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CA. KARAN SATIJA

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PREFACE

CA & CMA FINAL — INDIRECT TAX LAWS (IDT) QUESTION BANK

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Dear Professional Aspirants,

It gives me immense pleasure to present this meticulously curated Question Bank for CA & CMA Final - Indirect Tax Laws (IDT). This resource has been specifically engineered to serve as your ultimate practice companion, helping you navigate the dynamic and intricate landscapes of Indirect Taxation with absolute confidence and exam-ready precision.

KEY FEATURES OF THIS QUESTION BANK

- **Extensive Question Volume:** This book comprehensively covers more than 600+ systematically arranged questions, providing a rigorous and expansive environment for complete practice.
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- **Strict Alignment with Official Material:** Every question is benchmarked against the official Institute guidelines, ensuring that your preparation remains flawlessly synchronized with the contemporary standards expected by the examiners.
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 - ICAI & ICMAI official Study Materials (SM)
 - Past Year Exam Questions (PYQs)
 - Revision Test Papers (RTPs)
 - Mock Test Papers (MTPs)

OUR COMMITMENT TO QUALITY & PRECISION

While absolute precautions, rigorous multi-tier proofreading, and exhaustive reviews have been undertaken to render this work entirely error-free, the highly complex nature of tax legislation and frequent updates leave thin margins for human oversight or typing errors. Should you discover any technical discrepancy, calculation error, or printing oversight, we convey our sincere regrets for the inconvenience and invite you to help us improve.

Feedback & Continuous Improvement:

We highly value your inputs. Please bring any errors to our notice by drafting an email detailing the page and question number to: askkaransir@gmail.com

Achieving success in elite professional certifications like the CA and CMA Final requires a symbiotic blend of firm conceptual clarity and relentless practice. This volume is explicitly designed to maximize your application skills in the most productive manner possible. Approach these problems with diligence, consistency, and an inquisitive mind, and your professional success is guaranteed.

Warm regards,

CA Karan Satija

Wishing you the absolute best in your preparation and a stellar career ahead!



IMPORTANT POINTS

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Comparative Analysis

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1	7 (1) (b)	Import of Service for consideration		
2 to 5	Schedule I	Activities without consideration		
6 to 7	Schedule II	Bifurcation of transaction as SOG or SOS		
8 to 12	Schedule III	Activities treated neither as Supply of Goods or Services		
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15 to 20	Clarifications	PSC, SLS, Future Contracts, Tenancy Premium, Donations, Cinema Hall,		
21	Mixed Questions	Mixed Questions		

Section 7(1) (b):- Import of service for consideration read with para 4 of Schedule I

Question 1: Import of Services for consideration & without consideration

PQ

Mrs. Shweta received legal consultancy regarding her personal disputes and remitted £ 2,500 as professional fees to Ms. Kavya, an advocate based in New York, USA.

1. Analyze whether the aforementioned import of service constitutes a "supply" under Section 7 of the CGST Act, 2017.
2. Would your conclusion vary if both parties are biological sisters and the service is provided without any consideration?
3. Further, if both are biological sisters and Mrs. Shweta receives the legal advice for her business exigencies without any consideration, what would be the tax implication?

[Note: It is assumed that Ms. Kavya is a related person to Mrs. Shweta as per the Explanation to Section 15 of the CGST Act, 2017].

Solution:

1. Legal Provision:-

- a. Section 7(1)(b) of the CGST Act, 2017: Import of services for a consideration, whether or not in the course or furtherance of business, shall be treated as a "supply."
- b. Para 4 of Schedule I of the CGST Act, 2017: Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business, is treated as a "supply" even if made without consideration.

2. Conclusion:

1. Case (1): Payment of £ 2,500 for personal legal advice

Since the service is imported for a **valid consideration** (£2,500), it **qualifies** as a **"supply"** under Section 7(1)(b).

Under this section, the purpose of the import (personal or business) is immaterial as long as consideration is involved.

2. Case (2): Services from a sister without consideration for personal use

In this instance, since **no consideration** is paid, the transaction does not fall under Section 7(1)(b). Furthermore, although the parties are **"related persons"** (sisters), the service is **not** imported in the course or furtherance of **business**. Therefore, it fails the test of Schedule I and does **not constitute a "supply."**

3. Case (3): Services from a sister without consideration for business use

This transaction constitutes a "supply" as per Para 4 of Schedule I. Even in the absence of consideration, the **import** is made from a **related person** and is used in the course or furtherance of **business**. Thus, it is **deemed a supply** despite being a non-monetary transaction between relatives.

Schedule I:- Activities to Be Treated as Supply Even If Made Without Consideration

Question 2: Taxability of free storage of goods at related-party depot

SM

Moksha Bhumi Industries has its manufacturing unit in the State of Maharashtra. It stores the finished goods manufactured by it at a depot located in the State of Gujarat. The depot is owned by Punya Bhumi Ltd., a related person of Moksha Bhumi Industries. Punya Bhumi Ltd. has not charged any consideration from Moksha Bhumi Industries for usage of depot for storage purpose. Whether the storage of goods permitted by Punya Bhumi Ltd. to Moksha Bhumi Industries qualifies as supply under GST?

Solution :

1. As per **section 7(1)(c)** read with Schedule I, supply of goods or services or both between related persons without consideration when made in the course or furtherance of business qualifies as supply.
2. Thus, the storage services provided by Punya Bhumi Ltd. to Moksha Bhumi Industries (Related Person) in course or furtherance of **business qualify as supply** under GST even though no consideration has been charged for the same.

Question 3: Whether auctioneer issuing invoice in own name qualifies as agent	SM
<p>Chandragupta Maurya is an artist who makes contemporary paintings. He is registered in the State of Kolkata. Chandragupta Maurya appoints Dhruv Kumar to auction his painting in Maharashtra. Dhruv Kumar arranges for the auction and identifies the potential bidders. The highest bid is accepted and the painting is sold to the highest bidder. The invoice for the supply of the painting is issued by Dhruv Kumar on behalf of Chandragupta Maurya but in his own name and the painting is delivered to the successful bidder.</p> <p>Examine whether Dhruv Kumar can be considered as an agent of Chandragupta Maurya under Para 3 of Schedule I of the CGST Act, 2017.</p>	

Solution :

1. An activity/transaction qualifies as supply under GST only if it is undertaken for a consideration and is in course or furtherance of business.
2. However, **supply of goods by a principal to his agent** where the agent undertakes to supply such goods on behalf of the principal is **considered as supply** even if made **without consideration** provided the invoice for further supply is issued by the agent in his own name [**para 3 of schedule I**]
3. As per CBIC Clarification, where **the invoice** for further supply of goods is **being issued by the agent in his name** then, any provision of goods from the principal to the agent would fall within the fold of Para 3 of Schedule I
4. In the given case, Dhruv Kumar is not merely providing auctioneering services to Chandragupta Maurya, but is also supplying the painting on behalf of Chandragupta Maurya to the successful bidder and has the authority to transfer the title of the painting on behalf of Chandragupta Maurya.
5. Dhruv Kumar issued the **invoice in his own name** for supply of the painting on behalf of Chandragupta Maurya.
6. Thus, Dhruv Kumar can be **considered as an agent** of Chandragupta Maurya under Para 3 of Schedule I.

Question 4: Principal–Agent Relationship	Classwork
<p>Karam veer Enterprises appoints Rajul to procure certain goods from the market. Rajul identifies various suppliers who can provide the goods as desired by Karam veer Enterprises, and asks a supplier - Satya Manufacturers to send the goods and issue the invoice directly to Karam veer Enterprises. You are required to determine whether Rajul can be considered as an agent of Karam veer Enterprises in terms of Schedule I of the CGST Act?</p>	

Solution :

1. As per **section 7(1)(c)** read with Schedule I of the CGST Act, supply of goods by an agent to his principal where **the agent** undertakes to **receive such goods on behalf of the principal** qualifies as **supply** even if the same is made **without consideration**.
2. Further, as per CBIC Clarification, principal-agent relationship falls within the ambit of the Schedule I only where the goods being procured by the agent on behalf of the principal are **invoiced in the name of the agent**.
3. In that case, further provision of the said goods by the agent to the principal without consideration, would be covered in Schedule I and thus would qualify as a supply.
4. In the given case, Rajul is only acting as the procurement agent, and has in no way involved himself in the supply or receipt of the goods.
5. **The invoice** is being issued in the name of Karam veer Enterprises and **not Rajul**.
6. Hence, Rajul is **not an agent** of Karam veer Enterprises for the supply of goods in terms of Schedule I of the CGST Act.

Question 5: Interest on temporary loan extended by DCA	PYQ July 21
<p>M/s. Chand is a manufacturer of Paper products having factory at Pune, Maharashtra. M/s. Kela and M/s. Bela of Mumbai, Maharashtra are appointed as agents to sell the products on behalf of M/s. Chand with the conditions that both of them guarantee the realization of payment from buyers. Both M/s. Kela and M/s. Bela provide short-term borrowing facilities to buyers for timely payment of dues against supplies made to them and for this they charge interest from the ultimate buyer. While M/s. Kela raises invoices in the name of M/s. Chand and M/s. Bela raises invoices in its own name.</p>	

In light of provisions contained in Para 3 of Schedule I of CGST Act, kindly explain treatment of interest charged by M/s. Kela and M/s. Bela in above- mentioned cases

Solution :

1. M/s. Kela & M/s. Bela are Del Credere Agents (DCA) as they guarantee payment to the supplier, M/s. Chand.
2. As per Para 3 of Schedule I of the CGST Act, 2017, a DCA is considered an agent if it issues the invoice in its own name.
3. M/s. Bela issues invoices in its own name, making it an agent under Para 3 of Schedule I, whereas M/s. Kela issues invoices in M/s. Chand's name, so it is not an agent under this provision.
4. Tax treatment of interest charged:
 - a. M/s. Kela (Not an Agent): Interest on short-term credit is an independent supply of service and is exempt from tax
 - b. M/s. Bela (Agent under Para 3 of Schedule I): Interest is subsumed in the value of goods supplied and is taxable as part of the goods' value.

Schedule II:- Activities to be Treated as Supply of Goods or Supply of Services

Question 6: Schedule II, Para 5(e)- Agreeing to refrain from an Act

PYQ NOV 22/SM

XYZ Consultancy, registered in Bangalore, supplies technical consultancy services to its clients. It has been providing technical services to BA Ltd., Mumbai since past two years. Consideration is settled by BA Ltd. assignment wise. BA Ltd. paid ₹ 37 lakhs to XYZ Consultancy on 10th January, 20XX for XYZ Consultancy agreeing not to provide similar technical services to any other business entity in India or abroad for a period of 8 years. XYZ Consultancy is of the view that ₹ 37 lakh is not chargeable to GST.

You are required to examine whether the view taken by XYZ Consultancy is valid in law. Calculate GST liability of XYZ Consultancy, in case you feel that GST is chargeable. Round off the tax amount if due in accordance with law.

The technical services provided by XYZ Consultancy are otherwise chargeable to IGST at the rate of 18% and XYZ has been discharging the GST liability on consultancy charges.

It may be noted that BA Ltd. is not ready to pay any further amount to XYZ Consultancy in addition to the amount already agreed.

Solution :

- a. In the given case, XYZ Consultancy is providing the service of **agreeing to the obligation to refrain from an act** to BA Ltd. against a consideration of ₹ 37 lakh [Schedule II].
- b. Therefore, the same is liable to tax under GST law.
- c. Thus, the view taken by XYZ Consultancy is incorrect Since the place of supply of said services is the location of the recipient, viz. Mumbai and supplier is located in Bangalore, said services are inter-State supplies liable to tax @ 18%.
- d. GST liability (IGST) of XYZ Consultancy is:
$$= ₹ 37,00,000 \times 18/118$$
$$= ₹ 5,64,407 \text{ (rounded off)}$$
- e. Rate of tax applicable on service of agreeing to the obligation to refrain from an act.
- f. Since GST has not been separately collected for the supply, consideration has been assumed to be inclusive of tax.

Question 7: Schedule II

PQ

M/s XYZ, a registered supplier, supplies the following goods and services for construction of buildings and complexes

- a. excavators for required period at a per hour rate
- b. manpower for operation of the excavators at a per day rate
- c. soil-testing and seismic evaluation at a per sample rate.

The excavators are invariably hired out along with operators.

Similarly, excavator operators are supplied only when the excavator is hired out.

M/s XYZ receives the following services:

- ✓ Annual maintenance services for excavators;
- ✓ Health insurance for operators of the excavators;
- ✓ Scientific and technical consultancy for soil testing and seismic evaluation.

For a given month, the receipts (exclusive of GST) of M/s XYZ are as follows:

1. Hire charges for excavators - Rs. 18,00,000
2. Service charges for supply of manpower for operation of the excavator - Rs. 20,000
3. Service charges for soil testing and seismic evaluation at three sites – Rs. 2,50,000

The GST paid during the said month on services received by M/s XYZ is as follows:

1. Annual maintenance for excavators - Rs. 1,00,000
2. Health insurance for excavator operators - Rs. 11,000
3. Scientific and technical consultancy for soil testing and seismic evaluation - Rs. 1,00,000

Compute the net GST payable by M/s XYZ for the given month. Assume the rates of GST to be as under:

- a. Hiring out of excavators - 12%
- b. Supply of manpower services and soil-testing and seismic evaluation services - 18%

Note: - Opening balance of input tax credit of GST is nil.

Solution :

Computation of net GST payable by M/s XYZ

Particulars	GST payable
Gross GST liability [Refer Working Note 1 below]	2,63,400
Less: Input tax credit [Refer Working Note 2 below]	2,00,000
Net GST liability	63,400

Working Notes

1) Computation of gross GST liability

Particulars	Value received (Rs.)	Rate of GST	GST payable (Rs.)
Hiring charges for excavators	18,00,000	12%	2,16,000
Service charges for supply of manpower for operation of excavators [Refer Note 1]	20,000	12%	2,400
Service charges for soil testing and seismic evaluation [Refer Note 2]	2,50,000	18%	45,000
Gross GST liability			2,63,400

Notes:

1. Since the **excavators are invariably hired out along with operators and excavator operators** are supplied only when the excavator is hired out, it is a case of **composite supply** under section 2(30) of the CGST Act, 2017 wherein the **principal supply is the hiring out of the excavator**.
2. As per section 8(a) of the CGST Act, 2017, the composite supply is treated as the supply of the principal supply. Therefore, the supply of manpower for operation of the excavators will also be taxed at the rate applicable for hiring out of the excavator (principal supply), which is 12%. Soil testing and seismic evaluation services being independent of the hiring out of excavator will be taxed at the rate applicable to them, which is 18%

(2) Computation of input tax credit available for set off

Particulars	GST paid (Rs.)	ITC available (Rs.)
Annual maintenance services for excavators [Refer Note 1]	1,00,000	1,00,000
Health insurance for excavator operators [Refer Note 2]	11,000	-

Scientific and technical consultancy [Refer Note 1]	1,00,000	1,00,000
Total input tax credit available		2,00,000

Notes:

- Excavators are special purpose vehicles whose credit is not restricted** under section 17(5)(a), therefore, ITC on annual maintenance service for excavators shall be allowed in terms of section 17(5)(ab). Further, section 17(5)(d) of the CGST Act, 2017 **blocks credit** on goods and/or services received by a taxable person for **construction of an immovable property** on his own account. Here though the excavators are used for building projects, the same are **not used** by M/s XYZ **on its own account** for construction of immovable property; instead, they **are used for outward taxable supply** of hiring out of machinery.

Therefore, the annual maintenance service for the excavators does not get covered by the bar under section 17 of the CGST Act, 2017 and the **credit thereon will be available**. The same applies for scientific & technical consultancy for construction projects because in this case also, the service is used for providing the outward taxable supply of soil testing and seismic evaluation service and not for construction of immovable property.

- Section 17(5)(b)(i) of the CGST Act, 2017 allows **input tax credit on health insurance** only where an inward supply of such services is used by a registered person for making an outward taxable **supply of the same category of goods or services or both** or as an element of a taxable composite or mixed supply **or where it is obligatory** for an employer to provide the same to its employees under any law for the time being in force. In the given case, it is assumed that it is **not obligatory** for employer to provide health insurance to its employees under any law for the time being in force, therefore the **credit thereon will not be allowed**.

Schedule III :- Activities treated neither as Supply of Goods nor Supply of Services

Question 8: GST applicability on Sales Incentive Paid to Employees	SM
Angad Private Ltd. is engaged in the business of distribution of construction material. As an incentive, Angad Private Ltd. pays an amount of ₹ 75,000 to its employees upon achieving a specified sales target. The incentive is part of the salary of the employees and applicable tax is deducted at source as per relevant income tax provisions. Angad Private Ltd. is of the view that GST is not leviable on such incentive paid to the employees. Whether the view taken by Angad Private Ltd. is correct?	

Solution :

- Yes, Angad Private Ltd.'s view is correct.
- As per **Schedule III** of the CGST Act, 2017, services by an **employee to the employer** in the course of or in relation to his employment shall **not be treated as supply** under GST.
- Further, the amount paid **as incentive** by Angad Private Ltd. is not in the nature of gift, and thus, is **not covered under Schedule I**.
- In fact, in the given case, the **incentive is part of the salary** and is directly linked to the sales target.
- Therefore, the services provided in the course of or in relation to employment by the employees for which incentives are given to them shall not be treated as a "supply".
- In light of the above discussion, **GST is not leviable** on the incentive paid by Angad Private Ltd. to its employees

Question 9: GST applicability on high-sea-sale-like cross-border transaction (Merchant Trading)	SM
Krishnadev is a trader based in India. Ramakrishna, brother of Krishnadev, is located in China and is also engaged in business of trading of goods. Krishnadev places an order with Ramakrishna for procurement of certain goods from local market in China. Before the shipment of goods from China to India, Krishnadev sold such goods to Christiano, a trader located in Brazil. The goods were subsequently shipped from China to Brazil.	
Comment on the taxability of transaction between Krishnadev and Christiano under GST in India.	

Solution :

1. The transaction between Krishnadev and Christiano is in the nature of **merchant trading**.
2. As per **Schedule III**, transactions involving sale of goods from a place in non-taxable territory to another place in non-taxable territory, without such goods entering into India, shall be treated **neither as supply of goods nor as supply of services** under GST.
3. Therefore, the transaction between Krishnadev and Christiano shall **not be treated as supply** and is thus not leviable to GST.

Question 10: High Seas Sale & Subsequent Buy-back

SM

Mohandas International entered into a transaction for import of goods from a vendor located in Italy. Due to financial issues, Mohandas International was not in a situation to clear the goods upon payment of import duty.

Mohandas International sold the goods to Radhakrishnan Export House by endorsement of title to the goods, while the goods were in High Seas.

The agreement further provided that Mohandas International shall purchase back the goods in future from Radhakrishnan Export House.

Discuss the taxability of transaction(s) involved, under the GST law.

Solution :

1. As per **Schedule III, High Seas Sale transactions** i.e. supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption shall be treated neither as supply of goods nor as supply of services under GST.
2. Thus, the sale of goods by Mohandas International to Radhakrishnan Export House in high seas shall **not be liable to GST**.
3. Further, the **import duty** including IGST shall be **payable** by Radhakrishnan Export House at the **time of clearance of goods** at port of import.
4. In case the goods are sold back by Radhakrishnan Export House to Mohandas International at a Subsequent point of time, the same shall be treated as normal domestic sale transaction and GST shall be applicable on the same subject to other conditions prescribed under GST Law.

Question 11: High Seas Sale & In-bond Sale from Customs Bonded Warehouse

PYQ Jan 21

GER Ltd. of Germany supplies luxurious car worth ₹ 1 crore to IND Ltd. of India. Before the car reached Indian port but after crossing of the territorial waters of India, IND Ltd. sells it to T1 Ltd. by way of transfer of documents of title.

T1 Ltd. Clears the said car for warehousing and stores the said goods in customs bonded warehouse.

T1 Ltd. sells the said car from warehouse to T2 Ltd., and T2 Ltd., clears the said car from the customs bonded warehouse.

Answer the following with brief reasons:

1. Is GST leviable on import of goods from GER Ltd. by IND Ltd.?
2. Is GST leviable on supply of goods by IND Ltd. to T1 Ltd.?
3. Is GST leviable on supply of goods by T1 Ltd. to T2 Ltd.?
4. Is GST leviable on clearance of goods by T2 Ltd. from the Customs bonded warehouse?

Solution :

1. GST on import of goods is levied at the time when customs duty is levied on the said goods under the Customs Act, 1962, i.e., on importation. **Importation** gets **completed** when the **goods become part** of the mass of goods **within the country**. Thus, GST is not leviable on import of goods from GER Ltd. by IND Ltd. since the import of goods is not complete.
2. **GST is not leviable** on supply of goods by IND Ltd. to T1 Ltd. as supply of goods by the consignee to any other person, by **endorsement of documents of title** to the goods, after the goods have been dispatched from the port of origin located outside India but **before clearance for home consumption** is treated **neither as a supply of goods nor a supply of services**.
3. **GST is not leviable** on supply of goods by T1 Ltd. to T2 Ltd. since **supply of warehoused goods** to any person before clearance for home consumption is treated neither as a supply of goods nor a supply of services.

4. Yes, **GST is leviable** on **clearance of goods** by T2 Ltd. **from the customs bonded warehouse** as customs duty is levied on warehoused goods at the time of clearance thereof from the warehouse and as mentioned in point (1), GST on import of goods is levied at the time when customs duty is levied thereon.

Question 12: Ceding commission

(RTP Sep'25)

ABC Insurance Ltd., a registered insurer in Maharashtra, is engaged in providing insurance services. During the current financial year, the company entered into following transactions:

1. ABC Insurance Ltd. enters into a co-insurance agreement with XYZ Insurance Ltd. where ABC Insurance Ltd. is the lead insurer. The insured - Gayatri Industries- pays a total premium of 50,00,000 which is apportioned by the lead insurer - ABC Insurance Ltd. between itself and XYZ Insurance Ltd. in the ratio of 60:40 for the insurance services jointly supplied by them to Gayatri Industries. ABC Insurance Ltd. agrees to discharge the entire GST liability on the full amount of premium received from Gayatri Industries.
2. A large industrial plant needs an insurance worth 500 crore. It approaches ABC Insurance Ltd. for the same. However, since ABC Insurance Ltd. is unable to underwrite the entire risk alone, it enters into a reinsurance agreement with a reinsurer - PQR Insurance Ltd. The total premium charged is 50 lakhs. The insurer- ABC Insurance Ltd. pays a reinsurance premium of 20 lakhs to PQR Insurance Ltd. This allows ABC Insurance Ltd. to manage its risk and financial exposure. While paying this amount to PQR Insurance Ltd., ABC Insurance Ltd. deducts a ceding commission of ₹ 1,00,000 which it has charged for the services it provides to PQR Insurance Ltd. PQR Insurance Ltd. pays GST on the gross reinsurance premium including the ceding commission.

Based on the provisions of Schedule III of the CGST Act, 2017, discuss whether the following activities amount to supply:

- a. Apportionment of co-insurance premium by ABC Insurance Ltd. to XYZ Insurance Ltd. for the insurance services jointly supplied by them to Gayatri Industries.
- b. Services by ABC Insurance Ltd. to PQR Insurance Ltd. for which ceding commission is deducted from reinsurance premium paid by ABC Insurance Ltd. to PQR Insurance Ltd.

Solution :

1. As per **para 9 of Schedule III** of the CGST Act, 2017, activity of **apportionment of co-insurance premium** by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured is **neither supply of goods nor supply of services** and hence **no GST** is charged on the apportionment transaction.

However, the lead insurer (ABC Insurance Ltd.) is required to pay the entire GST (CGST and SGST or IGST, as applicable) on the full premium amount paid by the insured Gayatri Industries, of ₹ 50,00,000. The co-insurer - XYZ Insurance Ltd. does not pay GST on its share of the premium separately.

2. As per **para 10 of Schedule III** of the CGST Act, 2017, services by insurer to the reinsurer for which **ceding commission** or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer is **neither supply of goods nor supply of services**, subject to the condition that the central tax, the State tax, the Union territory tax and the integrated tax is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission...

However, the reinsurer (PQR Reinsurers Ltd.) is liable to pay GST on the gross reinsurance premium payable by the insurer (20 lakh), inclusive of the ceding commission (1 lakh).

Question 13: Printing Contracts Using Printer's Own Paper

SM

Satyamev Printers is a printing house registered under GST. It receives an order for printing 5000 copies of a book on yoga and meditation authored by a well-known yoga guru. The content of the book is to be provided by the yoga guru to Satyamev Printers. It is agreed that Satyamev Printers will use its own paper to print the said books.

You are required to determine the rate of GST applicable on supply of printed books by Satyamev Printers assuming that rate of GST applicable on services is 18% whereas the rate of GST applicable on supply of goods is 12%.

Solution :

- Section 2(30) provides that a **composite supply** means a supply made by a taxable person to a recipient consisting of **two or more taxable supplies** of goods or services or both, or any combination thereof, which are **naturally bundled** and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.
- As per CBIC Clarification, **supply of books, pamphlets**, brochures, envelopes, annual reports, leaflets, cartons, boxes etc. printed with logo, design, name, address or other contents supplied by the recipient of such printed goods, are **composite supplies**.
- Further, section 8(a) stipulates that a composite supply comprising two or more supplies, one of which is a principal supply, is treated as a supply of such principal supply. Hence, one needs to ascertain what constitutes the principal supply in this supply.
- As per section 2(90), **principal supply** is the supply of goods or services which constitutes the **predominant element** of a composite supply and to which any other supply forming part of that composite supply is ancillary.
- The above circular further clarifies that in the composite supply of **printing of books**, pamphlets, brochures, annual reports, and the like, where only content is supplied by the publisher or the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, **supply of printing** [of the content supplied by the recipient of supply] **is the principal supply** and therefore such supplies would **constitute a supply of service**.
- Accordingly, in the given case, the supply of printed books by Satyamev Printers is a composite supply wherein the principal supply is supply of printing services. Thus, the rate of GST applicable thereon is the rate applicable on supply of printing services, i.e. 18%.

Question 14: Composite/Mixed Supply, Free Supplies, Related Persons & Hiring Services

MTP SEPT
22/SM

Mrs. Kajal, a registered supplier of Jaipur (Rajasthan), has made the following supplies in the month of January:

- Supply of a laptop along with the laptop bag to a customer of Mumbai for ₹ 55,000 (exclusive of GST).
- Supply of 10,000 kits (at ₹ 50 each) amounting to ₹ 5,00,000 (exclusive of GST) to Ram Fancy Store in Kota (Rajasthan). Each kit consists of 1 hair oil, 1 beauty soap and 1 hair comb.
- 100 kits are given as free gift to Jaipur customers (all unrelated) on the occasion of Mrs. Kajal's birthday. Each kit consists of 1 hair oil and 1 beauty soap. Cost of each kit is ₹ 35. Input tax credit has not been taken on the goods contained in the kit.
- Event management services provided free of cost to her brother (wholly dependent on her) for his son's marriage function in Indore (Madhya Pradesh). Cost of providing said services is ₹ 80,000.
- 1,400 chairs and 100 coolers hired out to Function Garden, Ajmer (Rajasthan) for ₹ 3,30,000 (exclusive of GST) including cost of transporting the chairs and coolers from Mrs. Kajal's godown at Jaipur to Function Garden, Ajmer.

Since Mrs. Kajal is not a GTA, transportation services provided by her are exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017 Assume rates of GST to be as under:

SR.NO	Particulars	Rate of GST ₹
1	Laptop	18%
2	Laptop bag	28%
3	Hair oil	18%
4	Beauty Soap	28%
5	Hair Comb	12%
6	Event management service	5%
7	Service of renting of chairs and coolers	12%
8	Transportation service	5%

From the above information, examine each of the above supplies made by Mrs. Kajal for the month of January and determine the rate of GST applicable on the same.

Solution :

S.No.	Particulars	Rate of GST
1	Supply of laptop bag along with laptop to Mumbai customer [Being naturally bundled , supply of laptop bag along with the laptop is a composite supply which is treated as the supply of the principal supply [viz. laptop] in terms of section 8(a). Accordingly, rate of principal supply , i.e. laptop will be charged.]	18%
2	Supply of kits to Ram Fancy Store [It is a mixed supply and is treated as supply of that particular supply which attracts highest tax rate [viz. beauty soap] in terms of section 8(b).]	28%
3	Free gifts to customers [Cannot be considered as supply under section 7 read with Schedule 1 as the gifts are given to unrelated customers without consideration.]	NIL
4	Event management services provided free of cost to her brother [who is a related person] for his son's marriage. Thus, said services shall fall within the purview of Schedule 1 and shall be treated as supply even if made without consideration. Since it is an individual supply, it will be taxed at the rate applicable on said service.	5%
5	Chairs and coolers hired out to Function Garden [Transportation services provided by Mrs. Kajal are exempt. However, since chairs and coolers are hired out along with their transportation, it is a case of composite supply wherein the principal supply is hiring out of chairs and coolers. Accordingly, transportation service will also be taxed at the rate applicable for renting of chairs and coolers]	12%

Note:

As per section 2(30), composite supply means a supply made by a taxable person to a recipient consisting of two or more taxable supplies. Since in point (v), service of hiring out of chairs & coolers is taxable while transportation service is exempt, it is possible to take a view that this is not a case of composite supply.

In that case, the two services will be treated as independent services and taxed accordingly.

Production Sharing Contracts

Question 15– GST taxability of petroleum silt received under Production Sharing Contract (PSC) SM
Mr. Kanjilal Adani is an oil exploration & production contractor and is registered under GST in the State of Gujarat. He entered into a Production Sharing Contract (PSC) with Government of Gujarat wherein he gets a license to explore, exploit and sell the petroleum crude and/or natural gas from the Government in Aliabet Oilfield in lieu of royalty and a share in profit petroleum.

In the month of June, Mr. Kanjilal Adani explored the petroleum reserves at Aliabet Oilfield. He got a portion of the petroleum silt (non-taxable under GST) worth ₹ 3,00,000 as part of compensation. This petroleum silt is part of cost petroleum as per the contract entered with the Government.

Examine the taxability of the petroleum silt received by Mr. Kanjilal Adani under the GST law.

Solution :

1. Compensation is received by Mr. Kanjilal Adani in the form of petroleum silt which, as per the contract with the Government of Gujarat, is part of **cost petroleum**.
2. As per CBIC Clarifications the **cost petroleum is not a consideration** received by the oil exploration & production contractors for the services provided to Government under a Production Sharing Contract (PSC) **and thus not taxable**.
3. The reason for the same is that the contractors carry exploration and production of petroleum for themselves and not as a service to Government.
4. They had acquired the right to explore, exploit and sell petroleum in lieu of royalty and a share in profit petroleum. Consequently, the cost petroleum received by Mr. Kanjilal Adani is not taxable under GST.

Securities lending Scheme

Question 16: Securities excluded from supply

SM

Rob Shareholding Ltd., an approved intermediary, has entered into an agreement wherein certain securities were to be lent to Dhandhan Bank, under Securities Lending Scheme, 1997. Dhandhan Bank shall pay specified lending fee against such lending of securities to it. Explain the taxability of transactions involved in the Securities Lending Scheme, 1997.

Solution :

1. Securities Lending Scheme, 1997 (hereafter referred to as SLS) facilitates the lending and borrowing of securities.
2. Securities are neither covered in the definition of goods nor covered in the definition of services.
3. Therefore, a **transaction in securities** which involves disposal of securities is not a supply in GST and hence **not taxable**.
4. However, SLS doesn't treat lending of securities as disposal of securities and therefore is not excluded from the definition of services.
5. The **lending fee** charged from the borrowers of securities has the character of consideration and is **taxable under GST**. Apart from above, the activities of the intermediaries facilitating lending and borrowing of 'securities for commission or fee are also taxable separately.

Future Contracts

Question 17: GST applicability on cash-settled futures contracts

MTP NOV 21/SM

Vikramaditya is a salaried employee and is planning to invest in stocks. He has opened a trading account with Vaydaa Brokers.

During the month, Vikramaditya undertook future contracts (without a physical delivery option, but are cash settled on the expiry of the contract date), amounting to ₹ 35,00,000. Vikramaditya needs your advice whether such future contracts undertaken by him amount to supply and are liable to GST.

Solution :

1. For a transaction to fall within the purview of supply, it must be a supply of either goods or services or both.
2. The definitions of the terms "goods" and "services" specifically exclude "securities" from their purview.
3. Further, '**derivatives**' are **included** in the definition of '**securities**'. As 'derivatives' fall in the definition of securities, they are **neither goods nor services** and hence, are **not liable to GST**.
4. Future contracts are in the nature of financial derivatives, the price of which is dependent on the value of underlying stocks or index of stocks or certain approved currencies and the settlement happens normally ' by way of **net settlement with no actual delivery**.

5. Since future contracts are in the nature of derivatives, these qualify as 'securities' and thus, are **not subject to GST**.
6. In view of the above discussion, it can be inferred that since the future contracts undertaken by Vikramaditya are in the nature of derivatives, these qualify as 'securities' and do not qualify as supply and thus, are not subject to GST.

Tenancy Premium

Question 18: Transfer of Tenancy Rights Vs Residential Renting

SM

Mr. Happy has a huge residential property located at a prime location in Mumbai, Maharashtra. He has let out the 1st and 2nd floor to Mr. Peace for residential purposes in April. Mr. Peace surrenders his tenancy rights to Mr. Serene for a tenancy premium of ₹ 10,00,000 on 1st June. Mr. Serene has also paid the applicable stamp duty and registration charges on transfer of tenancy rights. Moreover, Mr. Serene has agreed to pay a monthly rent of ₹ 1,00,000 to Mr. Happy (unregistered under GST) from June.

Determine the taxability of the transaction(s) involved in the given case, for the month of June.

Solution :

1. As per CBIC Clarification the activity of **transfer of tenancy right** against consideration [i.e. tenancy premium] is squarely **covered under supply of service liable to GST**. It is a form of lease or renting of property and such activity is specifically declared to be a service in Schedule II i.e. any lease, tenancy, easement, licence to occupy land is a supply of services.
2. Although stamp duty and registration charges have been levied on such transfer of tenancy rights, it shall be still subject to GST. Merely because a transaction/supply involves execution of documents which may require registration and payment of registration fee and stamp duty, would not preclude them from the 'scope of supply' and from payment of GST.
3. The transfer of tenancy rights cannot be treated as sale of land/ building in Schedule III. Thus, it is not a non-supply under GST and consequently, a consideration for the said activity shall attract levy of GST. Services provided by outgoing tenant by way of surrendering the tenancy rights against consideration in the form of a portion of tenancy premium is liable to GST.
4. Hence, in the given case, the tenancy premium of ₹ 10,00,000 received by Mr. Peace for surrendering his tenancy rights to Mr. Serene is liable to GST.
5. The circular further clarifies that since **renting of residential dwelling for use as a residence to an unregistered person is exempt** [Entry 12 of Notification No. 12/2017 CT (R) dated 28.06.2017], grant of tenancy rights in a residential dwelling for use as residence dwelling against tenancy premium or periodic rent or both to an unregistered person is exempt. Consequently, monthly rent ₹ 1,00,000 received by Mr. Happy from Mr. Serene is exempt.

Donation

Question 19: Voluntary donations vs consideration for business promotion/advertisement

SM

Rudraksh Kapoor, owner of Rudraksh Publishing House, Ghaziabad, U.P., donated some money to Divyaprakash Charitable Trust in the memory of his late father. The Divyaprakash Charitable Trust constructed a room in the school run by it from such donation and wrote "Donated by Rudraksh Kapoor in the memory of his father" on the door of the room so constructed. Examine whether the money donated by Rudraksh Kapoor is leviable to GST.

In the above question, if Divyaprakash Charitable Trust had written on the door of the room constructed from the money donated by Rudraksh Kapoor in the school run by it - "Donated by Rudraksh Publishing House, Ghaziabad, U.P.", would the given transaction/activity qualify as supply?

Solution :

1. As per CBIC Clarifications, in case of **donations** received by a charitable institution, when the name of the donor is displayed in recipient institution's premises, in such a manner, which can be said to be an **expression of gratitude** and public recognition of donor's **act of philanthropy** and is not aimed

at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is **no supply of service** for a consideration (in the form of donation).

2. **Donations** received by the charitable organisations are **treated as consideration** only if there exists, **quid pro quo**, i.e., there is an obligation on part of recipient of the donation or gift to do anything (supply a service). Thus, GST is not leviable where all the following three conditions are satisfied namely:
 - Gift or donation is made to a charitable organization
 - Payment has the character of gift or donation
 - Purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement.
3. In the backdrop of the above discussion, in the given case, the way the name of Rudraksh Kapoor is displayed on the door of the room constructed in the school run by Divyaprakash Charitable Trust, it is only an expression of gratitude and public recognition of Rudraksh's act of philanthropy and is not aimed at advertising or promoting his business.
4. There is no reference/mention of his publishing house which otherwise would have got advertised. Thus, the money donated by Rudraksh Kapoor is not a leviable to GST.

Second Case

1. In the given case, since the name of Rudraksh Publishing House has been displayed on the door of the room constructed in the school run by Divyaprakash Charitable Trust, it might be aimed at advertising or promoting his business. There is a direct mention of his publishing house which is being advertised.
2. In such a case, it is a supply of service by Divyaprakash Charitable Trust for a consideration received in the form of donation.

Cinema house and Restaurant Services

Question 20: Taxability of Food & Beverage Supply at Cinema Hall

Class work

Miss Sheetal is planning to run an eating stall at a cinema hall on contract basis where the cinema hall is owned by some other person. She would be supplying food and beverages independent of cinema exhibition service as tickets would not be sold by her. She wants to get an advice on the taxability of supply of food and beverages at the cinema hall.

Solution :

Legal Provision:-

A cinema operator can either:

- a. Operate refreshment stalls/kiosks/counters/restaurants themselves, or
- b. Give them on contract to a third party.

As per CBIC clarification, the supply of food and beverages in a cinema hall is considered a "restaurant service" if

- a. The food and beverages are supplied as part of a service, and
- b. They are provided independently of the cinema exhibition service.

If cinema tickets and food/beverages are sold together as a bundled supply and qualify as a composite supply, the entire transaction will be taxed at the GST rate applicable to the exhibition of cinema (principal supply).

Discussion & Conclusion:

1. In this case, Miss Sheetal plans to run an eating stall at the cinema hall on a third-party contract basis.
2. The food and beverages supplied by her would be separate from the cinema exhibition service.
3. Since the cinema operator will sell the tickets and Miss Sheetal will independently sell food and beverages, the two are not naturally bundled.
4. Therefore, the supply of food and beverages by Miss Sheetal in the cinema hall will be taxed as "restaurant service" under GST.

Combined Questions

Question 21: Mixed Question

PQ

Power Engineering Pvt. Ltd., a registered supplier, is engaged in providing expert maintenance and repair services for large power plants that are in the nature of immovable property, situated all over India.

The company has its Head Office at Bangalore, Karnataka and branch offices in other States. The work is done in the following manner.

The company has self-contained mobile workshops, which are container trucks fitted out for carrying out the repairs. The trucks are equipped with items like repair equipments, consumables, tools, parts etc. to handle a wide variety of repair work.

The truck is sent to the client location for carrying out the repair work. Depending upon the repairs to be done, the equipment, consumables, tools, parts etc. are used from the stock of such items carried in the truck.

In some cases, a stand-alone machine is also sent to the client's premises in such truck for carrying out the repair work.

The customer is billed after the completion of the repair work depending upon the nature of the work and the actual quantity of consumables, parts etc. used in the repair work.

Sometimes the truck is sent to the company's own location in other State(s) from where it is further sent to client locations for repairs.

Work out the GST liability [CGST & SGST or IGST, as the case may be] of Power Engineering Pvt. Ltd., Bangalore on the basis of facts as described, read with following data for the month of November 20XX.

S.N.	Particulars	Amount(t)
1	Truck sent to own location in Tamil Nadu a. Value of items contained in the truck - ₹ 3,00,000 b. Value of truck - ₹ 25,00,000	
2	Truck sent to a client location in Tamil Nadu for carrying out repairs. Stand-alone machine is also sent in the truck to client location for repairs a. Value of items contained in the truck - ₹ 2,85,000 b. Value of stand-alone machine - ₹ 4,00,000 c. Value of truck - ₹ 20,00,000 (Billing for repairs to be done afterwards depending upon the actual items used)	
3	Truck sent to a client location in Karnataka for carrying out repairs a. Value of items contained in the truck - ₹ 1,06,000 b. Value of truck - ₹ 20,00,000 (Billing for repairs to be done afterwards depending upon the actual items used)	
4	Invoices raised for repair work carried out in Tamil Nadu [including the invoice for repair work done in 'B'] -	70,00,000
5	Invoices raised for repair work carried out in Karnataka [including the invoice for repair work done in 'C']	12,00,000

Also, specify the document(s), if any, which need to be issued by Power Engineering Pvt. Ltd., Bangalore for the above transactions.

All the given amounts are exclusive of GST, wherever applicable. Assume the rates of taxes to be as under:

Items used for repairs		
CGST- 2.5%	SGST- 2.5%	IGST- 5%
Container truck, Stand-alone machines		
CGST- 2.5%	SGST- 2.5%	IGST- 5%
Works contract for repairs and maintenance of immovable property		
CGST-9%	SGST- 9%	IGST-18%

Solution :

Computation of GST Liability of Power Engineering Pvt. Ltd., Bangalore for the month of November 20XX

S.N.	Particulars	Amount ₹
1	Items sent in container truck to own location in Tamil Nadu - IGST@ 5% [Note 1]	15,000
	Container truck sent to own location in Tamil Nadu [Note 2]	-
2	Stand-alone machine sent in container truck to client location in Tamil Nadu, for carrying out repairs [Note 3]	-
	Container truck sent to client location in Tamil Nadu [Note 3]	-
	Items sent in container truck to client location in Tamil Nadu, for carrying out repairs [Note 4]	-
3	Container truck sent to client location in Karnataka [Note 3]	-
	Items sent in container truck to client location in Karnataka, for carrying out repairs [Note 4]	-
4	Invoices raised for repair work carried out in Tamil Nadu: IGST@ 18% [Note 5 and Note 6]	12,60,000
5	Invoices raised for repair work carried out in Karnataka: CGST 9% + SGST 9% [Note 5 and Note 7]	2,16,000
Total GST liability		14,91,000

Notes:

(1) **Movement** of goods **without any consideration to a 'distinct person'** as specified in section 25(4) of the CGST Act, 2017 is **deemed to be a supply** in terms of section 7 read with Schedule I of the said Act. The **purchase value** is taken as taxable value, being the **open market value** in terms of **rule 28(a)** of the CGST Rules 2017. (However, if the regional office is eligible to take full input tax credit, any value may be declared in the tax invoice and that will be taken to be the open market value in terms of the second proviso to the same rule.)

In the given case:

- the location of the supplier is in Bangalore (Karnataka); and
- the place of supply of items contained in the truck is the location of such goods at the time at which the movement of goods terminates for delivery to the recipient i.e., Tamil Nadu in terms of section 10(1)(a) of the IGST Act, 2017. Hence it is inter-state supply liable to IGST

Since the activity is a supply, a tax invoice is to be issued by Power Engineering Pvt. Ltd. in terms of section 31(l)(a) of the CGST Act, 2017 for sending the items to its own location in Tamil Nadu.

(2) Schedule I to the CGST Act, 2017 specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25 of the CGST Act, 2017, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

However, in view of the GST Council's recommendation, it has been clarified that the **inter-State movement** of various modes of **conveyance between 'distinct persons'** as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, **may be treated 'neither as a supply of goods nor supply of service'** and therefore,

will **not be leviable to IGST**. Applicable CGST /SGST /IGST, however, shall be **leviable on repairs and maintenance done** for such conveyance [Circular No. 1/1/2017 IGST].

Since the activity is not a supply, tax invoice is not required to be issued by Power Engineering Pvt. Ltd. However, a delivery challan is to be issued by the company in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the truck to its own location in Tamil Nadu.

(3) Supply of goods without consideration is deemed to be a supply inter alia when the goods are supplied to a 'distinct person'. However, in this case, stand-alone machine and container truck are moved to client location and not between 'distinct persons'.

Hence, the same will fall outside the scope of definition of supply and will not be leviable to GST.

Here again, a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the stand-alone machines and container truck to client location.

(4)

In this case, the supplier provides maintenance and repair services for power plants that are in the nature of immovable property and uses consumables and parts, wherever necessary, for the repairs. Hence, the contract is that of a works contract. The composite supply of works contract is treated as supply of service in terms of para 6(a) of Schedule II to the CGST Act, 2017.

The items used in relation to the repair and maintenance work could be consumables or could be identifiable items/parts. In either case, the transfer of property in goods is incidental to a composite supply of works contract service. Thus, the value of the items actually used in the repairs will be included in the invoice raised for the service and will be charged to tax at that point of time.

Here again, a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the items for carrying out the repairs.

(5) The activity is a composite supply of works contract, which is treated as supply of service. As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.

Since the activity is a supply of service, a tax invoice is to be issued by Power Engineering Pvt. Ltd. in terms of section 31(2) of the CGST Act, 2017.

(6) In the given case-

- the location of the supplier is in Bangalore (Karnataka); and
- the place of supply of works contract services relating to the power plant (immovable property) is the location at which the immovable property is located i.e., Tamilnadu.

Therefore, the given supply is an inter-State supply as the location of the supplier and the place of supply of services is in two different States [Section 7(3)(a) of IGST Act, 2017]. Thus, the supply will be leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

(7)

In the given case, the location of the supplier and the place of supply of works contract services are within the same State. Therefore, the given supply is an intra-State supply in terms of section 8(2) of IGST Act, 2017 and thus, chargeable to CGST and SGST.