



## 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 (No. 2) Act, 2024 including significant notifications and circulars and other legislative amendments made, which are effective up to 28<sup>th</sup> February, 2025 and (ii) customs law as amended by the Finance (No. 2) Act, 2024 including significant notifications and circulars and other legislative amendments made, which are effective up to 28<sup>th</sup> February, 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

Super Lever Limited is engaged in manufacturing of taxable electronic goods. Its retail showroom located in Mumbai as well as two manufacturing units located in Mumbai and Nagpur are registered under same GSTIN under GST in the State of Maharashtra. The company has a manufacturing unit in Bangalore, registered under GST in the State of Karnataka and another retail

showroom located in Ahmedabad, registered under GST in the State of Gujarat.

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

S. No.	Particulars	Retail Showroom at Mumbai	Mumbai unit	Nagpur 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	-	1,50,000	1,10,000
(iv)	Interest received on fixed deposits with a nationalised bank			1,08,000
(v)	Sale of securities [Such securities were purchased for ₹ 2,75,000]		4,50,000	
(vi)	Sale of agricultural land in the vicinity of the manufacturing plant [Stamp duty was paid on ₹ 1,85,00,000]			1,85,00,000
(vii)	Sale of old factory building which was not used anymore [Stamp duty was paid on ₹ 75,00,000]		90,00,000	

Following additional information is provided by the company:

1. In case of Mumbai unit, payment for security services for the month of October has been made to Safe and Secure Solutions Pvt. Limited, a company not registered under GST. For Nagpur unit, the payment for

security services for the month of October has been made to Vigilante Solutions, a partnership firm registered under GST.

2. October being Diwali month, the Retail Showroom at Mumbai has sold combo packs of food processors and electric irons at a discounted rate to boost its sales. Each combo pack has been sold at a price of ₹ 6,000. Out of the total sales of Retail Showroom reported in table above, ₹ 1,50,000 is on account of such combo packs. For this purpose, electric irons were specially procured by the Retail Showroom from the market since the company does not manufacture the same. Few electric irons have been sold individually as well. Total sales of such electric irons is ₹ 36,000, which is included in the sales reported in table above.
3. Nagpur unit issued credit notes for ₹ 1,80,000 to its buyers in the month of November towards discount on account of making timely payment. The buyers were aware of such discount at the time of sale in October. All the buyers reversed the proportionate input tax credit on receiving the discount except one buyer who received credit note for ₹ 23,000. Nagpur unit reported sales (taxable goods) of ₹ 16,00,000 in the month of November.
4. Further, in the month of December, Mumbai unit received ₹ 3,15,000 as interest on delayed payment of sale consideration from its buyers (GST is separately recovered on same, if applicable). The interest pertains to the sale made in the month of October. Mumbai unit reported sales (taxable goods) of ₹ 12,00,000 in the month of December.
5. Stock valued at ₹ 7,30,000 was transferred from Mumbai unit to Nagpur unit on October 16. Further, stock valued at ₹ 6,80,000 was also transferred from Bangalore unit to Retail Showroom at Ahmedabad on October 22. The same was billed to Ahmedabad Retail Showroom at ₹ 5,00,000.
7. On October 23, a truck carrying finished goods of the Mumbai unit was intercepted by the proper officer. The proper officer was of the view that the e-way bill was not prepared in accordance with the provisions of the GST law. The truck along with the goods was seized by the proper officer under section 129. The seizure order was passed on October 23 and the same was communicated to Mumbai unit on October 24.

For this case scenario, the applicable rate of GST on electric irons procured from the market is 18% and all other remaining goods is 12%. All the amounts mentioned in the case scenario are exclusive of taxes, wherever applicable.

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

1. The value of taxable supply made by Nagpur unit during the month of October and its gross tax liability (without considering input tax credit) for the month of November is -
  - (a) Value of taxable supply – ₹ 13,50,000; Gross tax liability – ₹ 1,70,400
  - (b) Value of taxable supply – ₹ 11,70,000; Gross tax liability – ₹ 1,92,000
  - (c) Value of taxable supply – ₹ 13,50,000; Gross tax liability – ₹ 1,73,160
  - (d) Value of taxable supply – ₹ 12,78,000; Gross tax liability – ₹ 1,73,160
2. The value of taxable supply made by Mumbai unit during the month of October and its gross tax liability (without considering input tax credit) for the month of December is –
  - (a) Value of taxable supply – ₹ 1,07,00,000; Gross tax liability – ₹ 1,81,800
  - (b) Value of taxable supply – ₹ 15,65,000; Gross tax liability – ₹ 1,44,000
  - (c) Value of taxable supply – ₹ 17,00,000; Gross tax liability – ₹ 1,81,800
  - (d) Value of taxable supply – ₹ 12,50,000; Gross tax liability – ₹ 1,81,800
3. Which of the following statements is correct with regard to gross tax liability for outward supply made by Retail Showroom at Mumbai?
  - (a) The gross tax liability of Retail Showroom (without considering input tax credit) for the month of October is ₹ 89,160.
  - (b) The gross tax liability of Retail Showroom (without considering input tax credit) for the month of October is ₹ 80,160.
  - (c) The gross tax liability of Retail Showroom (without considering input tax credit) for the month of October is ₹ 78,000.
  - (d) The gross tax liability of Retail Showroom (without considering input tax credit) for the month of October is ₹ 73,680.

4. Value of exempt supply provided by Nagpur unit and Mumbai unit during the month of October is-
- (a) Nagpur unit - ₹ 1,08,000; Mumbai unit – Nil
  - (b) Nagpur unit - ₹ 1,86,08,000; Mumbai unit – ₹ 94,50,000
  - (c) Nagpur unit - ₹ 1,86,08,000; Mumbai unit - ₹ 4,50,000
  - (d) Nagpur unit - ₹ 1,08,000; Mumbai unit - ₹ 4,50,000
5. Value of exempt supply provided by Nagpur unit and Mumbai unit for the purpose of reversing input tax credit under rules 42 and 43 during the month of October is-
- (a) Nagpur unit - ₹ 1,08,000; Mumbai unit – ₹ 4,50,000
  - (b) Nagpur unit - ₹ 1,85,00,000; Mumbai unit – ₹ 75,04,500
  - (c) Nagpur unit - ₹ 1,86,08,000; Mumbai unit - ₹ 94,50,000
  - (d) Nagpur unit - ₹ 1,85,00,000; Mumbai unit – ₹ 79,50,000
6. The Mumbai unit wishes to file an appeal against the order passed by the proper officer authorising the seizure of the truck and the goods transported therein. Which of the following statements is correct in this context?
- (a) There is no appellate remedy against the orders passed by the proper officer under section 129.
  - (b) The Mumbai unit can directly file an appeal before the High Court under the CGST Act, 2017 as the GST Appellate Tribunal is yet to be constituted.
  - (c) The Mumbai unit can file an appeal with the Appellate Authority on or before January 24 of the next year.
  - (d) The Mumbai unit can file an appeal with the Revisional authority on or before January 23 of the next year.

**Case scenario – II**

Bella Petroleum Limited is engaged in the business of refining and marketing of petroleum products. It has one refinery each in the States of Tamil Nadu, West Bengal & Maharashtra and numerous administrative and marketing offices spread across the country.

The company has separate marketing cum administrative offices for every major State and common administrative cum marketing offices for a group of small States e.g., all north-eastern States are covered under one marketing cum administrative office. The company also blends lubricants in its blending plants located in the States of Maharashtra and Tamil Nadu.

As a policy, all the places of business of the company in a State are registered under GST under one registration.

Imported crude is used as input in the refinery and following major products are extracted after refining process:

Products chargeable to GST on forward charge basis (Group A)	Products not chargeable to GST (Group B)
Base oil (An input for blending lubricants)	Petrol
Furnace oil	Diesel
Bitumen (Used for road construction)	Air turbine fuel
LPG (Domestic and Industrial)	

Base oils are further sent to blending plants where they are blended with additives to produce lubricants. The company provides the following particulars for States of Tamil Nadu, Maharashtra and West Bengal for the month of January:

(Amount in thousands)

Particulars	Tamil Nadu (₹)	Maharashtra (₹)	West Bengal (₹)
Value of supply inclusive of all taxes/duties (Group B products)	1,650	3,400	1,575

Value of supply (Group A products) before all taxes/duties	100	200	20
Excise duty leviable on supply of Group B products	500	1,000	110
VAT on supply of Group B products	250	600	65
Tax paid on inputs and input services procured at the blending plant	5	6	0
Tax paid on spares procured at the refinery (Spares are booked in revenue account)	3	8	0
Tax paid on inputs and input services procured at the marketing cum administrative office	2	3	1
Tax paid on capital asset procured at the blending plant	0	5	0
Tax paid on capital asset procured at the refinery	12	0	0

Due to sudden fire in the store-room of the refinery located in Maharashtra on 28<sup>th</sup> February, the entire quantity of spares procured in the month of February itself, gets destroyed.

Assume that all of the Group A products are chargeable to GST @ 18% (including both CGST and SGST or IGST, as the case may be).

The opening balance of input tax credit of Bella Petroleum Limited for the relevant tax period is nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Further, there is no other inward or outward supply transaction for Bella Petroleum Limited in January and February apart from the aforementioned transactions.

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

7. The value of company's supply in the Union Territory of Puducherry is ₹ 32,34,000 (Group A products) and in the State of Goa is ₹ 18,38,000 (Group A and Group B products) for the current financial year. GST registration is:
  - (a) not required for both Puducherry and Goa
  - (b) not required for Goa but required for Puducherry
  - (c) required for both Puducherry and Goa
  - (d) not required for Puducherry but required for Goa
8. The eligible ITC attributable to taxable supply, available at marketing cum administrative office located in the State of Maharashtra, for the month of January, is:
  - (a) ₹ 3,000
  - (b) ₹ 300
  - (c) ₹ 166.67
  - (d) ₹ 1,500
9. The eligible ITC attributable to taxable supply in respect of the capital asset procured in the State of Tamil Nadu, for the month of January is:
  - (a) ₹ 12,000.
  - (b) ₹ 200.
  - (c) ₹ 11,811.11.
  - (d) ₹ 11,820.
10. Lubricant valued at ₹ 10,000 has been stock transferred from the blending plant located in the State of Tamil Nadu to the refinery located in the same State, in the month of January. The GST (CGST and SGST) payable on such transaction is:
  - (a) nil as the transaction is not a supply.
  - (b) ₹ 900.

- (c) ₹ 1,800.
- (d) nil as such supply is exempted from GST.
11. What action is required from Bella Petroleum Limited in respect to the spares destroyed by fire in February?
- (a) No action is required on the part of Bella Petroleum Limited under GST Law.
- (b) Bella Petroleum Limited should report to jurisdictional GST Department for verification of the loss of inputs on account of fire.
- (c) Bella Petroleum Limited should not avail ITC of tax paid on the spares.
- (d) Bella Petroleum Limited should reverse the ITC availed on the same.
12. ABC Pvt. Ltd. exported a consignment of goods to M/s George, located in France in January, 2024 and paid applicable export duty. Due to quality issues, M/s George rejected the goods, and they were returned to ABC Pvt. Ltd. in October, 2024 without any resale involved. The proper officer passed the clearance order for the returned goods on 15<sup>th</sup> October, 2024. ABC Pvt. Ltd. applied for a refund of the export duty on 10<sup>th</sup> May, 2025. Is ABC Pvt. Ltd. eligible for the refund of export duty under section 26 of the Customs Act, 1962?
- (a) Yes, because the goods were returned within one year of export and not resold.
- (b) No, because the refund application was filed beyond the time limit prescribed under section 26 of the Customs Act, 1962.
- (c) Yes, because the refund application was filed within one year of re-import.
- (d) No, because goods once exported are not eligible for duty refund under any circumstance.
13. Nandita Pvt. Ltd., registered under GST in the State of Rajasthan, is engaged in making various supplies of goods and services. It also has a branch located in Uttarakhand and a manufacturing unit in Jharkhand.

The company has provided the following transactions undertaken by Rajasthan office, for the month of January:

S. No.	Particulars	Amount (₹)
	<b>OUTWARD SUPPLY:</b>	
(i)	Entered into a forward contract for a commodity on the Multi Commodity Exchange (MCX) which was settled by netting off the difference between the forward rate and market rate on the settlement date in January itself	18,00,000
(ii)	Renting of dumpers including driver given for transport of minerals within the mining area in Jharkhand for a period of 2 years to Dhanvarsha Builders, registered in Jharkhand	11,50,000
(iii)	Manufactured the silk yarn from raw silk and supplied it to Gajodhar Traders, registered in Mumbai	80,00,000
(iv)	Amount received for accommodation services provided to 10 students preparing for UPSC. The said accommodation service is supplied for a continuous period of 6 months at a monthly rent of ₹ 20,000 per student.	2,00,000
(v)	Supplied branded electronic goods to a consignment agent -Suhasini Traders - in Jodhpur, Rajasthan. (Suhasini Traders issued an invoice using its own name while further supplying goods to customers.) Suhasini Traders supplied the goods of like kind and quality to the unrelated wholesalers in the States of Madhya Pradesh and Uttar Pradesh for ₹ 5,60,000 during the same month. Open market value is ₹ 5,40,000.	-
	<b>INWARD SUPPLY</b>	
(i)	Availed event management services from "White Frame Events" (registered in Rajasthan) for organising	5,50,000

	the company's product launch meet at a convention centre in Delhi.	
(ii)	Purchased high-capacity industrial machine from TechFab Engineering Ltd., a registered supplier based in Ranchi, Jharkhand to produce taxable items. As per the terms of the contract, parts of the machine were brought at the manufacturing unit located in Jharkhand and assembled and commissioned thereat and after recipient's inspection and approval, its delivery was completed.	2,00,000
(iii)	Purchased 3 electric scooters with engine capacity of 25 cc for use by its employees for commuting within the office premises and nearby client locations. Scooters were supplied in Jaipur by a GST-registered dealer located in Kerala.	1,80,000

The company provided the following additional information:

- (i) Some taxable goods were transferred to the company's branch located in Uttarakhand for promotional gifting by branch. Invoice value was ₹ 2,40,000, but open market value was ₹ 2,80,000.
- (ii) Nandita Pvt. Ltd. had secured a loan amounting to ₹ 120 crores in the month of April from Manimani Bank, Rajasthan. Penal charges amounting to ₹ 26,00,000 were levied by Manimani Bank in the month of January, in compliance with RBI directions, since Nandita Pvt. Ltd. failed to comply with the material terms and conditions of the loan contract.
- (iii) All the amounts given the question are exclusive of taxes, wherever applicable.
- (iv) All the inward supplies were used for taxable as well as exempted outward supplies.
- (v) There was no opening balance of any ITC for the relevant tax period.
- (vi) The company always chooses the most beneficial option for valuation of supplies made to agent and branches.

- (vii) Rates of CGST, SGST and IGST on all inward and outward supplies are 9%, 9% and 18% respectively.

Based on the information provided above, determine the following for Nandita Pvt. Ltd. (Rajasthan) for the month of January, providing brief reasoning thereof:

1. Eligible Input Tax Credit (ITC) available for set-off.
  2. Minimum net GST liability payable in cash (CGST and SGST or IGST, as the case may be).
14. Aakarsha Traders, a registered supplier under GST in Uttar Pradesh, had their GST registration cancelled retrospectively with effect from 1<sup>st</sup> September of current financial year. The cancellation order was passed on 15<sup>th</sup> September of current financial year. At the time of cancellation, the supplier had not availed ITC on certain eligible invoices issued in February and March of the preceding financial year for inward supplies of taxable goods on which ITC is otherwise available under GST law.

Subsequently, on filing an application for revocation, the cancellation of registration was revoked by the Proper Officer on 15<sup>th</sup> December of current financial year.

The firm wishes to file its GSTR-3B return for the month of September on 21<sup>st</sup> December of current financial year and wishes to claim ITC on the said invoices of February and March of preceding financial year in this return.

You are required to advise Aakarsha Traders whether it is entitled to claim input tax credit (ITC) in respect of invoices issued in February and March of the preceding financial year in terms of provisions of the GST law assuming that annual return for previous year is furnished on 31<sup>st</sup> December of the current financial year.

15. Arnav Enterprises, a registered supplier located in Madhya Pradesh, has duly filed its monthly GST returns for the financial year 2024–25. During the scrutiny of its returns for the said financial year in August 2025, the proper officer noticed an inadvertent short payment of CGST and SGST totaling ₹ 4,60,000 in the month of October 2024, on account of a

*bonafide* error. Before issuance of the show cause notice by the proper officer, Arnav Enterprises paid the tax of ₹ 1,00,000 (₹ 50,000 CGST and ₹ 50,000 SGST) on the basis of its own ascertainment along with applicable interest and with penalty, if any, on 15<sup>th</sup> September 2025 and informed the proper officer in writing of such payment.

Based on the facts above, answer the following:

- (1) Ascertain the last date by which show cause notice can be issued by the proper officer for the amount of tax short paid by Arnav Enterprises.
- (2) Determine the amount of penalty, if any, payable on the payment of tax of ₹ 1,00,000 by Arnav Enterprises on the basis of its own ascertainment along with applicable interest on 15<sup>th</sup> September 2025.
- (3) Assuming that the proper officer decides to issue a show cause notice under section 74A on 10<sup>th</sup> October 2025, determine the maximum amount of tax for which he can issue the show cause notice. Ascertain the last date by which the proper officer should issue order under section 74A assuming that show cause notice is issued by proper officer on said date.
- (4) In continuation of sub-part (3) above, if proper officer issues a show cause notice under section 74A on 10<sup>th</sup> October, 2025 for the amount of tax so allowed and Arnav Enterprises decides to pay said tax along with applicable interest, on 5<sup>th</sup> December, 2025, you are required to determine penalty, if any, payable by Arnav Enterprises.

In each of the above cases, will your answer be different if the short payment of tax is on account of fraud, other facts remain the same?

Note – Assume that the due date for furnishing annual return has not been extended and limitation period for issuance of order under section 74A has not been extended by the Commissioner. Ignore computation of interest in the above question.

16. The Appellate Authority (AA) passed an order against Venue Automobiles Pvt. Ltd. demanding IGST of ₹ 1,200 crore. Venue Automobiles Pvt. Ltd. wishes to file an appeal against the order of the

AA. The company admits the liability of ₹ 100 crore but wishes to litigate the balance demand amount and thus, files an appeal to the Appellate Tribunal.

You are required to determine the amount of the pre-deposit, which is required to be paid by Venue Automobiles Pvt. Ltd. for filing the appeal.

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

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

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

- (a) Apportionment of co-insurance premium by ABC Insurance Ltd. to XYZ Insurance Ltd. for the insurance services jointly supplied by them to Gyaati Industries.

- (b) Services by ABC Insurance Ltd. to PQR Insurance Ltd. for which ceding commission is deducted from reinsurance premium paid by ABC Insurance Ltd. to PQR Insurance Ltd.

18. Suhasi Electronics Pvt. Ltd., an importer, who availed the benefit of the notification imported the raw materials for manufacturing LED panels. No condition or time period has been specified in the notification in relation to re export of unutilized or defective goods, so imported. The goods were imported on 10<sup>th</sup> February, 2024.

However, a small portion of the goods received were found to be defective and remained unutilized due to a production shift in the company. Suhasi Electronics approached you to obtain advice for dealing with these defective and unutilized goods.

On the basis of provisions of the Customs (Import of Goods at Concessional Rate of Duty or for Specified Purposes) Rules, 2022 as amended, you are required to discuss:

- (a) Whether Suhasi Electronics can re-export these unutilised or defective goods? If yes, what is the maximum permissible time period, in which Suhasi Electronics can re-export the goods?
  - (b) What are the conditions applicable in case of re-export of goods?
  - (c) If Suhasi Electronics chooses to clear the goods for home consumption, explain the procedure for the same.
19. Mr. Fedrick imported second-hand goods from a supplier in the United Kingdom by air under a CIF contract. As part of the transaction, vendor inspection charges amounting to £ 600 were incurred. This inspection is carried out by the foreign supplier on his own and were neither contractually agreed nor essential for making the goods ready for shipment. Additionally, a commission is payable to a local agent in India, calculated at 1% of the FOB (Free on Board) value in Indian currency.
- The bill of entry was filed on 18<sup>th</sup> February, on which date the basic customs duty rate was 10%, and the exchange rate notified by CBIC was ₹ 102 per UK Pound. The aircraft carrying the goods arrived on 15<sup>th</sup> February, when the customs duty rate was 15%, and the CBIC-

notified exchange rate was ₹ 98 per UK Pound. The inter-bank exchange rate prevailing on both dates was ₹ 106 per UK Pound.

However, the transaction underwent multiple price revisions due to fluctuations in international market rates between the date of contract and actual importation. Eventually, both parties settled on a negotiated price payable as follows:

Particulars	Contract Price (£)	Changed Price (£)	Negotiated Price (£)
CIF Value	5,200	5,900	5,500
Air Freight	400	600	500
Insurance	450	750	600

Compute the assessable value of second hand goods.

20. KW Fuels Pvt. Ltd. imported High Spirit Diesel (HSD) and stored it in a public warehouse. An ex-bond bill of entry for home consumption was filed and applicable customs duty was paid based on the rate prevalent on the date of presentation of such bill of entry. The proper officer passed an order for clearance for home consumption.

Owing to the highly inflammable nature of the commodity, the importer made an application to permit the storage of such diesel in the same warehouse until actual clearance for sale/use. The application was allowed. At the time of actual removal of goods from the warehouse, the rate of duty had been revised upwards.

The Department, invoking the revised duty rate, demanded payment of the differential duty on the ground that the goods were removed at a time when the higher rate was in effect. KW Fuels Pvt. Ltd. has contested the legitimacy of this demand.

Critically examine the validity of the Department's demand in light of the provisions of the Customs Act, 1962 and relevant judicial ruling, if any.


**SUGGESTED ANSWERS**

Question No.	Answer
1.	(c) Value of taxable supply – ₹ 13,50,000; Gross tax liability – ₹ 1,73,160
2.	(d) Value of taxable supply – ₹12,50,000; Gross tax liability – ₹ 1,81,800
3.	(a) The gross tax liability of Retail Showroom (without considering input tax credit) for the month of October is ₹ 89,160.
4.	(a) Nagpur unit - ₹ 1,08,000; Mumbai unit – Nil
5.	(b) Nagpur unit - ₹ 1,85,00,000; Mumbai unit – ₹ 75,04,500
6.	(c) The Mumbai unit can file an appeal with the Appellate Authority on or before January 24 of the next year.
7.	(c) required for both Puducherry and Goa
8.	(b) ₹ 300
9.	(d) ₹ 11,820.
10.	(a) nil as the transaction is not a supply.
11.	(c) Bella Petroleum Limited should not avail ITC of tax paid on the spares.
12.	(b) No, because the refund application was filed beyond the time limit prescribed under section 26 of the Customs Act, 1962.

**13. Computation of minimum net GST payable in cash by Nandita Pvt. Ltd. for the month of January**

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Forward derivatives contract [Forward derivative	18,00,000	-	-	-

	contracts where the settlement takes place by netting off the difference between the forward rate and market rate qualify as securities. Hence, they are neither goods nor services in terms of definitions of goods and services under sections 2(52) and 2(102). Thus, given transaction is not a supply.]				
(ii)	Renting of dumpers to Dhanvarsha Builders [Not specifically exempt. Further, it is an inter-State supply since place of supply provided to registered person is location of recipient, i.e. Jharkhand.]	11,50,000			2,07,000 [11,50,000 × 18%]
(iii)	Supply of silk yarn [Tax on silk yarn supplied by a person who manufactures it from raw silk to a registered person is payable under reverse charge by the recipient. Thus, tax is payable by Gajodhar Traders.]	80,00,000	-	-	

(iv)	Accommodation service provided to students [Supply of accommodation services having value of supply less than or equal to ₹ 20,000 per person per month is exempt provided that the accommodation service is supplied for a continuous period of atleast 90 days.]	2,00,000	-	-	-
(v)	Supply of goods to an agent [Supply of goods by the company to agent qualifies as supply in terms of para 3 of Schedule I of the CGST Act, 2017 since agent issues invoice to customers in its own name. Further, it is an intra-State supply since place of supply is location where movement of goods terminates, viz. Rajasthan. Moreover, value of supply of goods to	5,04,000	45,360 [5,04,000 × 9%]	45,360 [5,04,000 × 9%]	

	<p>agent is:</p> <p>(i) Open Market Value (₹ 5,40,000)</p> <p>or</p> <p>(ii) 90% of the price of goods of like kind and quality charged by recipient to unrelated customer ₹ 5,04,000 (₹ 5,60,000 × 90%),</p> <p>at the option of supplier [Rule 29].</p> <p>Since the company wishes to choose most beneficial option, least of the two values has been taken.]</p>				
(vi)	<p>Inter-State transfer of taxable goods to Uttarakhand branch</p> <p>[ITC of goods received for promotional gifting is not available to branch, as ITC in respect of goods disposed of by way of gift or free samples is blocked in terms of section 17(5)(h).</p> <p>Since recipient -branch - is not eligible for full ITC and goods are not intended for further</p>	2,80,000			<p>50,400</p> <p>[2,80,000 × 18%]</p>

	supply as such by it, value of supply of said goods shall be open market value (Rule 28).]				
(vii)	Penal charges [Penal charges levied by regulatory entities including banks, in compliance with RBI directions are essentially in the nature of charges for breach of terms of contract and hence, no GST is payable on the same <sup>1</sup> .]	26,00,000			
	<b>Total output tax</b>		<b>45,360</b>	<b>45,360</b>	<b>2,57,400</b>
	Less: ITC available for set off [Refer Working note below]		9,340	9,340	6,172
	<b>Minimum net GST payable in cash (rounded off)</b>		<b>36,020</b>	<b>36,020</b>	<b>2,51,228</b>

**Working Note - Computation of eligible ITC available for set off**

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
	Event management services availed [It is intra-State supply as place of supply of	5,50,000	49,500 [5,50,000 × 9%]	49,500 [5,50,000 × 9%]	

<sup>1</sup> Circular No. 245/02/2025 GST dated 28.01.2025

	event management services provided to registered person is location of recipient, i.e. Rajasthan. Further, ITC of services used in course or furtherance of business is available.]				
	Machine 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. Jharkhand. However, ITC of the same will not be available since the recipient of said intra-State supply is located in a different State than that of place of supply <sup>2</sup> .]	1,00,000	-	-	-
	Electric scooters purchased [It is inter-State supply since place of supply is Jaipur and supplier is in Kerala. Further, ITC on two-	1,80,000			32,400 [1,80,000 × 18%]

<sup>2</sup> Circular No. 170/02/2022 GST dated 06.07.2022

	wheelers with engine capacity upto 25cc, used in course or furtherance of business, is not blocked in terms of section 17(5)(a) since they are excluded from the definition of motor vehicle.]				
	<b>Total ITC</b>		<b>49,500</b>	<b>49,500</b>	<b>32,400</b>
	<b>Computation of eligible ITC available for set-off</b>				
	Common credit [All inward supplies are used commonly for exempt and taxable supplies.]		49,500	49,500	32,400
	Less: ITC attributable to exempt supplies [Common credit x (Exempt turnover/ Total turnover)] to be reversed  ₹ [Common credit × 82,18,000/1,01,52,000] – Refer note below		(40,070)	(40,070)	(26,228)
	<b>Eligible ITC available for set off</b>		<b>9,430</b>	<b>9,430</b>	<b>6,172</b>

**Note** - As per section 17(3), value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis and transactions in securities. As per explanation to Chapter V of the CGST Rules, the value of exempt supply for security is 1% of the sale value of such security.

Therefore, value of exempt supply in the given case will be the sum of value of output supply on which tax is payable under reverse charge (₹ 80,00,000), accommodation service provided to students (₹ 2,00,000), and value of supply of securities (1% of ₹ 18,00,000 = ₹ 18,000), which comes out to be ₹ 82,18,000.

Total turnover = ₹ 1,01,52,000 (₹ 18,000 + ₹ 11,50,000 + ₹ 80,00,000 + ₹ 2,00,000 + ₹ 5,04,000 + ₹ 2,80,000)

14. As per section 16(6), where:

- the registration of a registered person is cancelled under section 29,
- and subsequently cancellation is revoked by any order under section 30,
- and availment of ITC was not restricted under section 16(4) on the date of cancellation,

then such person is entitled to take ITC on such invoice or debit note in a return under section 39:

- (i) filed up to 30<sup>th</sup> November following the financial year to which such invoice or debit note pertains, or date of furnishing annual return, whichever is earlier; or
- (ii) for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within 30 days from the date of order of revocation of cancellation of registration

whichever is later.

In view of the aforementioned legal provisions in the given case, Aakarsha Traders is entitled to claim input tax credit (ITC) in respect of invoices issued in February and March of the preceding financial year in a return under section 39:

- (i) filed up to 30<sup>th</sup> November of current financial year

or

- (ii) return filed for the period from effective date of cancellation of registration till the date of order of revocation of cancellation of registration, within 30 days of revocation of cancellation i.e., up to 14<sup>th</sup> January

whichever is later.

Thus, Aakarsha Traders is entitled to claim input tax credit (ITC) in respect of invoices issued in February and March of the preceding financial year in the return for the month of September furnished on 21<sup>st</sup> December of current financial year.

- 15. (1)** The proper officer can issue a show cause notice within 42 months from the due date of furnishing the annual return for relevant financial year to which short payment relates to [Section 74A(2)]. For the financial year 2024–25, the due date for furnishing the annual return is 31<sup>st</sup> December, 2025. Therefore, the last date by which show cause notice can be issued by the proper officer for the amount of tax short paid by Arnav Enterprises is 30<sup>th</sup> June 2029.

Further, section 74A stipulates the same limitation period for issuance of show cause notice whether the short payment is on account of fraud or on account of a bonafide error. Thus, answer will remain same if the short payment of tax is on account of fraud.

- (2)** The person chargeable with tax where any tax has been short paid, may, before service of show cause notice, pay the amount of tax along with interest payable under section 50 of such tax on the basis of his own ascertainment of such tax and inform the proper officer in writing of such payment, and the proper officer, on receipt of such information shall not serve any show cause notice in respect of the tax so paid or any penalty payable under the provisions of the CGST Act or the rules made thereunder [Section 74A(8)(i)].

Thus, no penalty is payable by Arnav Enterprises in respect of payment of tax of ₹ 1,00,000 before issuance of show cause notice. No show cause notice will be issued by the proper officer in respect of the tax of ₹ 1,00,000 so paid.

However, in case where the short payment of tax is on account of fraud, the person chargeable with tax, may before service of show cause notice, pay the amount of tax along with interest payable under section 50 and a penalty equivalent to 15% of such tax on the basis of his own ascertainment of such tax or the tax as ascertained by the proper officer and inform the proper officer in writing of such payment, and the proper officer, on receipt of such information, shall not serve any show cause notice, in respect of the tax so paid or any penalty payable under the provisions of the CGST Act or the rules made thereunder [Section 74A(9)(i)].

Thus, a penalty of ₹ 15,000 [ $₹ 1,00,000 \times 15\%$ ] is payable by Arnav Enterprises alongwith payment of tax of ₹ 1,00,000 with applicable interest, before issuance of show cause notice. No show cause notice will be served by the proper officer after payment of tax alongwith interest and penalty, in respect of the tax so paid.

- (3) Since Arnav Enterprises has paid the tax of ₹ 1,00,000 alongwith interest before issuance of show cause notice, no show cause notice will be issued by the proper officer in respect of the tax so paid [Section 74A(8)(i)].

However, where the proper officer is of the opinion that the amount paid under section 74A(8)(i) falls short of the amount actually payable, he shall proceed to issue the show cause notice in respect of such amount which falls short of the amount actually payable [Section 74A(10)].

Thus, in the given case, the proper officer will issue the notice for the remaining tax of ₹ 3,60,000 [ $₹ 4,60,000 - ₹ 1,00,000$ ].

In case where the short-payment is on account of fraud, answer will be as follows:

Since Arnav Enterprises has paid the tax of ₹ 1,00,000 alongwith applicable interest and penalty before issuance of show cause notice, no show cause notice will be issued by the proper officer in respect of the tax so paid [Section 74A(9)(i)].

However, where the proper officer is of the opinion that the amount paid under section 74A(9)(i) falls short of the amount

actually payable, he shall proceed to issue the show cause notice in respect of such amount which falls short of the amount actually payable [Section 74A(10)].

Thus, in the given case, the proper officer will issue the notice for the remaining tax of ₹ 3,60,000 [₹ 4,60,000 - ₹ 1,00,000].

Further, the proper officer is required to issue the order within 12 months from the date of issuance of show cause notice, in both fraud and non-fraud cases [Section 74A(7)]. Thus, in the given case, the proper officer has to issue the order on or before 10<sup>th</sup> October, 2026, whether the short payment is on account of fraud or on account of a bonafide error.

- (4) Where the person chargeable with tax, where any tax has been short paid, pays the said tax along with interest payable under section 50 within 60 days of issue of show cause notice, and on doing so, no penalty shall be payable and all proceedings in respect of the said notice shall be deemed to be concluded [Section 74A(8)(ii)].

Thus, in the given case, since Arnav Enterprises has paid the tax of ₹ 3,60,000 alongwith applicable interest within 60 days of issuance of show cause notice, i.e. on or before 9<sup>th</sup> December, 2025, no penalty shall be payable and all proceedings in respect of the said notice shall be deemed to be concluded.

In case where the short-payment is on account of fraud, answer will be as follows:

Where the person chargeable with tax, where any tax has been short paid, pays the said tax along with interest payable under section 50 and a penalty equivalent to 25% of such tax within 60 days of issue of the notice, and on doing so, all proceedings in respect of the said notice shall be deemed to be concluded [Section 74A(9)(ii)].

Thus, in the given case, Arnav Enterprises has to pay penalty of ₹ 90,000 [₹ 3,60,000 × 25%]. If Arnav Enterprises has paid the tax of ₹ 3,60,000 alongwith applicable interest and penalty of ₹ 90,000 [₹ 3,60,000 × 25%] on 5<sup>th</sup> December, 2025, which is within 60 days of issuance of show cause notice, i.e. on or before 9<sup>th</sup> December,

2025, all proceedings in respect of the said notice shall be deemed to be concluded.

**16.** Section 112(8) lays down that no appeal can be filed before the Appellate Tribunal, unless the appellant deposits:

- (a) full amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him, and
- (b) 10% of the remaining amount of tax in dispute, in addition to the amount deposited before the AA, arising from the said order, subject to a maximum of ₹ 20 crore (₹ 40 crore in case of IGST), in relation to which appeal has been filed.

Accordingly, in the given case, the amount of pre-deposit to be made by Venue Automobiles Pvt. Ltd. for filing the appeal to the Appellate Tribunal is computed as under-

- (i) Full amount of tax, interest and penalty as admitted by the company,  
i.e. ₹ 100 crore and
- (ii) 10% of the tax in dispute, i.e. ₹ 110 crore (10% of ₹ 1,100 crore) subject to a maximum of ₹ 40 crore

Therefore, total pre-deposit to be made by the company before filing an appeal in the Appellate Tribunal is ₹ 100 crore (total liability admitted by the company) plus ₹ 40 crore, i.e. ₹ 140 crore<sup>3</sup>.

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<sup>3</sup> Since GST Tribunal has not yet become functional, Venue Automobiles Pvt. Ltd. decides to make the payment of an amount equal to the amount of pre-deposit on the GST portal and to file an undertaking/ declaration with the jurisdictional proper officer that it will file appeal against the order of the Appellate Authority before the Appellate Tribunal, as and when it comes into operation. Circular No. 224/18/2024 GST dated 11.07.2024 has clarified that if the taxpayer files an undertaking/ declaration with the jurisdictional proper officer that he will file appeal against the impugned order of the Appellate Authority before the Appellate Tribunal, as and when it comes into operation, within the prescribed timelines and on payment of said amount equal to the amount of pre-deposit (which will be adjusted against the amount of pre-deposit required to be deposited at the time of filing appeal before the Appellate Tribunal), recovery of the remaining amount of confirmed demand as per the order of the appellate authority will stand stayed.

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

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

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

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

- 18. (a)** As per rule 10 of the Customs (Import of Goods at Concessional Rate of Duty or for Specified Purposes) Rules, 2022 as amended, the importer who has availed the benefit of a notification shall use the goods imported in accordance with the conditions mentioned in the concerned notification within the period and with respect to unutilised or defective goods, so imported, the importer shall have an option to either re-export or clear the same for home consumption.

Thus, Suhasi Electronics Pvt. Ltd. can re-export such defective and unutilized goods.

The re-export or home clearance must be made within –

- (i) within the period specified in the notification;

- (ii) within one year from the date of import, where the time period is not specified in the notification:

However, the said period of one year can be further extended by the jurisdictional Commissioner for a period not exceeding 3 months, if sufficient reason is shown that the causes for not conforming to the time period were beyond the importer's control.

So, re-export can be made by 9<sup>th</sup> February, 2025 in this case as no condition or time period has been specified in the notification in relation to re export of unutilized or defective goods, so imported.

Further, the date of re-export can be extended by the jurisdictional Commissioner upto 3 months.

**(b) Conditions applicable for re-export of goods:**

- (i) Re export of the unutilized or defective goods shall be recorded by the importer in the quarterly statement by providing the details of necessary export documents.
- (ii) The value of such goods for re-export shall not be less than the value of the said goods at the time of import.

**(c) If Suhasi Electronics opts to clear the goods for home consumption:**

- It can make voluntary payment of applicable customs duties along with interest on the common portal.
- The details of such duty payment and clearance must be disclosed in the importer's quarterly statement.

**19. Computation of custom duty payable**

Particulars	Amount
CIF value (negotiated price) [Note-1]	5,500 £
Less: Air freight	500 £
Less: Insurance	<u>600 £</u>
FOB value	4,400 £

	₹
FOB Value (in ₹) [4,400 £ x ₹ 102] [Note-2]	4,48,800
Add: Vendor inspection charges [Note-3]	Nil
Add: Commission payable to local agent [1% of FOB value] [Note-4] = (US \$ 4,400 × ₹ 102) × 1%	<u>4,488</u>
FOB value as per Customs	4,53,288
Freight [Note-5] [500 £ x ₹ 102]	51,000
Insurance [Note-6] [600 £ x ₹ 102]	<u>61,200</u>
Assessable value	5,65,488
Add: Basic custom duty @ 10% [Note-7] – rounded off	56,548.80
Social Welfare Surcharge (10% of ₹ 56,548.80) [rounded off]	<u>5,655</u>
Customs duty payable [rounded off]	62,204

**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. 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.
3. 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)*].

4. 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].
  5. 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].
  6. Actual insurance charges paid are includible in the assessable value as per rule 10(2)(b) 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.
- 20.** No, the demand raised by the Department is not valid. Section 49 of the Customs Act, 1962 *inter alia* provides that imported goods entered for home consumption if stored in a public warehouse, or in a private warehouse on the application of the importer and if the same cannot be cleared within a reasonable time, shall not be deemed to be warehoused goods for the purposes of this Act, and accordingly the provisions of Chapter IX shall not apply to such goods.

The facts of the given situation are also similar to the case of *CCus vs. Biecco Lawrie Ltd. 2008 (223) ELT 3 (SC)* wherein the Supreme Court has held that where duty on the warehoused goods is paid and out of charge order for home consumption is made by the proper officer in compliance of the provisions of section 68 of the Customs Act, the goods allowed to be retained for storage in the warehouse as permitted under section 49 of the Customs Act are not treated as warehoused goods and importer would not be required to pay anything more.