



FINAL EXAMINATION

ANSWERS TO PRACTICE TEST PAPER

TERM – JUNE 2026

PAPER – 19

SYLLABUS 2022

INDIRECT TAX LAWS AND PRACTICE

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)

1. Choose the correct option:

[15×2 = 30]

- (i) In which of these cases is a supply outside the scope of GST (i.e. not even deemed or taxable)?
- Services by an employee to his employer in course of employment
 - Services of funeral, burial, crematorium
 - Actionable claims, other than lottery, betting, and gambling
 - All of the above
- (ii) A GST-registered restaurant supplies complimentary desserts (free of charge) to its customers after a qualifying spending. The cost of desserts is small compared to overall bill. Which statement is correct?
- This is a supply (because part of business activity) and taxable
 - This is not a supply because there is no consideration
 - This is a supply only if the value exceeds ₹5,000
 - This is a deemed supply only if the restaurant had claimed ITC on ingredients
- (iii) Which of the following is not included in the definition of “supply” under Section 7 of the CGST Act?
- Sale, transfer, barter, exchange
 - Import of services (whether or not in course or furtherance of business)
 - Permanent transfer of business assets without consideration (if ITC was availed)
 - Services by any court or Tribunal.
- (iv) Suppose rate of tax changes on 1st July. If supply is completed before change in rate, but invoice is issued after change in rate and payment also received after change, what is the time of supply?
- Date of payment or invoice (whichever earlier)
 - Date of issue of invoice
 - Date of supply (i.e. completion date)
 - Change rate date
- (v) An unregistered individual based in Hyderabad contacts a travel agent in Delhi to book an international flight from Mumbai to Dubai. What is the place of supply for GST purposes?
- Delhi
 - Hyderabad
 - Mumbai
 - Dubai



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- (vi) X Ltd switches its product line, and some goods become exempt supply (i.e. not liable to GST). How should X Ltd deal with ITC on inputs/inventory used partly for exempt and partly for taxable supplies?
- It can claim full ITC; no adjustment needed
 - It must reverse the entire ITC claimed earlier
 - It must apportion and reverse the portion attributable to exempt supplies
 - It can carry forward to next year and adjust later
- (vii) The due date for filing GSTR-9 for a financial year is:
- 31st March of next financial year
 - 31st December of next financial year
 - 30th September of next financial year
 - 31st January of next financial year
- (viii) A supplier makes a supply to SEZ unit. The place of supply is determined as SEZ (inside India). The supplier furnishes LUT and ships the goods. The tax treatment is:
- The supply is a domestic supply taxed under CGST/SGST
 - The supply is inter-state IGST leviable
 - The supply is zero-rated (no tax)
 - The supply is exempt supply
- (ix) The maximum time within which the Authority for Advance Ruling must pronounce its ruling is:
- 90 days from the date of application
 - 60 days from the date of application
 - 120 days from the date of application
 - 30 days from the date of application
- (x) What is the validity of an E-way bill for a distance of 750 km (other than over-dimensional cargo)?
- 1 day
 - 4 days
 - 5 days
 - 7 days
- (xi) Determine price to be taken for computing deductive value in rule 7: Sale quantity- 80 units @ ₹90, 50 units @ ₹95, 25 units @ ₹105, 40 units @ ₹100:
- ₹105
 - ₹100
 - ₹95
 - ₹90



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- (xii) Calculate Cost of insurance under Rule 10(2)(b) if FoB and transport/handling is \$15,000.:
- a. \$ 1,500
 - b. \$ 3,000
 - c. \$ 168.75
 - d. None of the above
- (xiii) A person, who is engaged in a profession abroad, or is transferring his residence to India after stayed abroad more than 2 years can bring, used household items without payment of duty up to:
- a. ₹50,00,000
 - b. ₹25,00,000
 - c. ₹5,00,000
 - d. ₹50,000.
- (xiv) The maximum drawback allowed under Section 74 if goods are exported without use is:
- a. 98% of duty paid
 - b. 90% of FOB value
 - c. 50% of CIF value
 - d. Full refund of duty
- (xv) The minimum export obligation under EPCG is generally expressed as:
- a. 3 times the duty saved amount
 - b. Equal to the duty saved amount
 - c. 6 times the duty saved amount
 - d. 2 times the duty saved amount

Answer:

i	ii	iii	iv	v	vi	vii	viii	ix	x	xi	xii	xiii	xiv	xv
d	a	d	a	c	c	b	c	a	b	d	c	c	a	c



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Section – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

[5 x 14 = 70]

2. (a) Explain the provisions of Section 9(5) of the CGST Act relating to tax liability of e-commerce operators. Discuss the services notified under this section and the circumstances in which the e-commerce operator is liable to pay GST instead of the actual supplier. [7]
- (b) Discuss the details to be provided in the form GSTR – 9. [7]

Answer:

- (a) Output tax shall be paid by e-commerce operator even though e-commerce operator is not the actual supplier of service. E-commerce is liable to comply with GST provisions as if he is a supplier of services and liable to pay tax. In case services are notified u/s 9(5), actual supplier of services need not required to get registration even if turnover exceeds threshold limit unless stated otherwise.

List of services notified under section 9(5):

1. Passenger Transport Service: Services by way of transportation of passengers by a radio-taxi, motorcab, maxi cab and motorcycle; with effect from 1st January 2022, the scope of Passenger Transport Service expanded to include service provided through Omnibus and any other motor vehicle. W.e.f. 20th October 2023, has been amended to provide that GST in case of services by way of transportation of passengers provided through Omnibus shall be paid by the ECO except where the supplier supplying such service through the ECO is a Company. Further, 'Company' shall have the same meaning as assigned to it in section 2(20) of the Companies Act, 2013. It means, w.e.f. 20th October 2023, in case of Services by way of transportation of passenger by Omnibus, the tax on such supplies of which shall be paid by the E-commerce operator, only where the person supplying such service through E-Commerce Operator is not a Company.
2. Accommodation Services: 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 sub-section (1) of section 22 of the said CGST Act.
3. Housekeeping Services: Services by way of house-keeping, such as plumbing, carpentering etc., except where the person supplying such service through electronic commerce operator is liable for registration under sub-section (1) of section 22 of the said CGST Act.
4. w.e.f 1-1-2022 Restaurant Services (i.e. Cloud Kitchen): Supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises. Specified premises means premises providing hotel accommodation service having declared tariff of any unit of accommodation above seven thousand five hundred rupees per unit per day or equivalent (i.e. $\geq ₹ 7500/-$ per unit)".



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Note: Restaurant is supplying services through E-COM only, he is not required to get registered under GST. In case, he is already registered, he may continue with such registration or get them de-registered under GST.

(b) Details are required to be provided in Form GSTR-9 are as follows:

1. Details of advances, inward and outward supplies made during the financial year on which tax is payable
2. Details of Outward supplies made during the financial year on which tax is not payable
3. Details of ITC availed during the financial year
4. Details of ITC reversed and Ineligible ITC for the financial year
5. Other ITC related information
6. Details of tax paid as declared in returns filed during the financial year
7. Details of the previous Financial Year's transactions reported in next Financial Year
8. Differential tax paid on account of declaration in table no. 10 & 11
9. Particulars of Demands and Refunds
10. Supplies received from Composition taxpayers, deemed supply by job worker and goods sent on approval basis
11. HSN wise summary of Outward Supplies
12. HSN wise summary of Inward Supplies

3. (a) Alpha Ltd., a manufacturer of taxable goods. Assuming that there is no opening and closing inventory, compute its value as per Rule 30 of the CGST Rules, 2017 for the purpose of GST from the following information provided by Alpha Ltd:

Particulars	(₹)
Cost of direct materials (inclusive of IGST 28%)*	25,600
Cost of direct salaries (includes house rent allowance of ₹12,000)	30,000
Consumable stores and repairs	8,400
Depreciation of machinery	500
Quality control cost	4,300
Research & development cost	2,700
Administrative cost:	
Production related	2,000
Project management related	1,800
Interest and financial charges	2,400
Cost incurred due to break down of machinery	1,300
Amortised cost of moulds and tools received free of cost from the recipient of goods	600
Selling and distribution cost	4,600
Scrap value realized	1,500



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Note: ITC of the IGST so paid is available.

[7]

- (b) Y Ltd. manufactures taxable and exempted goods. Y Ltd. also simultaneously provides taxable as well as exempted output services. Raw material 10,000 units were purchased @ ₹100 per unit used commonly during the month of January 2025 to produce all final products. GST paid on inputs 12%. Input services commonly used for all goods and services in the month of January 2025. Total ITC on inputs and input services taken into books of account in the relevant tax period is ₹1,74,000.

Turnover for the month of January 2025 (excluding all taxes)

Particulars	Value of finished goods ₹
Taxable supply of goods	2,00,000
Exempted supply of goods (₹80 per unit)	1,00,000
Taxable supply of services	1,00,000
Exempted supply of services	50,000
Total	4,50,000

You are required to compute the amount of reversal of input tax credit as per rule 42(1)(i) of the CGST Rules, 2017 for the month of January 2025.

Note: Each unit of exempted final product needs 2 units of raw materials. Assumed that there is no process loss.

[7]

Answer:

- (a) Statement showing assessable value for M/s Alpha Ltd.

Particulars	Value ₹	Working note
Cost of direct materials	20,000	25,600 × 100/128
Cost of direct salary	30,000	
Consumables	8,400	
Depreciation of Machine	500	
Quality control cost	4,300	
Research and development	2,700	
Administrative cost Production	2,000	
Add: amortisation cost	600	
Less: sale of scrap	-1,500	
Cost of production	67,000	
Add: profit	6,700	67,000 × 10%
Transaction value	73,700	



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- (b) Step 1: Calculate common input tax credit on inputs and input services which are used to supply taxable as well as exempted output supplies:

Particulars	Value in ₹	Working note
Total ITC on inputs and input services	1,74,000	rule 42(1)(a)
Less: ITC on supplies exclusively used for the purpose other than business	Nil	rule 42(1)(b)
Less: ITC on supplies exclusively used for providing exempted supplies	(30,000)	$2,500u \times ₹100 \times 12%$ [rule 42(1)(c)]
Less: ITC not available under section 17(5) of the CGST Act, 2017	Nil	rule 42(1)(d)
Input tax credit which are used to supply taxable as well as exempted output supplies	1,44,000	rule 42(1)(e)
Less: ITC on supplies used exclusively for taxable supply including Zero rated supply (i.e. ITC on normal supplies)	(90,000)	$(10,000u - 2,500u) \times ₹100 \times 12%$. As per rule 42(1)(f)
Common ITC, which are used to supply taxable as well as exempted output supplies (denoted as “C2”)	54,000	As per rule 42(1)(h)

Step 2: Amount of reversal of input tax credit attributable towards exempted supplies rule 42(1)(i) of the CGST Rules, 2017 is as follows:

$$(\₹1,50,000/4,50,000) \times ₹54,000 = ₹18,000/-$$

Working Note:

- (i) Number of units of exempted final products 1,250 units (i.e. $₹1,00,000/₹80$ per unit = 1,250 units)
(ii) Since, each unit of exempted final product needs 2 units of raw materials. Raw material used exclusively for exempted final product 2,500 units (i.e. $1,250 \text{ units} \times 2 \text{ units} = 2,500 \text{ units}$).

4. (a) Explain the provision of special audit as per CGST Act, 2017. Also discuss the process of how special audit is conducted. [7]
- (b) Explain the concept of Reverse Charge Mechanism (RCM) under GST and state at least seven cases in which the liability to pay GST is on the recipient of services instead of the supplier. [7]

Answer:-

- (a) The registered person can be directed to get his records including books of account examined and audited by a Chartered Accountant or a Cost Accountant during any stage of scrutiny, inquiry, investigation or any other proceedings; depending upon the complexity of the case.

Procedure:

During the scrutiny, inquiry, investigation or any other proceedings of a registered person, the Assistant Commissioner or any officer senior to him, having regard to the nature and complexity of the case and the



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interest of revenue, might be of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits.

In such cases, with the prior approval of the Commissioner, the Assistant Commissioner or any officer senior to him can direct the registered person in FORM GST ADT-03 to get his records including books of account examined and audited by a specified chartered accountant or a cost accountant. The chartered accountant or a cost accountant will be nominated by the Commissioner.

The Chartered Accountant or Cost Accountant so nominated has to submit a report of such audit within the period of ninety days, duly signed and certified by him to the Assistant Commissioner.

On an application made by the registered person or the chartered accountant or cost accountant or for any material and sufficient reason, the Assistant Commissioner can extend the said period by a further period of ninety days.

The provisions of special audit shall have effect even if the accounts of the registered person have been audited under any other provisions of the GST Act or any other law for the time being in force.

The registered person shall be given an opportunity of being heard in respect of any material gathered on the basis of special audit and which is proposed to be used in any proceedings against him under this Act or the rules made thereunder.

The expenses of the examination and audit of records, including the remuneration of such chartered accountant or cost accountant, shall be determined and paid by the Commissioner.

On conclusion of the special audit, the registered person shall be informed of the findings of the special audit in FORM GST ADT-04.

Where the special audit results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the process of demand and recovery will be initiated against the registered person.

(b) Reverse Charge Mechanism (RCM) under GST:

Generally, the supplier of goods or services is liable to pay GST. However, in certain notified cases, such as imports or specific supplies, the liability to pay tax is shifted to the recipient of goods or services. This is known as Reverse Charge Mechanism (RCM). Under RCM, the recipient, instead of the supplier, is liable to pay GST on the notified category of supply.

Cases where RCM is applicable:

- i. GTA Services – Services provided by a Goods Transport Agency (GTA) to any factory, society, cooperative society, registered person, body corporate, partnership firm, or casual taxable person located in the taxable territory. (Exemption: RCM applies only if the GTA has not exercised the option to pay tax under forward charge and the GTA services to government departments/local authorities registered only under Section 51 are not under RCM)
- ii. Legal Services by Advocates – Legal services supplied by an individual advocate, senior advocate, or a firm of advocates to any business entity located in the taxable territory.
- iii. Services supplied by an Arbitral Tribunal – Services provided by an arbitral tribunal to a business entity located in the taxable territory.
- iv. Sponsorship Services – Services provided by way of sponsorship to any body corporate or partnership firm located in the taxable territory.



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- v. Renting of Residential Dwelling – Services by way of renting a residential dwelling to a registered person.
- vi. Services supplied by a Director to the Company – Services provided by a director of a company or body corporate to the company or body corporate located in the taxable territory.
- vii. Recovery Agent Services – Services supplied by a recovery agent to a banking company, financial institution, or non-banking financial company (NBFC) located in the taxable territory.

5. (a) Mr. A (registered person under GST) sends goods to Mr. B (registered person under GST) on approval basis on 20th January 2025.

Identify the time of supply in the following independent cases:

- (a) If Mr. B. accept the goods on 10th February 2025.
- (b) If Mr. B accepts the goods on 1st September 2025.
- (c) If Mr. B returns the goods on 10th February 2025.
- (d) If Mr. B return the goods on 1st September 2025. [7]

- (b) RTS Tours Co. has arranged four package tours during April 2024. The particulars of the services and charges are as under:

1. Tour 1: Charges received ₹ 35 lakhs. The package includes transportation, accommodation, food, and tourist guide, entry fees for monuments.
2. Tour 2: Charges received ₹ 65 lakhs. The package includes transportation and accommodation for stay.
3. Tour 3: Charges received ₹ 40 lakhs. The charges are solely for arranging accommodation for stay. However, the bills issued to the clients do not mention it clearly that the charges are solely for arranging the accommodation for stay.
4. Tour 4: Charges received ₹ 50 lakhs (inclusive of charges of stay). The bill issued to the client's mentions it clearly that the charges are solely for arranging the accommodation for stay.

Compute the value of taxable supply of services and GST.

Note: Applicable rates of GST 5% and 18%. All transactions taken place at inter State level. [7]

Answer:

- (a) Determination of Time of Supply for Goods Sent on Approval under GST

Sl. No.	Particulars	Time of supply	Remarks
(a)	Mr. B. accept the goods on 10th February 2025.	10th February 2025	Time when it becomes known that supply is taken place (i.e. 10th Feb 2025) OR Six months from the date of removal (i.e. 20th July 2025) Whichever is earlier

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(b)	Mr. B accepts the goods on 1st September 2025.	21st July 2025		1st day after expiry of 6 months from the date of removal.
(c)	Mr. B returns the goods on 10th February 2025.	Not applicable		No tax will be payable. Since, goods returned within six months from the date of dispatch.
(d)	Mr. B return the goods on 1st September 2025.	Mr. A	Mr. B	GST will be payable as the return is after 6 months from date of dispatch. Both Mr.A and Mr. B are liable to pay GST.
		21st July 2025	1st September 2025	

Note:

As per GST provisions relating to tour operator services, concessional GST rate of 5% is applicable where the service is supplied as a tour package and the invoice does not separately indicate the charges for accommodation/other components.

- In Tour 3, although the amount relates only to arranging accommodation, the invoice does not clearly specify this fact. Hence, it is treated as a tour operator service taxable at the concessional rate of 5%.
- In Tour 4, the invoice specifically mentions that the charges are solely for arranging accommodation for stay. Therefore, the service is not treated as a composite tour operator package eligible for concessional rate and is taxable at the normal rate of 18%.

(b) STATEMENT SHOWING GST OF RTS TOURS Co. for April 2024

Particulars	Value (₹) in lakhs	Value (₹) in lakhs
Tour 1: Packaged Tour	35	
Tour 2: Transportation and Accommodation	65	
Tour 3: Accommodation for stay	40	
Tour 4: Accommodation for stay		50
Taxable supply of services	140	50
GST Rate	5%	18%
ITC	Not allowed	Allowed
IGST liability	7	9

6. (a) Discuss the conditions required for clearance of warehoused goods for home consumption, export, and transfer to another bonded warehouse under Customs Law. [7]

(b) What is a Special Economic Zone (SEZ)? Discuss its features and benefits under the SEZ Act, 2005. [7]

Answer:

- (a) Clearance of warehoused goods to domestic market for home consumption:
Warehouse goods can be utilized for home consumption or sold out in the domestic market only if:



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- a bill of entry for home consumption in respect of such goods has been presented in the prescribed form;
- the import duty leviable on such goods and all penalties, rent, interest and other charges payable in respect of such goods have been paid; and
- an order for clearance of such goods for home consumption has been made by the proper officer

Clearance of warehoused goods for Export:

Warehouse goods can be exported to a place outside India without payment of import duty if:

- a shipping bill or a bill of export has been presented in respect of such goods in the prescribed form;
- the export duty, penalties, rent, interest and other charges payable in respect of such goods have been paid; and
- an order for clearance of such goods for exportation has been made by the proper officer

Clearance of warehoused goods to another bonded manufacturing facility:

When goods are transferred from one bonded facility to another, incidence to pay deferred duty is also transferred to the owner of the new facility. The owner of any warehoused goods may, with the permission of the proper officer, remove them from one warehouse to another, subject to such conditions as may be prescribed for the due arrival of the warehoused goods at the warehouse to which removal is permitted.

- (b) A special Economic Zone (SEZ) is a specially dedicated zone built by a nation for businesses. An SEZ is developed by a nation to promote the economic growth of the country. As the companies set up in the SEZ get relaxation on the taxes by the government and other benefits such as the incentives on export duties and ease in transportation.

The provisions relating to SEZ are contained in Special Economic Zone Act, 2005 and SEZ Rules, 2006.

- SEZs are like a separate island within territory of India.
- SEZs are projected as duty free area for the purpose of trade, operation, duty and tariffs.
- Goods and services coming to SEZ units from domestic tariff area are treated as exports from India and goods and services rendered from SEZ to the DTA are treated as import into India.

Any proposal for setting up of SEZ unit in the Private/Joint/State Sector is routed through the concerned State government who in turn forwards the same to the Department of Commerce with its recommendations for consideration.

A Special Economic Zone or SEZ is a specially marked territory or enclave within the national borders of a country that has more liberal economic laws than the rest of the country.

Benefits of Special Economic Zone (SEZ):

- SEZ units are permitted to import or get duty-free goods/materials etc. from domestic sources.
- SEZ units import capital goods, raw materials, consumables, spares, packing materials, office equipment, etc. for operating their business in the SEZ, without the need for a license or other specific sanction.
- Products imported or bought locally duty-free could be used for five years after approval.



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- After paying the necessary customs duties, finished goods and by-products may be sold domestically.
- Domestic sales of waste, scrap, and rejected goods are permitted with payment of any applicable customs taxes.
- The same SEZ unit, exporting goods with shipping bills presented on or after 1st July 2024, can now claim RoDTEP benefits, reducing their overall tax burden and enhancing export profitability.

7. (a) Mr. Technot of foreign origin has come on travel visa, to tour in India. He carries with him, as part of baggage, the following:

Particulars	Value in ₹
Travel Souvenir	1,85,000
Other articles carried on in person	1,50,000
120 sticks of cigarettes of ₹100 each	12,000
Fire arm with 100 cartridges (value includes the value of cartridges at ₹500 per cartridge)	100,000

Determine Customs Duty payable, if the effective rate of customs duty is 38.50% inclusive of social welfare surcharge, with short explanations where required. [7]

- (b) BSA & Company Ltd have imported a machine from U.K. From the following particulars furnished by them, Calculate the assessable value for the purpose of customs duty payable:

(i) F.O.B. cost of the machine	10,000 U.K. Pounds
(ii) Freight (air)	3,000 U.K. Pounds
(iii) Engineering and design charges paid to a firm in U.K.	500 U.K. Pounds
(iv) License fee relating to imported goods payable by the buyer as a condition of sale	20% of F.O.B. Cost
(v) Materials and components supplied by the buyer free of cost valued	₹20,000
(vi) Insurance paid to the insurer in India	₹6,000
(vii) Buying commission paid by the buyer to his agent in U.K.	100 U.K. Pounds

Other Particulars:

- Inter-bank exchange rate as arrived by the authorized dealer: ₹72.50 per U.K. Pound.
- CBIC had notified for purpose of Section 14 of the Customs Act, 1962, exchange rate of ₹70.25 per U.K. Pound.
- Importer paid ₹5,000 towards demurrage charges for delay in clearing the machine from the Airport.

(Make suitable assumptions wherever required and show workings with explanations) [7]

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Particulars	Value in ₹	Remarks
Travel Souvenir	Nil	Bona fide baggage not taxable
Value for 100 cigarettes = ₹10,000 Less: GFA. = ₹10,000 Taxable goods. = nil	Nil	Up to 100 cigarettes allowed under GFA.
Cartridges of firearms Value for 50 cartridges = ₹25,000 Less: GFA. = ₹5,000	20,000	Up to 50 cartridges of fire allowed under GFA.
Other articles carried on in person	1,50,000	Dutiable Goods
Total Taxable goods	1,70,000	
Duty on Baggage 38.5%	65,450	
20 cigarettes at ₹100 each	2,000	
Firearm (₹1,00,000 – 50,000)	50,000	
Cartridges exceeds 50	25,000	
Other Taxable goods	77,000	

Note:

1. GFA for foreign tourists (excluding infants) = ₹15,000. Applied first to cigarettes and then to cartridges.
2. Firearms, cartridges exceeding 50, and cigarettes exceeding 100 sticks are not eligible for baggage rate. Duty is applied on full value as per Notification No. 26/2016-Cus. (31.03.2016).

(b)

	UK Ponds
FOB value	10,000
Add: Engineering and Design charges (paid in UK)	500
Add: License fee (20% on 10,000 UKP)	2,000
Sub-total	12,500
	Value in (₹)
Sub-total (12,500 UKP × ₹70.25)	8,78,125
Add: Material supplied by the buyer freely	20,000
FOB value as per customs	8,98,125
Add: Air freight (8,98,125 × 20%) Or 3,000 UKP × ₹70.25 whichever is less	1,79,625
Add: Insurance	6,000
Assessable value (i.e. CIF value)	10,83,750

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8. (a) Pupply Manufacturers Ltd., registered in Mumbai (Maharashtra), is a manufacturer of footwear. It imports a footwear making machine from USA. Pupply Manufacturers Ltd. avails the services of Dada Logistics, a licensed customs broker with its office at Ahmedabad (Gujarat), in meeting all the legal formalities for getting the said machine cleared from the customs station.
- Pupply Manufacturers Ltd. also authorises Dada Logistics to incur, on its behalf, the expenses in relation to clearance of the imported machine from the customs station and bringing the same to its warehouse at Mumbai. These expenses would be reimbursed by Pupply Manufacturers Ltd. to Dada Logistics on actual basis. In addition, Pupply Manufacturers Ltd. will also pay the agency charges to Dada Logistics for the services rendered by it.

Dada Logistics raised an invoice in July, 20XX as follows:

Sl. No.	Particulars	Amount* (₹)
(i)	Agency charges	5,00,000
(ii)	Unloading of machine at Kandla port, Gujarat	50,000
(iii)	Charges for transport of machine from Kandla port, Gujarat to Dada Logistics' godown in Ahmedabad, Gujarat	25,000
(iv)	Charges for transport of machine from Dada Logistics' Ahmedabad godown to the warehouse of Pupply Export Import House in Mumbai, Maharashtra	28,000
(v)	Customs duty on machine	5,00,000
(vi)	Dock dues	50,000
(vii)	Port charges	50,000
(viii)	Hotel expenses	45,000
(ix)	Travelling expenses	50,000
(x)	Telephone expenses	2,000

exclusive of GST wherever applicable

Compute the value of supply made by Dada Logistics with the help of given information. Would your answer be different if Dada Logistics charges ₹ 13,00,000 as a lump sum consideration for clearing the imported machine from the customs station and bringing the same to the warehouse of Pupply Manufacturers Ltd.? [7]

- (b) M/s Lips Ltd., manufactures four types of 'Nail Polishes', namely Sweety, Pretty, Beauty, Tweety. The Company has taken input tax credit of ₹3,00,000 on the common inputs used in the manufacture of 'Nail Polishes'. Common inputs also used partly for non-business purposes. During the financial year the company manufactured 1000 litres of each type of 'Nail Polishes'. The Company was not in a position to maintain separate set of records with regards to inputs used for final products. GST payable on final goods @12%.
- You are required to calculate the net GST payable by M/s Lips Ltd. for the year from the following data:

**FINAL EXAMINATION****ANSWERS TO PRACTICE TEST PAPER****TERM – JUNE 2026****PAPER – 19****SYLLABUS 2022****INDIRECT TAX LAWS AND PRACTICE**

Product Name	Description	Sale price (Exclusive of GST)
Sweety	Sale to Domestic Tariff Area	₹30 per 20ml. bottle
Pretty	Sale to a Special Economic Zone (SEZ)	₹40 per 20ml. bottle
Beauty	Sale to A Ltd. of USA	₹50 per 20ml. bottle
Twety	Sale to Defence Canteen(Exempted from GST)	₹60 per 20ml. bottle

[7]

Answer:**(a)** Statement showing taxable supply of Dada Logistics for the month of July 20XX:

Sl. No.	Particulars	Amount* (₹)
(i)	Agency charges	5,00,000
(ii)	Unloading of machine at Kandla port, Gujarat	Pure agent expenditure
(iii)	Charges for transport of machine from Kandla port, Gujarat to Dada Logistics' godown in Ahmedabad, Gujarat	Pure agent expenditure
(iv)	Charges for transport of machine from Dada Logistics' Ahmedabad godown to the warehouse of Pupply Export Import House in Mumbai, Maharashtra	Pure agent expenditure
(v)	Customs duty on machine	Pure agent expenditure
(vi)	Dock dues	Pure agent expenditure
(vii)	Port charges	Pure agent expenditure
(viii)	Hotel expenses	45,000
(ix)	Travelling expenses	50,000
(x)	Telephone expenses	2,000
	Total taxable supply	5,97,000

However, if Dada Logistics charges ₹13,00,000 as a lumpsum consideration for getting the imported machine cleared from the customs station and bringing the same to the warehouse of Pupply Manufacturers Ltd., Dada Logistics would incur expenses (ii) to (vii) for its own interest (as the agreement requires it to get the imported machine cleared from the customs station and bring the same to the Pupply Manufacturers Ltd.'s warehouse). Thus, Dada Logistic would not be considered as a pure agent of Pupply Manufacturers Ltd. for said services. Consequently, in that case, value of supply will be ₹13,00,000.

**FINAL EXAMINATION****ANSWERS TO PRACTICE TEST PAPER****TERM – JUNE 2026****PAPER – 19****SYLLABUS 2022****INDIRECT TAX LAWS AND PRACTICE****(b)** Statement showing GST on outward supplies:

Product Name	Description	Sale price (Exclusive of GST)	Transaction Value ₹	GST liable to pay ₹	Remarks
Sweety	Sale to Domestic Tariff Area	₹30 per 20ml. bottle	15,00,000	1,80,000	₹15,00,000 (1000 litres × 1000ml./ 20ml × ₹30) GST = ₹1,80,000 (₹15,00,000 × 12%)
Pretty	Sale to a unit of SEZ (treated as exports)	₹40 per 20ml. bottle	20,00,000	Zero rated supplies	₹20,00,000 (1000 litres × 1000ml./ 20ml × ₹40)
Beauty	Sale to A Ltd. of USA (export sales)	₹50 per 20ml. bottle	25,00,000	Zero rated supplies	₹25,00,000 (1000 litres × 1000ml./ 20ml × ₹50)
Tweety	Sale to Defence Canteen (Exempted from GST)	₹60 per 20ml. bottle	30,00,000	Exempted	₹30,00,000 (1000 litres × 1000ml/20ml × ₹60)
	Total		90,00,000	1,80,000	

As per Section 17(2) of the CGST Act, 2017 read with rule 42(1)(i) and rule 42(1)(j) of the CGST Rules, 2017 proportionate reversal of credit is as follows:

Particulars	ITC reversal ₹	Working note
Input tax credit proportionate reversal on common inputs [rule 42(1)(i)]	1,00,000	(₹30,00,000/₹90,00,000) × ₹3,00,000
Credit attributable to non-business purposes on common inputs [rule 42(1)(j)]	15,000	₹3,00,000 × 5%
Total	1,15,000	

Therefore, quantum of eligible ITC (Rule 42(1)(k) of the CGST Rules, 2017) ₹is ₹1,85,000/-

[₹3,00,000 – (1,00,000 + 15,000)]

Statement showing net GST liability or excess credit:

Therefore, the GST payable on taxable supply of goods	= ₹1,80,000
Add: ITC reversed (i.e. Output tax liability)	= ₹1,15,000
Total Tax liability	= ₹2,95,000
Less: ITC credit allowed	= ₹(3,00,000)
Excess ITC can be carried forward into next month	= ₹(5,000)