PAPER - 19 : INDIRECT TAX LAWS AND PRACTICE

SUGGESTED ANSWERS

SECTION - A

1.

(i) (B)

(ii) (D)

(iii) (C)

(iv) (B)

(v) (B)

(vi) (D)

(vii) (B / D)

(viii) (A)

(ix) (B)

(x) (C)

(xi) (C)

(xii) (C)

(xiii) (B)

(xiv) (C)

(xv) (B)

SECTION – B

2. (a)

Entry. No.	Exempted services
21	**Services provided by a goods transport agency, by way of transport in a goods carriage of—** 1. agricultural produce; 2. Milk, salt and food grain (any one) including flour, pulses and rice; 3. organic manure; 4. newspaper or magazines registered with the Registrar of Newspapers; 5. relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or 6. defence or military equipment's.
21A	"Services provided by a goods transport agency to an unregistered person, including an unregistered casual taxable person, other than the specified recipients" also exempt from GST
21B	**Services provided by a goods transport agency, by way of transport of goods in a goods carriage, to,—** 1. a Department or Establishment of the Central Government or State Government or Union territory; or 2. local authority (or Municipal corporation) ; or 3. Governmental agencies, which has taken registration under the Central Goods and Services Tax Act, 2017 (12 of 2017) only for the purpose of deducting tax under Section 51 and not for making a taxable supply of goods or services.

2. (b)

Non-Applicability of Annual Return (GSTR-9) under GST:

The following taxable persons are not required to file Annual Return under GST:

(1) Input Service Distributor (ISD)

(2) Tax Deductor (TDS) under Section 51

(3) Tax Collector (TCS)under Section 52

(4) Casual taxable Person (CTP)

(5) Non-resident Taxable person (NRTP)

(6) OIDAR Service Providers

(7) A registered person whose aggregate turnover of the financial year is up to Rs. 2 crore

Form GSTR-9 has following auto-populated data :

(1) Details of Inward supplies made during the financial year

(2) Details of advances, Outward supplies made during the financial year on which tax is payable

(3) Details of Outward supplies made during the financial year on which tax is not payable

(4) Total amount of Input tax credit (ITC) availed through FORM GSTR-3B (sum total of Table 4A of FORM GSTR- 3B)

(5) Input tax credit (ITC) as per GSTR-2A/2B

(6) Input Tax credit (ITC) received from Input Service Distributor (ISD)

(7) Transition Credit through TRAN-I (including revisions if any)

(8) Transition Credit through TRAN-II

(9) Details of tax paid as declared in returns filed during the financial year

3. (a)

Computation of taxable supplies for the month of October 2025

S. No.	Particulars	Amount (₹)
i.	Provided services by way of pre-conditioning, pre-cooling, ripening and waxing of fruits. The essential characteristics of fruits remain same. (Services by way of pre-conditioning, pre-cooling. ripening and waxing of fruits where the essential characteristics of fruits remain same is an exempt supply.)	Nil
ii.	Security services received from M/s KBCL- Security Services registered under composition scheme at Kanpur, Uttar Pradesh (Security services provided by any person other than a body corporate to a registered person is taxable under reverse charge mechanism (RCM), hence Mr. N.G. Srinivasan will pay tax).	35,000
iii.	Rent received for renting of land for fish farming. <u>Alternate 1: (Assume it is as per agreement)</u> (Renting of vacant land for fish farming is exempt.) <u>OR</u> <u>Alternate 2: (Assume it is not as per agreement)</u> (Renting of vacant land for fish farming is exempt, only if it is exclusively as per the agreement.)	 Nil <u>OR</u> 4,00,000

iv.	Received price linked subsidy from M/s Happy Days, a registered Charitable Trust. Registered under 12AA of the Income Tax Act, 1961 (Since price linked subsidy is received from the non-Government body, same is included in the value of taxable supply.)	2,00,000
v.	Provided services as National Testing Agency to M/s Fine Future Institute, a recognized educational institute for conducting an entrance examination for admission to educational institute. (Service provides by National Testing Agency to conduct entrance examination for admission to educational institution is exempt (or not taxable) from GST.)	Nil
vi.	Providing rooms having room charges ₹ 4,600 per day to a person receiving health care services from his established health care clinic. (The services provided by a clinical establishment by way of providing having room charges upto ₹5000 per day to a person receiving health care services are exempt.)	Nil
vii.	Provided service as an agent of Business Correspondent (BC) to such Business corresponded who is registered at Mumbai. (RCM is applicable, hence Mr. N.G. Srinivasan will NOT pay tax such Business Correspondent will pay tax)	Nil
Total Taxable Value		2,35,000 Or 6,35,000

3. (b)

Computation of amount of ITC available for the month of November, 2025

SN	Particulars	Eligible ITC (₹)
(i)	Purchase of equipment from Original Equipment [In order to take ITC, goods must have been actually received. But in the given case since this is case of ex-works contract, equipment will be considered to have been "received" by the recipient at the time of handing over of said equipment by OEM to the transporter, at OEM's place of business.] 50 % (Rs 65000) destroyed goods will be reversed in the next month of December	1,30,000
(ii)	Goods used for setting up Telecommunication Towers being immovable property (Goods received by taxable person for construction of an immovable property (other than Plant and Machinery) on his own account is blocked. Since Plant and Machinery excludes telecommunication tower, ITC is blocked under section 17(5).	Nil
(iii)	Membership of local sports club [Since membership of club is not obligatory for employer to provide the same under any law, ITC on the same is blocked] OR [Since membership of club is not statutory obligation for employer to provide the same, ITC on the same is blocked]	NIL
(iv)	Food and beverages purchased for the employees during office hours (Since ITC on food or beverages is blocked u/s17(5) unless the same is used in same line of business or as an element of the taxable composite or mixed supply)	Nil

(v)	Account paper for photocopying machine used in administrative office (Since Inputs are used in the course or furtherance of business and hence, ITC thereon is allowed)	6,000
(vi)	Goods used for providing services during warranty period (Since Inputs are used in the course or furtherance of business and hence, ITC thereon is allowed)	18,000
Total Input Tax Credit (ITC) available for November, 25		1,54,000

4. (a)

An Illustrative checklist to conduct audit under GST are as follows

1. GST Registration: It is most important to check and verify all the details specified in the GST registration certificate.
2. Detail Analysis of Particulars of Invoice Documents: The second most important part to be analyzed by the auditor is invoicing under GST. Tax invoice contains all the particulars as prescribed under rule 46 of the Central Goods and Service Tax Rules, 2017.
3. Verification of time of issuance of tax invoice needs to be done.
4. Check debit and credit note. It should be checked that the debit and credit note, if applicable, has been issued as per the GST law. If the issuance of the bill of supply is applicable the same needs to be checked.
5. Correct availment of Input Tax Credit (ITC) After GST registration certificate and invoicing, the next most important point is to verify the input tax credit availed during the specified period.
6. Verification of Job-Work Transactions. It must be verified that the goods have been sent to a job-work under the cover of delivery challan. In case of a job-work transaction,
7. GST Returns: GST monthly / quarterly returns, as applicable, should be verified and confirmed that the same is duly filed as per GST law.
8. Interest calculations on liability @ 18% p.a. is required to be made and auditor is required to check whether the same has been deposited timely by the taxpayer.
9. As GST Turnover definition is somewhat different from Income Tax Turnover. However, now both the department will exchange the information with each other. Therefore, one needs to take care in reporting turnover under Income Tax and GST.
10. GST Audit is applicable when Total Turnover on PAN India basis exceeds ₹5 crores in a financial year. However, GST Audit will be done GSTIN wise. Turnover will be checked on PAN basis that means all supplies made inclusive of exempted supplies made throughout the country either from one place or multiple branches will be considered, while checking turnover for GST audit.

4. (b)

The facts given in the question is similar to case of Switching Avo Electro Power Ltd. (2018) 96 taxmann.com 106 (AAAR-West Bengal)

Here the appellant contended that the UPS cannot function without battery as the same is an integral part of UPS and it is naturally bundled and supplied in conjunction with each other, therefore the supply of static converter along with the external battery should be considered as a composite supply and not mixed supply.

However, the AAAR opined that the when a UPS is supplied with built-in batteries in a manner that the supply of the battery is inseparable from the supply of the UPS, and the two items are 'naturally bundled' then it should be treated as a composite supply under Section 2(30) of the CGST Act,
but when the storage batteries having multiple uses is supplied with the static converter i.e. UPS, it cannot be said that they are naturally bundled even if the same is supplied under a single contract at a combined single price.

Therefore, the supply of external storage battery supplied with UPS would NOT be considered as natural bundle and hence to be considered as a 'Mixed Supply'.

5. (a)

Section 12 which defines time of supply of goods, provides that time of supply of goods shall be earlier of following date:

(i) The date of issue of invoice by supplier or last date on which supplier is liable to issue invoice as per provision of sec. 31 of CGST Act; or

(ii) The date on which the supplier receives the payment with respect to the supply.

However as per Notification No. 66/2017, Advance (or payment) received is not taxable at the time of receipt

Hence practically Time of supply will be"

Earlier of The date of issue of invoice by supplier or last date (or say due date) on which supplier is liable to issue invoice as per provision of sec. 31 of CGST Act;

Further, as per sec. 31, if supply involves movement of goods then invoice shall be issued before or at the time of removal of such goods to recipient.

In any other cases, invoice shall be issued at the time of delivery of goods or making available thereof to the recipient.

S. No.	Date of removal of goods	Date of issue of invoice	Date when goods made available	Date on which payment recd.	Time of Supply
1.	17-03-2025	18-03-2025	19-03-2025	08-04-2025	17-03-2025
2.	19-03-2025	17-03-2025	20-03-2025	08-04-2025	17-03-2025
3.	20-05-2025	21-05-2025	18-05-2025	08-04-2025	20-05-2025
	Since this is the case of movement of goods hence date of goods made available is not relevant				

5. (b)

Determination of Value of Supply as per CGST Rules, 2017 for S Anand Lakshmi Forex Solutions Private Limited

Particulars

(1) Value of Supply under Rule 32(2)(b) of the CGST Rules, 2017

Rule 32(2)(b) provides that value in relation to the supply of foreign currency, including money changing shall be deemed to be

S. No.	**Currency exchanged**	**Value of supply**
1.	Upto ₹1,00,000	1% of the gross amount of currency exchanged OR ₹250 whichever is higher
2.	Exceeding ₹1,00,000 and upto ₹10,00,000	₹1,000 + 0.50% of the (gross amount of currency exchanged - ₹1,00,000)
3.	Exceeding ₹10,00,000	₹5,500 + 0.1% of the (gross amount of currency exchanged - ₹10,00,000) OR ₹60,000 whichever is lower

Case 1: For the purchase of 1,200 USD from Bincon traders:

Gross amount of currency exchanged: ₹79 × 1,200 = 94,800

Since the amount is less than ₹1,00,000, the value of supply is 1% of the gross amount or ₹250, whichever is higher. I ie 948 or 250

Therefore, Value of supply = ₹948

Case 2: For the sale of 2,600 USD to Meera Exports: :

Gross amount of currency exchanged: ₹78 × 2,600 = ₹2,02,800

Since the amount exceeds ₹1,00,000 but is less than ₹10,00,000, the value of supply is ₹1,000 + 0.50% of (₹2,02,800 - ₹1,00,000).

1000+ 514

Therefore, Value of supply = ₹1,514

(2) Value of Supply under Rule 32(2)(a) of the CGST Rules, 2017

Key Aspects of Rule 32(2)(a) and related provisions:

- Rule 32(2)(a) of the CGST Rules, 2017, It enables the supplier to calculate the value based on the difference between the RBI rate and buying/selling rate, If RBI Reference Rate is available

- If no RBI Reference Rate: the rate determined by 1% of the gross amount of Indian Rupees provided or received.

- No Indian Rupees Involved: If neither currency exchanged is Indian Rupees, the value is 1% of the lesser of the two amounts that the person changing the money would have received by converting into Indian Rupees at the RBI reference rate, say

Case 1: For the purchase of 1,200 USD from Bincon traders:
(RBI reference rate – transaction rate) × Amount in USD
Calculation: (₹80.80 – ₹79) × 1,200 USD
Therefore, Value of supply = ₹2,160

Case 2: For the sale of 2,600 USD to Meera Exports:
1% of (Transaction rate × Amount in USD)
Calculation: 1% of (₹78 × 2,600 USD)
Value of supply = ₹2,028

6. (a)

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.

Hence,
The demand raised by the Department is not valid/ Not Correct.

OR

The contention of the GGTR Pvt Ltd is valid /correct

6. (b)

As per latest Amendment in Ineligible categories under the RoDTEP Scheme for claiming benefit: The following categories of exports/exporters which shall not be eligible for rebate under the RoDTEP Scheme [vide Notification No. 70/2023 dated 08.03.2024]:

- **(i)** Exports of imported goods as per para 2.46 of FTP i.e. Import for Export;
- **(ii)** Exports through trans-shipments, meaning thereby exports originating in third country but trans-shipped through India;
- **(iii)** Export products which are subject to minimum export price or export duty;
- **(iv)** Products which are restricted for exports under Schedule-2 of Export Policy in ITC (HS);
- **(v)** Products which are prohibited for exports under Schedule-2 of Export Policy in ITC (HS);
- **(vi)** Deemed Exports;
- **(vii)** Supplies of products manufactured by DTA units to SEZ/FTWZ units;
- **(viii)** Products manufactured in EHTP and BTP (Omitted- vide Notification No. 70/2023 dated 08.03.2024);
- **(ix)** Products manufactured partly or wholly in a warehouse under section 65 of Customs Act, 1962;

(x) Products manufactured or exported in discharge of export obligation against advance authorisation (AA) or Duty Free Import Authorization (DFIA) or Special Advance Authorisation issued under a duty exemption scheme of relevant Foreign Trade Policy; (any one bold)

(xi) Products manufactured or exported by a unit licensed as 100% Export Oriented Unit (EOU) in terms of the provisions of the Foreign Trade Policy;

(xii) Products manufactured or exported by any of the units situated in Free Trade Zone (FTZ), Export Processing Zones (EPZ) or Special Economic Zone (SEZ);

(xiii) Products manufactured or exported availing the benefit of Notification No 32/1997-Customs dated 01.04.2017 (i.e. jobbing transactions);

(xiv) Exports for which electronic documentation in ICEGATE EDI has not been generated or Exports from Non-EDI port; and

(xv) Goods which have been taken into use after manufacture (i.e. second-hand goods); [***As per para 4.55B of the FTP (inserted vide DGFT Notification No. 19/2015-20 dated 17.08.2021), the inclusion of exports made by categories mentioned in Sr. No. X, XI and XII above i.e. the exporters under the categories of SEZ, EOU, Advance Authorisation etc. and the RoDTEP rates for export items under such categories would be decided later based on the recommendations of the RoDTEP Committee.] – (omitted – vide Notification No. 70/2023 dated 08.03.2024)

7. (a)

(i) For other goods drawback Rate fixed FOR PERSONAL USE by Government under Section 74(2) by Notification No. 23/2008-Cus., dt. 1.3.2008. for 2nd quarter is 92%

Hence He can claim draw back as 92% of 24000 = ₹ 22080

(ii) The drawback rates on motor car are calculated, by reducing the Import duty paid by 4%, 3%, 2-1/2% and 2% for use, for each quarter or part thereof, during the period of First, Second, Third and Fourth year respectively.

Hence in this case it used for 16 month and 16 days means 6 quarter

so amount to be reduced by 22 % (4% x 4 quarter+3% x 2 quarter)

OR

hence drawback would be 78%

So drawback would be ₹ 4,11,840 (78% of 5,28,000)

(iii) For other goods drawback Rate fixed FOR BUSINESS by Government under Section 74(2) by Notification No. 23/2008-Cus., dt. 1.3.2008. for 15 to 18 month is 60%

Hence company can claim draw back as 60% of 98000 = ₹58800

7. (b)

Computation of assessable value of machinery

Particulars	**Amount (in $)**
CIF price of the machine	60,000
Less: Insurance	(2,700)
Less: Freight	(14,500)
	42,800
Add: Design and patent charges paid in France (Design and engineering work undertaken elsewhere than in India and necessary for the production of the imported goods is includible in the assessable value)	2,500
FOB value for customs	45,300
Add: Freight (If the goods are imported by air, the freight cannot exceed 20% of FOB price)	9,060
Add: Insurance (Actual)	2,700
CIF value for customs purpose	57,060
Applicable exchange rate (The rate of exchange notified by the CBIC on the date of presentation of bill of entry has been considered) Assessable value in rupees [57,060 × 81]	₹ 81 46,21,860
Applicable BCD rate (Rate of duty is the rate prevalent on the date of presentation of bill of entry or the rate prevalent on the date of arrival of aircraft , whichever is later	15%
Basic Customs Duty (BCD)	6,93,279

8. (a)

E-Way Bill Case Scenario

S No	**Particulars**
(i)	**Return of goods (₹48,000 + 18% GST, returned by TY Co. to Shankar)** • Movement of goods by the recipient back to the supplier is also a "supply" for the purpose of E-way Bill Rules. • Since the consignment value (₹48,000 + GST = ₹56,640), exceeds ₹50,000 an e-way bill is mandatory. TY Co. must generate the e-way bill for the return movement
(ii)	**Samples worth ₹40,000 sent free of cost** • Even though there is no consideration, movement of goods for business purposes requires documentation (e way bill) • Since the consignment value is below ₹50,000, e-way bill is optional / Not mandatory/ not required • If the consignment value had exceeded ₹50,000, e-way bill would have been mandatory even for samples.
(iii)	**Branch transfer within same State (₹90,000)** • Transfer between distinct persons (different GSTINs) or branches is treated as supply under GST. • Consignment value exceeds ₹50,000, hence e-way bill is mandatory/ Required • The supplier (Head Office) must generate the e-way bill.

(iv)	**E-way bill expires en route due to vehicle breakdown (₹1,20,000 consignment)** • The transporter/supplier must extend the validity within eight (8) hours from the time of expiry by updating Part-B with new vehicle details and extend validity as per Rule 138(10). • If more than eight (8) hrs expired then The transporter/supplier must generate a fresh e-way bill by updating Part-B with new vehicle details and extend validity as per Rule 138(10). • If not done, movement beyond expiry is a contravention and attracts penalty.
(v)	**Part-A generated but Part-B not updated (₹65,000 consignment)** • Part-B (vehicle details) is mandatory for movement of goods. • Without Part-B, the e-way bill is incomplete and invalid. Movement of goods without valid e-way bill attracts penalty under section 122 and detention under section 129(any one bold points)

8. (b)

Pre-Deposit in GST Appeals

S No	Particulars
(i)	**Pre-deposit at First Appeal (filed on 12th April, 2025):** • Section 107(6) of the CGST Act requires: ❖ Full amount of admitted tax, interest, fine, fee, penalty; plus ❖ 10% of the disputed tax Maximum 20Cr (40 Cr in IGST) • Here, disputed tax = ₹100 lakhs. • Pre-deposit required = ₹10 lakhs (10% of 100 lakhs).
(ii)	**Pre-deposit at Second Appeal (to GSTAT after order dated 23rd July, 2025):** • Section 112(8) requires: ❖ Full amount of admitted tax, interest, fine, fee, penalty; plus ❖ 10% of the disputed tax (in addition to the 10% already deposited). Maximum 20Cr (40 Cr in IGST) • After first appeal, disputed tax = ₹65 lakhs (since ₹35 lakhs deleted) • Pre-deposit required = ₹6.50 lakhs (10% of 65 lakhs)
(iii)	**Treatment of earlier pre-deposit on deleted demands:** • <u>Tax demand of ₹35 lakhs deleted</u>: proportionate pre-deposit already made on this portion is refundable with interest under section 115 • <u>Penalty of ₹34 lakhs deleted</u>: since penalty is not subject to percentage pre-deposit, no pre-deposit would have been made.
(iv)	**Adjustment of earlier pre-deposit:** • The law requires incremental deposit (10% at first stage, 10% at second stage). • The earlier deposit of ₹10 lakhs remains valid and counts towards total • Only the fresh deposit of ₹6.5 lakhs is required now for GSTAT appeal. • No duplication or re-deposit of the entire amount is necessary. The ₹10L already deposited at first appeal stage is not adjustable against the fresh ₹6.5L required for GSTAT. They operate under separate statutory provisions:

Alternate answers possibilities:

(1) This is assumed that the tax amounts given here is combined amount of demand as per intra state transaction hence along with tax CGST/SGST not written .

If any student divide amount equally as CGST AND SGST then also award due credit like 5 lakh and 3.25 lakh each CGST+SGST for point (i) and (ii) respectively.

If students assumed that the amount of tax given here are CGST ONLY then the answer will NOT change and in that case along with 10 lakh and 6.50 lakh word CGST OR Each CGST+SGST can be written for point (i) and (ii)

If students assumed that the amount of tax given here are for Inter-State . (i e IGST) then also the answer will NOT change in that case along with 10 lakh and 6.50 lakh word IGST can be written for point (i) and (ii)

So In short, only two numerical answer possible.

(1) 10 lakh and 6.50 lakh for point (i) and (ii) ignore the word CGST/SGST/IGST

(2) 5 lakh and 3.25 lakh each under CGST+SGST for point (i) and (ii)