

CA Final (Sep 2025)
IDT – Answer Key Mock Test Paper 1 (By CA Akshansh Garg)

PART A (MCQ) (30 marks)

2 marks each

1. Option (d)
2. Option (b)
3. Option (a)
4. Option (a)
5. Option (c)
6. Option (b)
7. Option (a)
8. Option (c)
9. Option (a)
10. Option (c)
11. Option (d)
12. Option (a)
13. Option (c)
14. Option (a)
15. Option (b)

PART B – Descriptive Questions (70 Marks)

Question 1

(14 marks)

Computation of Net GST payable in cash from Electronic Cash Ledger for the month of January

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
A.	GST liability on outward supply				
	Machinery supplied without consideration [Not a supply as it is made without consideration and is also not covered in Schedule I because machinery has been supplied to an unrelated person (brother not being wholly dependent on Mohan Singh) and ITC has also not been availed on the same.]	Nil 0.5	-	-	-
0.5	Consignment of machines supplied at the instruction of third person [Since supply is a bill to ship to supply where the goods are delivered on the direction of a third person- XX Enterprises, goods are deemed to be received by XX Enterprises and thus, the place of supply is Tamil Nadu. Hence, it is an inter-State supply.]	6,00,000			1,08,000 [6,00,000 × 18%] 0.5
	Stock counting service to Gungun Manufacturers of Gujarat [Intra-State supply as the place of supply is the location of recipient, viz. Gujarat.]	1,10,000	9,900 [1,10,000 × 9%]	9,900 [1,10,000 × 9%]	NIL
	Direct Selling Agent services provided by an individual (Mohan Singh) to a bank [Tax is payable by bank under reverse charge.] 0.5	2,00,000	- 0.5	-	-
	Advance received for intra-State supply [Tax on advance received for supply of goods of ₹ 5,00,000 will be payable at the time of issuance of invoice.]	4,00,000	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	

	Finished goods sold from the premises of the job worker [Supply of goods by principal from the job worker's premises is regarded as supply by principal only irrespective of the location of job worker. Therefore, since the place of supply is the location where movement of goods terminates for delivery to recipient, i.e., Maharashtra, it is an intra-State supply.]	1,00,000	9,000 [1,00,000 × 9%]	9,000 [1,00,000 × 9%]		1
Total tax liability on outward supplies			54,900	54,900	1,08,000	1
B. GST liability on inward supplies under reverse charge						
	GTA services availed from M/s Ghoomghoom Transporters [Tax is payable under RCM on the GTA services received by a registered person and on which tax is payable @ 5%. Further, it is an inter-State supply since supplier is located in Kolkata and place of supply is Gujarat (location of registered recipient).]	1,00,000			5,000 [1,00,000 × 5%]	1
C. Input tax credit						
	Import of machinery [Input tax, inter alia, includes IGST charged on import of goods.]				90,000 0.5	
	GTA services availed	1,00,000			5,000	0.5
	IGST on invoices received during the month [Full ITC can be claimed only on the invoices uploaded by supplier in Form GSTR-1 and the details of the same have been communicated to the registered person in Form GSTR-2B.]				1,00,000 1	
	Less: Input tax reversed [Outward supply, tax on which is payable under reverse charge is considered as exempt supply for the purpose of reversal of ITC.] = ₹ 1,95,000 x ₹ 2,00,000 / ₹ 19,10,000 (₹ 1,95,000 x turnover of exempt supply/ total turnover) 1 [The condition for making the payment for the supply within 180 days so that the ITC availed does not get added to the output tax liability does not apply to				(20,419) 1	

	reverse charge supplies. Thus, ITC on ₹ 4,00,000 will not be affected.]				
	Total ITC available for set off		-	-	1,74,581
D.	Computation of net GST payable in cash				
	Total tax liability on outward supplies		54,900	54,900	1,08,000
	Less: ITC of IGST		(54,900)	(11,681)	(1,08,000)
	Forward charge liability on outward supplies payable in cash after set off of ITC		-	43,219	
	Reverse charge liability on inward supplies 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.]				5,000
	Total net GST liability payable in cash		-	43,219	5,000

Question 2(a)

(8 marks)

(i) **No GST will be levied.** 1

If any agriculturist supplies raw cotton to registered person, then RCM is applicable. However, in the given case, receiver is unregistered.

(ii) **Forward charge is applicable.** 0.5

If any unregistered person supplies metal scrap to registered person, then RCM is applicable. However, in the given case, supplier is registered.

0.5

(iii) **Reverse charge mechanism is applicable.** 0.5

If any agriculturist supplies tobacco leaves to any registered person, then RCM is applicable. 0.5

(iv) **Reverse charge mechanism is applicable.** 0.5

Services provided by GTA to unregistered person is exempt. However, if GTA provides services to unregistered notified person, then taxable under RCM. 0.5

(v) **Forward charge is applicable.** 0.5

Exemption is available if consideration is upto ₹ 20,000 per month. 0.5

(vi) **Not Exempt** 0.5

If affiliation amount is paid by Government School, then only exempt. 0.5

▲ (vii) **Exempt 0.5**

Services by way of storage or warehousing of cereals, pulses, fruits and vegetables are exempt. 0.5

(viii) **Exempt 0.5**

Any amount received by educational institute from students, faculty and staff is exempt. 0.5

Question 2(b)

(6 marks)

Computation of net GST payable by Mahadev

Particulars	Amount (₹)	CGST (₹)	SGST (₹)
<u>Supplies on which Mahadev is liable to pay GST under forward charge</u>			
Funeral services [Note 1]	8,80,000		
Services of warehousing of jaggery taxable @ 9% CGST & 9% SGST [Note 2]	50,000	4,500	4,500
Services by way of giving on hire electrically operated buses to Municipality [Note 3]	5,00,000		
Service provided to recognized sports body as commentator taxable @ 9% CGST & 9% SGST [Note 4]	2,00,000	18,000	18,000
Commission received as an insurance agent from insurance company [Note 5]	65,000		
Commission received as business facilitator for the services provided to the urban branch of a nationalised bank with respect to savings bank accounts [Note 6]	15,000		
Security services (supply of security personnel) provided to DEC for the security of the college premises [Note 7]	28,000		
Value of taxable supply	2,50,000		
Total tax liability on outward supplies (A)		22,500	22,500
<u>Supplies on which Mahadev is liable to pay GST under reverse charge</u>			
Services received from GTA taxable at 2.5% CGST & 2.5% SGST [Note 8]	1,00,000	2,500	2,500
Legal services received [Note 9]	50,000		
Value of taxable supply	1,00,000		
Total tax liability on inward supplies under reverse charge (B) - payable in cash [Note 10]		2,500	2,500
ITC available on input services [Note 8]		Nil	Nil
Net GST payable (A) + (B)		25,000	25,000

Notes:

- (1) Funeral services being covered in entry 4 of Schedule III to the CGST Act, 2017 are not a supply and thus, are outside the ambit of GST. ^{0.5}
- (2) The exemption in respect of services by way of storage/warehousing of, inter alia, jaggery is withdrawn by Notification No. 04/2022 CT(R) dated 18.07.2022. Thus, services of warehousing of jaggery are taxable.
- (3) Services by way of giving on hire to a local authority, an Electrically operated vehicle (EOV) meant to carry more than 12 passengers are exempt vide exemption notification. Buses are EOVs meant to carry more than 12 passengers. Hence, services of giving electrically operated buses on hire to Municipal Corporation are exempt from GST. ¹
- (4) Services provided to a recognized sports body by an individual only as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST vide exemption notification. Thus, service provided as commentator is liable to GST.
- (5) Though commission for providing insurance agent's services to any person carrying on insurance business is liable to GST, the tax payable thereon is to be paid by the recipient of service i.e., insurance company, under reverse charge in terms of Notification No. 13/2017 CT(R) dated 28.06.2017 (hereinafter referred to as reverse charge notification). Thus, Mahadev will not be liable to pay GST on such commission.
- (6) Services provided by a business facilitator to a banking company with respect to accounts in its rural area branch are exempt from GST vide exemption notification. Thus, services provided by him in respect of urban area branch of the bank will be taxable. However, the tax payable thereon is to be paid by the recipient of service i.e., banking company, under reverse charge in terms of reverse charge notification. Hence, Mahadev will not be liable to pay GST on commission received for said services.
- (7) Services provided to an educational institution, by way of security services performed in such educational institution are exempt from GST only when said services are provided to an institution providing services by way of pre-school education and education up to higher secondary school or equivalent, vide exemption notification. Thus, in the given case, security services provided to DEC are not exempt. Further, the tax on security services (supply of security personnel) provided by any person other than a body corporate to a registered person is payable by the recipient of service under reverse charge in terms of reverse charge notification. Hence, Mahadev will not be liable to pay GST in the given case. ¹
- (8) GST on services provided by a GTA (not paying tax @ 12%) 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, Mahadev 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.
- (9) Legal services provided by a partnership firm of advocates to a business entity (with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017) are exempt from GST vide exemption notification. Since the aggregate turnover of Mahadev did not exceed ₹ 20 lakh [the applicable threshold limit for

registration for Mahadev being a supplier of services] in the preceding FY, legal services received by him are exempt from GST.

- (10) As per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.
- (11) Since all the transactions given hereunder are intra-State, CGST and SGST are payable in terms of section 9(1) of the CGST Act, 2017.

Question 3(a)

(6 marks)

- (i) Export of goods is treated as inter-State supply. ¹

Miss Siddhika is liable to obtain registration compulsorily irrespective of the quantum of her aggregate turnover since she is engaged in making inter-State supply (exports) of goods. ¹

- (ii) Any person engaged exclusively in making exempt supplies is not liable to registration. However, Manan Enterprises is liable to get registered as it has also made a taxable supply along with exempt supplies during the year and its aggregate turnover (₹ 48.25 lakh) exceeds the threshold limit for registration. ²

- (iii) Since registration in GST is PAN based, once a supplier is liable to register, he has to obtain registration in each of the States/UTs in which he operates under the same PAN. Therefore, Mr. Piyush is liable to get registered in Haryana also, provided he is not engaged exclusively in making exempt supplies from Haryana. ²

OR (Candidate can write any ans)

However, it is also possible to take a view that a person who is voluntarily registered in one State needs to obtain registration in other States from where he makes a taxable supply only if his aggregate turnover exceeds applicable threshold limit for registration. In that case, Mr. Piyush is not liable to obtain registration from Haryana since the aggregate turnover does not exceed the threshold limit for registration. ²

Question 3(b)

(4 marks)

In case of services supplied by any person located in a non-taxable territory to any person other than non-taxable online recipient, tax is payable under reverse charge by the person located in the taxable territory. [Notification No. 10/2017 IT (R) dated 28.06.2017]. ^{0.5}

Hence, in the given case, since the business support services are provided by Green Inc (located in non-taxable territory) to Mint Ltd. (person other than non-taxable online recipient and located in taxable territory), tax is payable under reverse charge by Mint Ltd. ^{0.5}

The time of supply of services taxable under reverse charge is the earlier of the following:

- Date of payment, or ^{1 = all 3 conditions}
- Date immediately following 60 days since issue of invoice (or any other document in lieu of invoice) by the supplier.

- Date of issue of invoice by the recipient, in case where invoice is to be issued by the recipient. If it is not possible to determine the time of supply by using these parameters, then the time of supply will be the date of entry of the service in the books of account of the recipient of supply.

In view of the aforesaid provisions, the time of supply in each of the given cases will be as under:

CASE	Time of supply
CASE I	Since Mint Ltd makes the payment within 60 days of the date of issue of invoice, the time of supply is the date of payment, i.e., 22 nd September. 1
CASE II	As Mint Ltd. makes the payment after 60 days from the date of invoice, time of supply is the date immediately following the said period of 60 days, i.e., 61 st day which is 18 th October. 1

Question 3(c)

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(4 marks)

The following precautions should generally be observed when summoning a person under GST law: -

- A summon should not be issued for appearance where it is not justified. The power to summon can be exercised only when there is an inquiry being undertaken and the attendance of the person is considered necessary.
- Repeated summons should be avoided. As far as practicable, the statement of the accused or witness should be recorded in minimum number of appearances.
- The time of appearance given in the summons should be respected. No person should be made to wait for long hours before his statement is recorded unless decided as a matter of strategy.
- Statements should preferably be recorded during office hours; however, an exception could be made regarding time and place of recording statement having regard to the facts in the case.

Question 4(a)

(5 marks)

The place of supply for the services provided by Cisca Consultants to Earth Ltd. is as follows:

As per section 13(3)(a) of the IGST Act, 2017, in case where the services are supplied in respect of goods which are required to be made physically available by the recipient of services to the supplier of services, the place of supply of such services shall be the location where the services are actually performed. In the given case, for carrying out the repair work, machinery was required to be made physically available by Earth Ltd. to Cisca Consultants. Thus, the place of supply of services in this case is the location where the services are actually performed i.e., Maharashtra, India. 0.5

Further, sixth proviso to rule 46 read with Notification No. 14/2020 CT dated 21.03.2020 provides that all invoices issued by a registered person whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores, in respect of B2C supplies (supply of goods or services or both to an unregistered person) will mandatorily have a Dynamic QR code. Thus, the invoices issued by Cisca Consultants to unregistered persons are mandatorily required to have a Dynamic QR Code. Accordingly, since Earth Ltd. is not registered in India, invoice to be raised by Cisca Consultants to it 1

should mandatorily have a Dynamic Quick Response (QR) code. However, Circular No. 165/21/2021 GST dated 17.11.2021 has clarified that **wherever an invoice is issued to a recipient located outside India, for supply of services, for which the place of supply is in India, as per the provisions of IGST Act 2017, and the payment is received by the supplier in convertible foreign exchange, such invoice may be issued without having a Dynamic QR Code, as such dynamic QR code cannot be used by the recipient located outside India for making payment to the supplier.** ²

Thus, the Dynamic Quick Response (QR) code is NOT mandatorily required on the invoice to be issued by Cisca Consultants to Earth Ltd. ¹

Question 4(b)

(5 marks)

Computation of custom duty payable

Particulars	Amount
CIF value (negotiated price) [Note-1]	5,500 £
<i>Less:</i> Air freight	500 £
<i>Less:</i> Insurance	600 £
FOB value	4,400 £
	Amount ₹
FOB Value (in ₹) [4,400 £ x ₹ 102] [Note-2]	0.5 4,48,800
Add: Vendor inspection charges [Note-3]	0.5 Nil
Add: Commission payable to local agent [1% of FOB value] [Note-4] = (US \$ 4,400 × ₹ 102) × 1%	0.5 4,488
FOB value as per Customs	0.5 4,53,288
Freight [Note-5] [500 £ x ₹ 102]	0.5 51,000
Insurance [Note-6] [600 £ x ₹ 102]	0.5 61,200
Assessable value	0.5 5,65,488
Add: Basic custom duty @ 10% [Note-7] – rounded off	0.5 56,548.80
Social Welfare Surcharge (10% of ₹ 56,548.80) [rounded off]	5,655
Customs duty payable [rounded off]	0.5 62,204

Notes:

- As per section 14 of the Customs Act, 1962, the value of the imported goods is the transaction value, which means the price actually paid or payable for the goods. In this case, since the contract was re-negotiated and the importer paid the re-negotiated price, the transaction value would be such re-negotiated price and not the contract price.
- Rate of exchange notified by CBIC on the date of filing of bill of entry will be considered as per third proviso to section 14 of the Customs Act, 1962.
- Only the payments actually made as a condition of sale of the imported goods by the buyer to the

seller are includible in the assessable value under rule 10(1)(e) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007. Charges of vendor inspection on the goods carried out by foreign supplier on his own and not required for making the goods ready for shipment, are not includible in the assessable value of the imported goods [Bombay Dyeing & Mfg. v. CC 1997 (90) ELT 276 (SC)].

4. Commission paid to local agent (since it is not buying commission) is includible in the assessable value on the presumption that local agent has been appointed by the exporter [Rule 10(1)(a)(i) of the Customs Valuation Rules].
5. Actual amount incurred towards freight will be considered since freight is not more than 20% of FOB value [Fifth proviso to rule 10(2) of Customs Valuation Rules]. 0.5
6. Actual insurance charges paid are includible in the assessable value as per rule 10(2)(b) of the Customs Valuation Rules.
7. As per proviso to section 15 of the Customs Act, 1962, rate of duty will be the rate in force on the date of presentation of bill of entry or on the date of arrival of the aircraft, whichever is later.

Question 4(c)

(4 marks)

- (i) The contention of the importer is partially correct. 1

Anti-dumping duty cannot be imposed on imports made by 100% EOU. However, following circumstances are exception to the same:

- where it is specifically made applicable in such notifications or such impositions, as the case may be; or 0.5
- where such article imported is either cleared as such into the DTA or used in the manufacture of any goods that are cleared into the DTA, and in such cases anti-dumping duty shall be levied on that portion of the article so cleared or so used as was leviable when it was imported into India. 0.5

- (ii) The claim of the importer's association is not correct. 1

Anti-dumping duty can be levied with retrospective effect not beyond 90 days from the date of such notification, if Central Government is of the opinion that:

- there is a history of dumping which caused injury or that the importer was, or should have been, aware that the exporter practices dumping and that such dumping would cause injury, and 0.5
- the injury is caused by massive dumping of an article imported in a relatively short time which is likely to seriously undermine the remedial effect of anti-dumping duty liable to be levied owing to timing and volume of imported article dumped and other circumstances. 0.5

Question 5(a)

= 3 x 2 each

(6 marks)

- (i) In cases involving supply of goods to an unregistered person, where the billing address and delivery address are different, the delivery address shall be the place of supply.

Thus, place of supply is Mumbai, Maharashtra.

(ii) Section 12(7) of the IGST Act stipulates that the place of supply of services provided by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to a conference, fair, exhibition, celebration or similar events is the location of recipient in a case where such service is provided to a registered person. In the given case, since the recipient (Chirag Diamond Merchants) is a registered person, the place of supply is the location of the recipient, i.e., Varanasi, U.P.

Further, the place of supply will not change even if the award function is organised at Mauritius instead of Mumbai as the location of recipient remains unchanged. Thus, in that case also, the place of supply is the location of the recipient, i.e., Varanasi, U.P.

(iii) In case of supply of goods to an unregistered person over the counter (OTC), where address of such person is recorded in the invoice (i.e. name of State of said person is recorded in invoice), the place of supply is location as per said address.

Thus, in the given case, since the address of Mr. Pintoo is recorded in the invoice, place of supply is Karnal, Haryana.

Question 5(b)

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(4 marks)

The proper officer may scrutinize the return and related particulars furnished by the registered person to verify the correctness of the return and inform him of the discrepancies noticed.

In case no satisfactory explanation is furnished by registered person, the proper officer may take recourse to any of the following provisions, namely:

- (a) proceed to conduct audit under section 65 of the CGST Act
- (b) proceed to conduct special audit to be conducted by a Chartered Accountant or a Cost Accountant under section 66 of the CGST Act
- (c) undertake procedures of inspection, search and seizure under section 67 of the CGST Act.
- (d) initiate proceeding for determination of tax and other dues under section 73/74/74A of the CGST Act.

Question 5(c)

(4 marks)

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 0.5
- (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	₹
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Used personal effects		Nil
Travel souvenirs		Nil
Laptop [One laptop computer is exempt when imported into India by a passenger \geq 18 years of age]	0.5	Nil
Tobacco [₹ 5 × 125 gm] [125 gms tobacco can be accommodated in GFA]	0.5	625
Cigars [₹ 100 × 25] [25 cigars can be accommodated in GFA]	0.5	2,500
Fire-arms' cartridges [₹ 500 × 50] [50 fire-arms' cartridges can be accommodated in GFA]	0.5	25,000
1.5 litres wine [Wine upto 2 litres can be accommodated in GFA]	0.5	5,000
Mobile phone [Can be accommodated in GFA]		80,000
Total value		1,13,125
Less: GFA		<u>15,000</u>
Baggage on which duty is payable		<u>98,125</u>
Duty payable on baggage @ 38.50% (including 10% Social Welfare Surcharge) (rounded off)	0.5	37,778

Note: Firearms, cartridges of firearms exceeding 50, cigars exceeding 25 and tobacco exceeding 125 gms are not chargeable to rate applicable to baggage [Notification No. 26/2016 Cus. dated 31.03.2016]. These items are charged @ 100% applicable to baggage under Heading 9803 of the Customs Tariff. 0.5

Question 6(a)

(5 marks)

As per section 129 of the CGST Act, 2017, when owner of goods does not come forward for payment of penalty, detained/seized goods and conveyance (used as a means of transport for carrying said goods) and related documents are released on payment of penalty equal to higher of the following:

- (i) 50% of value of goods or 1
- (ii) 200% of the tax payable on such goods

In view of the same, the amount of penalty payable if Kesri Private Limited does not come forward for the payment of penalty is as follows:

- (i) 50% of value of goods [₹ 3,40,000 (50% of ₹ 6,80,000)] or 0.5
- (ii) 200% of the tax payable on such goods [₹ 1,22,400 (200% of ₹ 6,80,000 × 9%)] 0.5

whichever is higher, i.e., ₹ 3,40,000 (each under CGST and SGST).

Conveyance shall be released on payment by the transporter the penalty as mentioned in the order or ₹ 1 lakh (each under CGST and SGST), whichever is less. 1

In the given scenario, since the owner – Kesri Private Limited has failed to come forward to make payment of penalty, penalty of ₹ 3,40,000 (each under CGST and SGST) shall be levied. 0.5

Further, the transporter of goods can get its truck released upon payment of the lower of the following under the CGST Act, 2017:

- (i) penalty as mentioned in the order [₹ 3,40,000] or 1
- (ii) ₹ 1,00,000

Hence, Mahesh Transporters can get its truck released upon payment of ₹ 1,00,000 (each under CGST and SGST). 0.5

Question 6(b)

(5 marks)

Section 107(6) provides that no appeal shall be filed before Appellate Authority (AA), unless the appellant pays*: -

- (a) in full, tax, interest, fine, fee and penalty arising from impugned order, as is admitted by him; and 0.5
- (b) 10% of remaining tax in dispute arising from the impugned order subject to a maximum of ₹ 20 crore, in relation to which the appeal has been filed. 1

However, no appeal shall be filed before AA against an order under section 129(3) [order for payment of penalty for release of detained/seized goods/conveyances], unless a sum equal to 25% of the penalty has been paid by the appellant. 1

* Equivalent amount is required to be deposited with respect to SGST liability.

Thus, in the given case, Joshi Associates has to make a pre-deposit of 10% of ₹ 6,00,000, which is ₹ 60,000 (i.e., CGST ₹ 30,000 and SGST ₹ 30,000). 0.5

However, when Joshi Associates admits the liability of ₹ 2,00,000 (CGST + SGST) and disputes only the balance tax demanded of ₹ 4,00,000, it has to make a pre-deposit of:

- (i) ₹ 2,00,000 + ₹ 20,000 [proportionate penalty on tax admitted] + interest @ 18% p.a. payable on the tax admitted for the period of delay, and 1
- (ii) 10% of ₹ 4,00,000 which is ₹ 40,000. 1

OR

In case of zero-rated supply of goods and services without payment of tax under bond/LUT, refund of ITC relating to goods and services exported is granted as per the following formula:

$$\text{Refund Amount} = \frac{(\text{Turnover of zero-rated supply of good} - \text{Turnover of zero-rated supply of services})}{\text{Adjusted Total Turnover}} \times \text{Net ITC (Inputs \& Input Services)} \quad 1$$

Accordingly, the amount of refund shall be computed as follows:

Particulars	₹
Net ITC	0.5 12,00,000
Turnover of zero-rated supply of goods	0.5 12,00,000

Turnover of zero-rated supply of services [Aggregate of payments received during the relevant period and services where supply has been completed for which payment had been received in advance in any prior period reduced by advances received for which the supply of services has not been completed during the relevant period] [₹ 48 lakh + ₹ 14 lakh - ₹ 12 lakh] 0.5 * It is assumed that Sl. No. 6. of the table in the question belongs to zero rated supply of service and not for zero rated supply of goods.	0.5 50,00,000
Adjusted total turnover = Turnover in a State excluding turnover of services + Turnover of zero-rated supply of services determined as above + non-zero-rated supply of services – [Exempt supplies other than zero-rated supplies] [₹ 76 lakh - ₹ 2 lakh + ₹ 50 lakh + ₹ 10 lakh – (₹ 8 lakh)] 0.5 * The exempt supplies are logically assumed to be other than zero rated supplies.	1,26,00,000 0.5
Refund of ITC for zero rated supply of goods and zero-rated supply of services [₹ 12,00,000 x (₹ 62,00,000 / ₹ 1,26,00,000)] 0.5	0.5 5,90,476 (Rounded off)

Note: The above answer is based on the following assumptions made with regard to the information given in the table in the question:

- (i) Turnover at Sl. No. 1 [₹ 76 lakhs] includes the turnover of zero-rated supply of goods given at Sl. No. 2 [₹ 12 lakhs].
- (ii) Turnover of zero-rated supply of goods given at Sl No. 2 [₹ 12 lakhs]
- (iii) Turnover of zero-rated supply of services computed as per rule 89(4)(D) [₹ 50 lakhs]

Question 6(c)

(4 marks)

The written submissions in reply to SCN issued to Sagar Associates are as follows:

- (i) The show cause notice (SCN) issued for normal period of limitation under section 74A is not sustainable.
- (ii) The SCN under section 74A can be issued within 42 months from the due date for furnishing annual return for the financial year to which the short-paid tax relates to.

The due date for furnishing annual return for a financial year is on or before the 31st day of December following the end of such financial year [Section 44].

- (iii) The SCN has been issued for the period between 01.07.2024 to 31.12.2024 which falls in the financial year (FY) 2024-25. Due date for furnishing annual return for the FY 2024-25 is 31.12.2025 and 42 months period from due date of filing annual return lapses on 30.06.2029. Thus, SCN under section 74A ought to have been issued latest by 30.06.2029.
- (iv) Since the notice has been issued after 30.06.2029, the entire proceeding is barred by limitation and deemed to be concluded under section 75(10).