BAGGAGE (IN SUMMARY BOOK)

Rate of Duty changed as below as per ICAI Corrigendum: **(Pg 6.1)**

The rate of duty and tariff valuation, if any applicable to baggage, shall be the rate and valuation in force on the date on which a declaration is made in respect of such baggage under section 77.

Passenger baggage is exempted from IGST, GST Compensation Cess **& social welfare surcharge**.

Effective Custom Duty ~~**including social welfare surcharge: 38.5%**~~ 35%

Firearms and cartridges of fire arms exceeding 50 are not chargeable to rate of 35% applicable to baggage. These items **are charged @ 70%** applicable to baggage under Heading 9803 of the Customs Tariff.

Alcoholic liquors or wines upto 2 litre, cigarettes up to 100 sticks or cigars upto 25 or tobacco upto 125 gms shall be included while computing duty-free allowances provided under the Baggage Rules, 2016. These products over and above the aforesaid free allowance shall be subject to the rates prescribed under the respective headings under the Customs Tariff.

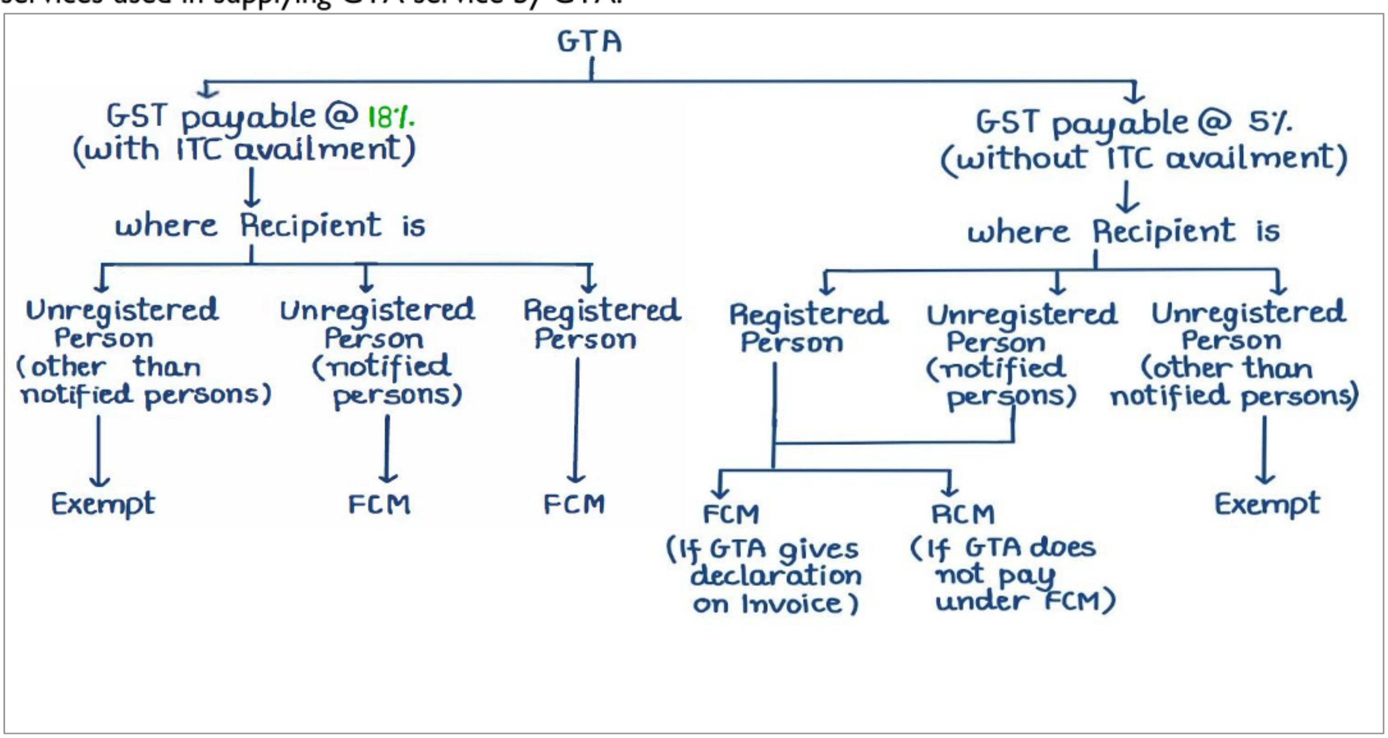
CHARGE OF GST (IN SUMMARY BOOK)

Transportation of Goods by Road by a GTA – Rate changed as per Revised Stat Update **(Pg 3.3)**

GTA services are taxable at the following two rates:

- @ 5% (2.5% CGST + 2.5% SGST/UTGST or 5% IGST) provided GTA has not taken the Input Tax Credit (ITC) on goods or services used in supplying GTA service or

- @ **18%** (**9%** CGST + **9%** SGST/UTGST or **18%** IGST) where GTA opts to pay GST at said rate on all the services of GTA supplied by it. In this case, there is no restriction on availing ITC on goods or services used in supplying GTA service by GTA.

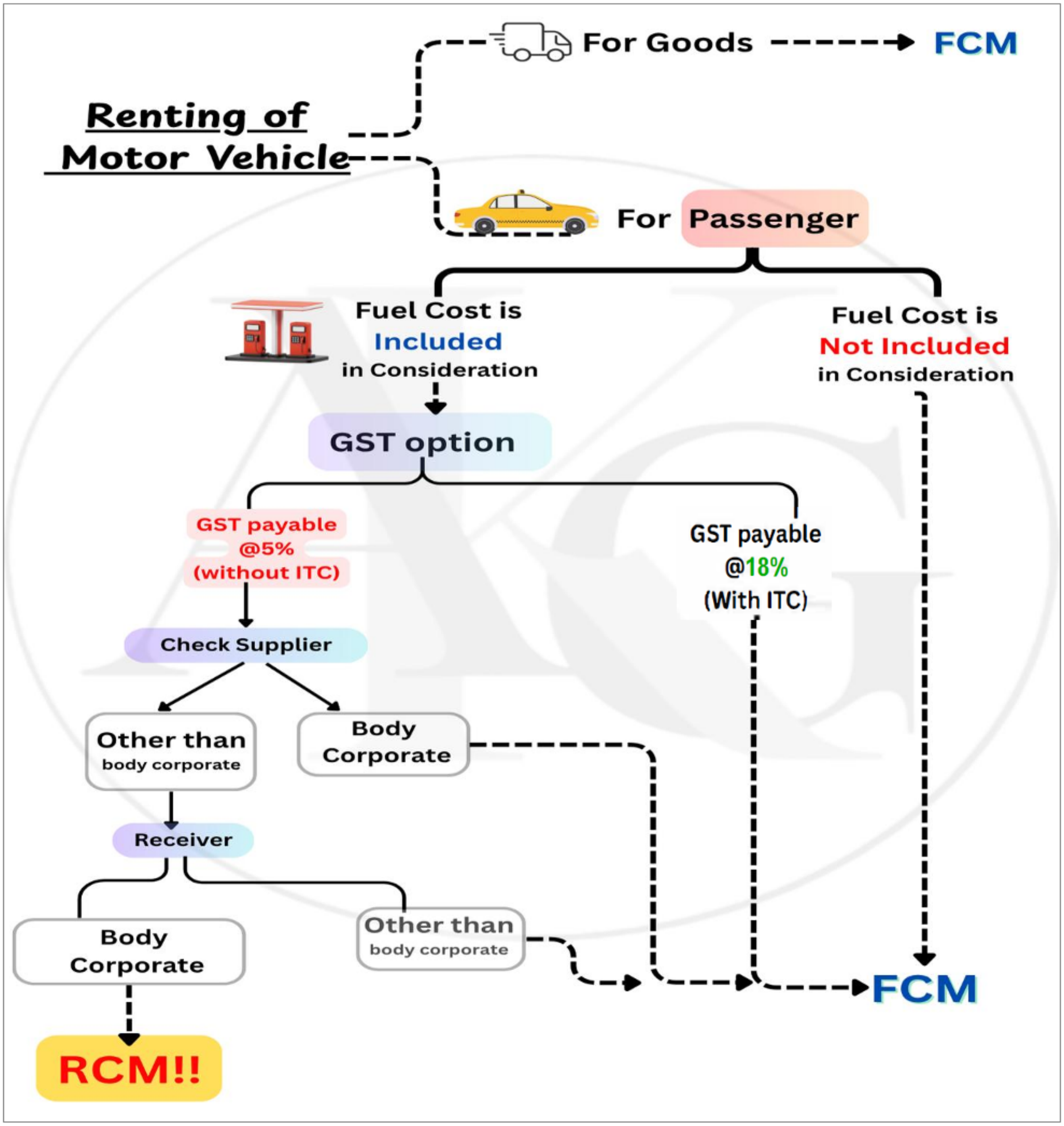


Services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, provided to a body corporate – Rate changed as per Revised Stat Update **(Pg 3.9)**

Supplier: Any person, other than a body corporate who supplies service to a body corporate and doesn't issue an invoice charging CGST @ 9% to the service recipient.

Recipient: Any body corporate located in TT

Chart: Analysis of Taxability of Renting of Motor Vehicles



Note: Body Corporate in all entries means Company & LLP.

Definition of Specified Premises substituted as below: **(Pg 3.11 – Change as per ICAI Corrigendum)**

Specified premises, for a financial year, means,-

(a) a premises from where the supplier has provided in the preceding FY, 'hotel accommodation' service having the value of supply of any unit of accommodation above ₹ 7,500 per unit per day or equivalent; or

(b) a premises for which a registered person supplying 'hotel accommodation' service has filed a declaration, on or after the 1^{st} of January and not later than 31^{st} of March of the preceding FY, declaring the said premises to be a specified premises; or

(c) a premises for which a person applying for registration has filed a declaration, within 15 days of obtaining acknowledgement for the registration application, declaring the said premises to be a specified premises.

Note: Correction to be made in May'26 / Sep'26 Summary Book – 8^{th} Edition:

1. **Pg 4.25 Exemption – Business Facilitator or Correspondent**
   → BF to Bank – Urban Branch → ~~FCM~~ RCM
   → BC to Bank – Urban Branch → ~~RCM~~ FCM

Chapter 2 Supply Under GST

Q21. Jaskaran, a registered supplier of Delhi, has made the following supplies in the month of January, 20XX: (RTP Nov'18)

S. No.	Particulars	Amount * (₹)
(i)	Supply of 20,000 packages at ₹ 30 each to Sukhija Gift Shop in Punjab [Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons]	6,00,000
(ii)	10 generators hired out to Morarji Banquet Halls, Chandigarh [including cost of transporting the generators (₹ 1,000 for each generator) from Jaskaran's warehouse to the Morarji Banquet Halls]	2,50,000
(iii)	500 packages each consisting of 1 chocolate and 1 fruit juice bottle given as free gift to Delhi customers on the occasion of Diwali [Cost of each package is ₹ 12, but the open market value of such package of goods and of goods of like kind and quality is not available. Input tax credit has not been taken on the items contained in the package]	
(iv)	Catering services provided free of cost for elder son's business inaugural function in Delhi [Cost of providing said services is ₹ 55,000, but the open market value of such services and of services of like kind and quality is not available.]	

*** Excluding GST**

You are required to determine the GST liability [CGST & SGST and/or IGST, as the case may be] of Jaskaran for the month of January, 20XX with the help of the following additional information furnished by him for the said period:

1. **Penalty of ₹ 10,000 was collected from Sukhija Gift Shop for the payment received with a delay of 10 days.**
2. **The transportation of the generators from Jaskaran's warehouse to the customer's premises is arranged by Jaskaran through a Goods Transport Agency (GTA) who pays tax @ 18%.**
3. **Assume the rates of GST to be as under:**

Goods/services supplied	CGST	SGST	IGST
Chocolates	9%	9%	18%
Fruit juice bottles	6%	6%	12%
Toy balloons	2.5%	2.5%	5%
Service of renting of generators	9%	9%	18%
Catering service	9%	9%	18%

Answer:

Computation of GST liability of Jaskaran for the month of January, 20XX

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Supply of 20,000 packages to Sukhija Gift Shop, Punjab [Note-1]			1,09,526 [6,08,475 x 18%]
Renting of 10 generators to Morarji Banquet Halls, Chandigarh [Note-2]			45,000 [2,50,000 x 18%]
500 packages given as free gift to the customers [Note-3]	Nil	Nil	Nil
Catering services provided free of cost for elder son's business inaugural function in Delhi [Note-3]	5,445 [60,500 x 9%]	5,445 [60,500 x 9%]	
Total GST liability (rounded off)	**5,445**	**5,445**	**1,54,526**

Notes:

1. As per section 2(74) of the CGST Act, 2017, mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

   Supply of a package containing chocolates, fruit juice bottles and a packet of toy balloons is a mixed supply as each of these items can be supplied separately and is not dependent on any other. Further, as per section 8(b) of the CGST Act, 2017, the mixed supply is treated as a supply of that particular supply which attracts the highest rate of tax. Thus, in the given case, supply of packages is treated as supply of chocolates [since it attracts the highest rate of tax]. Consequently, being an inter-State supply of goods, supply of packages to Sukhija Gift Shop of Punjab is subject to IGST @ 18% each.

   Further, value of supply includes interest or late fee or penalty charged for delayed payment of any consideration for any supply in terms of section 15(2)(d) of the CGST Act, 2017. Thus, penalty of ₹ 10,000 [considered as inclusive of GST] collected from Sukhija Gift Shop for the delayed payment will be included in the value of supply. The total value of supply is ₹ 6,08,475 [₹ 6,00,000 + (₹ 10,000 × 100/118)]

2. Services by way of transportation of goods by road except the services of a Goods Transportation Agency (GTA) are exempt vide Notification No. 9/2017 IT (R) dated 28.06.2017. Since Jaskaran is not a GTA, transportation services provided by him are exempt from GST. However, since the generators are invariably hired out along with their transportation till customer's premises, it is a case of composite supply under section 2(30) of the CGST Act, 2017 wherein the principal supply is the renting of generator.

   As per section 8(a) of the CGST Act, 2017, the composite supply is treated as the supply of the principal supply. Therefore, the service of transportation of generators will also be taxed at the rate applicable for renting of the generator (principal supply).

   Consequently, being an inter-State supply of service, service of hiring out the generators to Morarji Banquet Halls of Chandigarh is subject to IGST @ 18% each.

3. As per section 7(1)(c) of the CGST Act, 2017, an activity made without consideration can be treated as supply only when it is specified in Schedule I of the CGST Act, 2017. Para 2. of Schedule I provides that supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business, are to be treated as supply even if made without consideration.

   However, since the question does not provide that customers are related to Jaskaran, free gifts given to the customers cannot be considered as a supply under section 7. Consequently, no tax is leviable on the same.

   Further, the catering services provided by Jaskaran to his elder son without consideration will be treated as supply as Jaskaran and his elder son, being members of same family, are related persons in terms of explanation (a)(viii) to section 15 of the CGST Act, 2017 and said services have been provided in course/furtherance of business. Value of supply of services between related persons, other than through an agent is determined as per rule 28 of the CGST Rules, 2017. Accordingly, the value of supply is the open market value of such supply; if open market value is not available, the value of supply of goods or services of like kind and quality. However, if value cannot be determined under said methods, it must be worked out based on the cost of the supply plus 10% mark-up. Thus, in the given case, value of catering services provided to the elder son of Jaskaran is ₹ 60,500 [₹ 55,000 × 110%]. Further, being an intra-State supply of services, catering services are subject to CGST and SGST @ 2.5% each.

4. As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA) provided such GTA has not paid GST @ **18%**. Since in the given case, Jaskaran has received services from a GTA who has paid GST @ **18%**, reverse charge provisions will not be applicable.

Chapter 3 Charge of GST

Q1. XYZ Ltd., New Delhi, manufactures biscuits under the brand name 'Tasty picks'. Biscuits are supplied to wholesalers and distributors located across India on FOR basis from the warehouse of the company located at New Delhi. The company uses multiple modes of transport for supplying the biscuits to its customers spread across the country. The transportation cost is shown as a line item in the invoice and is billed to the customers with a mark-up of 2% on total amount of freight paid (inclusive of taxes).

Flour used for the production process is procured from vendors located in Madhya Pradesh on ex-factory basis. The company engages goods transport agencies (GTA) to transport the flour from the factories of the vendors to its factory located in New Delhi.

The company has provided the following data relating to transportation of biscuits and flour in the month of April 20XX:

- **For sales within the NCR region (₹ 20,00,000), the company arranged a local mini-van belonging to an individual and paid him ₹ 54,000.**
- **For sales to locations in distant States (₹ 1,78,00,000), the company booked the goods by Indian Railways and paid rail freight of ₹ 3,17,000.**
- **For sales to locations in neighboring States (₹ 55,00,000), the company booked the goods by road carriers (GTAs) and paid road freight of ₹ 3,73,000. Out of the total sales to neighboring States, goods worth ₹ 10,00,000 were booked through a registered GTA who opted to pay GST @ 18% under forward charge. Freight of ₹ 73,000 was paid to such GTA.**

  Rest of the transportation was done by an unregistered GTA.
- **For purchase of flour from Madhya Pradesh (₹ 25,00,000), the company booked goods by a GTA and paid road freight of ₹ 55,000.**
- **For purchase of butter from Punjab (₹ 15,00,000), the company booked the goods by an unregistered GTA and paid road freight of ₹ 35,000.**
- **For local purchase of baking powder, the company booked the goods by an unregistered GTA in a single carriage and paid road freight of ₹ 1,500.**
- **For transferring the biscuits (open market value - ₹ 4,00,000) to one of its sister concerns in Rajasthan, the company booked the goods by an unregistered GTA and paid road freight of ₹ 40,000.**

(i) Based on the particulars given above, compute the GST payable on the amount paid for transportation by XYZ Ltd. when it avails the services of different transporters.

(ii) Compute the GST charged on transportation cost billed by the company to its customers.

Note: - Assume the rate of GST on transportation of goods to be 5% [except where any other rate is specified in the question] and GST on supply of biscuits to be 12%. (RTP Nov'18)

Answer

(i) Computation of GST payable on amount paid for transportation by XYZ Ltd. when it avails the services of different transporters

Particulars	Freight [₹]	GST payable [₹]
Transportation of biscuits in a local minivan belonging to an individual. [Only the transportation of goods by road by a GTA is liable to GST. Therefore, transportation of goods by road otherwise than by a GTA is exempt from GST – Notification No. 12/2017 CT(R) & 9/2017 IT (R) both dated 28.06.2017.]	54,000	Nil
Transportation of biscuits by Indian Railways	3,17,000	15,850

Transportation of biscuits by an unregistered GTA [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	3,00,000	15,000
Transportation of biscuits by a registered GTA @ 18%. [When the registered GTA opts to pay GST @ 18% under forward charge, recipient is not required to pay GST under reverse charge - Notification No. 10/2017 IT (R) dated 28.06.2017.]	73,000	13,140
Transportation of flour by GTA [Services provided by GTA by way of transport (in a goods carriage) of, inter alia, flour are exempt from GST vide Notification No. 9/2017 IT (R) dated 28.06.2017.]	55,000	Nil
Transportation of butter by an unregistered GTA [Though services provided by GTA by way of transport (in a goods carriage) of, inter alia, milk is exempt from GST vide Notification No. 9/2017 IT (R) dated 28.06.2017, road transport of butter will not be exempted as butter is milk product and not milk. [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	35,000	1,750
Transportation of baking powder by an unregistered GTA [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	1,500	75
Transportation of biscuits by an unregistered GTA to sister concern [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	40,000	2,000
Total tax payable by XYZ Ltd. on availing services of different transporters		**47,815**

(ii) Computation of GST charged on transportation cost billed by XYZ Ltd. to its customers

Since XYZ Ltd. is supplying biscuits on FOR basis, the service of transportation of biscuits gets bundled with the supply of biscuits. Thus, the supply of biscuits and transportation service is a composite supply, chargeable to tax at the rate applicable to the principal supply (biscuits) i.e., 12% [Section 8(a) of the CGST Act, 2017 read with the definition of 'composite supply' under section 2(30) of the CGST Act, 2017 and 'principal supply' under section 2(90) of the CGST Act, 2017].

Particulars	**Freight paid [₹] [A]**	**GST paid on freight [₹] [B]**	**Freight billed (with mark-up @ 2% on [A] + [B]) [₹]**	**GST charged @ 12% [₹]**
Transportation of biscuits in a local minivan belonging to an individual	54,000	-	55,080	6,610
Transportation of biscuits by Indian Railways	3,17,000	15,850	3,39,507	40,741
Transportation of biscuits by GTA	3,00,000	15,000	3,21,300	38,556
Transportation of biscuits by GTA @ 18%	73,000	13,140	87,863	10,544
Total tax charged by XYZ Ltd. on Transportation cost billed to the customers*				**96,451**

*** Note: It has been assumed that there is no mark-up on transportation cost billed to sister concern (non-customer).**

Q21. B & D Company – Change rate in answer part as below (Pg. 3.16)

Answer: As per section 10(3) read with Notification No.14/2019 CT dated 07.03.2019 as amended, the option availed by a registered person to pay tax under composition scheme under sub-sections (1) and (2) of section 10 shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds ₹ 1.5 crore [₹ 75 lakhs in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir].

As per section 2(6), aggregate turnover means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same PAN, to be computed on all India basis but excludes CGST, SGST/UTGST, IGST and GST Compensation Cess.

In the given case, the firm is registered under the composition scheme in the State of Maharashtra. The aggregate turnover of the firm exceeds ₹ 1.5 crore on 3rd October [aggregate of both taxable and exempt turnover from 1st April to 3rd October, i.e., ₹ 1,50,05,000 [₹ 1,44,65,000 + ₹ 2,03,000 + ₹ 1,38,250 + ₹ 1,06,250 + ₹ 92,500)]

The inward supplies of goods transportation services in respect of which the firm has to pay tax under reverse charge have not been included in the aggregate turnover in terms of section 2(6). The tax is payable under reverse charge on such services as the applicable rate of tax on such services is given as 5% and not 18%, in which case the GTA would have been liable to pay tax under forward charge.

Thus, the firm will have to pay tax under regular scheme (Section 9) from 3rd October.

Output tax liability of B & D Company under composition scheme

During the period when the firm pays tax under composition scheme, i.e., from 1st April to 2nd October, tax will be payable on quarterly basis and no ITC will be available [Section 10(4) read with sub-sections (2) and (7) of section 39]. Further, since the firm is trading in goods, tax will be payable @ ½% [Effective rate -1% (½% CGST + ½% SGST)] of the turnover of taxable supplies of goods and services (i.e., 'P') in the State [Section 10(1) read with rule 7].

The tax liability for the quarters ended June, September and December under composition scheme will be computed as under:

Particulars	Quarter ended 30th June (₹)	Quarter ended 30th September (₹)	Quarter ended 31st December (₹)
Turnover of 'P' (Taxable supplies)	60,00,000	50,00,000	4,03,000 [2,00,000 + 1,36,000 + 67,000]
CGST @ 0.5% [A1]	30,000	25,000	2,015
SGST @ 0.5%[B1]	30,000	25,000	2,015
Inward supply on which tax is payable under RCM [Service of goods transportation availed from a GTA @ 5%]	60,000 [1,40,000/7) x 3]	60,000 [1,40,000/7) x 3]	Nil [Paid on 10th day for goods transported between 11th to 20th day of the month, so the same will be assessed under regular scheme]
CGST @ 2.5% [A2]	1,500	1,500	-
SGST @ 2.5% [B2]	1,500	1,500	-
Total CGST [A1 + A2]	31,500	26,500	2,015
Total SGST [B1 + B2]	31,500	26,500	2,015
Total CGST liability for the period from 1st April to 2nd October		**60,015 [31,500 + 26,500 + 2,015]**	
Total SGST liability for the period from 1st April to 2nd October		**60,015 [31,500 + 26,500 + 2,015]**	

Chapter 4 Exemptions from GST

Q20. Vividh Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka, having turnover of ₹ 200 lakh in the last financial year. It has furnished the following information for the month of June.

Particulars	**Amount (₹) excluding GST**
Services provided by way of a labour contract for repairing a single residential unit otherwise than as a part of residential complex	13,00,000
Fee received from students of a competitive exam training academy run by Vividh Pvt. Ltd.	5,40,000
4 buses each with a seating capacity of 72 passengers given on hire to State Transport Undertaking	6,00,000
Rent paid to Local Municipal Corporation for premises taken on rent for competitive exam training academy	2,50,000
Goods transport services received from a registered GTA which has opted to pay tax itself @ 18%	1,80,000

Compute gross GST liability including tax payable under reverse charge (ignoring ITC provisions) of Vividh Pvt. Ltd. for the month of June assuming that the above amounts are exclusive of GST and rate of GST, wherever applicable, is 18% unless otherwise mentioned. (MTP-II Nov'23)

Answer:

Computation of gross GST liability of Vividh Pvt. Ltd.

Particulars	**Value of supply (₹)**	**GST @ 18% (₹)**
- Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Service by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide exemption notification. Labour contracts for repairing, are thus, taxable.]	13,00,000	2,34,000
- Fee received from students of competitive exam training academy [Fee received from students of competitive exam training academy is taxable as it is not an educational institution since competitive exam training does not lead to grant of a recognized qualification]	5,40,000	97,200
- Buses each with seating capacity of 72 passengers given on hire to State Transport Undertaking [Services by way of giving on hire to a state transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers, are exempt from GST vide exemption notification.]	6,00,000	Nil
Services on which tax is payable under reverse charge:		
- Rent paid to Local Municipal Corporation. [GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.]	2,50,000	45,000
- GTA services availed. [Since GTA has opted to pay tax @ 18%, tax is payable under forward charge by GTA only and not by Vividh Pvt. Ltd.]	1,80,000	Nil
Gross GST payable		**3,76,200**

Q21. Pethalal – Change rate in answer part note-8 as below (Pg. 4.17)

(8) GST on services provided by a GTA (not paying tax @ 18%) to, inter alia, a registered person is payable by the recipient of service i.e., the registered person, under reverse charge in terms of reverse charge notification. Since in the given case, GTA is unregistered, Pethalal is liable to pay tax under reverse charge @ 5% (CGST @ 2.5% and SGST @ 2.5%). Further, since said input services are being exclusively used for effecting non-taxable supplies [funeral services], input tax credit of the GST paid on the same will not be available.

Q28. Vividh Pvt. Ltd. is engaged in supplying various services in Bangalore. It is registered in the State of Karnataka. It has furnished the following information for the month of June:

S.No.	Particulars	Amount (₹)
(i)	Services provided by way of fumigation in a warehouse of agricultural produce.	13,00,000
(ii)	Service of transportation of passengers by metered cabs provided through Webcastle Ltd., an electronic commerce operator (ECO)	5,40,000
(iii)	4 buses each with a seating capacity of 72 passengers given on hire to State Transport Undertaking (STU). Such buses run on a route and timing as decided by STU.	6,00,000
(iv)	Goods transport services received from GTA for transporting the goods to be used in respect of the buses given on hire to STU. Tax on such services is payable @ 18%.	1,80,000

Compute net GST payable in cash by Vividh Pvt. Ltd. for the month of June assuming that the above amounts are exclusive of GST and rate of GST, wherever applicable, is 18% unless otherwise mentioned. (RTP May'23)

Answer:

Computation of gross GST liability of Vividh Pvt. Ltd.

Particulars	GST (₹)
Services by way of fumigation in a warehouse of agricultural produce. [Taxable since the exemption earlier available with respect to the services provided by way of fumigation in a warehouse of agricultural produce has been withdrawn.]	2,34,000 [13,00,000 x 18%]
Service of transportation of passengers by metered cabs through Webcastle Ltd., an ECO [Taxable since services of transport of passengers by metered cabs supplied through ECO are not exempt from GST. However, tax on such services shall be paid by ECO. Therefore, Vividh Pvt. Ltd. is not liable to pay GST on the same.]	Nil
Buses with seating capacity of 72 passengers each given on hire to State Transport Undertaking [Services by way of giving on hire to a state transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers, are exempt from GST irrespective of whether such vehicles are run on routes and timings as decided by the State Transport Undertakings.]	Nil
Total GST payable	**2,34,000**
Less: Goods transport services availed [Since GST is payable @ 18% on goods transport services, GST is payable by the GTA* under forward charge mechanism and not by Vividh Pvt. Ltd. Further, ITC of the same is not available as such services are exclusively used for supplying the exempt services of giving on hire the buses to STU.]	Nil
Net GST payable in cash	**2,34,000**

* It has been most logically assumed that since the applicable rate of GST is 18%, GTA must have exercised the option to itself pay GST on the services supplied by it.

Chapter 7 Value of Supply

Q37. Surya Agencies has agreed to supply goods to customer's premises. Goods valued ₹ 80,000 are taxable @ 5% IGST as it is an inter-State supply. It also pays freight and transit insurance of ₹ 12,000. GTA is a registered entity and has charged GST (9% CGST and 9% SGST) under forward charge.

(i) Compute the invoice value of supply including IGST.

(ii) What will be the invoice value of supply including IGST, if the supply was under ex-factory basis instead of door -delivery basis? (Nov'19)

Answer:

Computation of invoice value of supply

(i) When supplier agrees to supply the goods at customer's premises, i.e., freight and transit insurance are paid by the supplier, invoice value of supply will be computed as follows:

Particulars	**Amount (₹)**
Value of goods supplied	80,000
Add: Freight and transit insurance* [Since the supplier has agreed to deliver the goods at the customer's premises and to pay for freight and insurance, the contract of supply becomes a composite supply, the principal supply being the supply of goods.] *It is assumed to be exclusive of 18% GST.	12,000
Total	**92,000**
Add: IGST @ 5% [Being a composite supply, GST at the rate applicable for principal supply will be charged]	4,600
Invoice value of supply	**96,600**

(ii) When supplier agrees to supply the goods on ex-factory basis, i.e., the buyer pays the freight and transit insurance, invoice value of supply will be computed as follows:

Particulars	**Amount (₹)**
Value of goods supplied	80,000
Add: IGST @ 5% of ₹ 80,000	4,000
Invoice value of supply	**84,000**

Note: The above answer is based on the view that part (ii) of the question is an independent case and thus, the information provided in the first paragraph of the question regarding payment of freight and transit Insurance by Surya Agencies does not apply to it. Moreover, when the contract is ex-factory, it implies that the freight and insurance will be the buyer's responsibility and seller will have no role, whatsoever, in delivering the goods to the customer's premises.

Chapter 8 Input Tax Credit

Q53. Motopower Pvt. Ltd. – Change rate in answer part note-11 as below (Pg. 8.86)

(11) Tax on services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient is payable under reverse charge only when said service is provided by a non-body corporate to a body corporate and & an invoice charging GST @ 18% is not issued to service recipient. Since in the given case, said services are provided by a body corporate - Motopower Pvt. Ltd. to another body corporate – Jamaze Travels Ltd., GST is payable under forward charge by Motopower Pvt. Ltd. on the same.

Corrections to be made in Demand & Recovery – May'26 / Sep'26 QB – 8th Edition:

Q9. A taxpayer has suppressed certain facts resulting in short payment of tax. The mistake is pointed out by the Department, but no show cause notice (SCN) has been issued. As per the taxpayer, suppression of tax is accepted at ₹ 12,00,000 and he agrees that the suppression has taken place in the month of January, 2025. He clears the dues on 20th April, 2025. However, the Department, on verification, identifies additional suppression of tax of ₹ 2,00,000 in the same month of January, 2025. SCN is issued and the taxpayer represents before the proper officer, which results into an adverse order against the taxpayer. The order is passed on 25.05.2025 and the taxpayer complies with the adverse adjudication order on 27.06.2025.

Determine the tax, interest and penalty payable at each stage. Assume Tax Rate as 18%. (Nov'19)

Answer:

For the purposes of section 74A, the expression "suppression" shall mean non-declaration of facts or information which a taxable person is required to declare in the return, statement, report or any other document furnished under this Act or the rules made thereunder, or failure to furnish any information on being asked for, in writing, by the proper officer.

The suppression activity has taken place in January and the same has been reported in the return/ statement/report filed in the month of February and thus, interest would become payable from 21st February in this case.

Tax, interest and penalty payable before the issue of the SCN: In case of short payment of tax by reason of suppression of facts, if the taxpayer pays such short-paid tax and applicable interest before the issuance of show cause notice, penalty equal to 15% of such tax is payable.

Tax payable = ₹ 12,00,000

Interest = ₹ 12,00,000 × 18% × 59/365 = ₹ 34,915 (rounded off) [From 21st February to 20th April]

Penalty = ₹ 12,00,000× 15% = ₹ 1,80,000

Tax, interest and penalty payable after the adjudication order: In case of short payment of tax by reason of suppression of facts, if the taxpayer pays such short-paid tax and applicable interest within 60 days of communication of the adjudication order penalty equal to 50% of such tax is payable.

Tax payable = ₹ 2,00,000

Interest = ₹ 2,00,000 × 18% × 127/365 = ₹ 12,526 (rounded off) [From 21st February to 27th June]

Penalty = ₹ 2,00,000 x 50% = ₹ 1,00,000.

Q10. Discuss the amount of tax and penalty to be paid, if any, in the following independent cases where show cause notices are issued under section 74A of the CGST Act, 2017. (Jul'21)

S.No.	Date on which credit was taken wrongly	Amount of input tax credit taken wrongly (₹ in lakh)	Present status
1	31st January, 2025	200	Adjudication order passed on 26th July, 2027 demanding the entire amount of credit with interest and imposing amount equal to the credit as penalty.
2	30th June, 2025	250	Adjudication order passed on 26th August, 2027 demanding the entire amount of credit with interest and imposing amount equal to the credit as penalty.

3	30th October, 2025	120	Show cause notice has been issued on 5th September, 2027 demanding the entire amount of credit with interest and proposing penalty equal to 100% of the credit taken.
4	30th January, 2026	50	Statement of the Managing Director has been recorded on 6th September, 2027 wherein he has admitted the non-receipt of the inputs and availing the credit wrongly.

Note: In all the cases, assessee wants to pay the amount on 20-09-2027.

Answer:

S. No.	**Date on which credit was taken wrongly**	**Amount of ITC wrongly taken (₹ in lakh)**	**Tax & penalty under section 74A**
1	31st January 2025	200	Adjudication order is passed on 26th July, 2027 and payment is made on 20.09.2027 i.e., within 60 days of the communication of the adjudication order. Therefore, entire amount of ITC wrongly availed which is ₹ 200 lakh and 50% of penalty imposed i.e., ₹ 100 lakh shall be payable.
2	30th June 2025	250	Adjudication order is passed on 26th August, 2027 and payment is made on 20.09.2027 i.e., within 60 days of the communication of the adjudication order. Therefore, entire amount of ITC wrongly availed which is ₹ 250 lakh and 50% of the penalty imposed i.e., ₹ 125 lakh shall be payable.
3	30th October 2025	120	Show cause notice is issued on 5th September 2027 and payment is made on 20.09.2027 i.e., within 60 days of issue of show cause notice. Therefore, entire amount of ITC wrongly availed which is ₹ 120 lakh and 25% of the penalty imposed i.e., ₹ 30 lakh shall be payable.
4	30th January 2026	50	**Alternative-I:** It is assumed that payment has been made within 60 days of issue of show cause notice. Entire amount of ITC wrongly availed which is ₹ 50 lakh and 25% of the penalty imposed i.e., ₹ 12.5 lakh shall be payable. **Alternative-II:** It is assumed that show cause notice has not yet been issued. Payment made on 20.09.2027 is before issuance of show cause notice. Therefore, amount of ITC admitted to be taken wrongfully which is ₹ 50 lakh and penalty equal to 15% of such ITC i.e., ₹ 7.5 lakh shall be payable.

Q17 (Pg 11.11 & 11.12) – Correct penalty amount in answer as ₹ 1,55,000 instead of ~~₹ 1,55,500~~.

Chapter 5 Importation, Exportation and Transportation of Goods (Amended Questions)

Q9. 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 arm 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 35%, with short explanations where required. Ignore Agriculture infrastructure and development cess? **(MTP-II May'24, MTP-II Nov'23)**

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.

Computation of customs duty payable

Particulars	Value in ₹
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)	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 @ 35%	**59,500**

Note: Fire arms, cartridges of firearms exceeding 50 and cigarettes exceeding 100 sticks are not chargeable to rate of duty applicable to baggage. Fire arms and cartridges of firearms exceeding 50 are chargeable to duty @ 70% while cigarettes exceeding 100 sticks are chargeable to duty at the rates applicable on cigarettes.

Q14. After visiting USA for a month, Mrs. and Mr. Iyer (Indian residents aged 35 and 40 years respectively) brought to India a laptop computer valued at ₹ 70,000, used personal effects valued ₹ 1,40,000 and a personal computer for ₹ 58,000.

Calculate the custom duty payable by Mrs. & Mr. Iyer, if any. Ignore Agriculture infrastructure and development cess? **(MTP-II Nov'22 Similar, MTP-I May'22, MTP-I Dec'21)**

Answer:

(1) As per the Baggage Rules, 2016, an Indian resident arriving from a country other than Nepal, Bhutan, or Myanmar, is allowed duty free clearance of-

(i) Used personal effects and travel souvenirs without any value limit.

(ii) Articles [other than certain specified articles] up to a value of ₹ 50,000 carried as accompanied baggage [General duty-free baggage allowance].

(iii) Further, such general duty-free baggage allowance of a passenger cannot be pooled with the general duty-free baggage allowance of any other passenger.

(2) One laptop computer when imported into India by a passenger of the age of 18 years or above (other than member of crew) is exempt from whole of the customs duty [Notification No. 11/2004 Cus. dated 08.01.2004].

(3) (i) Accordingly, there will be no customs duty on used personal effects (worth ₹ 1,40,000) of Mrs. and Mr. Iyer and laptop computer brought by them will be exempt from duty.

(ii) Duty payable on personal computer after exhausting the duty-free baggage allowance will be ₹ 58,000 – ₹ 50,000 = ₹ 8,000.

(iii) Effective rate of duty for baggage = **35%**

(iv) Therefore, total customs duty = **₹ 2,800.**

Q15. After visiting USA for a month, Mrs. and Mr. Rajesh Jain (Indian residents aged 35 and 40 years respectively) brought to India a laptop computer valued at ₹ 80,000, used personal effects valued ₹ 2,20,000 and a personal computer for ₹ 65,000.

Calculate the custom duty payable by Mrs. & Mr. Rajesh Jain, if any. Ignore Agriculture infrastructure and development cess. (RTP Nov'23)

Answer:

(1) As per the Baggage Rules, 2016, an Indian resident arriving from a country other than Nepal, Bhutan, or Myanmar, is allowed duty free clearance of-

(i) Used personal effects and travel souvenirs without any value limit.

(ii) Articles [other than certain specified articles] up to a value of ₹ 50,000 carried as accompanied baggage [General duty-free baggage allowance].

(iii) Further, such general duty-free baggage allowance of a passenger cannot be pooled with the general duty-free baggage allowance of any other passenger.

(2) One laptop computer when imported into India by a passenger of the age of 18 years or above (other than member of crew) is exempt from whole of the customs duty [Notification No. 11/2004 Cus. dated 08.01.2004].

(3) Accordingly, there will be no customs duty on used personal effects (worth ₹ 2,20,000) of Mrs. and Mr. Rajesh Jain and laptop computer brought by them will be exempt from duty.

(i) Duty payable on personal computer after exhausting the duty-free baggage allowance will be ₹ 65,000 – ₹ 50,000 = ₹ 15,000.

(ii) Effective rate of duty for baggage = **35%**

(iii) Therefore, total customs duty = **₹ 5,250.**

Q16. Mrs. X, an Indian resident (36 years old) who was on a visit to China, returned after 6 months. She was carrying with her the following items:

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

Compute the customs duty payable by Mrs. X with reference to the Baggage Rules, 2016. (MTP-I May'23, MTP-II Dec'21, Nov'19)

Answer:

Computation of customs duty payable by Mrs. X

Particulars	Amount (₹)
Personal effects [Duty free clearance is allowed]	Nil
Laptop computer [One laptop computer is exempt when imported into India by a passenger ≥ 18 years of age]	Nil
Jewellery [Duty free jewellery allowance is not available to Mrs. X since she did not reside abroad for more than 1 year]	75,000
Music system	50,000
Total value	1,25,000
Less: General duty-free baggage allowance of ₹ 50,000	50,000
Value of baggage liable to customs duty	75,000
Rate of Duty	**35%**
Customs duty @ 35%	**26,250**

Q19. Mr. Samuel, a US resident aged 35 years, has come to India on a tourist visa for a month-long vacation. He carries with him, as part of baggage, the following:

Particulars	Value in ₹
Travel souvenirs	85,000
Other articles carried on in person	1,50,000
80 sticks of cigarettes of ₹ 100 each	8,000
30 cartridges of fire arms valuing ₹ 500 each	15,000
One litre wine	15,000

With reference to the Baggage Rules, 2016, determine whether Mr. Samuel will be required to pay any customs duty? (RTP May'20)

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, cigarettes exceeding 100 sticks, cartridges of fire arms exceeding 50 and alcoholic liquor or wines in excess of two litres), if carried on in person.

Accordingly, the customs duty payable by Mr. Samuel will be calculated as under:

Computation of customs duty payable	₹
Travel souvenir	Nil
Articles carried on in person	1,50,000
Cigarettes	8,000
Fire arms cartridge	15,000
One litre of wine	15,000
Baggage within the scope of rule 3 of Baggage Rules, 2016	1,88,000
Less: GFA	15,000
Baggage on which duty is payable	1,73,000
Customs duty payable @ 35%	**60,550**

Note: Fire arms, cartridges of firearms exceeding 50 and cigarettes exceeding 100 sticks are not chargeable to rate of duty applicable to baggage. Fire arms and cartridges of firearms exceeding 50 are chargeable to duty @ 70% while cigarettes exceeding 100 sticks are chargeable to duty at the rates applicable on cigarettes.

Q20. John Biden, aged 32, is a tourist of US origin. He has come to India on a travel visa and carries with him the following articles as part of baggage:

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

With reference to the Baggage Rules, 2016, determine customs duty payable. Ignore Agriculture infrastructure and development cess. (RTP Nov'22)

Answer:

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

(i) used personal effects and travel souvenirs; and

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

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

Particulars	₹
Used personal effects	Nil
Travel souvenirs	Nil
Laptop [One laptop computer is exempt when imported into India by a passenger ≥ 18 years of age]	Nil
Tobacco [₹ 5 × 125 gm] [125 gms tobacco can be accommodated in GFA]	625
Cigars [₹ 100 × 25] [25 cigars can be accommodated in GFA]	2,500
Fire-arms' cartridges [₹ 500 × 50] [50 fire-arms' cartridges can be accommodated in GFA]	25,000
1.5 litres wine [Wine upto 2 litres can be accommodated in GFA]	5,000
Mobile phone [Can be accommodated in GFA]	80,000
Total value	**1,13,125**
Less: GFA	15,000
Baggage on which duty is payable	98,125
Duty payable on baggage @ 35% (rounded off)	**34,344**

Note: Fire arms, cartridges of firearms exceeding 50 and cigarettes exceeding 100 sticks are not chargeable to rate of duty applicable to baggage. Fire arms and cartridges of firearms exceeding 50 are chargeable to duty @ 70% while cigarettes exceeding 100 sticks are chargeable to duty at the rates applicable on cigarettes.

Q21. Kiara of Indian origin, came to India on tour with her baby of 1 year. She brought the following goods:

Sr. No.	Particulars	Value in ₹
1.	Personal effects	50,000
2.	Used personal effects of infant	10,000

3.	New camera	45,000
4.	Mobile phone	12,500
5.	Cigarette sticks 70	1,000
6.	Wine – 2 litres	18,000
7.	Travel souvenirs	5,000
8.	Laptop	90,000

Indicate the taxability or taxable value in respect of each item in the table and calculate customs duty payable rounded off to the nearest rupee in accordance with law. There is no need for any notes to support the conclusions regarding taxability or taxable amount. (Nov'22)

Answer:

Particulars	**₹**
Personal effects	Nil
Used personal effects of infant	Nil
New camera	45,000
Mobile phone	12,500
Cigarette sticks 70	1,000
Wine - 2 litres	18,000
Travel souvenirs	Nil
Laptop	Nil
Total	76,500
Less: General Free Allowance	50,000
Baggage on which duty is payable	26,500
Duty payable on baggage @ **35%**	**9,275**

Note: In the above solution, it has been assumed that Kiara is returning from a country other than Nepal, Bhutan and Myanmar. However, in case it is assumed that Kiara is returning from Nepal, Bhutan or Myanmar, General Free Allowance is ₹ 15,000 instead of ₹ 50,000. In that case, duty payable on baggage @ **35%** will be **₹ 21,525.**

Q22. John Biden, aged 32, is a tourist of US origin. He has come to India on a travel visa and carries with him the following articles as part of baggage:

Particulars	**Value in ₹**
Used personal effects	50,000
Travel souvenirs	50,000
Laptop	1,20,000
200 gms tobacco [Valued @ ₹ 5 per gram]	1,000
50 cigars [Valued @ ₹ 100 each]	5,000
Fire-arms	80,000

With reference to the Baggage Rules, 2016, determine customs duty payable. Ignore agriculture infrastructure and development cess. (MTP-II May'23)

Answer:

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

(i) used personal effects and travel souvenirs; and

(ii) Articles up to the value of ₹ 15,000 (excluding, inter alia, firearms, tobacco exceeding 125 gms and cigars exceeding 25), if carried on in person or in the accompanied baggage of the passenger.

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

Particulars	**₹**
Used personal effects	Nil
Travel souvenirs	Nil
Laptop [One laptop computer is exempt when imported into India by a passenger ≥ 18 years of age]	Nil
Tobacco [₹ 5 × 125 gm] [125 gms tobacco can be accommodated in GFA]	625
Cigars [₹ 100 × 25] [25 cigars can be accommodated in GFA]	2,500
Total value	**3,125**
Less: GFA	15,000
Baggage on which duty is payable	Nil
Duty payable on baggage	**Nil**

Note: Fire arms, cartridges of firearms exceeding 50 and cigarettes exceeding 100 sticks are not chargeable to rate of duty applicable to baggage. Fire arms and cartridges of firearms exceeding 50 are chargeable to duty @ 70% while cigarettes exceeding 100 sticks are chargeable to duty at the rates applicable on cigarettes.

Q23. Mr. Noddy, aged 40 years and a citizen of Australia, is on a solo trip to India for 1 month to meet his Indian friend residing in Mumbai. He carries with him following articles as part of baggage:

Particulars	**Value in ₹**
Used personal effects	80,000
Other articles carried on in person	1,00,000
65 cartridges of fire arms @ ₹ 1000 per cartridge	65,000
150 gms of tobacco @ ₹ 10 per gram	1,500
Mobile phone	50,000
50 cigars of ₹ 100 each	5,000
Used personal effects of his infant child for donation	10,000

With reference to the Baggage rules 2016, indicate the taxability and taxable value in respect of each item in the table under baggage rules or otherwise. Also calculate the customs duty payable on baggage rounded off to the nearest rupee in accordance with law. Ignore agriculture infrastructure and development cess. (May'23)

Answer:

		Taxable value under Baggage Rules
Used personal effects	[Allowed duty free]	NIL
Other articles carried on in person	Taxable	1,00,000
50 cartridges of fire arms		50,000 (50 x ₹ 1,000)
125 gms of tobacco		1,250 (125 gm x ₹ 10)
Mobile phone		50,000
25 cigars of ₹ 100 each		2,500 (25 cigars x ₹ 100)
Used personal effects of his infant child	[Taxable]	10,000
Total		**2,13,750**
Less: General Free Allowance		15,000
Baggage on which duty is payable @ **35%**		1,98,750
Duty payable on baggage* (rounded off)		**69,563**

* Fire arms, cartridges of firearms exceeding 50 and cigarettes exceeding 100 sticks are not chargeable to rate of duty applicable to baggage. Fire arms and cartridges of firearms exceeding 50 are chargeable to duty @ 70% while cigarettes exceeding 100 sticks are chargeable to duty at the rates applicable on cigarettes.

Q24. Rusi Clinton, aged 36, is a tourist of US origin. He has come to India on a travel visa and carries with him the following articles as part of baggage:

Particulars	**Value in ₹**
Used personal effects	50,000
Travel souvenirs	50,000
Laptop	1,20,000
1.5 litres wine	5,000
Mobile phone	9,000

With reference to the Baggage Rules, 2016, determine customs duty payable. Ignore agriculture infrastructure and development cess. (MTP-I Nov'23)

Answer:

Tourist of foreign origin, excluding infant, is allowed duty free clearance of:

(i) used personal effects and travel souvenirs; and

(ii) Articles up to the value of ₹ 15,000 (excluding, inter alia, wine in excess of 2 litres), if carried on in person or in the accompanied baggage of the passenger.

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

Particulars	**₹**
Used personal effects	Nil
Travel souvenirs	Nil
Laptop [One laptop computer is exempt when imported into India by a passenger ≥ 18 years of age]	Nil
1.5 litres wine [Wine upto 2 litres can be accommodated in GFA]	5,000
Mobile phone [Can be accommodated in GFA]	9,000
Total value	**14,000**
Less: GFA	15,000
Baggage on which duty is payable	Nil
Duty payable on baggage @ 35%	**Nil**

Q29. Sarah of Germany, a person of foreign origin, has come to India on a tour on travel visa. She carries with her the following as part of baggage:

Particulars	**Value in (₹)**
140 sticks of cigarettes of ₹ 120 each	16,800
Travel Souvenir	75,000
Other articles carried on in person	1,25,500
Fire arm with 110 cartridges (value includes the value of cartridges at @ ₹ 510 per cartridge)	1,10,000

Determine with short explanations where required, customs duty payable on concessional baggage, if the effective rate of customs duty on baggage is 35%. Ignore any other applicable cess or duty. (May'25)

Answer:

Computation of customs duty payable

	₹
Cigarettes [100 sticks can be accommodated in General Free Allowance (GFA)]	12,000
Travel souvenir [Allowed duty free]	Nil
Articles carried on in person	1,25,500
Firearms cartridge [50 cartridges can be accommodated in GFA]	25,500
Baggage that can be accommodated in GFA	1,63,000
Less: GFA	15,000
Baggage on which duty is payable	1,48,000
Duty payable @ 35%	**51,800**