

Mock Test Paper - Series II: December, 2025

Date of Paper: 12th December, 2025

Time of Paper: 2 P.M. to 5 P.M.

FINAL COURSE: GROUP – II
PAPER – 5: INDIRECT TAX LAWS
SOLUTIONS

Division A – Multiple Choice Questions

Question No.	Answer
1	(a) ₹ 95,000
2	(b) ₹ 30,000
3	(a) nil.
4	(a) ₹ 6,50,000
5	(b) IGST ₹ 3,000
6	(a) ₹ 8.50 lakh
7	(b) ₹ 1,45,50,000
8	(a) Mumbai for both the event
9	(b) Only (ii) and (iii)
10	(d) CGST = Nil; SGST = Nil & IGST = Nil
11	(b) CGST = Nil; SGST = Nil & IGST = ₹ 58,000
12	(a) A) ₹ 65,000; B) ₹ 62,500 and C) ₹ 70,000
13	(a) 1) Bangalore, 2) Hyderabad & 3) Hyderabad
14	(c) 1) 3 rd July, 2) 20 th July & 3) 23 rd July
15	(d) ₹10,000

Division B: Descriptive Questions

1. Computation of tax payable in cash

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
A.	GST liability on outward supply				
(i)	Consideration for services provided as an operating member to the Joint Venture [The operating member is providing the mining and exploration service to the joint venture, and thus, the consideration received therefor is not cost petroleum and hence, is liable to tax.]	15,00,000	1,35,000 (15,00,000 x 9%)	1,35,000 (15,00,000 x 9%)	
(ii)	Compensation received in the form of petroleum silt, which, as per the contract with the Government, is part of cost petroleum [Cost petroleum is not a consideration for service to the Government and thus, is not taxable.]	8,00,000	Nil	Nil	Nil
(iii)	Sale of petroleum silt to a SEZ developer [Supply to SEZ developer is a zero-rated supply made under a bond/LUT and no tax is payable on the same.]	7,50,000	Nil	Nil	Nil
(iv)	Bond amount recovered from employees leaving employment before stipulated period [Not a supply since bond amount recovered is not a consideration for tolerating the act of such premature quitting of employment.]	75,000	Nil	Nil	Nil
(v)	Transfer of tenancy rights [Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable]	7,00,000	63,000 (7,00,000 x 9%)	63,000 (7,00,000 x 9%)	

	even though stamp duty has been paid on the same.]				
(vi)	Renting of dumpers including driver [Taxable.]	5,00,000	45,000 (5,00,000 x 9%)	45,000 (5,00,000 x 9%)	
Total tax liability on outward supplies			2,43,000	2,43,000	
B. GST liability on inward supplies under reverse charge (RCM)					
(i)	Professional services provided by senior advocate to Keshavrao, i.e. a business entity	1,50,000	13,500 (1,50,000 x 9%)	13,500 1,50,000 x 9%)	
(ii)	Renting of office provided by the State Government to Keshavrao (a registered person)	2,50,000	22,500 (2,50,000 x 9%)	22,500 (2,50,000 x 9%)	
(iii)	Assignment of mining right by Government to Keshavrao (a registered person)				3,00,000
Total tax liability on inward supplies under reverse charge			36,000	36,000	3,00,000
C. Input tax credit					
(i)	Opening balance		50,000	9,000	15,000
(ii)	Inter-State purchase of machinery	8,00,000			40,000 (8,00,000 x 5%)
(iii)	Professional services from senior advocate	1,50,000	13,500 (1,50,000 x 9%)	13,500 (1,50,000 x 9%)	
(iv)	Renting of office	2,50,000	22,500 (2,50,000 x 9%)	22,500 (2,50,000 x 9%)	
(v)	Assignment of mining right		_____	_____	<u>3,00,000</u>
Total ITC			86,000	45,000	3,55,000
Note: [ITC may be availed for making zero rated supply even if such a supply is an exempt supply. Sale of petroleum silt, being a non-taxable supply, is an exempt supply but since					

it is also a zero-rated supply, ITC can be availed for making such supply.]					
D.	Computation of tax payable in cash				
	Total tax liability on outward supplies		2,43,000	2,43,000	
	Less: ITC of IGST Note: ITC of IGST to be used first before ITC of CGST and SGST		1,57,000	1,98,000	
	Less: ITC of CGST and SGST		86,000 (CGST)	45,000 (SGST)	
	Add: Reverse charge liability payable in cash without set off of ITC [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.]		36,000	36,000	3,00,000
	Total tax liability payable in cash		36,000	36,000	3,00,000
	Less: Balance of Electronic Cash Ledger		_____	(-)34000	_____
	Net minimum tax liability payable in cash		36,000	2,000	3,00,000

2. (a) **Computation of GST liability of Mr. Arpit**

	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
(i)	Service provided to Fiama Pvt. Ltd. [Tax on services provided in the capacity of an independent director is payable by the recipient – Fiama Pvt. Ltd. under reverse charge mechanism and not by Mr. Arpit.]	-	
(ii)	Supply of transportation of railway equipment by vessel [Taxable, since it is not specifically exempt. Transportation of specified goods by vessel from one place in India to another are exempt. However, railway equipment is not a specified good.]	10,800	10,800

	Exemption earlier available to transportation of railway equipment by vessel from one place in India to another was withdrawn.]		
(iii)	Storage/warehousing of processed tea [Taxable, since storage/warehousing of only agricultural produce is exempt but processed tea is not an agricultural produce.]	6,300	6,300
(iv)	Health care services of providing rooms by his clinical establishment [Exempt, since room charges do not exceed ₹ 5,000 per day.]	-	-
(v)	Services of a guest house for lodging purposes [Taxable, since exemption with respect to services provided by guest house for lodging purposes with value of supply up to ₹ 1,000 per day, was withdrawn.]	6,480	6,480

- (b) As per section 18(6) of the CGST Act, 2017, if capital goods/ plant and machinery on which ITC has been taken are supplied (outward) by a registered person, he must pay an amount that is higher of the following:
- ITC taken on such goods reduced by 5% per quarter or part thereof from the date of issue of invoice for such goods or
 - tax on transaction value of such outward supply determined under section 15 of the CGST Act, 2017.

Accordingly, the amount payable on supply of machinery by M/s Mehta & Mehta shall be computed as follows:

Particulars	Amount (₹)
ITC taken on the machinery (₹ 12,39,000 × 18/118)	1,89,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine	
(i) For the previous year = (₹ 1,89,000 × 5%) × 3 quarters	28,350
(ii) For the current year = (₹ 1,89,000 × 5%) × 2 quarters	<u>18,900</u>
Amount required to be paid by adding the reversal amount to the output tax liability) (A) **	1,41,750
Duty leviable on transaction value (₹ 7,50,000 × 18%) (B)	1,35,000

Amount payable towards disposal of machine is higher of (A) and (B)	1,41,750
Thus, M/s Mehta & Mehta is required to pay an amount of ₹ 1,41,750 at the time of sale of machinery by adding the same to the output tax liability.	

** In the above solution, amount payable towards disposal of machine has been computed on the basis of rule 40(2) of the CGST Rules, 2017, i.e. ITC to be reversed for the period of use of capital goods/machine has been computed @ 5% for every quarter or part thereof from the date of the issue of invoice.

However, the said amount can also be computed in accordance with rule 44(6) of the CGST Rules, 2017, i.e. ITC involved in the remaining useful life (in months) of the capital goods/ machine can be reversed on *pro-rata* basis, taking the useful life as 5 years.

(c) **Computation of assessable value of product 'PKY'**

Particulars		Amount
Ex-factory price of the goods		8,500 US \$
Freight from factory of the exporter to load airport (airport in the country of exporter)	250 US \$	
Loading and handling charges at the load airport	250 US \$	
Freight from load airport to the airport of importation in India	<u>4,500 US \$</u>	
Total cost of transport, loading and handling charges associated with the delivery of the imported goods to the place of importation	5,000 US \$	
<i>Add:</i> Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation (restricted to 20% of FOB value) [Note 1]		1,800 US \$
Insurance (actual)		<u>2,000 US \$</u>
CIF for customs purpose		12,300 US \$
Value for customs purpose		12,300 US \$
Exchange rate as per CBIC [Note 2]		₹ 70 per US \$
		Amount (₹)
Assessable value (₹ 70 x 12,300 US \$)		8,61,000

Add: Basic customs duty @ 10% [Note 3]	86,100
Add: Social Welfare Surcharge (SWS) @ 10%	<u>8,610</u>
Value for the purpose of levying integrated tax [Note 4]	9,55,710
Add: Integrated tax @ 12%	1,14,685.2
Total duty & tax payable (rounded off)	2,09,395

Notes:

- (1) In the case of goods imported by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation shall not exceed 20% of the FOB value of the goods.
- FOB value in this case is the ex-factory price of the goods (8,500 US \$) plus the cost of transport from factory to load airport (250 US \$) plus loading and handling charges at the load airport (250 US \$) which is 9,000 US \$.
- (2) Rate of exchange determined by CBIC is to be considered
- (3) Section 15 of the Customs Act, 1962 provides that rate of duty shall be the rate in force on the date of presentation of bill of entry or the rate in force on the date of arrival of aircraft, whichever is later.
- (4) Integrated tax is levied on the sum total of the assessable value of the imported goods and customs duties. SWS leviable on integrated tax have been exempted.

3. (a) Computation of ITC available with KMP Company Ltd. for the month of April

Particulars	ITC (₹)
Life Insurance premium paid by the company on the life of factory employees [Note 1]	Nil
Raw materials purchased [Note 2]	Nil
Raw materials used for zero rated supply [Note 3]	50,000
Work contractor's service [Note 4]	30,000
Capital goods purchased in respect of which depreciation is claimed on the tax component [Note 5]	Nil
Goods sent to job worker's premises [Note 6]	—
Total ITC available	<u>80,000</u>

Notes:

- (1) ITC on life insurance service is available only when it is obligatory for an employer to provide said services to its employees under any law for the time being in force. Since it is not obligatory for the employer in the instant case and thus, the ITC thereon is blocked [section 17(5)(b) of the CGST Act, 2017].
- (2) ITC cannot be taken since invoice is missing and delivery challan is not a valid document to avail ITC [Section 16(2)(a) of the CGST Act, 2017].
- (3) ITC can be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply [Section 16(2) of the IGST Act].
- (4) ITC is blocked on works contract services when supplied for construction of an immovable property. However, "construction" includes only that repairs which are capitalized along with the said immovable property.

In this case, since repairs of building is debited to P & L Account, the same does not amount to 'construction' and hence ITC thereon is available [Section 17(5)(c) of the CGST Act, 2017].

- (5) ITC is not available when depreciation has been claimed on the tax component of the cost of capital goods under the Income-tax Act [Section 16(3) of the CGST Act, 2017].
- (6) The principal is entitled to take ITC of inputs sent for job work even if the said inputs are directly sent to job worker. However, where said inputs are not received back by the principal within a period of 1 year of the date of receipt of inputs by the job worker, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were received by the job worker [Sub-sections (2) and (3) of section 19 of the CGST Act, 2017].

Hence, the ITC taken by KMP Company Ltd. in the month of September last year is valid and since one year period has yet not lapsed in April, there will be no tax liability on such inputs.

- (b)** Yes, Nal Neer Private Ltd.'s view is correct. In terms of section 7(2) of the CGST Act, 2017 read with Schedule III of the CGST Act, 2017, services by an employee to employer in the course of or in relation to his employment shall not be treated as supply under GST. Further, the amount paid as incentive by Nal Neer Private Ltd. is not in the nature of gift, and thus, is not covered under Schedule I. In fact, in the given case, the incentive is part of the salary and is directly linked to the

sales target. Therefore, the services provided in course or in relation to employment by the employees for which incentives are given to them shall not be treated as a “supply”.

In the light of above discussion, GST is not leviable on the incentive paid by Nal Neer Private Ltd. to its employees.

- (c) As per section 18(3) of the Customs Act, 1962, an importer is liable to pay interest at the rate of 15% p.a. (Notification No. 33/2016-Cus. (NT) dated 01.03.2016), on any amount payable consequent to the re-assessment order from the first day of the month in which the duty is provisionally assessed till the date of payment.

Therefore, in the given case, Mantu Chaudhary is liable to pay following interest in respect of 1st consignment:

$$= ₹ 1,80,000 \times 15\% \times 67/365$$
$$= ₹ 4,956 \text{ (rounded off)}$$

If any amount refundable consequent to the re-assessment order is not refunded within 3 months from date of re-assessment of duty, interest is payable to importer on unrefunded amount at the specified rate till the date of refund of such amount in terms of section 18(4) of the Customs Act, 1962.

Since in the given case, refund has been made (28.04.2025) within 3 months from the date of re-assessment of duty (02.02.2025), interest is not payable to Mantu Chaudhary on duty refunded in respect of 2nd consignment.

4. (a) Payment of taxes is governed as per the provisions laid in section 49 read with section 49A and 49B of CGST Act, 2017 along with rule 88A of CGST Rules, 2017
- Also, section 49(8) of CGST Act, stipulates that every taxable person shall discharge his tax and other dues under this Act or the rules made thereunder in the following order, namely:
- (a) self-assessed tax, and other dues related to returns of previous tax periods;
 - (b) self-assessed tax, and other dues related to the return of the current tax period;
 - (c) any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74 or section 74A;

As per the above provisions, self-assessed tax of previous tax period i.e. February shall be paid first and later self-assessed tax of current tax period i.e. July shall be paid.

Payment of taxes under forward charge

Particulars	IGST	CGST	SGST
Balance in electronic credit ledger for utilization	26,52,000	18,32,000	18,32,000
Output tax payable for July	14,75,000	28,34,000	28,34,000
Less: Utilization of input tax credit:			
a. IGST [Refer Note1]	14,75,000	5,88,500	5,88,500
b. CGST	0	18,32,000	0
c. SGST	<u>0</u>	<u>0</u>	<u>18,32,000</u>
Amount payable through electronic cash ledger	Nil	4,13,500	4,13,500

Total amount payable through electronic cash ledger

Particulars	IGST	CGST	SGST
Amount payable through Electronic cash ledger under forward charge	Nil	4,13,500	4,13,500
Amount payable through electronic cash ledger under reverse charge [Refer Note-2]	<u>36,000</u>	<u>1,44,000</u>	<u>1,44,000</u>
Total amount payable through electronic cash ledger	36,000	5,57,500	557,500

Notes:-

1. After utilization of IGST credit towards output IGST liability, balance has been utilized equally amongst CGST & SGST
2. Input tax credit cannot be utilized for discharging tax liability under reverse charge basis, thus payable vide electronic cash ledger.

Since, M/s Silver & Co., have defaulted in payment of taxes for the month of February and the same has been paid during July, interest is payable as per the provisions of section 50 of the CGST Act, 2017

- (b) No, the opinion of the accountant of the job worker is not correct. Section 7(1A) of the CGST Act, 2017 provides that when certain activities or transactions constitute a supply in accordance with the provisions of section 7(1), they shall be

treated either as a supply of goods or supply of services as referred to in Schedule II. Any processing activity carried on any other person's goods is treated as supply of service in terms of Schedule II. *Circular No. 38/12/2018 GST dated 26.03.2018* has also clarified that the job worker, in addition to the goods received from the principal, can use his own goods for providing the services of job work. These goods are not supply *per se*, but are being used in the processing activity carried out by it.

Thus, the activity undertaken by the job worker, in the given case, squarely falls within the purview of Schedule II and shall be considered as supply of service by the job worker to Manoharan & Sons.

- (c) 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.

Computation of customs duty payable	₹
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)	<u>25,000</u>
Baggage than can be accommodated in GFA	1,85,000
Less: GFA	<u>15,000</u>
Baggage on which duty is payable	<u>1,70,000</u>
Duty payable @ 38.50% (including 10% Social welfare surcharge)	<u>65,450</u>

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 Cus. dated 31.03.2016*]. These items are charged @ 100% applicable to baggage under Heading 9803 of the Customs Tariff.

5. (a) The proper officer can issue a show cause notice within 42 months from the due date of furnishing the annual return for relevant financial year to which short payment relates to [Section 74A(2) of the CGST Act, 2017]. For the financial year 2024–25, the due date for furnishing the annual return is 31st December, 2025. Therefore, the last date by which show cause notice can be issued by the proper officer for the amount of tax short paid by Kanha Handloom is 30th June 2029.

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

- (b) The levy of penalty is subject to a certain disciplinary regime which is based on jurisprudence, principles of natural justice and principles governing international trade and agreements. Such general discipline is enshrined in section 126 of the CGST Act, 2017. Accordingly—

- no penalty is to be imposed without affording an opportunity of being heard to the person proceeded against to rebut the allegations levelled against him,
- the penalty is to depend on the totality of the facts and circumstances of the case, the penalty imposed is to be commensurate with the degree and severity of breach of the provisions of the law or the rules alleged,
- the nature of the breach is to be specified clearly in the order imposing the penalty,
- the provisions of the law under which the penalty has been imposed is to be specified.

Since the order suffers from lack of clarity about nature of breach which has taken place and about applicable law under which penalty has been imposed, such order passed by the department should be challenged.

- (c) Section 54(8) of the CGST Act, 2017 provides that the refundable amount shall be paid to the applicant, instead of being credited to the Consumer Welfare Fund, if such amount is relatable to —

- (a) refund of tax paid on export of goods and/or services or on inputs or input services used in making such exports;
- (b) refund of unutilized ITC in case of zero-rated supplies made without payment of tax or accumulated ITC on account of inverted duty structure;

- (c) refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued, or where a refund voucher has been issued;
 - (d) refund of tax paid on a transaction treating it to be an intra-State supply, but which is subsequently held to be an inter-State supply or vice-versa;
 - (e) the tax and interest, if any, or any other amount paid by the applicant, if he had not passed on the incidence of such tax and interest to any other person; or
 - (f) the tax or interest borne by notified class of applicants.
- 6. (a)** If proper explanation is not furnished for the discrepancy detected in return filed, while conducting scrutiny of returns under section 61 of the CGST Act, 2017 of a registered person, the proper officer may:
- (i) conduct audit of the registered person; or
 - (ii) direct the registered person to get his records including books of account examined and audited by a Chartered Accountant or a Cost Accountant nominated for this purpose by the Commissioner; or.
 - (iii) exercise the powers of inspection, search and seizure with respect to the registered person, or
 - (iv) proceed to determine the tax and other dues of the registered person under Sections 73 or 74 or 74A of the Act.
- (b)** Yes, the confidential information can be disclosed by the public servant for certain specific purposes in terms of section 158(3) of the CGST Act, 2017. Such specific purposes are given in brief hereunder:
- (i) For prosecution
 - (ii) For carrying out the objects of the CGST Act
 - (iii) For service of notice or recovery of demand
 - (iv) For furnishing information to Court in a proceeding where Government is a party
 - (v) For audit of tax receipts or refunds
 - (vi) For inquiry into the conduct of a GST officer
 - (vii) For enabling levy, realisation of any tax or duty
 - (viii) In lawful exercise of powers

- (ix) For enquiry into a charge of misconduct by any professional
- (x) For data entry on automated system
- (xi) For fulfilling the requirement under any other law and in public interest.

(b) Alternative Answer

The procedure to be followed by the Authority for Advance Ruling (AAR) on receipt of the application for advance ruling under section 98 of the CGST Act, 2017 is as under:

1. Upon receipt of an application, the AAR shall send a copy of application to the officer in whose jurisdiction the applicant falls and call for all relevant records.
2. The AAR may then examine the application along with the records and may also hear the applicant. Thereafter he will pass an order either admitting or rejecting the application.
3. Application for advance ruling will not be admitted in cases where the question raised in the application is already pending or decided in any proceedings in the case of an applicant under any of the provisions of this Act.
4. If the application is rejected, it should be by way of a speaking order giving the reasons for rejection and only after giving an opportunity of being heard to the applicant.
5. If the application is admitted, the AAR shall pronounce its ruling on the question specified in the application. Before giving its ruling, it shall examine the application and any further material furnished by the applicant or by the concerned departmental officer.
6. Before giving the ruling, AAR must hear the applicant or his authorized representative as well as the jurisdictional officers of CGST/ SGST.
7. If there is a difference of opinion between the two members of AAR, they shall refer the point or points on which they differ to the Appellate Authority for hearing the issue
8. The Authority shall pronounce its advance ruling in writing within 90 days from the date of receipt of application.
9. A copy of the advance ruling duly signed by members and certified in prescribed manner shall be sent to the applicant, the concerned officer and the jurisdictional officer.

- (c) The Customs Tariff has a set of six General Rules for Interpretation of the First Schedule and three General Explanatory Notes. The six General Rules of Interpretation and three General Explanatory Notes are integral part of the Tariff Schedule. The purpose of their inclusion in Customs Tariff is to standardize the manner in which the nomenclature in the schedule is to be interpreted so as to reduce classification disputes.

Rule 4 of the Rules of Interpretation is called as akin rule. This rule lays down that goods which cannot be classified in accordance with rules 1, 2 and 3 of the Rules of Interpretation shall be classified under the heading appropriate to the goods to which they are most akin. In other words, akin rule' is a residual rule which is to be applied when classification is not possible by applying any of the earlier rules. It is a rule of last resort.