line and in this case POS is location of oil rig i.e., 180 nautical miles from base line and nature of supply is deemed interstate as per Sec. 7(5)(c) i.e., supply in taxable territory but not specified elsewhere in Sec. 7 of IGST Act.

QUESTION 33

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

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

Based on the above, answer the following questions:

- What is the date on which Mr. Ritesh is liable to get registered?
- Whether Mr. Rithesh can opt for composition scheme during financial year 2024-25?

What is the GST payable by Mr. Rithesh based on the above data if he opts for composition scheme for the financial year 2024-25?

ANSWER:

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

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

As the ATO of Mr. Rithesh exceeds ₹40 lakhs on Feb 5th 2025, they are liable to get registered on that date and w.r.to Invoice 009 onwards GST is payable.

- (i) As per Sec. 10(1) of CGST Act, 2017 a person can opt for composition scheme, if their ATO during previous year does not exceed ₹150 lakhs. As Mr. Rithesh commences business during the current year, their aggregate turnover during previous year does not exceed ₹150 lakhs and he can opt for composition scheme for the current year 2024-25.
- (ii) If Mr. Rithesh opts for composition scheme, he is required to pay 0.5% CGST and 0.5% SGST on taxable turnover and while computing the turnover for payment of GST under composition scheme, supplies from 1st April of the financial year till the date the person is liable to register should not be considered and therefore, GST payable on 28,00,000. CGST payable = ₹14,000 and SGST payable = ₹14,000. TCS deducted by ECO can be adjusted against GST payable.

QUESTION 34

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

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

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

ANSWER:

As per Rule 28 of CGST Rules, The value of the supply of goods or services or both between related persons, shall- (a) be the open market value of such supply; (b) if the open market value is not available, be the value of supply of goods or services of like kind and quality; (c) if the value is not determinable under clause (a) or (b), be the value as determined by the application of rule 30 or rule 31, in that order:

Provided that where the goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to ninety percent of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person: Provided further that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods or services

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

Therefore, in the present case value shall be determined as per Rule 30, which is 110% of cost i.e., ₹1,100 and ₹880 for the sensor and microcontroller respectively.

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

QUESTION 35

XYZ Pvt. Ltd., a construction company based in India, undertakes large-scale infrastructure projects. XYZ Pvt. Ltd. entered into a contract with DEF Ltd. for constructing a commercial building. The contract details and timeline of events are as follows:

Contract Details: -

- Total Contract Value: ₹20 Crores (Paid by DEF Ltd. on the date of contract i.e., January 1st 2023)
- Duration: 24 months
- Payment Terms: Milestone-based payments
- Applicable GST Rate: Initially 18%, changed to 20% during the contract period. Change in rate w.e.f August 1, 2023 (from 18% to 20%)
- Contract commencement date: January 1st 2023.

Milestone event	Date of completion of milestone event	Date of invoice
1	June 30, 2023	July 5, 2023
2	Dec 31, 2023	Jan 5, 2024
3	June 30, 2024	July 5, 2024
4	Dec 31, 2024	Jan 5, 2025

During the project, XYZ Pvt. Ltd. encountered issues leading to the cancellation of a portion of the contract. As a result, DEF Ltd. requested a refund of the GST paid on the cancelled portion.

Cancellation Details: -

- Cancelled Portion Value: ₹5 Crores
- Cancellation Date: October 1, 2024

You are required to determine the applicable rate of GST w.r.to each milestone event and what is the amount of refund payable to the recipient.

ANSWER:

As per Sec. 31(5) of CGST Act, in case of continuous supply of service, if payment of instalment is linked to completion of event, invoice should be issued as and when the event to which the payment linked is completed. Also, as per Sec. 13(2) of CGST Act, in case of services under FCM, if the invoice is not issued within the time limit for issuance of invoice, Time of supply is the date of completion or date of payment whichever is earlier.

As per Sec. 14(b), if the supply is after change in rate, but payment is before change in rate and invoice is after change in rate, TOS is invoice or payment date whichever is later.

Milestone event	Date of completion	Due date of invoice	Actual date of invoice	Date of payment	Applicable Section	Time of supply	Applicable rate of GST
1	30/6/2023	30/6/2023	5/07/2023	1/1/2023	Sec. 13(2)	1/1/2023	18%
2	31/12/2023	31/12/2023	5/01/2024	1/1/2023	Sec. 14(b)	5/1/2024	20%
3	30/6/2024	30/6/2024	5/07/2024	1/1/2023	Sec. 14(b)	5/7/2024	20%
4	31/12/2024	31/12/2024	5/01/2025	1/1/2023	Sec. 14(b)	5/7/2024	20%

GST payable on advance = ₹20 Crores X 18% = ₹3.6 Crores.

Credit note to be issued for the cancelled portion as per Sec. 34 of CGST Act = ₹5 Crores + GST at 18% = ₹5.9 Crores (Credit note is issued within the time limit)

QUESTION 36

Rudra Ltd. Raised invoice for services of ₹1,00,000 (Excl. GST @ 18%) on 15/9/2023 and reported the same in their GSTR – 1 of September 2023 filed on 11/10/2023. Abhi Ltd., who is recipient of such services availed ITC in GSTR 3B of September 2023 filed on 18/10/2023 and utilized the same in GSTR 3B of Nov 2023 filed on 20/12/2023. Rudra Ltd. Has not filed GSTR 3B w.r.to September 2023 and Abhi Ltd. Reversed the ITC in GSTR 3B of Dec 2024 filed on 17/01/2025. Compute interest payable by Abhi Ltd. And consequences w.r.to ITC, if Rudra Ltd. Files GSTR-3B of September 2023 on 18th Feb 2025, and discuss whether any interest is payable by Rudra Ltd. Assuming no other transactions are there for Rudra Ltd.?

ANSWER:

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

Interest computed on ₹ 1,00,000 × 18% = ₹ 18,000

Interest from the date of Utilization = 20/12/2023

Interest till the date of reversal = 17/01/2025

No of days = 394 days

Interest payable = ₹ 18,000 × 18% × 394/366 = ₹ 3,488/-

When Rudra Ltd files GSTR-3B of Sept 2023 on 18th February 2025, ITC reversed by Abhi Ltd can be re-availed in the GSTR 3B of Feb 2025 filed on 20/03/2025, even though the time limit for availing ITC is expired, as the time limit for availing ITC is not applicable in case of re-avilment of ITC reversed earlier. However, interest of ₹ 3,488/- cannot be availed.

AS GSTR-3B is filed late by is filed late by Rudra Ltd., they need to pay interest @ 18% pa.. from the due date of GSTR – 3B i.e. 20/10/2023 till the date of filing GSTR – 3B i.e., 18/02/2025. Interest payable for 487 days i.e., ₹18,000 × 18% × 487/366 = ₹4,311.

QUESTION 37

M/s OmniTech Manufacturing Pvt. Ltd., a registered taxpayer under GST, is engaged in the manufacturing and trading of industrial machinery. The company operates three manufacturing units and two warehouses, with multiple transactions involving domestic sales, exports, and supplies to SEZs.

During January 2025, M/s OmniTech encountered several compliance issues related to accounts and records maintenance, and the GST department issued a notice under Section 35 of the CGST Act, 2017, citing irregularities in record-keeping.

Determine whether GST authorities can demand tax on unaccounted goods found at the warehouse and the legal provisions supporting such an action. Whether any penalty is levied in such case?

ANSWER:

According to Sec. 35(1) of CGST Act, 2017, every registered person is required to maintain true and correct accounts of various aspects such as production, inward and outward supply, stock of goods, input tax credit availed, output tax payable and paid, and other prescribed particulars. Also, as per Sec. 35(6) of CGST Act, where the registered person fails to account for the goods or services or both in accordance with the provisions of sub-section (1), the proper officer shall determine the amount of tax payable on the goods or services or both that are not accounted for, as if such goods or services or both had been supplied by such person and the provisions of section 73 or section 74 shall be applicable.

In the present case, Department can issue notice under Sec. 73 or Sec. 74 by considering such unaccounted goods as supplied and accordingly initiate to levy penalty in terms of such section. Penalty is 10% of tax determined or ₹10,000, whichever is higher under section 73 and penalty is 100% of tax determined or ₹10,000, whichever is higher under section 74.

QUESTION 38

M/s GreenField Agro Pvt. Ltd., an unregistered entity under GST, specializes in the cultivation and supply of organic herbs. The company plans to introduce a new product line: herbal extracts intended for use in the pharmaceutical industry. Given the ambiguity in tax rates for such products, M/s GreenField Agro seeks clarity on the applicable GST rate before launching the product.

- (i) Assess whether M/s GreenField Agro Pvt. Ltd. qualifies to apply for an advance ruling under GST provisions.
- (ii) Determine the statutory period within which the Advance Ruling Authority is required to provide a decision once the application is submitted.
- (iii) Discuss the extent to which the advance ruling will be binding on M/s GreenField Agro Pvt. Ltd. and the GST authorities.
- (iv) If dissatisfied with the advance ruling, explain the process through which M/s GreenField Agro can appeal against the decision, including the appellate authority to be approached and the timeframe for filing such an appeal.

ANSWER:

- (i) As per Section 95(a) of the CGST Act, 2017, any registered taxpayer or a person intending to register can apply for an Advance Ruling. M/s GreenField Agro is an unregistered GST entity but making supply of goods and intending to register can apply for advance ruling.
- (ii) As per Section 98(6) of the CGST Act, 2017, the Authority for Advance Ruling (AAR) must provide a ruling within 90 days from the receipt of a complete application.
- (iii) The ruling is binding on M/s GreenField Agro Pvt. Ltd. (the applicant) and The GST Department (tax authorities) for that applicant, till the time there is no change in law.
- (iv) If M/s GreenField Agro is not satisfied with the ruling, it can appeal under Section 100 of CGST Act to the Appellate Authority for Advance Ruling (AAAR).

Steps to File an Appeal:

- File Form GST ARA-02 with a fee of ₹10,000.
- The appeal must be filed within 30 days from the date of the ruling.
- The AAAR must issue its decision within 90 days.
- The AAAR ruling is final unless challenged in the High Court or Supreme Court through writ petition.

QUESTION 39

Poorva Impex Ltd., a registered entity under GST in the State of Maharashtra, is engaged in making various supplies. It is not engaged in agricultural operations. Poorva Impex Ltd., India is a subsidiary of Poorva Inc., an entity incorporated in USA, engaged in providing information technology services to customers in India. It provides the following information for the month of April:

S. No.	Particulars	Amount (₹)
	OUTWARD SUPPLY:	

(i)	Undertook the promotion and marketing of information technology services on principal-to- principal basis in India for Poorva Inc.	20,00,000
(ii)	Printed letter cards supplied to Subhashini Enterprises, registered in Maharashtra. A logo depicting the vision of the firm was to be imprinted on each letter card and said logo was provided by the firm. Material cost was ₹ 8,00,000 and printing cost was ₹ 72,000.	8,72,000
(iii)	Supplied raw cotton to Dhruvtara Traders, registered in Maharashtra. The raw cotton was purchased from the local farmers during the previous month.	5,00,000
(iv)	Supplied maintenance services to Municipal Corporation of Greater Mumbai which has awarded a contract of maintenance of street-lights in Greater Mumbai Municipal area. Maintenance work involved the replacement of defunct lights and other spares. [Out of total value of supply of ₹ 1,20,000, value of defunct lights and other spares replaced is ₹ 32,000.]	1,20,000
(v)	Given on hire 10 cars (seating capacity of 5 persons including driver) to Gujarat State Road Transport Corporation (GSRTC)	3,00,000
	INWARD SUPPLY:	
(i)	Purchased processing machines from Bobby & Co., registered under GST, in the State of Gujarat. Machines were bought in "as is where is condition" at Gujarat to produce taxable items.	5,00,000
(ii)	Purchased metal scrap (covered under Chapter 72) from Mansukh Traders of Maharashtra, an unregistered person, to be used in manufacturing process	2,00,000
(iii)	Procured information technology services for its business through electronic mode from Thomas Inc., a company located in Germany	1,50,000
(iv)	A machinery to be used for manufacturing was sent to George Inc., USA for carrying out repair work on the same. The consideration to George Inc. was paid for such repair work. Machine was received after repair, in the month of May.	5,00,000

The company provided the following additional information:

- (i) Poorva Inc., USA provided a corporate guarantee of ' 1.5 crore on behalf of Poorva Impex Ltd. to Manimani Bank, Maharashtra, free of cost.
- (ii) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of services and rates of CGST, SGST and IGST are 6%, 6% and 12% respectively for both inward and outward supply of goods, except in case of supply of raw cotton where the applicable rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% and in case of supply of metal scrap where the applicable rates of CGST, SGST and IGST are 9%, 9% and 18%
- (iii) All the amounts given above are exclusive of taxes, wherever applicable.
- (iv) There was no opening balance of any ITC for the relevant period.
- (v) All exports made by Poorva Impex Ltd. are through furnishing of LUT without payment of IGST.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST or IGST, as the case may be) for the month of April for the Poorva Impex Ltd., Maharashtra.

ANSWER:

Computation of minimum net GST payable in cash for the month of April

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Promotion and marketing of information technology services to Poorva Inc. [Since the place of supply of promotion and marketing services is the location of recipient - Poorva Inc., viz, outside India, they qualify as export of services by Poorva Impex Ltd. to Poorva Inc. since all the conditions of section 2(6) of the IGST Act, 2017 are complied with ¹ . Further, all exports made by Poorva Impex Ltd. are through furnishing of LUT without payment of IGST.]	20,00,000	-	-	-
Supply of printed letter cards [Since letter cards are supplied by the printer using its own physical inputs to print the logo supplied by the recipient, it is a composite supply wherein the predominant/ principal supply is supply of goods. It is an intra-State supply since the place of supply is Maharashtra being the location where movement of goods terminates, in terms of section 10(1)(a).]	8,72,000	52,320 [8,72,000 × 6%]	52,320 [8,72,000 × 6%]	
Supply of printed letter cards [Since letter cards are supplied by the printer using its own physical inputs to print the logo supplied by the recipient, it is a composite supply wherein the predominant/ principal supply is supply of goods. It is an intra-State supply since the place of supply is Maharashtra being the location where movement of goods terminates, in terms of section 10(1)(a).]	8,72,000	52,320 [8,72,000 × 6%]	52,320 [8,72,000 × 6%]	
Intra-State supply of raw cotton [Taxable under forward charge in terms of Notification No. 4/2017 CT (R) dated 28.06.2017. Reverse Charge mechanism is not applicable since here, raw cotton is being sold by a person other than agriculturist.]	5,00,000	12,500 [5,00,000 × 2.5%]	12,500 [5,00,000 × 2.5%]	
Maintenance services provided to Municipal Corporation of Greater Mumbai [Taxable, since the value of supply of goods constitutes more than 25% of the value of	1,20,000	10,800 [1,20,000 × 9%]	10,800 [1,20,000 × 9%]	

¹ Holding company and Subsidiary company are not considered as "merely establishments of a distinct person" for the purpose of complying with the conditions of export of service, in terms of Circular No. 161/17/2021 GST dated 20.09.2021.

composite supply of goods and services provided to the local authority [Notification No. 12/2017 CT (R) dated 28.06.2017]. Further, principal supply is supply of maintenance services. It is an intra-State supply since the place of supply is Maharashtra being location of the recipient, in terms of section 12(2) of the IGST Act, 2017.]				
Inter-State service of giving motor vehicles on hire [Services by way of giving on hire to a State Transport Undertaking (STU), a motor vehicle are exempt only when such motor vehicle is meant to carry more than 12 passengers. Thus, in the given case, service of giving cars on hire is not exempt [Notification No. 9/2017 IT (R) dated 28.06.2017]. Further, it is an inter-State supply as place of supply being location of recipient is Gujarat, in terms of section 12(2) of the IGST Act, 2017.]	3,00,000			54,000 [3,00,000 × 18%]
Total output tax		75,620	75,620	54,000
Less: ITC available for set off [Refer working note] [ITC of IGST is utilized for payment of IGST liability and ITC of CGST and SGST is utilized for payment of CGST and SGST liability respectively.]		(18,000)	(18,000)	(54,000)
Net GST		57,620	57,620	Nil
GST payable under reverse charge				
Metal scrap purchased [Tax on metal scrap purchased by a registered person from an unregistered person is payable under reverse charge in terms of Notification No. 4/2017 CT (R) dated 28.06.2017.]	2,00,000	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]	
Information technology services procured from Thomas Inc. through electronic mode [Tax on information technology services imported is payable under reverse charge vide Notification No. 10/2017 IT (R) dated 28.06.2017.]	1,50,000			27,000 [1,50,000 × 18%]
Corporate guarantee provided by Poorva Inc. [Where corporate guarantee is provided by the foreign/ overseas entity for a related entity located in India, GST would be payable under reverse charge mechanism, by the recipient of service, i.e., the related entity located in India.]	1,50,000			27,000 [1,50,000 × 18%]
Total net GST payable in cash		75,620	75,620	54,000

Working Note - Computation of eligible ITC available for set off

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Machines purchased [It is intra-State supply since place of supply in case of goods not involving movement of goods is location of goods at the time of delivery to recipient, viz. Gujarat, in terms of section 10(1)(c) of the IGST Act, 2017. However, ITC of the same will not be available since the recipient of said intra-State supply is located in a different State / UT than that of place of supply ² .]	Nil			
Metal scrap purchased [It is intra-State supply since place of supply is Maharashtra being the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, in terms of section 10(1)(a) of the IGST Act, 2017. ITC is available since said goods are being used in course or furtherance of business.]	2,00,000	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]	
Information technology services procured from Thomas Inc. [The place of supply is Maharashtra being location of the recipient, in terms of section 13(2) of the IGST Act, 2017. Supply of any services where supplier is outside India and the recipient and place of supply is in India, qualifies as import of services. Further, in case of import of service, tax is payable by the person importing such service vide Notification No. 10/2017 IT (R) dated 28.06.2017. ITC is available since said services are being used in course or furtherance of business.]	1,50,000			27,000 [1,50,000 × 18%]
Machinery sent for carrying out repair work to George Inc. [Since the place of supply of repair services is outside India being the location where the services are actually performed in terms of section 13(3) of the IGST Act, 2017, said services are not amenable to tax.]	Nil			
Corporate guarantee provided by Poorva Inc. [If a supplier gives a corporate guarantee on behalf of a related party located in India	1,50,000			27,000 [1,50,000 × 18%]

² Circular No. 170/02/2022 GST dated 06.07.2022

for securing of credit facilities from a bank/financial institution by such related party, the value of service is 1% of the amount of guarantee offered per annum or actual consideration, whichever is higher, i.e. 1% of ₹ 1.5 crore. Further, ITC is available since said services are being used in course or furtherance of business.				
Eligible ITC available for set off [ITC on goods and services issued for making taxable outward supplies including zero-rated supplies (promotion and marketing of information technology services provided to Poorva Inc.) is fully eligible for set-off, in terms of section 17.]		18,000	18,000	54,000

QUESTION 40

Jigar Infra Ltd., a registered supplier under GST in the State of Kerala, is engaged in the construction business. He availed legal services relating to a business dispute and paid ₹ 7,00,000 as consideration for the same.

He also purchased construction materials amounting to ₹ 15,00,000 from Chirag Steels Ltd., registered in the State of Andhra Pradesh. Further, for transport of materials, it purchased a new truck from a dealer in Cochin, Kerala by making payment of ₹ 12,00,000.

It provides the following information relating to its outward supply for the month of April:

S. No	Particulars	Amount (₹)
(i)	Purchased goods from a party in Taiwan. Sold the goods to a party in Turkey without bringing the goods to India. Purchase value was ₹ 5,00,000 and the sale price was ₹ 7,00,000. (The figures in rupees have been given after conversion though transaction was in convertible foreign currency).	
(ii)	Transferred one load of tiles to its branch in Cochin, Kerala, from its head office at Trivandrum, Kerala. Both places are under the same GST registration.	7,50,000
(iii)	Provided pure labour services of construction of single commercial unit not forming part of any complex to a customer in Bengaluru (Karnataka).	15,00,000
(iv)	Supplies a consignment of marbles in the territorial waters to Surya Builders LLP. The said territorial waters is located at a distance of 11 nautical miles from the baseline of State of Kerala and 12 nautical miles from the baseline of State of Tamil Nadu.	6,00,000
(v)	Received an advance for future supplies of goods and services from a customer in Kerala. Out of such advance 70% is related to future supplies of services.	7,00,000

The company provided the following additional information:

- Paid ₹ 6,00,000 as remuneration to an independent director based at Cochin during the month.

- (ii) The company claimed depreciation under the Income-tax Act, 1961 on the new truck purchased including all applicable taxes.
- (iii) E-invoice portal shows that Chirag Steels Ltd.'s GST number is liable to issue e-invoice. However, the supplier did not issue e-invoice and issue a manual invoice. The invoice was reflected in GSTR-2B.
- (iv) Turnover of Jigar Infra Ltd. for the previous financial year was ₹ 180 lakh.
- (v) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.
- (vi) All the amounts given above are exclusive of taxes wherever applicable.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST or IGST, as the case may be) for the month of April. Reason for treatment needs to be given.

ANSWER:

Computation of minimum net GST payable in cash by Jigar Infra Ltd. for April

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge			
Goods purchased from Taiwan sold in Turkey without bringing into India [Neither treated as supply for goods nor as supply of services.]			
Transfer of tiles to branch within Kerala [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person]			
Inter-State supply of pure labour services for construction of single commercial unit in Bengaluru [Services by way of pure labour contracts of construction of original works pertaining to a single residential unit otherwise than as a part of a residential complex is exempt. Hence, such services in relation to a commercial unit shall be taxable.]			2,70,000 [15,00,000 × 18%]
Supply of consignment in territorial waters [Where the supply is in the territorial waters, the place of supply is deemed to be in the coastal State where the nearest point of the appropriate baseline is located. Therefore, place of supply will be in Kerala being nearer to base line and hence, supply will be intra-State supply]	54,000 [6,00,000 × 9%]	54,000 [6,00,000 × 9%]	
Receipt of advance from customer in Kerala [Tax will be payable only on advance for services. In case of goods, tax is payable at the time of issuance of invoice and not at the time of receipt of advance.]	44,100 [7,00,000 × 70% × 9%]	44,100 [7,00,000 × 70% × 9%]	
Total output GST	98,100	98,100	2,70,000
Less: Input tax credit [Refer working note below] [CGST credit be first utilized for payment of CGST liability and	98,100	98,100	18,900 (CGST)

then for payment of IGST liability in that order. Similarly, SGST credit be first utilized for payment of SGST liability and then for payment of IGST liability in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	-	-	18,900 (SGST)
Net output GST payable in cash [A]	Nil	Nil	2,32,200

GST payable under reverse charge			
Tax on legal services is payable under reverse charge by the recipient of service	63,000	63,000	
Tax on remuneration paid to director is payable under reverse charge by the recipient of the service.	<u>54,000</u>	<u>54,000</u>	
GST payable in cash under reverse charge [B] [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]			
Minimum net GST payable in cash [A] + [B]	<u>1,17,000</u>	<u>1,17,000</u>	2,32,200

Working Note:

Computation of ITC available with Jigar Infra Ltd. for April

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Goods purchased from Taiwan [No ITC since tax is not payable as goods do not become part of the landmass of the country.]	-	-	-
Services of an arbitral tribunal [Services provided by an arbitral tribunal to a business entity with an aggregate turnover up to threshold limit of registration in the previous financial year are exempt from GST. Thus, services provided by the arbitral tribunal to Jigar Infra Ltd., a business entity whose aggregate turnover in the previous financial year exceeds the applicable threshold limit for registration [viz. ₹ 20 lakh, being a supplier of goods and services in the State of Kerala] shall be liable to tax. Further, being services used in the course of furtherance of business, ITC shall be available thereon.]	63,000 [7,00,000 × 9%]	63,000 [7,00,000 × 9%]	
Purchase of materials from Chirag Steels Ltd. [An e-invoice without IRN is not treated as invoice and hence, without a valid document, ITC cannot be claimed on such inputs]	-	-	
Purchase of truck [Motor vehicle used for transportation of goods is eligible for credit. However, since depreciation has been claimed on applicable taxes as well, ITC of tax paid on purchase of such truck cannot be claimed.]	-	-	
Payment of remuneration to independent director based at Cochin	54,000 [6,00,000 × 9%]	54,000 [6,00,000 × 9%]	

[Services provided by employee to employer in the course of his employment are not a supply. However, independent director is not an employee of the company and hence, remuneration paid to him is taxable. Further, being services used in the course of furtherance of business, ITC shall be available thereon.]			
Total ITC	1,17,000	1,17,000	

QUESTION 41

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

However, the Department does not agree with the order passed by the High Court and contends that the said activity amounts to supply under GST. The Department wants to file an appeal before the Supreme Court relating to the dispute pertaining to demand of tax, interest and penalty. You are required to examine whether appeal can be filed by the Department in the given case. Will your answer change, in case matter is related to valuation of services instead of determining whether the said activity amounts to supply?

ANSWER:

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

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

Further, where the dispute pertains to demand of tax (with or without penalty and/or interest), the aggregate of the amount of tax in dispute (including CGST, SGST/UTGST, IGST and Compensation Cess) only shall be considered while applying the monetary limit for filing appeal, viz.

₹ 1.2 crore (amount of tax only) in the given case. Thus, appeal cannot be filed by the Department to Supreme Court in the given case as the amount involved as per the circular does not exceed the monetary limit of ₹ 2 crore.

However, the circular further provides that the monetary limits specified above for filing appeal or application by the Department before GSTAT or High Court and for filing Special Leave Petition or appeal before the Supreme Court shall not be applicable in the following circumstances where the decision to file appeal shall be taken on merits irrespective of the said monetary limits:

- (i) Where any provision of the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act has been held to be ultra vires to the Constitution of India; or
- (ii) Where any rules or regulations made under the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act have been held to be ultra vires the parent Act; or
- (iii) Where any order, notification, instruction, or circular issued by the Government or the Board has been held to be ultra vires of the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act or the rules made thereunder; or

- (iv) Where the matter is related to -
- valuation of goods or services; or
 - classification of goods or services; or
 - refunds; or
 - place of supply; or
 - any other issue,

which is recurring in nature and/or involves interpretation of the provisions of the GST law/ the Rules/ notification/ circular/ order/ instruction etc.; or

- (v) Where strictures/adverse comments have been passed and/or cost has been imposed against the Government/Department or their officers; or
- (vi) Any other case or class of cases, where in the opinion of the Board, it is necessary to contest in the interest of justice or revenue.

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

QUESTION 42

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

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

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

The customs authorities are of the opinion that since value as per rule 7 can be determined at ₹ 5,00,000, there is no need to apply rule 8.

Can the request of Mr. Manmeet be legally acceptable? If so, compute the assessable value under the Customs Act, 1962.

ANSWER:

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

Assuming that the request of Mr. Manmeet has been approved by the proper officer, the assessable value of the imported goods under rule 8 will be the sum of-

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

Computation of assessable value

Particulars	Amount (\$)
Cost of materials	2,000
Add: Fabrication charges	1,000
Other chargeable expenses	400
Other indirect costs	250
Cost of the goods at Mr. Harbhajan's factory	3,650
Add. Net profit margin @ 20% of FOB, i.e. 25% of total cost Total cost till US port = Cost of the goods at factory + Freight from factory to US port and loading charges at US port = \$ 4,000 [\$ 3,650 + \$ 250 + \$ 100] FOB value = Total cost till port + profit = \$ 5,000 (\$ 4,000 + \$ 1,000)	1,000
Add. Freight & loading/unloading charges [In case of import by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation are restricted to 20% of FOB value]	1,000
Insurance charges	50
Assessable value	5,700
Particulars	Amount (₹)
Assessable value in Indian Rupees (Exchange rate - ₹ 85 per \$)	4,84,500

QUESTION 43

Green Peppers Company imported goods valued at ₹ 20,00,000 vide a Bill of Entry presented before the proper officer on 15th July, on which date the rate of customs duty was 10%. Green Peppers Company has produced all the necessary documents and furnished full information. However, the proper officer deemed it necessary to make further enquiry and therefore, the same were provisionally assessed at a value of ₹ 20,00,000 and Green Peppers Company paid provisional duty of ₹ 2,00,000 on the same date.

Determine the amount of interest payable, if any, under section 18 of the Customs Act, 1962 provided that:

- Green Peppers Company voluntarily pays duty of ₹ 50,000 on 20th August.
- Final duty is assessed on 31st August at ₹ 3,00,000.
- Green Peppers Company pays balance duty on the date of assessment of final duty.

ANSWER:

Section 18 of the Customs Act, 1962 further stipulates that the importer is liable to pay interest, on any amount payable consequent to the final assessment order @ 15% p.a. from the first day of the month in which the duty is provisionally assessed till the date of payment thereof.

Accordingly, amount of interest payable will be:

$$= [\text{₹ } 50,000 \times 15\% \times 51/365] + [\text{₹ } 50,000 \times 15\% \times 62/365]$$

$$= \text{₹ } 1,048 + \text{₹ } 1,274 = \text{₹ } 2,322$$

QUESTION 44

XYZ Manufacturing Pvt. Ltd. imports aluminum products from China. It has recently been reported that the government of China provides substantial subsidies to its aluminum producers, including direct grants and tax rebates. XYZ Manufacturing imports a consignment of aluminum sheets from China. The government of China provides a subsidy of \$100 per metric ton of aluminum in the form of a direct grant to the producers. Following the imposition of the countervailing duty, XYZ Manufacturing begins importing aluminum coils from Vietnam. However, during an inspection, it is discovered that these coils were initially produced in China, exported to Vietnam, and then re-exported to India. Six months after the countervailing duty was imposed, the Central Government observes that the export price of aluminum sheets from China has decreased by 10%, but the resale price in India has not decreased proportionately. Answer the following independent questions applying Section 9 of Customs Tariff Act, 1975:

- (i) Can the Central Government levy countervailing duty in the present case?
- (ii) What is the maximum duty that can be levied?
- (iii) What will be your answer if XYZ Manufacturing is a 100% EOU?
- (iv) Can they apply the measures to aluminum coils imported from Vietnam?
- (v) What action central government can do, if the export price got reduced after 6 months?

ANSWER:

- (i) Yes, the Central Government can levy countervailing duty on the aluminium sheets imported from China, as the government of China is providing a subsidy of \$100 per metric ton.
- (ii) The maximum duty that can be levied is equal to the subsidy amount, which is \$100 per metric ton.
- (iii) If XYZ Manufacturing is a 100% EOU, the countervailing duty generally does not apply unless the goods are cleared into the DTA or the duty is specifically made applicable.
- (iv) Measures can be applied to aluminium coils imported from Vietnam if it is found that they were originally produced in China and re-exported to India to circumvent the duty.
- (v) If the export price is reduced after 6 months, the Central Government can modify the duty to counter the absorption and ensure the effectiveness of the countervailing measure.

QUESTION 45

Kankan Corp had imported a machine from USA for ₹ 365 lakh on payment of appropriate Customs Duty in February. However, in July, the machine had to be sent back to the supplier for repair (not amounting to manufacture) from the factory of Kankan Corp. This machine was repaired and thereafter, re-imported by Kankan Corp in November next year. The supplier has agreed to provide discount of 60% of the fair cost of repairs, resulting in Kankan Corp paying USD 12,000.

Following further particulars are available:

Particulars	Date	Rate of Duty	Rate notified by Inter Bank Exchange rate (IBEC)	Rate notified by Central Board of Indirect Taxes & Customs (CBIC)
Bill of Entry	21 st February	12%	61.40	62
Aircraft Arrival	26 th February	15%	62.50	63.25

Integrated Tax is leviable @ 12%.

Particulars	Outwards (Amount in ₹)	Inwards (Amount in ₹)
Insurance	23,000	27,000
Air Freight	93,500	1,06,500

Determine the total Duty Payable with appropriate notes for your Computation assuming that Kankan Corp is not an EOU?

ANSWER:

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

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

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

Computation of total Duty payable by Kankan Corp.

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

Notes:

- Rate of Exchange Notified by the CBIC on date of presentation of Bill of Entry would be the applicable rate in terms of **third proviso to Section 14(1) of the Customs Act, 1962**.
- Rate of Duty is the Rate in force on date of presentation of Bill of Entry or Arrival of Aircraft, whichever is later in terms of **proviso to section 15(1) of the Customs Act, 1962**.
- Restriction of 20% of FOB in case of air freight is not applicable for computation of Customs Duty under **Section 20 read with Notification 45/2017**.

QUESTION 46

Gregory Peg of Foreign Origin has come on travel visa, to tour in India. He carries with him, as part of Baggage, the following:

Particulars	Value in (₹)
Travel Souvenir	85,000
Other Articles carried on in person	1,50,000
120 sticks of cigarettes of ₹ 100 each	12,000
Fire Arms with 100 Cartridges (value includes the value of Cartridges at @ ₹ 500 per Cartridge)	1,00,000

Determine Customs Duty payable, if the effective rate of Customs Duty is 38.50% inclusive of Social Welfare Surcharge, with short explanations where required.

ANSWER:

As per Rule 3 of Baggage Rules, 2016, tourist of foreign origin, excluding infant, is allowed Duty Free clearance of

- (i) travel souvenirs; and
- (ii) Articles up to the value of ₹ 15,000 (excluding inter alia fire arms, cartridges of fire arms exceeding 50 and cigarettes exceeding 100 sticks), if carried on in person.

<u>Computation of Customs Duty payable</u>	<u>₹</u>
Travel souvenir	Nil
Articles carried on in person	1,50,000
Cigarettes [100 sticks can be accommodated in General Free Allowance (GFA)]	10,000
Fire arms cartridge (50 cartridges can be accommodated in GFA) (i.e., 50 x ₹500)	25,000
Baggage that can be accommodated in GFA	1,85,000
Less: GFA	(15,000)
Baggage on which Duty is payable	1,70,000
Duty payable @ 38.50% (including 10% Social welfare Surcharge)	65,450

Note:

Fire arms, cartridges of firearms exceeding 50 and cigarettes exceeding 100 sticks are not chargeable to rate applicable to baggage [Notification No. 26/2016 Customs dated 31.03.2016]. These items are charged @ 100% to baggage under Heading 9803 of the Customs Tariff. Therefore, CD Payable on fire arms & cartridges in excess of 100 & cigarettes in excess of 50 shall be ₹ 77,000 (₹ 75,000 + 2,000) × 110% = ₹ 84,700
 ₹ 75,000 = 500/cartridge × 50 cartridges (₹ 25,000) + Fire Arms (₹ 50,000)

QUESTION 47

M/s. AMTL Ltd. Kolkata imported CNC Grinding machine from Catalyst Inc. USA complete with accessories and spares in October 2021 for use in the manufacture of high precision micro tools. Basic cost of machine with accessories US \$ F.O.B. 50,000. Catalyst Inc. supplied one extra set of accessories valued at US \$ 2000 free of cost to cover for transit damage.

Other details available were as follows:

Sl. No.	Particulars	Amount
1	Warranty Cost payable to Catalyst Inc. (not included in the cost of the Machine i.e., US \$ 50,000)	US \$ 4,500
2	Design & Development charges paid in USA (not included in the cost of the Machine i.e., US \$ 50,000)	US \$ 6,000
3	Licence Fee, AMTL is required to pay in USA	US \$ 1,000
4	Value of Drawings supplied by AMTL Ltd. Kolkata free of cost and is necessary for customizing machine to the needs of AMTL Ltd. Kolkata	US \$ 1,000
5	Freight by Air	US \$ 15,000
6	Buying Commission paid to Indian Agent in India	₹ 30,000

Bill of Entry presented on 10-11-2021 and the Rate of exchange notified by CBIC on this date was ₹ 66.25 per US \$ and rate of BCD was 7.5%. Date of Arrival of Aircraft was 06-11-2021 and Rate of exchange notified by CBIC on this date was ₹ 66.50 per US \$ and rate of BCD was 7.5%

Machine was insured but insurance premium was not shown/available in/from the invoice. From the above particulars, compute the Assessable Value for purpose of Customs Duty payable. Make suitable assumptions wherever required. Working notes should form part of your answer.

Note: Custom Duty calculations need not shown.

ANSWER:

<u>Computation of Assessable Value</u>	
<u>Particulars</u>	<u>Amount (\$)</u>
Value of machine with accessories	50,000.00
Add: Extra set of accessories supplied free of cost to cover for transit Damage [Note-1]	Nil
Buying Commission [Note-2]	Nil
Warranty Cost[Note-3]	4,500.00
Design and Development Charges[Note-3]	6,000.00
License Fee[Note-3]	1,000.00
Value of Drawings supplied by AMTL Ltd. [Note-3]	1,000.00
FOB Value	62,500.00
Add: Air Freight restricted to 20% of \$ 62,500 [Second Proviso to Rule 10(2) of the Customs Valuation Rules,2007]	12,500.00
Insurance (Unascertainable insurance charges added @ 1.125% Of \$62,500) [Clause (iii) of first proviso to rule 10(2) of Customs Valuation Rules, 2007]	703.12
CIF Value =	75,703.12
Assessable value in US \$	75,703.12
Exchange rate is ₹ 66.25 per \$ [Note-5]	
<u>Assessable value in rupees</u>	<u>₹50,15,332</u>

Notes:

- 1) **Sale price of machine is deemed to include the value of such Accessories.** Also, value of imported goods is **Transaction Value** i.e., price actually paid or payable for imported goods. Hence, value of free accessories not to be added in Transaction Value.
- 2) Buying Commission is **not includible** in the Assessable Value. [**Rule 10(1)(a)(i) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007**]
- 3) As per **Rule 10(1) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007**, the following are includible in the Assessable Value: -
 - a) Payment made as a condition of sale is includible in the Assessable Value. So, warranty cost is includible in the Assessable Value. [Rule 10(1)(e)]
 - b) Design and Development charges [Rule 10(1)(b)(iv)]
 - c) License Fees [Rule 10(1)(c)]
 - d) Value of drawings supplied by AMTL Ltd. [Rule 10(1)(b)(iv)]
- 4) Rate of exchange notified by CBIC on the date of filing of Bill of Entry to be considered. [**Third proviso to Section 14 of the Customs Act, 1962**]
- 5) As per **Rule 10(2)(a)** if cost of transport, loading, unloading and handling charges associated with the delivery of imported goods to the place of importation is ascertainable then, it should be added in Transaction Value on actual basis. In the given case, we assume that, Air freight includes loading, unloading & handling charges up to place of importation. **Air freight cannot exceed 20% of FOB value.**

QUESTION 48

XYZ Imports Pvt. Ltd. is an importer of various industrial goods into India. The company recently faced several issues with imported goods that were found to be defective or not in conformity with the specifications agreed upon with the suppliers. XYZ Imports Pvt. Ltd. is considering applying for a refund of the import duty paid on these goods under Section 26A of the Customs Act. Based on the provisions of Section 26A, analyze the following scenarios and determine the eligibility for a refund of import duty

- (i) The company imports a consignment of specialized machinery from Germany. Upon inspection, the machinery is found to be defective and not in conformity with the specifications agreed upon with the supplier. The machinery has not been used or worked on after importation, except for a minimal operation to identify the defects. XYZ Imports Pvt. Ltd. decides to export the defective machinery back to Germany.
- (ii) The company imports a batch of electronic components from Japan. After the components arrive, they are found to be faulty and unsuitable for the intended purpose. XYZ Imports Pvt. Ltd. chooses to relinquish its title to the goods and abandon them to customs.
- (iii) The company imports a batch of perishable goods from a supplier in Italy. Upon arrival, it is found that the goods have exceeded their shelf life and are no longer usable. Such goods are destroyed by XYZ Imports Pvt. Ltd.
- (iv) The company imports a batch of computer hardware from Taiwan. Upon inspection, it is found that the hardware does not meet the agreed technical specifications. The hardware is neither exported nor relinquished but is instead donated to a local educational institution for training purposes.

ANSWER:

Under Section 26A of the Customs Act, 1962, the provisions for a refund of import duty are applicable under specific circumstances where imported goods are found to be defective or not in conformity with the agreed specifications. To qualify for a refund, the goods must either be exported back, relinquished to the customs, or destroyed, and they should not have been put to use, except for minimal operations to identify defects.

- (i) Since the defective machinery is being exported back to Germany and has not been used, XYZ Imports Pvt. Ltd. is eligible for a refund of the import duty paid on this consignment.
- (ii) Since XYZ Imports Pvt. Ltd. has relinquished the goods to customs, the company is eligible for a refund of the import duty paid on the faulty electronic components.
- (iii) Since the goods are perishable and have exceeded their shelf life, XYZ Imports Pvt. Ltd. is not eligible for a refund of the import duty on these goods.
- (iv) Since the hardware was donated (and not exported, relinquished, or destroyed), XYZ Imports Pvt. Ltd. is not eligible for a refund of the import duty on these goods.

QUESTION 49

ABC Exports Pvt. Ltd. is a major exporter of textiles from India. The company is eligible for duty credits under the Customs Act, 1962 and FTP. Recently, the company made several exports, and now they are considering utilizing the duty credits available in their Electronic Duty Credit Ledger (e-scrip) to offset customs duties on their upcoming imports. Answer the following questions based on application of Sec. 51B of Customs Act, 1962:

- (i) What is the validity of e-Scrip generated?
- (ii) E-Scrip can be utilized for payment of which component of customs duties?
- (iii) Can ABC Exports Pvt. Ltd. transfer this duty credit?
- (iv) After the duty credit is allowed, a scroll for duty credit is generated on February 20, 2022. ABC Exports Pvt. Ltd. now wants to combine this duty credit with another credit from an export made on March 5, 2022, which has a duty credit of ₹75,000. Is it possible?

ANSWER:

- (i) The e-scrip is valid for a period of two year from the date of its creation in the Electronic Duty Credit Ledger (EDCL). If the duty credit in the e-scrip remains unutilized at the end of this period, it will lapse and cannot be re-generated.
- (ii) The duty credit available in the e-scrip can be used for the payment of duties of customs specified in the First Schedule to the Customs Tariff Act, 1975. This primarily includes Basic Customs Duty (BCD). It cannot be used to pay other components like IGST or any other duties unless specified by the Central Government.
- (iii) Yes, the e-scrip can be transferred within the customs automated system. The duty credit can be transferred to another person who holds an Importer-Exporter Code (IEC) number. However, the entire amount in the e-scrip must be transferred at once; partial transfer is not permitted.
- (iv) According to the regulations, the exporter has the option to combine duty credits under a particular scheme, allowed in one or more shipping bills, to create an e-scrip within a period of two year from the date of the generation of the scroll in the customs automated system. In the present case, ABC Exports Pvt. Ltd. can combine the duty credit from the scroll generated on February 20, 2022, with the duty credit from the export on March 5, 2022, to create a single e-scrip, as long as both credits are under the same scheme and are from the same customs station.

QUESTION 50

ABC Exports Pvt. Ltd. is a major exporter of various products from India, including textiles, synthetic fibers, and other goods. The company is keen on leveraging the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme to refund unrefunded duties and taxes borne on exported products. However, ABC Exports faces several situations that require a detailed analysis of their eligibility and the calculation of benefits under the RoDTEP Scheme.

Based on the provisions of the RoDTEP Scheme, analyze the following situations and compute the benefit under RODTEP scheme if the notified rate is 2% of FOB value:

Particulars	FOB Value of Export
(i) Export of cotton fabric to the United States. Such fabric is produced entirely in India.	₹50 lakhs
(ii) Export of synthetic fiber fabric to Europe. The synthetic fiber is imported from China, and the fabric is manufactured in India.	₹40 lakhs
(iii) Export of batch of goods to a customer in Africa. However, the sale proceeds have not been realized within the time allowed under the Foreign Exchange Management Act, 1999.	₹30 lakhs
(iv) Export of products manufactured in its 100% Export-Oriented Unit (EOU)	₹25 lakhs
(v) Export of defence uniform materials to various countries. However, such goods exported is subject to a Minimum Export Price (MEP) as per the government regulations.	₹10 lakhs

ANSWER:

Situation	FOB Value (₹)	RoDTEP Rate	RoDTEP Benefit (₹)
(i) Export of cotton fabric to the United States. The export is eligible for the RoDTEP benefit as the	50,00,000	2%	1,00,000

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

Total RoDTEP Benefit: ₹2,90,000

ABC Exports Pvt. Ltd. can claim a total benefit of ₹2,90,000 under the RoDTEP Scheme for the eligible exports mentioned above.

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