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CA FINAL (May 2026)
GROUP II - PAPER 5
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	C	A	B	C	(d)	(c)	(b)	(a)	(d)	(c)	(d)	(c)	(d)	(c)

PART - II (Descriptive Answers)

Answer 1

Computation of admissible ITC for February, 20XX				
Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance		20,000	20,000	
Goods purchased as merchant exporter [Merchant exporter is eligible to take ITC of IGST paid @ 0.1%.] [In the absence of the value of supply of goods purchased as a merchant exporter, FOB value of export of such goods has been taken as their purchase price for computing the ITC amount.]	7,00,000	--	--	700
Goods imported from China [No ITC since tax is not payable. In case of high sea sales, IGST is paid by the last high sea sales buyer who files the bill of entry for home consumption.]	Nil	--	--	--
Goods purchased from Taiwan [No ITC since tax is not payable as goods do not become part of the landmass of the country.]	Nil	--	--	--
Sales commission paid to agent - Mrs. T [Since service provider - Mrs. T is an intermediary in the given transaction, place of supply is location of Mrs. T, i.e. outside India. Thus, tax is not payable under reverse charge on said services.]	50,000	--	--	--
Imported raw material from China [Input tax, inter alia, includes IGST charged on import of goods.]	6,00,000			1,08,000 [6,00,000 × 18%]

Raw material spoiled [ITC is blocked under section 17(5) on destroyed goods.] [Insurance amount received is an actionable claim. Thus, it is treated neither as supply of goods nor as supply of services.]	--	--	--	--
Three-wheeler purchased [ITC on a three-wheeler with engine capacity of 20cc is allowed as it is not a motor vehicle and is used in course or furtherance of business.] [It has been assumed that the depreciation has not been claimed on GST paid on said capital goods, under the Income-tax Act, 1961.]	2,50,000	22,500 [2,50,000 × 9%]	22,500 [2,50,000 × 9%]	--
Inward transportation from Mr. Z [Services of transportation of goods without issue of consignment note is not covered under services of GTA and hence exempt. Thus, no ITC is available.]	--	--	--	--
Raw material purchased from X Impex Ltd., Gujarat [ITC on goods used in course or furtherance of business is allowed.]	30,00,000	2,70,000 [30,00,000 × 9%]	2,70,000 [30,00,000 × 9%]	
Manpower security services from Y Ltd. [Since security services are provided by a body corporate, tax on the same is not payable under reverse charge.]	1,00,000	9,000 [1,00,000 × 9%]	9,000 [1,00,000 × 9%]	
Raw cotton purchased from Mr. Poonawala, Gujarat [It is an intra-State supply since the place of supply is location where movement of goods terminates, i.e. Gujarat, in terms of section 10(1)(a) of the IGST Act, 2017. ITC on goods used in course or furtherance of business is allowed in section 16.]	1,20,000	10,800 [1,20,000 × 9%]	10,800 [1,20,000 × 9%]	
Total ITC available		3,32,300	3,32,300	1,08,700
Computation of GST liability payable in cash, by J Ltd.				
GST payable on outward supplies				
Export of goods to Spain under LUT [No IGST is payable.]	7,00,000			Nil
High sea sales of goods imported from China [Neither treated as supply for goods nor as supply of services.]	Nil	--	--	--
Goods purchased from Taiwan sold in Turkey without bringing into India [Neither treated as supply for goods nor as supply of services.]	Nil	--	--	--
Advance received for the technical services to be provided to Mr. K [Tax on the services to be provided is payable at the time of receipt of advance.]	1,00,000	9,000 [1,00,000 × 9%]	9,000 [1,00,000 × 9%]	
Goods supplied to SEZ unit of V Ltd.	10,00,000			Nil

[Supply to SEZ unit is a zero-rated supply.]				
Supply of goods to V Ltd., Gujarat	40,00,000	3,60,000 [40,00,000 × 9%]	3,60,000 [40,00,000 × 9%]	
Total output tax		3,69,000	3,69,000	Nil
Less: ITC* [Credit of IGST can be utilized towards payment of CGST and SGST liability in any order and in any proportion. Credit of CGST and SGST can be utilized only after IGST credit has been fully utilized. Thereafter, credit of CGST and SGST is utilised for payment of CGST and SGST liability respectively. CGST credit cannot be utilized for payment of SGST and vice versa.]		54,350 (IGST) 3,14,650 (CGST)	54,350 (IGST) 3,14,650 (SGST)	
Net GST payable		Nil	Nil	Nil
Add: GST payable on inward supplies				
Imported raw material from China	6,00,000			1,08,000 [6,00,000 × 18%]
Raw material purchased from Mr. Poonawala, Gujarat [Tax on raw cotton purchased by any registered person from an agriculturist is payable under reverse charge vide Notification 4/2017 IT (R)]	1,20,000	10,800 [1,20,000 × 9%]	10,800 [1,20,000 × 9%]	
Total net GST payable in cash		10,800	10,800	1,08,000

***Note:** ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST. However, total amount of net GST payable in cash will be same in each case.

Answer 2A

Taxable value of supply on which tax is to be paid by M/s JLM & Sons and tax payable thereon

	Particulars	Value (₹)	CGST @9% (₹)	SGST @9% (₹)	IGST @18% (₹)
(i)	Amount charged from Tamil Nadu Government [Taxable since composite supply of service of milling of wheat into flour and fortification for distribution by State Governments under PDS is exempt from GST only if value of goods supplied in said supply does not exceed/is upto 25% of the total value of composite supply. Further, it's an inter-State supply since place of supply is location of recipient, i.e., Tamil Nadu.]	8,50,000			1,53,000

(ii)	Direct selling agent (DSA) services to bank [DSA services are not being provided by an individual direct selling agent, but by a partnership firm. Therefore, tax is not payable under reverse charge, but is payable under forward charge. Further, it's an intra-State supply since place of supply is location of recipient, i.e., Karnataka.]	4,00,000	36,000	36,000	
(iii)	Supply of tobacco leaves [Tax on supply of tobacco leaves by an agriculturist to a registered person is payable by recipient under reverse charge. So, tax is not payable by M/s JLM & Sons.]		-	-	-
(iv)	Services provided to State Government [Services provided to the State Government under any training programme for which 75% or more of the total expenditure is borne by the State Government is exempt under GST.]		-	-	-
(v)	Compensation from Sunil Construction Ltd. [Service of agreeing to the obligation to refrain from an act is being provided. Further, it's an intra- State supply since place of supply is location of recipient, i.e., Bengaluru.]	<u>26,00,000</u>	2,34,000	2,34,000	
	Taxable value of supply on which tax is to be paid by M/s JLM & Sons	<u>38,50,000</u>			

Answer 2B

Tax on legal services provided by individual advocate - Mr. Sachin - to business entity -MSL - is payable under reverse charge.

The time of supply of service on which GST is payable on reverse charge basis is earlier of:

- Date of payment, as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier or
 - Date immediately following 60 days (or 61st day) from the date of issue of invoice by the supplier, in cases where invoice is to be issued by the supplier or
 - Date of issue of invoice by the recipient in cases where invoice is to be issued by the recipient
- However, where it is not possible to determine the time of supply under clause (a) or clause (b) or clause (c), the time of supply shall be the date of entry in the books of account of the recipient of supply.

In accordance with above provisions, time of supply in the given cases would be:

1. 8th January, 2025

Since supplier is unregistered, recipient - MSL issued the self- invoice. Thus, time of supply will be date of issue of invoice since it is earlier than date of payment (18th February)

2. 13th January, 2025

Since supplier is unregistered, MSL issued the self-invoice. Thus, time of supply will be date of issue of invoice since it is earlier than date of payment (18th February).

Alternatively, it is also possible to take following view:

Since supplier is unregistered, MSL issued the self-invoice. Time of supply will be earlier of date of issue of invoice (13th January) or last date on which invoice should have been issued, i.e., 30th day of receipt of service, i.e. 9th January). Thus, time of supply is 9th January, 2025

3. 18th February, 2025

Since supplier is unregistered and MSL has not issued self-invoice at all, hence it is not possible to determine the time of supply from the normal provisions, so the time of supply will be the date of entry in books of accounts of the recipient of supply.

4. 18th February, 2025

Since it is earlier of:

(i) the date of payment (18th February)

Or

(ii) 61st day (or date immediately following 60 days) from the date of issue of invoice by the supplier (8th March).

Answer 2C**Computation of Assessable Value**

Particulars	Amount (₹)
CIF value (re-negotiated price) [Since the contract price was re-negotiated owing to early delivery of the machine, transaction value, being price actually paid or payable for the goods, will be re-negotiated price, i.e. [\$ 22,000 (\$ 20,000 + \$ 2,000) x ₹ 83]	18,26,000
Less: Air freight [\$ 5,000 x ₹ 83]	4,15,000
Less: Insurance [\$ 12,000 x ₹ 83]	<u>99,600</u>
FOB value (in rupees)	13,11,400
Add: Inspection charges [Not includible in value since only the payments actually made as a condition of sale of imported goods by buyer to seller are includible and inspection charges are not required for making the goods ready for shipment.]	<u>Nil</u>
FOB value as per Customs	13,11,400
Add: Air Freight (20% of ₹ 13,11,400) [Air freight cannot exceed 20% of FOB value.]	2,62,280
Add: Insurance [Actual insurance charges paid are includible.]	99,600
Transport charges from Delhi airport to Mumbai airport [Cost of transport charges associated with transshipment of imported goods to another customs station in India are not includible.]	<u>Nil</u>
Assessable value (in ₹)	16,73,280

Answer 3A

Where ITC has been wrongly availed and utilised, the registered person shall pay interest on the same

for the period starting from the date of utilisation of such wrongly availed ITC till the date of reversal of ITC or payment of tax in respect of such amount @ **18% per annum**.

Since **wrongly availed ITC of ₹ 50,000 has been reversed without utilizing the same, interest is not payable on the same.**

Interest is payable on wrongly availed and utilized ITC of ₹ 75,000. Date of Utilisation of said ITC will be:

- (a) Due date of furnishing return for November [20th December 2026] or
- (b) Actual date of filing of the return for November [25th December 2026] whichever is earlier.

Thus, date of Utilisation of said ITC will be 20th December 2026.

Interest (CGST + SGST) will be payable for 80 days [21st December 2026 to 10th March, 2027 (both days inclusive)] as follows:

$$\begin{aligned} & ₹ 75,000 \times 80/365 \times 18\% \\ & = ₹ 2,959 \text{ [CGST+SGST] (rounded off)} \end{aligned}$$

If GSTR-3B of November is filed on 18th December 2026

Interest is payable on wrongly availed and utilized ITC of ₹ 75,000. Date of Utilisation of said ITC will be:

- (a) Due date of furnishing return for November [20th December 2026] or
- (b) Actual date of filing of the return for November [18th December 2026] whichever is earlier.

Thus, date of Utilisation of said ITC will be 18th December 2026.

Interest (CGST + SGST) will be payable for 82 days [19th December 2026 to 10th March, 2027 (both days inclusive)] as follows:

$$\begin{aligned} & ₹ 75,000 \times 82/365 \times 18\% \\ & = ₹ 3,033 \text{ [CGST+SGST] (rounded off)} \end{aligned}$$

Answer 3B

- (i) As per section 2(68), **job work means any treatment or process undertaken by a person on goods belonging to another** registered person and the expression “job worker” shall be construed accordingly. The registered **person on whose goods** (inputs or capital goods) **job work is performed is called the principal**. Thus, the job worker is expected to work on the goods sent by the principal.

Therefore, when the goods are manufactured by Sudama Industries Ltd. for Plasto Manufacturers, it is job work as the process is undertaken on inputs (plastic and moulds) supplied by the principal (Plasto Manufacturers) and **when goods are manufactured for Solid Pipes, it is manufacture on own account** as the pipes are manufactured from company’s own raw material. **Further, processing or treatment on job work basis is a supply of service** in terms of para 3 of Schedule II to the CGST Act, 2017 **and manufacture of pipes on own account is a supply of goods.**

- (ii) It has been clarified vide Circular No. 38/12/2018 GST dated 26.03.2018 that the job worker, **in addition to the goods received** from the principal, **can use his own goods** for providing the services of job work.
- (iii) Section 143 provides that the registered principal may, without payment of tax, send inputs or capital goods to a job worker for job work. Subsequently, on completion of the job work, the principal shall either bring back the goods to his place of business or supply (including export) the same directly from the place of business/premises of the job worker within one year in case

of inputs or within three years in case of capital goods (except moulds and dies, jigs and fixtures or tools). Thus, the **provision relating to return of goods is not applicable in case of moulds, dies, jigs, fixtures and tools.**

If the time frame of one year/ three years for bringing back or further supplying the inputs/capital goods is not adhered to, the activity of sending the goods for job work shall be deemed to be a supply by the principal on the day when the said inputs/ capital goods were sent out by him. Thus, essentially, sending goods for job work is not a supply as such, but it acquires the character of supply only when the inputs/capital goods sent for job work are neither received back by the principal nor supplied further by the principal from the place of business/premises of the job worker within one/three years of being sent out.

Therefore, **sending of plastic and moulds** by Plasto Manufacturers to Sudama Industries Ltd. (job worker) **is not supply** as the manufactured pipes are received back within the stipulated time and the **provisions relating to return of goods are not applicable in case of moulds.**

Rule 45 provides that the **inputs, semi-finished goods or capital goods** being sent for job work shall be **sent under the cover of a delivery challan** issued by the principal.

Therefore, Plasto Manufacturers **need not issue a taxable invoice** for sending the inputs to Sudama Industries Ltd. but should send the inputs under the cover of a challan.

- (iv) As per section 15(2)(b), **any amount** that the supplier is liable to pay in relation to such supply but which has been **incurred by the recipient** of the supply and **not included in the price** actually paid or payable for the goods or services or both, **is includible in the value of supply.** **However,** Sudama Industries Ltd. **should not include the value of free of cost plastic and moulds** supplied by Plasto Manufacturers in its job charges as Sudama Industries Ltd. is manufacturing the plastic pipes on job work basis. **The scope of supply of the Sudama Industries Ltd. is to manufacture plastic pipes from the raw material supplied by the Plasto Manufacturers. Thus, at no point of time was Sudama Industries Ltd. (supplier of job work service) liable to pay for the raw material and therefore, the value thereof should not be included in its job charges even though the same has been incurred by Plasto Manufacturers (recipient of job work service).**

Answer 3C

Where the **baggage of a passenger contains any prohibited article** which has been **declared by him** under section 77, the proper **officer may, at the request of the passenger, detain such article** for the purpose of **being returned to him on his leaving India.**

In the given case, proper officer has **detained the prohibited article declared** and brought by Mr. Cliff Paul. Such articles **shall be returned to him on his leaving India.**

Further, if **for any reason, he is not able to collect it at the time of his leaving India,** the said article may **be returned to him through any other passenger authorized by him** and leaving India or as **cargo consigned** in his name

Answer 4A

- (a) As per proviso to section 16(3) of the IGST Act, 2017 read with rule 96B(1) of the CGST Rules, 2017, in the given case, Agora Ltd. shall **deposit the amount of refund proportionate to the sale proceeds not realized i.e. 50%** of the value of exports. The amount of such refund is **₹ 25 lakh alongwith applicable interest** under section 50. Further, such amount is required to be deposited by Agora Ltd. **within 30 days of the expiry of the time period allowed under Foreign Exchange Management Act, 1999,** including any extension of such time period permitted.

- (b) As per proviso to rule 96B, where **sale proceeds, or any part thereof, in respect of such export goods are not realised** by the applicant **within the time period** allowed under the Foreign Exchange Management Act, 1999, but the **Reserve Bank of India writes off the requirement of realisation of sale proceeds** on merits, the refund paid to the applicant shall not be recovered. Thus, if the **RBI writes off the requirement of realisation of sale proceeds** by Agora Ltd., the **refund amount** received by Agora Ltd. **is not liable to be recovered**.
- (c) As per rule 96B(2), where the **sale proceeds are realised by the applicant**, in full or part, **after the amount of refund has been recovered** from him under rule 96B(1) and the applicant produces evidence about such realisation **within a period of 3 months from the date of realisation of sale proceeds**, the **amount so recovered shall be refunded by the proper officer**, to the applicant to the extent of realisation of sale proceeds, provided the sale proceeds have been realised within such extended period as permitted by the Reserve Bank of India.

In case the refund amount is deposited by Agora Ltd. alongwith interest as per rule 96B(1) on account of non-realization of sale proceeds from the customer, which is realized on a later date, Agora Ltd. can **claim the refund within 3 months from the date of realization of sale proceeds in proportion of the sale proceeds recovered**. However, in order to claim such refund, the **sale proceeds should have been realized within such extended period** as may be permitted by RBI.

Answer 4B

The place of supply of services supplied in respect of goods which are **temporarily imported** into India for repairs and are exported after such **repairs without being put to any use in India** where supplier is in India & recipient is located outside India, is **location of the recipient of services, location outside India i.e. China**. Thus, place of supply of repair services provided to Titen Ltd. in the given case is China.

Further, said repair services shall **qualify as “export of services”** since:

- supplier is in India,
- both recipient and place of supply are outside India,
- the payment for service is received in convertible foreign exchange, and
- supplier and recipient are not merely establishments of a distinct person.

All B2C invoices issued by a registered person whose **aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores will have a Dynamic QR code**.

However, **no Dynamic QR code is required in case of exports**.

In the given case, although the **aggregate turnover of Sunita Industries exceeds ₹ 500 crore** in FY 2023-24, it is **still not mandatorily required to have a Dynamic QR code** requirement on the invoice for said services **as Dynamic QR code requirement is not applicable to exports**.

Answer 4C

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 **at the time and place of importation**.

Further, the Supreme Court in case of Garden Silk Mills v. UOI 1999 (113) E.L.T. 358 has held that **importation gets complete only when the goods become part of mass of goods within the country**.

Since in the instant case, the **price of the goods was reduced after the goods arrived in India**, the price would be considered to be revised after the importation took place.

Hence, the **goods should be valued as per the original price of US \$ 70,000**, which was the price payable at the time of importation. **The action taken by the proper officer is valid.**

Answer 5A

(i) Since no one came forward to release the consignment, **penalty payable** under section 129(3) is as follows:

- (a) 50% of value of goods [₹ 1,50,000 (₹ 3,00,000 × 50%)] or
- (b) 200% of tax payable on goods [₹ 54,000 (₹ 3,00,000 × 9% × 200%)]

whichever is higher,

i.e. penalty will be: **₹ 3,00,000 (₹ 1,50,000 each under CGST and SGST)**

Pre-deposit required to be deposited for filing an appeal to AA **against an order demanding penalty without involving demand of any tax** is as follows:

= **10% of the penalty** in the order (as above)

= 10% of ₹ 3,00,000

i.e. **pre-deposit will be: ₹ 30,000 (₹ 15,000 each under CGST and SGST)**

(ii) Amount to be paid by M/s Super-Fast Roadways for release of its conveyance under section 129 is as follows:

- (a) Penalty under section 129(3) (as computed in above) [₹ 1,50,000] or
- (b) ₹ 1,00,000

whichever is less,

i.e., **penalty will be: ₹ 2,00,000 (₹ 1,00,000 each under CGST and SGST)**

Answer 5B

(i) Since issuance of **tax invoice without underlying supply** does not qualify as “supply” under GST, **no tax liability would arise** against Mr. X., So, **tax is NOT required to be demanded** from Mr. X.

(ii) In the given case, the **offence is non-cognizable** since the **amount of tax evaded** or ITC availed/utilised wrongly, or the refund claimed fraudulently, **does not exceed ₹ 500 lakh.**

(iii) **In cases where the amount** of tax evaded or the amount of input tax credit wrongly availed or utilised or the amount of refund wrongly taken **exceeds ₹ 200 lakh but does not exceed ₹ 500 lakh**, with **imprisonment for a term which may extend to 3 years** and with fine.

In the given case, **the amount involved is ₹ 3.6 crore** (together under CGST and SGST). So, the **quantum of punishment will be 3 years and fine.**

(iv) **Penalty is higher of** the following amounts:

- (a) **₹ 10,000** (under CGST/SGST) or
- (b) **100% of tax evaded** or ITC availed of or passed on/distributed irregularly, or the refund claimed fraudulently.

So, in the given case, **penalty would be ₹ 3.60 crore** (₹ 1.80 crore under CGST and ₹ 1.80 crore under SGST)

(v) The amount of penalty leviable on a person, **who aids or abets the above offence** would be **₹ 25,000 each under CGST and SGST**. So, in the given case, the **total amount of penalty would be ₹ 50,000** (₹ 25,000 under CGST + ₹ 25,000 under SGST).

Answer 5C

Provisional assessment can be resorted to in the following circumstances:

- (a) where the importer or exporter is **unable to make self-assessment** under sub-section (1) of section 17 and makes a request in writing to the proper officer for assessment; or
- (b) where the **proper officer deems it necessary to** subject any imported goods or export goods to **any chemical or other test**; or
- (c) where the **importer or exporter has produced all the necessary documents** and furnished full information, **but the proper officer deems it necessary to make further enquiry**; or
- (d) where **necessary documents have not been produced or information has not been furnished and the proper officer deems it necessary to make further enquiry**.

Answer 6A

- (1) The proper officer can issue a show cause **notice within 42 months from the due date of furnishing the annual return** for relevant financial year to which short payment relates to [Section 74A(2)]. For the financial year 2025–26, the due date for furnishing the annual return is 31st December, 2026. Therefore, the **last date by which show cause notice can be issued** by the proper officer for the amount of tax short paid by Arnav Enterprises is **30th June 2030**.

Further, section **74A stipulates the same limitation** period for issuance of show cause notice whether the short payment is on account of **fraud or on account of a bonafide error**. Thus, **answer will remain same** if the short payment of tax is on account of fraud.

- (2) The person chargeable with tax where any tax has been short paid, may, **before service of show cause notice, pay the amount of tax** along with interest payable under section 50 of such tax on the basis of his own ascertainment of such tax and **inform the proper officer** in writing of such payment, and the proper officer, on receipt of such information shall not serve any show cause notice in respect of the tax so paid or any penalty payable under the provisions of the CGST Act or the rules made thereunder [Section 74A(8)(i)].

Thus, **no penalty is payable by Arnav Enterprises in respect of payment of tax of ₹ 1,00,000** before issuance of show cause notice. No show cause notice will be issued by the proper officer in respect of the tax of ₹ 1,00,000 so paid.

However, **in case where the short payment of tax is on account of fraud**, the person chargeable with tax, may before service of show cause notice, **pay the amount of tax along with** interest payable under section 50 and a **penalty equivalent to 15% of such tax** on the basis of his own ascertainment of such tax or the tax as ascertained by the proper officer and **inform the proper officer** in writing of such payment, and the proper officer, on receipt of such information, shall not serve any show cause notice, in respect of the tax so paid or any penalty payable under the provisions of the CGST Act or the rules made thereunder [Section 74A(9)(i)].

Thus, a penalty of ₹ 15,000 [₹ 1,00,000 × 15%] is payable by Arnav Enterprises alongwith payment of tax of ₹ 1,00,000 with applicable interest, before issuance of show cause notice. No show cause notice will be served by the proper officer after payment of tax alongwith interest and penalty, in respect of the tax so paid.

- (3) Since Arnav Enterprises has **paid the tax of ₹ 1,00,000 along with interest** before issuance of show cause notice, **no show cause notice** will be issued by the proper officer in respect of the tax so paid [Section 74A(8)(i)].

However, where the proper officer is of the opinion that the amount paid under section 74A(8)(i)

falls short of the amount actually payable, he shall proceed to **issue the show cause notice in respect of such amount which falls short** of the amount actually payable [Section 74A(10)].

Thus, in the given case, the proper officer will **issue the notice for the remaining tax of ₹ 3,60,000** [₹ 4,60,000 - ₹ 1,00,000].

In case where the short-payment is on account of fraud, answer will be as follows:

Since Arnav Enterprises has paid the tax of ₹ 1,00,000 alongwith applicable interest and penalty before issuance of show cause notice, no show cause notice will be issued by the proper officer in respect of the tax so paid [Section 74A(9)(i)].

However, where the proper officer is of the opinion that the amount paid under section 74A(9)(i) falls short of the amount actually payable, he shall proceed to issue the show cause notice in respect of such amount which falls short of the amount actually payable [Section 74A(10)].

Thus, in the given case, the **proper officer will issue the notice for the remaining tax of ₹ 3,60,000** [₹ 4,60,000 - ₹ 1,00,000].

Further, the **proper officer is required to issue the order within 12 months** from the date of issuance of show cause notice, **in both fraud and non-fraud cases** [Section 74A(7)]. Thus, in the given case, **the proper officer has to issue the order on or before 10th October, 2027**, whether the short payment is on account of fraud or on account of a bonafide error.

- (4) Where the person chargeable with tax, where **any tax has been short paid, pays the said tax** along with interest payable under section 50 **within 60 days of issue of show cause notice**, and on doing so, **no penalty shall be payable** and all proceedings in respect of the said notice shall be deemed to be concluded [Section 74A(8)(ii)].

Thus, in the given case, **since Arnav Enterprises has paid the tax of ₹ 3,60,000** along with applicable interest **within 60 days of issuance of show cause notice**, i.e. **on or before 9th December, 2026, no penalty shall be payable** and all proceedings in respect of the said notice shall be deemed to be concluded.

In case where the **short-payment is on account of fraud**, answer will be as follows:

Where the person chargeable with tax, where any tax has been short paid, pays the said tax along with interest payable under section 50 and a **penalty equivalent to 25% of such tax within 60 days of issue of the notice**, and on doing so, all proceedings in respect of the said notice shall be deemed to be concluded [Section 74A(9)(ii)].

Thus, in the given case, **Arnav Enterprises has to pay penalty of ₹ 90,000** [₹ 3,60,000 × 25%]. If Arnav Enterprises has paid the tax of ₹ 3,60,000 alongwith applicable interest and penalty of ₹ 90,000 [₹ 3,60,000 × 25%] on 5th December, 2026, which is within 60 days of issuance of show cause notice, i.e. on or before 9th December, 2026, all proceedings in respect of the said notice shall be deemed to be concluded.

Answer 6B

Assessment order passed by the proper officer may be withdrawn in following cases:

- (i) **Assessment of non-filers of returns-** The best judgement order passed by the proper officer under section 62 of the CGST Act shall automatically stand withdrawn **where a registered person files a valid return within 60 days** of the service of the best judgment assessment order [Further 60 days on payment of late fees]. **However, liability for payment of interest** under section 50(1) of CGST Act, 2017 **or for payment of late fee** under section 47 of CGST Act, 2017 **shall continue**.

However, where the registered person fails to furnish a valid return within 60 days of the service

of assessment order, **he may furnish** the same **within a further period of 60 days on payment of an additional late fee of ₹ 100** for each day of delay beyond 60 days of the service of the said assessment order and in case he furnishes valid return within such extended period said assessment order shall be deemed to have been withdrawn, but liability to pay interest/late fee shall continue.

- (ii) **Summary Assessment-** As per section 64(2) of the CGST Act, 2017, a **taxable person** against whom a summary assessment order has been passed **can apply for its withdrawal to the jurisdictional Additional/Joint Commissioner within 30 days of date of receipt of the order.** **If the said officer finds the order erroneous, he can withdraw it and direct** the proper officer to carry out **determination of tax liability** in terms of **section 73 or 74 or 74A** of the CGST Act. The Additional/ Joint Commissioner can follow a similar course of action on his own motion if he finds the summary assessment order to be erroneous.

Answer 6C

Rule 59(6) provides that:

- (i) a registered person shall not be allowed to furnish the details of outward supplies in Form GSTR-1, **if he has not furnished** the return in Form **GSTR-3B for the preceding month.**
- (ii) a registered person, **opting for QRMP scheme**, shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using Invoice Furnishing Facility (IFF), **if he has not furnished** the return in **Form GSTR-3B for preceding tax period.**
- (iii) a registered person, to whom an **intimation has been issued** on the common portal under the provisions of rule 88C(1) in respect of a tax period, shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF for a subsequent tax period, **unless he has either deposited the amount specified in the said intimation or has furnished a reply** explaining the reasons for any amount remaining unpaid, as required under the provisions of rule 88C(2).
- (iv) a registered person, to whom an **intimation has been issued** on common portal under provisions of rule 88D(1) in respect of a tax period/periods, shall not be allowed to furnish Form GSTR- 1/IFF for a subsequent tax period, **unless he has either paid the amount equal to the excess ITC as specified in the said intimation or has furnished a reply** explaining the reasons in respect of the amount of excess ITC that still remains to be paid, as required under provisions of rule 88D(2);
- (v) a registered person shall not be allowed to furnish Form GSTR- 1/IFF, if he has **not furnished the details of the bank account** as per the provisions of rule 10A.