



CA FINAL (May 2025)

GROUP II - PAPER 5

INDIRECT TAX LAWS AND CUSTOMS (Series 3)

Time Allowed: - 3 Hours

Maximum Marks: 100 Marks

ANSWER TO DIV - A CASE SCENARIO BASED MCQ

Q. No.	Answer	Reason																																										
1	(d) CGST = Nil; SGST = Nil & IGST = Nil	<p>As per section 17(5), ITC in respect of motor vehicles for transportation of persons with seating capacity \leq 13 persons (including the driver) is blocked. However, ITC is available when motor vehicles are used for any of the following eligible purposes -</p> <ul style="list-style-type: none"> making further taxable supply of such motor vehicles making taxable supply of transportation of passengers making taxable supply of imparting training on driving such motor vehicles <p>Since GTL is engaged in providing transportation of passenger services, ITC of motor vehicle (omnibus) with seating capacity (including driver) of 4 persons, 8 persons, 11 persons and 13 persons is available. The eligible ITC is as follows:</p> <table border="1"> <thead> <tr> <th>Seating capacity (including driver)</th> <th>No. of vehicles</th> <th>Purchase price (per vehicle) ₹</th> <th>CGST @ 9% ₹</th> <th>SGST @ 9% ₹</th> <th>IGST @ 18% ₹</th> </tr> </thead> <tbody> <tr> <td>4 persons</td> <td>4</td> <td>10,00,000</td> <td>3,60,000</td> <td>3,60,000</td> <td>-</td> </tr> <tr> <td>8 persons</td> <td>3</td> <td>12,00,000</td> <td>3,24,000</td> <td>3,24,000</td> <td>-</td> </tr> <tr> <td>11 persons</td> <td>1</td> <td>15,00,000</td> <td>-</td> <td>-</td> <td>2,70,000</td> </tr> <tr> <td>13 persons</td> <td>2</td> <td>14,00,000</td> <td>2,52,000</td> <td>2,52,000</td> <td>-</td> </tr> <tr> <td colspan="3">Total eligible credit</td> <td>9,36,000</td> <td>9,36,000</td> <td>2,70,000</td> </tr> <tr> <td colspan="3">Blocked credit</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> </tbody> </table>	Seating capacity (including driver)	No. of vehicles	Purchase price (per vehicle) ₹	CGST @ 9% ₹	SGST @ 9% ₹	IGST @ 18% ₹	4 persons	4	10,00,000	3,60,000	3,60,000	-	8 persons	3	12,00,000	3,24,000	3,24,000	-	11 persons	1	15,00,000	-	-	2,70,000	13 persons	2	14,00,000	2,52,000	2,52,000	-	Total eligible credit			9,36,000	9,36,000	2,70,000	Blocked credit			Nil	Nil	Nil
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Blocked credit			Nil	Nil	Nil																																							
2	(b) CGST = Nil; SGST = Nil & IGST = ₹ 58,000	<p>Amount of GST payable through electronic cash ledger by NTL on the services supplied by it through DORAEMON Ltd. in July is as follows:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>CGST (₹)</th> <th>SGST (₹)</th> <th>IGST (₹)</th> </tr> </thead> <tbody> <tr> <td>Output tax</td> <td>9,00,000</td> <td>9,00,000</td> <td>4,00,000</td> </tr> <tr> <td>Eligible ITC (as calculated in solution to MCQ 1 above)</td> <td>(9,00,000)</td> <td>(9,00,000)</td> <td>(2,70,000)</td> </tr> <tr> <td>[ITC of IGST has been utilized pay</td> <td>-</td> <td>-</td> <td>(36,000)</td> </tr> </tbody> </table>	Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Output tax	9,00,000	9,00,000	4,00,000	Eligible ITC (as calculated in solution to MCQ 1 above)	(9,00,000)	(9,00,000)	(2,70,000)	[ITC of IGST has been utilized pay	-	-	(36,000)																										
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		IGST liability and ITC of CGST and SGST have been utilized to pay CGST and SGST liability first and then to pay IGST liability.]	-	-	(36,000)																					
		GST payable in cash	-	-	58,000																					
3	(A) A ₹ 65,000; B ₹ 62,500 and C) ₹ 70,000	<p>As per section 52 read with section 20 of the IGST Act, 2017, the electronic commerce operator (ECO) should collect TCS @ 0.5% (0.25% CGST, 0.25% SGST and 0.5% IGST) on the net value of taxable supplies made through it. However, the said 'net value' excludes services notified under section 9(5) or section 5(5) of the IGST Act, 2017.</p> <p>Since the services of transportation of passengers through omnibus are being supplied through electronic commerce operator by a company (GTL), said services do not qualify as services notified under section 9(5) or section 5(5) of the IGST Act, 2017. Consequently, TCS @ 0.5% (IGST or CGST +SGST) is required to be collected by GTL on said supplies.</p> <p>Thus, the amount of TCS to be collected is as follows:</p> <table border="1"> <thead> <tr> <th>Month</th> <th>July (₹)</th> <th>August(₹)</th> <th>September(₹)</th> </tr> </thead> <tbody> <tr> <td>Value of taxable supplies</td> <td align="right">1,30,00,000</td> <td align="right">1,25,00,000</td> <td align="right">1,40,00,000</td> </tr> <tr> <td>TCS @ 0.5%</td> <td align="right">65,000</td> <td align="right">62,500</td> <td align="right">70,000</td> </tr> </tbody> </table>	Month	July (₹)	August(₹)	September(₹)	Value of taxable supplies	1,30,00,000	1,25,00,000	1,40,00,000	TCS @ 0.5%	65,000	62,500	70,000												
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TCS @ 0.5%	65,000	62,500	70,000																							
4	(a) 1) Jaipur, 2) Ahmedabad & 3) Ahmedabad	<p>As per section 12(9) of the IGST Act 2017, the place of supply of passenger transportation service to:</p> <p>(a) a registered person, shall be the location of such person</p> <p>(b) a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey.</p> <p>In accordance with the aforesaid provisions, place of supply will be as follows:</p> <table border="1"> <thead> <tr> <th>Order No</th> <th>Starting city</th> <th>Ending city</th> <th>Residence</th> <th>Status of customer</th> <th>Place of supply</th> </tr> </thead> <tbody> <tr> <td>BA-222</td> <td>Jaipur</td> <td>Indore</td> <td>Indore</td> <td>Unregistered</td> <td>Jaipur</td> </tr> <tr> <td>PH-534</td> <td>Indore</td> <td>Jaipur</td> <td>Ahmedabad</td> <td>Registered</td> <td>Ahmedabad</td> </tr> <tr> <td>GK-987</td> <td>Ahmedabad</td> <td>Jaipur</td> <td>Delhi</td> <td>Unregistered</td> <td>Ahmedabad</td> </tr> </tbody> </table>	Order No	Starting city	Ending city	Residence	Status of customer	Place of supply	BA-222	Jaipur	Indore	Indore	Unregistered	Jaipur	PH-534	Indore	Jaipur	Ahmedabad	Registered	Ahmedabad	GK-987	Ahmedabad	Jaipur	Delhi	Unregistered	Ahmedabad
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GK-987	Ahmedabad	Jaipur	Delhi	Unregistered	Ahmedabad																					
5	(c) 1) 3rd July, 2) 20th July & 3) 23rd July	<p>As per section 13(2), in case where the tax is liable to be paid under forward charge mechanism, the time of supply of services shall be the earliest of the following dates, namely:-</p> <ul style="list-style-type: none"> the date of issue of invoice by the supplier, if the invoice is issued within 30 days of provision of service or the date of receipt of payment, whichever is earlier; or the date of provision of service, if the invoice is not issued within 30 days of provision of service or the date of receipt of payment, whichever is 																								

		<p>earlier; or</p> <ul style="list-style-type: none"> the date on which the recipient shows the receipt of services in his books of account, in a case where the provisions of clause (a) or clause (b) do not apply. <p>In the given case, invoice is issued on the date of travel immediately after completion of journey (i.e. within 30 days of provision of service) & GTL is also liable to pay tax under forward charge mechanism for the given bookings/orders.</p> <p>In accordance with the aforesaid provisions, time of supply will be as follows:</p> <table border="1"> <thead> <tr> <th>Order No</th> <th>Date of travel</th> <th>Date of payment</th> <th>Time of supply</th> </tr> </thead> <tbody> <tr> <td>PA-666</td> <td>5th July</td> <td>3rd July</td> <td>3rd July</td> </tr> <tr> <td>UV-777</td> <td>22nd July</td> <td>20th July</td> <td>20th July</td> </tr> <tr> <td>XE-001</td> <td>25th July</td> <td>23rd July</td> <td>23rd July</td> </tr> </tbody> </table>	Order No	Date of travel	Date of payment	Time of supply	PA-666	5th July	3rd July	3rd July	UV-777	22nd July	20th July	20th July	XE-001	25th July	23rd July	23rd July
Order No	Date of travel	Date of payment	Time of supply															
PA-666	5th July	3rd July	3rd July															
UV-777	22nd July	20th July	20th July															
XE-001	25th July	23rd July	23rd July															
6	A ₹ 1,80,000	<p>In financial year 2023-24, Machinery X was purchased for ₹ 10,00,000.</p> <p>Input tax credit on capital goods to be used exclusively for effecting exempt supply shall not be credited to electronic credit ledger [Rule 43(1)(a)]. However, input tax credit on capital goods to be used exclusively for effecting taxable supply including zero-rated supply, shall be credited to electronic credit ledger [Rule 43(1)(b)].</p> <p>Accordingly, the amount of input tax which has been credited to electronic credit ledger during the financial year 2021-22 is ₹ 10,00,000 X 18% = ₹ 1,80,000.</p>																
7	D ₹ 2,70,000	<p>Input tax credit on capital goods to be used exclusively for effecting exempt supply shall not be credited to electronic credit ledger [Rule 43(1)(a)]. However, input tax credit on capital goods to be used exclusively for effecting taxable supply including zero-rated supply, shall be credited to electronic credit ledger [Rule 43(1)(b)].</p> <p>Accordingly, GST paid on Machinery X and Machinery Z purchased for being used in manufacturing Product A (taxable product) and C (zerorated supply) will be credited to electronic credit ledger. However, the amount of GST paid on machinery Y (which is used for manufacturing exclusively for exempt Product B) shall not be credited to electronic credit ledger i.e. ₹ 15,00,000 x 18% = ₹ 2,70,000.</p>																
8	C ₹ 81,000	<p>Where any capital goods earlier used exclusively for making exempted supply is subsequently used for supply of exempted as well as taxable supply, input tax in respect of such capital goods denoted as 'A' shall be credited to the electronic credit ledger subject to the condition that the ineligible credit attributable to the period during which such capital goods were used for making exempt supply, denoted as 'Tie', shall be calculated at the rate of 5% points for every quarter or part thereof and added to the output tax liability of the tax period in which such credit is claimed [Rule 43].</p>																

		<p>Accordingly, the amount of ineligible ITC in respect of Machinery Y, i.e. 'Tie', as per rule 43, to be added to the output tax liability will be:</p> <p>= ₹ 2,70,000 × 5% × 6 quarters = ₹ 81,000</p>
9	B 30 th September, 2029	<p>ITC attributable to a month on common capital goods shall be computed during the useful life of the said capital goods. The useful life of any capital goods shall be considered as 5 years from the date of invoice [Rule 43].</p> <p>Accordingly, the time-period up to which common credit needs to be computed for Machinery Y is 30th September 2029, being 5 years from 1st October 2024, (invoice date).</p>
10	B ₹ 2,70,000	<p>Where any capital goods earlier used exclusively for making exempted supply is subsequently used for supply of exempted as well as taxable supply, input tax in respect of such capital goods denoted as 'A' shall be credited to the electronic credit ledger [Rule 43].</p> <p>Accordingly, the amount of common credit in respect of Machinery Y is ₹ 15,00,000 × 18% = ₹ 2,70,000</p>
11	(a) (ii) and (iv)	<p>Out of the activities/transactions undertaken by Dhairya Limited, the following activities/transactions do not amount to supply:</p> <p>(i) Computer being used for business purpose given free of cost to unrelated person.</p> <p>Since ITC has not been taken on the computer, permanent transfer of the same without any consideration to an unrelated customer shall not amount to deemed supply in terms of Schedule I to the CGST Act, 2017.</p> <p>(ii) Recovery of bond amount from the outgoing Managing Director.</p> <p>It is not a supply since bond amount recovered is not a consideration for tolerating the act of premature quitting of employment in terms of Circular No. 178/10/2022 GST dated 03.08.2022.</p>
12	(d) (i) and (iii)	<p>GST is payable under reverse charge on following services:</p> <p>(i) Tax on services provided by the arbitral tribunal is payable under reverse charge by the recipient of service under section 9(3) vide Notification No. 13/2017 CT (R) dated 28.06.2017.</p> <p>(ii) Tax on remuneration paid to director is payable under reverse charge by the recipient of the service under section 9(3) vide Notification No. 13/2017 CT (R) dated 28.06.2017.</p>

13	(b) CGST - ₹ 98,100, SGST - ₹ 98,100 and IGST - ₹ 2,70,000	Particulars	CGST (₹)	SGST (₹)	IGST (₹)
		Supplied large paper rolls to Ford Mount School delivered at its premises in Bengaluru (Karnataka) for printing the question papers [Not exempt under Entry 66(a) of Notification No. 12/2017 CT (R) dated 28.06.2017. Further, since goods are delivered at Kerela printing press on the direction of Fort Mount School, Bengaluru (Bill to Ship to transaction), place of supply is Bengaluru, Karnataka and it is inter-State transaction.]			2,70,000 [15,00,000 × 18%]
		Bond amount recovered from the erstwhile Managing Director [Not a supply since bond amount recovered is not a consideration for tolerating the act of the premature quitting of employment as per Circular No. 178/10/2022-GST.]	Nil	Nil	Nil
		Supply of steel sheets in territorial waters [Where the supply is in the territorial waters, the place of supply is deemed to be in the coastal State where the nearest point of the appropriate baseline is located. Therefore, place of supply will be in Kerala being nearer to base line and hence, supply will be intra-State supply]	54,000 [6,00,000 × 9%]	54,000 [6,00,000 × 9%]	

		<p>Receipt of advance from customer in Kerala [Tax will be payable only on advance for services. In case of goods, tax is payable at the time of issuance of invoice and not at the time of receipt of advance.]</p>	<p>44,100 [4,90,000 x 9%]</p>	<p>44,100 [4,90,000 x 9%]</p>	
		<p>Computer given free of cost to unrelated customer [Since ITC has not been taken on the computer, permanent transfer of the same without any consideration to an unrelated customer shall not amount to deemed supply in terms of Schedule I to the CGST Act, 2017. Further, since no ITC has been taken, question of reversal of ITC attributable to the remaining useful life of the computer does not arise.]</p>			
		Total GST payable on outward supplies	98,100	98,100	2,70,000
14	(b) CGST - ₹ 1,17,000, SGST - ₹ 1,17,000 and IGST - Nil	Particulars	CGST (₹)	SGST (₹)	IGST (₹)
		Sitting Fees to Directors	54,000	54,000	-
		Legal Services	63,000	63,000	-
		Total	1,17,000	1,17,000	-
15	(b) GST is applicable and the place of supply is Kerala.	<p>As per section 12(7) of the IGST Act, 2017, the place of supply services provided by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to a conference, fair, exhibition, celebration or similar events shall be the location of the recipient if the recipient is a registered person and if such event is held outside India, the place of supply shall be the location of the recipient. In the present case, since Dhairya Limited is a registered person and the event is organized outside India, i.e. in Dubai, the place of supply shall be the location of recipient i.e. Kerala. Since place of supply is in India, GST shall be applicable on such services</p>			

PART-II DESCRIPTIVE QUESTIONS

Ans 1 Computation of ITC available with Shriji Ltd.

S.No	Particulars	Eligible input tax credit		
		CGST(₹)	SGST (₹)	IGST (₹)
1.	Raw Material			
	Purchased from local registered suppliers [Note 1(i)] (₹ 2,12,500 x 9%)	19,125	19,125	
	Purchased from local unregistered suppliers [Note 1(ii)]	Nil	Nil	
	Purchased from Punjab from registered supplier [Note 1(i)] (₹ 2,00,000 x 18%)			36,000
	Raw material imported from USA [Note 1(iii)]			45,464
2.	Consumables [Note 2] (₹ 3,12,500-₹ 62,500) x 9%	22,500	22,500	
3.	Monthly rent for the factory building to the owner in Rajasthan [Note 3]	18,000	18,000	
4.	Salary paid to employees on rolls [Note 4]	Nil	Nil	Nil
5.	Premium paid on life insurance policies taken for specified employees [Note 5] (₹ 4,00,000 x 9%)	36,000	36,000	-
6.	Machines purchased [It is intra-State supply since place of supply in case of goods not involving movement of goods is location of goods at the time of delivery to recipient, viz. Punjab, in terms of section 10(1)(c) of the IGST Act, 2017. However, ITC of the same will not be available since the recipient of said intra-State supply is located in a different State / UT than that of place of supply]	-	-	-

7.	Metal scrap purchased [It is intra-State supply since place of supply is Maharashtra being the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, in terms of section 10(1)(a) of the IGST Act, 2017. ITC is available since said goods are being used in course or furtherance of business.]	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]	-
8.	Information technology services procured from Mahaprabhu Inc. [The place of supply is Maharashtra being location of the recipient, in terms of section 13(2) of the IGST Act, 2017. Supply of any services where supplier is outside India and the recipient and place of supply is in India, qualifies as import of services. Further, in case of import of service, tax is payable by the person importing such service vide Notification No. 10/2017 IT (R) dated 28.06.2017. ITC is available since said services are being used in course or furtherance of business.]	-	-	27,000 [1,50,000 × 18%]
9.	Machinery sent for carrying out repair work to Lalita Inc. [Since the place of supply of repair services is outside India being the location where the services are actually performed in terms of section 13(3) of the IGST Act, 2017, said services are not amenable to tax.]	-	-	-
Total		1,13,625	1,13,625	1,08,464
Add: Opening balance of ITC		<u>40,000</u>	<u>30,000</u>	<u>20,000</u>
Total ITC		1,53,625	1,43,625	1,28,464

Computation of net GST payable

Particulars	CGST(₹)	SGST (₹)	IGST (₹)
GST payable under forward charge			
Intra-State supply [17,50,000*9% each]	1,57,500	1,57,500	-
Inter-State supply [7,50,000*18%]	-	-	1,35,000
Intra-State supply of raw cotton [Taxable under forward charge in terms of Notification No. 4/2017 CT (R) dated 28.06.2017. Reverse Charge mechanism is not applicable since here, raw cotton is being sold by a person other than agriculturist.] [5,00,000*9% each]	45,000	45,000	
Total output tax liability	2,02,500	2,02,500	1,35,000
Less: ITC	1,53,625	1,43,625	1,28,464
Net GST payable	48,875	58,875	6,536
GST payable under Reverse charge			
Metal scrap purchased [Tax on metal scrap purchased by a registered person from an unregistered person is payable under reverse charge in terms of Notification No. 4/2017 CT (R) dated 28.06.2017.]	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]	-
Information technology services procured from Mahaprabhu Inc. through electronic mode [Tax on information technology services imported is payable under reverse charge vide Notification No. 10/2017 IT (R) dated 28.06.2017.]	-	-	27,000 [1,50,000× 18%]
Total GST Payable in Cash	66,875	76,875	33,536

Notes:

1.

- (i) Credit of input tax (CGST & SGST/ IGST) paid on raw materials used in the course or furtherance of business is available.
- (ii) Tax on procurements made by a registered person from an unregistered supplier is levied only in case of notified goods and services. Therefore, since no GST is paid on such raw material purchased, there does not arise any question of ITC on such raw material.
- (iii) IGST paid on imported goods qualifies as input tax. Therefore, credit of IGST paid on imported raw materials used in the course or furtherance of business is available.

2. ITC on consumables, being inputs used in the course or furtherance of business, is available. However, since levy of GST on high speed diesel has been deferred till a date to be notified by Government, there cannot be any ITC of the same.
3. ITC on monthly rent is available as the said service is used in the course or furtherance of business.
4. Services by employees to employer in the course of or in relation to his employment is not a supply in terms of section 7 read with Schedule III to the CGST Act, 2017. Therefore, since no GST is paid on such services, there cannot be any ITC on such services.
5. ITC on life insurance service is available if the same is obligatory for an employer to provide to its employees under any law for the time being in force.
6. Raw cotton purchased in May from agriculturist is not considerable for June month calculations.

(14 Marks)

Ans 2(a)

- (i) Section 17(5) provides that ITC in respect of services of repair of motor vehicles shall be available where received by a taxable person engaged in the supply of general insurance services in respect of motor vehicles insured by him. Further, section 2(93) defines recipient of supply of goods or services or both, as the person who is liable to pay the consideration, where such consideration is payable for the said supply of goods or services or both. As per section 2(31), consideration includes any payment made or to be made in relation to supply of the goods or services or both, whether by the recipient or by any other person.

CBIC vide Circular No. 217/11/2024 GST dated 26.06.2024 has clarified that in reimbursement mode of claim settlement, the payment is made by the insurance company for the approved cost of repair services through reimbursement to the insured.

Further, irrespective of the fact that the payment of the repair services to the garage is first made by the insured, which is then reimbursed by the insurance company to the insured to the extent of the approved claim cost, the liability to pay for the repair service for the approved claim cost lies with the insurance company, and thus, the insurance company is covered in the definition of recipient in respect of the said supply of services of vehicle repair provided by the garage, in terms of section 2(93), to the extent of approved repair liability.

Moreover, availment of credit in respect of input tax paid on motor vehicle repair services received by the insurance company for outward supply of insurance services for such motor vehicles is not blocked under section 17(5).

Accordingly, it is clarified that ITC is available to insurance companies in respect of motor vehicle repair expenses incurred by them in case of reimbursement mode of

claim settlement. It is further clarified that if the invoice for full amount for repair services is issued to the insurance company while the insurance company makes reimbursement to the insured only for the approved claim cost, then the ITC may be available to the insurance company only to the extent of reimbursement of the approved claim cost to the insured, and not on the full invoice value.

In the given case, although the invoice for the full amount of repair services (₹ 27,000 +GST) is raised in the name of Safety Insurance Company, it is liable to pay the repair service to the extent of the approved claim cost (₹ 20,000 +GST). Thus, it is covered in definition of 'recipient' under section 2(93), to the extent of approved claim cost.

Hence, it is eligible to avail the ITC to the extent of the GST paid on the amount of ₹ 20,000 (approved claim cost). Thus, ITC of ₹ 3,600 (₹ 20,000 × 18%) is available to Safety Insurance Company. 2

- (ii) The circular further clarifies that in cases where the garage issues two separate invoices in respect of the repair services, one to the insurance company in respect of approved claim cost and second to the customer for the amount of repair service in excess of the approved claim cost, ITC may be available to the insurance company on the said invoice issued to the insurance company subject to reimbursement of said amount by insurance company to the customer.

Thus, in the given case, if the garage has issued two different invoices, the answer would remain the same because the approved claim of service cost which was reimbursed by Safety Insurance Company to Mr. RG was ₹20,000 only. Thus, ITC of ₹ 3,600 (₹ 20,000 × 18%) is available to Safety Insurance Company. 2

- (iii) The circular also clarifies that where the invoice for the repair of the vehicle is not in name of the insurance company, condition of clauses (a) and (aa) of section 16(2) is not satisfied and accordingly, ITC will not be available to the insurance company in respect of such an invoice. Thus, in the given case, if the invoice has been raised in the name of Mr. RG, then Safety Insurance Company would not be eligible to avail the ITC. 1

(5 Marks)

Ans 2(b)

The value of online money gaming related supply shall be determined as per rule 31B. As per said rule, the value of supply of online gaming, including supply of actionable claims involved in online money gaming, shall be the total amount paid or payable to or deposited with the supplier by way of money or money's worth, including virtual digital assets, by or on behalf of the player.

Further, rule 31A provides the manner of determining the value of supply of actionable claim in the form of chance to win in betting. The value for such supply shall be 100% of the face value of the bet.

In accordance with the above provisions:

1. Total GST payable on given transactions is as follows:

Value of supply of online money gaming = Total amount deposited with the supplier by the player in terms of rule 31B

= Initial deposit of ₹ 20,000 (inclusive of GST) by Player Yash with Khiladi 786 after excluding GST = ₹ 7,812.50 (₹ 20,000 × 100/128)

GST payable = ₹ 15,625 × 28%

= ₹ 4,375 - [A]

Value of supply of online bet = 100% of the face value of the bet in terms of rule 31A = ₹ 22,000

GST payable = ₹ 22,000 × 28% = ₹ 6,160 - [B]

Total amount of GST that would be collected by the Government on the given transactions = [A] + [B] = 10,535 (rounded off) 2

2. Total amount transferred by Player Yash to his bank account from the master wallet is as follows: 1

Particulars	Amount (₹)
Initial Deposit	20,000
Less - GST on deposit	4,375
Less - Payment for virtual racing game	4,000
Add - Winning from virtual racing game	20,000
Less - Payment for bet placed on Wager 999	22,000
Less - GST on the bet place on Wager 999	6,160
Net balance available for transfer	3,465

3. As per section 24(xia), every person supplying online money gaming from a place outside India to a person in India shall be required to obtain registration on a mandatory basis in India. Accordingly, Khiladi 786 being a supplier of online money gaming operating from UAE and supplying services in India shall be liable to obtain registration compulsorily in India. The answer will not change irrespective of the fact that Player Yash is registered under GST in India or not. 1

(4 Marks)

Ans 2(C)

Computation of basic customs duty payable by Mr. X

An importer who has imported the capital goods availing benefit of an exemption notification, may clear such goods after using them for specified purpose, on payment of duty equal to difference between the duty leviable on such goods without exemption and duty already paid at the time of importation, along with interest, on the depreciated value allowed in straight line method, as below:

- (i) for every quarter in the first year @ 4%;
- (ii) for every quarter in the second year @3%;
- (iii) for every quarter in the third year @3%;
- (iv) for every quarter in the fourth and fifth year @ 2.5%;
- (v) and thereafter for every quarter @ 2%.

Thus, depreciation % will be computed as follows:

20X1: 4 quarter × 4= 16%

20X2: 4 quarter × 3= 12%

20X3: 4 quarter × 3= 12%

20X4: 2 quarter × 2.5= 5%

Total depreciation % will be 45%

Depreciation amount will be: 45% of ₹80 Lakh =₹36 lakh

Depreciated value of the machine is ₹80 Lakh -₹36 lakh = ₹ 44 lakh

Accordingly, basic customs duty payable by Mr. X will be computed as follows:

= [₹44 lakh × 10%] - [₹80 lakh × 2.5%] = [₹4.40 - ₹2.00] lakh = ₹ 2.40 lakh **(5 Marks)**

Ans 3(a)

Computation of custom duty payable

Particulars	Amount (₹)
CIF value (negotiated price) [Note-1]	11,000
Less: Air freight	1,000
Less: Insurance	<u>1,200</u>
FOB value	8,800
Add: Vendor inspection charges [Note-2]	<u>Nil</u>
FOB value	8,800
Exchange rate is 51 per £ [Note-5]	₹
FOB value in ₹	4,48,800
Add: Commission payable to local agent [1% of FOB value] [Note-6] = (US\$ 8,800 × 51) × 1%	4,488
FOB value as per Customs	4,53,288

Freight (Actual) [Note-3] [£ 1000 x 51]	51,000
Insurance [Note-4] [£ 1200x 51]	61,200
CIF for customs purposes (Assessable value)	5,65,488
Add: Basic custom duty @ 20% [Note-7] - rounded off	1,13,098
Social Welfare Surcharge (10% of BCD) [rounded off]	11,310
Customs duty payable	1,24,408

Notes:

1. As per Section 14 of the Customs Act, 1962, the value of the imported goods is the transaction value, which means the price actually paid or payable for the goods. In this case, since the contract was re-negotiated and the importer paid the re-negotiated price, the transaction value would be such re-negotiated price and not the contract price.
2. Only the payments actually made as a condition of sale of the imported goods by the buyer to the seller are includible in the assessable value under rule 10(1)(e) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007. Charges of vendor inspection on the goods carried out by foreign supplier on his own and not required for making the goods ready for shipment, are not includible in the assessable value of the imported goods [Bombay Dyeing & Mfg. v. CC 1997 (90) ELT 276 (SC)].
3. Actual amount incurred towards freight will be considered since freight is not more than 20% of FOB value [Fifth proviso to rule 10(2) of Customs Valuation Rules].
4. Actual insurance charges paid are includible in the assessable value as per rule 10(2)(b) of the Customs Valuation Rules.
5. Rate of exchange notified by CBIC on the date of filing of bill of entry will be considered as per third proviso to section 14 of the Customs Act, 1962.
6. Commission paid to local agent (since it is not buying commission) is includible in the assessable value on the presumption that local agent has been appointed by the exporter [Rule 10(1)(a)(i) of the Customs Valuation Rules].
7. As per proviso to section 15 of the Customs Act, 1962, rate of duty will be the rate in force on the date of presentation of bill of entry or on the date of arrival of the aircraft, whichever is later.

(5 Marks)**Ans 3(b)**

In the given case, two supplies are involved:

- a. Services provided by Spiritual Ltd. to Mahima by way of arranging the display of the advertisement of its newly launched product, and
- b. Services provided by Seaside Hotel to Spiritual Ltd. by way of placing a hoarding in the lawn of the hotel.

The place of supply in each of the above supplies is as follows:

a. As per section 12(2)(a) of the IGST Act, 2017, the place of supply of services, except the services specified in sub-sections (3) to (14) of section 12 of the IGST Act, 2017, made to a registered person is the location of the person receiving the services. Advertisement services provided by Spiritual Ltd. to Mahima is not covered in any of the sub-sections of section 12 of the IGST Act, 2017. Therefore, the place of supply shall be determined by the default provision under section 12(2)(a) of the IGST Act, 2017, viz. the location of the recipient.

Thus, the place of supply, in the given case, is the location of Mahima, i.e. Delhi.

b. In case where there is supply (sale) of space or supply (sale) of rights to use the space on the hoarding/ structure (immovable property) belonging to vendor to the client/advertising company for display of their advertisement on the said hoarding/ structure, the hoarding/structure erected on the land should be considered as immovable structure or fixture as it has been embedded in earth. Further, place of supply of any service provided by way of supply (sale) of space on an immovable property or grant of rights to use an immovable property shall be governed by the provisions of section 12(3)(a) of the IGST Act. Therefore, the place of supply of service provided by way of grant of rights to use the hoarding/ structure for advertising in this case would be the location where such hoarding/ structure is located. Thus, the place of supply, in the given case, is location of hotel where the hoarding is located, viz. Marine Drive-Mumbai, Maharashtra.

(5 Marks)

Ans 3(c)

In the given case, RG Consultancy is providing the service of agreeing to the obligation to refrain from an act to Tikendra Ltd. against a consideration of 148 lakh. Therefore, the same is liable to tax. Thus, view taken by RG Consultancy is incorrect.

Since the place of supply of said services is the location of the recipient, viz. Udaipur, Rajasthan and supplier is also located in Rajasthan, said services are intra-State supplies liable to tax @ 18%.

GST liability (CGST & SGST **each**) of RG Consultancy is:

= ₹1,48,00,000 × 9/118 = ₹11,28,814 (rounded off) i.e. total 22,57,628

Note: Since GST has not been separately collected for the supply, consideration has been assumed to be inclusive of tax.

(4 Marks)

Ans 4(a)

- a) If the inputs or capital goods are not received back by the principal or are not supplied from the place of business of job worker within the prescribed time limit, it would be deemed that such inputs or capital goods had been supplied by the principal to the job worker on the day when the said inputs or capital goods were sent out by the principal (or on the date of receipt by the job worker where the inputs or capital goods were sent directly to the place of business of job worker). Thus, the principal would be liable to pay tax accordingly. 1
- b) The goods can be supplied directly from the place of business of job worker without declaring it as additional place of business in two circumstances namely where the job worker is a registered taxable person or where the principal is engaged in supply of such goods as may be notified by the Commissioner. 2
- c) It is completely the responsibility of the principal to maintain proper accounts of job work related inputs and capital goods. 1

(4 Marks)**Ans 4(b)**

As per rule 3 of the Baggage Rules, 2016, tourist of foreign origin, excluding infant, is allowed duty free clearance of:

- (i) Used personal effects and travel souvenirs; and
- (ii) Articles up to the value of Rs. 15,000 (excluding, inter alia, fire-arms, cartridges of fire arms exceeding 50, wine in excess of 2 litres, tobacco exceeding 125 gms and cigars exceeding 25), if carried on in person or in the accompanied baggage of the passenger.

In view of the said provisions, customs duty shall be computed as follows:

Particulars	Rs.
Used personal effects	Nil
Travel souvenirs	Nil
Laptop [One laptop computer is exempt when imported into India by a passenger \geq 18 years of age]	Nil
Tobacco [Rs. 3 x 125 gm] [125 gms tobacco can be accommodated in General Free Allowance (GFA)]	375
Cigars [Rs. 50 x 25] [25 cigars can be accommodated in GFA]	1,250
Fire-arms' cartridges [Rs. 250 x 50] [50 fire-arms' cartridges can be accommodated in GFA]	12,500
1.5 litres wine [Wine up to 2 litres can be accommodated in GFA]	2,500
Mobile phone [Can be accommodated in GFA]	40,000
Total value	56,625

Less: GFA	15,000
Baggage on which duty is payable	41,625
Duty payable on baggage @ 38.50% (including 10% Social welfare surcharge) [rounded off]	16,026

Note: Fire arms, Cartridges of fire arms exceeding 50, Cigarettes exceeding 100 sticks, cigars exceeding 25 and tobacco exceeding 125 gms are not chargeable to rate applicable to Baggage [Notification No. 26/2016 Cus. dated 31.03.2016]. These items are charged @ 110% [100% BCD + 10% SWS] applicable to baggage under heading 9803 of the Customs Tariff.

(5 Marks)

Ans 4(c)

Electronic credit ledger can be used for making payment of only output tax which is the tax chargeable on taxable outward supply, but excludes tax payable on reverse charge mechanism. It cannot be used for making payment of any interest, penalty, fees or any other amount payable under the GST law.

Accordingly, electronic credit ledger can be used for any payment towards output tax, whether self-assessed in the return or payable as a consequence of any proceeding instituted under the GST law.

Thus, in view of the above-mentioned provisions, the contention of RG Ltd. is not correct.

Computation of amount payable in cash is as under: -

Particulars	CGST (Rs.)	SGST (Rs.)
GST payable on outward supplies	20,000	20,000
GST payable as consequence of proceeding instituted under GST law	10,000	10,000
Total	30,000	30,000
Less: ITC in Electronic Credit ledger	(30,000)	(30,000)
Balance	Nil	Nil
Add: GST payable on reverse charge supplies	12,000	12,000
Add: Interest for default in late filing of GSTR-3B	1,000	1,000
Add: Penalty	1,000	1,000
Total amount payable in cash	14,000	14,000

(5 Marks)

Ans 5(a)

As per Notification No. 45/2017 Cus. dated 30.06.2017, duty payable on re-importation of goods which had been exported for repairs abroad is the duty of customs which would be leviable if the value of re-imported goods after repairs were made up of the fair cost of repairs carried out including cost of materials used in repairs (whether such costs are actually incurred or not), insurance and freight charges, both ways. However, following conditions need to be satisfied for availing this concession:

- goods must be re-imported within 3 years, extendable by further 2 years, after their exportation;
- exported goods and the re-imported goods must be the same;
- ownership of the goods should not change.

Since all the conditions specified above are fulfilled in the given case, the customs duty payable on re-imported goods will be computed as under:

Particulars	₹
Value of goods re-imported after exports [Cost of materials ₹ 10 lakh + fair cost of repairs ₹ 5 lakh + actual insurance and freight Rs. 5 lakh]	20,00,000
Add: Basic customs duty @ 15% (A)	3,00,000
Add: Social Welfare Surcharge @ 10% on ₹ 3,00,000 (B)	<u>30,000</u>
Value for computing integrated tax	23,30,000
Integrated tax @ 12% (₹ 23,30,000 × 12%) - (C)	2,79,600
Customs duty and integrated tax payable [(A) +(B)+ (C)]	6,09,600

(4 Marks)

Ans 5(b)

The value of exempt supply by Kashi unit and Mathura unit for the purpose of apportionment of ITC under section 17(3) of the CGST Act, 2017 is determined as follows:

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 and, subject to clause (b) of paragraph 5 of Schedule II, sale of building. As per explanation to section 17(3), the expression "value of exempt supply" shall not include the value of activities or transactions specified in Schedule III, except sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.

Further, as per explanation to Chapter V (Input Tax Credit) of the CGST Rules, 2017, for determining the value of an exempt supply as referred in section 17(3), 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 43, the aggregate value of exempt supplies for the purpose of rules 42 and 43, 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.

In view of the aforesaid provisions, value of exempt supply by Kashi unit and Mathura unit for the purpose of apportionment under section 17(3) is as follows:

Particulars	Mathura unit (₹)	Kashi unit (₹)
Sale of taxable goods	--	--
Interest received on fixed deposits [Excluded from value of exempt supply by virtue of explanation to rule 43]	--	--
Sale of securities [1% of ₹ 9,00,000] [Includible as per section 17(3). Value of exempt supply in respect for security is 1% of the sale value of such security.]	9,000	--
Sale of agricultural land [Includible as per section 17(3). Value of exempt supply in respect of land is the value adopted for paying stamp duty.]	--	3,70,00,000
Sale of old factory building [Includible as per section 17(3). Value of exempt supply in respect of building is the value adopted for paying stamp duty.]	1,50,00,000	--
Transfer of actionable claims (other than casinos, online gaming and horse racing) [Excluded from value of exempt supply by virtue of explanation to section 17(3).]	--	--
Total value of exempt supply	1,50,09,000	3,70,00,000

(6 Marks)

Ans 5(c)

Indian Institutes of Management Act, 2017 (IIM Act, 2017) empowers IIMs to

- (i) grant degrees, diplomas, and other academic distinctions or titles,
- (ii) specify the criteria and process for admission to courses or programmes of study, and
- (iii) specify the academic content of programmes. Resultantly, all the IIMs fall under purview of "educational institutions" as they provide education as a part of a curriculum for obtaining a qualification recognized by law for the time being in force.

Further, the services provided by an educational institution to its students¹, faculty and staff are exempt from GST vide exemption notification.

However, in the given case, services have been provided by the educational institution (viz. IIM, Ahmedabad), to the multinational companies. Therefore, the same is not exempt from GST.

(4 Marks)

Ans 6(a)

Advance ruling can be sought for the following questions:-

- a) classification of any goods or services or both
- b) applicability of a notification issued under the CGST Act
- c) determination of time and value of supply of goods or services or both
- d) admissibility of input tax credit of tax paid or deemed to have been paid
- e) determination of the liability to pay tax on any goods or services or both
- f) whether applicant is required to be registered
- g) whether any particular activity with respect to any goods and/or services, amounts to/results in a supply of goods and/or services, within the meaning of that term.

(6 Marks)

Ans 6(b)

Yes, the confidential information can be disclosed by the public servant for certain specific purposes in terms of section 158(3) of the CGST Act, 2017. Such specific purposes are given in brief hereunder:

- (i) For prosecution
- (ii) For carrying out the objects of the CGST Act
- (iii) For service of notice or recovery of demand
- (iv) For furnishing information to Court in a proceeding where Government is a party
- (v) For audit of tax receipts or refunds
- (vi) For inquiry into the conduct of a GST officer

- (vii) For enabling levy, realisation of any tax or duty
- (viii) In lawful exercise of powers
- (ix) For enquiry into a charge of misconduct by any professional
- (x) For data entry on automated system
- (xi) For fulfilling the requirement under any other law and in public interest.

(4 Marks)

Ans 6(c) Status holders are eligible the following privileges under FTP:

(1) Authorisation and custom clearances for both imports and exports on self-declaration basis.

(2) Fixation of Input Output Norms on priority i.e., within 60 days by Norms Committee.

(3) Exemption from compulsory negotiation of documents through banks. Exception are remittance/ receipts.

(4) Exemption from furnishing of Bank Guarantee in Schemes under FTP unless otherwise specified.

(5) Two Star Export Houses and above are permitted to establish export warehouses as per the guidelines of Department of Revenue.

(6) Manufacturers who are also status holders (Three Star/Four Star/Five Star) will be enabled to self-certify their manufactured goods (as per their Industrial Entrepreneurs Memorandum (IEM) / Industrial License (IL) /Letter of Intent (LOI)) as originating from India with a view to qualify for preferential treatment under specified agreements.

(7) Status holders shall be entitled to export freely exportable items on free of cost basis for export promotion subject to a specified annual limit.

(8) The status holders would be entitled to preferential treatment and priority in handling of their consignments by the concerned agencies.

Note - Any four points may be mentioned.

(4 Marks)