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CA FINAL (May 2025)
GROUP II – PAPER 5
INDIRECT TAX LAWS
(Series 1)

Time Allowed: - 3 Hours

Maximum Marks: 100

This question paper comprises two parts, Part I and Part II.
Part I comprises MCQ & Part II comprises questions which require descriptive answers.

PART – I (MCQs)
All MCQs are compulsory

Question no. 1-15 carry 2 marks each

Case Study 1

Aspire Solutions Private Limited (hereinafter referred to as 'Aspire Solutions') is engaged in providing multidimensional services to its clients through its office in Haryana, registered under GST. During the month of July, following transactions were undertaken by Aspire Solutions:

- (i) Import of certain cloud services from Bizcart.com for an amount of ₹ 50,00,000. There is an additional charge of 2% as equalisation levy on such services in India which is recovered from the offshore service supplier by the Government. Bizcart.com passes the taxes to its customers by charging them, as its internal policy.
- (ii) Aspire Solutions pays sitting fee of ₹ 25,000 each to its 4 directors per month. Further, there are two directors who are in the executive roles and are withdrawing ₹ 2,00,000 each per month as salary from the company and the applicable TDS amount, under section 192 of the Income-tax Act, 1961, is deducted from such salary.
- (iii) Aspire Solutions paid for life insurance of its employees in compliance of its internal policy. The total amount of premium paid for 20 employees was ₹ 5,00,000.
- (iv) Aspire Solutions provided consultancy services to its client, Zoom Corp. based in Bangalore and issued an invoice of ₹ 30,00,000.
- (v) Empowering India is a non-government organisation located in Haryana. It aims at empowering the eligible companies to grow their business in India. Aspire Solutions, being one of the eligible companies, received a subsidy of ₹ 5,00,000 in lumpsum from Empowering India for July month.
- (vi) Aspire Solutions provided sponsorship services to Mr. X, an individual, for an event organised by it in the State of Haryana. The amount agreed for such sponsorship services is ₹ 5,00,000.

All the amounts given above are exclusive of GST unless otherwise provided. There is no other outward or inward supply transaction apart from aforesaid transactions in the month of July.

The opening balance of input tax credit for the relevant tax period for the company is nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

GST is applicable on all inward and outward supplies at the following rates:

- I. Intra-State supply – 9% CGST and 9% SGST
- II. Inter-State supply – 18% IGST

You are required to answer the following:

- 1. The liability to pay GST for cloud services procured by Aspire Solutions from Bizcart.com shall be:**
 - (a) on Bizcart.com since the services are online information and database access or retrieval services and GST of ₹ 9,00,000 shall be paid by Bizcart.com.
 - (b) nil. There will not be any GST liability on the transaction since Bizcart.com is located outside India and services are provided electronically.
 - (c) on Bizcart.com under forward charge and GST of ₹ 9,18,000 shall be paid by Bizcart.com.
 - (d) on Aspire Solutions under reverse charge and GST of ₹ 9,18,000 shall be paid by Aspire Solutions.
- 2. Aspire Solutions seek your advice on the taxability of the sitting fee payable to directors and salary payable to the executive directors. The correct advice is:**
 - (a) Sitting fees paid to the directors is liable to GST under reverse charge and the salary paid to executive directors shall not be liable to GST.
 - (b) Total amount payable to directors (sitting fees as well as salary) is exempt from GST.
 - (c) Total amount payable to directors (sitting fees as well as salary) is liable to GST under reverse charge in hands of Aspire Solutions.
 - (d) Total amount payable to directors (sitting fees as well as salary) is liable to GST under forward charge in the hands of the directors as professional income.
- 3. What shall be the amount of input tax credit available with Aspire Solutions for the month of July?**
 - (a) ₹ 10,26,000
 - (b) ₹ 11,16,000
 - (c) ₹ 9,36,000
 - (d) ₹ 1,96,000
- 4. Compute the value of outward supplies made by Aspire Solutions in the month of July.**
 - (a) ₹ 30,00,000
 - (b) ₹ 25,00,000
 - (c) ₹ 35,00,000
 - (d) ₹ 40,00,000
- 5. Compute the amount of GST to be deposited in cash by Aspire Solutions for the month of July.**
 - (a) Nil
 - (b) ₹ 7,20,000
 - (c) ₹ 9,36,000
 - (d) ₹ 14,76,000

Case Study 2

Neha Chemical Pvt. Ltd. (hereinafter referred to as NCPL), a registered taxpayer in Surat, Gujarat, is engaged in manufacturing of chemical products. Poorva Fertilizers Pvt. Ltd. (hereinafter referred to as PFPL) of Dhule, Maharashtra approached NCPL for supply of chemical product.

NCPL supplied 20 tons of chemical product @ ₹ 1,00,000 per ton (taxable value) to PFPL on 1st October. The invoice for the supply has also been issued on the same date. Further, following additional amounts (in lump sum) are also charged from PFPL:

Particulars	Amount (₹)
Packing charges	25,000
Extra charges for removal of impurities from chemical product	50,000
Transit insurance for transportation	5,000
Taxes levied by Municipal Authority	4,500
Transportation charges	35,000

As per the terms of the contract of supply, NCPL is required to deliver the chemical at the premises of PFPL. Therefore, NCPL hires a transporter for transportation of chemical. The lorry receipt indicates that freight (ignoring taxes) is payable by the receiver of goods.

On 4th October, NCPL has also received ₹ 2,00,000 as subsidy from the State Government for setting up chemical manufacturing plant in Surat, Gujarat.

As per the contract, PFPL is required to make payment within 20 days of supply. However, PFPL delayed the payment of consideration and made the payment on 25th December alongwith ₹ 28,000 as interest.

On 5th October, NCPL hired a motor car from Mr. Mehul, an unregistered person residing in Surat, Gujarat for its management team at Mumbai, Maharashtra for a business meeting. Mr. Mehul issued bill of ₹ 10,000 (including cost of fuel) for the same.

On 9th December, NCPL received technical consultancy service from TikTak Inc., its subsidiary company located in Singapore, without consideration. TikTak Inc. provides similar consultancy service to other clients for ₹ 50,000 (converted into Indian rupees).

On 15th December, security office located at the entry gate of NCPL has been renovated for ₹ 1,50,000 and the same has been capitalized in the books of accounts.

Notes:

1. NCPL and PFPL are not related and price is the sole consideration for the supply.
2. All the amounts given above including interest on delayed payment of interest received from PFPL are exclusive of GST, wherever applicable.
3. Applicable rates of GST:

Particulars	CGST	SGST	IGST
Supply of chemical product	9%	9%	18%
Supply of service of hiring of motor car	2.5%	2.5%	5%
Supply of technical consultancy service	9%	9%	18%
Supply of construction services	6%	6%	12%

4. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

You are required to answer the following:

6. **What is the gross tax liability (total of CGST + SGST+ IGST) for the month of October?**

- (a) ₹ 3,82,010
(b) ₹ 2,50,640
(c) ₹ 3,75,710
(d) ₹ 2,54,840
7. Which of the following statements is/are not correct in the given case?
1. Subsidy received from the State Government will be included in the transaction value of the chemical product.
 2. Service received from TikTak Inc. is not supply.
 3. Service received from TikTak Inc. is supply.
 4. GST is not payable on service received from Mr. Mehul.
- (a) Only 1, 2 and 3
(b) Only 2, 3 and 4
(c) Only 1, 2 and 4
(d) Only 4
8. What is the time and place of supply for the interest paid on the delayed payment by PFPL?
- (a) 1st October and Surat, Gujarat
(b) 1st October and Dhule Maharashtra
(c) 25th December and Surat, Gujarat
(d) 25th December and Dhule, Maharashtra
9. Assuming that there are no other transactions carried out by NCPL during October to December apart from the ones as mentioned in the case scenario, total ITC available during such period is....
- (a) ₹ 27,500
(b) ₹ 9,500
(c) ₹ 9,000
(d) nil
10. In the given case scenario, if TikTak Inc. is not subsidiary of NCPL and has supplied the technical consultancy service to NCPL without consideration,
- (a) it will be an exempt supply.
(b) it will be a zero-rated supply.
(c) it will not be a supply.
(d) it will be a taxable supply.

Case Study 3

XYZ Logistics Limited (XLL) is into warehousing and logistics business. It has two Container Freight Stations (CFS): one at Inland Container Depot (ICD) Dadri, Uttar Pradesh and other at ICD Tughlakabad, Delhi. XLL is also engaged in the business of freight forwarding and multimodal transportation. Intermittently, XLL also deals in trading of goods, primarily in export to countries outside India.

XLL started its operations on 30th June by setting up head/corporate office in Gurgaon, Haryana and two CFS at U.P. and Delhi. Services as well as invoicing to customers was done from Delhi and U.P. unit only. Top management was placed at the head office for the management of the company. Further,

trading of goods was also carried out from the head office only.

The aggregate turnover of the XLL's Delhi unit crossed ₹ 20 lakh on 31st October. It applied for GST registration for Delhi on 25th November. Registration was granted on 7th December. GST component involved in stock of goods at Delhi as on 30th October was ₹ 50 lakh, on 25th November was ₹ 40 lakh and on 7th December was ₹ 20 lakh. Such stock was procured approximately 3 to 5 months before the respective dates.

The primary business of XLL is container handling service of import/export containers. In July next year, a shipper placed a work order on XLL for handling of an export container from ICD Tughlakabad to Dubai UAE, through Nhava Sheva seaport in Mumbai. XLL was responsible for stuffing goods in containers at ICD, assisting in obtaining customs clearance, and transportation of goods from ICD to seaport.

XLL requested the customer to issue e-way bill for the movement of customs sealed containers from ICD to seaport under customs bond as the value of goods in container exceeded ₹ 50,000. However, the customer denied issuing e-way bill stating that the responsibility to issue the same is on the person who arranges the transport of goods. Consequently, the management of XLL issued e-way bill with the assistance of a consultant.

There is a green cess applicable on the goods handled through CFS for exports outside India. XLL as a policy deposits green cess with the Government in the name of the customer and recovers such cess on actual basis from the customer by charging it separately in the invoice.

Few customers of XLL are based in Nepal & Bhutan. It provides container handling services for their containers/cargo which are in transit to Nepal or Bhutan. It receives consideration from Nepal/Bhutan customers in INR (₹).

All the above amounts are exclusive of GST, wherever applicable.

You are required to answer the following:

- 11. Which of the following statements is correct regarding eligibility of ITC on opening stock at the time of new registration?**
- (a) XLL can avail credit of ₹ 50 lakh.
 - (b) XLL can avail credit of ₹ 40 lakh.
 - (c) XLL can avail credit of ₹ 20 lakh.
 - (d) XLL cannot avail credit on opening stock.
- 12. Which of the following statements is correct regarding GST registration by XLL?**
- (a) XLL was liable for registration of only Delhi unit.
 - (b) XLL was liable for registration of units at Delhi and UP.
 - (c) XLL was liable for registration of units at Delhi, UP and Haryana.
 - (d) XLL was liable for normal registration at Delhi and UP unit, and ISD registration at Haryana unit.
- 13. Which of the following statements is correct regarding generation of e-way bill for movement from ICD Tughlakabad to Nhava Sheva seaport in Mumbai?**
- (a) E-way bill was not required to be generated since goods were being transported from ICD to seaport.
 - (b) E-way bill was mandatorily required to be generated irrespective of the value of the goods being transported as such goods were being transported from ICD to seaport.
 - (c) E-way bill was required to be generated since the value of goods being transported exceeded ₹ 50,000.

(d) E-way bill was rightfully issued by XYZ Logistics Limited being the transporter of goods.

14. Which of the following statements is correct regarding value of container handling services provided by the company?

(a) Value of the taxable container handling services should exclude transportation cost and green cess.

(b) Value of the taxable container handling services should exclude green cess but include transportation cost.

(c) Value of the taxable container handling services should exclude transportation cost but include green cess.

(d) Value of the taxable container handling services should include transportation cost and green cess.

15. Which of the following statements is correct regarding invoicing to Nepal/Bhutan customers?

(a) GST is not chargeable on container handling services provided to Nepal/Bhutan customers as the place of supply of such services is outside India.

(b) GST is not chargeable on container handling services provided to Nepal/Bhutan customers as the same qualifies as export of service.

(c) GST is not payable on container handling services provided to Nepal/Bhutan customers as the supply of services associated with transit cargo to Nepal and Bhutan are exempt services.

(d) GST is chargeable on container handling services provided to Nepal/Bhutan customers.

PART - II (Descriptive Questions)

This part comprises 6 questions. Question No. 1 is compulsory. Attempt any 4 questions out of the remaining 5 questions.

Question 1

(14 Marks)

XYZ Ltd., New Delhi, manufactures biscuits under the brand name 'Tastypicks'. 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 neighbouring 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 neighbouring States, goods worth ₹ 10,00,000 were booked through a registered GTA who opted to pay GST @ 12% under forward charge. Freight of ₹ 73,000 was paid to such GTA. Rest of the transportation was done by unregistered GTA.
 - For purchase of flour from Madhya Pradesh (₹ 25,00,000), the company booked the 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 concern in Rajasthan, the company booked the goods by an unregistered GTA & paid road freight of ₹ 40,000.
- (i) Based on the particulars given above, compute the GST payable (Total burden) 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%. There is no mark-up on transportation cost billed to sister concern (non-customer)

Question 2A

(5 Marks)

M/s. Win here 2407 is an online money gaming platform operating from Singapore. It provides its users a platform to play and win money in different games etc. that are available on its web portal.

In the month of October 2023, Mr. Anil (player), an unregistered person located in India, deposited an amount of ₹ 15,000 (inclusive of GST) in the master wallet available on the portal of M/s Win here 2407. Subsequently, following transactions were undertaken by Mr. Anil during the month of October, 2023.

- (i) Mr. Anil utilized the amount of ₹ 2,500 from the master wallet towards playing a virtual racing game on the portal. As a winning amount ₹ 11,000 was credited to the master wallet of Mr. Anil.
- (ii) On another portal operated by M/s Win here 2407 in the name of Win 90, Mr. Anil placed a bet of face value of ₹ 12,000 on an international cricket match. The amount of such bet was paid through the master wallet with applicable taxes and accordingly, the bet amount of ₹ 12,000 with applicable taxes was transferred from the master wallet of Mr. Anil to the bank account of Win 90. However, he lost the bet.
- (iii) Mr. Anil transferred the balance amount from the master wallet to his bank account after doing the aforesaid transactions.

Based on the information provided above, answer the following questions, providing reasons in brief:

- (1) Compute the taxable value under GST law and total GST payable on the aforesaid given transactions in the hands of M/s Win here 2407 in India.
- (2) Determine the net amount transferred by Mr. Anil from the master wallet to his bank account after the aforesaid transactions.

Note:

Assume all the above transactions to be exclusive of GST unless otherwise specified. Rate of GST applicable is 28% (ignore the bifurcation of GST amount into CGST and SGST or IGST). Calculate amount of value and tax rounded off to nearest rupee.

Question 2B

(5 Marks)

Answer the following questions in the light of place of supply provisions contained in the IGST Act, 2017:

- (i) What is the place of supply of services by way of transportation of goods, including mail or courier when the both the supplier and the recipient of the services are located in India?
- (ii) What will be the place of supply of passenger transportation service, if a person travels from Mumbai to Delhi and back to Mumbai?
- (iii) A person from Mumbai goes to Kullu-Manali and takes some services from ICICI Bank in Manali. What is the place of supply?
- (iv) An unregistered person from Gurugram travels by Air India flight from Mumbai to Delhi and gets his travel insurance done in Mumbai. What is the place of supply of insurance services?

Question 2C

(4 Marks)

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

Following further particulars are available:

Particulars	Date	Rate of Duty	Inter Bank Exchange rate	Rate notified by CBIC
Bill of Entry	21 st November	12%	61.40	62
Aircraft arrival	26 th November	15%	62.50	63.25

Integrated tax is leviable @ 12%.

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

Determine total duty payable with appropriate notes for your computation assuming that Kankan Corp is not an EOU.

Question 3A

(5 Marks)

Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colourful Pvt. Ltd.

Particulars	₹
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
Packing charges (not included in price above)	1,000

Black and White Pvt. Ltd. received ₹ 2000 as a subsidy from a NGO on sale of such goods. The price of ₹ 50,000 of the goods is after considering such subsidy. Black and White Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods.

Determine the value of taxable supply made by Black and White Pvt. Ltd.

Question 3B

(5 Marks)

Miss Nitya has following balances in her Electronic Cash Ledger as on 28th February as per GST portal.

Major Heads	Minor Heads	Amount (₹)
CGST	Tax	40,000
	Interest	1,000
	Penalty	800
SGST	Tax	80,000
	Interest	400
	Penalty	1,200
	Fee	2,000
IGST	Tax	45,000
	Interest	200
	Penalty	Nil

Her tax liability for the month of February for CGST and SGST was ₹ 75,000 each. She failed to pay the tax and contacted you as legal advisor on 12th April to advise her as to how much amount of tax or interest she is required to pay, if any, by utilizing the available balance to the maximum extent possible as per GST Laws. She wants to pay the tax on 20th April.

Other information:

- (i) Date of collection of GST was 18th February.
- (ii) No other transaction after this up to 20th April.
- (iii) Ignore penalty and late fee for this transaction.
- (iv) No other balance is available.

You are required to advise her with reference to legal provisions with brief notes on the legal provisions applicable.

Question 3C

(4 Marks)

The custom authorities of India noticed that there is an increase in the quantity of Solar PV Products imported into the country. So, on the recommendation of Director General (Specific Safeguard), the Central Government via Notification in Official Gazette imposed safeguard duty @25% on the import of Solar PV Products.

ABC Exports an importer in Bhuvneshwar imported Solar PV Products from Vietnam at landed price (exclusive of duties) of ₹ 30 lakh. Assume that IGST u/s 3(7) is 12%, BCD is 10% and SWS @10%. Determine the total duties payable under Customs Act. Ignore agriculture infrastructure and development cess.

Will it change your answer if ABC Exports is a SEZ unit? Explain discussing applicable provisions.

Question 4A

(5 Marks)

Department initiated prosecution proceedings against a taxable person for fraudulently obtaining refund of ₹ 4.2 crores. He has approached the Commissioner with a request for compounding the offence. After considering the request, the Commissioner has directed him to pay an amount of ₹ 2.5 crores as compounding amount. Indicate the minimum and maximum limits for compounding amount. Is the amount fixed by the Commissioner in this case within the limits prescribed under the law? What is the consequence of the decision of the commissioner allowing the request for compounding the offence?

Question 4B

(5 Marks)

With reference to the provisions of section 120, list the cases in which appeal is not to be filed and also specify other relevant provisions in this respect.

Question 4C

(4 Marks)

With reference to the provisions of FTP 2023, discuss giving reasons whether the following statements are true or false:

- (i) If any doubt arises in respect of interpretation of any provision of FTP, the said doubt should be forwarded to CBIC, whose decision thereon would be final and binding.
- (ii) Authorization once claimed by an importer cannot be refused by DGFT.
- (iii) IEC is a unique 12 digit PAN based alphanumeric code allotted to a person for undertaking any export/import activities.
- (iv) Waste generated during manufacture in an SEZ Unit can be freely disposed in DTA on payment of applicable customs duty, without any authorization.

Question 5A**(5 Marks)**

Determine the effective date of registration in following cases:

- a. The aggregate turnover of Dhampur Footwear Industries of Delhi has exceeded the applicable threshold limit of ₹ 40 lakh on 1st September. It submits the application for registration on 20th September. Registration certificate is granted to it on 25th September.
- b. Mehta Teleservices is an architect in Lucknow. Its aggregate turnover exceeds ₹ 20 lakh on 25th October. It submits the application for registration on 27th November. Registration certificate is granted to it on 5th December.

Question 5B**(5 Marks)**

Discuss the provisions relating to issuance of credit and debit notes under CGST Act and rules there under.

Question 5C**(4 Marks)**

BL Ltd. imported Super Kerosene Oil (SKO) and stored it in a warehouse. An ex-bond bill of entry for home consumption was filed and duty was paid as per the rate prevalent on the date of presentation of such bill of entry; and the order for clearance for home consumption was passed.

On account of highly combustible nature of SKO, the importer made an application to permit the storage of such kerosene oil in the same warehouse until actual clearance for sale/use. The application was allowed. However, the rate of duty increased when the goods were actually removed from the warehouse.

The Department demanded the differential duty. The company challenged the demand. Whether it will succeed? Discuss briefly taking support of decided case(s), if any.

Question 6A**(5 Marks)**

Mr. Raj intends to start a new manufacturing business in Jaipur. However, he is not able to determine the classification of the goods proposed to be manufactured and supplied by him since the classification of said goods has been contentious. Mr. Raj read an article about advance ruling in the newspaper and decided to apply for advance ruling so as to avoid litigation later.

Mr. Rahul, who is friend of Mr. Raj is also engaged in the supply of goods similar to which Mr. Raj proposes to manufacture in Jaipur and Mr. Rahul advised him to apply the same classification as of his, since he has already taken advance ruling order regarding classification of the said goods.

Mr. Raj's tax consultant also agreed with the advice given by Mr. Rahul. Mr. Raj also thought it to be a good decision since he was unregistered and thought that he needed to be registered to apply for advance ruling in his name.

You are required to advise Mr. Raj with respect to following:

- (a) Whether Mr. Raj and his tax consultant are right and can classify the goods proposed to be supplied by Mr. Raj on the basis of his friend Mr. Rahul's advance ruling order?
- (b) Whether Raj needs to get registered to apply for advance ruling?

Question 6B**(5 Marks)**

What are the powers available to proper officers for scrutiny of returns under GST. The proper officer while conducting scrutiny of returns under Section 61 of the CGST Act, 2017, detected discrepancy in the return filed by M/s R Kumar Pvt. Ltd. (registered under GST). Explain the recourse that may be taken by the proper officer in case proper explanation is not furnished by M/s R Kumar Pvt. Ltd.

Question 6C**(4 Marks)**

Under which provisions of Constitution of India, government is empowered to levy taxes, custom duty and export duties. You are required to write a note on related provisions and restrictions under the Constitution of India.