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CA FINAL (Nov 2024)
GROUP II - PAPER 8
INDIRECT TAX LAWS
SUGGESTED ANSWERS
(Series 2)

PART - I (MCQs)

MCQ - 2 marks each														
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
A	A	C	B	B	D	B	C	A	D	D	A	C	C	C

PART - II (Descriptive Answers)

- 1 Computation of gross GST liability on outward supply of Adityanath Private Limited for the month of August**

Particulars	Value (₹)	GST (₹)
Supply of Product Alpha [Liable to GST @ 12%]	50,00,000	6,00,000
Supply of Product Gamma [Exempt from GST]	1,00,00,000	Nil
Supply of management consultancy services [Liable to GST @18%]	50,00,000	9,00,000
Renting of commercial complex to local traders of electronic goods [Services by way of renting of residential dwelling for use as residence to an unregistered person are exempt from GST. Thus, renting of commercial complex is taxable and GST is payable on the same @ 18%.]	50,00,000	9,00,000
Export of Product Beta [Export of goods is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero-rated supply can be made without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]	1,00,00,000	Nil
Export of consultancy services [As per section 2(6) of the IGST Act, 2017, an activity is treated as export of service if, inter alia, payment for the service is received in convertible foreign exchange or in Indian rupees wherever permitted by the RBI. Since in case of exports to Nepal, RBI regulations allow receipt of payment in Indian rupees, exports of service to Nepal are treated as 'normal export'.	20,00,000	Nil

Export of services is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero-rated supply can be made without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]		
Sale of building [Sale of building is neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, 2017, provided the entire consideration has been received after issue of completion certificate by the competent authority or after its occupation, whichever is earlier. Hence, the same is not liable to GST.]	2,50,00,000	Nil
Interest received on investment in fixed deposits with Manimani Bank [Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest are exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017]	10,50,000	Nil
Sale of shares [Shares are neither goods nor services in terms of section 2(52) and 2(102) of the CGST Act, 2017. Hence, sale of shares is neither a supply of goods nor a supply of services and hence, is not liable to GST.]	2,50,00,000	Nil
Supply of cigarettes [Liable to GST @ 28%] [Excise duty is included in value since as per section 15(2)(a) of the CGST Act, 2017, value of supply includes all taxes, duties, cesses other than GST.]	1,00,00,000	28,00,000
Supply of petrol and diesel [Supply of petrol and diesel is not leviable to GST as per section 9 of the CGST Act, 2017.]	80,00,000	Nil
Amount received from Durga Das Private Limited for sponsorship of the business exhibition [Tax on services provided by any person by way of sponsorship to any body corporate located in taxable territory is payable by the recipient (Durga Das Private Limited) under reverse charge. Thus, tax on such services is not payable by Adityanath Private Limited.]	6,00,000	Nil
Total GST liability on outward supply		52,00,000

Computation of net GST payable by Adityanath Private Limited for the month of August

Particulars	(₹)
Gross GST liability on outward supply [as computed in Answer 9 above]	52,00,000
Less: Input tax credit (ITC) [Refer Working Note 2] [Since the value of taxable supply other than exempt supply and zero-rated supply of Adityanath Private Limited in August exceeds ₹ 50 lakh, amount available in electronic credit ledger which it can use to discharge its output tax liability of said month cannot exceed 99% of such tax liability in terms of rule 86B of the CGST Rules, 2017.]	2,74,417

GST payable from Electronic Cash Ledger [A]	49,25,583
Add: GST payable on inward supplies under reverse charge	
Legal services [₹ 3,50,000 × 18%] [Tax on legal services provided by advocate to business entity, is payable under reverse charge by business entity in terms of Notification No. 13/2017 CT (R) dated 28.06.2017]	63,000
Services received from GTA [₹ 4,00,000 × 5%] [Tax on services provided by a GTA (who has not opted to pay tax under forward charge) to a body corporate, is payable under reverse charge by the body corporate]	20,000
Tax payable under reverse charge [B]	83,000
Total GST paid from Electronic Cash Ledger [A] + [B] [As per section 49(4) 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). Therefore, input tax credit cannot be used to pay tax payable under reverse charge and thus, tax payable under reverse charge will have to be paid in cash.]	50,08,583

Working Note - 1

Computation of common credit attributable to exempt supplies during August

Particulars	Amount (₹)	ITC (₹)
Repair of machinery by George Inc. of USA [In case where either supplier or recipient is located outside India, the place of supply of services supplied in respect of goods required to be made physically available by recipient to supplier is the location where the services are actually performed in terms of section 13(3)(a) of the IGST Act, 2017. Hence, place of supply of repair services received in the given case is outside India. Since the location of supplier and place of supply are outside India, said repair services are not liable to GST.]	5,20,000	Nil
Life insurance premium paid by company for life insurance of employees [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 time being in force. Since it is not obligatory for employer in instant case and thus, ITC thereon is blocked in terms of second proviso to section 17(5)(b).]	48,50,000	Nil
Audit fees [6,50,000 × 18%] [Credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017]	6,50,000	1,17,000
Raw material [₹ (10,00,000 – 1,50,000) × 12% + ₹ 29,970] [Credit of tax paid on inputs used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017. Further, IGST charged on raw material imported from China]	10,00,000	1,31,970

is also available because input tax, inter alia, includes IGST charged on import of goods (Section 2(62) of the CGST Act).]		
Transportation charges for transporting the goods [₹ 4,00,000 × 5%] [Services by way of transportation of goods by road are exempt from GST except the services of a GTA. Hence, GST is not payable on transportation charges paid for horse pulled carts.]	4,00,000	20,000
Telephone expenses [₹ 4,25,000 × 18%] [Credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017.]	4,25,000	76,500
Bank charges paid towards company's current account maintained with bank [₹ 2,00,000 × 18%] [Credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017.]	2,00,000	36,000
Common credit on inputs and input services		3,81,470
Common credit attributable to exempt supplies (rounded off) = Common credit on inputs and input services × (Exempt turnover during the period/Total turnover in State during the period) = ₹ 3,81,470 × ₹ 29,60,00,000/₹ 66,40,00,000 Exempt turnover = ₹ 29,60,00,000 and total turnover in State = 66,40,00,000 [Refer note below]		1,70,053
Legal services received from advocate [₹ 3,50,000 × 18%] [Legal services are not eligible for exemption provided under Notification No. 12/2017 CT (R) dated 28.06.2017 as the turnover of the business entity (Adityanath Private Limited) in the preceding financial year exceeds ₹ 20 lakh. Further, credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017. Full credit is available as these services are exclusively used for effecting taxable supply.]	3,50,000	63,000

Note:

As per section 17(3) of the CGST Act, 2017, value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building. As per explanation to Chapter V (Input Tax Credit) of the CGST Rules, 2017, the value of exempt supply in respect of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security.

Further, as per explanation to rule 42 of the CGST Rules, 2017, the aggregate value of exempt supplies, inter alia, excludes the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances. Aggregate value of exempt supplies and total turnover excludes the central excise duty, State excise duty, central sales tax and VAT.

Therefore, **value of exempt supply** in the given case will be the sum of value of output supply on which tax is payable under reverse charge (₹ 6,00,000), value of sale of building (₹ 2,50,000/2 x 100 = ₹ 1,25,00,000), value of sale of shares (1% of ₹ 2,50,00,000 = ₹ 2,50,000), supply of Product Gamma (₹1,00,00,000) and supply of petrol and diesel (₹ 80,00,000 – ₹ 5,00,000 – ₹ 12,50,000 = ₹ 62,50,000), which comes out to be **₹ 2,96,00,000**.

Total turnover in State = ₹ 6,64,00,000 [₹ 50,00,000 + ₹ 1,00,00,000 + ₹ 50,00,000+ ₹ 50,00,000 + ₹ 1,00,00,000 + ₹ 20,00,000 + (₹ 2,50,000/2 x 100 = ₹ 1,25,00,000) + ₹ 10,50,000 + (1% of ₹ 2,50,00,000 = ₹ 2,50,000) + (₹ 1,00,00,000 – 12,50,000 = ₹ 87,50,000) + (₹ 80,00,000 – ₹ 5,00,000 – ₹ 12,50,000= ₹ 62,50,000) + ₹ 6,00,000]

Working Note 2

Computation of ITC available in the Electronic Credit Ledger of Adityanath Private Limited for the month of August

Particulars	(₹)
Common credit on inputs and input services [Refer W.N. 1]	3,81,470
Legal services used in the manufacture of taxable Product 'Beta' [Refer W.N. 1]	63,000
ITC available in the Electronic Credit Ledger	4,44,470
Less: Common credit attributable to exempt supplies during August [Refer W.N. 1]	1,70,053
Net ITC available	2,74,417

2 (a) Computation of minimum net GST payable in cash by 'XY' for the month of July

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<u>Total tax liability</u>				
Inter-State supply of stationery [Note 1]	2,00,000			36,000
Intra-State supply of 500 combi packs of calculators and diaries [Note-2]	4,00,000 (500 x 800)	56,000 (4,00,000 x 14%)	56,000 (4,00,000 x 14%)	
Intra-State supply of services of business correspondent to a Shubhvidhi Bank with respect to accounts in its urban area branch [Note-3]	1,00,000	9,000 (1,00,000 x 9%)	9,000 (1,00,000 x 9%)	
<i>Total tax liability</i>		<i>65,000</i>	<i>65,000</i>	<i>36,000</i>
<u>Input tax credit (ITC)</u>				
Brought forward ITC		5,000	5,000	80,000
Inter-State purchase of office stationery [Note-4]	1,00,000			18,000
Intra-State repairing of lorry used for transportation of goods [Note-5]	1,00,000	9,000	9,000	
<i>Total ITC</i>		<i>14,000</i>	<i>14,000</i>	<i>98,000</i>
<u>Minimum net GST payable in cash</u>				
Total tax liability		65,000	65,000	36,000
IGST credit being set off against IGST liability				(36,000)

IGST credit being used to pay CGST and SGST liability in any order and in any proportion		(11,000)	(51,000)	
CGST and SGST credit being used to pay CGST and SGST liability respectively		(14,000) CGST	(14,000) SGST	
Minimum net GST payable in cash		40,000	Nil	Nil

Notes:-

1. Taxable supplies made by a registered person are liable to tax irrespective of whether they are made to a registered person or to an unregistered person.
2. Supply of calculator and diary as a combi pack with a single price of ₹ 800 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply which attracts highest rate of tax.
3. Services provided by a business facilitator/ business correspondent to a banking company only with respect to accounts in its rural area branch are exempt and not with respect to accounts in its urban area branch.
4. ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing.
5. ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

Note: IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same.

2 (b) Computation of Assessable Value, Customs Duty and Tax payable

Particulars		Amount €
Ex-factory price of the goods at Singapore		7,500
Freight from factory of the exporter to load airport (airport in the country of exporter)	300	
Loading and handling charges at the Singapore airport	200	
Freight from said airport to the airport of importation in India (Hyderabad)	<u>1,350</u>	
Total cost of transport, loading and handling charges associated with the delivery of the imported goods to the place of importation	1,850	
Add: 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 i.e., 7,500 + 300 + 200 = 8,000 [Note 1])		1,600
Purchase commission is not to be included		Nil
Insurance (actual) [Where the actual insurance figure is known, the same has to be taken]		1,400
CIF for customs purpose		10,500
Landing charges at Hyderabad airport not to be added to the CIF value in view of the amendment in rule 10(2) of the CVR vide Notification No.		Nil

91/2017-Cm. (NT) dated 26.09.2017.	
Value for customs purpose	10,500
Exchange rate as per CBEC [Note 2]	₹ 80 per €
	Amount (₹)
Assessable value @ ₹ 80 per Euro	8,40,000
Add: Basic customs duty @ 12% [Note 3]	1,00,800
Add: Social Welfare Surcharge (10% on BCD)	10,080
Total	9,50,880
Add: IGST (12%) [Rounded off] [Note 4]	1,14,106
Value of Imported Goods	10,64,986
Total Custom Duty and Tax payable (₹ 1,00,800 + 10,080 + 1,14,106)	₹ 2,24,986

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. [Fifth proviso to rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (CVR)].
- 2) Rate of exchange determined by CBEC is to be considered [Clause (a) of the explanation to section 14 of the Customs Act, 1962].
- 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 [Section 3(8) of the Customs Tariff Act, 1962].

3 (a) Rule 59 of the CGST Rules, 2017, *inter alia*, stipulates that the details of outward supplies of goods and/or services furnished in form GSTR-1 shall include the–

(a) invoice wise details of all –

- (i) inter-State and intra-State supplies made to the registered persons; and
- (ii) inter-State supplies with invoice value more than two and a half lakh rupees made to the unregistered persons;

(b) consolidated details of all –

- (i) intra-State supplies made to unregistered persons for each rate of tax; and
- (ii) State wise inter-State supplies with invoice value upto two and a half lakh rupees made to unregistered persons for each rate of tax;

Thus, in view of the above-mentioned provisions, Mr. Gauri Shiva should furnish the details of outward supplies of goods made by him during the quarter ending June 20XX in the following manner:

Supply	Recipient	Nature of supply	Value (₹)	Manner of furnishing details
1	Mr. A, a registered person	Inter-State	2,20,000	Invoice-wise details
2	Mr. B, a registered person	Inter-State	2,55,000	Invoice-wise details
3	Mr. C, an unregistered Person	Intra-State	1,80,000	Consolidated details of supplies 3 and 4
4	Mr. D, an unregistered Person	Intra-State	2,60,000	
5	Mr. M, an unregistered Person	Inter-State	3,00,000	Invoice-wise details

6	Mr. N, an unregistered Person	Inter-State	50,000	Consolidated details of supplies 6 and 7
7	Mr. O, an unregistered Person	Inter-State	2,50,000	
8	Mr. P, an unregistered Person	Inter-State	2,80,000	Invoice-wise details
9	Mr. Q, a registered person	Intra-State	1,50,000	Invoice-wise details
10	Mr. R, a registered person	Intra-State	4,10,000	Invoice-wise details

3 (b) Statement showing transaction value of Kareena Ltd.

Particulars	Value in Rs.
Cost of raw material supplied	Exempted Supply
Job worker's charges including profit	10,000
Transportation charges for sending the raw material to the job worker	Exempted Supply
Transportation charges for returning the finished packets to Asha Ltd. [Sec. 15(2)(b) of the CGST Act, 2017]	4,500
Technology fee [Sec. 15(2)(b) of the CGST Act, 2017]	22,500
Sub-total	37,000
Less: Discount [Sec. 15(3) of CGST Act, 2017]	(2,000)
Transaction value (i.e., sole consideration)	35,000
Note: It is very clear that principal to job worker and job worker to principal cannot be treated as supply as per section 143 of the CGST Act, 2017.	

3 (c) Following implications may arise in the above cases:

1. **False undertaking submitted before the Office of Commissioner GST and the audit engagement undertaken on the basis of such undertaking**

The **essential terms of the appointment** as special auditor included that the **partners or any of the relatives of the partners are not directly or indirectly linked to X Ltd.** i.e. the auditee. If the spouse of one of the partners of ABC is working as Head of Tax Department of the auditee. **Non-disclosure of said fact** in the undertaking and other engagement documents and accepting such engagement **tantamount to submission of false undertaking by a Chartered Accountant firm to the Government Authorities.** Further, a **question may be raised about the independence** of the audit team considering the fact that spouse of one of the partners of the firm is holding a key position in X Ltd. i.e. the auditee.

2. **Non-reporting of material discrepancies noticed during the audit procedure and reliance upon incorrect certificates and information**

ABC audit team did not exercise due diligence to ascertain that the input tax credit availed by X Ltd. is not in compliance with the GST provisions. Instead, ABC **relied on the certificate issued by its own associate** firm which justified the incorrect input tax credit claim by X Ltd. **In such a scenario both ABC and the associate firm,** which issued the certificate to justify the input tax credit claim, **were aiding and abetting X Ltd. in wrongful availment of credit,** which is an offence punishable with **penalty under 122(3).** This offence may also be **punishable with imprisonment** and fine under section 132(1) **depending on the amount of default involved** and subject to specified conditions. Further, ABC as well as its associate firm may be held guilty of professional misconduct.

3. **Receiving consideration for special audit from the auditee**

The **consideration for special audit** under section 66 is **payable by the Office of Commissioner and cannot be directly recovered from the auditee**. In the present case the **receipt of ₹ 5 lakh from the X Ltd.**, i.e. the auditee by ABC is an **offence under GST provisions**. The same is **liable to penalty under general penalty under section 125** apart from other penal provisions under the GST Law. Further, this will also have an impact on the independence of the auditor – ABC.

4 (a) **Computation of net GST liability of Multiservices Private Ltd. for month of April:**

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Fee for the coaching provided to students for competitive exams [Note-1]	6,24,000	56,160	56,160	
Services towards conduct of examination in Pureit University, Delhi [Note-2]	19,200			-
Services of transportation of students and faculty from their residence to Lotus Public School and back [Note-3]	24,000			-
Security and housekeeping services in Dhaani Public School [Note-4]	36,000	-	-	
Total GST liability		56,160	56,160	

Notes:-

1. Coaching centre run by Mutiservices Private Ltd. is not an educational institution since competitive exam coaching does not lead to grant of a qualification recognized by law. Therefore, fee received for coaching provided at such coaching centre is taxable.
2. Since Pureit University provides qualification recognized by law, it is an educational institution and services provided to an educational institution, in relation to conduct of examination by such institution are exempt from GST.
3. Since Lotus Public School provides education up to higher secondary school, it is an educational institution and services of transportation of students, faculty and staff provided to an educational institution are exempt.

Since Dhaani Public School provides pre-school education, it is an educational institution. Security and housekeeping services provided within the premises of an educational institution are exempt.

- 4 (b) Yes, the view of Mr. Vicky Frankyn is correct. GST is payable under reverse charge in case of supply of services by an author by way of transfer/permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary work to a publisher located in the taxable territory in terms of reverse charge *Notification No. 13/2017 CT(R) dated 28.06.2017*. Therefore, in the given case, person liable

to pay tax is the publisher – SBP.

However, since SBP has completely refused to deposit the tax on the given transaction, Mr. Vicky Frankyn has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfill the following conditions:

- (i) since he is unregistered, he has to first take registration under the CGST Act, 2017
- (ii) he needs to file a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) of the CGST Act and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option;
- (iii) he has to make a declaration on the invoice, which he would issue to SBP, in prescribed form.

4 (c)

Particulars	US \$
CIF Value	25,000
	Value in Rs.
Assessable value (i.e., 25,000 × Rs. 60)	15,00,000
Add: Customs duty 13.2% on Assessable value (12% + 10% on 12%)	1,98,000
Landed value (or value of imported goods)	16,98,000
Anti-dumping duty (21,00,000 – 16,98,000)	4,02,000
Market value of imported goods (500 kgs × Rs. 60 × US \$ 70) = 21,00,000	
Open Market Value	21,00,000
Add: IGST @ 12% on Rs. 21,00,000	2,52,000
Total	23,52,000

Total customs duty payable is Rs. 8,52,000 (i.e. 1,98,000 + 4,02,000 + 2,52,000)

Note: In case where imported goods are liable to Anti-Dumping Duty or Safeguard Duty, calculation of Anti - Dumping Duty or Safeguard duty would be as per the respective notification issued for levy of such duty. It is also clarified that value for calculation of IGST as well as Compensation Cess shall also include Anti-Dumping Duty amount and Safeguard duty amount.

5 (a)

- (i) Since the exemption available on goods being supplied by Babla & Bros. is withdrawn, it becomes **liable to registration** as its turnover has crossed the threshold limit (for registration) **on the day when the exemption is withdrawn.**

Assuming that Babla & Bros. applies for registration within 30 days of 1st October and it obtains such registration, it will be **entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods** held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30th September [Section 18(1)(a) of the CGST Act, 2017]. Input tax paid on capital goods will not be available as input tax credit in this case.

- (ii) If the exempt supply made by a registered person becomes a taxable supply, **provisions of section 18(1)(d) of the CGST Act, 2017 become applicable.** In the

given case, since Mamta Sales is a registered person, section 18(1)(d) will be applicable. As per section 18(1)(d), **Mamta Sales will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods** held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e. 30th September. **Input tax credit on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.**

5 (b)

(i)	This is a mixed supply . These items can be sold separately. Product which has the higher rate, will apply on the whole mixed bundle. i.e., 28% .
(ii)	If the laptop bag is supplied along with the laptop in the ordinary course of business, the principal supply is that of the laptop and the bag is an ancillary. Therefore, it is a composite supply and the rate of tax would be that at applicable to the laptop . Hence, applicable rate of GST 18% on Rs. 55,000. CGST is Rs. 4,950 and SGST is Rs. 4,950.
(iii)	It is not a supply as per GST. The fine or penalty chargeable by Government or local authority imposed for violation of statute, bye-laws, rules or regulations or contract are not leviable to GST. Hence no liability to GST and no tax liability.
(iv)	No, the transfer of the furniture by the owner without consideration is not a supply of goods , because credit is not allowed in case of personal consumption of business assets under sec 17(5)(g) of CGST Act, and ITC on such furniture is not availed.

5 (c) **Difference between the Rules and Regulations**

Rules	Regulations
(1) Issued by the Government of India	(1) Issued by the CBIC
(2) Rules have to be approved by the Parliament	(2) Regulations do not need to be approved by the Parliament
(3) Has statutory force	(3) Has statutory force
(4) Power to make rules under Section 156 of Customs Act	(4) Power to make regulations as per Section 157 of Customs Act

6 (a) (i) Notification No. 2/2019 CT (R) dated 07.03.2019 provides an option to a registered person to pay CGST @ 3% [Effective rate 6% (CGST+ SGST/ UTGST)] on first supplies of goods and/or services upto an aggregate turnover of ₹ 50 lakh made on/after 1st April in any financial year, subject to specified conditions.

It is clarified in the notification that first supplies of goods or services or both shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from 1st April of a FY to the date from which he becomes liable for registration under the said Act, but for the purpose of determination of tax payable under this notification, shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

Thus, Care & Care Beauty Centre is eligible to pay tax under this notification upto the turnover of ₹ 50 lakh. The total tax payable by it is as under:

Period	Tax Rate	Turnover (₹)	Tax liability (₹)
I Quarter	Since turnover did not exceed ₹ 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	20 Lakh	Nil
II Quarter	Effective rate is 6% (CGST+ SGST/ UTGST] under <i>Notification No. 2/2019 CT (R)</i>	30 Lakh [(50-20) lakh]	1,80,000
For month of October, 20XX	Normal rate of GST of 18% is to be applied	20 lakh [(70-50) lakh]	3,60,000
Total tax payable			5,40,000

However, the benefit of composition scheme under section 10(2A) is available in case of a registered person who is not eligible to pay tax under sub-sections (1) and (2) of section 10 provided its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.

Thus, in view of the above-mentioned provisions, Care & Care Beauty Centre **cannot avail the benefit of composition scheme under section 10(2A) also as its aggregate turnover in the preceding financial year is more than ₹ 50 lakh.**

- (ii) **No, Care & Care Beauty Centre cannot opt for composition scheme from the next financial year.** Fundamentally, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. As regards services other than restaurant services are concerned, only marginal supply of the such services for a specified value along with the supply of goods and/or restaurant service, as the case may be, is permitted under section 10(1) of CGST Act, 2017. Therefore, a person engaged exclusively in supply of services other than restaurant services is not eligible to opt for composition scheme.

- 6 (b) **The statement is not correct.** Every registered person paying tax under section 10, i.e. a composition supplier, is required to file a return annually in Form GSTR-4. Form GSTR-4 for a financial year should be furnished by 30th April of the succeeding financial year. However, a composition supplier is required to pay his tax on a quarterly basis. A quarterly statement for payment of self-assessed tax in GST CMP-08 is required to be furnished by 18th day of the month succeeding such quarter.

Therefore, while the return is to be furnished annually, **payment of tax needs to be made on a quarterly basis, by a composition supplier.**

- 6 (c) **No, the Department's action is not sustainable in law.** Rule 2(2) of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, inter alia, provides that persons shall be deemed to be "related" if one of them directly or indirectly controls the other. The word "control" has not been defined under the said rules. As per common parlance,

control is established when one enterprise holds at least 51% of the equity shareholding of the other company. However, in the instant case, the exporter company held only 30% of shareholding of the assessee. **Thus, exporter company did not exercise control over the assessee. So, the two parties cannot be said to be related.**

The fact that assessee had made bulk imports could be a reason for reduction of import price. The burden to prove under-valuation lies on the Revenue and in absence of any evidence from the Department to prove under-valuation, the price declared by the assessee is acceptable.

In the light of foregoing discussion, it can be inferred that Department's action is not sustainable in law.