



CA FINAL (May 2025)

GROUP II - PAPER 5

INDIRECT TAX LAWS AND CUSTOMS (Series 2)

Time Allowed: - 3 Hours

Maximum Marks: 100 Marks

ANSWER TO DIV - A CASE SCENARIO BASED MCQ

Q.No.	Answer	Description
1	A	₹ 196 lakh The value of outward supplies taxable under GST includes: Intra-State sales to registered persons: ₹ 168 lakh Intra-State sales to unregistered persons: ₹ 28 lakh
2	D	Mr. RG is entitled to take the ITC of inputs held in stock on 28th April, 2024. Under section 18(1)(a) of the CGST Act, when a person voluntarily applies for GST registration, ITC can be claimed for inputs held in stock on day preceding date of grant of registration, i.e., 28th April, 2024.
3	D	5.40 lakhs Lease rent of the stationery store paid to Jaipur Municipal Corporation (JMC) - 2.40L Transportation charges paid to M/s Gati Transporters, a GTA- 3L
4	C	Shop rent to JMC: Taxable under RCM. Legal fees to advocate: Not Taxable under RCM (as PFY T/O less than threshold). Purchases from unregistered persons: Not taxable under RCM. Transportation charges to GTA: Taxable under RCM. Thus, the inward supply not subject to RCM is (iii) Purchase from unregistered persons and (ii) Legal fees to advocate
5	D	No input tax credit is available as POS is in Maharashtra and he is regd. in Jaipur
6	B	No, M/s S Enterprises is not required to take registration under GST as its aggregate turnover is below the threshold limit for registration. However, it is required to obtain a unique enrolment number under GST.
7	D	M/s RJ Enterprises is eligible for obtaining the CEN as it is registered in multiple States with same PAN. After obtaining CEN, it can use it for generating e-way bills and updating Part-B throughout the country.
8	C	Yes, e-way bill is required to be generated mandatorily in case of inter-State transfer of goods by principal to job worker irrespective of value of consignment.

9	B	Yes, M/s RJ Enterprises can generate a consolidated e-way bill containing the details of different EWBs even if all the EWBs have different validity periods and even if it is transporting consignments of different consignees in a single conveyance
10	A	No GST is applicable on the transaction since training was imparted in San Francisco, i.e. place outside India.
11	B	Point 1 & 2: Eligible as the aggregate turnover limit for Delhi is upto ₹1.5 crore. Point 5: A person exclusively providing restaurant services can opt for the composition scheme. Point 6: A person engaged in the supply of medicines is also eligible under the composition scheme. Point 3 & 4: Not eligible since manufacturers of pan masala, tobacco, and ice cream are specifically excluded under Section 10(2) of the CGST Act.
12	A	Mr. Giridhari should apply for a new registration under GST and file Form GST ITC-02 Reason: GST registration is PAN-based and non-transferable upon the death of the proprietor. Mr. Giridhari must apply for a new GST registration in his own name. Form GST ITC-02 is used to transfer the unutilized ITC balance from the deceased proprietor's account to the new registration.
13	D	Inspection under GST law can be ordered under Section 67(1) in cases of: (i) Suppression of any transaction of supply of goods or services. (ii) Suppression of stock of goods in hand to evade tax. (iii) Contravention of GST provisions with the intent to evade tax. All three actions listed justify the initiation of inspection under GST.
14	A	Disposal of car without consideration does not qualify as supply if ITC was not availed on the car as per Schedule I
15	C	Statement (i): True. Section 107(1) of the CGST Act allows appeals within 3 months from the date of communication of the decision/order. Statement (ii): False. Only 10% of the remaining disputed tax amount (not 25%) must be paid as a pre-deposit for filing an appeal. Statement (iii): True. Adjournments during the appeal process are restricted to a maximum of three times under GST rules. Statement (iv): False. The Appellate Authority does not have the power to refer back the case; it must pass its own decision.

(15×2=30 Marks)

ANSWERS OF DIV - B DESCRIPTIVE QUESTIONS

Question 1

Computation of gross GST liability on outward supply of RG Private Limited for the month of August

Particulars	Value (₹)	GST (₹)
Supply of Product A [Liable to GST @ 12%]	1,00,00,000	12,00,000
Supply of Product C [Exempt from GST]	2,00,00,000	Nil
Supply of management consultancy services [Liable to GST @18%]	1,00,00,000	18,00,000
Renting of commercial complex to local traders of electronic goods [Services by way of renting of residential dwelling for use as residence to an unregistered person are exempt from GST. Thus, renting of commercial complex is taxable and GST is payable on the same @ 18%.]	1,00,00,000	18,00,000
Export of Product B [Export of goods is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero-rated supply can be made without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]	2,00,00,000	Nil
Export of consultancy services [As per section 2(6) of the IGST Act, 2017, an activity is treated as export of service if, inter alia, payment for the service is received in convertible foreign exchange or in Indian rupees wherever permitted by the RBI. Since in case of exports to Nepal, RBI regulations allow receipt of payment in Indian rupees, exports of service to Nepal are treated as 'normal export'. Export of services is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero-rated supply can be made without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]	40,00,000	Nil
Sale of building [Sale of building is neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, 2017, provided the entire consideration has been received after issue of completion certificate by	5,00,00,000	Nil

the competent authority or after its occupation, whichever is earlier. Hence, the same is not liable to GST.]		
Interest received on investment in fixed deposits with Mimic bank [Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest are exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017]	21,00,000	Nil
Sale of shares [Shares are neither goods nor services in terms of section 2(52) and 2(102) of the CGST Act, 2017. Hence, sale of shares is neither a supply of goods nor a supply of services and hence, is not liable to GST.]	5,00,00,000	Nil
Supply of cigarettes [Liable to GST @ 28%] [Excise duty is included in value since as per section 15(2)(a) of the CGST Act, 2017, value of supply includes all taxes, duties, cesses other than GST.]	2,00,00,000	56,00,000
Supply of petrol and diesel [Supply of petrol and diesel is not leviable to GST as per section 9 of the CGST Act, 2017.]	1,60,00,000	Nil
Amount received from Shakti Private Limited for sponsorship of the business exhibition [Tax on services provided by any person by way of sponsorship to any body corporate located in taxable territory is payable by the recipient (Shakti Private Limited) under reverse charge. Thus, tax on such services is not payable by RG Private Limited.]	12,00,000	Nil
Total GST liability on outward supply		1,04,00,000

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

Particulars	(₹)
Gross GST liability on outward supply [as computed in Answer 9 above]	1,04,00,000
Less: Input tax credit (ITC) [Refer Working Note 2]	5,48,834
[Since the value of taxable supply other than exempt supply and zero-rated supply of RG Private Limited in August exceeds 50 lakh, amount	

available in electronic credit ledger which it can use to discharge its output tax liability of said month cannot exceed 99% of such tax liability in terms of rule 86B of the CGST Rules, 2017.]	
GST payable from Electronic Cash Ledger [A]	98,51,166
Add: GST payable on inward supplies under reverse charge	
Legal services [₹7,00,000 × 18%] [Tax on legal services provided by advocate to business entity, is payable under reverse charge by business entity in terms of Notification No. 13/2017 CT (R) dated 28.06.2017]	1,26,000
Services received from GTA [8,00,000 × 5%] [Tax on services provided by a GTA (who has not opted to pay tax under forward charge) to a body corporate, is payable under reverse charge by the body corporate]	40,000
Tax payable under reverse charge [B]	1,66,000
Total GST paid from Electronic Cash Ledger [A] + [B] [As per section 49(4) amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82). Therefore, input tax credit cannot be used to pay tax payable under reverse charge and thus, tax payable under reverse charge will have to be paid in cash.]	1,00,17,166

Working Note - 1**Computation of common credit attributable to exempt supplies during August**

Particulars	Amount (₹)	ITC (₹)
Repair of machinery by George Inc. of USA [In case where either supplier or recipient is located outside India, the place of supply of services supplied in respect of goods required to be made physically available by recipient to supplier is the location where the services are actually performed in terms of section 13(3)(a) of the IGST Act, 2017. Hence, place of supply of repair services received in the given case is outside India. Since the location of supplier and place of supply are outside India, said repair services are not liable to GST.]	10,40,000	Nil
Life insurance premium paid by company for life insurance of employees [ITC on life insurance service is available]	97,00,000	Nil

only when it is obligatory for an employer to provide said services to its employees under any law for time being in force. Since it is not obligatory for employer in instant case and thus, ITC thereon is blocked in terms of second proviso to section 17(5)(b).]		
Audit fees [13,00,000 × 18%] [Credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017]	13,00,000	2,34,000
Raw material [17,00,000) × 12% +59,940] [Credit of tax paid on inputs used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017. Further, IGST charged on raw material imported from China is also available because input tax, inter alia, includes IGST charged on import of goods (Section 2(62) of the CGST Act).]	20,00,000	2,63,940
Transportation charges for transporting the goods [8,00,000 × 5%] [Services by way of transportation of goods by road are exempt from GST except the services of a GTA. Hence, GST is not payable on transportation charges paid for horse pulled carts.]	8,00,000	40,000
Telephone expenses [8,50,000 × 18%] [Credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017.]	8,50,000	1,53,000
Bank charges paid towards company's current account maintained with bank [4,00,000 × 18%] [Credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017.]	4,00,000	72,000
Common credit on inputs and input services Common credit attributable to exempt supplies (rounded off) = Common credit on inputs and input services × (Exempt turnover during the period/Total turnover in State during the period)		7,62,940 3,40,106

7,62,940 × 59,20,00,000/ 132,80,00,000 Exempt turnover 59,20,00,000 and total turnover in State = 132,80,00,000 [Refer note below]		
Legal services received from advocate [7,00,000 × 18%] [Legal services are not eligible for exemption as the turnover of the business entity (RG Private Limited) in the preceding financial year exceeds 20 lakh. Further, credit of tax paid on input services used in the course or furtherance of business is available in terms of section 16(1) of the CGST Act, 2017. Full credit is available as these services are exclusively used for effecting taxable supply.]	7,00,000	1,26,000

Note:

As per section 17(3) of the CGST Act, 2017, value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land, subject to clause (b) of paragraph 5 of Schedule II, sale of building and activities specified in clause (a) of paragraph 8 of Schedule III. As per explanation to Chapter V (Input Tax Credit) of the CGST Rules, 2017, the value of exempt supply in respect of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security.

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

Therefore, value of exempt supply in the given case will be the sum of value of output supply on which tax is payable under reverse charge (₹12,00,000), value of sale of building (₹5,00,000/2 × 100 = ₹ 250,00,000), value of sale of shares (1% of ₹ 5,00,00,000 = ₹5,00,000), supply of Product C (₹2,00,00,000) and supply of petrol and diesel (₹160,00,000-₹10,00,000-₹ 25,00,000 = ₹1,25,00,000), which comes out to be **₹5,92,00,000**.

Total turnover in State= ₹13,28,00,000 [₹100,00,000+ ₹2,00,00,000+ ₹100,00,000+ ₹100,00,000+ ₹2,00,00,000 +₹40,00,000+ (₹5,00,000/2×100= ₹250,00,000)+₹21,00,000+ (1% of ₹ 5,00,00,000 = ₹5,00,000) + (₹2,00,00,000- ₹25,00,000=₹175,00,000) + (₹160,00,000 -₹10,00,000-₹25,00,000=₹1,25,00,000) + 12,00,000]

Working Note 2**Computation of ITC available in the Electronic Credit Ledger of RG Private Limited for the month of August**

Particulars	(₹)
Common credit on inputs and input services [Refer W.N. 1]	7,62,940
Legal services used in the manufacture of taxable Product 'B' [Refer W.N. 1]	1,26,000
ITC available in the Electronic Credit Ledger	8,88,940
Less: Common credit attributable to exempt supplies during August [Refer W.N. 1]	3,40,106
Net ITC available	5,48,834

(14 Marks)

Question 2A

- Services provided to a Governmental Authority by way of slum improvement and upgradation is specifically exempt from GST vide exemption notification under GST law.
- Services provided by an educational institution to its students, faculty and staff are exempt from GST vide exemption notification. Educational Institution has been defined to mean, inter alia, an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.
Since Anarsidas College provides education as part of a curriculum for obtaining a qualification recognised by Indian law, the services provided by it to its staff by way of conducting personality development course would be exempt from GST, it being an educational institution.
- Since RPSD College provides education as a part of a curriculum for obtaining a qualification recognised by Indian law, the transport services provided by RPSD College to its students are exempt from GST.
- Services provided to an educational institution, by way of, inter alia, house-keeping services performed are exempt from GST vide exemption notification provided such services are performed in such educational institution. However, such exemption is available only when the said services are provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

In view of the above discussion, house-keeping services provided to BM Play School are exempt from GST since housekeeping services have been performed in such play school itself.

5. Services provided to an educational institution by way of supply of online educational journals or periodicals is exempt from GST vide exemption notification. However, such exemption is not available to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent. Therefore, supply of online journal to students of UKG class of SM School is not exempt from GST.

(5 Marks)

Question 2B

Particulars	Amount (US \$)
Assessable value	2,00,000
	Amount (Rs.)
Value in Indian currency (US \$ 2,00,000 x ₹ 32.60) [Note 1]	65,20,000
Customs duty @ 20% [Note 2]	13,04,000
Add: Social welfare surcharge @ 10% on ₹ 13,04,000	<u>1,30,400</u>
Total customs duty payable	<u>14,34,400</u>

Notes:

- As per third proviso to section 14(1) of the Customs Act, 1962, assessable value has to be calculated with reference to the rate of exchange prevalent on the date on which the into bond bill of entry is presented for warehousing under section 46 of the Customs Act, 1962.
- Goods which are not removed within the permissible period are deemed to be improperly removed in terms of section 72 of the Customs Act, 1962 on the day they should have been removed [Kesoram Rayon v. CC 1996 (86) ELT 464 (SC)]. The applicable rate of duty in such a case is the rate of duty prevalent on the last date on which the goods should have been removed.
- As per section 61 of the Customs Act, 1962, if goods remain in a warehouse beyond a period of 90 days from the date on which the order permitting deposit of goods in warehouse under section 60 is made, interest is payable @ 15% p.a., on the amount of

duty payable at the time of clearance of the goods, for the period from the expiry of the said 90 days till the date of payment of duty on the warehoused goods.

Therefore, interest payable will be computed as under:

Period of 90 days commencing from the date of order made under 60 expires on	19 th October
No. of days for which interest shall be payable [12 days of Oct. + 30 days of Nov. + 14 days of December]	56 days
Int. payable=₹ 1434400×15/100×56/365 (rounded off)	33,011

(5 Marks)

Question 2C

The composition scheme under sub-sections (1) and (2) of section 10 is available in case of goods and restaurant service. Further, marginal services upto specified limit can be provided along with the supply of goods or restaurant service, as the case may be. Since, in the given case, Murari and Shridha is supplying services other than restaurant services, it is not eligible to pay tax under sub-sections (1) and (2) of section 10. However, section 10(2A) provides an option to a registered person, who is not eligible to pay tax under sub-sections (1) and (2) of section 10, of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto 50 lakh. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of 50 lakh, subject to specified conditions.

In the given case, Murari and Shridha has started the supply of services in the current financial year. Therefore, its aggregate turnover in the preceding financial year is Nil. Consequently, it is eligible to avail the benefit of composition scheme under section 10(2A) of the CGST Act in the current financial year. It becomes eligible for the registration when its aggregate turnover exceeds 20 lakh. While registering under GST, it has to opt for composition scheme under section 10(2A).

Tax payable by the firm is as follows:

(i) **July-Sep quarter:** Tax payable by the firm in its first quarter is nil since the firm's turnover [* 10 lakh] has not yet exceeded the threshold limit of ₹20 lakh (viz. the threshold limit applicable for registration in the State of Rajasthan).

(ii) **Oct-Dec quarter:** While computing the tax payable by the firm in its second quarter, the turnover from 1st July to the date from which he becomes liable for registration under the Act is to be excluded. Tax payable will be computed as under-

Total Turnover	₹ 30,00,000/-
Less: Threshold limit for registration	₹20,00,000/-
Taxable Turnover	₹ 10,00,000/-
Tax @ 6%	₹60,000/-*
*CGST = ₹30,000 and SGST = ₹ 30,000	

(4 Marks)

Question 3A**(i) Determination of rate and amount of GST**

Particulars	Rate of GST	GST [CGST+SGST] (₹)
Composite supply of renting of guest house with other facilities [Renting of guest house being principal supply.]	18% (Rate of principal supply)	75,600 [37,800 + 37,800] [₹1,500 x 20 suites x 50% x 28 days x 18%]
Separate supply of catering and food services	5%	3,500 [1,750+ 1,750] [₹70,000 x 5%]

- (ii) Rate of GST applicable in the given case is 18%, i.e., the rate of GST applicable on air-conditioner maintenance service. Since the given supply is a continuous supply of service where in terms of contract, due date is not ascertainable, the time of supply of said services does not fall in February 20XX and thus, no GST is payable for said month.

(5 Marks)

Question 3B

The value of the imported goods is determined under rule 8 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (hereinafter referred to as Import Valuation Rules) if the same cannot be determined under the earlier rules. However, the order of application of rules 7 and 8 can be reversed at the request of the importer and with the approval of the proper officer.

Thus, request of Mr. T for determination of value under rule 8 is legally acceptable, if the same is also approved by the proper officer.

Assuming that the request of Mr. T has been approved by the proper officer, the assessable value of the imported goods under rule 8 will be the sum of-

- the cost of materials and fabrication or other processing;
- an amount for profit and general expenses
- the cost or value of all other expenses under rule 10(2) of the said rules.

Computation of assessable value

Cost of materials	1,000
Add: Fabrication charges	500
Other chargeable expenses	200
Other indirect costs	<u>125</u>
Cost of the goods at Mr. R's factory	1,825
Add: Net profit margin @ 20% of FOB, i.e. 25% of total cost Total cost till US port = Cost of the goods at factory +Freight from factory to US port and loading charges at US port = \$ 2,000 [\$ 1825+ \$ 125+ \$ 50] FOB value = Total cost till port + profit = \$ 2,500 (\$ 2,000 +\$ 500)	500
Add: Freight & loading/unloading charges [In case of import by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation are restricted to 20% of FOB value]	500
Insurance charges	30
Assessable value	2,850
Assessable value in Indian Rupees (Exchange rate - ` 70 per \$)	1,99,500

(5 Marks)

Question 3C

As per section 73, where self-assessed tax is not paid within 30 days from due date of payment of such tax, penalty equivalent to 10% of tax or ₹ 10,000, whichever is

higher, is payable. Thus, option to pay tax within 30 days of issuance of SCN to avoid penalty, is not available in case of self- assessed tax.

Since in the given case, Fraud & Co. has not paid the self-assessed tax within 30 days of due date [i.e. 20th May], penalty equivalent to:

10% of tax, viz., ₹ 45,000 (10% of ₹ 450,000) or
₹ 10,000,

whichever is higher, is payable by him under CGST Act. Equivalent amount of penalty is payable under SGST/UTGST Act.

Hence, the stand taken by the Department that penalty will be levied on Fraud & Co. is correct, but the amount of penalty of ₹ 225,000 under CGST Act is not correct.

(4 Marks)

Question 4A

As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:- (i) (ii) (iii) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland. ₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand. ₹ 40 lakh for rest of India. The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:- (i) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland. (ii) ₹ 20 lakh for the rest of India.

As per section 2(6), aggregate turnover includes the aggregate value of: (i) (ii) (iii) (iv) all taxable supplies, all exempt supplies, exports of goods and/or services and all inter-State supplies of persons having the same PAN. The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

In the given question, since Madhvi Enterprises is engaged in making taxable supplies of goods and services from Rajasthan and non-taxable supplies from Uttarakhand, the threshold limit for obtaining registration is ₹ 20 lakh.

In the light of the afore-mentioned provisions, the aggregate turnover of Madhvi Enterprises is computed as under:

Particulars	Turnover of February (₹)	Cumulative turnover of
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		February & March (`)
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Rajasthan	5,50,000	12,00,000 [₹ 5,50,000 + ₹ 6,50,000]
Add: Sale of alcoholic liquor for human consumption in Uttarakhand [As per section 2(47), exempt supply includes non-taxable supply. Thus, supply of alcoholic liquor for human consumption in Uttarakhand, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.]		5,00,000
Add: Supply of packed food items from restaurant in Rajasthan	1,50,000	3,50,000 [₹ 1,50,000 + ₹ 2,00,000]
Aggregate Turnover	7,00,000	20,50,000

Madhvi Enterprises was not liable to be registered in the month of June since its aggregate turnover did not exceed ₹ 20 lakh in that month. However, since its aggregate turnover exceeds ₹ 20 lakh in the month of July, it should apply for registration within 30 days from the date on which it becomes liable to registration. Further, he is not liable to be registered in Uttarakhand since he is not making any taxable supply from Uttarakhand. It should obtain registration in Rajasthan.

(5 Marks)

Question 4B

Maximum refund amount under rule 89(5) of the CGST Rules, 2017 on account of inverted duty structure, is computed as follows-

Maximum Refund Amount=

$$\frac{\text{Turnover of inverted rated supply of goods and services} \times \text{Net ITC}}{\text{Adjusted Total Turnover}} - \frac{\text{Tax payable on such inverted rated supply of goods and services} \times \text{Net ITC}}{\text{ITC availed on inputs and input services}}$$

where Net ITC means ITC availed only on inputs

$$= ₹[(12,00,000 \times 6\%) \times 15,00,000/15,00,000] - [(15,00,000 \times 2.5\%) \times 72,000/ 77,000]$$

(each for CGST and SGST)

$$= ₹72,000 - ₹35,065 = ₹36,935$$

Thus, maximum refund amount is ₹ 36,935 each for CGST and SGST.

Note: Refund of tax paid on input services and capital goods is not a part of refund of accumulated ITC on account of inverted duty structure.

(5 Marks)

Question 4C

- Provisional assessment of duty is permitted in case where the proper officer deems it necessary to subject any imported goods or export goods to any chemical or other test [Section 18 of the Customs Act, 1962]. Thus, Saraswati Company can pay the duty on provisional basis.

Before, the provisional assessment of duty, the importer must furnish such security as the proper officer deems fit for the payment of the deficiency, if any, between the duty finally assessed/re-assessed and the duty provisionally assessed.

- Section 18 of the Customs Act, 1962 further stipulates that the importer is liable to pay interest, on any amount payable consequent to the final assessment order @ 15% p.a. from the first day of the month in which the duty is provisionally assessed till the date of payment thereof.

Accordingly, amount of interest payable will be

$$= [₹7,50,000 \times 15\% \times 51/365] + [₹2,50,000 \times 15\% \times 62/365]$$

$$= ₹15,719 + ₹6,370 = ₹22,089$$

(4 Marks)

Question 5A

Computation of value of machine sold by M/s. Garg India Ltd.

Particulars	₹
Basic price of machine	42,75,000

Add: Secondary packing [Note 1(i)]	45,000
Design and engineering charges [Note 1(ii)]	1,35,000
Tax levied by Municipal Authority [Note 1(iii)]	37,500
Pre-delivery inspection charges paid by M/s. Agarwal Ltd. [Note 1(iv)]	33,000
Interest for delay in payment [18,000 × 100/118] [Note 1(v)] - (rounded off)	15,254
Less: 3% Trade discount on basic price of machinery = 42,75,000 × 3% [Note 2]	-1,28,250
Taxable value of supply	44,12,504

Computation of net GST payable (in cash) by M/s. Garg India Ltd. for month of February, 20XX

Particulars	CGST @ 9% (₹)	SGST@9%(₹)
Tax on value of 29,41,669 (rounded off) [Note 4]	3,97,125	3,97,125
Less: Input tax credit [ITC] of tax paid on electrical transformer used in the manufacturing process [Note 3]	22,500	22,500
Net GST payable	3,74,625	3,74,625

Notes:

- (1) As per section 15(2) of the CGST Act, 2017-
- (i) All incidental expenses, including packing, charged by the supplier to the recipient of a supply are includible in the value of supply.
 - (ii) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply.
 - (iii) Any taxes levied under any law for time being in force other than CGST/SGST/UTGST/IGST, if charged separately by the supplier are includible in the value of supply.
 - (iv) 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 and/or services is includible in the value of supply.

- (v) Interest for the delayed payment of any consideration for any supply is includible in the value of supply. Further, it is assumed that such interest is inclusive of tax and that the same has been received by M/s. Garg India Ltd. in the month of February itself. Therefore, the time of supply of such interest will be in February, 20XX and the same will be considered while paying the tax liability of that month.
 - (vi) Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments are includible in the value of supply. Since in the given case, subsidy is received from State Government, the same has not been included in the value of supply presuming it to be directly linked to the price.
- (2) Trade discount has been shown in the invoice and hence, the same is excluded from the value of supply in terms of section 15(3)(a) of the CGST Act, 2017.
- (3) ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply¹ [Section 17(5)(b)(i)]. Further, since transformers are used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).
- (4) In the given case-
- the location of the supplier is in Jaipur (Rajasthan); and
 - the place of supply of machinery is the location of the machinery at the time at which the movement of the same terminates for delivery to the recipient i.e., Udaipur (Rajasthan) vide section 10(1)(a) of IGST Act, 2017.

Therefore, as per section 8(1) of IGST Act, 2017, given supply is an intra-State supply as the location of supplier and place of supply are in the same State. Thus, supply will be leviable to CGST and SGST.

(5 Marks)

Question 5B

Advance authorisation (AA) can be issued for supplies made to SEZ units (as supplies made to SEZ units are considered as equivalent to physical exports). The minimum value addition required to be achieved under AA is 15%. The FOR value of supplies made to SEZ units is computed as under: Value addition = (FOR value of supply received - CIF value of inputs/CIF value of inputs) × 100 Notional value of free of cost inputs supplied by foreign buyer needs to be added to the CIF value of imported inputs to compute FOR value of the supplies made to SEZ units.

FOR value of supplies made to SEZ units (after adding minimum 15% value addition) = $60,00,000 \times 115\% = ₹69,00,000$

NK Solutions will, however, be not eligible for AA as the payment from SEZ unit is not realised from its Foreign Currency Account.

Supply of goods to against EPCG Authorisation is a deemed export eligible for grant of AA. However in this case, AA can also be issued when the payment for such deemed exports is realised in free foreign exchange.

(5 Marks)

Question 5C

As per section 18(6), if capital goods/plant and machinery on which ITC has been taken are supplied (outward) by a registered person, he must pay an amount that is higher of the following

- ITC taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods or
- tax on transaction value of such outward supply determined under section 15.

Accordingly, the amount payable on supply of machinery by M/s Garg & Garg shall be computed as follows:

Particulars	₹
ITC taken on the machinery (₹619500 × 18/118)	94,500
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine	
For the previous year = (₹94,500 × 5%) × 3 quarters	14,175
For the current year = (₹94,500 × 5%) × 2 quarters	9,450
Amount required to be paid (A)	70,875
Duty leviable on transaction value (₹375,000 × 18%) (B)	67,500
Amount payable towards disposal of machine is higher of (A) and (B)	70,875

Thus, M/s Garg & Garg is required to pay an amount of ₹ 70,875 at the time of sale of machinery.

(4 Marks)

Question 6A

Yes, charges are payable for late filing of bill of entry if an importer fails to present the bill of entry before the end of the day (including holidays) preceding the day on which the aircraft/vessel/vehicle carrying the goods arrives at a customs station at

which such goods are to be cleared for home consumption or warehousing, and the proper officer is satisfied that there was no sufficient cause for such delay [Section 46(3) of the Customs Act, 1962]. However, the Board may, in such cases as it may deem fit, prescribe different time limits for presentation of the bill of entry, which shall not be later than the end of the day of such arrival.

Yes, a bill of entry can be filed in advance. It can be presented within 30 days of the expected arrival of the aircraft/vessel/vehicle by which the goods have been shipped for importation into India vide proviso to section 46(3) of the Customs Act, 1962.

In the given case also, the time period as described above will be available - with reference to the date of arrival of vessel/aircraft for filing the bill of entry.

Authorised economic operators and those importers who are paying Rs. 10,000 or more per bill of entry. They will pay through ICEGATE.

(5 Marks)

Question 6B

Rule 56(11) provides that every agent shall maintain accounts depicting the:

- (a) particulars of authorisation received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- (b) particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
- (c) particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
- (d) details of accounts furnished to every principal; and
- (e) tax paid on receipts or on supply of goods or services effected on behalf of every principal.

(5 Marks)

Question 6C

- (i) As per section 130(2) of the CGST Act, 2017, in case of goods liable for confiscation, the maximum amount of fine leviable in lieu of confiscation is the market value of the goods confiscated, less the tax chargeable thereon.

Therefore, the fine leviable = ₹100,00,000 - ₹18,00,000 = ₹ 82,00,000

Aggregate of such fine and penalty leviable shall not be less than the penalty equal to 100% of the tax payable on such goods.

- (ii) In case of conveyance used for carriage of such goods and liable for confiscation, the maximum amount of fine leviable in lieu of confiscation is equal

to tax payable on the goods being transported thereon [Third proviso to section 130(2) of the CGST Act, 2017].

Therefore, the fine leviable = ₹18,00,000

(4 Marks)