

## The WAY CA test series

CA FINAL

P5: INDIRECT TAX LAWS  
[ SEMI FINAL – ICAI SM MOD 1 & 2]

06.07.2025

TIME : 3 HR 00 Min

TOTAL : 100 MARKS

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### PART I : MCQ ANSWERS

30 MARKS

1. Option (b) Hint: Discount should be reduced (Pre agreed)
2. Option (b) Hint: Car1 & 2 : 45,000 ; Car 3 & 4: 66,000)
3. Option (b)
4. Option (a) Hint: ITC was not availed and given to unrelated hence not a deemed supply.
5. Option (b) Hint: Turnover exceeds 150 lacs hence A ltd. is not eligible for composition scheme. Aggregate turnover calculation and limit is same for manufacturer and trader.
6. Option (c)
7. Option (c) Hint: Services covered under i) and ii) are exempt whereas milling of paddy into rice is taxable.
8. Option (c) Hint: Subsidy by central govt. ₹50,000 is not added. Discount is given instant and hence not recorded in invoice & thus no deduction allowed.
9. Option (b)
10. Option (b)
11. Option (a)
12. Option (c)
13. Option (c)
14. Option (d)
15. Option (d) Hint: Refer sec 49(5)(e), (f), sec 49A, 49B read with rule 88A
16. Option (c) Hint: Where invoice not been issued within due date i.e within 30 days of supply service, TOS will be date of payment or date of completion of service whichever is earlier.

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### PART II : DESCRIPTIVE SOLUTIONS

70 MARKS

Question : 1(a)

14 Marks

Computation of ITC available with Motopower Pvt. Ltd. for the given tax period

S. No	Particulars	Value of supply ₹	ITC			
			CGST ₹	SGST ₹	IGST ₹	TOTAL ₹
1	Opening balance of ITC		50,000	26,000	35,000	1,11,000
2	Raw Materials [₹ 4,50,000 - ₹ 50,000] [Note 1]	4,00,000	-	-	72,000	72,000
3	Rent paid for the factory building [Note 2]	1,00,000	9,000	9,000	-	18,000
4	Consumables procured from suppliers in Gujarat [ ₹ 1,50,000 - ₹ 75,000] [Note 3]	75,000	6,750	6,750	-	13,500
5	Security services [Note 4]	70,000	Nil	Nil	Nil	Nil
6	General insurance of cars manufactured [Note 5]	2,50,000	22,500	22,500	-	45,000
7	Works contract services [Note 6]	1,60,000	14,400	14,400	-	28,800
8	Audit fee [Note 7]	50,000	Nil	Nil	Nil	Nil
9	Bank charges [Note 8]	10,000	900	900	-	1,800
10	Membership of Automobile Association [Note 9]	10,000	900	900	-	1,800
Total ITC available for the tax period			1,04,450	80,450	1,07,000	2,91,900

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Particulars	Value of supply	CGST ₹	SGST ₹	IGST ₹	TOTAL ₹
Intra-State sales in Gujarat	14,00,000	1,26,000	1,26,000	-	2,52,000
Inter-State sales	6,00,000	-	-	1,08,000	1,08,000
Exports under LUT [Note 10]	10,00,000	Nil	Nil	Nil	Nil
Car rental income (Taxable @2.5% CGST and SGST each) [Note 11]	50,000	1,250	1,250	-	2,500
Income from services provided to Gujarat Govt. [Note 12]	2,50,000	22,500	22,500	-	45,000
Total output tax liability		1,49,750	1,49,750	1,08,000	4,07,500
Less: ITC available for being set off (Note 13, 14, 15]		(1,04,450)	(80,450)	(1,07,000)	(2,91,900)
Net GST payable from E-cash Ledger		45,300	69,300	1,000	1,15,600

Notes:

1. Credit of input tax paid on raw materials used in the course of business is avail in terms of section 16(1). However, ITC is not available on destroyed inputs in terms of section 17(5)(h).
2. ITC on rent paid is available as the said service is used in the course of business terms of section 16(1)
3. ITC on consumables, being Inputs used in the course of business, is available in terms of section 16(1) However, levy of GST on diesel has been deferred till such date as may be notified by the Govt. Hence, there being no levy of GST on diesel, there cannot be any ITC since VAT & excise paid are not covered in the definition of input tax under section 2(62). Moreover, credit of input tax charged on goods an services used in supplying the service of transport of passengers by any motor vehicle designed carry passengers where the cost of fuel is included

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in the consideration charged from the service recipient is not available except the credit of the input service in the same line of business. Thus, ITC on diesel will not be available.

4. Tax on security services (services provided by way of supply of security personnel) provided by a non-body corporate to a registered person is payable under RCM. Since in the given case security services have been provided by a body corporate-Safe and Secure Solutions Pvt. Limited to a registered person Motopower Pvt. Ltd, GST on the same is payable under forward charge. However, since Safe and Secure Solutions Pvt. Limited is not registered under GST, it would not have charged GST on the said services and hence, no ITC is available.

5. ITC on motor vehicles for transportation of persons is allowed in terms of section 17(5)(a) provided such vehicles are further supplied by the supplier. ITC is allowed on general insurance services relating to motor vehicles, ITC on which is allowed [Section 17(5)(ab)].

6. Section 17(5)(c) blocks ITC in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Further, the term "plant and machinery" means, inter alia machinery fixed to earth by foundation or structural support that are used for making outward supply and includes such foundation/structural support. Thus, in view of the above-mentioned provisions, ITC is available in respect of works contract service availed by Motopower Pvt. Ltd. as same is used for construction of plant and machinery which is not blocked under section 17(5)(c).

7. Audit fee are the services used in the course/ furtherance of business and thus, credit of input tax paid on such service will be available in terms of

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section 16(1). M/s Pandya & Associates is required to issue an e-invoice for audit services as e-invoicing is mandatory for the registered persons whose aggregate turnover in any of the preceding FYs exceed ₹10 crores. However, an e-invoice without IRN is not treated as an invoice as per rule 48(5) and hence, without a valid document, ITC cannot be claimed on such input services.

8. Bank charges are services used in the course/ furtherance of business and thus, credit of input tax paid on such service will be available in terms of section 16(1) However, ITC can be claimed only on the basis of valid documents. In case of a banking company, as per rule 54(2), a consolidated tax invoice issued for supply of services made during a month at the end of the month containing the details of tax charged, description of services, total value, GSTIN of the supplier and the recipient is deemed to be a Tax Invoice. Thus, ITC pertaining to the banking services received is allowed.

9. As per section 17(5)(b)(ii), ITC is blocked on membership of a club, health and fitness centre. The membership fee paid by a automobile company to Automobile Association is not covered under said section as it is distinct from membership of a club. Hence, ITC thereon is available.

10. Export of goods is a zero-rated supply . A zero rated supply under LUT is made without payment of IGST [Section 16(3)(a) of the IGST Act).

11. Tax on services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient is payable under RCM only when said service is provided by a non-body corporate to a body corporate and & an invoice charging GST 12% is not issued to service recipient. Since in the given case, said services are provided by body corporate Motopower Pvt. Ltd. to another body corporate-

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Jamaze Travels Ltd, GST is payable under forward charge by Motopower Pvt. Ltd. on the same.

12. Services provided to the Central Govt., State Govt., UT administration under any training programme for which 75% or more of the total expenditure is borne by the Central Govt., State Govt., UT administration are exempt from GST. However, in the given case, since the total expenditure borne by the Gujarat Govt. is less than 75%, services provided to it by Motopower Pvt. Ltd. are liable to GST

13. Since export of goods is a zero-rated supply, apportionment of ITC is not required and instead, full credit will be available [Section 16 of the IGST Act read with section 17(2) of the CGST Act]

14. As per section 49(5) read with rule 88A, ITC of- (i) IGST is utilised towards payment of IGST first and then CGST and SGST in any proportion and in any order. (ii) CGST is utilised towards payment of CGST and IGST in that order. ITC of CGST shall be utilized only after ITC of IGST has been utilised fully. (iii) SGST is utilised towards payment of SGST and IGST in that order. ITC of SGST shall be utilized only after ITC of IGST has been utilised fully.

15. Since the value of taxable supply other than zero-rated supply in the given tax period ₹14 lakh + ₹ 6 lakh + ₹ 0.50 lakh + ₹ 2.50 lakh) does not exceed ₹ 50 lakh, provisions of rule 86B are not applicable and Motopower Ltd. can discharge its entire output tax liability for said period from the E-credit ledger.

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### Question : 2(a)

5 Marks

(1) 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 Mungerilal 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.

(2) Since Rosemary College provides education as a part of a curriculum for obtaining a qualification recognised by Indian law, the transport services provided by Rosemary College to its students are exempt from GST.

(3) Services provided to an educational institution, by way of, inter alia, house-keeping services performed are exempt from GST vide exemption notification where such services are performed in such educational institution. However, such exemption is available only when the said services are provided to a pre-school education and a higher secondary school or equivalent.

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

(4) 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 available only when the said services are provided to an educational institution providing education as a part of a

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curriculum for obtaining a qualification recognised by any law for the time being in force.

Therefore, supply of online journal to students of UKG class of Sydney Montessori School **is not exempt** from GST.

**Question : 2(b)**

**5 Marks**

Computation of minimum net CGST, SGST and IGST payable from the E-cash ledger by George Pvt. Ltd. for the tax period

Particulars	Amount ₹	CGST @9%₹	SGST @9%₹	IGST @9%₹
Sales made outside Kerala (New Delhi) - [Being inter-State sale, the same is liable to GST	10,00,000			1,80,000
Sales made in Trivandrum [Being intra State sale the same is liable to CGST & SGST	8,00,000	72,000	72,000	
Less ITC available during the tax period for set off [Refer Working Note Below]		(72,000) CGST	(10,000) IGST (52,500) SGST	(1,80,000)
Net tax liability payable in cash		Nil	9500	Nil
ITC to be carried forward to next tax period		500 (72,500 – 70,000)	Nil (52,500 – 52,500)	Nil 1,90,000 – 1,90,000

Working Note:

ITC available during the tax period is computed as under:

Opening balance of ITC		50,000	30,000	1,00,000
Purchases from New Delhi [Being inter- State purchase, IGST would	5,00,000			90,000

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have been paid on it.]				
Purchases from Trivandrum	2,50,000	22,500	22,500	
Total ITC		72,500	52,500	1,90,000

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow. Interest and penalty paid are not available as credit for payment of output tax liability under GST. It can be used only against corresponding interest/penalty under the GST law.

### Question : 2(c)

4 Marks

(i) No, he is not required to issue tax invoice in all cases. Every registered person supplying taxable goods is required to issue a 'tax Invoice'. However, every registered person supplying exempted goods is required to issue a bill of supply instead of tax invoice.

(ii) Where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies. Thus, there is no need to issue a tax invoice and a bill of supply separately.

(iii) Where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

As per rule 46(m), a tax invoice shall contain the various particulars, interalia, namely, amount of tax charged in respect of taxable goods or services;

Hence, Jai has to show the tax amount separately in the tax invoices issued to customer

**Question : 3 (a)**

**5 Marks**

A supplier is liable to be registered in the State/UT from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a FY exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:

- (i) ₹10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (ii) ₹ 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (iii) ₹ 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) all taxable supplies,
- (ii) all exempt supplies,
- (iii) exports of goods and/or services and
- (iv) all Inter State supplies of persons having the same PAN.

The above is computed on all India basis

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

Computation of State-wise aggregate turnover of Mahadev Enterprises

Particulars	Himachal Pradesh (₹)	Uttarakhand (₹)	Tripura (₹)
Intra-State supply of taxable goods	22,50,000		7,00,000
Intra-State supply of exempted goods			6,00,000
Intra-State supply of non-taxable goods [As per section 2(47), exempt supply includes non-taxable supply.]		21,00,000	40,000
Aggregate Turnover	22,50,000	21,00,000	13,40,000

In given case, Mahadev Enterprises is engaged in exclusive intra-State supply of goods from Himachal Pradesh, Tripura and Uttarakhand. However, since Mahadev Enterprises makes taxable supply of goods from one of the specified Special Category States (ie. Tripura), it will not be eligible for higher threshold limit of ₹ 40 lakh; instead, threshold limit for registration will be reduced to ₹ 10 lakh.

(1) In view of the above-mentioned provisions, Mahadev Enterprises is liable to be registered under GST Law with the aggregate turnover amounting to ₹ 56,90,000 (computed on all India basis). The applicable threshold limit of registration in this case is ₹ 10 lakh. Further, he is not liable to be registered in Uttarakhand since he is not making any taxable supply from Uttarakhand.

(2) (a) If Mahadev Enterprises is dealing in supply of goods only from Himachal Pradesh, the applicable threshold limit of registration would be ₹ 40 lakh. Thus,

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Mahadev Enterprises will not be liable for registration as its aggregate turnover would be ₹ 22,50,000.

(b) If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh then higher threshold limit of ₹ 40 lakh will not be applicable as the same applies only in case of exclusive supply of goods. Therefore, in this case, applicable threshold limit will be ₹ 20 lakh and hence, Mahadev Enterprises will be liable to registration.

(c) In case of inter-State supplies of taxable goods, section 24 requires compulsory registration irrespective of the quantum of aggregate turnover. Thus, Mahadev Enterprises will be liable to registration.

### Question : 3 (b)

5 Marks

As per Circular No. 11/11/2017 GST, in case of printing of books where only content is supplied by the person who owns usage rights to 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 supply of service.

In case of supply of printed envelopes by the printer using its physical inputs including paper to print the design, logo etc. supplied by the recipient of goods, predominant supply is supply of goods and the supply of printing of the content [supplied by the recipient of supply] is ancillary to the principal supply of goods and therefore, such supplies would constitute supply of goods.

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Accordingly, time of supply of books and envelopes will be governed by sections 13 and 12 respectively.

In terms of section 12(2), the time of supply of goods is the earlier of, the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment. However, Notification No. 66/2017 CT specifies that a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

As per section 31(1), invoice for supply of goods should be issued before or at the time of removal of goods for supply to the recipient, where supply involves movement of goods. Therefore, in the given case, the last date by which invoice ought to have been issued is 7th April. Thus, the time of supply of envelopes for the purpose of payment of tax is 7th April

As per section 13, the time of supply of services is the earlier of the dates arrived at by methods (A) and (B), as follows:

(A) Date of invoice or date of receipt of payment (to the extent the invoice or payment covers supply services) whichever is earlier, if invoice is issued within time prescribed under section 31 i.e. within 30 days of completion of service.

(B) Date of provision of service or date of receipt of payment (to the extent the payment covers supply of services), whichever is earlier, if invoice is not issued within time prescribed under section 31.

Since in the given case, invoice for the services is not issued within 30 days, the time of supply for advance received is the date of receipt of payment, i.e 20th March being earlier than the date of provision of service. However, the time of

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supply for the balance payment is the date of provision service i.e. 10th April being earlier than the date of receipt of balance payment

**Question : 3 (c)**

**4 Marks**

The goods to be moved to another State for replacement under warranty is not a 'supply'. However, rule 138(1) of the CGST Act, 2017, inter alia, stipulates that every registered person who causes movement of goods of consignment value exceeding 50,000:

(1) in relation to a supply; or

(ii) for reasons other than supply; or

(iii) due to inward supply from an unregistered person,

shall, generate an electronic way bill (E-way Bill) before commencement of such movement.

CBIC vide FAQs on E-way Bill has also clarified that even if the movement of goods is caused due to reasons others than supply [including replacement of goods under warranty], e-way bill is required to be issued.

Thus, in the given case, since the consignment value exceeds 50,000, e-way bill is required to be mandatorily generated. Therefore, the claim of Power Electricals Ltd. that e-way bill is not mandatorily required to be generated as movement of goods is caused due to reasons other than supply, is not correct.

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**Question : 4 (a)**

**8 Marks**

Computation of minimum net GST payable in cash by Priya Infra Ltd. for April

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge			
Transfer of tiles to branch within Kerala Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person]	-	-	-
Inter-State supply of pure labour services for construction of single commercial unit in Bengaluru [Services by way of pure labour contracts of construction of original works pertaining to a single residential unit otherwise than as a part of a residential complex is exempt. Hence, such services in relation to a commercial unit shall be taxable.]			2,70,000 [15,00,000 X 18%]
Supply of consignment in territorial waters [Where the POS is in the territorial waters the POS is deemed to be in the coastal State where the nearest point of the appropriate baseline is located. Therefore, POS will be in Kerala being nearer to base line]	54,000 [6,00,000 X 9%]	54,000 [6,00,000 X 9%]	
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]	44,100 [7,00,000 X 70% X 9%]	44,100 [7,00,000 X 70% X 9%]	
Computer given free of cost to unrelated customer [Since ITC has not been taken on computer, permanent transfer of the same without any consideration to an unrelated customer shall not amount to deemed supply in terms of Schedule 1. Further, since no ITC has been taken,			

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Question of reversal of ITC attributable to the remaining useful life of the computer does not arise]			
Total output GST	98,100	98,100	2,70,000
Less: ITC [Refer working note below] CGST credit be first utilized for payment of CGST liability and then for payment of IGST liability in that order. Similarly, SGST credit be first utilized for payment of SGST liability and then for payment of IGST liability in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	98,100	98,100	18,900 (CGST) 18,900 (SGST)
Net output GST payable in cash [A]	Nil	Nil	2,32,200
GST payable in cash under RCM [B]			
Tax on services provided by the arbitral tribunal is payable under RCM.	63,000	63,000	
Tax on remuneration paid to director is payable under RCM.	54,000	54,000	
GST payable in cash under RCM [B] [Tax payable under RCM, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	1,17,000	1,17,000	
Minimum net GST payable in cash [A] + [B]	1,17,000	1,17,000	2,32,200

Working Note:

Computation of ITC available with Priya Infra Ltd. for April

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Services of an arbitral tribunal [Services provided by the arbitral tribunal to Priya Infra Ltd, a business entity whose aggregate turnover in the previous FY exceeds the applicable threshold limit for registration (viz. ₹ 20 lakh, being a supplier of goods and services in the State of Kerala) shall be able to tax. Further,	63,000 [7,00,000 x 9%]	63,000 [7,00,000 x 9%]	

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being services used in course or furtherance of business, ITC shall be available thereon.]			
Purchase of materials from Baahu Steels Ltd. [An e-invoice without IRN is not treated as invoice and hence, without a valid document, ITC cannot be claimed on such inputs)	-	-	
Purchase of truck Motor vehicle used for transportation of goods is eligible credit. However, since depreciation has been claimed applicable taxes as well, ITC of tax paid on purchase of such truck cannot be claimed.]	-	-	
Payment of remuneration to independent director based at Cochin	54,000	54,000	
(Services provided by employee to employer in the course of his employment are not a supply. However, independent director is not an employee of the company and hence, remuneration paid to him is taxable.	[6,00,000 X 9%]	[6,00,000 X 9%]	
<b>Total ITC</b>	<b>1,17,000</b>	<b>1,17,000</b>	

**Question : 4 (b)**

**6 Marks**

As per section 12(14) of the IGST Act, the POS of advertisement services to the Central Govt., a State Govt., a statutory body or a local authority meant for the States or Union territories identified in the contract or agreement is taken as being in each of such States or Union territories (where the advertisement is broadcasted/run/played/disseminated).

Therefore, in given case, POS of advertisement service is in the States of "A", "B", "C", 'D' and 'E.

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The value of the supply of such advertisement services specific to each State/UT is in proportion to the amount attributable to services provided by way of dissemination in the respective States/Union territories determined in terms of the contract or agreement entered into in this regard.

In absence of such a contract or agreement between supplier and recipient of services, proportionate value of advertisement services attributable to different States/Union territories (where advertisement is broadcasted/run/played/disseminated) is computed in accordance with rule 3 of IGST Rules, 2017.

As per rule 3 of IGST Rules, 2017, in case of advertisement on television channels, amount attributable to the value of advertisement service disseminated in a State shall be calculated on the basis of the viewership of such channel in such State, which in turn, shall be calculated in following manner, namely.

- i. the channel viewership figures for that channel for a State or UT shall be taken from the figures published in this regard by the Broadcast Audience Research Council.
- ii. the figures published for the last week of a given quarter shall be used for calculating viewership for the succeeding quarter.
- iii. where such channel viewership figures relate to a region comprising of more than one State or UT, the viewership figures for a State or UT of that region, shall be calculated by applying the ratio of the populations of that State or UT, as determined in the latest Census, to such viewership figures;
- iv. the ratio of the viewership figures for each State or UT as so calculated, when applied to the amount payable for that service, shall represent the portion of the value attributable to the dissemination in that State or UT.

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Therefore, value of supply attributable to 'A', 'B', 'C', 'D' and 'E'. will be computed as under:

States	Viewership figures of 'Moon Plus' channel as provided by the Broadcast Audience Research Council in the last week of June 20XX	Viewership ratio of 'Moon Plus' channel in the States 'A', ('B' + 'C') and ('D' + 'E')	Proportionate value of advertisement services for States A, ('B' + 'C') and ('D' + 'E')
A	50,000	50,000:1,00,000: 50,000 = 1:2:1	₹ 10,00,000 X 1/4 = 50,000:1,00,000: ₹ 2,50,000
B+C	1,00,000		₹ 10,00,000 X 2/4 = ₹ 5,00,000
D+E	50,000		₹ 10,00,000 X 1/4 = ₹ 2,50,000

States	Population as per latest census (in crores)	Population ratio in the States 'B' & C and 'D' & 'E'	Proportionate value of advertisement services in the states 'A', 'B', 'C', 'D', 'E'
A	50		₹ 2,50,000
B	180	B:C = 180:20 = 9:1	₹ 5,00,000 X 9/10 = ₹ 4,50,000
C	20		₹ 5,00,000 X 9/10 = ₹ 50,000
D	100	D:E = 100:25 = 4:1	₹ 2,50,000 X 4/5 = ₹ 2,00,000
E	25		₹ 2,50,000 X 1/5 = ₹ 50,000

Since, there are five different places of supply in the given case, 'Moon Plus' channel will have to issue five separate invoices for each of the States namely,

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'A', 'B', 'C', 'D' & 'E' indicating the value pertaining to that State. The GST liability of 'Moon Plus' channel will, therefore, be worked out as under:

Computation of GST liability of 'Moon Plus'

States	Proportionate value of advertisement services (₹)	CGST 9% (₹)	SGST 9% (₹)	IGST 18% (₹)
A	2,50,000	22,500	22,500	
B	4,50,000			81,000
C	50,000			9,000
D	2,00,000			36,000
E	50,000			9,000

Only in case of supply of services in State 'A', the location of supplier (State 'A') and the POS are in the same State, hence the same is an intra-State supply in terms of section 8(1) of the 1GST Act and is thus, liable to CGST and SGST. In all the remaining cases of supply of services, the location of the supplier (State 'A') and the places of supply (States 'B', 'C', 'D' & 'E') are in two different States, hence the same are inter-State supplies liable to IGST [Section 7(1)(a) of the IGST Act read with section 5(1) of that Act].

**Question : 5 (a)**

**8 Marks**

Computation of GST liability of Mrs. Kajal for the month of January, 20XX

S.N.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	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) of the CGST Act, 2017 and is an inter-	55,000			9,900

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	State supply. Accordingly, IGST @ 18% will be charged]				
(ii)	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) of the CGST Act, 2017. Also, it's an intra-State supply. Accordingly, CGST and SGST @ 14% each will be charged.] Further, interest of 6,400 charged for delayed payment as collected from Ram Fancy Store will be included in the value of supply in terms of section 15(2) of the CGST Act, 2017. Therefore, total value of supply 5,05,000 [ 5,00,000+ (6,400 × 100/128)]	5,05,000	70,700	70,700	
(iii)	Free gifts to customers [Cannot be considered as supply under section 7. read with Schedule I of CGST Act as gifts are given to unrelated customers without consideration]		Nil	Nil	Nil
(iv)	Event management services provided free of cost to brother (not dependent on her) for his son's marriage [Cannot be considered as supply u/s 7 read with Schedule I of the CGST Act as service is provided to unrelated person without consideration.] [Note 1]		Nil	Nil	Nil
(v)	Chairs and coolers hired out to Function Garden [Since Mrs. Kajal is not a GTA, transportation services provided by her are exempt [Notification. No. 12/2017 CT(R) dated 28.06.2017]. 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. Also, it's an intra-State supply. Accordingly, transportation service will also be taxed at the rate applicable for renting of chairs and coolers, viz. CGST and SGST @ 6% each.] [Note-2]	3,30,000	19,800	19,800	

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(vi)	Transportation of chairs and coolers by GTA [GST on GTA services availed is payable under reverse charge mechanism since GTA is unregistered. Being an intra-State supply, CGST and SGST will be chargeable @ 2.5% each.]	30,000 (20 x 1,500)	750	750	
	Gross GST liability		91,250	91,250	9,900

Note: As per section 2(30) of the CGST Act, 2017, 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 (being provided by a person other than a GTA), 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.

**Question : 5 (b)**

**6 Marks**

I. Intra-State supply of goods by A to B

	₹
Value charged for supply of goods	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
<b>Total price charged by A from B</b>	<b><u>59,000</u></b>

A does not have credit of CGST, SGST or IGST. Thus, the entire CGST (₹ 4,500) & SGST (₹ 4,500) charged will be paid in cash by A, which shall be allocated to Central Govt. and Karnataka Govt. in specified manner.

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II. Inter-State supply of goods by B to X Ltd. – Margin @ 10%

	₹
Value charged for supply of goods (₹ 50,000 x 110%)	55,000
Add: IGST @ 18%	9,900
Total price charged by B from X Ltd.	64,900

Computation of IGST payable by B to Central Govt. in cash

IGST Payable	9,900
Less Credit of CGST	4,500
Less Credit of SGST	4,500
IGST Payable to CG in Cash	900

Credit of CGST and SGST can be used to pay IGST provided the SGST credit shall be utilised towards payment of IGST only where the balance of CGST credit is not available for payment of IGST.

III. Intra-State supply of goods by X Ltd. to Y

	₹
Value charged for supply of goods (₹ 55,000 x 110%)	60,500
Add: CGST @ 9%	5,445
Add: SGST @ 9%	5,445
Total price charged by X Ltd. from Y	<u>71,390</u>

Computation of CGST and SGST payable by X Ltd in cash

	₹
CGST payable	5,445
Less: Credit of IGST	(5,445)
CGST payable to Central Govt. in cash	Nil
SGST payable	5,445

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Less: Available Credit of IGST [₹ 9,900 – ₹ 5,445]	(4,455)
SGST payable to Telangana Govt. in cash	990

Credit of IGST shall first be utilised towards payment of IGST and the amount remaining, if any, may be utilised towards the payment of CGST and SGST/UTGST, as the case may be, in any order and in any proportion. Here, there is no payment to be made with respect to IGST so its credit balance will be directly utilised for making payment of CGST or SGST, in any order. Central Govt. will transfer IGST of ₹ 4,455 utilised in the payment of SGST to Telangana Govt..

### Question : 6 (a)

5 Marks

Rule 59(6) provides that:

- (1) a registered person shall not be allowed to furnish the details of outward supplies in Form GSTR-1, if he has not furnished the return in Form GSTR-3B for the preceding month.
- (ii) a registered person, opting for QRMP scheme, shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using Invoice Furnishing Facility (IFF), if he has not furnished the return in Form GSTR-3B for preceding tax period.
- (iii) a registered person, to whom an intimation has been issued on the common portal under the provisions of rule 88C(1) in respect of a tax period, shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF for a subsequent tax period, unless he has either deposited the amount specified

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in the said intimation or has furnished a reply explaining the reasons for any amount remaining unpaid, as required under the provisions of rule 88C(2).

(iv) a registered person, to whom an intimation has been issued on common portal under provisions of rule 88D(1) in respect of a tax period/periods, shall not be allowed to furnish Form GSTR-1/IFF for a subsequent tax period, unless he has either paid the amount equal to the excess ITC as specified in the said intimation or has furnished a reply explaining the reasons in respect of the amount of excess ITC that still remains to be paid, as required under provisions of rule 88D(2);

(v) a registered person shall not be allowed to furnish Form GSTR-1/IFF, if he has not furnished the details of the bank account as per the provisions of rule 10A.

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**Question : 6 (b)**

**5 Marks**

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.

Circular No. 11/11/2017 GST has clarified that 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.

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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 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 : 6 (c)**

**4 Marks**

Sitting fee paid to director - As per RCM notification, tax on services supplied by a director of a company/body corporate to the said company/body corporate, located in the taxable territory, is payable under RCM. Hence, in the present case, the sitting fee amounting to ₹ 25,000, payable to Arpan Singhania by

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Narayan Limited, is liable to GST under RCM and thus, recipient of service - Narayan Limited - is liable to pay GST on the same.

Salary paid to director - As per Circular No.140/10/2020 GST, the part of director's remuneration which is declared as salary in the books of a company and subjected to TDS under section 192 of the Income tax Act, are not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III. Therefore, in the given case, the salary received by Arpan Singhania of ₹ 1.5 lakh is not liable to GST.

Services provided by Tapasya & Associates - Tapasya & Associates have rendered certain professional services to Narayan Limited. The fact that Arpan Singhania is a partner in Tapasya & Associates and a director in Narayan Limited does not have any impact on the taxability of the professional services supplied by Tapasya & Associates to Narayan Limited. The professional services provided by Tapasya & Associates to Narayan Limited are liable to GST under forward charge and thus, supplier - Tapasya & Associates - is liable to pay GST on the same.

OR

As per section 10(1), a registered person, whose aggregate turnover in the preceding FY did not exceed ₹ 1.5 crore in a State/UT [₹ 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir], may opt for composition scheme.

However, he shall not be eligible to opt for composition scheme if, inter alia, he is engaged in making inter-State outward supplies of goods.

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In the given case, since Ranveer Industries is engaged in making inter-State supplies of ready garments, it is not eligible to opt for composition scheme in current year irrespective of its turnover not exceeding the threshold limit of ₹ 75 lakh in the preceding FY.

Further, if the proper officer has reasons to believe that a taxable person has paid tax under composition scheme despite not being eligible, such person shall, in addition to any tax payable, be liable to a penalty and provisions of section 73 or 74 shall, mutatis mutandis, apply for determination of tax and penalty.

Thus, the action taken by the proper officer of levying the penalty for wrongly availing the composition scheme is valid in law.

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