



## **PAPER – 5: INDIRECT TAX LAWS**

- (1) All questions have been answered on the basis of position of (i) GST law as amended by the Finance Act, 2024 and the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 30.06.2025 and (ii) customs law as amended by the Finance Act, 2024 and the Finance (No. 2) Act, 2024 including significant notifications and circulars issued and other legislative amendments made, which have become effective up to 30.06.2025.
- (2) Unless otherwise specified, the section numbers and rules referred in questions and answers relating to GST pertain to the Central Goods and Services Tax Act, 2017 and the Central Goods and Services Tax Rules, 2017 respectively.
- (3) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. The rates of customs duty are also hypothetical and may not necessarily be the actual rates. Further, GST compensation cess should be ignored in all the questions, wherever applicable.



### **QUESTIONS**

#### **Case scenario – I**

BCM Ltd., a public limited company ('Company'), registered in Uttar Pradesh, is engaged in manufacturing of Product A, Product B and Product C. Product A is exempt under GST while Product B and Product C are taxable under GST. Moreover, Company is engaged in making cross border supplies of taxable

Product D procured domestically from local manufacturers. Further, it is engaged in supplying consultancy services. Following information is provided by the Company for the month of January:

1. The Company manufactured Product A and exported 1,000 units of the same worth ₹ 8,00,000 to Germany.
2. The Company supplied Product C of value of ₹ 35,00,000 to Dhriti Ltd. Noida, Uttar Pradesh (including Product C worth ₹10,00,000 supplied to SEZ unit of Dhriti Ltd. in Noida).
3. The Company imported specialised heavy textile machinery from China on 2<sup>nd</sup> January, with CIF value of ₹ 55,00,000 and FOB value of ₹ 53,00,000. It sold the said machinery for ₹ 62,00,000 in high sea to Swadeshi Textiles, Delhi. While clearing the goods for home consumption, Swadeshi Textiles filed bill of entry for ₹ 63,00,000. After clearing the machinery for home consumption, Swadeshi Corporation sold the machinery to Gargi Industries for ₹ 70,00,000.
4. The Company purchased Product Z for ₹ 10,00,000 from Prism Corporation, Japan on 5<sup>th</sup> January and directly routed Product Z for supply to Ginsing Corporation, China for ₹ 12,00,000 on 15<sup>th</sup> January.
5. The Company purchased Product D as a merchant exporter for ₹ 7,00,000 vide a tax invoice dated 1<sup>st</sup> January from Shravan Ltd., a manufacturer registered in Maharashtra. Product D was removed on 2<sup>nd</sup> January from the premises of Shravan Ltd. supplied directly to a registered warehouse. Shravan Ltd. has procured inputs X and inputs Y worth ₹ 1,00,000 and ₹ 60,000 taxable @ CGST - 9%, SGST - 9% and IGST - 18% for manufacturing Product D. Product D was exported by the Company to Gates Inc. of USA. FOB value of Product D exported is ₹ 8,40,000.
6. The Company supplied consultancy services to its subsidiary company, XYZ Inc., located and registered in Florida, USA and to its branch office located in San Diego, USA for ₹ 12,00,000 and ₹ 24,00,000 (value of supply in both cases is determined as per rule 28 respectively).
7. Company sold a future derivative contract at NSE (National Stock Exchange) which was due in the month of January, for ₹ 20,00,000. Said contract had no delivery option.

**Notes:**

- A. Rates of CGST, SGST and IGST on all inward and outward supplies unless otherwise specified are 6%, 6% and 12%.
- B. All the figures given above are exclusive of GST, wherever applicable. The amounts given in respect of import and export transactions in rupees have been arrived after conversion thereof, though transactions were undertaken in convertible foreign currency.
- C. BCM Ltd. makes zero-rated supplies under a bond or letter of undertaking (LUT).

**Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos 1 to 6 below:**

- 1. Company can take ITC of \_\_\_\_\_ on Product D procured by it as a merchant exporter.
  - (a) IGST - ₹ 700
  - (b) CGST - ₹ 350 and SGST - ₹ 350
  - (c) CGST - ₹ 700 and SGST - ₹ 700
  - (d) nil
- 2. If Company does not export Product D procured by it as a merchant exporter till \_\_\_\_\_, it cannot avail benefit of concessional rate under *Notification No. 41/2017 IT(R) dated 23.10.2017*.
  - (a) 1<sup>st</sup> April of next financial year
  - (b) 31<sup>st</sup> March of current financial year
  - (c) 2<sup>nd</sup> April of next financial year
  - (d) 3<sup>rd</sup> April of next financial year
- 3. Which of the following statements is true with respect to Product D procured by Company as a merchant exporter?
  - (a) Shravan Ltd. can claim ITC on inputs used for manufacturing Product D. Under GST law, the Company is permitted to export Product D on payment of IGST also.

- (b) Shravan Ltd. can claim ITC on inputs used for manufacturing Product D. Under GST law, the Company is permitted to export Product D only under LUT/bond and not on payment of IGST.
- (c) Shravan Ltd. cannot claim ITC on inputs used for manufacturing Product D. Under GST law, the Company is permitted to export Product D only under LUT/bond and on payment of IGST.
- (d) Shravan Ltd. cannot claim ITC on inputs used for manufacturing Product D. Under GST law, the Company is permitted to export Product D on payment of IGST also.
4. Compute the value of zero-rated supplies made by the Company in January.
- (a) ₹ 93,40,000
- (b) ₹ 38,40,000
- (c) ₹ 1,05,40,000
- (d) ₹ 26,40,000
5. Assessable value of the machinery cleared for home consumption by Swadeshi Textiles is \_\_\_\_\_.
- (a) ₹ 55,00,000
- (b) ₹ 63,00,000
- (c) ₹ 62,00,000
- (d) ₹ 70,00,000
6. Compute the value of exempt supply made by the Company in January for the purpose of reversal of input tax credit.
- (a) ₹ 8,00,000
- (b) ₹ 20,000
- (c) ₹ 67,00,000
- (d) ₹ 20,00,000

**Case scenario – II**

Vision Weave Private Limited manufactures taxable textile products. It has two manufacturing units in Kanpur and Agra - both in Uttar Pradesh, a manufacturing unit in Punjab, a retail showroom in Lucknow (Uttar Pradesh) and another retail showroom in Delhi. The company has the policy of obtaining single registration for all places of business located in a State.

The company has provided the following details with regard for the month of January:

(Amount in ₹)

S. No.	Particulars	Retail Showroom at Lucknow	Kanpur unit	Agra unit
(i)	Sale of taxable goods	6,50,000	12,50,000	13,50,000
(ii)	Purchase of taxable raw material	-	12,70,000	11,80,000
(iii)	Payment made for security personnel services	-	1,50,000	1,10,000
(iv)	Freight paid to Fleet Wave Cargo, an unregistered Goods Transport Agency	-	35,000	40,000
(v)	Freight paid to horse cart puller for intra-city transport of goods	5,000	-	-
(vi)	Loading & unloading charges paid to labourer	-	4,000	2,500
(vii)	Payment to Swift Ride Services Pvt. Ltd. towards rentals of four Innova cars (air conditioned) hired for senior officers of the manufacturing units	-	38,000	35,000
(viii)	Rent paid to Lucknow Municipal Corporation for the Retail Showroom	3,20,000	-	-

(ix)	Interest received on fixed deposits with a nationalized bank	-	-	1,08,000
(x)	Fees paid to the State Government for certification relating to safety of workers. Such certification is a statutory requirement for manufacturers of textile products.	-	15,000	15,000
(xi)	Sale of securities [Such securities were purchased for ₹ 10,50,000.]	-	12,00,000	-
(xii)	Sale of agricultural land in the vicinity of the manufacturing plant [Stamp duty was paid on ₹ 2,20,00,000.]	-	-	2,05,00,000
(xiii)	Sale of old factory building which was not used anymore [Stamp duty was paid on ₹ 81,00,000.]	-	96,00,000	-

Following additional information is provided by the company:

1. In case of Kanpur unit, payment for security services for the month of January has been made to Guardian Shield Security Pvt. Limited, a company not registered under GST. For Agra unit, the payment for security services for the month of January has been made to Peace Keeper Security Solutions, a partnership firm registered under GST.
2. Fleet Wave Cargo has issued the invoice for goods transportation services on January 05, on Kanpur unit and Agra unit. While Kanpur unit made the payment on January 27, Agra unit made the payment on March 28. Tax invoices are issued by Kanpur unit and Agra unit for goods transportation services on February 01 and January 29 respectively.

3. Stock valued at ₹ 7,30,000 was transferred from Kanpur unit to Agra unit on January 16. Further, stock valued at ₹ 6,80,000 was also transferred from Punjab unit to Retail Showroom at Delhi on January 22. The same was billed to Delhi Retail Showroom at ₹ 5,00,000.

All the amounts mentioned in the case scenario are exclusive of taxes, wherever applicable. Agra manufacturing unit and Retail showroom located in Delhi are eligible for full ITC.

**Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 7 to 11 below:**

7. The aggregate value of inward supplies, which are exempt from GST, received by Kanpur and Agra units and Retail Showroom at Lucknow is-
- (a) ₹ 41,500
  - (b) ₹ 1,91,500
  - (c) ₹ 2,99,500
  - (d) ₹ 35,000
8. Which of the following transactions undertaken by Kanpur and Agra units fall under Schedule III of the CGST Act, 2017?
- (i) Sale of agricultural land in the vicinity of the manufacturing plant
  - (ii) Sale of old factory building which was not used anymore
  - (iii) Sale of securities
  - (iv) Interest received on fixed deposits with nationalized banks
- (a) (i) and (ii)
  - (b) (iv)
  - (c) (i), (ii) and (iv)
  - (d) (i), (ii) and (iii)
9. The value of inward supplies received by Agra and Kanpur units and Retail Showroom at Lucknow of Vision Weave Private Limited during the month of January, on which GST is payable under reverse charge is -
- (a) Agra unit - ₹ 1,85,000; Kanpur unit - ₹ 2,23,000; Retail Showroom - ₹ 3,20,000

- (b) Agra unit - ₹ 1,87,500; Kanpur unit - ₹ 2,27,000; Retail Showroom – Nil
- (c) Agra unit - ₹ 1,50,000; Kanpur unit - ₹ 1,85,000; Retail Showroom – ₹ 3,20,000
- (d) Agra unit - ₹ 1,50,000; Kanpur unit - ₹ 35,000; Retail Showroom – ₹ 3,20,000
10. The time of supply of goods transportation services provided by Fleet Wave Cargo is –
- (a) Agra unit – January 5; Kanpur unit – January 5
- (b) Agra unit – February 28; Kanpur unit – January 27
- (c) Agra unit - January 29; Kanpur unit - January 27
- (d) Agra unit - January 20 of year following the year; Kanpur unit – February 20
11. The value of supply made from Kanpur unit to Agra unit and from Punjab unit to Retail Showroom at Delhi during January is-
- (a) Value of supply from Kanpur unit to Agra unit – ₹ 7,30,000; Value of supply from Punjab unit to Delhi Retail Showroom - ₹ 6,80,000
- (b) Value of supply from Kanpur unit to Agra unit – Nil; Value of supply from Punjab unit to Delhi Retail Showroom – Nil
- (c) Stock transfer between Kanpur unit and Agra unit is not a supply. Value of supply made vide stock transfer from Punjab unit to Delhi Retail Showroom is ₹ 5,00,000.
- (d) Value of supply from Kanpur unit to Agra unit – ₹ 7,30,000; Value of supply from Punjab unit to Delhi Retail Showroom - ₹ 5,00,000
12. Rajesh, an importer, cleared a shipment of electronic goods. After clearance, he realized that the duty paid was less than the actual due amount because of a clerical error in the entry filed. He wishes to revise the entry to correct this. However, recently, the customs department initiated an audit and informed Rajesh about it. Rajesh wishes to voluntarily revise the entry details at this stage.

Which of the following statement(s) is most appropriate in this regard?

- (a) Yes, Rajesh can revise the entry details at any time after clearance by filing the prescribed form.
  - (b) Yes, but only if he pays the difference along with interest and penalty.
  - (c) No, as revision of entry is not allowed once an audit or search action has been initiated and the importer has been intimated.
  - (d) No, Rajesh must wait for the audit to finish before revising the entry.
13. OnePoint Supply Private Limited, a registered entity under GST in the State of Maharashtra, is engaged in making various supplies. It provides the following information for the month of April:

S. No.	Particulars	Amount (₹)
	<b>OUTWARD SUPPLY:</b>	
(i)	Supplied a consignment of 50 Power Drill Kits to M/s BuildPro & Sons in the State of Maharashtra at the instruction of M/s ToolMart of Tamil Nadu	6,00,000
(ii)	Supplied silk yarn (manufactured from silk worm cocoons) to SilkAura Creations for manufacturing saree. SilkAura Creations is not registered under GST. Invoice issued for the supply contains the address of the factory of SilkAura Creations located in Nasik, Maharashtra	4,00,000
(iii)	Provided complimentary training at Kalyani Village Resort, Mumbai, Maharashtra to its agents within Maharashtra on effective handling of customer queries [Open market value of said service is ₹ 2,60,000. Value of supply of service of like kind and quality is ₹ 2,50,000.]	9,00,000

(iv)	Transferred the tenancy rights of a commercial complex (taken on rent) located in Mumbai for a tenancy premium to Nexus Source Ltd. of Kanpur, Uttar Pradesh. Stamp duty and registration fee have already been paid on the tenancy premium.	8,00,000
<b>INWARD SUPPLY:</b>		
(i)	Imported Bluetooth speakers from Korea [The goods landed in Mumbai Port and reached at its registered premises on 30 <sup>th</sup> April. Value for the purpose of levying IGST is ₹ 4,00,000.]	
(ii)	Participation fee paid for the business exhibition held in Germany organised by Dhvani India Limited	45,00,000
(iii)	Salary paid to employees on rolls	10,40,000
(iv)	Consumables procured from registered suppliers located in Gujarat [includes diesel (excise and VAT paid) worth ₹ 75,000 used for running machinery in the factory.]	1,50,000

The company provided the following additional information:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.
- (ii) All the amounts given above are exclusive of taxes, wherever applicable.
- (iii) There was no opening balance of any ITC.

From the information given above, you are required to compute the eligible Input Tax Credit (ITC) available and minimum net GST liability in cash (CGST, SGST or IGST, as the case may be), payable through Electronic Cash ledger and through ICEGATE portal of customs, for the month of April for One Point Supply Private Limited, Maharashtra.

14. Zenith Chemical & Allied Ltd. is a diversified Indian conglomerate dealing in specialty chemicals, industrial reagents and allied services.

Over the years, it has established production, trading and services units across multiple States. It has obtained separate Input Service Distributor (ISD) registration in the State of Kerala. The ISD receives invoices for services used across the group and distributes the Input Tax Credit (ITC) pertaining to these invoices to the various units. Following details are furnished for a particular month, and you are required to distribute the ITC to other units that are carrying manufacturing, trading and supplying services to the customers.

Sl. No.	Particulars	Amount in lakh (₹)
(1)	Turnover in the relevant month of each of the units:	
	Mumbai (Maharashtra)	12.00
	Bangalore (Karnataka)	60.00
	Hyderabad (Andhra Pradesh)	36.00
	Trivandrum (Kerala)	72.00
(2)	Total ITC of input services available during the month with the ISD (includes CGST/ SGST & IGST) on account of supplies received during the month	48.00
(3)	Out of the above, ITC of input services exclusive to Bangalore unit, available as IGST credit	12.00
(4)	Out of the above, ITC of input services exclusive to Trivandrum and Hyderabad units (CGST and SGST of ₹ 3.00 lakh each)	6.00
(5)	Rest of the credit of input services available is allocable as common credit to all the units and is received from local suppliers in Kerala	
(6)	Basic value of a debit note received for input services during the month, in respect of a previous supply, with tax levied @ 12% IGST - being charged and shown separately	50.00

	This pertains to all the four units of the company.	
(7)	Total value in the credit note received for input services, during the month, applicable exclusively to Trivandrum (Kerala) unit, taxed at the rate of 9% CGST and 9% SGST, which is charged and indicated separately	118.00 (inclusive of GST)

**Notes:**

- All the above amounts are exclusive of GST unless otherwise specified.
  - Also make your comments regarding the amount of ITC in credit notes, if exceeds the ITC from invoices and debit notes in a particular month for all or any of the units.
15. ArchiSpace Designs Private Limited (hereinafter referred as ArchiSpace) and Skyview Infra LLP (hereinafter referred as Skyview) entered into an agreement in June to provide architectural services. Skyview paid an advance of ₹ 2,00,000 on 15<sup>th</sup> May for provision of said services. However, before ArchiSpace could render the architectural services (scheduled to be supplied in June), the contract was cancelled on 25<sup>th</sup> May due to some legal permission delays.
- ArchiSpace had already issued an invoice for the advance in May and had paid the applicable GST on the advance amount. As its tax consultant, you are required to advise whether ArchiSpace is eligible to claim a refund of the GST already paid on the advance or whether it should adjust its tax liability in its GST returns.
16. Mr. Vikramaditya Rao, a registered supplier under GST in the State of Gujarat, is engaged in providing financial consultancy services across various States in India. He made several taxable supplies during the month of April. On 18<sup>th</sup> April, he collected the IGST of ₹ 15,50,000 from his clients for services rendered. However, owing to internal accounting delays and a system migration going on in his firm, Mr. Rao failed to deposit the said tax amount within 30 days from the due date of payment.

No Show Cause Notice (SCN) had been issued by the GST Department until that time. Before any such notice could be served, Mr. Vikramaditya Rao, upon reconciling his accounts, voluntarily decided to discharge his outstanding tax liability. He believes that if the tax is paid before the issuance of an SCN, no penalty would be levied and only interest, if any, would be payable.

Accordingly, Mr. Rao self-assessed his total tax liability of ₹ 15,50,000 and made the payment on 26<sup>th</sup> June.

You are required to determine, under the relevant provisions of the GST law and rules made thereunder, the interest and penalty, if any, payable by Mr. Vikramaditya Rao in this case, assuming that he has not opted for Quarterly Return Monthly Payment scheme.

17. Singsang Ltd., a registered company under the GST law in the State of Uttar Pradesh, is engaged in the business of manufacturing and supplying electronic musical instruments. The company has an office and warehousing facility in Noida, Uttar Pradesh, from where it carries out its business operations and maintains all accounting and GST related records.

On 10<sup>th</sup> July, Singsang Ltd. received a notice for audit from the jurisdictional tax authority under section 65. Singsang Ltd. submitted all the records, books of accounts and supporting documents as sought by the tax authority on 25<sup>th</sup> July.

Subsequently, the tax audit team visited the premises of Singsang Ltd. in Noida on 8<sup>th</sup> August for conducting the audit.

Determine the time-limit within which the audit under section 65 is required to be completed assuming that no extension is permitted in the given case.

18. M/s. Global Machines Pvt. Ltd., an importer based in Chennai, imported a consignment of specialized steel rods in May, 2025 for manufacturing high-precision auto parts. Since the company does not have the required machinery for cutting and shaping, it sent these rods to a local job worker, M/s. Sharp Tools & Co. same day under a delivery challan and e-way bill, mentioning the description and quantity of rods. The job

worker maintains records of receipt, the processes carried out and the scrap generated.

However, due to delays in production schedules, the rods remain with the job worker till June, 2026. Upon inspection by the jurisdictional Customs Officer, the importer is unable to establish proper utilization of some of the rods as per the particulars furnished earlier.

Based on the above-mentioned information furnished by M/s. Global Machines Pvt. Ltd., you are required to answer the following questions based on the Customs (Import of Goods at Concessional Rate of Duty or for Specified Purposes) Rules, 2022 as amended:

- (a) What is the maximum time limit for which the goods can be sent to the job worker? Has Global Machines Pvt. Ltd. complied with this requirement?
  - (b) Discuss whether the importer shall be responsible for ensuring that the said goods are used in accordance with the purposes provided in the aforesaid rules?
  - (c) What record-keeping responsibilities does the job worker - Sharp Tools & Co. - have in this case?
  - (d) If part of the processed rods needs to be sent to another job worker for further finishing, which document must accompany such movement of goods?
19. The Central Government is in the process of drafting an amendment to the Foreign Trade Policy (FTP). During this process, it circulates a draft for stakeholder consultation and provides them 30 days for feedback. Global Exporters' Association (GEA) submits detailed suggestions, on the same. The Government acknowledges receipt of their suggestions but, in the final amendment, these recommendations are not accepted.
- GEA requests the Government to explain why their views were rejected. The Ministry provides a brief explanation, stating that acceptance of the suggestions would conflict with India's international obligations under a trade agreement.

Separately, another association, Fresh Food Exporters Forum (FFEF), also submitted views relating to said amendment. Their suggestions were not incorporated, and the Government did not provide any reasons for the rejection.

Based on the above mentioned information, you are required to answer the following:

- (a) Is the Central Government obliged to always consult stakeholders before formulating or amending the FTP?
  - (b) Whether the action taken by Government for rejecting the proposal of GEA and giving only limited reasons was valid? Explain with brief reasoning.
  - (c) Can FFEF demand the Government to legally disclose the reasons for not accepting its feedback? Also, list the situations where the Government is not required to provide reasons for rejecting stakeholder views.
20. BlueCrest Machinery Co., a manufacturing firm in India, imported a machine from a UK supplier in May. FOB value of the machine was 10,000 UK Pound. Air freight incurred was 3,000 UK Pound. Further, the buyer was required to pay licence fee in UK is 400 UK Pound. Moreover, the firm had paid a buying commission of ₹ 20,000 in India.

In this regard, following additional information is also provided:

- (a) Date of bill of entry was 20<sup>th</sup> May and the rate of exchange notified by CBIC on this date was ₹ 99.00 per one pound. Rate of basic customs duty was 7.5%.
- (b) Date of arrival of aircraft was 25<sup>th</sup> May and the rate of exchange notified by CBIC on this date was ₹ 98.50 per pound. Rate of basic customs duty was 10%.
- (c) Integrated tax was 12%.
- (d) Insurance premium details were not available.

You are required to compute the total customs duty and integrated tax payable on the importation of machine. You may make suitable assumptions wherever required.



SUGGESTED ANSWERS

Question No.	Answer
1.	(a) IGST - ₹ 700
2.	(a) 1 <sup>st</sup> April of next financial year
3.	(b) Shraavan Ltd. can claim ITC on inputs used for manufacturing Product D. Under GST law, the Company is permitted to export Product D only under LUT/bond and not on payment of IGST.
4.	(b) ₹ 38,40,000
5.	(b) ₹ 63,00,000
6.	(b) ₹ 20,000
7.	(d) ₹ 35,000
8.	(a) (i) and (ii)
9.	(d) Agra unit - ₹ 1,50,000; Kanpur unit - ₹ 35,000; Retail Showroom - ₹ 3,20,000
10.	(c) Agra unit - January 29; Kanpur unit - January 27
11.	(c) Stock transfer between Kanpur unit and Agra unit is not a supply. Value of supply made vide stock transfer from Punjab unit to Delhi Retail Showroom is ₹ 5,00,000.
12.	(c) No, as revision of entry is not allowed once an audit or search action has been initiated and the importer has been intimated.

**13. Computation of net GST payable in cash by OnePoint Supply Private Limited**

S. No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)
1.	Output tax liability (Refer working note-1)	1,08,000	1,08,000	1,08,000
2.	Less: Input Tax Credit (Refer working note -2)	Nil	Nil	(85,500)
3.	Net GST payable in cash through Electronic Cash Ledger on GSTN portal <b>[A]</b>	1,08,000	1,08,000	22,500
4.	IGST payable on import of Bluetooth speakers payable in cash through ICEGATE portal while making customs clearance <b>[B]</b>	Nil	Nil	72,000

**Working Note - 1**

**Computation of output tax liability**

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Consignment of Power Drill Kits supplied at the instruction of a third person  [Since it is a bill to ship to supply where the goods are delivered on the directions of a third person- M/s ToolMart, goods are deemed to be	6,00,000	-	-	1,08,000 [6,00,000 × 18%]

	received by such third person and thus, the place of supply is Tamil Nadu, in terms of section 10(1)(b) of the IGST Act, 2017. Hence, it is an inter-State supply.]				
(ii)	Supplied silk yarn to SilkAura Creations [Intra-State supply since place of supply is the location as per the address of the said person recorded in the invoice issued in respect of the said supply, viz. Maharashtra, in terms of section 10(1)(ca) of IGST Act, 2017. Further, tax will be payable under forward charge since such silk yarn is being supplied to an unregistered person ( <i>Notification No. 4/2017 IT (R) dated 28.06.2017 as amended</i> ).]	4,00,000	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	-
(iii)	Free of cost training to agents [Services provided by the company to agents without consideration	-	-	-	-

	is not deemed as supply in terms of para 3 of Schedule - I since only goods supplied by principal to agent are covered therein. Further, such services are also not covered in para 2 of Schedule I as agents are not related persons.]				
(iv)	Transfer of tenancy rights [Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable even though stamp duty and registration fee have been paid on the same <sup>1</sup> . It is an intra-State supply since place of supply is location of immovable property being Mumbai, Maharashtra.]	8,00,000	72,000 (8,00,000 x 9%)	72,000 (8,00,000 x 9%)	
	<b>Total output tax</b>		<b>1,08,000</b>	<b>1,08,000</b>	<b>1,08,000</b>

<sup>1</sup> Circular No. 44/18/2018 CT dated 02.05.2018

**Working Note – 2**

**Computation of input tax credit available for set-off**

<b>Particulars</b>	<b>Amount (₹)</b>	<b>CGST (₹)</b>	<b>SGST (₹)</b>	<b>IGST (₹)</b>
Import of Bluetooth speakers [Input tax, <i>inter alia</i> , includes IGST charged on import of goods.]	4,00,000	Nil	Nil	72,000 [4,00,000 × 18%]
Participation fee paid for the business exhibition held in Germany organised by Dhvani India Limited [Since services provided by an organiser to any person in respect of a business exhibition held outside India, no GST is payable on said services. Consequently, no ITC is available.]	-	-	-	-
Salary paid to employees on rolls [Services by an employee to the employer in the course of or in relation to his employment is not a supply in terms of	-			

para 1 of Schedule III and hence, no GST is payable thereon. Consequently, no ITC is available.]				
Consumables procured from suppliers in Gujarat [ITC on consumables, being inputs used in the course or furtherance 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 Government on recommendations of the GST Council in terms of section 9(2). Hence, there being no levy of GST on diesel, there cannot be any ITC; VAT & excise paid are not covered in the definition of input tax under section 2(62).]	75,000 [1,50,000 – 75,000]			13,500 [75,000× 18%]
<b>Total ITC available for set off</b>		<b>Nil</b>	<b>Nil</b>	<b>85,500</b>

**14. Computation of the amount of credit distributed by the ISD to various units of Zenith Chemical & Allied Ltd.**

Particulars	Mumbai Unit			Bangalore Unit			Hyderabad Unit			Trivandrum Unit		
	CGST	SGST	IGST	CGST	SGST	IGST	CGST	SGST	IGST	CGST	SGST	IGST
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
ITC exclusive to Bangalore unit available as IGST [ITC of IGST is distributed as IGST only.]						12						
ITC exclusive to Trivandrum and Hyderabad units [ITC of CGST and SGST is distributed as CGST and SGST to unit located in Kerala (Trivandrum unit) and as IGST to unit located in a different State (Hyderabad unit) in the ratio of 2:1.]									2	2	2	
Common credit for all units [Balance credit of CGST and SGST (since supplies are received locally) of ₹ 15 lakh each (₹ 48 lakh – ₹ 12 lakh – ₹ 6 lakh) to be distributed among all four units in proportion of their turnover of the relevant			2			10			6	6	6	

month, i.e., 1:5:3:6. Further, ITC will be distributed to Mumbai, Bangalore and Hyderabad unit as IGST and to Trivandrum unit as CGST and SGST.]														
Additional ITC [₹ 6 lakh (₹ 50 lakh × 12%)] on account of debit note received from supplier to be distributed among all four units in proportion of their turnover of the relevant month, i.e., 1:5:3:6. [ITC of IGST is distributed as IGST only.]			0.4			2				1.2				2.4
ITC to be reduced on account of credit note received from supplier, exclusive to Trivandrum unit 9% of (₹ 118 lakh × 100/118) [ITC of CGST & SGST is reduced as CGST & SGST credit]											(9)	(9)		
Total ITC apportioned to each unit	0	0	2.4	0	0	24	0	0	0	9.2	(1)	(1)		2.4
Negative amount apportioned to											1	1		

Trivandrum unit shall be added to its output tax liability since ITC distributed to it by ISD is less than the amount reduced on account of receipt of credit note												
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- 15.** When GST has been paid by the supplier on advances received for a service to be supplied in the future, the contract for which is subsequently cancelled, and for which the invoice was issued before the supply of service, the supplier is required to issue a credit note under section 34. The details of such credit notes must be declared in the GST return for the month in which the credit note is issued but not later than 30<sup>th</sup> November following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in the prescribed manner. In this situation, there is no need to file a separate refund claim. However, in cases where the supplier does not have any output liability against which the credit note can be adjusted, he may file a refund claim [*Circular No. 137/07/2020 GST dated 13.04.2020*].

Therefore, ArchiSpace must issue a credit note in accordance with the provisions of section 34. If there is no output liability available for adjustment, the company may proceed with a refund claim.

- 16.** Due date for payment of tax collected on 18<sup>th</sup> April is 20<sup>th</sup> May. However, since tax is actually paid on 26<sup>th</sup> June, interest @ 18% p.a. is payable for the period for which the tax remains unpaid [37 days] in terms of section 50 read with *Notification No. 13/2017 CT dated 28.06.2017*. Amount of interest is as follows:

$$= ₹ 15,50,000 \times 18\% \times 37/365 = ₹ 28,282 \text{ (rounded off)}$$

As per section 74A(11), where self-assessed tax/any amount collected as tax is not paid within 30 days from due date of payment of tax, then,

*inter alia*, option to pay such tax before issuance of SCN to avoid penalty, is not available.

Consequently, penalty equivalent to

- (i) 10% of tax, viz., ₹ 1,55,500 or
- (ii) ₹ 20,000,

whichever is higher,

is payable in terms of section 74A(5)(i). Therefore, penalty of ₹ 1,55,500 is payable by Vikramaditya Rao in the given case.

17. According to section 65(4), the audit must be concluded within 3 months from the date of commencement. The commencement of audit is defined as the **later** of the following two events:
1. The date on which the taxpayer provides the records and other documents as requested by the tax authorities; or
  2. The date on which the audit is actually carried out at the taxpayer's place of business.

In this scenario, the relevant dates are:

- Records and documents were made available by Singsang Ltd. on 25<sup>th</sup> July.
- The tax authority physically conducted the audit at the office of Singsang Ltd., Noida, Uttar Pradesh on 8<sup>th</sup> August.

The later date is 8<sup>th</sup> August, which is therefore considered as the date of commencement of audit.

Accordingly, the audit under section 65(4) must be completed within three months from 8<sup>th</sup> August.

18. (a) In accordance with Rule 7 of the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022, the maximum period for which the goods can be sent to the job worker is one year from the date of invoice or electronic way bill. Since the rods remained with the job worker, M/s. Sharp Tools & Co. beyond one year, the Global Machines Pvt. Ltd. has not complied with the requirement.

- (b) Yes, importer shall be responsible for ensuring that the said goods are used in accordance with the purposes prescribed in the rules and in the event of failure to do so, the jurisdictional Customs Officer would take necessary action against the importer prescribed under rules 11 & 12 of the Customs (Import of Goods at Concessional Rate of Duty or for Specified Purposes) Rules, 2022.
- (c) The job worker - Sharp Tools & Co.- have following record-keeping responsibilities in this case-
- i. It shall maintain an account of receipt of goods, manufacturing process undertaken thereon and the waste generated, if any, during such process; and
  - ii. It shall produce the account details before the jurisdictional Customs Officer as and when required by the said officer.
- (d) If part of the processed rods needs to be sent to another job worker for further finishing, the processed goods must move under the cover of an invoice or an electronic way bill.
19. (a) The Central Government, in the course of formulation of FTP, as and when it deems reasonable to do so, may seek views/ suggestions/ comments/ feedback from relevant stakeholders, including importers/exporters/industry experts with regard to formulation, incorporation of specific provision(s) or amendments in the FTP.
- However, Central Government reserves the right to *suo moto* formulate, amend or incorporate any specific provisions, without seeking views, suggestions, comments or feedback from stakeholders.
- Thus, the Central Government is not obliged to always consult stakeholders before formulating or amending the FTP.
- (b) If the views, suggestions, comments or feedback are not incorporated in the FTP, the Central Government may to the extent possible and if deems reasonable to do so, provide, to the relevant

stakeholders, including importers/exporters/industry experts the reasons for not considering their views etc. while formulating, amending or incorporating specific provisions in the FTP.

Thus, the action taken by Government is valid in rejecting the proposal of GEA and giving only limited reasons.

- (c)** Central Government is not obliged or mandated to disclose reasons for not incorporating views etc., that

No legal right is conferred on any person to seek reasons for his views, comments, opinions or feedback, not being incorporated in the FTP thereof. Disclosure is at the discretion of the Government.

Thus, FFEF cannot demand the Government to legally disclose the reasons for not accepting its feedback.

The Government is not required to provide reasons for rejection in case of stakeholder views that:-

- (i) adversely affect trade relations with any foreign country.
- (ii) adversely affect food, economic or national security of India;
- (iii) is in conflict with any government policies, strategic programs, international obligations or commitments or long-term plans and would undermine the objectives of such policies or programs;
- (iv) addresses matters unrelated to trade or serve narrow, private or special interests to the detriment of or contrary to the broader public interest, good; or
- (v) would require the disclosure of confidential or classified information Nothing shall confer any legal right whatsoever on any person to seek reasons for his views comments, opinions or feedback, not being incorporated in the FTP thereof.

**20. Computation of total customs duty and integrated tax payable by BlueCrest Machinery Co.**

Particulars	Amount (in £)
FOB value	10,000
Add: License fee required to be paid in UK [Note – 1]	<u>400</u>
Customs FOB value	10,400
Exchange rate is ₹ 99 per £ [Note – 2]	
	₹
Value in rupees	10,29,600.00
Add: Air freight [Restricted to 20% of ₹ 10,29,600 (Customs FOB value)] [Note – 3]	2,05,920.00
Insurance @ 1.125% of ₹ 10,29,600 [Note – 4]	11,583.00
Buying commission is not includible in the assessable value [Note – 5]	<u>-</u>
CIF Value	12,47,103.00
Assessable value	12,47,103.00
Rate of duty is 10% [Note – 6]	
Add: Basic custom duty @ 10% (₹ 12,47,103 × 10%) – rounded off (A)	1,24,710
Add: Social Welfare Surcharge (10% of ₹ 1,24,710) [rounded off] (B)	<u>12,471</u>
Value for integrated tax	13,84,284
Add: Integrated tax @ 12% -rounded off (C) [Note – 7]	1,66,114
<b>Total customs duty and integrated tax payable [(A) + (B) + (C)]</b>	<b>3,03,295</b>

**Notes:**

1. Licence fee relating to imported goods payable by the buyer as a condition of sale is includible in the assessable value - Rule 10(1)(c) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 [hereinafter referred to as Customs Valuation Rules].
2. Rate of exchange notified by CBIC on the date of filing of bill of entry has to be considered [Third proviso to section 14 of the Customs Act, 1962].
3. In case of goods imported by air, freight cannot exceed 20% of FOB value [Fifth proviso to rule 10(2) of the Customs Valuation Rules].
4. Insurance charges, when not ascertainable, have to be included @ 1.125% of FOB value of goods [Third proviso to rule 10(2) of the Customs Valuation Rules].
5. Buying commission is not included in the assessable value [Clause (a)(i) of sub-rule (1) of rule 10 of the Customs Valuation Rules].
6. 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 [Proviso to section 15 of the Customs Act, 1962].
7. Integrated tax is levied on the sum total of the assessable value of the imported goods, customs duties and applicable social welfare surcharge.