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IMP Questions Compiler (From Questionnaire)

NOV'26 Exam

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Think GST
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ADDENDUM QUESTIONS for NOV '26 Exam

Chapter 1: Charge of Tax & Concept of Supply

Q.1: Parikh Industries Ltd., registered under GST in Ahmedabad, Gujarat, is engaged in manufacturing of electric bicycles. On 1st October 20XX, the company bought 100 VIP tickets for ₹ 5,000 each for an upcoming final cricket match to be played on 30th October, 20XX.

The company distributes these tickets complimentary as under:

S.no	Particulars
(i)	20 tickets to top 5 clients (not related) as a goodwill gesture.
(ii)	2 tickets each to 15 dealers (not related) as part of a scheme where dealers were promised to 2 complimentary tickets of the final cricket match if they achieved 50% more than their actual half yearly target.
(iii)	15 tickets to Mr. Surendra, marketing executive as performance reward.
(iv)	20 tickets to Mr. Patel, accounts executive as part of 'Family Sports Day' benefit defined in the employment letter.
(v)	15 tickets to 15 employees as performance reward. No other complimentary benefits given to these employees till date

Compute the value of the taxable supply under the GST law in each of the above case separately along with correct legal provisions for the same in brief. [CA Final May 26 Exam]

► **Answer:** - Computation of value of taxable supply

Particulars	Value (₹)
20 tickets to top 5 clients [Not a supply since tickets are given without consideration to unrelated persons and it is not covered under Schedule I.]	Nil
2 tickets each to 15 dealers [Not a supply since transaction is being undertaken without consideration and is not covered under Schedule I.]	Nil
15 tickets to Mr. Surendra, marketing executive as performance reward [Tickets given without consideration to employee exceeding ₹ 50,000 in a financial year are deemed as supply under Schedule I.]	75,000
20 tickets to Mr. Patel, accounts executive [Services provided by an employee to employer in course of his employment are neither supply of goods nor as supply of services]	Nil
15 tickets to 15 employees as performance reward [Not a supply since tickets given without consideration to employee upto ₹ 50,000 in a financial year are not deemed as supply.]	Nil
Value of taxable supply	75,000

Q.2: Mr. Nirmal, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 20XX:

Particulars	₹
Inter-State taxable supply of goods	8,00,000
Intra-State taxable supply of goods	10,00,000
Intra-State purchase of taxable goods	8,00,000

He has the following Input tax credit at the beginning of August 20XX:

GST	ITC amount (₹)
CGST	35,000
SGST	45,000
IGST	50,000

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively. Both Inward and outward supplies are exclusive of taxes wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. Nirmal for the month of August 20XX

► **Answer: - Computation of total ITC:**

Particulars	IGST @18%	CGST@9%	SGST@9%
Opening ITC	50,000	35,000	45,000
Add : ITC on Intra-State purchases of taxable goods valuing ₹ 8,00,000	-	72,000	72,000
Total ITC	50,000	1,07,000	1,17,000

Computation of Net GST payable by Mr. Nirmal for the month of August, 20XX:

Particulars	Value	IGST@18%	CGST@9%	SGST@9%
Intra-State taxable supply of goods	10,00,000		90,000	90,000
Inter-State taxable supply of goods	8,00,000	1,44,000	-	-
Total GST Payable		1,44,000	90,000	90,000
Less: ITC [Note] IGST: 50,000 CGST: 1,07,000 SGST: 1,17,000		(50,000) (17,000) (27,000)	- (90,000) X	- X (90,000)
Net GST payable		50,000	Nil	Nil

Note: -

1. IGST credit is used to pay IGST 1st, once IGST credit is fully utilised then CGST/SGST credits are used first to pay tax under same head & balance credit is used to pay IGST.
2. Also, SGST credit can be utilised to pay IGST only when credit of CGST is not available to pay IGST.

Chapter 2: Reverse Charge Mechanism & ECO

Q.3: Malhar Corporation, a partnership firm, registered under regular scheme of GST in Delhi. Following information has been provided regarding inward and outward transactions undertaken by Malhar Corporation in the month of June 20XX:

S. No.	Particulars	Amount (₹)
i)	Services of sponsorship provided to Kaniksha Co. Pvt. Ltd	12,50,000
ii)	Received rent from Garima Industries, a registered person under composition scheme, against renting of office space in a commercial building.	3,50,000
iii)	Services provided by Delhi Development Authority (DDA) to Malhar Corporation.	2,45,000
iv)	Housekeeping and Civil Maintenance services provided to Municipal Corporation of Delhi (MCD) Headquarters. Out of the total value goods valued for ₹ 50,000 are included.	2,25,000
v)	Received online money gaming services from Nitro Co., an online money gaming provider established in Australia.	4,50,000

All figures are exclusive of GST, wherever applicable. All inward and outward supplies are to be treated as intra-State supplies in case required information is not provided.

Compute the value of taxable supplies on which Malhar Corporation has to pay GST under Reverse Charge Mechanism (RCM) for the month of June 20XX. [CA Final Jan 26 Exam]

► **Answer:** Value of taxable supplies on which GST is payable under reverse charge by Malhar Corporation:

Particulars	Value (₹)
Tax on outward supplies of sponsorship is payable under reverse charge mechanism by body corporate recipient i.e., Kaniksha Co Pvt Ltd. Thus, supplier - Malhar Corporation will not pay tax under reverse charge.	Nil
Tax on rent received from composition dealer is not payable under reverse charge but under forward charge by Malhar Corporation	Nil
Services provided by DDA [Tax is not payable under reverse charge since services are not received from local authority as DDA is not a local authority.]	Nil
Tax on housekeeping and civil maintenance services is not payable under reverse charge but under forward charge by Malhar Corporation	Nil
Online money gaming [IGST is payable by supplier (Nitro Co.)]	Nil
Total taxable value of supply on which tax is to be paid by Malhar Corporation under reverse charge	Nil

Q.4: Briefly illustrate the specific categories of services notified under section 9(5) the tax on supplies of which is payable by the electronic commerce operator (ECO) if such services are supplied through it. [CA Final RTP May 26]

► **Answer:** Notification No. 17/2017 as amended has notified the following categories of services supplied through ECO for this purpose –

- Services by way of transportation of passengers by radio-taxi, motor cab, maxi cab, motorcycle, or any other motor vehicle except omnibus.

- b) Services by way of transportation of passengers by an omnibus except where the person supplying such service through ECO is a company.
- c) Services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under section 22(1).
- d) Services by way of housekeeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under sub-section 22(1).
- e) Supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises.
- f) Services by way of local delivery except where the person supplying such services through electronic commerce operator is liable for registration under section 22(1).

Q.5: Discuss the GST implications in the following case study with reference to section 9(5) of the CGST Act.

Riya, a working professional in Pune, required transportation to reach her office. She booked a ride through an online cab booking application RideNow, which is an Electronic Commerce Operator (ECO). The app connected her with Amit, an independent driver providing passenger transportation service through his own motor cab. After some time, Riya needed to travel to another city and booked passenger transportation

service through an ECO BusConnect. The service was provided through an omnibus operated by ABC Transport Ltd., a company engaged in passenger transportation services. After completing her work, Riya decided to stay overnight near her workplace. She booked

accommodation through an online travel platform StayComfort, which is an ECO. The accommodation was provided by GreenView Residency, an unregistered hotel providing lodging facilities. GreenView Residency was not liable for registration under section 22(1) of the CGST Act. The next morning, Riya noticed a leakage in her kitchen pipeline and booked a plumber

through an online home service platform HomeAssist, which is an ECO. The service was provided by Raj, an unregistered plumber providing housekeeping services through the platform. Raj was not liable for registration under section 22(1) of the CGST Act. Later, Riya ordered food through FoodExpress, an ECO. The order was placed from The

Royal Feast Restaurant, which was located inside a luxury hotel. The hotel charged ₹ 12,000 per unit per day for accommodation, and therefore, the hotel premises qualified as specified premises under GST law. At the end of the day, Riya wanted to send a parcel locally and booked the delivery service through QuickDelivery, an ECO. The local delivery service was provided by a supplier who was not liable for registration under section 22(1) of the CGST Act.

► **Answer:**

a)	Legal Provision: - Passenger transportation service by motor cab through ECO: Where services by way of transportation of passengers by radio-taxi, motor cab, maxi cab, motorcycle or any other motor vehicle (except omnibus) are supplied through an ECO, the ECO is liable to pay GST u/s 9(5). Conclusion: In the given case, RideNow is an ECO through which motor cab service is supplied by Amit. Hence, RideNow (ECO) is liable to pay GST.
b)	Legal Provision: - Passenger transportation service by omnibus through ECO: Where services by way of transportation of passengers by an omnibus are supplied through an ECO, the ECO is liable to pay GST. However, where the person supplying such service through ECO is a company , the supplier itself is liable to pay GST. Conclusion: ABC Transport Ltd. is a company providing omnibus services through BusConnect. Hence, ABC Transport Ltd. is liable to pay GST and not the ECO.

c)	Legal Provision: - Accommodation service supplied through ECO: Where accommodation services in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes are supplied through an ECO, the ECO is liable to pay GST. However, this provision does not apply where the supplier providing such service through ECO is liable for registration under section 22(1). Conclusion: GreenView Residency is an unregistered hotel and is not liable for registration under section 22(1). Hence, StayComfort (ECO) is liable to pay GST.
d)	Legal Provision: - Housekeeping services supplied through ECO: Services such as plumbing, carpentering and other housekeeping services supplied through ECO are covered under section 9(5). However, if the supplier is liable for registration under section 22(1), then supplier itself is liable to pay GST. Conclusion: Raj, the plumber, is not liable for registration under section 22(1). Hence, HomeAssist (ECO) is liable to pay GST.
e)	Legal Provision: - Restaurant services supplied through ECO: Where restaurant services are supplied through an ECO, the ECO is generally liable to pay GST. However, this provision does not apply to restaurant services supplied by restaurants located in specified premises . Specified premises means premises providing hotel accommodation services where the value of supply of any unit of accommodation exceeds ₹ 7,500 per unit per day.
	➤ Conclusion: The Royal Feast Restaurant is located inside a luxury hotel where room charges are ₹12,000 per unit per day. Hence, it is a specified premises. ➤ Therefore, the restaurant itself is liable to pay GST and FoodExpress (ECO) is not liable under section 9(5).
f)	Legal Provision: - Local delivery services supplied through ECO: Where local delivery services are supplied through ECO, the ECO is liable to pay GST. However, this provision does not apply where the supplier providing such services through ECO is liable for registration under section 22(1). Conclusion: The delivery supplier is not liable for registration under section 22(1). Hence, QuickDelivery (ECO) is liable to pay GST.

Chapter 4: Exemptions under GST

Q.6: Answer the following questions independently: -

1. British High Commission, chief diplomatic mission of the United Kingdom located in India, is providing advisory services to the students willing to travel to UK for further studies. The mission has organized a seminar for such students and a registration fee of ₹ 5,000 per student has been charged from the students for the same. You are required to determine whether the advisory services provided by British High Commission are liable to GST. [Study Mat]
2. India Corporations Ltd., a Public Sector Undertaking (PSU), has taken loan from a banking company - Wellness Bank. The loan was guaranteed by the Central Government. India Corporations Ltd. defaulted in the repayment of such loan. Examine whether the services of guaranteeing of loan by the Central Government, in the given case, is liable to GST. [Study Mat]
3. The Ministry of Railways (Indian Railways) offers various services to individuals and engages in internal service exchanges and collaborations with Special Purpose Vehicles (SPVs). The services provided include:
 - a) Sale of Platform tickets & Cloak room services.
 - b) Intra railway transactions between different zones/divisions.
 - c) Services provided by Special Purpose Vehicles (SPVs) to the Ministry of Railways (Indian Railways) and vice versa, specifically in relation to the use and maintenance of infrastructure during the concession period.
4. Service provided to a government Authority by way of slum improvement and upgradation Discuss the tax treatment under GST Law.

► **Answer: -** 1. Services by a foreign diplomatic mission located in India **are exempt** from GST vide exemption notification. Hence, in the given case, advisory services by British High Commission located in Delhi to the students are **exempt** from GST.

2. **Legal Provision: -** supplied by Central Government, State Government, Union territory to their undertakings or Public Sector Undertakings (PSUs) by guaranteeing the loans taken by such undertakings or PSUs from the banking companies and financial institutions **are exempt** from GST. **Discussion & Conclusion: -**

- In present case, Central Government has guaranteed the loan taken by India Corporations Ltd. [a PSU], from Wellness Bank, [a banking company].
 - Thus, service provided by Central Government by way of guaranteeing the loan is exempt from tax.
3. a) Services provided by the Ministry of Railways to **individuals** by way of sale of platform tickets, the facility of retiring rooms/waiting rooms, cloakroom services, and battery-operated car services, are **exempt** from GST. Thus, in given case, services **are exempt**.
- b) Services provided by one zone/division to another within the Ministry of Railways are **exempt** from GST.
- c) Both types of services, SPVs allowing the Ministry of Railways to use their infrastructure and the Ministry of Railways providing maintenance services to SPVs are **exempt** from GST.
4. Services provided to a **Government Authority** by way of **slum improvement and upgradation** is specifically **exempt** from vide exemption notification under GST law.

Q.7: The Resident Welfare Association (RWA) of SKS Housing Society in Delhi received various amounts during the month of June 20XX. The society has three blocks containing 100 two-bedroom flats, 50 four-bedroom flats and 50 premium apartments respectively. The following information is provided regarding the collection made by the society during the month of June 20XX.

- (i) Maintenance charges of ₹ 5,000/- each have been collected from two-bedroom flats, ₹ 7,000/- each from four-bedroom flats and ₹ 9,000/- each from premium flats. The amount of maintenance charges includes collection from Mr. A, who owns 4 two bedrooms, 1 four-bedroom flat and 1 premium apartment.
- (ii) Electricity charges collected from families of two-bedroom flats apportioned to ₹ 1,000/- per flat from 100 flats for use of electricity for use of lifts and lights in common area, parks etc.
- (iii) A cultural programme was conducted and ₹ 2,000/- per member from four-bedroom flats and premium apartments was also collected.
- (iv) Three members of the SKS Society paid ₹ 5,000/- each for use of space in the publications released by the society.

Further RWA is of the view that the RWA is not liable to pay tax as the total amount collected is less than the amount of exemption available per flat based on total amount received/total number of flats. From the above you are required to comment based on the above information with respect to the value of taxable services provided by the Resident Welfare Association (RWA) during the month of June 20XX giving explanation for treatment of each of the item and examine the view taken by RWA.

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► **Answer: - Legal Provision:** Supply of service by unincorporated body or a non-profit entity registered under any law to its own members by way of reimbursement of charges or share of contribution **upto ₹ 7,500 per month per member** for sourcing goods or services from a third person for common use of its members in a housing society or residential complex is **exempt**.

Computation of Value of taxable Services:

Particulars	(₹)	Explanation
Maintenance charges	4,50,000	Maintenance charges received by an RWA up to an amount of ₹ 7,500, per month per member are exempt. In the given case, maintenance charges received by RWA are taxable since they exceed ₹ 7,500 per month per member. Above ceiling/threshold of ₹ 7,500 will apply separately to each residential apartment owned by a member. Thus, Mr. A will be eligible for separate ceiling/threshold limit of ₹ 7,500 for each of its residential apartments
Electricity charges collected	-	Not includible in value as collected as pure agent and also excludible while computing above ceiling/threshold of ₹ 7,500.
Cultural programme	2,00,000 [(2,000 x 50) + (2,000 x 50)]	Taxable
Use of space in society's publications	15,000 [5,000×3]	Taxable
Total value of taxable services	6,65,000	

Conclusion: Thus, view taken by RWA is **not correct** since exemption limit is to be computed for each type of flats separately.

Q.8: FUN TOURS Limited, registered as a regular dealer under GST in the State of Punjab, provides the following information related to the month of October 20XX:-

S. No.	Particulars	Amount (₹)
(i)	Provided services as a tour operator to entire New Zealand Cricket Team of a club, which was on visit to India to Play T20 club cricket series. The said tour was organized wholly in Nepal and Bhutan for 4 days.	7,00,000
(ii)	Snacks and magazines supplied on board the omni bus from Chandigarh (Punjab) to Delhi; Such goods were taken on board in Panipat, Haryana State	50,000
(iii)	Paid fine as per law to Uttar Pradesh State Government for over speeding of its bus in expressway	10,000
(iv)	Provided intra-State transportation of passengers by omni bus through an e-commerce operator website.	1,60,000
(v)	Sponsored a 'Summer Tour Fair' organized by Green City Lions Club of Punjab, an NGO, during the month.	2,00,000

Additional information:

1. All the amounts given above are exclusive of tax, wherever applicable.
2. Assume the rate of tax for CGST/SGST/IGST as 9%, 9% and 18% respectively for both inward and outward supplies.
3. Place of supply to be taken as intra-State supply, wherever a detail for determination of same is not provided with.

From the details given above, you are required to determine gross tax liability of FUN TOURS Limited for the above given month before the set off of the Input Tax Credit (ITC), if any.

Correct reason for treatment of each time should form part of your answer separately.

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► **Answer: - (a) Computation of gross tax liability of Fun Tours Ltd. for the month of October 20XX:**

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
GST payable under forward charge				
Services as a tour operator [Tour operator services to a foreign tourist in relation to a tour conducted wholly outside India are exempt .]	7,00,000	-	Nil	Nil
Snacks and magazines supplied on board [Taxable . It is inter-State supply since place of supply is Haryana being location at which such goods were taken on board and supplier is in Punjab.]	50,000	9,000 (50,000* 18%)	-	-
Fine paid to UP State Government [Fine imposed for violation of laws is not consideration for any supply received and are thus not leviable to GST.]	10,000	-	Nil	Nil
Intra-State transportation of passengers by omni bus through an e-commerce operator [Even though transportation of passenger's services by an omnibus provided through an ECO are notified services, tax is not payable by ECO, instead it is payable by supplier itself because supplier is a company.]	1,60,000	-	14,400 (1,60,000* 9%)	14,400 (1,60,000* 9%)
GST payable under reverse charge				

Sponsored a Summer Tour Fair [Since sponsorship services are provided by a person other than a body corporate (NGO) to a body corporate, tax is payable under reverse charge. It is intra-State supply since both place of supply (being location of recipient) and location of supplier are in Punjab.]	2,00,000	-	18,000 (2,00,000*9%)	18,000 (2,00,000*9%)
Gross tax liability		9,000	32,400	32,400

Chapter 5: Time of Supply

Q.9: Ziva Telecom Ltd. is a telecom operator providing mobile network services in India by securing the right to use spectrum from the Government of India as per the spectrum allocation model. As per the contract, the company has to make periodic payments over a period of 12 months in 12 instalments to the Government. The due date for payment was 20th October 20XX and payment was made by the company on 19th October 20XX since it was a Sunday on 20th October 20XX. Determine the time of supply, Also discuss in brief the provision related to due date of issue of the invoice in the above case. [CA Final May 26 Exam]

► **Answer: -**

- **Spectrum allocation services are ‘continuous supply of services’** since they are: - provided continuously
 - under a contract for over 3 months
 - with periodic payments.
- Since the due date of payment is clearly ascertainable from contract, the invoice must be issued on or before due date of payment, i.e., on or before 20th October 20XX.
- Tax on said services provided by Government is payable under reverse charge.
- Thus, time of supply is as and when the payments are due or made, whichever is earlier, **19 th October 20XX.**

Q.10: Cuteex Pvt. Ltd. is registered in the State of Karnataka under GST. It has taken a residential house for its Managing Director (MD) on rent from Mr. Rathi, also registered under GST in Karnataka. The invoice for rent for the month of August 20XX was issued on 31st July 20XX by Mr. Rathi. The due date for payment was 7th August 20XX, but since the MD was on a business trip, payment was made online by IMPS system on 15th October 20XX but recorded in advance in the books of the accounts of the company on the 14 th October 20XX. The amount was credited in Mr. Rathi's bank account on 15 th October, 20XX. Determine the time of supply [CA Final May 26 Exam]

► **Answer: - Legal Provision:**

- Services supplied by way of renting of residential dwelling by any person to a registered person then registered person is liable to pay tax under RCM [Sec 9(3)]
- If supply of services is liable under reverse charge, then time of supply of services shall be the **earliest** of the following dates: [Sec 13(3)]
 - a) Date of payment by recipient (i.e., earlier of book entry or debit to bank)
 - b) 61st day from supplier's invoice, in cases where invoice is required to be issued by the supplier or

- c) Date of issue of invoice by the Recipient, in cases where invoice (Self Invoice) is to be issued by the recipient.

Discussion & Conclusion:

- In the given case, Time of supply is **earliest of:**
- a) Date of recording payment in books of recipient-14th October 20XX
 - b) Date of debit from bank account of recipient -15th October 20XX
 - c) Date immediately following 60 days from issue of invoice (61st day from issue of invoice) - 30th September 20XX
- Accordingly, time of supply is **30th September 20XX.**

Chapter 6: Value of Supply

Q.11: ABC Ltd., a registered dealer, supplies cigarettes in Maharashtra. The Retail Sale Price (RSP) printed on the package is ₹ 500, which is inclusive of all taxes. The applicable GST rate on such goods is 40% i.e CGST @ 20% and SGST @ 20%. In certain cases, the same product bears two MRPs of ₹ 480 and ₹ 520 on the package. Further, in some instances, the originally printed RSP of ₹ 500 is increased to ₹ 550 by affixing a sticker before the supply is made. You are required to determine

1. The value of supply and GST payable for the RSP of ₹ 500.

2. State which RSP should be considered in cases where

- a) Multiple MRPs are printed and
- b) The RSP is increased by a sticker before supply.

► **Answer: -**

1.	➤ As per Rule 31D, the value of supply in case of notified goods like cigarettes shall be the Retail Sale Price (RSP) less the GST amount included in such price. ➤ Since the RSP of ₹ 500 is inclusive of GST at 40%, the tax amount is calculated by applying the formula: $GST = (RSP \times \text{tax rate}) \div (100 + \text{tax rate})$. ➤ Accordingly, $GST = (500 \times 40) \div (100 + 40) = ₹ 142.86$ ➤ The value of supply is therefore $₹ 500 - ₹ 142.86 = ₹ 357.14$. ➤ The GST payable includes CGST of ₹ 71.43 and SGST of ₹ 71.43.
2.	➤ In cases where multiple MRPs are printed on the package, the highest price, i.e., ₹ 520, shall be considered for valuation. ➤ Further, where the RSP is increased to ₹ 550 by affixing a sticker before supply, such altered RSP shall be taken as the basis for determining the value of supply.

Chapter 7: Input Tax Credit

Q.12: Rinku Pvt. Ltd. is registered under GST in Faridabad (Haryana). It has a unit engaged in manufacturing of potato chips and also indulged in supply of service of hiring motor vehicles. It reports the following transactions during the month of June 20XX:

1. On 05.06.20XX, it purchased potatoes for ₹ 18,00,000 from farmers and also hired Tarun Services, registered under GST in Punjab, for grading, sorting, cleaning of potatoes so purchased at the factory of Tarun Services for invoice value of ₹ 2,00,000 in the same month.
2. On 10.06.20XX, it was allotted an industrial plot in Faridabad (Haryana) on 99-year lease by JBL Industrial Developers Pvt Ltd. on payment of One-time upfront premium ₹ 30,00,000 which was capitalized as intangible asset in the books and Annual lease rent ₹ 2,00,000.
3. On 15.06.20XX, it gave on hire a non-air-conditioned bus, having capacity of more than 12 passengers to Health Department of Haryana Government for transporting its employees for total consideration of ₹ 50,000. As per contract fuel cost is to be borne by the Health Department.

All the above amounts are exclusive of GST, wherever applicable. Applicable rates of GST are:

Particulars	CGST	SGST	IGST
Supply of services	9%	9%	18%
Supply of service of hire of non-air-conditioned motor-vehicle (if cost of fuel is borne by operator)	2.5%	2.5%	5%
Supply of service of hire of non-air-conditioned motor-vehicle (if cost of fuel is borne by recipient)	9%	9%	18%

You are required to calculate net tax payable by Rinku Pvt. Ltd. for the month of June 20XX. Reason of the treatment of each transaction should form part of your answer. There is no opening balance of ITC in e-credit ledgers, and no ITC is blocked u/s 17(5). [CA Final Jan 26 Exam]

► **Answer:** Computation of net tax payable by Rinku Pvt. Ltd. for the month of June, 20XX:

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Hiring out of non-AC bus to Health Department of Haryana [Note 1]	50,000		4,500 [50,000 x 9%]	4,500 [50,000 x 9%]
Total output tax		-	4,500	4,500
Less: ITC (Working Note) [Note 2]		-	4,500	4,500
Net GST payable		-	Nil	Nil

Working Note: Computation of eligible ITC available for set off:

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Purchase of potatoes [Note 3]	18,00,000	-	-	-
Services received from Tarun Services for sorting, grading and cleaning of potatoes at its factory [Note 4]	2,00,000	36,000	-	-
Long term lease of plot [Note 5]	32,00,000 (30,00,000 + 2,00,000)	-	2,88,000	2,88,000
Total ITC available		36,000	2,88,000	2,88,000

Note:

1.	➤ Hiring out of such motor vehicles are exempt only when hired to a State Transport Undertaking (STU). ➤ However, since Health Department is not a STU, said services are taxable. ➤ Further, tax is payable under forward charge and not payable under reverse charge as supplier is a body corporate and cost of fuel is not included in consideration.
2.	IGST credit is being utilized against payment of CGST and SGST liability respectively.
3.	No ITC is available since supply of potatoes is exempt.
4.	Taxable, since said processes are exempt only when they are carried out at an agricultural farm and in the given case, services are not being carried out at an agricultural farm. ITC is available as these services are used in course or furtherance of business.
5.	It has been assumed that supplier is registered & paid annual rent in the month of June itself for the whole year.

Chapter 8: Place of Supply (IGST Act)

Q.13: Section 7(2) of the IGST Act, 2017 states that import of goods means bringing goods into India from a place outside India. Whether goods mentioned here includes intangible goods also and how the IGST will be levied on import of such goods. You are required to examine the above situation with respect to levy of IGST on import and enumerate which intangible goods have been notified for such levy. [CA Final Jan 26 Exam]

► **Answer:**

- The term 'goods' under GST law includes intangible goods also, for instance, actionable claims.
- IGST on goods (other than intangible goods) imported into India is levied and collected in accordance with the provisions of the Customs law, [Section 5(1) of IGST Act].
- However, customs duty is not applicable on intangible goods as they do not physically cross customs frontiers.
- Resultantly, the Government is empowered to notify certain goods for whom proviso to section 5(1) may not be applicable for levy and collection of IGST and in whose case, IGST shall be levied and collected in the manner specified in section 5(1) only.
- Supply of online money gaming is notified intangible goods for this purpose. This implies that import of specified actionable claim of online money gaming will be taxed under IGST as import of goods without applicability of customs duty.

Chapter 9: Payment of Tax & TDS-TCS

Q.14: 'Highway', an e-commerce operator (ECO), provides various services in its online platform. In one of the services, it is liable to pay tax as notified under section 9(5) of the CGST Act, 2017. Its tax consultant advised that it can discharge its liability under section 9(5) by utilizing its available Input Tax Credit (ITC) but it needs to reverse proportionate ITC in respect of said turnover reported. You are approached to evaluate the correctness of the advice of the tax consultant.
[CA Final May 26 Exam]

► Answer

- The advise of consultant of Highway is **not correct** since:
- ECO has to pay the full tax liability under section 9(5) only in cash i.e. only through electronic cash ledger.
- ECO is not required to reverse the ITC on his inputs and input services used for making such supplies.

Chapter 12: Accounts, Records & E-Way Bill

Q.15: Twinkle Toys Ltd., a manufacturer of toys and registered under GST in the State of Gujarat, handed over boxes of toys along with duly filled in Part A of the e-way bill on 22nd October 20ZZ at 15:30 hrs to M/s Zoom Roadways (transporter) for transportation by road. The goods were to be delivered to M/s Happy Toys, a registered dealer in the State of Rajasthan located at a distance of 610 km from the warehouse of Twinkle Toys Ltd. The transporter entered XYXY as the vehicle number of the normal truck in which the goods were to be transported in Part-B of the e-way bill on 24th October 20ZZ at 10.30 hrs. However, the goods could not be transported due to a sudden strike of transporters till midnight of 26th October 20ZZ.

The transporter decided to transport the said goods as soon as the strike ended on midnight of 26th October 20ZZ along with the e-way bill already generated earlier with XYXY as the vehicle number but in another truck whose number was ABCD.

Discuss the followings in brief with relevant provisions of the CGST Act, 2017:

1. Can the transporter transport the goods in truck number ABCD instead of XYXY or does he need to generate another e-way bill?
2. Transporter think that the time for cancellation of e-way bill has already expired so new e-way bill required.

Note: XYXY and ABCD are just given for the purpose of reference only and may not be the actual truck number. [CA Final May 26 Exam]

► Answer: -

1.	Legal Provision: ➤ The transporter can transport the goods in truck number ABCD by updating the vehicle number in Part-B of the e-way bill, within the validity period. ➤ E-way bill validity is: • 1 day for the first 200 km of distance and 1 additional day for every 200 km or part thereof, • counted from the time of first entry in Part-B (Vehicle details) • with each day ending at midnight of the following day. Conclusion: ➤ Since in given case, distance is 610 km, e-way bill remains valid till midnight of 28 th October 20ZZ, and thus, the vehicle number can be updated, and goods can be transported accordingly. ➤ Another e-way bill is not required .
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2.	Although time for cancellation of e-way bill, i.e. 24 hours of generation, has expired, new e- way bill is not required as existing e-way bill is still valid , only vehicle details need to be updated
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Chapter 14: Job Work

Q.16: Manyur Enterprises, a registered person in Nagpur, Maharashtra, sent goods for job work purpose to Kechime Enterprise located in Imphal, Manipur, not registered under GST. Aggregate turnover of Manyur Enterprise in the preceding financial year was ₹ 7.50 crore.

You are required to answer the below stated questions as per the provisions of GST law:

- (i) What will be the due date of submitting intimation in Form GST ITC-04?
- (ii) Who is required to generate e- way bill?
- (iii) Whether Kechime Enterprise required to take registration under CGST Act, 2017, if their aggregate turnover during the current year is ₹ 9 lakh? [CA Final May 26 Exam]

► **Answer: -**

(i)	Since the aggregate turnover of Manyur Enterprises during preceding F.Y. exceeds ₹ 5 crore, Form GST ITC-04 is required to be filed on half yearly basis by 25th October & 25th April .
(ii)	Principal - Manyur Enterprises is required to generate e-way bill.
(iii)	➤ Since the job worker, Kechime Enterprises supplies inter-State job work services from a Special Category State Manipur, it is required to obtain registration only when its aggregate turnover exceeds ₹ 10 lakh. ➤ Since its aggregate turnover is ₹ 9 lakh, it is not required to obtain registration.

Chapter 15: Audit & Assessment

Q.17: Mention the reasons for which taxable person can go for provisional assessment and the time period by which the proper officer has to pass the provisional assessment order and final assessment order as per the provision of section 60 of the CGST Act 2017. [CA Final May 26 Exam]

► **Answer: -**

- As per **section 60** of CGST Act, the taxable person may request the proper officer in writing giving reasons for payment of tax on a provisional basis, if he is unable to determine the following: -
 - value of goods or services or both or
 - rate of tax applicable there etc.
- The proper officer shall pass an order allowing payment of tax on provisional basis **within 90 days** from the date of receipt of request & shall also specify the value or the rate for payment of tax.
- Proper officer shall pass the final assessment order within 6 months from the date of communication of the order of provisional assessment.
- On sufficient cause being shown & for reasons to be recorded in writing, the **time limit may be extended** as follows: -
 - by Joint Commissioner/ Additional Commissioner for further period **not exceeding 6 months &**
 - by Commissioner for such further period **not exceeding 4 years**.

Chapter 16: Refund

Q.18: - Go Global Inc., a firm registered under GST, submits the following information pertaining to the month of September 20XX:

- (i) Export of fruit jam: 1,000 bottles
- (ii) Domestic inter-State sale of fruit jam: 2,500 bottles
- (iii) Eligible Input Tax Credit (ITC) of IGST for the given month for inputs, input service and capital goods amount to ₹ 1,50,000, ₹ 2,50,000 and ₹ 3,00,000 respectively.
- (iv) Rate of fruit jam for domestic supply was priced at ₹ 120 per bottle.
- (v) For export, the same product was priced at ₹ 200 per bottle.
- (vi) In domestic market, the product is taxed at 18% under IGST.

The firm had duly filed LUT for making export without payment of tax in accordance with the provisions of the IGST Act, 2017. FOB value declared in the shipping bill and value as per tax invoice was one and the same.

Determine the eligible refund amount that can be claimed by Go Global Inc. for the given month under GST law.

Note: Assume all the conditions for refund have been complied with. [CA Final May 26 Exam]

► **Answer: - Legal Provision:** As per **Rule 89(4)** of CGST Rules, 2017, in case of zero-rated supply of goods or services or both without payment of tax under bond/ letter of undertaking as per section 16(3) of IGST Act, 2017, refund of input tax credit (ITC) shall be granted as per the following formula:
Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover

where,

- "Net ITC" means ITC availed on inputs and input services during the relevant period
- "Turnover of zero-rated supply of goods" means
 - the value of zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking or
 - the value which is 1.5 times the value of like goods domestically supplied by the same or, similarly placed supplier, as declared by the supplier, **whichever is less,**
- "Adjusted Total turnover" means the sum total of the value of: -
 - a) The turnover in a State or a UT as per sec 2(112) excluding the turnover of services and
 - b) The turnover of ZRS of services as per clause (D) above & non-zero-rated supply of services, **excluding –**
the value of exempt supplies other than zero-rated supplies during the relevant period.
- For the purpose of **Rule 89(4)**, the value of goods exported out of India shall be the lower of:
 -
 - 1) the Free on Board (FOB) value declared in the Shipping Bill or Bill of Export or
 - 2) the value declared in tax invoice or bill of supply.

Discussion & Conclusion:

- a) Turnover of zero-rated supply of goods is **lower of**
 - Value of zero-rated supply of goods = ₹ 2,00,000 [1,000 × ₹ 200] or
 - 1.5 times the value of like goods domestically supplied
= ₹ 1,80,000[(1,000 × ₹ 120) × 1.5] i.e. ₹ 1,80,000.

- b) Adjusted Total Turnover = Turnover of zero-rated supply of goods + Turnover in State = ₹ 1,80,000 + 3,00,000 [2,500 × ₹120]
= ₹ 4,80,000
- c) Net ITC on inputs and input services = ₹ 4,00,000
- Refund Amount** = (1,80,000/₹ 4,80,000) X 4,00,000 = **₹ 1,50,000**

Chapter 19: Demand & Recovery

Q.19: How is the amount realized from the sale of goods or conveyance, movable or immovable property be appropriated for the recovery of dues from a defaulter or for recovery of penalty under section 129(3) of the CGST Act, 2017?

Answer with reference to section 79(1)(d) of the CGST Act, 2017 and rules of the CGST Rules, 2017. [CA Final May 26 Exam]

- **Answer:** - The amounts so realised from the sale of goods or conveyance, movable or immovable property, for the recovery of dues from a defaulter or for recovery of penalty payable **u/s 129(3)** shall:
- first, be appropriated against the administrative cost of the recovery process.
 - next, be appropriated against the amount to be recovered or to the payment of the penalty payable u/s 129(3), as the case may be.
 - next, be appropriated against any other amount due from the defaulter under GST law and
 - the balance, if any, shall be credited to the electronic cash ledger of the owner of the goods or conveyance as the case may be, in case the person is registered under the GST law, and where the said person is not required to be registered under the GST law, the said amount shall be credited to the bank account of the person concerned.
 - If it is not possible to pay the balance of sale proceeds, as above, to the person concerned within a period of 6 months from the date of sale of such goods or conveyance or such further period as the proper officer may allow, such balance of sale proceeds shall be deposited with the Consumer Welfare Fund.

Chapter 20: Liability to Pay in Certain Cases

Q.20: PrimeAxis Ltd. and BluePeak Ltd., two well-established manufacturing companies registered under GST in the State of Maharashtra, decided to strengthen their market presence by merging their operations. After following due legal procedures, they filed an application for merger before the Court. On 22nd May, the Court passed an order approving the merger, stating that it would take effect retrospectively from 1st April. However, an important transaction had already taken place on 15th May, wherein PrimeAxis Ltd. supplied a consignment of taxable goods to BluePeak Ltd. The accountant of PrimeAxis Ltd. took the view that no GST was payable on this transaction. According to him, since the merger was effective from 1st April (as per the Court's order), both companies were deemed to be one entity from that date. Therefore, the transfer of goods on 15th May does not qualify as "supply" under GST. You are required to assess the technical veracity of the claim of the accountant of PrimeAxis Ltd. [CA Final RTP May 26]

► **Answer: -**

Legal Provision:

- As per **Section 87** of CGST Act, when two or more companies are amalgamated or merged in pursuance of an order of court or of Tribunal or otherwise and the order is to take effect from a date earlier to the date of the order and any two or more of such companies have supplied or received any goods or services or both to or from each other during the period commencing on the date from which the order takes effect till the date of the order, then
 - **such transactions of supply and receipt shall be included in the turnover of supply or receipt of the respective companies, and they shall be liable to pay tax accordingly.**
- The said **two or more companies shall be treated as distinct companies** for the period up to the date of the said order under GST.
- The registration certificates of the said companies shall be cancelled with effect from the date of the said order.

Conclusion: Thus, in the given case, then such transactions of supply and receipt shall be included in the turnover of supply and receipt of PrimeAxis Ltd. and BluePeak Ltd. respectively and they shall be liable to pay tax accordingly.

Chapter 21: Offences & Penalties & Ethical Aspects under GST

Q.21: M/s Blue Berry Traders, a registered person under GST, issued a tax invoice on 1st August, 20XX to M/s Blue Lagoon Traders without any underlying supply of goods or services amounting to Input Tax Credit (ITC) involved of ₹ 30 lakh. M/s Blue Berry Traders conducted this transaction at the instance of its tax consultant who was not a qualified professional. M/s Blue Lagoon Traders avails ITC on the basis of the said tax invoice. The department issued

a show cause notice to M/s Blue Lagoon Traders on 1st April, 20XX specifying the amount of tax along with interest payable thereon u/s 50 and applicable penalty. M/s Blue Lagoon Traders paid the amount of tax along with interest payable thereon u/s 50 specified in the show cause notice on 15th April, 20XX and also along with applicable penalty. Explain the relevant provision in brief and determine the amount of penalty to be paid by M/s

Blue Berry Traders, M/s Blue Lagoon Traders and Tax consultant under CGST Act, 2017 in respect of above referred transaction.

Note: Assuming that the tax consultant has retained the benefits. [CA Final May 23, Dec 21 Exam (Similar)]

► **Answer: - Legal Provision:**

- **As per Section 122(1) of CGST Act, if a taxable person**
 - a) issues any invoice without supply of goods, or
 - b) takes or utilises ITC without actual receipt of goods, fully or partially, in contravention of the provisions of GST law or rules made thereunder, then such person shall be liable to pay a penalty which shall be higher of the following: -
 - ₹ 10,000 or
 - an amount equivalent to the ITC availed of or passed on
- **As per Section 122(1A)**, any person at whose instance above transactions are conducted shall be liable to a penalty of an amount equivalent to ITC availed of or passed on.

- Further As per Sec 74A(9)(ii) of CGST Act, If any person chargeable with tax due to wrongful availment and utilization of ITC by reason of fraud etc. pays the said tax along with interest payable u/s 50 and a penalty equivalent to 25% of such tax **within 60 days of issue of the notice**, all proceedings in respect of the said notice shall be deemed to be concluded.

Discussion & Conclusion:

- In the given case, M/s Blue Berry Traders issued an invoice without any supply of goods or services. So, it shall be liable to pay a penalty of ₹ 30,00,000 each under CGST & SGST, which is **higher** of the following: -
 - ₹ 10,000 or
 - ₹ 30,00,000
- Also, M/s Blue Lagoon Traders has to pay penalty of ₹ 7,50,000 (₹ 30 lakh x 25%) each under CGST and SGST.
- M/s Blue Berry Traders conducted the said transaction at the instance of tax consultant and thus, the tax consultant will be liable to pay a **penalty of ₹ 30 lakh**.

Q.22: Mr. Rajaram issued a tax invoice to Mr. Balram without any actual supply of goods or services involving total Input Tax Credit (ITC) of ₹ 60 lakh on 5th October 20XX. Mr. Balram avails ITC on the basis of the said tax invoice. Mr. Balram further issues tax invoice to Mr. Lilaram with total ITC amounting to ₹ 70 lakh without actual supply of goods or services on the same day. All the three persons are registered under GST in the same State.

The Department conducts an inquiry and proves that no service/goods ever moved between any of the persons.

On the basis of the above given facts, answer the following with reference to GST law:

- Determine the amount of penalty to be paid by Mr. Balram, if any.**
- Whether any other action can be taken against Mr. Balram under any of the provisions of the GST law?**
- Calculate the minimum and maximum compounding amount as per the provisions of section 138 of the CGST Act, 2017, payable by Mr. Rajaram, if any.**

Note: Calculations must be done separately for CGST and SGST or IGST as the case may be. [CA Final May 26 Exam]

► Answer: -

(i)	➤ Since Balram has availed ITC on the basis of tax invoice issued by Rajaram, without actual receipt of goods and/or services, said ITC is ineligible and thus, Balram is liable to a penalty, higher of: • ₹ 10,000 or • Amount equivalent to the ITC availed of / passed on irregularly ₹ 60 lakh (CGST & SGST) i.e. ₹ 30 lakh each under CGST and SGST ➤ Further, since Balram has issued tax invoice without actual supply of goods and/or services, he is liable to a penalty, higher of: • ₹ 10,000 or • Amount equivalent to the tax evaded ₹ 70 lakh (CGST & SGST) i.e. ₹ 35 lakh each under CGST and SGST
(ii)	Other action to be taken against Balram is as follows: ➤ Since Balram issued invoice without supply of goods and/or services and availed ITC in violation of the provisions of the GST law, his GST registration is liable to be cancelled.
(iii)	➤ Prosecution cannot be initiated against Rajaram since the tax involved in issuing invoices without actual supply does not exceed ₹ 1 Crore. ➤ As compounding of offences is allowed only where prosecution is invocable, compounding is not applicable in Rajaram's case. Nevertheless, a person accused of issuing invoices without actual supply is not eligible for compounding of that offence.

Chapter 24: Computation of GST

Q.23: Sakura Impex Limited (SIL), a registered supplier in the State of Andhra Pradesh, provides the following details of transactions undertaken in the month of January 20YY:

S.No.	Particulars	Amount (₹)
Outward Transactions		
i)	Received an order for printing books from a publisher who owned the content. Paper, ink and printing activities were undertaken by SIL, and books were supplied as ordered.	7,00,000
ii)	Received rent from a GST registered limited company for use of SIL's commercial building at Andhra Pradesh, used for the purpose of residential quarters for the employees of the tenant company	1,20,000
iii)	Provided printing related consultancy services to M/s. Tay Hung & Co, a resident of South Korea, for the new market potential for South Korea, for the new market potential for its last Hi-teach printing machine. Market study involving demo of machine working was conducted in Japan, Indonesia and State of Andhra Pradesh, India. Out of consideration of ₹ 20 lakhs, ₹ 14 lakhs were apportioned to study done abroad.	20,00,000
iv)	Provided a corporate guarantee to a related person located in India, who was not eligible for full ITC.	70,000
v)	Received an advance for supply of services related to footwear sector.	1,00,000
vi)	Supplied an old machinery used in manufacture of taxable goods to Mr. Prasad of Karnataka on the instruction of Mr. Subba Rao registered in Vizag, Andhra Pradesh.	4,00,000
Inward Transactions		
vii)	Paid consideration to Andhra Pradesh Government towards grant of certification relating to safety of workers at the workplace as required by the local laws.	60,000

The following additional information be taken into consideration:

- Wherever details for determination of place of supply are not given in the question, it shall be taken as inter-State transaction.
- Out of total consideration received for printing of books, ₹ 3, 00,000 was related to paper and ink.
- SIL had filed Letter of Undertaking for zero-rated supplies to make exports without payment of tax.
- Corporate guarantee was given for grant of term loan by a PSU Bank for solar panel installation amounting to ₹ 20 Lakhs with a term of 5 years. The related party availed only ₹ 15 lakhs since it could manage the balance funds through its internal sources.
- Supply of service as well as invoice for footwear sector supply was made on 14th February 20YY. There was a change in rate of tax from 12% (by a notification issued in January 20YY) to 18%, with effect from 1st February 20YY.
- SIL had purchased the machine referred in Sl. No (vi) above in the month of January 20XX at a cost of ₹ 6, 00,000 excluding GST. Since invoice was also issued in January 20XX, ITC was eligible and claimed during the same month.
- Except as otherwise stated, rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% respectively for paper and ink and 9%, 9% and 18% respectively for all other inward and outward supply of goods and/or services.
- All the amounts given above are exclusive of taxes wherever applicable.
- All the conditions applicable for availing ITC have been complied with, subject to the information given above and the said ITC were exclusively used for taxable outward supply only.

From the information given above, you are required to compute the net GST liability payable in cash (CGST, SGST or IGST as the case may be) for the month of January 20YY. Brief reason for the treatment of each item should form part of the answer. [CA Final Sep 25 Exam]

► **Answer:-** Computation of minimum net GST liability payable in cash for the month of January 20YY:

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Order for printing of books [Note 1]	7,00,000	1,26,000 (7,00,000 *18%)	-	-

Renting of commercial building [Note 2]	1,20,000		10,800 (1,20,000 *9%)	10,800 (1,20,000 *9%)
Consultancy services provided to a resident of South Korea [Note 3]	20,00,000	-	1,80,000 (20,00,000 *9%)	1,80,000 (20,00,000 *9%)
Corporate guarantee on behalf of a related person in India [Note 4]	1,00,000	18,000 (1,00,000 *18%)		
Supply of services related to footwear sector [Note 5]		-	-	-
Supply of old machinery [Note 6] [Working Note 2]		-	40,500	40,500
Total output tax liability		1,44,000	2,31,300	2,31,300
Less: Input tax credit [Working Note 1 below]		-	-	-
Minimum net GST payable in cash		1,44,000	2,31,300	2,31,300

Working note 1- Computation of eligible ITC available for set off:

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Grant of certification relating to safety of workers [Note 7]		-	-	-

Working note 2 - Computation of amount to be paid on sale of old machinery:

Particulars	Value (₹)	IGST (₹)
If capital goods/plant and machinery on which ITC has been taken are supplied by a registered person, higher of the following amounts is to be paid:		
(a) ITC taken on machinery (₹ 6,00,000 x 18%) Less: 5% per quarter or part thereof from the date of issue of invoice for machinery [(₹ 6,00,000 x 18% x 5% x 5 quarters)]	1,08,000 (27,000) (81,000) CGST: 40,500 SGST: 40,500	40,500
OR		OR
(b) Tax on transaction value [₹ 4,00,000 x 9%]		36,000
Amount to be paid (each under CGST & SGST)		40,500

Notes: -

1.	Printing of books with only content being supplied by the publisher is a composite supply wherein supply of printing service is the principal supply.
2.	➤ Since renting of only residential dwelling for use as residence is exempt, renting of commercial buildings for use as residence is not exempt and is thus, taxable. ➤ Further, tax is payable under forward charge and not under reverse charge since supplier - SIL – is registered. ➤ It is an intra-State supply since place of supply of services in relation to immovable property is the location of such property, i.e. Andhra Pradesh
3.	Intra-State supply since where services supplied in respect of goods required to be made physically available by the recipient to supplier are supplied at more than one location, including a location in the taxable territory, place of supply is the location in the taxable territory, i.e., Andhra Pradesh.
4.	Value of supply of corporate guarantee service for 5 years is higher of the following: - a) 1% per annum of amount of such guarantee offered [and not amount of loan actually disbursed to the recipient] multiplied by 5 years [1% x ₹ 20,00,000 x 5 years = ₹ 1,00,000] or b) Actual consideration i.e. ₹ 70,000 i.e. ₹ 1, 00,000.

5.	➤ In case of change in rate of tax, if supply and issue of invoice (14th February, 20YY) are after the change in such rate (1st February, 20YY), payment is received before change in rate, date of issue of invoice [14th February, 20YY] is the time of supply. ➤ Therefore, advance is not taxable in the month of January 20YY.
6.	➤ Intra-State supply since in case of “Bill to Ship to” supply, where goods are delivered by the supplier to the recipient at the instruction of a third person, place of supply is principal place of business of third person i.e. Andhra Pradesh. ➤ Further, refer working note 2 below for computation of amount to be paid on supply of old machinery on which ITC has been taken.
7.	Services provided by State Government by way of certification relating to safety of workers required under any law is exempt under GST. Since no tax is payable, no ITC is available on the same.

Q24. Earthovia Ltd., 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 (₹)
OUTWARD SUPPLY		
(1)	Information technology services provided to unrelated clients located in foreign countries. In all cases, the consideration has been received in convertible foreign exchange	20,00,000
(2)	Supplied 50 Bluetooth speakers at Hyderabad to the State Government of Telangana.	8,00,000
	Charging cables mandatorily required for charging the Bluetooth speakers were also supplied along with these speakers.	72,000
(3)	Provided intra-State service as a Direct Selling Agent (D.S.A.) to Ujjval Growth Small Finance Bank Limited for their retail loan products	3,80,000
(4)	Passenger transportation service provided to tourists by the company owned ferries between two islands in the State of Maharashtra for tourism purpose	1,20,000
(5)	Supplied goods to its agent in the State of Bihar. Open market value of the said goods were ₹ 3,00,000. The said agent is supplying goods of like kind and quality to his unrelated customer at ₹ 3,20,000.	
INWARD SUPPLY		
(1)	Purchased silk yarn (to be used as raw material) from Mr. Subhash, who manufactures silk yarn from raw silk. Mr. Subhash is registered in the State of Maharashtra.	4,00,000
(2)	Purchased a new truck from a dealer in Cochin, Kerala for transport of materials. The company claimed depreciation under the Income-tax Act on the value of new truck purchased including all applicable taxes.	14,00,000
(3)	Fees paid to a Chartered Accountant - Mr. Prashant, registered in Gujarat (₹ 35,000 for the statutory audit of preceding financial year and ₹ 25,000 for certification work.)	2,00,000

The company provided the following additional information:

- (i) Earthovia Ltd. wishes to choose the most beneficial option in respect of supply to agent and branch transfer.
- (ii) Earthovia Ltd. transferred certain taxable items to its Kerala branch for distributing as free samples on the occasion of inauguration of said branch which is yet to be registered. Value declared in the invoice for transfer was ₹ 2.50 lakh whereas open market value of the same was ₹ 3 lakh. Kerala branch has yet not sold such kind of goods to any of the customer.
- (iii) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services, except charging cable for which the rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% respectively.
- (iv) All the amounts given above are exclusive of taxes, wherever applicable.
- (v) No inward supply is used for non-business purpose.
- (vi) 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 payable in cash (CGST, SGST or IGST, as the case may be) for the month of April for the Earthovia Ltd., Maharashtra. [CA Final RTP May 26]

► **Answer:** Computation of minimum net GST payable in cash for the month of April:

S.no	Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
OUTWARD TAX LIABILITY					
(1)	Information technology services provided to unrelated clients located in foreign countries [Note 1]	20,00,000	Nil		
(2)	Supply of 50 Bluetooth speakers [Note 2]	8,72,000 [8,00,000 + 72,000]	1,56,960 [8,72,000 × 18%]		
(3)	Intra-State supply as Direct Selling Agent (DSA) [Note 3]	3,80,000		34,200 [3,80,000 × 9%]	34,200 [3,80,000 × 9%]
(4)	Passenger transportation service [Note 4]	1,20,000		10,800	10,800
(5)	Supply of goods to an agent [Note 5]	2,88,000	51,840 [2,88,000 × 18%]		
(6)	Inter-State transfer of taxable itemsto Kerala branch [Note 6]	3,00,000	54,000 [3,00,000 × 18%]		
Total output tax			2,62,800	45,000	45,000
Less: ITC available for Set off [Refer Working Note]			36,000	36,000	36,000
Net GST payable			2,26,800	9,000	9,000
Add: GST payable under reverse charge [Note 7]				36,000	36,000
Minimum net GST payable in cash			2,26,800	45,000	45,000

Working Note: Computation of eligible ITC available for set off:

S.no	Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
(1)	Silk yarn purchased [Note 8]	4,00,000		36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]
(2)	Truck purchased [Note 9]	14,00,000			
(3)	Fees paid to a Chartered Accountant [Note 10]	2,00,000	36,000 [2,00,000 × 18%]		
Eligible ITC available for set off			36,000	36,000	36,000

Notes:

1.	➤ The activity is an export of service as per section 2(6) of the IGST Act, 2017 as- - the supplier of service is located in India. - the recipient of service is located outside India. - place of supply of service is outside India (Section 13(2) of the IGST Act, 2017). - payment for the service has been received in convertible foreign exchange or in Indian rupees wherever permitted by the RBI and
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	• supplier of service and recipient of service are not merely establishments of distinct person. ➤ Export of services is a zero-rated supply. [Section 16(1)(a) of the IGST Act, 2017]. ➤ A zero-rated supply can be supplied without payment of tax under a LUT. [Sec 16(3)(a)]
2.	➤ It is an inter- State supply since place of supply here is the location where the movement of goods terminates, viz. Hyderabad. ➤ Further, supply of Bluetooth speaker with charging cable is a composite supply, chargeable to tax at the rate applicable to the principal supply (viz. supply of Bluetooth speakers) i.e., 18%.]
3.	Taxable under forward charge. Reverse charge mechanism is not applicable since services are provided by a body corporate and not by an individual DSA.
4.	➤ Passenger transportation service provided for tourism purpose, in a vessel between places located in India is taxable. ➤ Further, the place of supply of passenger transportation service to an unregistered person, shall be the place where the passenger embarks on the conveyance for a continuous journey. ➤ Thus, in the given case, place of supply is Maharashtra.
5.	Value of inter- State supply of goods to agent shall be: (i) Open Market Value (₹ 3,00,000) or (ii) 90% of the price of goods of like kind and quality charged by recipient to unrelated customer [₹ 2,88,000 (3,20,000 × 90%)], at the option of supplier. [Rule 29]
6.	Since recipient is not eligible for full ITC and goods are not intended for further supply as such by the recipient, value of supply of goods to branch shall be open market value. [Rule 28]
7.	Tax on silk yarn purchased by a registered person from any person who manufactures silk yarn from raw silk.
8.	➤ Intra-State supply since Place of supply is location where movement of goods terminates, viz. Maharashtra. ➤ Further, ITC on goods to be used in course or furtherance of business is available.
9.	ITC of truck purchased is not available, since depreciation has been claimed on the GST component. [Sec 17(5)]
10.	➤ It is inter- State supply since place of supply is Maharashtra. ➤ Further, services of the Chartered Accountant are being used in the course/furtherance of Business and thus, credit of input tax paid on such service is available.

Q25: Manor Co. Ltd. is a company incorporated in India under the Companies Act, 2013 and is registered under GST in Visakhapatnam, Andhra Pradesh. They are engaged in manufacturing of taxable goods and provide various types of services related to advertisement sector, research and development services in pharmaceutical sector, software development, Data Hosting Service Provider (DHSP).

Following details have been provided for the transactions undertaken during the month of June 20XX:

S.no	Particulars	Amount (₹)
(i)	Supply of services by providing right to use the space on hoardings for advertisement at premium locations in Vijayawada, Andhra Pradesh to Laxmi Enterprise, a registered person in Coimbatore, Tamil Nadu.	12,50,000
(ii)	Supply of goods to Broadway Exports, a merchant exporter in Visakhapatnam, Andhra Pradesh	15,00,000
(iii)	Provided Research & Development services under a contract related to clinical trials to Elysium Pharmaceuticals, USA.	25,20,000

(iv)	Provided services as Data Hosting Service Provider (DHSP) to Malher International, Germany, a Cloud Computing Service Provider (CCSP)	18,65,000
(v)	Supply of services to Marshal & Co. located in New Zealand. Manor Co. Ltd. is sister concern of Marshal & Co.	10,90,000
(vi)	Export of services to Libra Software Co. of Australia. Due to urgent requirement of supply of software, Manor Co. Ltd. took help of Klare Software Co. of New Zealand, who is not related to Manor Co. Ltd., for a consideration paid of 25% of the total contract amount of 25,60,000.	25,60,000
Inward Supplies		
(i)	Paid for hiring of Yacht in Australia for 25 days from Bizzee Corporation registered under GST in Delhi.	1,40,000
(ii)	Paid under works contract for construction of effluent plant in the manufacturing unit for treatment of wastewater to remove pollutants before reuse. It is an intra-state supply.	2,25,000

Additional information:

- Ownership of hoardings mentioned in point (i) is of Manor Co. Ltd.
 - Merchant exporter and Manor Co. Ltd has availed the benefits available and also complied with all the conditions mentioned in Notification no. 40/2017 CT(R) dated 23.10.2017, with reference to point (ii) mentioned above.
 - Regarding point (iii) mentioned above clinical trials have been performed in Visakhapatnam only. Clinical trials have been conducted to develop drug for human consumption. It helps in collection of information related to drugs profile in human body such as absorption, distribution, metabolism, excretion and interaction. It allows choice of safe dosage.
 - In respect to point (iv), there is no contact between Manor Co. Ltd being DHSP and the end users/consumers/subscribers of the Malher International, Germany being foreign CCSP. Manor Co. Ltd provides data hosting services to the Malher International, Germany on a web platform through computing and networking equipment, for the purpose of collecting, storing, processing, distributing or allowing access to large amounts of data.
 - Marshal & Co. has been incorporated by or under the laws prevailing in New Zealand.
 - In respect to point (vi) Manor Co. Ltd raised invoice for whole contract value whereas payment to Klare Software Co. has been directly made by Libra Software Co. RBI by general instruction or by specific approval has allowed that a part of the consideration for such exports can be retained or utilized outside India.
 - Effluent plant is fixed to earth by a foundation.
 - All figures are exclusive of tax except otherwise provided for.
 - All transactions related to export of services fulfils all conditions mentioned in section 2(6) and section 13(2) of IGST Act, 2017.
 - GST rates are 9% each for CGST and SGST and 18% IGST for all inward and outward supplies, except otherwise provided for.
 - All inward supplies have been used for taxable supplies only.
 - LUT/Bond has been executed/filed for the export related supplies.
 - All the conditions necessary for availing input tax credit have been complied with.
 - Your answers should be explained with relevant provisions of GST Law and clarifications if any.
- Compute the net minimum GST payable in cash for the month of June 20XX by Manor Co. Ltd. [CA Final Jan 26 Exam]

► **Answer:** - Computation of minimum net GST liability payable in cash for the month of June 20XX:

S.no	Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
GST payable under forward charge:					
(i)	Supply of services by providing right to use the space on hoardings [Note 1]	12,50,000	-	1,12,500 (12,50,000 x 9%)	1,12,500 (12,50,000 x 9%)
(ii)	Supply of goods to merchant exporter [Note 2]	15,00,000	-	750 (15,00,000 x 0.05%)	750 (15,00,000 x 0.05%)

(iii)	Research & Development services [Note 3]	25,20,000	Nil	-	-
(iv)	Provided services as DHSP [Note 4]	18,65,000	Nil	-	-
(v)	Supply of services to Marshal & Co [Note 5]	10,90,000	Nil	-	-
(vi)	Export of services to Libra Software Co. of Australia [Note 6]	25,60,000	Nil	-	-
Total Output Tax			Nil	1,13,250	1,13,250
Less: ITC (Working Note) [Note 7]					
IGST: ₹ 1,15,200			-	(57,600)	(57,600)
CGST: ₹ 20,250			-	(20,250)	X
SGST: ₹ 20,250			-	X	(20,250)
Net Tax Payable			Nil	35,400	35,400
GST payable under Reverse charge:					
(i)	Services provided by Klare Software Co. [Note 8]	6,40,000 (25% of 25,60,000)	1,15,200	-	-
Minimum net GST payable in cash			1,15,200	35,400	35,400

Working note - Computation of eligible ITC available for set off:

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Services provided by Klare Software Co. [Note 9]	6,40,000	1,15,200	-	-
Hiring of Yacht [Note 10]	1,40,000	Nil	-	-
Works contract [Note 11]	2,25,000	-	20,250	20,250
Total ITC available		1,15,200	20,250	20,250

Notes:

1.	It is an intra-State supply since place of supply is Andhra Pradesh being the location where the hoardings are located.
2.	➤ Supplies to merchant exporters are taxed @0.05% (CGST/SGST) ➤ Further, it is an intra-State supply since place of supply is Visakhapatnam being location of goods at the time at which movement terminates for delivery to recipient.
3.	Place of supply is USA , being the location of recipient. Further, it is zero-rated supply, since it qualifies as export of services. Further, LUT/Bond has been executed.
4.	Place of supply is Germany , being location of recipient. Further, it is zero rated supply, since it qualifies as export of services. Further, LUT/Bond has been executed.
5.	Services provided to related establishment incorporated under the laws outside India qualify as 'export of services' and thus, is a zero-rated supply. Further, LUT/Bond has been executed.
6.	Total contract value will be considered as export of services and thus, is a zero-rated supply. Further, LUT/Bond has been executed
7.	➤ First IGST credit is being utilized for payment of CGST and SGST in equal proportion. ➤ Thereafter, CGST and SGST credit is being utilized for payment of CGST and SGST liability respectively.
8.	Tax on portion of imported services provided by supplier outside India to recipient outside India is payable under reverse charge by supplier in India.
9.	ITC of IGST paid on said imported services is available .
10.	ITC on yacht being a vessel is blocked; thus, ITC on hiring of such vessels is also blocked .
11.	Since plant is affixed to earth by foundation, it is eligible plant and machinery and ITC on works contract services availed for construction of eligible plant and machinery is allowed .

Q26. Zaveri Automobiles Pvt Ltd (referred as ZAPL) is a registered person in Rajkot (Gujarat). It has authorized dealership of VTZ Motors Ltd. registered in Gwalior (Madhya Pradesh), an original equipment manufacturer. ZAPL is dealing in cars under all segments of Sedan, SUV, and Hatchback etc. Different variants like petrol, diesel and electric are available for all segments and it is also dealing in buying and selling in second-hand cars and financing cars too.

ZAPL provides following details regarding outward and inward activities during the month of October 20XX:

S.no	Particulars	Amount (₹)												
Outward Transactions:														
(i)	Sale proceeds received from sale of cars with option of one year of extended warranty during the month of October 20XX: <table border="1"> <thead> <tr> <th>Type of Car</th><th>Quantity</th><th>Rate per car (in ₹)</th></tr> </thead> <tbody> <tr> <td>Petrol cars Hatchback upto 1200 cc (Inter-State)</td><td>10</td><td>6,50,000</td></tr> <tr> <td>Electric cars (Intra-State)</td><td>8</td><td>8,50,000</td></tr> <tr> <td>Diesel SUV cars above 1500 cc (Intra-State)</td><td>5</td><td>11,00,000</td></tr> </tbody> </table> Extended warranty is taken only by purchasers of electric car amounting to ₹ 50,000 per car at the time of purchase. (This ₹ 50,000 is not included in above car rates.)	Type of Car	Quantity	Rate per car (in ₹)	Petrol cars Hatchback upto 1200 cc (Inter-State)	10	6,50,000	Electric cars (Intra-State)	8	8,50,000	Diesel SUV cars above 1500 cc (Intra-State)	5	11,00,000	As given inside the table.
Type of Car	Quantity	Rate per car (in ₹)												
Petrol cars Hatchback upto 1200 cc (Inter-State)	10	6,50,000												
Electric cars (Intra-State)	8	8,50,000												
Diesel SUV cars above 1500 cc (Intra-State)	5	11,00,000												
(ii)	Received ₹ 12,00,000 from Maharshi Automobiles registered in Udaipur (Rajasthan) for sale of used demo cars being diesel car below 1500 cc, these cars are originally purchased as used cars from registered person on 01/04/2025 and ZAPL used these cars only for display in the showroom and for test drive for prospective customers, other details are as below: Originally purchased for: ₹ 11,70,000 Minor refurbishment expenses made in relation to this by ZAPL ₹ 50,000 to registered suppliers during the month of October 2025.	As given inside the table.												
(iii)	ZAPL issued taxable debit note to VTZ Motors Ltd. for repair services in addition to replacement of parts to customers without any consideration as part of the warranty on behalf of the VTZ Motors Ltd.	2,20,000												
(iv)	Sale of electric car on 15.10.2025, which was repossessed from defaulter of loan Mr. Shikhar, an unregistered person, who purchased the car on 01.01.2024 for ₹ 7,00,000.	5,00,000												
(v)	ZAPL replaced the goods and parts on 15th October 2025 to the customer without any consideration under warranty on behalf of the VTZ Motors Ltd., out of the supply already received from VTZ Motors Ltd. during the month of August 2025. VTZ Motors Ltd. issued taxable credit note on 25th October, 2025 of ₹ 2,50,000 in respect of goods and parts so replaced.	-												
Inward Transactions:														
(i)	Cars being petrol variant above 1200 cc purchased from VTZ Motors Ltd. for ₹ 10,00,000 each. Out of these cars, 2 cars were used exclusively for transportation of staff and remaining cars were used exclusively for trial run and to demonstrate features of vehicle to prospective buyers.	50,00,000												
(ii)	VTZ Motors Ltd. supplied 5 electric cars on ex-works contract basis to ZAPL, billed and handed over on behalf of ZAPL to transporter at VTZ Motor's factory gate on 29th October 2025. The cars reached the location of ZAPL on 2nd November 2025.	60,00,000												

Additional information:

a) Personal guarantee provided without consideration by Mr. Mahesh Kumar, director of ZAPL, to the ASR Bank Ltd for sanctioning of cash credit facility of ₹ 12 crore to ZAPL.

- b) During the month, ZAPL gave shares of its holding company Graymord Co. Inc, located in New Zealand, to employees as Restricted Stock Units (RSU) on meeting performance standards as per the terms of the employment. Cost of these shares is ₹ 45,00,000 which ZAPL paid to holding company against the issue of shares. Holding company also charged commission of ₹ 12,00,000 on this transaction.
- c) Extended warranty amounting to ₹ 3,00,000 has been taken by the few customers in the month of October 2025 for petrol cars of 1400 cc which were purchased by them in the previous month.
- d) In respect of above points at Sr. No (ii) and (iv) of outward transactions, no ITC has been claimed on cars purchased and also no depreciation has been claimed.
- e) All conditions necessary for availing Input Tax Credit (ITC) has been complied with except mentioned otherwise.
- f) All the figures given are exclusive of GST.
- g) Place of supply to be taken as intra-State supply, wherever a detail for determination of same is not provided with.
- h) Assume the applicable GST rates (for new as well as for old items) as follows and ignore the effect of any notification/clarification of reduction or restriction of GST rates:

Cars	Engine Capacity	GST Rates
Petrol	Upto 1200cc	9% CGST, 9% SGST and 18% IGST
Diesel	Upto 1500cc	
Petrol	Upto 1200cc	20% CGST, 20% SGST and 40% IGST
Diesel	Upto 1500cc	
Electric cars	-	2.5% CGST, 2.5% SGST and 5% IGST
Extended warranty service	-	9% CGST, 9% SGST and 18% IGST

- i) Assume that all other inward and outward supplies are taxable at 9% CGST, 9% SGST and 18% IGST.
- j) All motor vehicles mentioned here are for transportation of persons having approved seating capacity of not more than 13 persons (including the driver).
- k) There is no opening balance of any ITC but ZAPL wants to pay minimum amount of CGST as far as possible as per norms.

Compute the net minimum GST liability to be paid in cash by ZAPL for the month of October 2025.

Note: Computation of tax to be calculated separately for each transaction and treatment to each transaction should be accompanied by the relevant legal provisions of the GST law, except for the provision of the place of supply. [CA Final May 26 Exam]

► **Answer:-** Computation of minimum net GST liability payable in cash for the month of October 2025:

S.no	Particulars	Value	IGST (₹)	CGST (₹)	SGST (₹)
GST payable under forward charge					
(i)	Supply of Petrol cars (upto 1200cc)	65,00,000	11,70,000 [65,00,000 x 18%]	-	-
	Supply of Electric cars [Note 1]	72,00,000 [68,00,000 +4,00,000]	-	1,80,000 [72,00,000 x 2.5%]	1,80,000 [72,00,000 x 2.5%]
	Supply of Diesel SUV cars (above 1500cc)	55,00,000	-	11,00,000 [55,00,000 x 20%]	11,00,000 [55,00,000 x 20%]
(ii)	Sale of used demo car [Note 2]	30,000	5,400 [30,000 x 18%]	-	-

(iii)	Debit note for repair services provided to VTZ Motors Ltd. [Note 3]	2,20,000	39,600 [2,20,000 x 18%]	-	-
(iv)	Sale of repossessed electric car [Note 4]	80,000	-	2,000 [80,000 x 2.5%]	2,000 [80,000 x 2.5%]
(v)	Extended warranty on petrol cars [Note 5]	3,00,000	-	27,000 [3,00,000 x 9%]	27,000 [3,00,000 x 9%]
Total output tax			12,15,000	13,09,000	13,09,000
Less: ITC available for set off [Refer WN] [Note 6]			(12,15,000)	(4,56,000)	-
IGST: ₹ 16,71,000			-	(4,500)	X
CGST: ₹ 4,500				X	(4,500)
SGST: ₹ 4,500					
Net tax payable			Nil	8,48,500	13,04,500
GST payable under reverse charge					
Add:			2,16,000		
Commission charged by Graymord Co [Note 7]			[12,00,000 x 18%]		
Minimum net GST payable in cash			2,16,000	8,48,500	13,04,500

Working Note: Computation of eligible ITC available for set off:

Particulars	Amount (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Purchase of Petrol Cars above 1200cc [Note 8]	30,00,000	12,00,000 [30,00,000 x 40%]	-	-
Purchase of 5 Electric Cars [Note 9]	60,00,000	3,00,000 [60,00,000 x 5%]	-	-
Personal guarantee by director [Note 10]	-	-	-	-
Commission charged by Graymord Co [Note 11]	12,00,000	2,16,000 [12,00,000 x 18%]	-	-
Minor refurbishment expenses [Note 12]	50,000	-	4,500 [50,000 x 9%]	4,500 [50,000 x 9%]
Less: Credit note issued by VTZ Motors Ltd. [ITC is to be reversed.]	2,50,000	(45,000) [2,50,000 x 18%]	-	-
Total ITC available		16,71,000	4,500	4,500

Notes:

1.	Since extended warranty was taken at the time of purchase of electric car, it is a composite supply with supply of electric car being principal supply , thus, rate of electric car (2.5% CGST/SGST) will be applicable.
2.	Tax is payable on the margin. Margin = Sale Price – Purchase Price [12, 00,000 -11, 70,000 = 30,000]. Further, it is an inter-State supply.
3.	Taxable , being repair services provided to VTZ Motors Ltd. It is an inter-State supply.
4.	Value of supply = Sale Price - (Purchase price reduced by 5% per quarter or part thereof) i.e. 5,00,000 – 4,20,000 (7,00,000 × 5% × 8 quarters) = ₹ 80,000
5.	Since extended warranty was taken after purchase of car/was not taken at the time of purchase of car, it is a separate supply of services, taxable at the applicable rate for extended warranty.

6.	➤ IGST credit is being first utilized for payment of IGST liability and then for payment of CGST liability. ➤ CGST and SGST credit is being utilized for payment of CGST and SGST liability respectively.
7.	Tax on import of services is payable under reverse charge . Since it is not an output tax, it has to be paid in cash and not by utilizing ITC.
8.	➤ Since demo vehicles promote sales, they are considered as being used for further supply of such motor vehicles and thus, ITC on 3 cars used for demo is allowed. ➤ ITC on 2 motor vehicles used for transportation of staff is blocked. Further, it is an inter-State supply.
9.	➤ ITC is admissible on the cars purchased for further supply. ➤ In an ex-factory transaction, cars are deemed to be received when handed over to transporter at supplier's factory gate; hence, ITC can be claimed in October. Further, it is an inter-State supply.
10.	No tax is payable since open market value of personal guarantee provided without consideration by the director being a related person is nil. Thus, no ITC is available .
11.	➤ RSUs issued by an overseas holding company to employees of an Indian subsidiary as part of employment, reimbursed on cost-to-cost basis, are not a supply as these are transactions in securities, and thus, are not liable to GST. ➤ However, commission charged by the holding company is liable to GST being consideration for facilitating transaction in securities. ➤ Further, it is an inter-State supply.
12.	➤ ITC in respect services used in used in the course or furtherance of business is available. ➤ Place of supply has been taken as Intra-State supply, since details for determination of place of supply are not provided with.

Chapter 25: Basic Concepts & Levy of Customs Duty

Q.27: M/s Star Imports Ltd. imported machinery from Germany. While the goods were lying in the customs warehouse awaiting clearance, a fire accident destroyed the entire consignment. The fire was accidental and not due to importer's negligence.

M/s Star Imports Ltd. applied to the proper officer under section 23 of the Customs Act, 1962 for remission of duty. Is application of M/s Star Imports Ltd. tenable? Would your answer be changed if fire occurred after clearance for home consumption? Your answer should include necessary explanation. [CA Final Jan 26 Exam]

► Answer: -

- Where imported goods have been destroyed, duty on such goods shall be remitted provided such destruction has occurred before clearance for home consumption.
- Therefore, in the given case, M/s Star Imports Ltd. is **eligible** for remission.
- Thus, the application of M/s Star Imports Ltd. is **tenable/correct**.
- However, if fire occurred after clearance for home consumption, M/s Star Imports Ltd. **would not be eligible** for remission.

Chapter 26: Valuation

Q.28: Sun and Moon Ltd is planning to import a machinery by air from USA. The company is evaluating two different scenarios. You are required to compute assessable value for levy of customs duty under each of the scenarios given below:

Scenario-1: FOB US \$ 40,000, freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation is not known, cost of Insurance to the place of importation is US \$ 200.

Scenario-2: FOB-Unascertainable, sum of FOB and cost of Insurance to the place of importation is US \$ 40,200, freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation are not known. Insurance charges are not known separately. Further, you are also required to comment on the inclusion of the following charges in the assessable value:

Sr.No.	Particulars
(i)	Transshipment charges to another customs station in India, and the cost of insurance, transport, loading, unloading handling charges associated with such transshipment.
(ii)	Material and component supplied in USA by buyer free of cost

[CA Final Jan 26 Exam]

► **Answer:** - Computation of assessable value:

Particulars	Amount US (\$)
Scenario-1	
FOB	40,000
Add: Freight, loading, unloading and handling charges [20% of FOB, since such cost is not ascertainable] [Note-1]	8,000
Add: Cost of insurance [Actual charges are includible]	200
Assessable value / CIF	48,200
Scenario-2	
Sum of FOB and cost of insurance to the place of importation	40,200
Add: Freight, loading, unloading and handling charges [20% of (FOB + Insurance), since such cost is not ascertainable] [Note-2]	8,040
Assessable value / CIF	48,240

Notes:

1	Where the cost of transport, loading, unloading and handling charges is not ascertainable, such cost shall be 20% of the FOB value of the goods [Rule 10(2) of the CVR] . Actual insurance is includible.
2	Where the FOB value of the goods is not ascertainable but the sum of FOB value and cost of insurance is ascertainable, the cost of transport, loading, unloading and handling charges shall be 20% of such sum [Proviso to Rule 10(2) of the CVR] .
3	Transshipment charges to another customs station in India, and the cost of insurance, transport, loading, unloading, handling charges associated with transshipment of imported goods to another customs station in India are not includible in the assessable value [Rule 10(2) of the CVR] .
4	Materials and components supplied in USA by the buyer free of cost for use in production of the imported goods are includible in the assessable value [Rule 10(1)(b)(i) of the CVR] .

Q.29: David Ltd. is the manufacturer of semi-conductors in the State of Gujarat. It imported machinery by air from France for making sub parts to be used in assembling of semi-conductor. The following particulars are furnished by it:

S.No.	Particulars	Amount US \$
(i)	CIF value of the machinery	50,000
(ii)	Freight paid (Air)	12,500
(iii)	Insurance charges	2,500

Additional information:

(i) Design and patent charges of USD 2000 was required to be paid in France, which is not included in CIF value given above.

(ii) Date of filing the Bill of entry was 24th September and the rate of exchange notified by CBIC on this date was ₹ 80 per US \$.

(iii) Date of arrival of aircraft was 20th October, and the rate of exchange notified by CBIC on this date was ₹ 84 per US \$.

From the above information, you are required to compute the assessable value under the Customs Act, 1962. [CA Final Nov 24 Exam (Similar)] [CA Final RTP May 26]

► **Answer:** - Computation of assessable value of machinery:

Particulars	Amount US (\$)
CIF price of the machine	50,000
Less: Freight	12,500
Less: Insurance	2,500
	35,000
Add : Design and patent charges paid in France [Note-1]	2,000
FOB value for customs	37,000
Add: Freight [Note-2]	7,400
Add: Insurance (Actual)	2,500
CIF value for customs purpose	46,900
Assessable value in rupees $[46,900 \times 80]$ [Note-3]	37,52,000

Notes:

1	Design and engineering work undertaken elsewhere than in India and necessary for the production of the imported goods is includible in the assessable value [Rule 10(1)(b)(iv) of the CVR] .
2	If the goods are imported by air, the freight cannot exceed 20% of FOB price [5th proviso to rule 10(2) of the CVR] .
3	The rate of exchange notified by the CBIC on the date of presentation of bill of entry has been considered [Section 14 of the Customs Act, 1962] .

Q.30: XYZee Ltd. imports a machine from USA. The invoice value of the machine was 30,000 USD plus 1% loading charges at the load airport.

Following additional amounts were paid by XYZee Ltd.:

S.no	Particulars	Amount
(i)	Charges paid to the exporter for the right to reproduce in India, the imported machine manufactured in USA.	5,000 USD

(ii)	Erection and assembling charges paid for assembling at Indian airport to a company incorporated at USA.	₹ 1,50,000
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Additional information:

(i) Materials and components (not included / deducted at above) supplied by buyer to the exporter in USA at reduced rate at 3,000 USD. The actual cost of the said material was 4,000 USD.

(ii) The cost of air freight and insurance charges are also not included in the invoice value since the same are not ascertainable.

(iii) Exchange rate to be considered as 1 USD for ₹ 80.

From the above information determine the assessable value of imported machine (rounded off to the nearest rupee) under the Customs Act, 1962 with appropriate working notes in brief.

[CA Final May 26 Exam]

► **Answer: - Computation of assessable value of imported machine:**

Particulars	Amount (\$)
FOB price of machine	30,000
Add: Materials and components supplied by the buyer [Includible in assessable value.]	4,000
FOB	34,000
Add: Air freight [Notes: 1 & 4] [20% of Customs FOB = 20% [30,000+4000+300]]	6,860
Add: Insurance [1.125% of Customs FOB = 1.125% (30,000 + 4000 + 300)]	382.50
CIF value	41,182.5
Rate of exchange	₹ 80
Assessable value	32,99,670

Notes:

1. Loading charges are **not separately added** since they are already included in the freight computed at 20% of Customs FOB. However, to arrive at freight charges & insurance, it needs to be considered.
2. Charges for right to reproduce machine in India are **not includible** in assessable value.
3. Erection and assembling charges paid for assembling, being charges incurred post import, are **not includible**.
4. In the case of goods imported by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation **shall not exceed 20%** of the FOB value of the goods. [**Fifth proviso to rule 10(2) of the CVR 2007**].

Chapter 28: Import & Export Procedures

Q.31: What is the procedure of disposal of goods imported from place outside India mentioned under section 48 of the Customs Act 1962 which are not cleared either of home consumption or for warehousing within 30 days from date of unloading? [CA Final Jan 26 Exam]

► **Answer: -**

- If any goods imported, which are not cleared either for home consumption or for warehouse within 30 days, the custodian of the goods is permitted to sell the goods by auction with the approval of the customs department and after giving notice to the importer.
- CBIC has clarified (No. 49/2018) that after the successful bidder has been informed about the result of the auction, a consolidated bill of entry, buyer-wise will be filed with the Customs in the prescribed format by the concerned custodian for clearance of the goods
- The proper officer of Customs shall assess the goods to duty in accordance with the extant law within 15 days of filing of Bill of Entry and after assessment inform the amount of duty payable to the concerned custodian.
- The auctioned goods shall be handed over to the successful bidder after assessment and out-of-charge orders given by the proper officer, on payment of dues.
- Animals, perishable goods and hazardous goods may, with the permission of the proper officer, be sold at any time or even before the expiry of the 30 days limit. Arms and ammunition may be sold at such time and place and in such manner as the Central Government may direct.

Q.32: Mr. Arjun, an Indian resident, is travelling abroad with his high-end camera and drone (new articles, not daily-use items). He wants to ensure he is not charged duty on them when he returns to India. Advise him under the Baggage Rules, 2026.

► **Answer: - Legal Provision: Rule 4:**

- Any article of personal effects **other than used personal effects** required for daily necessities of life, **taken out earlier** from India by a **resident, tourist of Indian origin, or foreigner with a valid visa other than tourist visa, or a member of his family**, shall be allowed **free of duty** on re-import, on submission of a **declaration made at the time of departure** (electronically or otherwise), subject to the satisfaction of the **Deputy/Assistant Commissioner of Customs**.
- Similarly, a **tourist** may **temporarily import** such personal effects required for his stay in India free of duty on declaration, **subject to their re-export** at the time of leaving India for a foreign destination.
- Passengers availing this facility may be subject to **risk-based verification** [Rule 4(3)].
- **Advice:** Mr. Arjun should make a declaration of the camera and drone at the time of his departure from India (electronically or otherwise). On his return, they will be cleared **free of duty** on satisfaction of the DC/AC of Customs.

Q. 33: Mrs. Meera, an Indian resident, returns to India by air after working in Dubai continuously for 3 years. She carries the following in her bona fide baggage:

- (i) Gold mangalsutra weighing 30 grams (₹ 2,40,000) which she has been wearing daily during her stay abroad.
- (ii) A new gold necklace weighing 55 grams & platinum bracelet 12 grams purchased in Dubai for ₹ 5,40,000.
- (iii) Carries gold coins 20 grams of value 20,00,000 gifted by Dubai relatives, as investment.
- (iv) Carries an imitation (artificial) jewellery set worth ₹ 30,000
- (v) Had taken her own jewellery 18 g (value 1.5 lakhs) abroad after obtaining an Export Certificate (Form CBD-III) at the time of departure; brings the same jewellery back.
- (vi) Other shopping (perfumes, handbags, chocolates) worth ₹ 40,000.

With reference to the Baggage Rules, 2026 read with Master Circular No. 4/2026 Cus, determine the customs duty payable by Mrs. Meera. [New – Baggage Rules, 2026]

► **Answer: - Computation of duty payable:**

	Particulars	Amount (₹)	Reason
(i)	Gold mangalsutra worn daily (30 g)	Nil	Used personal jewellery required for daily necessities of life = used personal effects → duty free WITHOUT any weight/value limit [Rule 3]
(ii)	New necklace with platinum bracelet – 40 g out of 67 g (₹ 5,40,000 × 40/67)	Nil	Within jewellery allowance for a female passenger [Rule 6]; value irrelevant
	New necklace – excess 27 g (₹ 5,40,000 × 27/67)	2,17,612	Beyond weight limit – pooled to GFA
(iii)	Carries gold coins 20 grams	-	Coins = gold in a form OTHER than ornaments covered in Annexure-I . Hence, not eligible for benefit as personal-effects & under Rule 6. Also not pooled in GFA. It is chargeable at their own tariff rates and not at the 35% baggage rate.
(iv)	Carries an imitation (artificial) jewellery	30,000	NOT "jewellery" – not made of precious metal. It is an ordinary new article covered in GFA.
(v)	Had taken her own jewellery 18 at the time of departure	1,50,000	Duty-free re-import under Rule 4 on production of the Export Certificate which is valid till 1 st return or 6 months, whichever is earlier. But in given case, She has stayed beyond 6 months (i.e. 3 years) Hence, no benefit under Rule 4 & the above shall be pooled to GFA.
(vi)	Other shopping	40,000	Adjustable against GFA
	Total chargeable before GFA	2,87,612	
	Less: General Free Allowance [Rule 5]	(75,000)	₹ 75,000 – arrival other than by land
	Baggage on which duty is payable	3,62,612	
	Duty @ 35%	1,26,914	Effective rate 35% – exempt from IGST, Cess & SWS

Q.34: M/s DMP Overseas Ltd. imports goods from USA and intends to avail the benefit of an exemption notification issued under section 25(1) of the Customs Act, 1962 with regard to said goods. However, since it does not have a manufacturing facility at all, it needs to send the goods so imported for job work to a third-party job worker Mr. Raju.

The accountant of M/s DMP Overseas Ltd. advised it that as per the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022, M/s DMP Overseas Ltd. is not permitted to send such goods to third party for job work.

You are required to advise M/s DMP Overseas Ltd. on the said issue elaborating the relevant legal provisions under the customs law. [CA Final Sep 25 Exam]

► **Answer: -**

- The advice of the accountant is **not correct**.
- The importer, M/s DMP Overseas Ltd. is permitted to send the imported goods to a job worker provided **following conditions** as laid down by the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 are being fulfilled:
 1. The importer shall maintain a record of goods sent for job work during the month and mention the same in the quarterly statement.
 2. The goods shall be sent to job worker under invoice or through an e- way bill, mentioning their description and quantity.
 3. The maximum period for which the goods can be sent to the job worker is one year from the date of invoice/ e-way bill.
 4. In case the importer is unable to establish that the goods sent for job work have been used as per the specified particulars, the jurisdictional customs officer shall take necessary action against the importer.
- **Conditions for job worker**
 1. Job worker shall maintain account of goods received, manufacturing process undertaken and waste generated, if any.
 2. Job worker shall produce account details before jurisdictional customs officer on demand.
 3. Job worker shall, after completion of job work return processed goods to importer or send them to another job worker as directed by importer for remaining process, under invoice or e-way bill.

Q.35: Mr. X, a chemical manufacturer, imports a machine from Germany on 12 th January, 2022 for ₹ 20 lakh. Mr. X is eligible for concessional rate of customs duty on capital goods imported by him subject to the condition that he follows the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2022. Machinery was put to use on 1st February, 2022. On 5th April, 2025, Mr. X wants to clear the machine for home consumption after having used the machine for the specified purpose for which it was imported. Mr. X requires your help in calculating the customs duty he will be liable to pay for such clearance as per rule 10 of the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2022. Concessional rate of basic customs duty is 5%. Normal rate of basic customs duty is 20%. Calculate the basic customs duty payable by Mr. X on clearance of such capital goods for home consumption on 5th April, 2025. Ignore interest calculation. [CA Final Nov 22 Exam]

► **Answer: - Thus, depreciation % will be computed as follows:**

- 2022: 4 quarter x 4= 16%
- 2023: 4 quarter x 3= 12%
- 2024: 4 quarter x 3= 12%
- 2025: 2 quarter x 2.5= 5%

Total depreciation % will be 45%

Depreciation amount will be: 45% of ₹ 20 Lakh = ₹ 9 lakh

Depreciated value of the machine is ₹ 20 Lakh – ₹ 9 lakh = ₹ 11 lakh

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

= [₹ 11 lakh × 20%] - [₹ 20 lakh × 5%]

= ₹ [2.20 - 1.00] lakh

= ₹ 1.20 lakh

Q.36: 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 10th 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. [CA Final RTP Sep 25]

► **Answer: -**

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 – • within the period specified in the notification, • within 1 year from the date of import, where the time period is not specified in the notification: ➤ However, the said period of 1 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 9th 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 up to 3 months.
b)	Conditions applicable for re-export of goods: ➤ 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. ➤ 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.

Q.37: 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:

- 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?
- 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?
- What record-keeping responsibilities does the job worker - Sharp Tools & Co. - have in this case?
- 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? [CA Final RTP Jan 26]

► **Answer: -**

a)	➤ As per 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.

Chapter 29: Warehousing

Q.38: SuperArc Paper Mills Ltd. imported 500 tons of bamboo pulp paper rolls on 5th April. It warehoused the said rolls in its private bonded warehouse, as per the order dated 15th April permitting deposit of the said goods in warehouse for 5 months. The rate of customs duty applicable on the date of deposit was 5%.

SuperArc Paper Mills Ltd. filed an application for extension of warehousing period on 10th September which was rejected. So, an 'ex-bond bill of entry' was filed on 4th October claiming nil customs duty since the rate of customs duty on bamboo pulp paper rolls was exempted by virtue of an exemption notification with effect from 2nd October and valid till 15th October. On 17th October under section

72 of the Customs Act, 1962, a notice has been issued to the company demanding customs duty @ 7.5%, rate being effective on the date of issue of notice along with interest.

You are required to determine the technical veracity of claim of SuperArc Paper Mills Ltd. and notice issued by the proper officer.

Explain in brief the relevant provisions of the Customs Act, 1962. Rates of customs duty mentioned here represents rates of basic customs duty. [CA Final RTP May 26]

► **Answer: -**

- **As per Sec 72** , if warehoused goods are not removed within the permitted warehousing period, the proper officer may demand full customs duty along with applicable interest, fine and penalties.
- In case of **Kesoram Rayon SC observed that**, it was held that goods which are not removed from the warehouse after the expiry of the period permitted for warehousing or extended, are deemed to be improperly removed in terms of section 72.
- **The rate of duty applicable in such case will be the rate in force on the date of deemed removal,**
i.e. the date on which the permitted period or its permitted extension comes to an end.
- **Sec15(1)(b)** applies only when warehoused goods are cleared u/s 68 within the permitted warehousing period or its extension, and not when such period has expired.
- In the given case, the date of deemed removal will be 15th September, being 5 months from 15th April. Accordingly, the **applicable rate of duty will be 5%.**
- Hence, neither SuperArc Paper Mills Ltd. nor the proper officer is **correct.**

Chapter 30: Refund of Customs Duty

Q.39: Aurex Global Industries Ltd. imported certain machinery, and the customs authorities passed an assessment order determining the duty payable. Aurex Global Industries Ltd. was of the view that excess duty had been levied due to an incorrect classification adopted in the assessment order. However, Aurex Global Industries Ltd. paid the duty under protest. Subsequently, the company filed a refund application contending that the duty had been wrongly assessed and excess duty had been collected. With reference to the principles laid down in a decided case law, if any, examine whether the refund claim filed by Aurex Global Industries Ltd. is maintainable in law. [CA Final RTP May 26]

► **Answer: -**

No, the refund claim is not maintainable. As held in *Priya Blue Industries Ltd. v. CCus. (SC)*, **an assessment order remains binding unless it is reviewed, modified or set aside in appeal. Key legal reasoning:**

- Duty is payable as per the existing assessment order.
- A refund proceeding is not an appeal.
- The refund officer cannot review or overturn the assessment order.
- Hence, a refund claim cannot be used to indirectly challenge an assessment/self-assessment. Therefore, the proper remedy is to file an appeal, not a refund claim.

Chapter 31: Foreign Trade Policy (FTP)

Q.40: Quality Control Orders (QCOs) are regulatory mandates issued by Indian government to ensure that products meet specific quality standards. However, imports of inputs under Advance Authorisations are allowed without compliance to the mandatory Quality Control Orders (QCOs) subject to certain conditions, you are required to enumerate those conditions. [CA Final Jan 26 Exam]

► **Answer: -**

- Imports of inputs under Advance Authorisation without mandatory QCO compliance are allowed only with pre-import condition.
- Imports of inputs under Advance Authorisation must be used exclusively for manufacturing export goods under the same authorisation.
- Exemption from QCOs must be specifically endorsed.
- Unutilised inputs or products made from such inputs cannot be transferred to DTA.
- Unutilised inputs or products made from such inputs must be destroyed or re-exported, with payment of effective duty along with interest to customs authorities and specified composition fee to DGFT.
- Exemption from QCOs applies to physical exports only.
- Import of inputs without compliance to the mandatory QCOs under DFIA scheme is not allowed.