



This Answer Key is copyrighted property of AIR1CA Career Institute. Sharing and Circulating it without permission is punishable offence.

**CA FINAL (May 2025)**  
**GROUP II - PAPER 5**  
**INDIRECT TAX LAWS**  
**SUGGESTED ANSWERS**  
**(Series 1)**

**PART - I (MCQs)**

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

**PART - II (Descriptive Answers)**

**Answer 1**

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

<b>Particulars</b>	<b>Freight [₹]</b>	<b>GST [₹]</b>
Transportation of biscuits in a local mini van 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 <b>exempt</b> from GST vide exemption notification.]	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]	3,00,000	15,000
Transportation of biscuits by registered GTA @ 12% [When the registered GTA opts to pay GST @ 12% under forward charge, recipient is not required to pay GST under reverse charge]	73,000	8,760
Transportation of flour by GTA [Services provided by GTA by way of transport (in a goods carriage) of, inter alia, flour are <b>exempt</b> from GST vide exemption notification.]	55,000	Nil
Transportation of butter by an unregistered GTA [Services provided by GTA by way of transport (in a goods carriage) of milk is exempt from GST vide exemption notification, 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]	35,000	1,750
Transportation of baking powder by an unregistered GTA	1,500	75

[GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017]		
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]	40,000	<u>2,000</u>
<b>Total tax payable by XYZ Ltd. on availing services of different transporters</b>		<b>43,435</b>

**(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 @ 5%	3,00,000	15,000	3,21,300	38,556
Transportation of biscuits by GTA @ 12%	73,000	8,760	83,395	<u>10,007</u>
<b>Total tax charged by XYZ Ltd. on Transportation cost billed to customers*</b>				<b>95,914</b>

**Answer 2A**

**(1) Computation of taxable value of supply and total GST payable**

(i) Value of supply of online money gaming = Total amount deposited with the supplier by the player

= Initial deposit of ₹ 15,000 (inclusive of GST) by Mr. Anil with M/s Winhere 2407 after excluding GST = ₹ 11,719 (₹ 15,000 × 100/128) [rounded off]

GST payable = ₹ 11,719 × 28%

= ₹ 3,281 (rounded off) – [A]

(ii) Value of supply of online bet = 100% of the face value of the bet = ₹ 12,000

GST payable = ₹ 12,000 × 28% = ₹ 3,360 – [B]

Total amount payable = [A] + [B] = ₹ 6,641

**(2) Computation of net amount transferred by Mr. Anil from the master wallet to his bank account**

Particulars	Amount (₹)
Initial Deposit	15,000

Less – GST on deposit	(3,281)
Less – Payment for virtual racing game	(2,500)
Add – Winning from virtual racing game	11,000
Less – Payment for bet placed on Win 90	(12,000)
Less – GST on the bet placed on Win 90	<u>(3,360)</u>
<b>Net balance transferred</b>	<b>4,859</b>

### Answer 2B

- (i) If the recipient is **registered**, the **location of such person** is the place of supply. However, if the recipient is **not registered**, the place of supply is the place **where the goods are handed over** for transportation.
- (ii) If the person is **registered**, the place of supply will be the **location of recipient**. If the person is **not registered**, the **place of supply** for the forward journey from Mumbai to Delhi will be **Mumbai**, the **place where he embarks** [Section 12(9)].  
However, for the **return journey**, the **place of supply** will be **Delhi** as the **return journey** has to be **treated as separate journey** [Explanation to section 12(9)].
- (iii) The place of supply in case of banking services to any person shall be the **location of the recipient** of services on the records of the supplier of services. However, **if the location of recipient** of services is **not on the records** of the supplier, the place of supply shall be the **location of the supplier** of services i.e. Kullu-Manali, Himachal Pradesh [Section 12(12)].
- (iv) When **insurance service** is provided to an unregistered person, the **location of the recipient** of services on the records of the supplier of insurance services is the place of supply. So **Gurugram** is the place of supply [Section 12(13)].

### Answer 2C

Notification No. 45/2017 Cus. dated 30.06.2017 stipulates that in case of re-importation of goods exported for repairs, duty is payable on fair cost of repairs carried out, insurance and freight charges - both ways, subject to fulfillment of following conditions:

- (a) The **time limit for re-importation is 5 years**
- (b) The exported goods and the re-imported **goods must be the same**.
- (c) The **ownership** of the goods should **not have changed**.

Since all the specified conditions are fulfilled in given case, total duty payable will be computed as under:

#### Computation of total duty payable by Kankan Corp.

Particulars	
Fair cost of repairs (in dollars) = \$ 12,000/40%	\$ 30,000
	₹
Fair cost of repairs (in rupees) = \$ 30,000 x ₹ 62 [Note-1]	18,60,000
Add: Inward and outward insurance [₹ 23,000 + ₹ 27,000]	50,000
Add: Inward and outward air freight [₹ 93,500 + ₹ 1,06,500]	<u>2,00,000</u>

<b>Assessable Value</b>	<b>21,10,000</b>
Add: Basic customs duty (BCD) @15% [Note-2]	3,16,500
Add: Social Welfare Surcharge @ 10% of BCD	<u>31,650</u>
Value for computing IGST	24,58,150
IGST @ 12%	2,94,978
<b>Total duty and tax payable = [3,16,500 + 31,650 + 2,94,978]</b>	<b>6,43,128</b>

**Notes:**

1. Rate of exchange notified by the CBIC on date of presentation of bill of entry would be the applicable rate in terms of third proviso to section 14(1) of the Customs Act, 1962.
2. Rate of duty is the rate in force on date of presentation of bill of entry or arrival of aircraft, whichever is later in terms of proviso to section 15(1) of the Customs Act, 1962.

**Answer 3A**

**Computation of value of taxable supply**

Particulars	₹
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15(2)(a)]	5,000
Packing charges [Includible in the value as per section 15(2)(c)]	1,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15(2)(e)]	2,000
<b>Total</b>	<b>58,000</b>
Less: Discount @ 2% on ₹ 50,000 [Since discount is known at the time of supply and recorded in the supply, it is deductible from the value in terms of section 15(3)(a)]	1,000
<b>Value of taxable supply</b>	<b>57,000</b>

**Answer 3B**

Due date for payment of tax collected on 18<sup>th</sup> February is 20<sup>th</sup> March. **Interest @ 18% p.a. is payable for the period for which the tax remains unpaid** in terms of section 50 of CGST Act, 2017. In the given case, since Miss Nitya wants to pay the tax on 20<sup>th</sup> April, interest payable on the amount of CGST and SGST each is as follows:

$$₹ 75,000 \times 18\% \times 31/365 = ₹ 1,147 \text{ (rounded off)}$$

As per Section 49(10) of the CGST Act, 2017, any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the CGST Act, 2017 can be transferred to the electronic cash ledger for integrated tax, central tax, State tax, Union territory tax or cess, in such form and manner and subject to such conditions and restrictions as may be prescribed. Thus, amount entered under any Minor head (Tax, Interest, Penalty, etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be transferred to any other major or minor head. Consequently, cross-utilization among Major and Minor heads is also possible.

**Thus, Miss Nitya is liable to pay the following amount of tax and interest as under:**

	CGST	SGST

	Tax	Interest	Tax	Interest
<b>Tax Liability</b>	<b>75,000</b>	<b>1,147</b>	<b>75,000</b>	<b>1,147</b>
Balances in Electronic cash ledger in same major/minor head	<u>40,000</u>	<u>1,000</u>	<u>80,000</u>	<u>400</u>
<b>Balance transferred from other major/minor head</b>	<b>35,000</b> <b>(Note 1)</b>	<b>147</b> <b>(Note 2)</b>	<b>Nil</b>	<b>747</b> <b>(Note 3)</b>
<b>Amount payable in cash</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

**Note**

1. ₹ 35,000 shortfall amount is transferred from cash ledger balance available in Major Head IGST.
2. ₹ 147 shortfall amount is transferred from cash ledger balance in minor head penalty of major head CGST.
3. ₹ 747 shortfall amount is transferred from cash ledger balance in minor head tax of major head SGST.

Since there is no restriction in intra-head or inter-head transfer of available balance in cash ledger as per relevant provisions, it is upon taxpayer to decide from which account the shortfall has to be made good.

**Answer 3C**

**Computation of total duties payable under Customs Act**

Particular	Amount (₹)
Landed price of Solar PV Products	30,00,000
Add: Basic custom duty @ 10% (₹ 30,00,000 × 10%)	3,00,000
Add: Safeguard duty @ 25% on ₹ 30,00,000	7,50,000
Add: Social welfare surcharge @ 10% on ₹ 3,00,000	<u>30,000</u>
Total	<b>40,80,000</b>
IGST (₹ 40,80,000 × 12%) [Value for calculation of IGST also includes safeguard duty amount.]	<b>4,89,600</b>
<b>Total customs duty payable</b> (₹ 3,00,000 + ₹ 7,50,000 + ₹ 30,000 + ₹ 4,89,600)	<b>15,69,600</b>

Safeguard measures are not applicable to articles imported by a SEZ unit unless specifically made applicable or article imported is cleared as such/ used in the manufacture of goods cleared into DTA.

**Thus, if ABC Exports is a SEZ unit, safeguard duty will not be applicable to it and total amount of duties payable will be ₹ 7,29,600. (3,00,000 BCD + 30,000 SWS + 3,99,600 IGST)**

**Answer 4A**

Since taxable person has fraudulently obtained refund of amount exceeding ₹ 2 crores but upto ₹ 5 crores:

the **minimum limit for compounding** amount is **40% of tax** involved

the **upper limit for compounding** amount is **60% of tax** involved

In the present case, the minimum limit for compounding is **₹ 1.68 crores**. (40% x ₹ 4.2 crores).

The maximum limit for compounding in this case is **₹ 2.52 crores** (60% x ₹ 4.2 crores).

Thus, the **amount fixed by Commissioner at ₹ 2.5 crores is within the limits** prescribed under law.

If the taxable person **pays the compounding amount** decided by the Commissioner, **no further proceedings** shall be initiated under GST law against the accused person in respect of the same offence and any criminal proceedings, if already initiated in respect of the said offence, shall stand abated.

#### **Answer 4B**

- (1) The Board may, on the recommendations of the GST Council, issue orders or instructions or directions **fixing monetary limits** for regulating filing of appeal or application by the CGST officer.
- (2) Non-filing of appeal/application by a CGST officer on account of such monetary limits fixed by the Board shall **not preclude such officer from filing appeal** or application **in any other case involving the same or similar issues** or questions of law.
- (3) **No person**, who is a party in application or appeal **can contend** that CGST **Officer has acquiesced in decision** on disputed issue by not filing an appeal or application (on account of monetary limits).
- (4) The Appellate Tribunal or Court hearing such appeal or application shall have regard to circumstances for non-filing of appeal or application by the CGST officer on account of monetary limits fixed by the Board.

#### **Answer 4C**

- (i) **False.** If any question or doubt arises in respect of interpretation of any provision of the FTP, said **question or doubt ought to be referred to DGFT whose decision** thereon would be **final and binding**.
- (ii) **False.** **No person may claim an Authorization as a right and DGFT shall have power to refuse** to grant or renew the same as per provisions of FT(D&R) Act, rules made thereunder and FTP.
- (iii) **False.** **IEC is a unique 10-digit alphanumeric number** allotted to a person for undertaking export/import activities.
- (iv) **True.** **Any waste or scrap** or remnant including any form of metallic waste & scrap generated during manufacturing or processing activities of an SEZ Unit/Developer/Co-developer are **allowed to be disposed in DTA freely, without any authorization, subject to payment of applicable customs duty**.

#### **Answer 5A**

- a. Every supplier becomes liable to registration **if his turnover exceeds the applicable threshold limit** [₹ 40 lakh in this case] in a financial year [Section 22 of the CGST Act]. Since in the given case, the turnover of Dhampur Industries **exceeded ₹ 40 lakh on 1<sup>st</sup> September**, it becomes **liable to registration on said date**.

Further, since the **application** for registration has been **submitted within 30 days** from such date, registration shall be **effective from date on which person becomes liable to registration** [Section 25 read with rule 10 of CGST Rules, 2017]. Therefore, effective date of registration is **1<sup>st</sup> September**.

- b. Since in the given case, the **turnover of Mehta Teleservices exceeds the applicable threshold limit [₹ 20 lakh] on 25<sup>th</sup> October**, it becomes **liable to registration on said date**.

Further, since the application for registration has been **submitted after 30 days from the date** such person becomes liable to registration, the registration shall be **effective from the date of grant of registration**. Therefore, the effective date of registration is **5<sup>th</sup> December**.

#### **Answer 5B**

**(i) Issuance of Debit Note:** There can be situations when after the invoice has been issued:

- The supplier has erroneously **declared a value** which is **less than the actual value** of the goods or services or both provided.
- The supplier has erroneously declared a **lower tax rate than** what is **applicable** for the kind of the goods or services or both supplied.
- The **quantity received** by the recipient is **more than** what has been **declared** in the tax invoice.
- Any other similar reasons.

In order to regularize these kinds of situations, the supplier is allowed to issue a document called as debit note to the recipient.

**(ii) Issuance of Credit Note:** During the course of trade or commerce, after the invoice has been issued, there can be situations like:

- The supplier has erroneously **declared a value** which is **more than the actual value** of the goods or services provided.
- The supplier has erroneously **declared a higher tax rate than** what is **applicable** for the kind of the goods or services or both supplied.
- The **quantity received** by the recipient is **less than** what has been **declared** in the tax invoice.
- The quality of the **goods or services** or both supplied is **not to the satisfaction** of the recipient thereby **necessitating a partial or total reimbursement** on the invoice value
- Any other similar reasons.

#### **Answer 5C**

Yes, the company will succeed. The facts of the given situation are similar to the case of CCus vs. Biecco Lawrie Ltd. 2008 (223) ELT 3 (SC) wherein the Supreme Court has held that **where duty on the warehoused goods is paid and out of charge order for home consumption is made** by the proper officer in compliance of the provisions of section 68, the **goods allowed to be retained** for storage in the warehouse as permitted under section 49 of the Customs Act are **not treated as warehoused goods and importer would not be required to pay anything more**.

Section 49 of the Customs Act, 1962 inter alia also provides that imported goods entered for home consumption if stored in a public warehouse, or in a private warehouse on the application of the importer and if the same cannot be cleared within a reasonable time, **shall not be deemed to be warehoused goods for the purposes of this Act, and accordingly the provisions of Chapter IX shall not apply to such goods**.

### **Answer 6A**

- (a) **No, Mr. Raj and his tax consultant are not correct.**

An advance ruling is **binding only on the applicant who had sought it** and on the concerned officer. An advance ruling is **not applicable to similarly placed other taxable persons** in the State.

Thus, **Mr. Raj cannot classify** the goods to be supplied by him **on the basis of his friend Mr. Rahul's advance ruling order.**

- (b) **No, Mr. Raj need not register to apply for advance ruling** since advance ruling can be sought by a registered person or person desirous of obtaining registration. It is not mandatory for a person seeking advance ruling to be registered.

### **Answer 6B**

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** of the CGST Act

### **Answer 6C**

Constitution provides that **no tax shall be levied or collected except by authority of law.**

**Entry 83 of Union List** or List I of Seventh Schedule to the Constitution has given the **power to the Union to frame laws to levy duties of customs including export duties.**

Constitution provides for restrictions as to imposition of tax on certain supply of goods or services or both. The said Article provides as follows-

No law of a state shall impose, or authorise the imposition of, a tax on the supply of goods or services or both, where such supply takes place-

- (a) **outside the State,** or
- (b) **in the course of the import and/or export** of the goods or services or both into and/or out of territory of India

**it solely lies with the Union, i.e. the Parliament of India.**