

G S T

Work Book

Final

Indirect Tax Laws and Practice



The Institute of Cost Accountants of India
Statutory Body under an Act of Parliament

www.icmai.in

Paper

19

WORK BOOK

Indirect Tax Laws and Practice

FINAL

Paper 19

SYLLABUS 2022



The Institute of Cost Accountants of India

CMA Bhawan, 12, Sudder Street, Kolkata - 700 016

www.icmai.in

First Edition : March, 2025

Published by :

Directorate of Studies

The Institute of Cost Accountants of India

CMA Bhawan, 12, Sudder Street, Kolkata - 700 016

studies@icmai.in

Copyright of these Study Notes is reserved by the Institute of Cost Accountants of India and prior permission from the Institute is necessary for reproduction of the whole or any part thereof.

Copyright © 2025 by **The Institute of Cost Accountants of India**

Preface

The landscape of professional education is undergoing a profound transformation, driven by the evolving demands of a globally integrated economy. In this dynamic environment, it is imperative to equip students not only with technical knowledge but also with the analytical skills and professional acumen essential for success.

Effective learning extends beyond theoretical understanding—it necessitates the development of strong conceptual foundations, critical thinking abilities, and disciplined study habits. These attributes are cultivated through continuous practice and engagement with thought-provoking academic material. To facilitate this process, the curriculum, instructional methods, and assessments must be designed to provide comprehensive, structured, and intellectually stimulating learning experiences.

Building on the success of the previous editions, we are pleased to present the **new edition of our 'Workbook' in an e-distributed format**. This edition has been meticulously developed to enhance students' comprehension and application of key concepts. Each chapter is structured to offer a seamless learning experience and integrating practical illustrations in a phased manner to align with the evolving regulatory framework.

We are confident that this new edition will continue to serve as a valuable academic resource, empowering students to achieve their professional aspirations with confidence and competence.

The Directorate of Studies
The Institute of Cost Accountants of India

INDEX

Sl. No.	Module Description	Page No.
Section A: Indian Accounting Standards		
1	Scope of Supply (Supply under GST - A Refresh)	1-23
2	Reverse Charge Mechanism (RCM) (Supply under GST - A Refresh)	24-37
3	Exemptions under GST (Supply under GST - A Refresh)	38-64
4	Time of Supply	65-78
5	Place of Supply	79-97
6	Value of Supply [Valuation (Advanced)]	98-136
7	Input Tax Credit (Advanced)	137-201
8	TDS & TCS under GST	202-217
9	GST Refund - Inverted Duty Structure and Zero-rated Supplies	218-237
10	Returns Under GST [GST Returns]	238-259
11	Audit under GST [GST Annual Return and GST Audit Return]	260-263
12	Dispute Resolution Mechanism under GST	264-304
13	Detention, Seizure and Confiscation [Inspection, Search, Seizure, Arrest & Prosecution]	305-314
Section B: Customs Act & Rules		
14	Valuation under Custom [Valuation and Related Party Transaction]	317-341
15	Provisional Assessment under Customs Law [Valuation and Related Party Transactions]	342-344
16	Duty on Baggage [Customs Procedures - Baggage & Courier/Post]	345-352
17	Warehousing [Manufacture in Bond]	353-357
18	Duty Drawback	358-367
19	Refund under Customs Law [Refund]	368-374
20	Foreign Trade Policy [Export Promotion Schemes under FTP]	375-381

Section - A

Goods and Services Tax

Act & Rules

1

Scope of Supply (Supply under GST - A Refresh) [Study Material - Module 1]

Illustration 1

Mr. Rohan, a registered supplier from Pune (Maharashtra), has made the following supplies in the month of March, 20XX:

- i. Supply of a gaming monitor along with a keyboard to a customer in Delhi for ₹ 65,000 (exclusive of GST).
- ii. Supply of 8,000 stationery kits (at ₹ 60 each) amounting to ₹ 4,80,000 (exclusive of GST) to Arun Book Store in Nashik (Maharashtra). Each kit consists of 1 notebook, 1 pen, and 1 pencil case.
- iii. 120 stationery kits are given as a free gift to Pune customers on the occasion of Mr. Rohan's birthday. Each kit consists of 1 notebook and 1 pen. The cost of each kit is ₹ 40, but the open market value of such kits or similar goods is not available. Input tax credit has not been availed on the goods contained in the kit.
- iv. Wedding planning services provided free of cost to his sister for her daughter's wedding in Bhopal (Madhya Pradesh). The cost of providing the said services is ₹ 90,000, but the open market value of such services or similar services is not available.
- v. 1,600 chairs and 150 coolers hired out to Royal Banquet Hall, Aurangabad (Maharashtra) for ₹3,90,000 (exclusive of GST), including the cost of transporting the chairs and coolers from Mr. Rohan's warehouse in Pune to the Royal Banquet Hall, Aurangabad.

Assume rates of GST to be as under:

Item/Service	GST Rate
Gaming Monitor	18%
Keyboard	28%
Notebook	18%
Pen	28%
Pencil Case	12%
Wedding Planning Services	5%
Hire/Rental Service for Chairs/Coolers	12%
Transportation Services	5%



Work Book : Indirect Tax Laws and Practice

Based on the given details, determine the GST liability (CGST, SGST, and/or IGST, as applicable) for Mr. Rohan for the month of March, 20XX.

Answer:

Statement showing GST liability of Mr. Rohan for the month of March, 20XX:

Particulars	Value in ₹	CGST ₹	SGST ₹	IGST ₹
Supply of a gaming monitor along with a keyboard	65,000	-	-	11,700
Supply of 8,000 stationery kits to Arun Book Store in Nashik	4,80,000	67,200	67,200	-
120 stationery kits are given as a free gift to Pune customers	No consideration. No GST	-	-	-
Wedding planning services provided free of cost to his sister	No consideration and not covered under Schedule - I. No GST	-	-	-
1,600 chairs and 150 coolers hired out to Royal Banquet Hall, Aurangabad	3,90,000	23,400	23,400	-
		90,600	90,600	11,700

Working note:

- (1) Supply of a gaming monitor along with a keyboard is composite supply. Principal supply is gaming monitor. Hence, GST applicable for gaming monitor is also applicable to keyboard. It is inter-State Supply.

$$\text{IGST} = 65,000 \times 18\% = ₹11,700.$$

- (2) Supply of 8,000 stationery kits (at ₹60 each) amounting to ₹4,80,000 (exclusive of GST) to Arun Book Store in Nashik is mixed supply. Highest rate of GST apply for the entire supply. It is intra State supply.

Notebook	18%
Pen	28%
Pencil Case	12%

$$\text{CGST} = 4,80,000 \times 14\% = 67,200$$

$$\text{SGST} = 4,80,000 \times 14\% = 67,200$$

- (3) 1,600 chairs and 150 coolers hired out to Royal Banquet Hall, Aurangabad for ₹3,90,000 including cost of transport. It is composite supply. Principal supply is hiring. It is intra State supply.

$$\text{CGST} = 3,90,000 \times 6\% = 23,400$$

$$\text{SGST} = 3,90,000 \times 6\% = 23,400$$

Illustration 2

TechPower Solutions Pvt. Ltd., a registered supplier, specializes in providing maintenance and repair services for large industrial power plants, which are categorized as immovable property and are spread across various locations in India. The company operates with its Head Office in Hyderabad, Telangana, and has branch offices in multiple states.

The company carries out repair and maintenance work in the following manner:

- Self-contained mobile workshops are deployed for repair tasks. These workshops are container trucks equipped with repair tools, consumables, spare parts, and other necessary equipment to manage a wide range of repair operations.
- The mobile workshop truck is dispatched to the client's location for executing the required repair work.
- Based on the repair requirements, tools, consumables, spare parts, and equipment are utilized from the inventory stocked in the truck.
- In some cases, a stand-alone machine is also transported to the client's site for conducting specific repair services.
- Upon completion of the repair work, the customer is billed based on the actual work performed and the exact quantity of consumables and spare parts used in the process.
- Occasionally, the mobile workshop truck is first sent to the company's own branch located in another state before being deployed to client locations for further repair services.

Determine the GST liability (CGST & SGST or IGST, as applicable) for TechPower Solutions Pvt. Ltd., Hyderabad, based on the provided details and the given data for the month of November, 20XX.

S. No.	Particulars	Value in ₹ (exclusive of GST)
1	Invoices raised for repair work carried out in Andhra Pradesh	1,00,00,000
2	Invoices raised for repair work carried out in Hyderabad	1,20,00,000
3	Truck sent to own location in Andhra Pradesh (i) Value of items contained in the truck - ₹80,00,000 (ii) Value of truck - ₹25,00,000	

Assume the rates of taxes to be as under:

	CGST	SGST	IGST
Items used for repairs	6%	6%	12%
Container Truck, Stand-alone machines	2.5%	2.5%	5%
Works contract for repairs and maintenance of immovable property	9%	9%	18%



Answer:

Statement showing GST Liability of TechPower Solutions Pvt. Ltd., Hyderabad for November 20XX:

Particulars	Value in ₹	CGST ₹	SGST ₹	IGST ₹	Working note
Repair work carried out in Andhra Pradesh	1,00,00,000	-	-	18,00,000	100 lakh x 18% IGST.
repair work carried out in Hyderabad	1,20,00,000	10,80,000	10,80,000	-	120 lakh x 9% CGST and 9% SGST
Value of items contained in the truck sent to own location Andhra Pradesh	80,00,000	-	-	9,60,000	80 Lakh x 12% IGST
Truck sent to own location in Andhra Pradesh	25,00,000	-	-	-	Not a supply
Total		10,80,000	10,80,000	27,60,000	

Illustration 3

GlowCare Pvt. Ltd., a GST-registered company in the State of Chhattisgarh, specializes in manufacturing cosmetic products. The company has appointed Mr. Elegant from Pune, who is registered under GST in the State of Maharashtra, as their Del-Credere Agent (DCA) to facilitate the sale of their products.

As a Del-Credere Agent (DCA), Mr. Elegant:

- Issues invoices in his own name for the sale of GlowCare Pvt. Ltd.'s products.
- Provides a guarantee for payment realization from customers to GlowCare Pvt. Ltd.
- To ensure timely payment collection from customers, he offers short-term transaction-based loans and charges interest for the same.

Transaction Details:

Mr. Elegant provides the following details of transactions conducted during the month of March 2025.

Outward Supply:

- Goods sold by Mr. Elegant in his DCA capacity (intra-State transaction) – ₹ 12,80,000
- Interest earned from customers for short-term credit facility provided to ensure timely payment of dues (intra-State transaction) – ₹ 20,000
- Commission bill raised on GlowCare Pvt. Ltd. for DCA services provided (inter-State transaction) – ₹ 1,30,000

Inward Supply:

- iv. Inter-State supply of goods received from GlowCare Pvt. Ltd. Being a DCA, no consideration was paid.
 - Value under section 15 – ₹ 12,00,000 (i.e. open market value)
- v. Received training in marketing and distribution from GlowCare Pvt. Ltd. under the DCA agreement, free of cost.
 - The company charges ₹ 85,500 for such training when provided to others.

The applicable tax rate for both inward and outward supplies is as follows:

- CGST and SGST: 9% each for intra-state transactions.
- IGST: 18% for inter-state transactions.

The amounts provided above are exclusive of taxes wherever applicable. It is assumed that all necessary conditions for availing input tax credit (ITC) are met.

Calculate the gross GST liability and eligible input tax credit (ITC) for Mr. Elegant for the month of March 2025.

Answer:

Statement showing gross GST liability of Mr. Elegant for the month of March 2025:

Particulars	Value in ₹	CGST ₹	SGST ₹	IGST ₹	Working note
Goods sold by Mr. Elegant in his DCA capacity including interest	13,00,000	1,17,000	1,17,000	-	[12,80,000 + 20,000]. 9% CGST and 9% SGST applicable
Commission charged for DCA services	1,30,000	-	-	23,400	Inter State supply. 18% IGST applicable.
Total		1,17,000	1,17,000	23,400	

Statement showing computation of eligible ITC to Mr. Elegant for the month of March 2025:

Particulars	Value in ₹	CGST ₹	SGST ₹	IGST ₹	Working note
Inward supply of goods from GlowCare Pvt. Ltd. free of cost	12,00,000	-	-	2,16,000	₹12 lakh x 18%. It is supply even without consideration. Covered under Schedule I point 3.
training in marketing and distribution from GlowCare Pvt. Ltd. under the DCA agreement, free of cost	Nil	--	-	-	
Total ITC available		Nil	Nil	2,16,000	



Illustration 4

Tasty Bites Eatery operates as a restaurant service provider in Karnataka. In the preceding financial year, its turnover from restaurant services was ₹ 150 lakh. In the current financial year, its expected turnover includes:

- a) ₹ 130 lakh from restaurant services.
- b) ₹ 12 lakh from the supply of farm labor in the same state.
- c) ₹ 25 lakh from bank interest earned on fixed deposits.

Advise Tasty Bites Eatery on whether it is eligible for the composition scheme in the current year based on the given details. Additionally, compute the estimated tax liability for the current financial year under the composition scheme (if applicable).

Answer:

Working Note:

1. Previous year aggregate turnover = ₹ 150 lakh
 - 10% of aggregate turnover = ₹ 15 lakh (i.e., ₹ 150 lakh × 10%)
 - Minimum threshold = ₹ 5,00,000
 - Permissible supply of services = ₹ 15 lakh (whichever is higher).
2. In the current year, aggregate turnover does not include interest of ₹ 25 lakh earned from fixed deposits, as it is not considered while calculating eligibility for the composition scheme.
3. Tasty Bites Eatery is expected to provide exempt services in the form of farm labor supply worth ₹ 12 lakh in the current financial year. Whereas permissible limit ₹15 lakh.
 - The turnover of farm labor services (₹ 12 lakh) along with restaurant service turnover (₹130 lakh) will be considered for eligibility under the composition scheme in the current financial year.

Tax Calculation under Composition Scheme:

- Applicable tax rate for restaurant services under the composition scheme = 5% (2.5% CGST + 2.5% SGST).

Estimated Tax Payable by Tasty Bites Eatery in the current financial year:

- CGST @ 2.5% on (₹ 130 lakh + ₹ 12 lakh) = ₹ 3,55,000/-
- SGST @ 2.5% on (₹ 130 lakh + ₹ 12 lakh) = ₹ 3,55,000/-
- Total Estimated Tax Liability = ₹ 7,10,000/-.

Illustration 5

Mr. A, a Practicing Cost Accountant, provides professional services such as audit, tax consulting, and compliance services. He wants to opt for the Composition Scheme under Section 10(2A) of the CGST Act, 2017. Mr. A commences his business w.e.f. 1-4-2024.

The details of his turnover are as follows for the FY 2024-25:

1. Total turnover from services (Professional Fees): ₹20,00,000 from 1st April 2024 to 30th June 2024.
2. Total turnover from services (Professional Fees): ₹30,00,000 from 1st July 2024 to 31st March 2025.
3. Other income (Interest from Bank FDs): ₹18,20,000

The details of his turnover are as follows for the FY 2025-26:

1. Total turnover from services (Professional Fees): ₹35,00,000
2. Other income (Interest from Bank FDs): ₹18,20,000

Determine:

1. Whether Mr. A is eligible for the Composition Scheme under Section 10(2A) in the current financial year 2025-26?
2. The amount of GST payable under the Composition Scheme in the financial year 2025-26?

Answer:

As per Section 10(2A), a supplier of services can opt for the Composition Scheme if:

1. His aggregate turnover in the preceding financial year does not exceed ₹50 lakh.
2. He is not making inter-state supplies.
3. He does not supply services through an e-commerce operator liable to collect TCS (Section 52).

In this case, Total turnover from services (₹20,00,000 + ₹30,00,000) = ₹50,00,000, which is within the ₹50 lakh limit.

Note: we should not include interest from bank FD into the aggregate turnover.

Thus, Mr. A is eligible for the Composition Scheme under Section 10(2A) in the current financial year 2025-26.

Statement showing GST Payable under Composition Scheme by Mr. A, for the financial year 2025-26:

Particulars	Amount (₹)	Working Note
Total Professional Fees (Turnover)	35,00,000	Taxable
Interest on FDs (Exempt)	Not considered	Exempt
GST Payable		
CGST (3%)	1,05,000	= 35 L x 3/100
SGST (3%)	1,05,000	= 35 L x 3/100



Illustration 6

M/s X Pvt. Ltd. is a manufacturer having two units namely Unit – A in Andhra Pradesh and another Unit – B in Tamil Nadu. Total turnover of two units in last Financial Year was ₹95 lakh (₹10 lakh of Unit – A + ₹85 lakh of Unit – B). Total turnover of two units in the second quarter of this financial year was ₹15 lakh (₹5 lakh of Unit–A+₹10 lakh of Unit–B). Applicable rate of CGST 9% and SGST 9%.

Find the Net liability of X Pvt. Ltd.

Note: M/s X Pvt. Ltd., is not availing input tax credit.

Answer:

In the given case, M/s X Pvt. Ltd. being a manufacturer is not availing input tax credit and aggregate turnover in the preceding financial year does not exceeded ₹1.50 crore. Hence, it is assumed that M/s X Pvt. Ltd. opted composition Scheme in the current year.

2 nd Quarter Turnover		CGST ₹	SGST ₹
Unit A	₹5 lakh	2,500	2,500
Unit B	₹10 lakh	5,000	5,000

Working note:

Unit A = ₹5 lakh x 0.5% = ₹2,500 CGST and same amount as SGST

Unit B = ₹10 lakh x 0.5% = ₹5,000 CGST and same amount as SGST

Illustration 7

Krishna Enterprises, India, a registered supplier under GST in the State of Tamil Nadu, is engaged in supplying goods and services. Krishna Enterprises undertook the following transactions during the month of March:

Particulars	Amount (₹)
Supplied large paper rolls to Lotus Public School, Hyderabad (Telangana), for printing of question papers. As directed by the school, the rolls were delivered to a printing press in Chennai, Tamil Nadu .	18,00,000
Recovered bond amount from the outgoing Managing Director (residing in Tamil Nadu) for leaving employment early.	3,00,000
Supplied steel sheets in territorial waters (14 nautical miles from Tamil Nadu baseline and 10 from Andhra Pradesh).	7,20,000
Received advance for future supply of goods from a customer in Tamil Nadu	2,70,000
Received advance for future supply of services from a customer in Tamil Nadu	5,60,000
Gave a desktop computer (business use, no ITC taken) free to an unrelated person in Tamil Nadu [Cost: 1,25,000 incl. GST; OMV = 90,000]	Nil

Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services, wherever applicable

Compute the total GST payable on outward supplies before setting off of ITC for the month of March by Krishna Enterprises.

Answer:

Statement showing the total GST payable on outward supplies before setting off of ITC for the month of March by Krishna Enterprises.

Particulars	Amount (₹)		remarks
Supplied large paper rolls to Lotus Public School, Hyderabad (Telangana), for printing of question papers. As directed by the school, the rolls were delivered to a printing press in Chennai, Tamil Nadu .	18,00,000		Taxable supply. Inter State supply
Recovered bond amount from the outgoing Managing Director (residing in Tamil Nadu) for leaving employment early.	nil		Not a supply
Supplied steel sheets in territorial waters (14 nautical miles from Tamil Nadu baseline and 10 from Andhra Pradesh).	7,20,000		Taxable supply. Place of supply is Andhra Pradesh. It is Inter State Supply
Received advance for future supply of goods from a customer in Tamil Nadu	nil		Advance payment is not a Time of supply
Received advance for future supply of services from a customer in Tamil Nadu	5,60,000		Advance payment is time of supply
Gave a desktop computer (business use, no ITC taken) free to an unrelated person in Tamil Nadu [Cost: 1,25,000 incl. GST; OMV = 90,000]	Nil		Not a supply
	CGST 9% ₹	SGST 9% ₹	IGST 18% ₹
Inter State Supply (18,00,000 + 7,20,000) = ₹25,20,000	nil	nil	4,53,600
Intra State Supply ₹5,60,000	50,400	50,400	nil
total	50,400	50,400	4,53,600

Illustration 8

Examine the GST implications for the financial year 2025–26 in the following three independent scenarios involving donations:



Case 1: Donation Without Quid Pro Quo

Mr. Aditya Sharma, a philanthropist, donates a digital blackboard worth ₹75,000 to an Ayurveda and Wellness Center in Pune.

Below the board, the center affixes a message that reads:

“With blessings – Mr. Aditya Sharma”

The donation is voluntary and no formal agreement exists between the donor and the center for promotion or services in return.

Case 2: Donation With Simple Acknowledgment in Religious Place

Smt. Kiran Nair, from Kochi, donates ₹2,00,000 to a temple trust for construction of a meditation room.

At her request, a message is inscribed on the marble entry:

“Donated by Smt. Kiran Nair in loving memory of her father.”

The donation is used entirely for religious/charitable infrastructure, with no advertising intent or service commitment.

Case 3: Donation With Advertising Benefit

Rohan Foods Pvt. Ltd., a packaged food company based in Mumbai, donates ₹1,00,000 to a sports NGO for organizing a youth marathon.

In exchange, the NGO displays the company’s name, logo, and slogan on:

- Jerseys of participants,
- Banners at the start/finish line,
- All event social media posts.

You are required to:

(A) Determine if GST is applicable in each case.

(B) If applicable, compute GST at 18% on the taxable value.

(C) Identify whether the charitable institutions are making a “supply” under GST.

Answer:

Case 1: Digital Blackboard Donation

Particulars	Value
Donation value	₹75,000
Return benefit	None (simple acknowledgment only)

- No supply under GST as there is no quid pro quo.
- The message “With blessings” is not promotional or advertising in nature.
- No GST applicable.

Case 2: Temple Infrastructure Donation

Particulars	Value
Donation made	₹2,00,000
Return benefit	None (religious acknowledgment only)

- No contractual benefit given to the donor.
- Engraving of donor's name is an act of acknowledgment, not advertisement.
- No GST applicable since there is no supply of service.

Case 3: Corporate Donation With Advertisement

Particulars	Value
Amount donated	₹1,00,000
Return benefit	Display of brand, logo, social media promotion

- This is a sponsorship/advertising service disguised as a donation.
- As per Schedule II of CGST Act, this qualifies as a taxable supply of service.

GST Computation:

- Value of supply = ₹1,00,000
- GST @18% = ₹18,000
- Total Invoice Value = ₹1,18,000

GST of ₹18,000 is payable by the NGO, which must treat this donation as taxable consideration for sponsorship services.

Summary Table:

Case No.	Description	Supply?	GST Rate	Taxable Value	GST Payable
Case 1	Blackboard with simple donor name	No	NA	₹75,000	₹0
Case 2	Temple donation with marble engraving	No	NA	₹2,00,000	₹0
Case 3	Corporate "donation" with branding	Yes	18%	₹1,00,000	₹18,000

Conclusion:

- GST is applicable only if there is quid pro quo, i.e., a supply of service in return for consideration.
- Simple acknowledgments or memory plaques do not constitute taxable services.
- Corporate donations with branding elements are taxable as sponsorship or advertisement services, and GST must be charged accordingly.



Illustration 9

Ravindra Styles Pvt. Ltd., a clothing trader based in Surat, Gujarat, sells ready-made garments both through its retail outlets and also via Flipkart India, an Electronic Commerce Operator (ECO).

- During the FY 2025–26, the company:
 - o Received online orders worth ₹12,00,000 via Flipkart.
 - o Made offline sales worth ₹9,50,000 through its stores.
- The aggregate turnover for the previous year (FY 2024–25) was ₹21,50,000.

The company now wishes to opt for the composition scheme under Section 10 of the CGST Act, 2017 for the current year.

You are required to determine:

(A) Whether Ravindra Styles Pvt. Ltd. is eligible to opt for the composition scheme in FY 2025-26.

(B) Whether supplying through an ECO like Flipkart affects its eligibility.

Answer:

(A) Eligibility based on turnover:

As per the Composition Scheme rules, a supplier of goods is eligible for the scheme if:

- Aggregate turnover in the preceding financial year is within ₹1.5 crore (₹75 lakh for special category states).

In this case:

- Turnover in FY 2024–25 = ₹21,50,000

This is well within the ₹1.5 crore threshold, hence eligible on the basis of turnover.

(B) Eligibility despite supply through an Electronic Commerce Operator (ECO):

Prior to 1st October 2023, suppliers were not allowed to opt for composition if they sold goods through an ECO liable to collect TCS under Section 52 of CGST Act.

However, as per amended rules effective 1st October 2023, a composition taxpayer is now allowed to make supplies through ECOs, subject to the condition that:

- The supplies are not inter-State, and
- The supplier complies with TCS and invoicing provisions.

In this case:

- Ravindra Styles sells through Flipkart (an ECO)
- If supplies are only within Gujarat (intra-State),

Ravindra Styles Pvt. Ltd. is eligible for the composition scheme.

Illustration 10

Manoj Engineering Works Pvt. Ltd., registered in the State of Uttarakhand, manufactures aluminium pipe fittings for other suppliers on a job-work basis.

On 10.01.2025, Royal Cast Components (registered in the State of Punjab) sent:

- Raw aluminium worth ₹5,00,000 and
- Casting moulds worth ₹60,000, free of cost,

...to Manoj Engineering Works for job work. Manoj Engineering also used its own material – a heat-resistant coating compound – worth ₹1,20,000 during the manufacturing of pipes. It raised an invoice of ₹2,50,000 as job charges and returned the manufactured goods via challan to Royal Cast Components on 20.10.2025.

On the same date, Manoj Engineering Works manufactured similar quality and quantity of aluminium fittings using its own raw material, and sold them to MetroPipe Traders (registered in Uttarakhand) for ₹8,25,000.

Examine the scenario and respond to the following with reference to Job Work provisions under GST:

1. Is there any difference in the nature of supply by Manoj Engineering Works to Royal Cast Components and MetroPipe Traders?
2. Can Manoj Engineering Works use its own materials in job work?
3. Is sending raw materials and moulds by Royal Cast Components to Manoj Engineering Works treated as a supply?
4. Should Manoj Engineering Works include the cost of free materials supplied by the principal in job work invoice?

Answer:

1. Yes.
 - Supply to Royal Cast Components is a supply of service (as it is a job work activity).
 - Supply to MetroPipe Traders is a supply of goods (as goods were manufactured and sold using own materials).
2. Yes. Job workers are allowed to use their own material in addition to materials supplied by the principal.
3. No. As per Section 143 of CGST Act, sending inputs/capital goods by principal to job worker without consideration is not treated as a supply.
4. No. As per Rule 33 of CGST Rules, value of inputs supplied free of cost by the principal is not includible in the value of job work services if no consideration is charged for the same.



Summary:

Particulars	Status
Job work to Royal Cast Components	Supply of service (₹2,50,000)
Sale to MetroPipe Traders	Supply of goods (₹8,25,000)
Use of own material in job work	Permitted
Free issue of inputs (job work)	Not treated as supply
Inclusion of free issue in value	Not required

Illustration 11

Consider the following independent scenarios in the financial year 2025–26 and answer the questions that follow:

Case 1: Supply of Food in a Cinema Hall

Galaxy Cinemas, located in Hyderabad, runs a multiplex and also operates a food counter in the cinema premises. During the month of April 2025, the following sales were made:

1. Cinema ticket sales: ₹8,00,000 (GST @18%)
2. Standalone sale of food and beverages at the food counter: ₹3,00,000 (GST 5%)
3. Combo offers (ticket + food package, bundled together): ₹2,00,000

The company wants to know how GST applies to each of the above.

Case 2: Supply of Electricity with Renting of Commercial Space

UrbanSpaces Realty, a commercial property management firm in Mumbai, rents out furnished office space to tenants.

In April 2025, it raised the following invoices to a single tenant:

1. Rent for premises: ₹1,50,000
2. Maintenance charges: ₹30,000
3. Electricity charges (billed separately): ₹20,000
 - a. Note: UrbanSpaces procures electricity from Maharashtra DISCOM at ₹20,000 and charges the same amount to tenants without markup.

You are required to:

- (A) Determine whether supplies in both cases are treated as composite supply or separate supplies.
- (B) Compute the GST payable at 18% where applicable.
- (C) Clarify if electricity charges will form part of taxable value or be excluded.

Answer:

Case 1: Galaxy Cinemas – Cinema + Food Supplies

(A) Nature of Supply:

Type of Supply	Treatment as per CBIC Circular No. 201/13/2023-GST
Standalone food sales	• Treated as restaurant service , taxed separately
Combo (ticket + food)	• Treated as composite supply , principal supply=cinema exhibition

(B) GST Computation:

Particulars	Amount (₹)	GST Rate	GST (₹)
Cinema tickets	8,00,000	18%	1,44,000
Standalone food and beverages	3,00,000	5%	15,000
Combo offer (taxed as cinema)	2,00,000	18%	36,000
Total GST Payable	—	—	₹1,95,000

Case 2: UrbanSpaces Realty – Renting + Electricity

(A) Nature of Supply:

As per CBIC Circular No. 206/18/2023-GST:

- Renting + Maintenance + Electricity billed separately = Composite supply
- Principal supply = Renting of immovable property
- Electricity forms part of composite supply unless charged as a pure agent.

Note: As per CBIC Circular No.206/18/2023-GST dt. 31st October 2023, It is clarified that whenever electricity is being supplied bundled with renting of immovable property and/or maintenance of premises, as the case may be, it forms a part of composite supply and shall be taxed accordingly. The principal supply is renting of immovable property and/or maintenance of premises, as the case may be, and the supply of electricity is an ancillary supply as the case may be. Even if electricity is billed separately, the supplies will constitute a composite supply and therefore, the rate of the principal supply i.e., GST rate on renting of immovable property and/or maintenance of premise, as the case may be, would be applicable.

- Since UrbanSpaces charges exact electricity cost (₹20,000) without markup, they are acting as a pure agent.

(B) GST Computation:

Particulars	Amount (₹)	GST Rate	GST (₹)
Rent	1,50,000	18%	27,000
Maintenance	30,000	18%	5,400
Electricity (pure agent)	20,000	Exempt	Nil
Total GST Payable	—	—	₹32,400

Note: If markup was added or no pure agent agreement existed, electricity would be taxable at 18%.



Illustration 12

Bharat Suraksha Insurance Ltd., a lead insurer, issues a co-insurance policy for a commercial real estate project in Bengaluru, valued at ₹12 crore.

Co-Insurance Structure:

- Bharat Suraksha Insurance Ltd. (Lead Insurer) – 50% share → Premium ₹6 crore
- Shakti General Insurance Ltd. – 30% share → Premium ₹3.6 crore
- Sankalp India Insurance Ltd. – 20% share → Premium ₹2.4 crore

As per the co-insurance agreement:

- The lead insurer handles all administrative and tax responsibilities, including GST on the entire premium.

In a separate arrangement, Bharat Suraksha Insurance Ltd. (Insurer A) enters into a reinsurance agreement with Secure Reinsurance Ltd. (Reinsurer B) to transfer 50% of its risk portfolio worth ₹2,00,00,000.

- Secure Reinsurance Ltd. agrees to pay a ceding commission of ₹10,00,000 to Bharat Suraksha Insurance Ltd.

You are required to:

(A) Explain who bears the GST liability in the co-insurance arrangement.

(B) Calculate the GST payable under the co-insurance arrangement (assume IGST @18%).

(C) Explain the GST implication on the ceding commission received in the reinsurance agreement.

Answer:

(A) GST Liability in Co-Insurance

As per prevailing industry practice and clarified under GST guidelines:

- In a co-insurance model, the lead insurer is responsible for issuing the policy and collecting and remitting GST on the entire premium, regardless of how the risk is shared.
- The other insurers (co-insurers) receive their respective shares from the lead insurer without charging separate GST.
- In this case, Bharat Suraksha Insurance Ltd. is responsible for the entire GST liability on ₹12 crore.

(B) GST Computation on Co-Insurance

Particulars	Amount (₹)
Total Premium Collected	₹12,00,00,000
IGST @18%	₹2,16,00,000
Payable by (Lead Insurer)	₹2.16 crore

Shakti Insurance and Sankalp Insurance receive ₹3.6 crore and ₹2.4 crore respectively from the lead insurer without charging GST.

GST compliance rests solely with Bharat Suraksha Insurance Ltd.

(C) GST on Ceding Commission under Reinsurance

- Under the reinsurance arrangement:
 - o Bharat Suraksha Insurance Ltd. cedes risk worth ₹2 crore
 - o Receives ₹10 lakh as ceding commission from Secure Reinsurance Ltd.

As per Schedule III of the CGST Act, 2017, activities of a principal and agent relationship (like ceding commissions in reinsurance) are treated as 'no supply'.

- Therefore, the ₹10 lakh ceding commission is not subject to GST.
- No GST is payable by Bharat Suraksha Insurance Ltd. on the ceding commission.

Note: Services by insurer (Bharat Suraksha Insurance Ltd.) to the reinsurer (Secure Reinsurance Ltd.) for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, subject to the condition that the central tax, the State tax, the Union territory tax and the integrated tax is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission.”.

Conclusion Summary:

Transaction Type	Amount (₹)	GST Rate	GST Payable	Who Pays
Total co-insurance premium	₹12 crore	18% IGST	₹2.16 crore	Bharat Suraksha Insurance Ltd.
Share to co-insurers	₹6 crore (combined)	—	Nil	—
Ceding commission (reinsurance)	₹10 lakh	—	Nil	Not taxable (Schedule III)

Illustration 13

Part A – Shareholding in Subsidiaries

Zenith Holdings Pvt. Ltd., registered in Mumbai, holds 60% equity shares in Orion Tech Solutions Ltd., a subsidiary company based in Bengaluru. The shares were purchased for ₹5 crore in 2023.

The management of Zenith wants clarity on the GST implications, if any, on:

1. The acquisition of shares
2. The ongoing holding of equity in Orion Tech
3. Classification under SAC 997171 – Services by Holding Companies



Part B – Processing Fees on Intra-Group Loan

In FY 2025–26, Zenith Holdings Pvt. Ltd. received an interest-free loan of ₹2 crore from its overseas affiliate Zenith Global Ltd., based in Singapore.

- No processing or administration fee was charged for the loan.
- However, in another transaction during the same year, Zenith Holdings provided a loan of ₹50 lakh to its domestic associate company, Nova Automation Pvt. Ltd., and charged ₹25,000 as a processing fee.

You are required to answer the following:

(A) Whether GST is applicable on the holding of shares in the subsidiary.

(B) Whether GST applies to processing fees charged or waived in intra-group loans.

(C) If applicable, compute the GST payable @18% on the loan processing fee.

Answer:

Part A – GST on Shareholding

(A) Is GST applicable on holding shares in a subsidiary?

- No.

As per CBIC Circular No. 196/08/2023-GST dated 17.07.2023:

1. Securities are neither goods nor services under Section 2(52) and 2(102) of the CGST Act.
 2. The purchase or sale of shares does not constitute supply under Section 7.
 3. Merely holding equity in a subsidiary does not amount to supply of service.
- Therefore, Zenith Holdings' ₹5 crore investment in Orion Tech is outside the scope of GST.

Therefore, No GST is payable.

Part B – Loan Processing Fees

(B1) Is GST applicable when no processing fee is charged (foreign affiliate)?

- No.

As per CBIC Circular No. 218/12/2024-GST dated 26.06.2024, no GST applies on intra-group loans where:

- No processing/administration fee is charged,
- Even if the transaction is between related persons,
- As per Schedule I, in the absence of consideration, there is no supply under Section 7(1)(c). Even between unrelated parties, administrative charges might be waived based on the relationship. Therefore, no service or supply exists between related persons for processing, administering

or facilitating loans, and no GST is applicable as per section 7(1)(c) read with Schedule I of the CGST Act.

No GST on the ₹2 crore interest-free loan from Zenith Global Ltd.

(B2) Is GST applicable when a processing fee is charged?

- Yes.

In the case of Nova Automation Pvt. Ltd., Zenith charged a processing fee of ₹25,000.

As per the same circular, if a fee is charged, it constitutes consideration for supply of services.

GST @18% is applicable.

(C) GST Computation:

Particulars	Amount (₹)
Loan Processing Fee	25,000
GST @18%	4,500
Total Receivable	29,500

Zenith Holdings must charge and remit ₹4,500 as GST on the processing fee.

Conclusion Summary:

Transaction	Amount (₹)	GST Applicable?	GST Payable (₹)
Equity shares purchased in subsidiary	5,00,00,000	No	Nil
Holding shares in subsidiary	—	No	Nil
Interest-free loan (no fee, foreign affiliate)	2,00,00,000	No	Nil
Processing fee charged to associate	25,000	Yes @18%	₹4,500

Illustration 14

NeoTech Innovations Pvt. Ltd., a technology services company based in Bangalore, India, is a wholly-owned subsidiary of NeoTech Global Inc., headquartered in California, USA.

In FY 2025–26, NeoTech Innovations implemented an employee stock benefit program for its key Indian employees, facilitated by its foreign holding company through the following schemes:

- Employee Stock Option Plan (ESOP):
 - 50 employees exercised stock options worth ₹4,00,00,000.
- Employee Stock Purchase Plan (ESPP):
 - 30 employees purchased shares worth ₹1,20,00,000 through payroll deductions.
- Restricted Stock Units (RSUs):
 - 20 employees received RSUs valued at ₹80,00,000, with a 2-year vesting period.



NeoTech Innovations reimbursed ₹6,00,00,000 to NeoTech Global Inc. on a cost-to-cost basis, without any markup or commission.

However, NeoTech Global Inc. separately charged ₹5,00,000 as facilitation fee for administrative services related to structuring and allocating these employee stock benefits.

You are required to:

- (A) Examine whether the allotment of ESOPs, ESPPs, and RSUs by NeoTech Global Inc. to employees of NeoTech Innovations Pvt. Ltd. attracts GST.
- (B) Discuss whether GST is applicable on the reimbursement of share costs by the Indian company to its foreign holding company.
- (C) Compute the GST liability, if any, on the facilitation fee of ₹5,00,000 charged by the foreign holding company.

Answer:

(A) GST on Allotment of ESOPs, ESPPs, and RSUs to Employees

- No GST is applicable.

As per CBIC Circular No. 213/07/2024-GST dated 26 June 2024, when ESOPs, ESPPs, or RSUs are:

- Issued by the foreign holding company directly to the employees of its Indian subsidiary, and
- Done as part of compensation or retention strategy,

Then such allotment is not considered a supply of goods or services under Entry 1 of Schedule III of the CGST Act.

Note: Shares are classified as “securities”, which are excluded from the definitions of both goods [Section 2(52)] and services [Section 2(102)].

Thus, the allotment of ₹6 crore worth of shares/stock units to employees is outside the scope of GST.

(B) GST on Cost-to-Cost Reimbursement of Share Value

- No GST is applicable.

The ₹6,00,00,000 reimbursed by NeoTech Innovations Pvt. Ltd. to NeoTech Global Inc. is on a pure cost-to-cost basis, without any markup or additional fee.

As clarified in the same circular:

- Mere reimbursement for share transfer does not constitute consideration for a supply.
- Therefore, such transactions do not attract GST under Section 7 of the CGST Act.

Hence, no GST liability arises on the ₹6 crore reimbursement.



(C) GST on Facilitation Fee Charged by Foreign Holding Company

- Yes, GST is applicable.

The ₹5,00,000 charged by NeoTech Global Inc. to NeoTech Innovations Pvt. Ltd. is towards administrative and facilitation services related to implementing the ESOP/RSU/ESPP schemes.

Such charges are:

- Separate from the share value, and
- Treated as consideration for supply of facilitation services (i.e., import of service by the Indian entity).

GST Computation under Reverse Charge:

Particulars	Amount (₹)
Facilitation Fee Charged	5,00,000
IGST @18%	90,000
Total Liability	₹90,000 (RCM)

NeoTech Innovations Pvt. Ltd. is liable to pay ₹90,000 IGST under Reverse Charge Mechanism (RCM).

Conclusion Summary:

Transaction	Amount (₹)	GST Applicable?	Taxable Value	GST @ 18% (₹)	Notes
Allotment of ESOPs, ESPPs, RSUs	6,00,00,000	No	—	—	Treated as securities, exempt from GST
Reimbursement (cost-to-cost)	6,00,00,000	No	—	—	No markup = No supply
Facilitation/admin fee (markup)	5,00,000	Yes	₹5,00,000	₹90,000	GST payable by Indian company under RCM

Illustration 15

XYZ Pvt. Ltd., a registered supplier under GST, is engaged in the supply of goods and services. The company sells Printers, Printer Cartridges, and also provides Annual Maintenance Contracts (AMC) for printers. It offers the following two types of supply packages:

- Package A (Printer Bundle Offer)
 - A laser printer (Taxable at 18% GST)
 - A black ink cartridge (Taxable at 12% GST)
 - Total price of the package: ₹15,000
- Package B (AMC for Printers)
 - Annual Maintenance Contract (AMC) for a printer, which includes:



- Routine maintenance services (Taxable at 18% GST)
- Free replacement of minor spare parts (Taxable at 12% GST).

(i) Total price of the AMC package: ₹10,000.

Note: supply of AMC and spare parts are not naturally bundled.

Determine the Following:

1. Identify whether each package constitutes Composite or Mixed Supply.
2. Compute the applicable GST rate and total GST liability for both packages.

Answer (1):

Package A (Printer Bundle Offer)

- The printer and cartridge are naturally bundled and supplied together in the ordinary course of business.
- The printer is the principal supply, as it is the main item that drives the demand.

Conclusion: Composite Supply (Principal Supply = Printer).

Package B (AMC for Printers)

- The AMC includes both services and goods (spare parts) but they are not naturally bundled.

Conclusion: Mixed Supply (Highest tax rate applies).

(2) Statement showing total GST liability for both packages:

Package	Type of Supply	Tax Rate Applied	GST Amount (₹)	Total Price (Including GST) (₹)
Package A (Printer + Cartridge)	Composite Supply	18% (Printer is Principal Supply)	₹2,700	₹17,700
Package B (AMC for Printer - Service + Spare Parts)	Mixed Supply	18% (Highest Rate)	₹1,800	₹11,800

Illustration 16

Answer the following independent cases as per the GST Law:

- (i) A customer books a hotel room for ₹8,000 but cancels the booking before the stay. The hotel charges ₹2,000 as a cancellation fee. Should the hotel charge GST on the cancellation fee? Applicable rate of GST for hotel room is @12%. Find the GST if any?

Answer:

According to CBIC Circular, cancellation charges are subject to GST because:

- The hotel is providing a facility to book a room, and cancellation fees are a part of the service contract.
- Cancellation fees are considered as a taxable supply under “Accommodation Services”.

Conclusion: GST at the same rate as hotel services (12%) is applicable on cancellation charges.

GST Payable = ₹2,000 × 12% = ₹240.

(ii) XYZ Pvt. Ltd. has a contractual clause that imposes a cheque bounce charge of ₹2,500 on a customer if the cheque provided is dishonored. The management of XYZ Pvt. Ltd. is reviewing whether this cheque bounce charge should attract GST.

Based on the provisions under GST and the guidance provided in the CBIC Circular on refraining from an act or tolerating an act, determine whether the cheque bounce charge of ₹2,500 is subject to GST. Provide a detailed explanation supporting your answer.

Answer: Nature of Cheque Bounce Charges:

Cheque bounce charges are imposed as a penalty for non-performance of a contractual obligation (i.e., failure to honor the cheque).

These charges are not levied as a consideration for a supply of goods or services; instead, they act as a compensatory penalty.

- The relevant CBIC Circular clarifies that charges which are imposed as a penalty for failing to perform an act (it means not for tolerating an act) and do not form part of the consideration for a supply are not taxable under GST.

Since the cheque bounce charge of ₹2,500 is a penalty imposed for non-performance (i.e., the dishonor of the cheque) and does not represent consideration for a supply, it is not subject to GST.

2

Reverse Charge Mechanism (RCM) (Supply under GST - A Refresh) [Study Material - Module 1]

Illustration 1

Mr. Rajiv Kapoor, a registered consultant based in **Chennai**, provided **management advisory services** worth ₹5,00,000 to **Elite Tech Solutions Pvt. Ltd.**, a company registered in **Mumbai**.

As per the **service agreement**, Mr. Kapoor was responsible for **bearing all taxes, duties, and liabilities** related to his service obligations.

However, after the agreement was executed and while services were ongoing, a **change in GST law** was notified. The change made the recipient, i.e., **Elite Tech Solutions Pvt. Ltd.**, liable to pay GST on such services under the **reverse charge mechanism (RCM)** with **retrospective effect**.

You are required to answer the following:

- (i) Can **Elite Tech Solutions Pvt. Ltd.**, now liable under reverse charge, **deduct the GST amount** payable from the **consideration payable to Mr. Rajiv Kapoor**, citing the contract terms?
- (ii) Can **Elite Tech Solutions Pvt. Ltd.** request the **GST Department** to recover the **GST payable under reverse charge** from **Mr. Rajiv Kapoor**, given the contract clause that the service provider must bear all tax liabilities?

Answer:

(i) Can the recipient deduct GST from Mr. Kapoor's bill?

Yes, the recipient **can recover the burden** of GST from the service provider **contractually**, even though the law imposes GST liability under **reverse charge** on the **recipient**.

This was upheld in the case of **Rashtriya Ispat Nigam Ltd. v Dewan Chand Ram Saran 2012 (260) STR 289 (SC)**, where the **Supreme Court held** that the recipient could **deduct tax amounts** from payments to the contractor where contracts provided that **all taxes are to be borne by the contractor**.

Computation of GST @18%:

Particulars	Amount (₹)
Service value by Mr. Kapoor	5,00,000
GST @18% under RCM	90,000
Amount payable by recipient	5,00,000 - 90,000 = ₹4,10,000

So, **Elite Tech Solutions Pvt. Ltd.** can pay only **₹4,10,000** to Mr. Kapoor, retaining **₹90,000** (RCM GST), as per the **contractual obligation**. GST of **₹90,000** should be remitted to the GST department through e-cash ledger by **Elite Tech Solutions Pvt. Ltd.**

(ii) Can the recipient request GST (Authorities) recovery from Mr. Kapoor?

- **No, the recipient cannot request the GST Department** to recover the tax from the **service provider**, even if the contract states that the provider must bear all taxes.

This was clarified in the case of **Delhi Transport Corporation v Commissioner Service Tax 2015 (038) STR 673 (Del)**, where it was held that **contractual allocation of tax burden does not change the statutory liability under the tax law**.

- Under GST, **reverse charge liability rests with the recipient** as per **Section 9(3)/9(4) of CGST Act** (or corresponding **Section 5(3) of IGST Act**).
- So, **Elite Tech Solutions Pvt. Ltd. must pay ₹90,000 GST under RCM**, and may **recover or adjust it contractually** with Mr. Kapoor, but **cannot ask the GST Department to collect it from him**.

Conclusion Summary:

Question	Answer	GST Impact
Can the recipient deduct GST from provider's invoice?	Yes, contractually permitted	₹90,000 GST under RCM can be adjusted from payment
Can recipient ask GST Dept. to recover from provider?	No, statutory liability under RCM remains with recipient	Not permissible under law

Illustration 2

On **18th March 2025**, **Mr. Sanjay Mehra**, a resident of **New Delhi**, booked a motor cab using the mobile application "**ZoomRide**", owned and operated by **Zoom Mobility Pvt. Ltd.**, a company located in **Mumbai, India**.

The cab was booked for **inter-State travel** from **New Delhi (Delhi)** to **Gurgaon (Haryana)**.

- Fare charged: ₹1,800
- Payment made: By debit card at the time of booking
- Driver assigned: **Mr. Jorawar Singh**, a registered independent cab operator with ZoomRide
- Cab Registration Number: DL1RT2234

Zoom Mobility Pvt. Ltd. claims that **Mr. Jorawar Singh** is providing the service and thus **he is liable to pay GST**.

You are required to answer:



(A) Who is liable to pay GST in this case under the **IGST Act, 2017**?

(B) What would be your answer if **Zoom Mobility Pvt. Ltd.** is located in **New York (USA)** and has **no office or representative in India**?

(C) Compute the GST amount, assuming applicable GST rate on motor cab services is **5% (without ITC)**.

Answer:

(A) GST Liability when ECO is located in India:

As per **Section 9(5) of the CGST Act, 2017** read with **Section 5(5) of the IGST Act, 2017**, in the case of **passenger transportation services by radio taxi**, where the supply is made through an **electronic commerce operator (ECO)**, the **ECO is deemed to be the supplier** and is **liable to pay GST, not the actual driver**.

Zoom Mobility Pvt. Ltd. owns the **ZoomRide** app and operates from India.

Hence, **Zoom Mobility Pvt. Ltd.** is liable to pay GST on the cab booking, not **Mr. Jorawar Singh**.

(B) If ECO is located outside India (e.g. New York):

If **Zoom Mobility Pvt. Ltd.** is located in **New York, USA** and provides services in India through its platform:

- As per the **IGST Act**, if an ECO is located **outside India**, it must **appoint a person in India to discharge tax liability**.
- If the ECO has **no physical presence** and **no representative in India**, it is required to **appoint a person for payment of tax** on its behalf.
- ▲ Thus, **Zoom Mobility Inc. (USA)** must either:
 - Have a representative in India to pay GST, or
 - Appoint a local person specifically for tax compliance.
- ▲ The **appointed person in India** will then be **liable to pay GST** under **reverse charge** as per **Section 14 of IGST Act**.

(C) GST Computation (If fare = ₹1,800, GST @5%)

Particulars	Amount (₹)
Cab fare	₹1,800
GST @5% (no ITC)	₹90
Total Invoice Value	₹1,890

- ▲ **Zoom Mobility Pvt. Ltd.** is liable to **pay ₹90 as GST** under forward charge when located in India.

If located outside India, the **appointed representative in India** will be responsible for paying this GST amount.

Statutory Provisions Involved:

Section	Description
Section 9(5), CGST Act, 2017	ECO is liable to pay GST on notified services (like cab services)
Section 5(5), IGST Act, 2017	Similar provision under IGST Act for inter-State supplies
Section 14, IGST Act, 2017	Foreign-based supplier must appoint a person in India for tax compliance if no presence

Conclusion Summary:

Scenario	ECO Location	GST Liability	GST Amount (₹)
Zoom Mobility Pvt. Ltd. (Mumbai, India)	India	ECO (Forward Charge)	₹90
Zoom Mobility Inc. (New York, USA)	Outside India	Appointed rep in India under RCM	₹90

Illustration 3

M/s. Aryan Travels, a passenger transport service provider based in **Ahmedabad, Gujarat**, is registered under GST and provides its services via an **Electronic Commerce Operator (ECO)** platform called **“QuickMove Cab Services”**, owned and operated by **QuickMove India Pvt. Ltd.**, located in **Mumbai**.

For the month of **April 2025**, Aryan Travels furnished the following details:

- Transportation of passengers by stage carriage (non-A/c): ₹6,00,000**
- Transportation of passengers by contract carriage (non-A/c): ₹1,30,00,000**

All the services were supplied through the **QuickMove platform**, and the applicable rate of **IGST is 5%**.

You are required to:

- Determine who is liable to pay GST under the law.
- Calculate the total GST liability under IGST.

Answer:

(A) Person liable to pay GST:

As per **Section 9(5) of the CGST Act, 2017** (read with corresponding **Section 5(5) of the IGST Act**), the **Electronic Commerce Operator (ECO)** is liable to pay GST for certain notified services **supplied through the ECO platform**, even if the actual supply is made by another person.

- ▲ W.e.f. **01.01.2022**, passenger transport services by:
 - **Non-A/C stage carriage,**



- **Non-A/C contract carriage,**
- **Metered cabs and e-rickshaws,**

are **taxable when supplied through an ECO**, and such ECO becomes **liable to pay GST** under **reverse deeming provision**.

- ▲ Therefore, the **liability to pay GST** lies with **QuickMove India Pvt. Ltd.**, the ECO.
- ▲ **M/s. Aryan Travels** is **not liable** to pay GST in this case.

(B) GST Computation (IGST @5%):

Type of Passenger Transport Service	Value (₹)	GST Rate	GST (₹)
Stage carriage (non-A/C)	6,00,000	5%	30,000
Contract carriage (non-A/C)	1,30,00,000	5%	6,50,000
Total GST Payable by ECO (IGST)	—	—	₹6,80,000

- ▲ **QuickMove India Pvt. Ltd.** is liable to pay **₹6,80,000 IGST** under **Section 5(5) of the IGST Act, 2017**.

Conclusion Summary:

Particulars	Details
Supplier of service	M/s. Aryan Travels
ECO facilitating supply	QuickMove India Pvt. Ltd.
GST applicable on non-A/C carriage via ECO	Yes (not exempt w.e.f. 01.01.2022)
Person liable to pay GST	QuickMove (ECO)
Total taxable turnover	₹1,36,00,000
Total IGST @5%	₹6,80,000

Illustration 4

Mr. Mohd Rafi, a **renowned unregistered author** also known as **IDT Guru**, supplied services to **Surya Publications**, located in **Jaipur, Rajasthan**, by way of **temporary transfer of copyright** related to his latest **original literary work**.

- Total consideration agreed: **₹3 crore**
- Service completed: Manuscript submitted to the publisher
- Invoice status: **Not yet issued**

Mr. Rafi believes that **GST is payable by the publisher under reverse charge**, as per the relevant notification. However, **Surya Publications has refused to pay GST** under reverse charge and insists Mr. Rafi should take care of tax compliance.

You are required to:

(A) Examine whether Mr. Mohd Rafi's view is correct in light of GST law.

(B) If his view is correct, what **recourse** is available to him if the publisher refuses to discharge tax liability?

Answer:

(A) Yes, Mr. Rafi's view is **correct**.

As per **Notification No. 13/2017 – Central Tax (Rate)**, services provided by an **author to a publisher**, by way of **transfer or permitting the use or enjoyment of a copyright** relating to **original literary work**, are covered under **Reverse Charge Mechanism (RCM)**, if:

- The **author is not registered**, and
- The **publisher is registered and located in the taxable territory**

▲ In this case:

- Mr. Rafi is **unregistered**,
- The service pertains to **copyright over original literary work**,
- The recipient, **Surya Publications**, is located in **Jaipur (India)** and is **registered**.

Hence, **Surya Publications is liable to pay GST under reverse charge**.

(B) What is the recourse if the publisher refuses to pay GST under RCM:

If the recipient **refuses to pay GST**, the **unregistered author** (i.e., Mr. Mohd Rafi) may opt to pay GST himself under **forward charge** by exercising the option under **Section 9(1) of the CGST Act, 2017**, subject to the following steps:

Steps to comply under forward charge:

1. **Register under GST** as a supplier (author).
2. **File a declaration in Annexure I** to exercise the option to pay GST under forward charge.
 - a. This option, once exercised, **cannot be withdrawn for 1 year**.
3. **Declare in Annexure II** on the **tax invoice** (Form **GST INV-01**) issued to Surya Publications stating that **GST is being paid by the author**.

GST Computation (@18% under forward charge):

Particulars	Amount (₹)
Consideration for copyright	3,00,00,000
GST @18%	54,00,000
Total Invoice Value	₹3,54,00,000

▲ Mr. Rafi will now **collect ₹54,00,000 as GST** and remit it to the government.



Conclusion Summary:

Scenario	GST Liability	Taxpayer	GST Amount (₹)
If publisher accepts RCM liability	Reverse Charge	Surya Publications	₹54,00,000
If publisher refuses, and author opts for FC	Forward Charge	Mr. Mohd Rafi	₹54,00,000

Illustration 5

Decide **who is liable to pay GST** in the following independent cases, assuming that the **recipient is located in the taxable territory** and **aggregate turnover or exemptions are not to be considered**.

(i) Mr. Raghu, a freelance marketing consultant, provided sponsorship services to WE-WIN Cricket Academy, a Limited Liability Partnership (LLP).

(ii) Safe Trans, a registered Goods Transport Agency (GTA), transported goods belonging to Kapil & Co., a partnership firm not registered under GST.

Answer:

(i) Sponsorship Services Provided to LLP

As per Notification No. 13/2017 – Central Tax (Rate):

- When **any person provides sponsorship services** to a **body corporate or partnership firm/LLP**,
- The **recipient (i.e. body corporate/LLP)** is liable to pay **GST under reverse charge**,
- Provided the recipient is **located in taxable territory**.

▲ In this case:

- Supplier = Mr. Raghu (any person)
- Recipient = WE-WIN Cricket Academy (LLP)
- **RCM is applicable**

▲ **GST is payable by WE-WIN Cricket Academy under reverse charge.**

(ii) GTA Services Provided to a Partnership Firm (Unregistered)

As per RCM Notification for GTA Services:

- When a **Goods Transport Agency** provides services to **specified persons**, including **partnership firms** (whether registered or not),
- And the **GTA has not opted to pay GST @12% or 5% under forward charge**,
- Then the **recipient is liable to pay GST under reverse charge**.

▲ In this case:

- GTA = Safe Trans
- Recipient = Kapil & Co. (Partnership firm, even though unregistered)
- **Specified person under RCM**
- ▲ **Kapil & Co. is liable to pay GST under reverse charge**, assuming Safe Trans has **not opted for 12% (with ITC benefit) or 5% (without ITC benefit) forward charge**.

Conclusion Table:

Case No.	Service Provided	Recipient Type	GST Paid By	Basis
(i)	Sponsorship by Mr. Raghu to LLP	LLP	WE-WIN Cricket Academy	RCM – Notification 13/2017
(ii)	GTA services by Safe Trans to partnership firm	Unregistered firm	Kapil & Co.	RCM – GTA under Notification 13/2017

Illustration 6

M/s Aryavarta Distributors Pvt. Ltd., a registered lottery distributor based in **Bhubaneswar, Odisha**, is appointed by the **State Government of Odisha** as an authorized agent for selling government lotteries.

During **May 2025**, the company distributed the following lottery tickets:

Particulars	Kalinga Shree (Printed)	Kalinga Digital (Online)
Type of lottery	Run by State Govt.	Authorized by State Govt.
No. of tickets proposed	3,00,000	2,50,000
Face value per ticket	₹20	₹400
Guaranteed prize payout	60%	90%
No. of tickets sold	2,40,000	2,20,000
Price notified by Odisha Govt.	₹16	₹310

You are required to:

(A) Determine the **person liable to pay GST** under GST law.

(B) Compute the **taxable value** and **GST liability** (CGST + SGST) for both types of lotteries using applicable valuation rules.

Applicable CGST @14% and SGST @14% and IGST @28%.

Answer:

(A) Person Liable to Pay GST

As per **Notification No. 13/2017 – Central Tax (Rate)** and **Section 9(3) of CGST Act**, in case of supply of lottery by a distributor or selling agent authorized by the State Government:



GST is payable **under reverse charge** by the **lottery distributor** – i.e., **M/s Aryavarta Distributors Pvt. Ltd.**

(B) GST Valuation and Computation

As per **Rule 31A of CGST Rules, 2017**, value of lottery = **higher of:**

1. **$(100/128) \times \text{Face Value}$** , or
2. **$(100/128) \times \text{Notified Price}$**

(i) Kalinga Shree (Printed Lottery):

- Face value: $\text{₹}20 \times 3,00,000 = \text{₹}60,00,000$
- Notified price: $\text{₹}16 \times 3,00,000 = \text{₹}48,00,000$

$$(100/128) \times \text{₹}60,00,000 = \text{₹}46,87,500$$

$$(100/128) \times \text{₹}48,00,000 = \text{₹}37,50,000$$

Higher value = **₹46,87,500** (Taxable Value)

(ii) Kalinga Digital (Online Lottery):

- Face value: $\text{₹}400 \times 2,20,000 = \text{₹}8,80,00,000$
- Notified price: $\text{₹}310 \times 2,20,000 = \text{₹}6,82,00,000$

$$(100/128) \times \text{₹}8,80,00,000 = \text{₹}6,87,50,000$$

$$(100/128) \times \text{₹}6,82,00,000 = \text{₹}5,32,81,250$$

Note: in case of online lottery number of tickets are sold is equal to number of tickets printed.

Higher value = **₹6,87,50,000** (Taxable Value)

$$\text{Total Taxable Value} = \text{₹}46,87,500 + \text{₹}6,87,50,000 = \text{₹}7,34,37,500$$

GST Liability @28% (14% CGST + 14% SGST):

Tax Type	Rate	Tax Amount on ₹7,34,37,500
CGST	14%	₹1,02,81,250
SGST	14%	₹1,02,81,250

Summary:

Particulars	Taxable Value (₹)	CGST (₹)	SGST (₹)	Total GST (₹)
Kalinga Shree (Printed)	₹46,87,500	₹6,56,250	₹6,56,250	₹13,12,500
Kalinga Digital (Online)	₹6,87,50,000	₹96,25,000	₹96,25,000	₹1,92,50,000
Total GST Liability	₹7,34,37,500	₹1,02,81,250	₹1,02,81,250	₹2,05,62,500

M/s Aryavarta Distributors Pvt. Ltd. must pay **₹2.05625 crore** GST under **reverse charge**.

Illustration 7

Saffron Residency, a boutique hotel located in **Kochi, Kerala**, provides only **accommodation services**. Its **annual turnover is less than ₹20 lakhs**.

The hotel has **listed its rooms on a digital booking platform, TravelNest India Pvt. Ltd.** (similar to MakeMyTrip), an **Electronic Commerce Operator (ECO)**.

During **May 2025**, the following bookings were made through TravelNest:

Room Category	Type	Price per Night (₹)	Additional Charges (₹)	Amount Paid by Guest (₹)
1	Non-AC Room	₹1,000	—	₹1,000
2	AC Room (Standard)	₹1,800	—	₹1,800
3	AC Room + Extra Bed	₹7,000	₹1,800 (Extra bed)	₹8,800
4	AC Room (Deluxe Offer)	Declared: ₹10,000	Discounted: ₹3,000	₹7,000

All bookings were made via TravelNest, and the **platform paid the hotel after deducting commission**.

You are required to answer:

(A) Who is liable to pay GST on these bookings?

(B) What is the total GST liability?

Applicable rates are as follows:

GST Rate	Value per day per room
12%	₹1 to ₹1,000
12%	₹1,001 to ₹7,500
18%	From ₹7,501

Answer:

(A) Person Liable to Pay GST

As per Notification No. 17/2022 – Central Tax (Rate), and effective from **18-07-2022**, in case of **short-term accommodation services** supplied through an **Electronic Commerce Operator (ECO)**:

GST is payable by the ECO (i.e. **TravelNest India Pvt. Ltd.**), if the hotel's **turnover is below ₹20 lakhs** and it is **unregistered**.

Hence, **TravelNest India Pvt. Ltd.** is liable to **pay GST under reverse charge provisions**.



(B) GST Computation (Based on Transaction Value)

Room Category	Transaction Value (₹)	GST Rate	GST Amount (₹)	Remarks
1 (Non-AC)	₹1,000	12%	₹120	Taxable; value ₹1,000 → GST @12% applicable
2 (AC Room)	₹1,800	12%	₹216	Taxable; value ≤ ₹7,500 → GST @12%
3 (AC + Extra Bed)	₹8,800	18%	₹1,584	Value > ₹7,500 → GST @18%
4 (Deluxe Room)	₹7,000 (Discounted)	12%	₹840	Value charged is ₹7,000 < ₹7,500 → GST @12% (Declared tariff is irrelevant)
Total GST Payable			₹2,760	GST Payable (by ECO)

Conclusion Summary:

Item	Details
GST applicable on	Value charged (not declared tariff)
Person liable to pay GST	TravelNest India Pvt. Ltd. (ECO)
Total GST liability (May 2025)	₹2,760
Applicable GST rates	12% (upto ₹7,500), 18% (above ₹7,500)

Illustration 8

Mr. Arvind Menon, a **Senior Advocate** with a registered office in **Coimbatore, Tamil Nadu**, provided **legal services worth ₹1,50,000** during **October 2025** to **Kavitha Infra Pvt. Ltd.**, a business entity located in **Trichy, Tamil Nadu**.

Additional details:

- **Turnover of Kavitha Infra Pvt. Ltd. in the preceding financial year:** ₹43 lakhs
- **Available Input Tax Credit (ITC)** with Kavitha Infra Pvt. Ltd. as on date: ₹7,000
- **Applicable GST rate on legal services:** 18% (CGST 9% + SGST 9%)

You are required to determine:

(A) Who is liable to pay GST?

(B) What is the net GST liability for the transaction?

Answer:

(A) Person Liable to Pay GST

As per **Notification No. 13/2017 – Central Tax (Rate)**, services provided by a **Senior Advocate** to a **business entity** located in the **taxable territory** are covered under the **Reverse Charge Mechanism (RCM)**.

Under RCM, the **recipient of the service** (business entity) is liable to pay GST, **not the Senior Advocate**.

Therefore, **Kavitha Infra Pvt. Ltd.** is liable to **pay GST under RCM** on the legal services received from **Mr. Arvind Menon**.

(B) GST Computation:

Tax Component	Rate	Value (₹)	Amount (₹)
CGST	9%	1,50,000	₹13,500
SGST	9%	1,50,000	₹13,500
Total GST Payable	—	—	₹27,000

Summary:

Particulars	Details
Service Provider	Mr. Arvind Menon (Senior Advocate)
Service Recipient	Kavitha Infra Pvt. Ltd.
Place of supply	Tamil Nadu (intra-State)
GST Mechanism Applicable	Reverse Charge Mechanism (RCM)
Total Tax Liability (RCM)	₹27,000
Available ITC with recipient	ITC not allowed while paying GST under RCM
Net cash liability	₹27,000

Illustration 9

Mr. X being a farmer cultivated cashew nuts not shelled or peeled in the State of Kerala. These goods are sold to M/s Raj Industries for ₹2,50,000, a registered person in the State of Kerala. Applicable rate of CGST 2.5% and SGST 2.5%. M/s Raj Industries has input tax credit CGST ₹5,250 and SGST ₹5,250.

You are required to answer the following:

- Who is liable to pay GST?
- Net liability of GST.

Answer:

(a) statement for **M/s Raj Industries**, showing **Output Tax**, **ITC**, and **Net Tax Liability** under CGST and SGST:

GST Liability Statement – M/s Raj Industries

Particulars	CGST (₹)	SGST (₹)
Output Tax	6,250	6,250
Less: Input Tax Credit (ITC)	—	—
Net Tax Liability	6,250	6,250

Note: ITC is not allowed to utilize by recipient while paying GST under RCM.

M/s Raj Industries must pay **₹6,250 CGST** and **₹6,250 SGST** in cash or through electronic cash ledger.



Illustration 10

M/s StarBet Gaming Inc., an **online money gaming platform based in Dubai**, allows users to play various virtual games and betting activities through its portal accessible in India.

In **November 2025**, **Mr. Rakesh Sharma**, an **unregistered player located in India**, deposited **₹18,000 (inclusive of GST)** into his **StarBet master wallet**.

The following transactions were made by Mr. Rakesh during the same month:

1. **Played a virtual drag race** using **₹3,000** from the master wallet. As a result, **₹13,000** was credited back to his wallet as winnings.
2. On another betting site run by **StarBet** called **StarArena 360**, Mr. Rakesh placed a **bet of face value ₹13,000** (exclusive of tax) on an international football match. This bet was paid via the master wallet, and he **lost** the bet.
3. After these transactions, Mr. Rakesh requested to **withdraw the remaining balance** to his bank account.

You are required to:

- (1) Compute the **taxable value** and **total GST payable** under GST law for the above transactions by **M/s StarBet Gaming Inc.** in India.
- (2) Determine the **net amount transferred** by Mr. Rakesh from the master wallet to his bank account after all gaming and betting transactions.

Note: Applicable rate of IGST 28%.

Answer:

(1) GST Computation in the hands of M/s StarBet Gaming Inc.

Applicable GST Rate = 28% (under Rule 31A and Rule 31B of CGST Rules)

▲ **Value 1: Online Money Gaming Deposit**

- Total Deposit (inclusive of GST) = ₹18,000
- Taxable Value = $₹18,000 \times 100 / 128 = ₹14,063$
- GST Payable = $₹14,063 \times 28\% = ₹3,938$

▲ **Value 2: Online Betting (StarArena 360)**

- Bet placed = ₹13,000 (face value; exclusive of GST)
- GST Payable = $₹13,000 \times 28\% = ₹3,640$

Summary Table: GST Liability

Particulars	Taxable Value (₹)	GST Payable (₹)
Online money gaming (initial deposit)	14,063	3,938
Online betting (StarArena 360)	13,000	3,640
Total GST Payable		₹7,578

(2) Net Amount Withdrawn by Mr. Rakesh from Wallet

Particulars	Amount (₹)
Initial Deposit	18,000
Less: GST on deposit	(3,938)
Less: Amount used for virtual racing game	(3,000)
Add: Winnings from virtual racing game	+13,000
Less: Amount used for online bet	(13,000)
Less: GST on betting transaction (StarArena 360)	(3,640)
Net Balance Available for Withdrawal	₹7,422

Final Summary

Particulars	Value (₹)
Total GST Payable by M/s StarBet	₹7,578
Net amount credited to Mr. Rakesh's bank account	₹7,422

3

Exemptions under GST (Supply under GST - A Refresh) [Study Material - Module 1]

Illustration 1

Mr. Arjun, a registered supplier under GST law in **Surat (Gujarat)**, provides the following details regarding **outward supplies** made during the **month of May 2025**:

S. No.	Particulars	Amount (₹)
(i)	Rajkot Trade Association , a Chamber of Commerce , organized a business summit . Venus Garments Ltd. , a manufacturer of readymade garments , sponsored the event and paid a sponsorship fee of ₹ 2,00,000 to Rajkot Trade Association . Mr. Arjun , acting as an independent director of Venus Garments Ltd. , provided director services to the company and received ₹ 50,000 as remuneration .	50,000
(ii)	Supply of railway equipment by way of transportation through a vessel from one place in India to another .	1,40,000
(iii)	Services of storage/warehousing of processed coffee beans used for beverage preparation .	80,000
(iv)	Health care services by his clinical establishment , providing rooms with charges of ₹ 3,500 per day to patients receiving health care services .	3,20,000
(v)	Guest house lodging services , with value of supply ₹900 per day per unit .	75,000

All supplies are intra-State.

- All amounts are exclusive of GST.
- Applicable tax rates:
 - o IGST @ 18%
 - o CGST @ 9%
 - o SGST @ 9%

Answer:

Computation of GST Liability for May 2025:

S. No.	Particulars	Exemption Status / GST Rate	GST Liability Calculation	CGST (₹)	SGST (₹)
(i)	Director Services by Mr. Arjun to Venus Garments Ltd.	Taxable under Reverse Charge Mechanism (RCM) as per Notification No. 13/2017 – Central Tax (Rate) , Entry No. 6	Not payable by Mr. Arjun (tax payable by recipient under RCM)	Nil	Nil
(ii)	Transport of railway equipment by vessel within India	Taxable @18% (No exemption for goods transport by vessel within India)	$₹1,40,000 \times 9\%$ CGST + 9% SGST = ₹12,600 each	12,600	12,600
(iii)	Storage/ warehousing of processed coffee beans	Taxable @18% as per Notification No. 12/2017 – Central Tax (Rate) (Exemption applies only for raw grains, not processed coffee)	$₹80,000 \times 9\%$ CGST + 9% SGST = ₹14,400 total	7,200	7,200
(iv)	Health care services by a clinical establishment (rooms with charges of ₹3,500/day)	Exempted as per Notification No. 12/2017 – Central Tax (Rate) , Entry No. 74 (since room charges $\leq ₹5,000/\text{day}$)	Exempt supply	Nil	Nil
(v)	Guest house lodging services (₹900/day per unit)	Taxable, since exemption with respect to services provided by guest house for lodging purposes with value of supply up to ₹1,000 per day, was withdrawn.]	$₹75,000 \times 9\%$ CGST + 9% SGST = ₹13,500 total	6,750	6,750
	total			26,550	26,550

- GST on director services is payable under RCM by the recipient (Venus Garments Ltd.), not by Mr. Arjun.
- Health care services exempted.

Illustration 2

Shantiniketan Foundation, an entity **registered under section 12AB of the Income-tax Act**,



1961, provides you with the following details regarding the **activities undertaken** during the financial year 2024-25.

You are required to **compute the GST liability** of **Shantiniketan Foundation** from the information given below:

Particulars	Amount (₹)
Amount received for conducting yoga workshops for senior citizens	5,25,000
Payment made to a service provider located in the UK for services used in charitable activities	6,20,000
Amount received for counseling sessions for mentally disabled children	11,00,000
Amount received for renting out commercial property owned by the trust	2,00,000
Amount received for activities related to environmental conservation (forests & wildlife)	13,50,000

Applicable GST rate: CGST @9% and SGST @9% on taxable supplies.

- Shantiniketan Foundation is not eligible for composition levy.

Answer:

GST Liability Computation for Shantiniketan Foundation:

As per the provisions of GST law, the following supplies are exempted under Notification No. 12/2017 – Central Tax (Rate):

1. Yoga workshops for senior citizens (covered under charitable activities – exempt).
2. Counseling sessions for mentally disabled (considered charitable activities – exempt).
3. Environmental conservation activities related to forests and wildlife (covered under charitable activities – exempt).
4. Import of services for charitable activities:
 - a. Services received from outside India (from UK) used for charitable activities are exempt from GST under Entry 10, Notification No. 12/2017 – Central Tax (Rate), subject to fulfillment of Section 12AB registration conditions.

Taxable Supply:

Particulars	Amount (₹)	CGST @9% (₹)	SGST @9% (₹)
Renting of commercial property	2,00,000	18,000	18,000
Total GST Liability		18,000	18,000

Conclusion:

- GST Liability for Shantiniketan Foundation arises only on the renting of commercial property.

- **Total GST payable:**
 - o **CGST = ₹ 18,000**
 - o **SGST = ₹ 18,000**

All **other receipts** pertain to **exempt charitable activities**, hence **not liable to GST**.

Illustration 3

Mr. Karthik, a retailer dealing exclusively in supply of goods and paying tax under the normal scheme (also eligible for the composition scheme), provides the following **estimated details for the upcoming financial year 2025-26**.

You are required to:

1. **Determine which scheme** (composition or regular) will be **more beneficial** for **Mr. Karthik**.
2. Advise whether **Mr. Karthik** should **opt for the composition scheme**.

Estimated Data for Financial Year 2025-26:

Particulars	Amount (₹)
Inward supplies of goods from registered suppliers (amount exclusive of GST @12%)	80,00,000
Outward supplies of goods to unregistered customers (sale price inclusive of GST @12%)	1,00,00,000

Other Information:

1. **Inherent nature expenses:** ₹ 5,00,000 per year under both schemes.
2. **Books of account maintenance cost:**
 - a. Under **normal scheme:** ₹ 2,50,000 per year.
 - b. Under **composition scheme:** ₹ 1,00,000 per year.
3. **Return filing expenses:**
 - a. Under **normal scheme:** ₹ 60,000 per year.
 - b. Under **composition scheme:** ₹ 15,000 per year.

Answer:

Comparative Analysis of Schemes:

Particulars	Composition Scheme (₹)	Regular Scheme (₹)
Tax payable under GST law	1,00,000	10,71,429
	[₹1,00,00,000 × 1%]	[₹89,28,571 × 12%]
Less: ITC on inward supplies	Not allowed	(9,60,000)
		[₹80,00,000 × 12%]



Net GST payable	1,00,000 (forms part of cost)	1,11,429 (not forms part of cost)
Inherent expenses	5,00,000	5,00,000
Add: Books of accounts maintenance cost	1,00,000	2,50,000
Add: Return filing expenses	15,000	60,000
Add: Cost of inward supplies	89,60,000	80,00,000
Total cost involved	96,75,000	88,10,000
Sale proceeds (excluding GST)	1,00,00,000	89,28,571
		[₹1,00,00,000 × 100/112]
Profit margin (Sale proceeds - total cost)	3,25,000	1,18,571

Conclusion:

- Mr. Karthik will earn a **higher profit** under the **composition scheme**.
- Therefore, **Mr. Karthik should opt for the composition scheme** for the **financial year 2025-26**, as it is **more beneficial**.

Illustration 4

Anvesha Services Pvt. Ltd., engaged in providing a **bouquet of services**, is **registered under GST law**. It furnishes the following details for the **month of April 2025** regarding various services provided:

Particulars	Amount (₹)
Fees from prospective employers for conducting campus interviews at its university	6,40,000
Six buses, each with seating capacity of 42 passengers, given on hire to State Transport Undertaking	7,20,000
Receipts of 'Bright Minds', a commercial coaching institute providing commerce coaching	2,10,000
Interest received on fixed deposits of the company with Suryodaya Bank	7,80,000
Receipts from running a Boarding School (including receipts for residential dwelling services of ₹20,00,000)	42,00,000
Receipts of 'SkillPro Institute', an Industrial Training Institute (ITI) affiliated to the NCVT	3,00,000
Receipts of 'Sankalp Academy', registered with DGET, running Modular Employable Skill Courses (MESCS)	1,50,000
Professional services provided to a foreign diplomatic mission located in India	1,20,000

All amounts are exclusive of GST wherever applicable.

- The **rate of GST** applicable on **taxable supplies** is **18%**.

Answer:

Computation of GST Payable by Anvesha Services Pvt. Ltd. for April 2025:

Particulars	Taxable / Exempted	GST @ 18% (₹)
Fees from prospective employers for campus interviews at its university (₹6,40,000 × 18%)	Taxable	1,15,200
Hiring of buses (seating capacity ≥ 12 passengers) to State Transport Undertaking	Exempted	Nil
Receipts from 'Bright Minds' coaching institute (commercial coaching is not exempt) (₹2,10,000 × 18%)	Taxable	37,800
Interest on fixed deposits with Suryodaya Bank	Exempted	Nil
Receipts from running a Boarding School (including residential services)	Exempted	Nil
Receipts from 'SkillPro Institute' (ITI affiliated to NCVT)	Exempted	Nil
Receipts from 'Sankalp Academy' (MESC approved by NCVT, registered with DGET)	Exempted	Nil
Professional services to a foreign diplomatic mission in India (₹1,20,000 × 18%)	Taxable	21,600
Total GST payable		1,74,600

Conclusion:

The total GST liability of Anvesha Services Pvt. Ltd. for April 2025 is ₹ 1,74,600.

Illustration 5

M/s. Sunrise Finance Ltd., a Scheduled Commercial Bank, has furnished the following details for the month of September 2025:

Particulars	₹ in crore (Exclusive of GST)
Housing loan extended to its customers	120
Processing fees collected from customers on loan sanction	18
Commission collected from customers on issuance of bank guarantees	28
Interest income on credit card issued by the bank	35
Interest received on housing loan extended by the bank	30
Minimum balance charges collected from current and savings account holders	02

Compute the value of taxable supply of M/s. Sunrise Finance Ltd. for September 2025 under GST law, along with reasons and assumptions.



Answer:

Statement Showing Taxable Value of M/s. Sunrise Finance Ltd. for September 2025:

Particulars	Treatment	₹ in crore
Housing loan extended to its customers	Exempt (as per Notification No. 12/2017 – Central Tax (Rate))	Nil
Processing fees collected from customers on loan sanction	Taxable	18
Commission collected from customers on issuance of bank guarantees	Taxable	28
Interest income on credit card issued by the bank	Taxable (as per Circular No. 102/21/2019-GST)	35
Interest received on housing loan extended by the bank	Exempt (as per Notification No. 12/2017 – Central Tax (Rate))	Nil
Minimum balance charges collected from current and savings account holders	Taxable	02
Total taxable value of services		83

Illustration 6

Compute the **taxable value** for **transport of goods by rail within India** (all amounts are **exclusive of all taxes**) for **October 2025** from the following details:

Particulars	₹ in lakhs
(1) Transport of postal packages and mail bags	60
(2) Transportation of personal household items	55
(3) Transport of crude oil	30
(4) Transport of relief materials to cyclone-affected areas	28
(5) Transport of books and periodicals registered with the Registrar of Newspapers	18
(6) Transport of milk	17
(7) Transport of alcoholic liquor for human consumption	10
(8) Transport of military and defence equipment	45
(9) Transport of organic fertilizers	85
(10) Transport of other taxable goods (including ₹25 lakhs towards demurrages)	220

Answer:

Statement Showing Taxable Value for Transport of Goods by Rail (October 2025):

Particulars	Treatment	₹ in lakhs
Transport of postal packages and mail bags	Taxable	60
Transportation of personal household items	Taxable	55

Transport of crude oil	Taxable	30
Transport of relief materials to cyclone-affected areas	Exempt (Entry 21 of Notification No. 12/2017 – Central Tax (Rate))	Nil
Transport of books and periodicals registered with the Registrar of Newspapers	Exempt (Entry 20 of Notification No. 12/2017 – Central Tax (Rate))	Nil
Transport of milk	Exempt	Nil
Transport of alcoholic liquor for human consumption	Taxable	10
Transport of military and defence equipment	Exempt (Entry 22A of Notification No. 12/2017 – Central Tax (Rate))	Nil
Transport of organic fertilizers	Taxable	85
Transport of other taxable goods (including ₹25 lakhs demurrages)	Taxable	220
Total taxable value of supply		460

Illustration 7

Healing Hands Care Centre, a **registered nursing home under GST** and located in **Bengaluru, Karnataka**, has furnished the following details of amounts received for various services rendered during the **month of February 2025**:

S. No.	Particulars	Amount (₹ in lakh)
(i)	Palliative care for terminally ill patients provided at patient's residence	36
(ii)	Preservation of stem cells by the cord blood bank unit of the care centre	28
(iii)	Hair transplant services	110
(iv)	Ambulance services to transport critically ill patients to the care centre	15
(v)	Ambulance transportation services provided on behalf of State Government	12
(vi)	Naturopathy treatments (recognized under section 2(h) of the Clinical Establishments Act, 2010)	90
(vii)	Plastic surgery to restore the face of a child injured in an accident	40
(viii)	Pranic healing treatments	130
(ix)	Mortuary services	14

Note:

- All services are intra-State supplies.
- All amounts are exclusive of GST.
- GST rate applicable on taxable services is 18%.
- Healing Hands Care Centre is registered under GST.



Answer:

GST Liability Computation for Healing Hands Care Centre – February 2025:

S. No.	Particulars	Treatment under GST Law	Taxable Value (₹ in lakh)
(i)	Palliative care for terminally ill patients at home	Exempted supply	Nil
(ii)	Cord blood bank services (preservation of stem cells)	Taxable	28
(iii)	Hair transplant services	Taxable	110
(iv)	Ambulance services to transport critically ill patients	Exempted supply	Nil
(v)	Ambulance services on behalf of State Government	Exempted supply	Nil
(vi)	Naturopathy treatments (recognized under Clinical Establishments Act, 2010)	Exempted supply	Nil
(vii)	Plastic surgery (to restore anatomy due to accident)	Exempted supply	Nil
(viii)	Pranic healing services (not recognized system of medicine under the Act)	Taxable	130
(ix)	Mortuary services	Excluded from scope of supply (as per CBIC clarification)	Nil

Summary of Taxable Value:

- **Total Taxable Supply** = ₹ 28 + 110 + 130 = ₹ 268 lakh

GST Payable:

Component	Rate	Amount (₹ in lakh)
CGST	9%	$268 \times 9\% = 24.12$
SGST	9%	$268 \times 9\% = 24.12$
Total GST Liability		₹ 48.24 lakh

Illustration 8

Mr. Rohan, a registered dealer under GST, furnishes the following details of business transactions that took place during the month of October 2025:

S. No.	Particulars	Amount (₹)
1.	Sale of plastic bangles	20,000
2.	Supply of mobile phones	3,20,120
3.	Sale of printed books and newspapers	1,25,500
4.	Sale of dates	13,500
5.	Sale of salt	9,180
6.	Sale of organic manure	2,00,000
7.	Sale of chemical fertilizers (inclusive of a 30% subsidy received from Government of India)	5,75,000

Note:

- **Taxable supplies** attract **GST @5%** (CGST 2.5% and SGST 2.5%).
- All amounts are **exclusive of GST** wherever applicable.

You are required to:

1. **Determine the taxable value for each transaction.**
2. **Compute the total GST liability (CGST & SGST) for October 2025.**

Answer:

Step 1: Classification of Supplies:

S. No.	Particulars	Taxability	Reason	Taxable Value (₹)
1.	Plastic bangles	Exempted	Plastic bangles are exempt under Notification No. 2/2017 – Central Tax (Rate)	Nil
2.	Mobile phones	Taxable	Mobile phones attract GST (but assuming rate as per note: 5%)	3,20,120
3.	Printed books and newspapers	Exempted	Books and newspapers are exempt under Notification No. 2/2017 – Central Tax (Rate)	Nil
4.	Dates	Exempted	Dates (unprocessed, edible) are exempt under Notification No. 2/2017	Nil
5.	Salt	Exempted	Salt is exempt under Notification No. 2/2017 – Central Tax (Rate)	Nil
6.	Organic manure	Exempted	Organic manure is exempt under Notification No. 2/2017 – Central Tax (Rate)	Nil
7.	Chemical fertilizers (including subsidy from GoI)	Taxable	Subsidy provided by Government is excluded from taxable value under Section 15	5,75,000

Step 2: Computation of GST Liability:

Particulars	Taxable Value (₹)	CGST @ 2.5% (₹)	SGST @ 2.5% (₹)	Total GST (₹)
Supply of mobile phones	3,20,120	8,003	8,003	16,006
Sale of chemical fertilizers	5,75,000 [value after deducting subsidy]	14,375	14,375	28,750
Total GST liability	8,95,120	22,378	22,378	44,756

Conclusion:

- **Total GST liability for Mr. Rohan for the month of October 2025 is: ₹44,756.**



Illustration 9

WanderQuest Pvt. Ltd., a **registered tour operator in India**, organized a **13-day tour package** for a **foreign tourist**, Ms. Emily, who is **not normally resident in India** and is visiting for tourism. The tour details and consideration charged are as follows:

- **Total tour duration:** 13 days
 - o 8 days in India
 - o 5 days in Switzerland
- **Total consideration charged** for the tour: ₹ 2,60,000 (exclusive of GST)
- The service is supplied **partly in India and partly outside India**

Based on the above:

1. Compute the **value of exempt and taxable supply?**
2. Calculate the **GST liability at 18%** on the **taxable portion?**

Answer:

As per **Notification No. 15/2022 – Central Tax (Rate)** dated **13-07-2022**, effective **18-07-2022**:

- If a **tour operator service** is supplied **partly in India and partly outside India** to a **foreign tourist**, the **value of services performed outside India** is **exempt from GST**.
- The exempt value is the **lower** of:
 - o Proportionate value based on the **number of days outside India**, or
 - o **50%** of the total consideration

Note: A **day** means any duration **≥12 hours** is considered a **full day**.

Duration **<12 hours** is counted as **half day**.

Step 1: Determine Exempt Portion of the Tour

- **Total days** = 13
- **Days outside India** = 5

Option 1: Proportionate Exemption by Days

$$5 / 13 \times ₹2,60,000 = ₹1,00,000$$

Option 2: 50% of Total Consideration

$$50\% \times ₹2,60,000 = ₹1,30,000$$

Choose the lower of the two → ₹ 1,00,000

Step 2: Determine Taxable Value

$$= ₹2,60,000 - ₹1,00,000 = ₹1,60,000$$

Step 3: Compute GST at 18%

$$= ₹1,60,000 \times 18\% = ₹28,800$$

Conclusion:

Particulars	Amount (₹)
Total consideration	2,60,000
Exempt value (tour abroad)	1,00,000
Taxable value (tour in India)	1,60,000
GST @ 18% on taxable value	28,800

Illustration 10

ABC Airways, a foreign airline headquartered in Germany, operates **passenger and cargo transport services** within **India** through its **Indian establishment** located in **Delhi**. The airline furnishes the following details for the **month of November 2025**:

1. The **Delhi office** received **IT maintenance services** from its **German headquarters** (a related entity) to manage its **operations in India**.
2. **No consideration** was paid for these imported services.
3. The **Indian establishment** is **liable to pay GST** on its **passenger and cargo transport services** provided within India.
4. The **Ministry of Civil Aviation** has issued the required **certification** confirming compliance with reciprocal tax treatment, ensuring that **Indian airlines** are not subject to **similar taxes abroad**.

Additionally, **ABC Airways** reported the following **taxable supplies** in India for **November 2025**:

Particulars	Value (₹ in lakh)
Passenger transport services (domestic)	150
Cargo transport services (domestic)	100

Applicable GST rate: **18%** (9% CGST and 9% SGST).

Requirement:

1. Examine whether **ABC Airways** is liable to pay **GST** on the **import of IT services** received from its **German headquarters**.
2. Compute the **GST liability** on the **taxable supplies** made in India for **November 2025**.



Answer:

1. GST Applicability on Import of IT Services:

As per **Notification No. 08/2024 – Integrated Tax (Rate)** dated **08-10-2024**, **import of services** by an **Indian establishment** of a **foreign airline company** from its **related person or establishment outside India**, when **made without consideration**, is **exempt from GST** provided the following conditions are met:

- The **Indian establishment** pays **GST** on **passenger and cargo transport services** provided within India.
- The **Ministry of Civil Aviation** certification confirming **reciprocal tax treatment** is obtained.

Application to ABC Airways:

Particulars	Status
Service provider	German headquarters (related person)
Recipient	Indian establishment (Delhi office)
Nature of service	IT maintenance services
Consideration	No consideration paid
GST on transport services in India	Paid by Indian establishment
Certification & reciprocal treatment (Ministry of Civil Aviation)	Confirmed

Conclusion:

The **import of IT services** by **ABC Airways' Indian establishment** is **exempt from GST** under **Notification No. 08/2024**.

2. GST Liability on Taxable Supplies in India (November 2025):

Particulars	Value (₹ in lakh)	GST Rate	GST Amount (₹ in lakh)
Passenger transport services	150	18%	27.00
Cargo transport services	100	18%	18.00
Total GST liability			45.00

Illustration 11

XYZ Bank Ltd., a scheduled commercial bank registered under GST, furnishes the following details of income earned during the month of **January 2026**:

S. No.	Particulars	Amount (₹)
1.	Interest charged on credit card outstanding	4,80,000
2.	Portfolio management services rendered to HNI clients	3,50,000
3.	Locker rent and handling charges collected from customers	2,40,000

4.	Commission received on underwriting of a public issue (Banker to the issue services)	1,60,000
5.	Services to merchants for accepting payments via POS (point of sale) terminals (50% transactions $\leq$ ₹1,500; balance between ₹1,500–₹2,000)	6,50,000

All amounts are **exclusive of GST** wherever applicable.

Applicable GST rate for taxable services is **18%**.

All services are **intra-State** in nature.

You are required to:

1. Identify **taxable and exempted services**.
2. Compute the **GST liability** for the month of January 2026.

Answer:

Step 1: Taxability Classification

S. No.	Nature of Service	Amount (₹)	Taxability
1.	Interest on credit card outstanding	4,80,000	Taxable (Forward charge)
2.	Portfolio management services	3,50,000	Taxable (Forward charge)
3.	Locker rent and handling charges	2,40,000	Taxable (Forward charge)
4.	Commission for underwriting as banker to the issue	1,60,000	Taxable (Forward charge)
5.	Services to merchants via POS (all $\leq$ ₹2,000)	6,50,000	Exempt (Notification exemption applies)

Step 2: Computation of GST Liability @18%

Description	Amount (₹)	GST Rate	GST Amount (₹)
Interest on credit card	4,80,000	18%	86,400
Portfolio management services	3,50,000	18%	63,000
Locker rent and handling charges	2,40,000	18%	43,200
Banker to the issue – Underwriting charges	1,60,000	18%	28,800
Total Taxable Value	12,30,000		2,21,400

Step 3: Exempted Value

- POS services to merchants where **per transaction value is up to ₹2,000**:
 - o Total: ₹ 6,50,000 → **Fully exempt** under GST (Notification No. 12/2017 – Central Tax Rate).

Illustration 12

Safeguard Insurance Co. Ltd., a **registered general insurer**, furnishes the following details for **February 2026** regarding **insurance and reinsurance services** provided:



S. No.	Particulars	Amount (₹)
1.	Premium collected under Pradhan Mantri Fasal Bima Yojana (PMFBY)	40,00,000
2.	Reinsurance services provided to the primary insurer for the PMFBY scheme	18,00,000
3.	Reinsurance services provided for a commercial property insurance policy (non-government scheme)	25,00,000
4.	Premium collected under health insurance policy (other than government schemes)	30,00,000
5.	Retrocession services provided by Reinsurer A to Reinsurer B (reinsurance of reinsurance) for government-backed schemes like the Pradhan Mantri Fasal Bima Yojana (PMFBY) or Rashtriya Swasthya Bima Yojana (RSBY)	15,00,000

All amounts are **exclusive of GST**.

Applicable GST rate for taxable services is **18%** (9% CGST + 9% SGST).

All supplies are **intra-State**.

Refer to **Notification No. 12/2017 – Central Tax (Rate)** and **Circular No. 228/22/2024-GST dated 15-07-2024** for exemptions.

Requirement:

1. Classify the **taxable and exempted supplies**.
2. Compute the **GST liability for February 2026** on the **taxable portion**.

Answer:

Step 1: Classification of Supplies

S. No.	Particulars	Amount (₹)	GST Applicability
1.	Premium under PMFBY (Pradhan Mantri Fasal Bima Yojana)	40,00,000	Exempted (as per Notification No. 12/2017, Sr. No. 36)
2.	Reinsurance services for PMFBY	18,00,000	Exempted (as per Notification No. 12/2017, Sr. No. 36)
3.	Reinsurance services for commercial property insurance policy	25,00,000	Taxable
4.	Premium under health insurance policy (non-government)	30,00,000	Taxable
5.	Retrocession (reinsurance of reinsurance) between reinsurers	15,00,000	Exempted (as per Notification No. 12/2017, Sr. No. 36A & Circular)

Step 2: Computation of GST Liability on Taxable Supplies

Particulars	Value (₹)	GST Rate	GST Amount (₹)
Reinsurance for commercial property insurance policy	25,00,000	18%	4,50,000
Health insurance premium (non-government)	30,00,000	18%	5,40,000

Total Taxable Value	55,00,000		9,90,000
CGST @ 9%			4,95,000
SGST @ 9%			4,95,000

Conclusion:

Particulars	Amount (₹)
Total Taxable Supplies	55,00,000
Total GST Liability @18%	9,90,000
– CGST @9%	4,95,000
– SGST @9%	4,95,000
Total Exempt Supplies	73,00,000

Legal References:

- **PMFBY premiums and their reinsurance** are **exempt** under **Notification No. 12/2017**, Sr. No. 36.
- **Retrocession services (reinsurance of reinsurance)** are **exempt** under **Sr. No. 36A**, clarified by **Circular No. 228/22/2024-GST**.
- **Reinsurance for non-specified schemes and health insurance policies** are **taxable at 18%**.

Illustration 13

Gyanodaya Educational Trust, operating as:

- A **private Industrial Training Institute (ITI)**
- A **recognized private university**

Provides the following services during **March 2026**:

S. No.	Particulars	Amount (₹)
1.	Vocational training courses approved by NCVT at its private ITI for designated trades	12,00,000
2.	Vocational training courses in non-designated trades at the same private ITI	5,00,000
3.	Affiliation fees charged by the private university from its constituent colleges	8,00,000
4.	Printing of question papers for university examinations	2,50,000
5.	Admission fees collected from new students at the private university	3,00,000

All amounts are **exclusive of GST** wherever applicable.

- GST rate on taxable supplies is **18%** (9% CGST + 9% SGST).
- All supplies are **intra-State**.



Requirement:

1. Identify the **taxable and exempt supplies**.
2. Compute the **GST liability** for **March 2026** on the **taxable portion**.

Answer:

Step 1: Classification of Supplies

S. No.	Particulars	GST Applicability
1.	Vocational training courses (approved by NCVT) in designated trades	Exempt (per Notification No. 12/2017 , Sr. No. 66)
2.	Vocational training courses (non-designated trades)	Taxable (No exemption for non-designated trades)
3.	Affiliation fees charged by private university from constituent colleges	Taxable at 18% (clarified by Circular No. 234/28/2024-GST)
4.	Printing of question papers for university examinations	Exempt (per Saraswaty Press Ltd. case law under Notification No. 12/2017)
5.	Admission fees collected from students	Exempt (covered under Notification No. 12/2017 , Sr. No. 66)

Step 2: Computation of GST Liability

Particulars	Value (₹)	GST Rate	GST Amount (₹)
Vocational training (non-designated trades)	5,00,000	18%	90,000
Affiliation fees charged by the private university	8,00,000	18%	1,44,000
Total Taxable Value	13,00,000		2,34,000
CGST @9%			1,17,000
SGST @9%			1,17,000

Key Legal References:

- **NCVT-approved designated trades** at ITIs: **Exempt** (Notification No. 12/2017).
- **Affiliation services** by private universities to colleges: **Taxable** at **18%** (Circular No. 234/28/2024-GST).
- **Printing of exam question papers**: **Exempt** (as per **Saraswaty Press Ltd. case law**).

Illustration 14

Chari Charitable Trust registered under GST and also registered under Income Tax Act, 1961 under section 12AB, provides the following information relating to supply of its services for the month of January 2025:

Particulars	Value in ₹
Renting of rooms for Pilgrims (Charge per day ₹1,200)	8,00,000
Renting of rooms for devotees (Charges per day ₹750)	6,00,000

Renting of Kalyana Madapam (Charges per day ₹15,000)	12,00,000
Renting of Halls and open space (Charges per day ₹7,500)	10,75,000
Renting of Shops for business (Charges per month ₹9,500)	4,75,000
Renting of Shops for business (Charges per month ₹12,000)	7,50,000

Compute the total taxable value of supply and exempted value of supply for the month of January 2025 assuming that the above amounts are exclusive of GST.

Answer:

Statement showing Taxable value of supply and exempted value of supply of Chari Charitable Trust for the month of January 2025:

Particulars	Taxable Value in ₹	Exempted Value in ₹
Renting of rooms for Pilgrims (Charge per day ₹1,200)	8,00,000	
Renting of rooms for devotees (Charges per day ₹750)		6,00,000
Renting of Kalyana Madapam (Charges per day ₹15,000)	12,00,000	
Renting of Halls and open space (Charges per day ₹7,500)		10,75,000
Renting of Shops for business (Charges per month ₹9,500)		4,75,000
Renting of Shops for business (Charges per month ₹12,000)	7,50,000	
Total	27,50,000	21,50,000

Illustration 15

XYZ Sports Federation, a recognized sports body, received services and supplied services. Some of these services qualify for GST exemptions, while others are taxable at 18%.

The details of services received and supplied are as follows:

A. Services Received from Mr. Sachin (registered person under GST)

Sl. No.	Nature of Service Received	Service Provider Mr. Sachin	Invoice Amount (₹)
1	Fees paid to a player	Individual Player	2,00,000
2	Fees paid to a coach	Individual Coach	3,00,000
3	Fees paid to a team manager	Individual Manager	1,50,000
4	Fees paid to selector	Individual Selector	1,75,000
5	Fees paid to commentator	Individual Commentator	2,50,000
6	Fees paid to curator (pitch maintenance)	Individual Curator	1,80,000
7	Fees paid to technical expert	Individual Technical Expert	2,20,000



B. Services Supplied

Sl. No.	Nature of Service Supplied	Recipient	Invoice Amount (₹)
1	Event organization service in relations to sports	Another Recognized Sports Body	6,00,000
2	Renting stadium to a corporate entity	Private Company	5,00,000

All amounts exclusive of GST. All supplies are intra State supplies.

You are required to answer the following:

- Categorizes the supplies made and received by XYZ Sports Federation (a recognized sports body) and Mr. Sachin (an individual service provider) into taxable and exempt supplies based on GST applicability.
- Find the GST liability for XYZ Sports Federation and Mr. Sachin, considering applicable exemptions and taxable transactions under GST law.

Answer:

Statement showing taxable as well as exempted supplies of XYZ Sports Federation and GST liability:

Sl. No.	Nature of Service Supplied	Taxable (₹)	Exempt (₹)
1	Event organization service in relations to sports to another recognised sport body		6,00,000
2	Renting stadium to a corporate entity	5,00,000	
	Total	5,00,000	6,00,000
	CGST 9% on ₹5,00,000	45,000	Nil
	SGST 9% on ₹5,00,000	45,000	Nil

Statement showing taxable as well as exempted supplies of Mr. Sachin and his GST liability:

Sl. No.	Nature of Service supplied as a	Taxable (₹)	Exempt (₹)
1	Player		2,00,000
2	Coach		3,00,000
3	Manager		1,50,000
4	Selector	1,75,000	
5	Commentator	2,50,000	
6	Curator	1,80,000	
7	Technical Expert	2,20,000	
	Total	8,25,000	6,50,000
	CGST 9% on ₹8,25,000	74,250	Nil
	SGST 9% on ₹8,25,000	74,250	Nil

Note: Mr. Sachin provides services as a player, coach, referee, umpire, or team manager to a recognized sports body, it is exempt under GST.

Illustration 16

The Ministry of Railways (Indian Railways) provides various services to passengers at railway stations and for travel. As per Notification No. 04/2024-Central Tax, dated 12th July 2024, certain services are exempt from GST, while others remain taxable.

Indian Railways reported the following revenue from passenger-related services for the financial year 2025-26:

Service Provided	Revenue Earned (₹)
Sale of platform tickets	₹15,00,00,000
Retiring rooms/waiting rooms	₹10,00,00,000
Cloakroom services	₹8,00,00,000
Battery-operated car services	₹5,00,00,000
Passenger transportation (1st AC, Executive Class)	₹12,00,00,000
Renting of premises for running canteen inside of platform	₹ 2,00,00,000
Passenger transportation in an ordinary coach (Non-AC, Sleeper, General Class)	₹20,00,00,000
Total Revenue	₹72,00,00,000

Applicability of GST 5% for passenger transportation services and 18% GST for other taxable supplies if any. Find taxable supplies as well as exempted supplies. Also calculate GST liability.

Answer:

Statement showing taxable as well as exempted supplies of Indian Railways for the financial year 2025-26:

Service Provided	Taxable supplies (₹)	Exempted supplies (₹)
Sale of platform tickets		₹15,00,00,000
Retiring rooms/waiting rooms		₹10,00,00,000
Cloakroom services		₹8,00,00,000
Battery-operated car services		₹5,00,00,000
Passenger transportation (1st AC, Executive Class)	₹12,00,00,000	
Renting of premises for running canteen inside of platform	₹ 2,00,00,000	
Passenger transportation in an ordinary coach (Non-AC, Sleeper, General Class)		₹20,00,00,000
Total	₹14,00,00,000	₹58,00,00,000



Statement showing GST liability of Indian Railways for the financial year 2025-26:

Service Provided	Taxable supplies (₹)	Applicable rate of GST	GST in (₹)
Passenger transportation (1st AC, Executive Class)	₹12,00,00,000	5%	60,00,000
Renting of premises for running canteen inside of platform	₹ 2,00,00,000	18%	36,00,000
Total			96,00,000

Illustration 17

M/s. R Ltd. is engaged in providing service of transportation of passengers, furnished the following information in the month of April 2025. Find the GST liability.

- (1) Service of transportation of passengers by National Waterways: ₹50 lakhs;
- (2) Service of transportation of passengers by Stage carriage (non-A/c): ₹5 lakhs;
- (3) Service of transportation of passengers by contract carriage for tourism: ₹120 lakhs (bills inclusive of accommodation and transportation etc. indicated as narration at the bottom of invoice.).
- (4) Transportation of passenger from Mumbai to Chennai port in a vessel and such service is not for tourism purpose: ₹12 lakhs;

Note: R Ltd. is willing to avail exemption benefits if any. Taxable supplies of Mr. R in the previous year were ₹22 lakh. M/s R Ltd. not opted composition scheme. All supplies are inter-State supplies. Applicable rate of IGST @5% for taxable supplies.

Answer: Statement showing GST liability of M/s R Ltd., for the month of April 2025:

Particulars	Value ₹ in lakh	IGST liability ₹ in lakh
National water ways	50	Exempt
Stage carriage non-a/c	5	Exempt
Tour and travel	120	6 [₹120 L x 5%]
Mumbai to Chennai (coastal water ways transport)	12	Exempt
Total		6

Note:

The following services are exempted from GST:

Transportation of passengers by National Waterways

Transportation of passengers by Stage carriage (non-A/c)

Transportation of passengers in a vessel through Indian coastal waterways

Illustration 18

Vidya Setu Foundation is registered under GST in the State of Maharashtra. The Foundation operates the following educational institution - Greenfield International School (A higher secondary school affiliated to the ICSE Board, located in Thane).

Services Received:

1. Printing services for printing question papers (paper and content provided by the Greenfield International School — Amount: ₹2,40,000
2. Security and housekeeping services for the Greenfield International School - Total amount: ₹4,90,000, including ₹90,000 paid for security and housekeeping at a student cultural event held in a banquet hall off-campus of Greenfield International School.
3. Bus hire charges for transporting students and faculty between their residences and the school premises of Greenfield International School — Amount: ₹8,20,000

Find taxable and exempted supply of services from the above.

Answer:

Statement showing taxable and exempted supply of services

Particulars	Taxable value in ₹	Exempted value in ₹	Working notes
Printing services for printing question papers	nil	2,40,000	For conducting examination is exempted supply
Security and housekeeping services	90,000	4,00,000	4,90,000 – 90,000 = 4,00,000 is exempted supply. ₹90,000 is at off-campus is taxable
Hire charges for transporting students and faculty	nil	8,20,000	
Total	90,000	14,60,000	

Illustration 19

M/s Bright Rentals Equipments Pvt. Ltd., being a registered person under GST located in Hyderabad, Telangana provided the following supplies in the month of April 2025. All supplies are made on an inter-State basis. Applicable rate of CGST 9%, SGST 9% and IGST 18%.

- (1) Hiring of bus (capacity to carry 12) to APSRTC (a state transport undertaking): ₹22 lakhs
- (2) Hiring of goods vehicle to a goods transport agency: ₹12 lakhs
- (3) Hiring of cars designed to carry passengers to a goods transport agency: ₹22 lakh
- (4) Renting of dumpers: ₹15 lakhs
- (5) Hiring of audio-visual equipment's for an event: ₹15 lakhs
- (6) Hiring of pandal or shamiana for organizing functions/events: ₹30 lakhs



(7) Hiring of agro machinery for use in agriculture: ₹11 lakh

Find the GST liability?

Answer:

Statement showing GST liability of M/s Bright Rentals Equipments Pvt. Ltd., for the month of April 2025:

Particulars	Taxable Values ₹ in lakhs	Remarks
Hiring of bus (capacity to carry 12) to APSRTC	22	Taxable supply. Since, capacity to carry not exceeded 12. Exemption is given only when exceed 12.
Hiring of goods vehicle to a goods transport agency	nil	Exempted supply
Hiring of cars designed to carry passengers to a goods transport agency	22	Taxable supply
Renting of dumpers	15	Taxable supply
Hiring of audio-visual equipment's for an event	15	Taxable supply
Hiring of pandal or shamiana for organizing functions/events	30	Taxable supply
Hiring of agro machinery for use in agriculture	nil	Exempted supply
Total	104	
IGST	18.72	18% x ₹104 lakh = ₹18.72 lakh

Illustration 20

RERA Authority, established under the **Real Estate (Regulation and Development) Act, 2016**, collects the following amounts from real estate developers and agents during **March 2026**:

Particulars	Amount (₹)
Registration fees collected from developers	10,00,000
Penalties collected for non-compliance	5,00,000
Annual fees for renewal of agent registrations	2,00,000
total	17,00,000

Clarification: The **CBIC Circular No. 228/22/2024-GST** dated **15-07-2024** applies.

The **RERA authority** qualifies as a **governmental authority**.

Requirement:

1. Examine the **GST applicability** on the **statutory collections** made by **RERA Authority**.
2. Compute the **GST liability**, if any.



Answer:

GST Applicability on Statutory Collections by RERA:

As per **CBIC Circular No. 228/22/2024-GST**:

- **RERA authorities** are classified as **governmental authorities** under **Notification No. 12/2017 – Central Tax (Rate)**.
- **Statutory collections** like:
 - o **Registration fees,**
 - o **Penalties, and**
 - o **Renewal fees**
 made by **RERA authorities** are **exempt** under **Sl. No. 4 of Notification No. 12/2017**, which covers services provided by **governmental authorities** related to:
 - o **Regulation of land use**
 - o **Planning of land and construction of buildings** (Article 243W of the Constitution).
- All **₹17,00,000** collected by **Sunrise RERA Authority** (including **registration fees, penalties, and renewal fees**) is **exempt from GST**.
- **GST Liability = Nil**

Illustration 21

Evergreen Hostel Pvt. Ltd. provides **accommodation services** during **April 2026**. Details of **charges per person per month** and **duration of stay** for various customers are as follows:

S. No.	Particulars	Amount per person/month (₹)	Duration of Stay (days)
1.	Room rent for students (Batch A)	18,000	95
2.	Room rent for working professionals (Batch B)	22,000	100
3.	Room rent for students (Batch C)	19,500	75

1. Determine the **taxable and exempt portions** of accommodation services.
2. Compute the **GST liability at 18%** on the **taxable portion**.

Answer:

As per **Notification No. 04/2024 – Central Tax (Rate)** dated **12-07-2024**, effective **15-07-2024**, accommodation services are **exempt** if:

- **Value per person/month** ≤ ₹20,000, and
- **Duration of stay** ≥ 90 continuous days.



Step 1: GST Applicability for Accommodation Services

S. No.	Particulars	Rent (₹)	Days Stayed	GST Applicability
1.	Students (Batch A)	18,000	95	Exempt ($\leq ₹20,000$ & ≥ 90 days)
2.	Working professionals (Batch B)	22,000	100	Taxable ($> ₹20,000$)
3.	Students (Batch C)	19,500	75	Taxable (< 90 days)

Step 2: Computation of GST Liability

Description	Value (₹)	GST Rate	GST Amount (₹)
Working professionals (Batch B)	22,000	18%	3,960
Students (Batch C)	19,500	18%	3,510
Total taxable value	41,500		7,470
CGST @9%			3,735
SGST @9%			3,735

Illustration 22

XYZ Research Labs Pvt. Ltd., a registered private research organization, provided research and development (R&D) services during November 2025 to the following recipients:

S. No.	Recipient of Service	Nature of Recipient	Consideration Received (₹)
1.	Bharat Government Entity	A Government Entity engaged in public welfare projects	12,00,000
2.	National Institute of Science & Technology (NIST)	A research association notified under section 35(1)(ii) of the Income Tax Act, 1961	8,00,000
3.	Future Tech Innovations Pvt. Ltd.	A private limited company, engaged in commercial manufacturing	15,00,000
4.	Global University of Research (not notified under section 35(1)(iii))	A university not notified under section 35(1)(iii) of the Income Tax Act, 1961	10,00,000

All services are provided **within India (intra-State)**.

- The **GST rate** applicable for **taxable R&D services** is **18%** (9% CGST + 9% SGST).
- Refer to **Entry No. 44A**, inserted via **Notification No. 08/2024-C.T. dated 8th October 2024**, granting exemptions to certain R&D services.

Requirement:

1. Identify **taxable and exempt supplies**.
2. Compute the **GST liability** for **XYZ Research Labs Pvt. Ltd.** for **November 2025**, wherever applicable.

Answer:

Legal Reference:

- **Entry No. 44A of Notification No. 12/2017 – Central Tax (Rate)** (amended via **Notification No. 08/2024-C.T.**) exempts **R&D services** provided to:
 - o **Government Entities**, or
 - o **Research associations / universities / colleges** notified under **section 35(1)(ii) or (iii)** of the **Income Tax Act, 1961**.
- Services provided to **non-notified private entities** or **non-notified universities** are **taxable at 18%**.

Step 1: Classification of Supplies as per Entry No. 44A

S. No.	Recipient	Nature of Recipient	GST Applicability
1.	Bharat Government Entity	Government Entity	Exempt under Entry No. 44A
2.	National Institute of Science & Technology (NIST)	Notified research association under section 35(1)(ii)	Exempt under Entry No. 44A
3.	Future Tech Innovations Pvt. Ltd.	Private company (not eligible for exemption)	Taxable @18%
4.	Global University of Research	University not notified under section 35(1)(iii)	Taxable @18%

Step 2: Computation of GST Liability

Particulars	Value (₹)	GST Rate	GST Amount (₹)
Future Tech Innovations Pvt. Ltd.	15,00,000	18%	2,70,000
Global University of Research (non-notified)	10,00,000	18%	1,80,000
Total taxable value	25,00,000		4,50,000
CGST @9%			2,25,000
SGST @9%			2,25,000

Illustration 23

A banking company, **M/s. FinTrust Bank Pvt. Ltd.**, registered under **GST laws** in **Mumbai**, provided the following services during the month of **December, 2024**:

S. No.	Particulars	Amount (₹)
(i)	Discount earned on bills discounted	₹7,50,000
(ii)	Interest earned on reverse repo transaction	₹2,80,000
(iii)	Penal interest recovered from borrowers for delay in payment of loan EMIs/Dues	₹6,20,000



(iv)	Services to merchants accepting credit/debit card payments using POS machines of the bank (In 60% cases, the amount per transaction was up to ₹1,800, and in the remaining 40%, it was between ₹1,800 to ₹2,000)	₹8,10,000
(v)	Commission received for debt collection services	₹13,50,000
(vi)	Interest charged for late payment of credit card dues	₹5,30,000

Find the taxable supply and exempted supply?

Answer:

S. No.	Particulars	Taxable supply (₹)	Exempted supply (₹)
(i)	Discount earned on bills discounted		₹7,50,000
(ii)	Interest earned on reverse repo transaction		₹2,80,000
(iii)	Penal interest recovered from borrowers for delay in payment of loan EMIs/Dues		₹6,20,000
(iv)	Services to merchants accepting credit/debit card payments using POS machines of the bank (In 60% cases, the amount per transaction was up to ₹1,800, and in the remaining 40%, it was between ₹1,800 to ₹2,000)		₹8,10,000
(v)	Commission received for debt collection services	₹13,50,000	
(vi)	Interest charged for late payment of credit card dues	₹5,30,000	
	Total	18,80,000	24,60,000

4

Time of Supply [Study Material - Module 2]

Illustration 1

M/s Alpha Industries Pvt. Ltd., being a manufacturer, sold goods to M/s Beta Traders, a wholesaler, and issued an invoice for the sale on 05-09-20XX.

Find the time of supply of goods in each of the following independent cases:

- (i) M/s Alpha Industries Pvt. Ltd. removes the goods for delivery to M/s Beta Traders on 20th September 20XX.
- (ii) M/s Beta Traders collects the goods from the premises of M/s Alpha Industries Pvt. Ltd. on 12th September 20XX.
- (iii) M/s Beta Traders made full payment on 30th August 20XX.
- (iv) M/s Beta Traders credited the payment in the bank account of M/s Alpha Industries Pvt. Ltd. on 2nd September 20XX for 80% of the goods, and M/s Alpha Industries Pvt. Ltd. recorded the same as receipts in its books on 7th September 20XX. The goods were dispatched on 9th September 20XX from the warehouse.

Answer

(i) 5th September 20XX is the time of supply of goods.

It is determined as the earlier of the following:

- **Date of Invoice:** 5th September 20XX
- **Date on which invoice is required to be issued:** 20th September 20XX

(ii) 5th September 20XX is the time of supply of goods.

It is determined as the earlier of the following:

- **Date of Invoice:** 5th September 20YY
- **Date on which goods are collected:** 12th September 20YY

(iii) 5th September 20YY is the time of supply of goods.

It is based on the date of invoice:

- **Date of Invoice:** 5th September 20XX



(iv) The time of supply is **5th September 20XX**.

It is determined as the earlier of the following:

- **Date of Invoice:** 5th September 20YY
- **Date on which goods were dispatched:** 9th September 20XX.

Illustration 2

A machine has to be supplied at the site. It is done by sourcing various components from vendors and assembling the machine at the site. The details of the various events are:

- Supplier: M/s Gamma Engineering Pvt. Ltd.
- Recipient: M/s Delta Industries Ltd.

Timeline of Events:-

- 10th August: M/s Delta Industries Ltd. places a purchase order with an advance payment of ₹30,000 for goods worth ₹12 lakh. The entry is duly recorded in the books of M/s Gamma Engineering Pvt. Ltd.
- 15th September: The machine is assembled, tested at the site, and accepted by M/s Delta Industries Ltd.
- 18th September: M/s Gamma Engineering Pvt. Ltd. raises the invoice.
- 30th September: M/s Delta Industries Ltd. makes the balance payment of ₹11,70,000.

Determine the time of supply(ies) in the above scenario.

Answer:

Time of supply for the entire value of ₹12 lakh = 15th September

Note:

- (i) As per Section 31(1)(b) of the CGST Act, 2017, the last date to issue the invoice is 15th September (i.e., the date when the machine is assembled, tested, and accepted by the buyer).
- (ii) Advance payment does not determine the time of supply as per Notification No. 66/2017-C.T., dated 15-11-2017.

Illustration 3

Elite Polymers Pvt. Ltd. is a registered supplier of plastic goods. On 5th May, 20XX, Elite Polymers Pvt. Ltd. received an order from Vertex Industries Ltd. for the supply of a consignment of plastic goods. Elite Polymers Pvt. Ltd. gets the consignment ready by 12th May, 20XX. The invoice for the consignment was issued the next day, 13th May, 20XX.

Vertex Industries Ltd. collects the consignment from the godown of Elite Polymers Pvt. Ltd. on 22nd May, 20XX, and hands over the cheque towards payment on the same date. The said payment



is entered in the books of accounts of Elite Polymers Pvt. Ltd. on 23rd May, 20XX, and the amount is credited to their bank account on 24th May, 20XX.

Determine the time of supply of the plastic goods supplied by Elite Polymers Pvt. Ltd. to Vertex Industries Ltd. as per the provisions of the CGST Act, 2017.

Answer:

In the given case, the invoice was issued on or before the removal/delivery of goods (as per Section 31(1)(a) of the CGST Act, 2017, read with Section 12(2)(a) of the CGST Act, 2017).

Time of supply = 13th May 20XX.

Illustration 4

Examine the following independent cases of supply of goods and services and determine the time of issue of invoice under each case as per the provisions of the CGST Act, 2017:

- (i) Sterling Manufacturing Pvt. Ltd., Kolkata entered into a contract with Summit Traders Pvt. Ltd., Surat for the supply of goods on 28th November, 20XX. The goods were removed from the factory at Kolkata on 8th November, 20XX. As per the agreement, the goods were to be delivered by 28th November, 20XX. Summit Traders Pvt. Ltd. received the goods on 12th November, 20XX.
- (ii) Prestige Event Solutions Ltd., an event management company, provided its services for an event at Regal Productions Pvt. Ltd., Mumbai on 10th July, 20XX. Payment for the event was made on 24th July, 20XX.

Answer:

- (i) A registered person supplying taxable goods shall issue a tax invoice before or at the time of removal of goods for supply to the recipient, where the supply involves movement of goods (as per Section 31(1)(a) of the CGST Act, 2017).

Therefore, in the given case, Sterling Manufacturing Pvt. Ltd. has to issue the invoice on or before 8th November 20XX (i.e., the time of removal of goods).

- (ii) A supplier of taxable services, being a registered person under GST, shall issue a tax invoice before or after the provision of service, but within a period of 30 days from the date of supply of service.

Therefore, in the given case, Prestige Event Solutions Ltd. has to issue the invoice within 30 days of 10th July 20XX (date of supply of service), i.e., on or before 9th August 20XX.

Illustration 5

Determine the Time of Supply from the Following Particulars:



Date	Event
5th August, 20XX	Regal Banquets Pvt. Ltd. booked for a corporate event. Total Amount: ₹1,50,000, Advance Paid: ₹30,000 (recorded in books)
7th August, 20XX	Advance amount credited in the bank account
15th October, 20XX	Corporate event held at Regal Banquets Pvt. Ltd.
30th November, 20XX	Invoice issued for ₹1,50,000, indicating the balance ₹1,20,000 payable
5th December, 20XX	Balance ₹1,20,000 recorded in the books of account
8th December, 20XX	Balance payment of ₹1,20,000 credited to the bank account

Answer:

For Advance of ₹30,000: Time of supply is 5th August, 20XX.

For Balance of ₹1,20,000: Time of supply is 15th October, 20XX.

Date of completion of service = 15th October, 20XX

Or Date of payment (for balance) = 5th December, 20XX

Whichever is earlier

Note:

(i) Date of payment for advance = Bank entry or book entry, whichever is earlier.

(ii) Invoice date is not relevant (i.e., not issued within 30 days from the date of completion of service).

Illustration 6

Mr. Arvind Mehta, an interior designer registered in Ahmedabad (Gujarat), provided services to one of his clients, Zenith Infra Solutions Ltd., registered in Pune (Maharashtra). The provision of service was completed on 5th July, 20XX, and the payment received was entered in the books of Mr. Arvind Mehta on 6th July, 20XX.

With effect from 12th July, 20XX, the applicable GST rate increased from 5% to 12%. However, payment for the service received was credited to his bank account on 13th July, 20XX, and the invoice for the same was raised on 20th July, 20XX.

Mr. Arvind Mehta claimed that he is liable to pay IGST @ 5%, but the department took the view that he is liable to pay IGST @ 12%.

Examine the correctness of Mr. Mahendra Sharma's contention and determine the time of supply and applicable rate of tax as per the statutory provisions.

Would your answer change if the payment was credited to the bank account on 10th July, 20XX (before the rate change)

Answer:

The supply was completed before the change in the rate of tax, and payment was received before



the date of change in the tax rate. Hence, the effective rate of tax is 5%.

Time of supply is determined based on the date of receipt of payment, which is 6th July, 20XX.

Therefore, the contention of Mr. Arvind Mehta is correct.

Note:

In case of a change in the rate of tax, as per Section 14 of the CGST Act, 2017, the date of receipt of payment is the earlier of:

- (a) Date of book entry of the supplier (i.e., 6th July, 20XX) or
- (b) Date on which the payment is credited to the supplier's bank account (i.e., 13th July, 20XX)

However, if the payment is credited in the bank account after four working days from the date of the change in the rate of tax, then the date of receipt of payment will be the date of credit in the bank account.

If the date on which the payment is credited to the bank account of the supplier is 10th July, 20XX, the date of receipt of payment will continue to be 6th July, 20XX (i.e., the earlier of 6th July, 20XX, or 10th July, 20XX).

Therefore, the time of supply and the applicable rate of tax (5%) will remain the same.

Illustration 7

Sterling Global Solutions Pvt. Ltd. (SGS) is an Indian company. It has received taxable services from a UK-based company—Regal Consulting Ltd. on 5-1-20XX.

Regal Consulting Ltd. raised an invoice on SGS for £55,000 on 22-1-20XX.

SGS recorded the debited in its books of accounts on 10-2-20XX and made the payment on 18-3-20XX. Regal Consulting Ltd. and SGS are associated enterprises.

Determine the Time of Supply in the Following Independent Cases:

- (a) Regal Consulting Ltd. and SGS are associated enterprises.
- (b) Regal Consulting Ltd. and SGS are non-associated enterprises.
- (c) Regal Consulting Ltd. and SGS are associated enterprises, but both are located in the taxable territory.

Answer:

- (a) **Time of Supply = 10-02-20XX**, In the case of Associated Enterprises where the supplier of service is located outside India (as per Section 13(3) of the CGST Act, 2017):

Date of entry in the books of account of the recipient of supply (i.e., 10-02-20XX) OR

Date of payment (i.e., 18-03-20XX)

Whichever is earlier → 10-02-20XX



(b) **Time of Supply = 18-03-20XX**, In the case of import of services (as per Section 13(3) of the CGST Act, 2017):

Date of payment (i.e., 18-03-20XX) OR

Date immediately following 60 days from the date of issue of invoice by the supplier (i.e., 23-03-20XX)

Whichever is earlier → 18-03-20XX

(c) **Time of Supply : 22-01-20XX**, In the case of the supply of services under forward charge (as per Section 13(2) of the CGST Act, 2017)

Date of invoice (i.e., 22-01-20XX) OR

Date of payment (i.e., 18-03-20XX)

Whichever is earlier → 22-01-20XX

Illustration 8

An income tax and financial fraud investigation against Mr. Rohan Malhotra, an executive working at Summit Solutions Pvt. Ltd., reveals a large volume of undisclosed assets, which he claims as service income.

Based on this, the GST authorities initiate an investigation into the GST liability. However, the dates of provision of service, whether in the first half or the second half of the financial year under scrutiny by the income tax authorities, are unknown.

Mr. Rohan Malhotra voluntarily pays GST during the investigation. What is the **time of supply** of the services?

Answer:

Where it is not possible to determine the time of supply in terms of Date of invoice or Date of provision of service or Date of receipt of payment or Date of receipt of services in the books of account of the recipient, and where a periodical return is not required to be filed (Mr. Rohan Malhotra, being an employee, is not a registered person), the date of payment of tax is taken as the time of supply as per Section 13(5)(b) of the CGST Act, 2017.

Therefore, the date when Mr. Rohan Malhotra pays the GST during the investigation will be considered as the time of supply.

Illustration 9

Mr. Aryan Khanna provides Continuous Supply of Services (CSS) to M/s. Orion Global Solutions Ltd. He furnishes the following further information:

- Date of commencement of providing CSS - 05-07-2023
- Date of completion of providing CSS - 30-11-2023

- Date of receipt of payment by Mr. Aryan Khanna - 15-02-2024

Determine the time of issue of invoice as per the provisions of the CGST Act, 2017, in the following circumstances:

- If no due date for payment is agreed upon by both parties under the contract of CSS.
- If payment is linked to the completion of service.
- If M/s. Orion Global Solutions Ltd. has to make payment on 10-02-2024 as per the contract between them.

Answer:

- Where the due date of payment is not ascertainable from the contract:

As per Section 31(5) of the CGST Act, 2017, the invoice should be issued on or before the receipt of payment.

In this case, the invoice should be issued by Mr. Aryan Khanna on or before 15-02-2024.

- If the payment is linked to the completion of an event:

As per Section 31(5) of the CGST Act, 2017, the invoice should be issued on or before the date of completion of service.

In this case, the invoice should be issued by Mr. Aryan Khanna on or before 30-11-2023.

- Where the due date of payment is ascertainable from the contract:

As per Section 31(5) of the CGST Act, 2017, the invoice should be issued on or before the due date of payment.

In this case, the invoice should be issued by Mr. Aryan Khanna on or before 10-02-2024.

Illustration 10

Regal Confectionery Pvt. Ltd., Delhi, a registered supplier, has furnished the details of the following transactions that took place in November, 20XX:

Assume the applicable GST rates are as follows:

CGST: 9%. SGST: 9% IGST: 18%

Payment Date		Recipient	Purpose	Invoice Date	Amount (₹)	Nature of Supply
08.11.20XX		Legal Advisory Firm, Delhi	Legal services received	05.07.20XX	1,50,000	-
18.11.20XX	Board Member, Maharashtra	Sitting fee for attending a meeting in Delhi	12.10.20XX	90,000	Inter-State Supply	



Requirement:

You are required to compute GST (CGST & SGST/IGST, as applicable) along with the time of supply for the above transactions.

The GST liability was paid to the Government on 20th December 20XX for both transactions. The previous year's turnover of Regal Confectionery Pvt. Ltd. was ₹700 crore.

Answer:

Nature of Service	Time of Supply	Tax Applicable	CGST (₹)	SGST (₹)	IGST (₹)	Interest Payable (₹)	RCM Applicability
Legal services from a Legal Advisory Firm (RCM)	4th September 20XX	Intra-state supply (Delhi to Delhi), CGST & SGST applicable	13,500	13,500	Nil	810	Recipient (Regal Confectionery Pvt. Ltd.) must pay GST on behalf of the legal advisory firm and can claim ITC if eligible.
Director's Sitting Fee (RCM)	18th November 20XX	Inter-state supply (Maharashtra to Delhi), IGST applicable	Nil	Nil	16,200	Nil	Recipient must pay GST under RCM.

Working Note: Interest Calculation (Section 50(1) of the CGST Act, 2017)

$$\text{CGST} = ₹13,500 \times 18\% \times 61/365 = ₹406.11$$

$$\text{SGST} = ₹13,500 \times 18\% \times 61/365 = ₹406.11$$

$$\text{Total Interest (Rounded Off)} = ₹812$$

Time of supply for legal consultancy services is 4th September (i.e. 1st day that occurs from the date of expiry of 60 days from the date of invoice è from 6-7-20XX to 3-9-20XX). due date to pay GST is 20th October 20XX.

Number of Days delay for interest calculation:

October 20XX = 11 Days

November 20XX = 30 Days

December 20XX = 20 Days

Total Days = 61 Days



Illustration 11

Mr. Rohan Malhotra, a registered person in the State of Maharashtra, receives consideration in March 2024, instead of the due date of August 2023. Due to this delay, he is eligible to receive an interest amount of ₹1,500/-, which he receives on 20-03-2024.

Requirement:

Determine the time of supply for the interest portion and the due date of payment.

Mr. Rohan Malhotra's turnover in the previous financial year was ₹55 crore.

Answer:

Time of Supply = 20-03-2024

As per Section 13(6) of the CGST Act, 2017, the time of supply for interest is the date on which it is received by the supplier.

In this case, Mr. Rohan Malhotra received the interest amount on 20-03-2024, making this the time of supply.

Due Date of Tax Liability = 20-04-2024. The GST liability must be reported in the **return for March 2024**, which is due on **20th April 2024**.

Illustration 12

Determine the time of supply from the given information:

March 10	Supplier invoices goods taxable on reverse charge basis to Summit Traders Pvt. Ltd.
April 5	Summit Traders Pvt. Ltd. receives the goods, which were held up in transit.
May 1	Summit Traders Pvt. Ltd. makes the payment

Answer:

Time of Supply = April 5

Working Note:

(i) Date of payment = May 1

(ii) First day that occurs after the expiry of 30 days from the date of invoice = April 10.

(iii) Date of receipt of goods = April 5

Whichever is earlier → April 5 (since the goods were received earlier than the 30-day limit and payment date).

Illustration 13

Riya Sharma checked in at "Grand Horizon Lodge" in Jaipur on 10th September, 20XX. The room rent was ₹999 per day for a single room. She checked out on 12th September, 20XX, and payment for the stay was made via cheque at the time of check-out and recorded in the books on the same



date. The lodge decided to issue her an invoice on the same date when the amount gets credited to its bank account.

The rate of tax on hotel rooms, which was earlier exempted up to ₹1,000, became chargeable to tax from 15th September, 20XX.

Under the GST law, determine the time of supply and taxability, of the service of lodging in the hands of Grand Horizon Lodge if the cheque gets credited into the bank account of Grand Horizon Lodge on the 17th of Sept 20XX.

Note: Assume that all the days covered in the above case are working days.

Answer:

The rate of tax on hotel rooms, which was earlier exempted up to ₹1,000, became chargeable to tax from 15th September, 20XX.

	Date	Remarks
Date of Completion of Service	12th September, 20XX	Check-out date
Date of Issue of Invoice	17th September, 20XX	When cheque is credited
Date of Receipt of Payment	12th September, 20XX	Cheque received at check-out
Date of Book Entry	12th September, 20XX	Payment recorded in the lodge's books
Date of Bank Entry	17th September, 20XX	Cheque credited to the lodge's bank account

Determination of Time of Supply (Section 13 of the CGST Act, 2017)

As per Section 13(2), the time of supply of services is the earliest of the following:

1. Date of issue of invoice;
2. Date of provision of service;
3. Date of receipt of payment.

Since the service was completed, and payment was received before 15th September, 20XX (the date of tax rate change), the applicable time of supply is 12th September, 20XX (earliest event).

The date of completion of service (12th September, 20XX) and date of receipt of payment (12th September, 20XX) were both before the change in rate of tax (15th September, 20XX), the service remains exempt from GST.

Thus, GST liability is NIL, and the applicable time of supply is 12th September, 20XX.

Illustration 14

Elite Training Solutions Pvt. Ltd., engaged in providing taxable services by way of training and coaching activities related to Financial Management and Auditing since 1st July 20XX, has the following details for September 20XX:

Date of Issuance of Invoice	Date on Which Payment Received	Amount (₹)
18.09.20XX	05.10.20XX	3,00,000
22.10.20XX	08.10.20XX	30,000
04.10.20XX	02.10.20XX	1,50,000

The effective rate of tax changed on 01-10-20XX, increasing from 12% to 18%. These services were rendered in August 20XX.

Determine the Time of Supply of service, applicable rate of tax, and due date of payment of tax.

Previous year's turnover was ₹900 crore.

Answer:

Statement showing Time of supply, effective rate of tax and due date of payment of tax

Date of Issuance of Invoice	Date on Which Payment Received	Amount (₹)	Time of Supply of Service	Effective Rate of Tax	Due Date
18.09.20XX	05.10.20XX	3,00,000	18.09.20XX	12%	20.10.20XX
22.10.20XX	08.10.20XX	30,000	08.10.20XX	18%	20.11.20XX
04.10.20XX	02.10.20XX	1,50,000	02.10.20XX	12%	20.11.20XX

Illustration 15

M/s Sharma Traders (Supplier) is a registered supplier of electronic goods in Delhi, and M/s GreenTech Solutions Pvt. Ltd. (Recipient) is a registered recipient in Maharashtra.

The Central Government changes the GST rate on electronic goods from 18% to 28% w.e.f. April 1, 2025.

M/s Sharma Traders makes a supply of electronic goods worth ₹1,00,000 to M/s GreenTech Solutions. The transactions occur as follows:

Event	Date	Description
Advance Payment Received	March 25, 2025	M/s GreenTech Solutions pays ₹50,000 as advance
Invoice Issued	April 5, 2025	M/s Sharma Traders issues invoice for full amount ₹1,00,000
Balance Payment Received	April 10, 2025	M/s GreenTech Solutions pays remaining ₹50,000
Goods Supplied	April 12, 2025	Goods removed from supplier place to M/s GreenTech Solutions

Question:

1. Determine the applicable GST rate for advance payment and balance payment.
2. Calculate the total GST liability for the supplier.



3. Determine whether Notification No. 66/2017-Central Tax impacts the time of supply.
4. Comment whether Notification No. 66/2017-Central Tax is applicable in case of reverse charge under section 12(3) of CGST Act, 2017.

Answer:

Step 1: Time of supply for goods is to be determined under Section 12(2)(a) (i.e., based on invoice or due date of invoice, whichever is earlier).

- This means that for suppliers who are not under composition scheme, advance received does not trigger tax liability before supply.

Time of supply = April 5, 2025

(Date of invoice April 5, 2025 or last date to issue invoice April 12, 2025 whichever is earlier)

Step 2: Apply Rules to Each Event

Event	Date	Tax Rate Decision
Advance Payment of ₹50,000	March 25, 2025 (Before Rate Change)	Under Notification No. 66/2017, time of supply for goods is based on invoice. No tax liability on advance.
Invoice Issued for ₹1,00,000	April 5, 2025 (After Rate Change)	Since invoice is after rate change, new rate (28%) applies to the entire amount.
Balance Payment of ₹50,000	April 10, 2025 (After Rate Change)	Since invoice was already issued, time of supply remains April 5, 2025. GST at 28% applies.
Goods Supplied	April 12, 2025	Last date to issue invoice

Step 3: Compute GST Liability

Particulars	Value (₹)	Tax Rate	GST (₹)
Full Invoice Amount	1,00,000	28% (New Rate)	28,000

Total IGST Payable by Sharma Traders = ₹28,000.

Advance Payment Before Rate Change Does Not Determine Tax Rate

- Due to **Notification No. 66/2017**, advance received before the change is **not liable for GST** at that point.
- GST is applicable **only at the time of issuance of the invoice**.

Note: Section 12(2)(a) of the CGST Act determines the time of supply of goods as the earlier of the date of issue of the invoice or the last date on which the invoice is required to be issued. Section 14 addresses the determination of the time of supply in cases where there is a change in the effective rate of tax. Therefore, Notification No. 66/2017-Central Tax is applicable to both Section 12(2) and Section 14 of the CGST Act, 2017.

Notification No. 66/2017-Central Tax, not applicable to Reverse Charge u/s 12(3):

Notification No. 66/2017-Central Tax, dated November 15, 2017, specifically addresses the time of supply concerning advances received for the supply of goods under the forward charge mechanism. This notification exempts all taxpayers from paying tax on advances received in such cases, meaning GST is payable only upon the issuance of the invoice or the last date on which the invoice is required to be issued, whichever is earlier.

Section 12(3) of the CGST Act, 2017, pertains to the time of supply for goods under the reverse charge mechanism (RCM). Under RCM, the recipient of goods is liable to pay GST, and the time of supply is determined as the earliest of:

- The date of receipt of goods;
- The date of payment; or
- The day immediately following 30 days from the date of issue of the invoice or any other document by the supplier.

It's important to note that Notification No. 66/2017-Central Tax does not extend to transactions under the reverse charge mechanism. Therefore, the provisions of Section 12(3) remain unaffected by this notification, and the recipient must determine the time of supply based on the earliest of the events mentioned above.

Illustration 16

M/s Sharma Metal Traders (Supplier) is an unregistered dealer of metal scrap located in Maharashtra.

M/s XYZ Ltd. (Recipient) is a registered manufacturing company also located in Maharashtra, engaged in automobile manufacturing, which requires metal scrap for production.

As per Section 9(3) of the CGST Act, 2017, metal scrap is notified as a good covered under the Reverse Charge Mechanism (RCM). Find the time of supply and GST liability from the following for M/s XYZ Ltd. (Recipient):

Particulars	Date	Value (₹)
Supplier Issues Invoice (Not Mandatory as Supplier is Unregistered)	March 1, 2025	₹2,50,000
Goods Received by XYZ Ltd.	March 5, 2025	-
Recipient Issues Self-Invoice (As per Section 31(3) (f) r/w Rule 47A)	Within 30 Days (Latest by April 4, 2025)	-
Payment Made by XYZ Ltd.	March 10, 2025	₹2,50,000

Applicable rate of CGST 9%, SGST 9% and IGST 18%.



Answer:

As per Section 12(3) of the CGST Act, 2017, the time of supply under Reverse Charge Mechanism (RCM) for goods is the earliest of:

1. Date of receipt of goods → March 5, 2025
2. Date of payment → March 10, 2025
3. The day immediately following 30 days from the date of invoice issued by the recipient
 - Self-invoice must be issued within 30 days from receipt of goods (as per Section 31(3)(f) read with Rule 47A).
 - Goods received on March 5, 2025, so the self-invoice must be issued by April 4, 2025.
 - 30 days from the self-invoice date (April 4, 2025) = May 4, 2025.
 - The day immediately following this is May 5, 2025.

Thus, the third condition (following 30 days from self-invoice) results in May 5, 2025.

Final Time of Supply Calculation

Comparing the three dates:

1. March 5, 2025 (Date of receipt of goods)
2. March 10, 2025 (Date of payment)
3. May 5, 2025 (Day immediately following 30 days from self-invoice date)
 - The earliest date is March 5, 2025 (Date of receipt of goods).
 - Final Time of Supply under RCM = March 5, 2025.

5

Place of Supply [Study Material - Module 3]

Illustration 1

Elegant Furniture, a dealer in furniture, located in Karnataka, receives an order from Royal Traders, also located in Karnataka. The order is for the supply of 250 tables, with an instruction to ship the tables to Prestige Interiors, located in Tamil Nadu. Prestige Interiors is a customer of Royal Traders.

All the parties involved are registered under GST.

Based on the place of supply provisions under Section 10 of IGST Act, 2017, determine:

1. The place of supply and tax levy for Elegant Furniture.
2. The place of supply and tax levy for Royal Traders.

Answer:

1. Place of Supply for Elegant Furniture (First Supply)

- As per Section 10(1)(b) of IGST Act, 2017,

“If goods are delivered by a supplier to a recipient on the instruction of a third party, the place of supply shall be the location of such third party.”

Analysis:

- Elegant Furniture (Karnataka) delivers the tables to Prestige Interiors (Tamil Nadu).
- However, this shipment is as per the instruction of Royal Traders (Karnataka), making Royal Traders the deemed recipient.
- Therefore, the place of supply will be Karnataka (Location of Royal Traders).
- Since both Elegant Furniture & Royal Traders are in Karnataka, this transaction is intra-state supply.

Tax Treatment for Elegant Furniture:

- Tax Type: CGST + SGST
- Reason: Both supplier (Elegant Furniture) and recipient (Royal Traders) are in the same state (Karnataka).
- GST Chargeable: Elegant Furniture will charge CGST & SGST on its invoice to Royal Traders.



2. Place of Supply for Royal Traders (Second Supply)

- As per Section 10(1)(a) of IGST Act, 2017,

“Where the supply involves movement of goods, the place of supply shall be the location where the goods are delivered.”

Analysis:

- Royal Traders (Karnataka) sells the tables to Prestige Interiors (Tamil Nadu).
- The goods are physically delivered to Tamil Nadu, making Tamil Nadu the place of supply.

Tax Treatment for Royal Traders:

- Tax Type: IGST
- Reason: This is an interstate supply because Royal Traders (Karnataka) is supplying goods to Prestige Interiors (Tamil Nadu).
- GST Chargeable: Royal Traders will charge IGST on its invoice to Prestige Interiors.

Final Summary:

Supplier	Recipient (Billing Party)	Ship-to Party	Place of Supply	GST Type
Elegant Furniture (Karnataka)	Royal Traders (Karnataka)	Prestige Interiors (Tamil Nadu)	Karnataka (As per Sec 10(1)(b))	CGST + SGST
Royal Traders (Karnataka)	Prestige Interiors (Tamil Nadu)	Prestige Interiors (Tamil Nadu)	Tamil Nadu (As per Sec 10(1)(a))	IGST

Illustration 2

XYZ Electronics Pvt. Ltd. (a registered manufacturer in Delhi) sells 100 smartphones worth ₹10,00,000 through an E-Commerce Operator (ECO), FlipBuy India Pvt. Ltd. (an online marketplace platform). The order is placed by ABC Retailers Pvt. Ltd. (a registered buyer in Maharashtra), and the goods are directly shipped to PQR Traders (final customer in Karnataka).

Considering the definitions under GST Law, determine:

- Whether FlipBuy India Pvt. Ltd. (ECO) can be considered as an agent under Section 10(1)(b) of IGST Act, 2017?
- Whether the “Bill to - Ship to” provisions of Section 10(1)(b) of IGST Act, 2017 apply to FlipBuy India Pvt. Ltd.?
- What will be the place of supply and applicable GST for this transaction?

Answer:

Step 1: Understanding the Definition of an E-Commerce Operator (ECO)

- As per Section 2(45) of CGST Act, 2017,



“An Electronic Commerce Operator (ECO) is any person who owns, operates, or manages a digital or electronic platform for e-commerce transactions.”

- As per Section 2(44) of CGST Act, 2017,
“Electronic commerce means the supply of goods or services (including digital products) over a digital or electronic network.”
- FlipBuy India Pvt. Ltd. only provides an online marketplace for suppliers and buyers, charging a commission or subscription fees for its services.

Step 2: Applicability of Section 10(1)(b) of IGST Act, 2017 (Bill to - Ship to Provisions)

- Section 10(1)(b) of IGST Act, 2017 states:
“If goods are delivered by a supplier to a recipient on the instruction of a third person (whether acting as an agent or otherwise), the place of supply shall be the principal place of business of such third person.”
- In this case, FlipBuy India Pvt. Ltd. is NOT an agent of the manufacturer (XYZ Electronics Pvt. Ltd.).
- FlipBuy does not own or take title of the goods, nor does it issue invoices on behalf of the supplier.
- FlipBuy is merely an independent service provider earning commission from the manufacturer/seller.
- Therefore, the provisions of Section 10(1)(b) (Bill to - Ship to) do NOT apply to FlipBuy India Pvt. Ltd.

Step 3: Determining Place of Supply & GST Treatment

Transaction 1: Sale from XYZ Electronics (Delhi) to ABC Retailers (Maharashtra)

- Supplier: XYZ Electronics Pvt. Ltd. (Delhi)
- Recipient (Billing Party): ABC Retailers Pvt. Ltd. (Maharashtra)
- Goods Shipped To: PQR Traders (Karnataka)
- Applicable Provision: Section 10(1)(b) of IGST Act, 2017 (Bill-to Ship-to) applies in this case.
- Place of Supply: Maharashtra (Location of ABC Retailers Pvt. Ltd.)
- GST Type: IGST (Delhi to Maharashtra - Interstate Supply)

Transaction 2: Sale from ABC Retailers (Maharashtra) to PQR Traders (Karnataka)

- Supplier: ABC Retailers Pvt. Ltd. (Maharashtra)
- Recipient (Billing Party & Ship-to Party): PQR Traders (Karnataka)
- Applicable Provision: Section 10(1)(a) of IGST Act, 2017 (Movement of Goods)



- Place of Supply: Karnataka (where the goods are delivered)
- GST Type: IGST (Maharashtra to Karnataka - Interstate Supply)

Final Summary of Transactions and GST Treatment

Transaction	Supplier	Recipient (Billing Party)	Ship-to Party	Place of Supply	GST Type
Transaction 1	XYZ Electronics (Delhi)	ABC Retailers (Maharashtra)	PQR Traders (Karnataka)	Maharashtra (Sec. 10(1)(b))	IGST
Transaction 2	ABC Retailers (Maharashtra)	PQR Traders (Karnataka)	PQR Traders (Karnataka)	Karnataka (Sec. 10(1)(a))	IGST

Note: FlipBuy India Pvt. Ltd. will collect **0.5% TCS on ₹10,00,000** from ABC Retailers and deposit it with the government as per Tax Collection at Source (TCS) under Section 52(1) of CGST Act, 2017.

Illustration 3

M/s Metro Electronics Pvt. Ltd., a registered supplier of consumer electronics in Rajasthan, sells a Television worth ₹50,000 to Mr. Rahul Sharma, an unregistered individual buyer. The supply involves three different scenarios:

1. Case 1: The recipient's address is available (Located in Uttar Pradesh).
2. Case 2: The recipient's address is NOT available.
3. Case 3: The goods are supplied through an E-Commerce Operator (ECO), QuickBuy Pvt. Ltd. (The billing address is in Madhya Pradesh, but delivery is made to a different address in Chhattisgarh).

Determine the place of supply and applicable GST in each case as per Section 10(1)(ca) of IGST Act, 2017 and the latest CBIC Circular No. 209/3/2024-GST dated June 26, 2024. Applicable rate of CGST 9%, SGST 9% and IGST 18%.

Answer:

Step 1: Section 10(1)(ca) of IGST Act, 2017

Section 10(1)(ca) of IGST Act, 2017 specifies the place of supply for goods supplied to unregistered persons:

- If the recipient's address is recorded in the invoice, the place of supply is the location as per that address.
- If the recipient's address is NOT recorded in the invoice, the place of supply defaults to the location of the supplier.
- If goods are supplied through an E-Commerce Operator (ECO) and the billing address differs from the delivery address, the place of supply is determined based on the delivery address, as clarified by CBIC Circular No. 209/3/2024-GST dated June 26, 2024.

Case 1: Recipient's Address is Available

Transaction Details:

- Supplier: Metro Electronics Pvt. Ltd. (Rajasthan)
- Recipient: Mr. Rahul Sharma (Uttar Pradesh) – Unregistered Individual
- Address Provided: Yes (Uttar Pradesh)
- Place of Supply as per Section 10(1)(ca): Uttar Pradesh (Location as per the address recorded in the invoice)
- Tax Type: IGST (Rajasthan to Uttar Pradesh is an interstate supply)

GST Treatment:

Particulars	Amount (₹)	GST Rate	Tax Amount (₹)
Television	₹50,000	18%	₹9,000 (IGST)
Total Invoice Amount	₹59,000	-	-

Final GST Charge: IGST @ 18% ₹9,000

Case 2: Recipient's Address is NOT Available

Transaction Details:

- Supplier: Metro Electronics Pvt. Ltd. (Rajasthan)
- Recipient: Mr. Rahul Sharma (Unregistered Individual, No Address Provided)
- Address Provided: No
- Place of Supply as per Section 10(1)(ca): Rajasthan (Location of the supplier)
- Tax Type: CGST + SGST (Since the place of supply is same as the supplier's location, it is intrastate supply)

GST Treatment:

Particulars	Amount (₹)	GST Rate	Tax Amount (₹)
Television	₹50,000	18%	₹4,500 (CGST) + ₹4,500 (SGST)
Total Invoice Amount	₹59,000	-	-

Final GST Charge: CGST @ 9% ₹4,500 + SGST @ 9% ₹4,500

Case 3: Goods Supplied through E-Commerce Operator (ECO) with Different Billing and Delivery Addresses

Transaction Details:

- Supplier: Metro Electronics Pvt. Ltd. (Rajasthan)



- E-Commerce Operator: QuickBuy Pvt. Ltd.
- Billing Address: Madhya Pradesh (Unregistered Buyer - Mr. Rahul Sharma)
- Delivery Address: Chhattisgarh
- Address Provided: Yes, but different billing and delivery addresses

GST Implications as per Section 10(1)(ca) and CBIC Circular No. 209/3/2024-GST:

- According to CBIC Circular No. 209/3/2024-GST dated June 26, 2024, when the billing address and delivery address differ for supplies made to unregistered persons through an ECO, the place of supply is determined based on the delivery address.
- Therefore, the place of supply will be Chhattisgarh (Delivery Address).
- Tax Type: IGST (Rajasthan to Chhattisgarh is an interstate supply)

GST Treatment:

Particulars	Amount (₹)	GST Rate	Tax Amount (₹)
Television	₹50,000	18%	₹9,000 (IGST)
Total Invoice Amount	₹59,000	-	-

Final GST Charge: IGST @ 18% ₹9,000

Illustration 4

Determine the Place of Supply under the IGST Act, 2017 for the following independent cases:

1. Elite Event Solutions, an event management company based in Kolkata, is contracted to organize two corporate award functions for Precious Gold & Diamonds Ltd., a registered business entity in Chennai. The events are scheduled to take place in New Delhi and Singapore.
2. Premier Planners Pvt. Ltd., headquartered in Bengaluru, is hired by Dr. Raghav Menon, an unregistered individual residing in Kochi, to plan and organize his son's wedding in Mumbai.

Would your answer change if the wedding were to take place in Malaysia instead?

Answer:

Place of Supply under IGST Act, 2017

Corporate Award Functions for Precious Gold & Diamonds Ltd.

When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient as per section 12(7)(a)(i) of IGST Act, 2017,

New Delhi Event: Chennai, Tamil Nadu (Location of the registered recipient)

Singapore Event: Chennai, Tamil Nadu (Location of the registered recipient)

Wedding Event for Dr. Raghav Menon:

Mumbai Wedding: Place of Supply: Mumbai, Maharashtra (Location where the event is actually held)
 Malaysia Wedding: Place of Supply : Kochi, Kerala (Location of the recipient, since the event is held outside India)

Illustration 5

StitchPro Solutions Pvt. Ltd., a supplier of industrial sewing machines, is located in Indore, Madhya Pradesh, and is registered under GST in Madhya Pradesh. It receives an order from PrimeTex Distributors, a business entity based in Ludhiana, Punjab, registered under GST in Punjab.

The order is for the supply of 100 sewing machines, with specific instructions to deliver the machines to Elite Garments Ltd., located in Amritsar, Punjab, which is also registered under GST in Punjab. Elite Garments Ltd. is a customer of PrimeTex Distributors. The shipment of sewing machines is arranged by StitchPro Solutions Pvt. Ltd. via a logistics provider.

Determine the following:

1. Place of supply under IGST Act, 2017
2. Nature of supply (Inter-State or Intra-State)
3. Applicability of CGST/SGST or IGST

Answer:

1. StitchPro Solutions Pvt. Ltd. (Madhya Pradesh) supplied goods to PrimeTex Distributors (Punjab):
 - (a) Place of Supply = Ludhiana, Punjab (as per Section 10(1)(b) of IGST Act, 2017)
 The goods are supplied to PrimeTex Distributors (Punjab) but shipped to Elite Garments Ltd. (Punjab) on their instruction.
 - (b) Nature of Supply: Inter-State Supply (as per Section 7 of IGST Act, 2017)
 - (c) Tax Liability: IGST will be levied on StitchPro Solutions Pvt. Ltd.
2. PrimeTex Distributors (Punjab) supplied goods to Elite Garments Ltd. (Punjab):
 - (a) Place of Supply = Amritsar, Punjab (as per Section 10(1)(a) of IGST Act, 2017)
 The goods are delivered within Punjab to a recipient in the same state.
 - (b) Nature of Supply: Intra-State Supply (as per Section 8 of IGST Act, 2017)
 - (c) Tax Liability: CGST & SGST will be levied on PrimeTex Distributors.

Illustration 6

A Government Department issues a release order to MediaVision Networks Pvt. Ltd., a broadcasting company headquartered in Mumbai, Maharashtra, for telecasting an advertisement campaign related to the “National Skill Development Program” in the month of November 20XX.



In the first phase, the advertisement will be telecast in the Union Territory of Delhi, and the States of Maharashtra, Gujarat, Karnataka, and Telangana.

The viewership data for the channel, as reported by the Broadcast Audience Research Council (BARC) for the last week of September 20XX, is as follows:

Number of viewers: 1,00,000 viewers in Delhi, 2,00,000 viewers across the Maharashtra-Gujarat region and 1,00,000 viewers across the Karnataka-Telangana region

The ratio of the populations in the viewership regions is as follows: Maharashtra to Gujarat - 9:1 and Karnataka to Telangana - 4:1

The total amount payable to MediaVision Networks Pvt. Ltd. by the Government Department is ₹20,00,000. The applicable GST rate is 18%.

Determine the following:

1. Value of supply and place of supply for each State/Union Territory
2. Whether CGST & SGST or IGST is applicable
3. Total tax payable for the month of November 20XX

Answer:

State/UT	Value of Supply (₹)	Place of Supply	CGST and SGST (₹)	IGST (₹)
Delhi	5,00,000	Delhi	90,000	NIL
Maharashtra	9,00,000	Maharashtra	NIL	1,62,000
Gujarat	1,00,000	Gujarat	NIL	18,000
Karnataka	4,00,000	Karnataka	NIL	72,000
Telangana	1,00,000	Telangana	NIL	18,000

Illustration 7

Harmonia Entertainment Pvt. Ltd., owned by Aarav Mehta – a renowned classical singer – plans to organize the “Aarav Mehta Live Music Concert” in Bengaluru, Karnataka. Harmonia Entertainment Pvt. Ltd., which is registered under GST in Pune, Maharashtra, enters into a contract with an event management company, Spectra Events Pvt. Ltd., which is registered under GST in Hyderabad, Telangana, for organizing the concert at an agreed consideration of ₹12,50,000.

Spectra Events Pvt. Ltd. books the lawns of Grand Vista Hotel, Bengaluru (which is registered under GST in Karnataka) for hosting the music concert, for a lump sum amount of ₹5,50,000.

Harmonia Entertainment Pvt. Ltd. sets the ticket price for the concert at ₹4,800 per ticket, and 500 tickets are sold.

Determine the following:

1. CGST and SGST or IGST liability for the transactions involved.
2. Would the tax implications change if the ticket price is reduced to ₹400 per ticket?



Answer:

GST Analysis of Transactions Involved in the Music Concert

1. Services Provided by Harmonia Entertainment Pvt. Ltd. to Audiences (Admission to Music Concert)

Relevant Section: Section 12(6) of IGST Act, 2017

Place of Supply: The place where the event is held ,Bengaluru, Karnataka

Location of Supplier: Pune, Maharashtra

GST Calculation: 500 tickets $\times$ ₹4,800 per ticket = ₹24,00,000

IGST @ 18% on ₹24,00,000 = ₹4,32,000

If the ticket price is ₹400 per ticket, it qualifies for exemption under GST.

2. Services Provided by Spectra Events Pvt. Ltd. to Harmonia Entertainment Pvt. Ltd. (Organizing the Music Concert)

Relevant Section: Section 12(7) of IGST Act, 2017

Place of Supply: Location of the recipient (since recipient is a registered person), Pune, Maharashtra

Location of Supplier: Hyderabad, Telangana

GST Calculation: ₹12,50,000 $\times$ 18% IGST = ₹2,25,000

3. Services Provided by Grand Vista Hotel to Spectra Events Pvt. Ltd. (Accommodation for Organizing the Concert)

Relevant Section: Section 12(3)(c) of IGST Act, 2017

Place of Supply: Location of immovable property $\rightarrow$ Bengaluru, Karnataka

Location of Supplier: Bengaluru, Karnataka

GST Calculation:

CGST = ₹5,50,000 $\times$ 9% = ₹49,500

SGST = ₹5,50,000 $\times$ 9% = ₹49,500

Illustration 8

Mr. Arjun Mehta has a permanent residence in Bengaluru, Karnataka. He holds a savings bank account with the Indiranagar Branch of Apex National Bank. On July 10, 2023, Mr. Mehta opened a safe deposit locker with the Indiranagar Branch of Apex National Bank.

In October 2023, Mr. Mehta traveled to London for an overseas assignment and has been residing there since then. He contends that since he qualifies as a non-resident during the financial year 2025-26 as per the provisions of the Income-tax Act, GST should not be levied on the locker rental fees charged by Apex National Bank for the financial year 2025-26.



Examine the correctness of Mr. Mehta's contention.

Answer:

GST Implications on Locker Rental Fees for a Non-Resident Individual

Place of Supply (POS): Bengaluru, Karnataka (As per Section 13(8)(a) of the IGST Act, 2017)

Nature of Supply: Inter-State Supply (As per Section 7(5)(c) of the IGST Act, 2017)

Tax Liability: IGST is payable by Apex National Bank, Indiranagar Branch, Bengaluru.

Illustration 9

M/s Global Trade Solutions Pvt. Ltd., based in Guwahati, Assam, operates as an Indenting Agent. M/s Orion Textiles Ltd., headquartered in Dubai, UAE, supplies yarns as per the instructions of M/s Global Trade Solutions Pvt. Ltd. to buyers located in India and Sri Lanka.

M/s Orion Textiles Ltd. pays a commission to M/s Global Trade Solutions Pvt. Ltd., Guwahati, at a pre-determined percentage of the sales value. M/s Orion Textiles Ltd. (Dubai) is a foreign entity with no permanent establishment in India. The commission is received in foreign currency by M/s Global Trade Solutions Pvt. Ltd..

This commission receipt is not subject to any other tax liability in India.

Answer the below questions:

1. Is M/s Global Trade Solutions Pvt. Ltd. (Guwahati) liable to pay IGST on the commission received?
2. If yes, how is IGST calculated if USD 1,20,000 is received in April 20XX? Exchange Rate (As per Generally Accepted Accounting Principles - GAAP): ₹75.50 and Exchange Rate (As per RBI): ₹75.00

Applicable IGST Rate: 18%

3. Whether the IGST paid on commission is eligible for Input Tax Credit (ITC)?

Answer:

Place of Supply: Location of Supplier i.e., Guwahati, Assam (Taxable Territory) as per Section 13(8)(b) of the IGST Act, 2017.

Location of Supplier: M/s Global Trade Solutions Pvt. Ltd., Guwahati, Assam.

Since one of the conditions of Section 2(6) of the IGST Act, 2017 (i.e., the place of supply should be outside India) is not satisfied, the commission received does not qualify as an export of services.

1. Yes, IGST is payable. As per **Section 7(5)(c) of the IGST Act, 2017**, IGST is applicable since the place of supply is within India, but the recipient is outside India.
2. Exchange Rate (GAAP): ₹75.50 per USD is relevant in this scenario

Total Commission Value in INR: ₹75.50 × USD 1,20,000 = ₹90,60,000

IGST @ 18% on ₹90,60,000 = ₹16,30,800

3. Since M/s Global Trade Solutions Pvt. Ltd. is paying IGST as a forward charge (not under Reverse Charge Mechanism - RCM), it is not eligible to avail ITC on IGST paid on commission received.

Illustration 10

Ms. Ananya Kapoor, a renowned Interior Designer based in Bengaluru, Karnataka, provides her professional services to Elite Hospitality Group, an Indian hotel chain with its business establishment in Mumbai, Maharashtra.

The service pertains to the interior design and planning of a newly acquired luxury hotel property located in New York, USA.

Find the place of supply of service and the person liable to pay GST if any?

Answer

Relevant Provision: As per **Section 12(3)(a) of the IGST Act, 2017**, the **place of supply** for services related to **immovable property** is the **location of the property, provided that if property located in India. In the given case it is located outside India (New York). Hence, Place of supply is location of recipient (i.e, Mumbai, Maharashtra).**

Location of Supplier = Bengaluru, Karnataka.

It is Inter-state supply. IGST will be levied.

Illustration 11

Summit Enterprises Pvt. Ltd., a company headquartered in Mumbai, Maharashtra, acquires the business of Regal Industries Ltd. in Toronto, Canada.

To set up the interiors of the newly acquired business premises in Toronto, Summit Enterprises Pvt. Ltd. enters into a contract with DesignSphere Architects Pvt. Ltd., a renowned architectural firm based in Mumbai, Maharashtra, (registered person) for interior design and planning services.

Subsequently, the Central Tax Department issues a notice demanding GST on the transaction based on the Place of Supply of Services provisions.

Determine the Applicability of the Place of Supply provisions under IGST Act, 2017, for DesignSphere Architects Pvt. Ltd.

Whether GST is applicable on the services provided for a property located outside India.

Answer

Place of Supply (PoS): Mumbai, Maharashtra

Location of Supplier: Mumbai, Maharashtra.

CGST and SGST will be levied (sec. 8(2) of IGST subject to sec. 12).

From the above it is evident that the claim of the Central Tax Department is correct.



Illustration 12

Determine the Place of Supply of Service in Each of the Following Cases and Assess GST Applicability:

1. Mr. Rahul Sharma booked a single ticket for a round-trip flight on SkyWings Airlines, headquartered in London, UK. His travel itinerary covered the following route:
Bengaluru – Kochi – London – Kochi – Bengaluru, with no stopovers.
2. Mr. Karan Verma, a renowned stand-up comedian from Mumbai, Maharashtra, registered person organizes a stage show in Paris, France. To manage the event, he avails event management services from an agency based in Hyderabad, Telangana.

Answer:

Case 1:

Applicable Section: Section 13(10) of the IGST Act, 2017 states that the place of supply for passenger transportation services is the place where the passenger embarks for the continuous journey.

Place of Supply (PoS): Bengaluru, Karnataka (as it is the place of embarkation for the continuous journey).

GST Applicability: Air travel on international routes is exempt from GST, hence no GST is applicable on this transaction.

Case 2:

Applicable Section: Section 12(7) of the IGST Act, 2017 states that for services related to events, when the recipient is registered, the place of supply is the location of the recipient.

Place of Supply (PoS): Mumbai, Maharashtra (since the recipient, Mr. Karan Verma, is registered person in India).

GST Applicability: IGST is payable by the event organizer (service provider in Hyderabad) as per (Section 12(7) of the IGST).

Illustration 13

M/s PowerTech Solutions Pvt. Ltd., registered in the State of Maharashtra, is a supplier of repair and maintenance services for industrial equipment. The said company has provided repair and maintenance services to M/s Zenith Enterprises Ltd., a SEZ unit in Maharashtra. This transaction qualifies as an inter-State supply and is subject to IGST, despite both entities being located within the State of Maharashtra.

Answer:

The supply of repair and maintenance services for industrial equipment by M/s PowerTech Solutions Pvt. Ltd. to M/s Zenith Enterprises Ltd., a SEZ unit in Maharashtra, shall be considered a during inter-State supply, even though both entities are located within the same State.

As per Section 16 of the IGST Act, 2017, supplies made to a SEZ unit qualify as zero-rated supply, entitling the supplier to claim a refund of input tax credit or supply the services without payment of tax under the prescribed conditions.

Illustration 14

Mr Ajay, person registered in Pune, transports certain goods through M/s Global Logistics Pvt. Ltd., a GST-registered entity based in Pune, Maharashtra, provides air cargo transportation services to Ms. Aria Thompson, who resides in New York, USA. The transportation is facilitated through an air cargo operator, which is registered in Mumbai, Maharashtra.

Determine the place of supply for this transportation/courier service under the GST law, along with supporting legal provisions.

Answer:

In case of supply of services by way of transportation of goods, including by mail or courier, where the transportation of goods is to a place outside India, and where the supplier and recipient of the said supply of services is in India, if so, the place of supply of the said services is the place of destination of goods, in terms of the proviso to sub-section (8) of section 12 of IGST Act (prior to its omission w.e.f. **1st October 2023**).

Place of supply of service

1 Services by way of Transportation of goods including by mail or courier Provided to a registered person: Location of recipient of Service.

2 Provided to an un-registered person: Location at which such goods are handed over for their transportation.

Note: Provided that where the transportation of goods is to a place outside India, the place of supply shall be the place of destination of such goods. This provision has been omitted w.e.f. 1st October 2023.

In the given case, place of supply of service is Pune, Maharashtra. (location of the recipient).

Illustration 15

Determine the place of supply in the following independent cases:

I. Mr. Arvind Kapoor (Mumbai, Maharashtra) boards the Mumbai–Ahmedabad Express at Mumbai. During the journey, Mr. Kapoor sells goods he brought on board in Surat, Gujarat.

II. TechGizmos Pvt. Ltd. imports electric kitchen appliances from Germany for its retail store in Gurugram, Haryana. TechGizmos Pvt. Ltd. is registered in Haryana.

III. Mr. Raghav Mehta, a bank manager, is transferred from Indore, Madhya Pradesh, to Bengaluru, Karnataka. His family resides in Nagpur, Maharashtra. He hires Swift Movers & Logistics, based in Pune, Maharashtra (registered in Maharashtra), to transport his household goods from Nagpur to Bengaluru.



IV. Mr. Sameer Khanna, a resident of Chennai, Tamil Nadu, opens a savings account in the Chennai branch of Apex Bank after completing the KYC process. While on an official visit to Hyderabad, Telangana, he withdraws money from an Apex Bank ATM in Hyderabad, exceeding his free ATM withdrawal limit.

V. Mr. Karan Malhotra, an architect from Bengaluru, Karnataka, enters into a contract with Mr. Adam Richardson of London, UK, to provide professional services related to immovable properties owned by Mr. Richardson in Hyderabad, India, and London, UK.

Answer:

I. Place of supply is Surat, Gujarat. (i.e., goods have been taken on board in Surat).

II. Place of supply is Gurugram, Haryana (i.e., where the importer, TechGizmos Pvt. Ltd., is located).

III. Place of supply is Nagpur, Maharashtra (i.e., the location where the goods are handed over to Swift Movers & Logistics for transportation. Since the recipient is an unregistered person, the place of supply is determined based on the location of handing over the goods).

IV. Place of supply is Chennai, Tamil Nadu (i.e., the location of the recipient of the banking service in the records of Apex Bank).

V. Place of supply is Hyderabad, Telangana (i.e., the location in the taxable territory where one of the immovable properties is situated).

As per Section 13(4) read with Section 13(6) of the IGST Act, 2017, when services related to immovable property are provided at multiple locations, including a location in the taxable territory, the place of supply is the location in the taxable territory. Since in this case, the immovable properties are situated in both Hyderabad (India) and London (UK), the place of supply for architectural services is Hyderabad, Telangana (the location within the taxable territory).

Illustration 16

TechNova Pvt. Ltd., registered in Bengaluru, Karnataka, enters into a contract with VisionAds Ltd., an advertising agency located and registered in Noida, Uttar Pradesh, to arrange the display of an advertisement for TechNova's newly launched product on a hoarding placed in Connaught Place, New Delhi, for the first three months of the product launch.

VisionAds Ltd., in turn, enters into a contract with the owner of Metropolitan Grand Hotel, located and registered in Connaught Place, New Delhi, for the display of the advertisement on a hoarding placed in the hotel's premises.

Determine the place of supply of services provided in this case under GST law.

Answer:

In the given case, two supplies are involved:

(i) Services provided by VisionAds Ltd. to TechNova Pvt. Ltd. by way of arranging the display of the advertisement of its newly launched product.



(ii) Services provided by Metropolitan Grand Hotel to VisionAds Ltd. by way of placing a hoarding in the hotel's premises.

The place of supply in each of the above supplies is as follows:

(i) Services provided by VisionAds Ltd. to TechNova Pvt. Ltd.

As per Section 12(2)(a) of the IGST Act, 2017, the place of supply of services, except those specified in sub-sections (3) to (14) of Section 12, is the location of the recipient of services, if the recipient is a registered person.

The advertising services provided by VisionAds Ltd. to TechNova Pvt. Ltd. do not fall under any of the specific provisions mentioned in sub-sections (3) to (14) of Section 12 of the IGST Act, 2017. Therefore, the default rule under Section 12(2)(a) applies, which states that the place of supply shall be the location of the recipient. Thus, in this case, the place of supply is the location of TechNova Pvt. Ltd., i.e., Bengaluru, Karnataka.

(ii) Services provided by Metropolitan Grand Hotel to VisionAds Ltd.

When there is a supply (sale) of space or grant of rights to use a space on a hoarding/structure (immovable property) belonging to the vendor (hotel) to the client (advertising agency) for display of advertisements, the hoarding/structure erected on land is considered an immovable structure or fixture, as it is embedded in the earth.

As per Section 12(3)(a) of the IGST Act, 2017, the place of supply of services provided by way of sale of space on an immovable property or grant of rights to use an immovable property is the location where the immovable property (hoarding/structure) is situated.

Thus, in this case, the place of supply is the location of the hotel where the hoarding is placed, i.e., Connaught Place, New Delhi. ---

Illustration 17

Bright Ads Pvt. Ltd., a GST-registered advertising agency in **Haryana**, entered into the following transactions:

(i) It received ₹3,00,000 (exclusive of tax) from **Nova Agro Ltd.**, a registered company based in **Delhi**, for arranging the display of an advertisement on a hoarding.

(ii) To execute this arrangement, Bright Ads Pvt. Ltd. contracted with **Coastal Palace Hotel**, located in **Marine Drive, Mumbai (Maharashtra)**, and paid ₹1,50,000 (exclusive of tax) for use of space on the hotel's hoarding for advertisement display.

You are required to:

1. Determine the **place of supply** in both transactions.
2. Compute the **GST payable** under applicable heads for each supply.



Answer:

There are **two distinct supplies** involved:

(i) Supply by Bright Ads Pvt. Ltd. to Nova Agro Ltd.

- **Nature of Supply:** Advertisement service (arranging hoarding).
- **Recipient:** Nova Agro Ltd. (registered in Delhi).
- **Supplier:** Bright Ads Pvt. Ltd. (registered in Haryana).
- **Place of Supply:** As per **Section 12(2)(a)** of IGST Act, since the recipient is registered, place of supply = **location of recipient**, i.e., **Delhi**.
- **Type of Supply:** **Inter-State** → IGST applicable.

GST Computation:

Particulars	Amount (₹)
Value of supply	3,00,000
IGST @ 18%	54,000
Total Invoice Value	3,54,000

(ii) Supply by Coastal Palace Hotel to Bright Ads Pvt. Ltd.

- **Nature of Supply:** Granting right to use immovable property (hoarding space).
- **Supplier:** Coastal Palace Hotel (Maharashtra).
- **Recipient:** Bright Ads Pvt. Ltd. (Haryana).
- **Place of Supply:** As per **Section 12(3)(a)** of IGST Act, place of supply = **location of immovable property**, i.e., **Mumbai, Maharashtra**.
- **Type of Supply:** **Inter-State** → IGST applicable.

GST Computation:

Particulars	Amount (₹)
Value of supply	1,50,000
CGST @ 9%	13,500
SGST @ 9%	13,500
Total Invoice Value	1,77,000

Summary of GST Liability:

Transaction	Supplier Location	POS	Supply Type	GST Breakdown	Tax Amount
(i) Bright Ads to Nova Agro Ltd.	Haryana	Delhi	Inter-State	IGST @18%	₹54,000
(ii) Coastal Hotel to Bright Ads	Maharashtra	Maharashtra	Intra-State	CGST + SGST @9% each	₹13,500 + ₹13,500

Illustration 18

GambleZone Inc., a company incorporated in **Malta**, (Malta officially the Republic of Malta, is an **island country in Southern Europe**) operates an online money gaming platform. In **February 2025**, an Indian user, **Mr. Aniket**, residing in **Bangalore, Karnataka**, registered on the platform and deposited **₹20,000** (exclusive of GST if any) in his digital wallet for participating in online poker and betting tournaments hosted by the platform.

The platform provides access to games classified as “**online money gaming**”, which are now treated as **specified actionable claims** and hence covered within the definition of **goods** under **Section 2(52)** of the CGST Act, read with **Section 2(102A)**.

You are required to:

1. Determine the **place of supply** for the above transaction.
2. Explain how **GST applies** on such supplies made from outside India.
3. State the **tax liability** on the ₹20,000 deposited by Mr. Aniket.

Answer:

(1) Place of Supply:

As per **Section 11 of the IGST Act, 2017**, the **place of supply of goods imported into India** is the **location of the importer**.

Since **online money gaming** is treated as **goods** (being specified actionable claims), and Mr. Aniket (recipient) is located in **India**, the **place of supply = India (Bangalore, Karnataka)**.

(2) GST Applicability:

- Since this is a **supply of goods from outside India to an Indian resident**, it qualifies as an **import of goods**.
- The **supplier (GambleZone Inc.)**, though located outside India, is **required to obtain GST registration** in India under the **reverse OIDAR mechanism**, or through a **special registration route** for online money gaming.
- **IGST @ 28%** is applicable on the **full deposit amount** under **online money gaming provisions**, regardless of whether the gaming is won or lost.

(3) GST Computation on Deposit:

Particulars	Amount (₹)
Deposit by Mr. Aniket	20,000
IGST Rate	28%
IGST Amount	5,600
Total Value Collected	₹25,600

₹5,600 GST is payable by **GambleZone Inc.**, or the Indian representative, if appointed.



Conclusion:

- **Place of supply = Location of recipient = Bangalore, Karnataka**
- **GST @ 28%** applies on the entire amount deposited.
- **Foreign supplier** is liable to **register and pay GST in India** on online money gaming.

Illustration 19

Harmonia Entertainment Pvt. Ltd., owned by Aarav Mehta – a renowned classical singer – plans to organize the “Aarav Mehta Live Music Concert” in Bengaluru, Karnataka. Harmonia Entertainment Pvt. Ltd., which is registered under GST in Pune, Maharashtra, enters into a contract with an event management company, Spectra Events Pvt. Ltd., which is registered under GST in Hyderabad, Telangana, for organizing the concert at an agreed consideration of ₹12,50,000.

Spectra Events Pvt. Ltd. books the lawns of Grand Vista Hotel, Bengaluru (which is registered under GST in Karnataka) for hosting the music concert, for a lump sum amount of ₹5,50,000.

Harmonia Entertainment Pvt. Ltd. sets the ticket price for the concert at ₹4,800 per ticket, and 500 tickets are sold.

Applicable rate of CGST 9% SGST 9% and IGST 8%.

Determine the following:

1. CGST and SGST or IGST liability for the transactions involved.
2. Would the tax implications change if the ticket price is reduced to ₹400 per ticket?

Answer:

GST Analysis of Transactions Involved in the Music Concert

1. Services Provided by Harmonia Entertainment Pvt. Ltd. to Audiences (Admission to Music Concert)

Relevant Section: Section 12(6) of IGST Act, 2017

Place of Supply: The place where the event is held ,Bengaluru, Karnataka

Location of Supplier: Pune, Maharashtra

GST Calculation: 500 tickets × ₹4,800 per ticket = ₹24,00,000

IGST @ 18% on ₹24,00,000 = ₹4,32,000

If the ticket price is ₹400 per ticket, it qualifies for exemption under GST.

2. Services Provided by Spectra Events Pvt. Ltd. to Harmonia Entertainment Pvt. Ltd. (Organizing the Music Concert)

Relevant Section: Section 12(7) of IGST Act, 2017



Place of Supply: Location of the recipient (since recipient is a registered person), Pune, Maharashtra

Location of Supplier: Hyderabad, Telangana

GST Calculation: ₹12,50,000 × 18% IGST = ₹2,25,000

3. Services Provided by Grand Vista Hotel to Spectra Events Pvt. Ltd. (Accommodation for Organizing the Concert)

Relevant Section: Section 12(3)(c) of IGST Act, 2017

Place of Supply: Location of immovable property → Bengaluru, Karnataka

Location of Supplier: Bengaluru, Karnataka

GST Calculation:

CGST = ₹5,50,000 × 9% = ₹49,500

SGST = ₹5,50,000 × 9% = ₹49,500

6

Value of Supply Valuation (Advanced) [Study Material - Module 4]

Illustration 1

TechExpert Solutions Pvt. Ltd., registered in Bengaluru, Karnataka, supplies technical consultancy services to its clients. It has been providing technical services to Innovatech Ltd., Bengaluru, for the past two years. The consideration for services is settled assignment-wise.

On 10th February, 20XX, Innovatech Ltd. paid ₹45 lakh to TechExpert Solutions Pvt. Ltd. in exchange for an agreement that TechExpert Solutions will not provide similar technical services to any other business entity in India or abroad for a period of 8 years.

TechExpert Solutions Pvt. Ltd. believes that the amount of ₹45 lakh received is not chargeable to GST.

You are required to examine whether the view taken by TechExpert Solutions Pvt. Ltd. is legally valid. Also, calculate the GST liability, if any, considering that technical consultancy services provided by TechExpert Solutions Pvt. Ltd. are otherwise chargeable to GST at the rate of 18%.

Note: Innovatech Ltd. is not willing to pay any additional amount apart from the agreed consideration.

Answer:

As per Rule 35 of the CGST Rules, 2017, when the value of supply is inclusive of GST, the tax amount is calculated as follows:

Value of Taxable Supply:

Given that the amount received (₹60,00,000) is inclusive of GST, the value of taxable supply is determined as:

$$\text{Value of taxable supply} = (\text{₹}60,00,000 \times 100) \div 118 = \text{₹}50,84,746$$

GST Liability Calculation:

$$\text{CGST} = (\text{₹}60,00,000 \times 9) \div 118 = \text{₹}4,57,627$$

$$\text{SGST} = (\text{₹}60,00,000 \times 9) \div 118 = \text{₹}4,57,627$$

$$\text{Total GST Liability (CGST + SGST)} = \text{₹}9,15,254$$

Illustration 2

AeroTech Pvt. Ltd. provides you with the following particulars related to goods supplied to Ignis Enterprises Ltd. Find the transaction value for Aero Tech Pvt. Ltd.

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discounts)	₹90,000
Special packing at the request of the customer (charged separately)	₹6,500
Duty levied by the local authority on the sale of such goods	₹4,800
CGST and SGST charged in the invoice	₹17,200
Subsidy received from an NGO (Note: The price of ₹90,000 is after considering the subsidy)	₹6,000
Discount offered @3% on the list price of goods (recorded in the invoice)	₹2,700

Answer :

Statement Showing Value of Supply for AeroTech Pvt. Ltd.

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discounts)	₹90,000
Add: Special packing charges (charged separately)	₹6,500
Add: Duty levied by local authority on the sale of such goods	₹4,800
CGST and SGST charged in invoice	Not addable
Add: Subsidy received from an NGO	₹6,000
Less: Discount @3% on ₹90,000	(₹2,700)
Transaction Value (Value of Taxable Supply)	₹1,04,600

Illustration 3

Mr. Kunal Verma is the lawful owner of a residential building located in Hyderabad, Telangana. The property consists of four floors. Out of these, the first and second floors are self-occupied, while the third and fourth floors are let out for residential purposes.

Mr. Sanjay Kapoor (registered person), who is a tenant on the third floor, has surrendered his tenancy rights to Mr. Rohit Malhotra (un-registered person) for a tenancy premium of ₹7,00,000 on 1st October. Mr. Rohit Malhotra has paid the applicable stamp duty and registration charges for the transfer of tenancy rights.

Additionally, **Mr. Rohit Malhotra** will pay a **monthly rent of ₹65,000** to **Mr. Kunal Verma** starting from **October**.



You are required to determine the value of taxable supply for the month of October in the hands of Mr. Kunal Verma and Mr. Sanjay Kapoor under GST law.

Answer:

Determination of Value of Taxable Supply for the month of October:

Mr. Kunal Verma (Owner):

The rental income received from residential property is exempt from GST as per GST provisions. Therefore, the value of taxable supply in his case is nil.

Mr. Sanjay Kapoor (Outgoing Tenant):

The surrender of tenancy rights for a consideration of ₹7,00,000 is a taxable supply under GST law. Thus, the value of taxable supply in his case is ₹7,00,000.

Illustration 4

Mr. Rohan Malhotra, registered as a **regular taxpayer** under GST in **Bengaluru, Karnataka** since **July 2018**, had a **turnover of ₹2.5 crore** in the **previous financial year 2024-25**. He provides the following information regarding various **outward supplies** made during the month of **May 2025**:

Details of Outward Supplies for May 2025

Sr. No.	Particulars	Amount Charged (₹)
(i)	Services by way of storage/warehousing of raw vegetable fibers such as cotton, flax, jute, etc.	₹5,00,000
(ii)	Supply of an online mathematics journal to Elite International School for its secondary and higher secondary students.	₹2,50,000
(iii)	Composite supply of goods and services to Karnataka State Development Corporation, a Government Entity, by way of an activity in relation to functions entrusted to a Panchayat under Article 243G of the Constitution. The value of goods constituted 20% of the value of the composite supply.	₹1,80,000
(iv)	Sitting fees received for attending a committee meeting as an independent director from M/s. XYZ Ltd.	₹1,20,000
(v)	Insurance commission received as an insurance agent from ABC Insurance Company Ltd., registered under GST.	₹1,50,000
(vi)	Services provided to the State Government of Karnataka for conducting a fitness training program for its employees. 75% of the total expenditure incurred for the program was borne by the State Government.	₹1,75,000
(vii)	Honorarium received by Mr. Rohan Malhotra to appear as a guest anchor on a TV channel.	₹35,000
(viii)	Amount received for services provided to a recognized sports body as a commentator.	₹7,50,000

You are required to compute the total GST liability of Mr. Rohan Malhotra (i.e., tax payable by him) for the month of May 2025.

Additional Information:

All supplies are intra-state supplies.

The applicable tax rates are CGST @ 9% and SGST @ 9%.

The amounts provided above are exclusive of GST, wherever applicable.

Answer:

Statement Showing GST Liability of Mr. Rohan Malhotra for the Month of May 2025

Sr. No.	Particulars	CGST (₹)	SGST (₹)	Remarks
(i)	Storage/warehousing of raw vegetable fibers such as cotton, flax, jute, etc.	45,000	45,000	Taxable supply. Exemption for storage/warehousing of cotton in ginned and/or baled form withdrawn w.e.f. 18-07-2022. ($₹5,00,000 \times 9\% = ₹45,000$)
(ii)	Online journals to Elite International School (Secondary & Higher Secondary)	22,500	22,500	Taxable supply. ($₹2,50,000 \times 9\% = ₹22,500$)
(iii)	Composite supply of goods and services to Karnataka State Development Corporation (Government Entity) under Article 243G of the Constitution	16,200	16,200	Taxable supply. Exemption omitted w.e.f. 01-01-2022. ($₹1,80,000 \times 9\% = ₹16,200$)
(iv)	Sitting fees received for attending a committee meeting as an independent director from M/s. XYZ Ltd.	-	-	Taxable under Reverse Charge Mechanism (RCM)
(v)	Insurance commission received as an insurance agent from ABC Insurance Company Ltd.	-	-	Taxable under Reverse Charge Mechanism (RCM)
(vi)	Services provided to State Government of Karnataka for conducting a fitness training program for employees (75% of total expenditure borne by the State Government)	-	-	Exempt Supply (since 75% or more of the expenditure is borne by the State Government)



(vii)	Honorarium received for appearing as a guest anchor on a TV channel	3,150	3,150	Taxable supply of service. (₹35,000 × 9% = ₹3,150)
(viii)	Amount received for services provided to a recognized sports body as a commentator	67,500	67,500	Taxable supply of service. (₹7,50,000 × 9% = ₹67,500)
	Total GST Liability	₹1,54,350	₹1,54,350	Total Payable GST: ₹3,08,700

Illustration 5

EliteTech Solutions Pvt. Ltd. has provided the following details related to goods sold to Vibrant Enterprises Pvt. Ltd.:

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discounts)	₹75,000
Tax levied by Municipal Authority on the sale of such goods	₹6,500
CGST and SGST chargeable on the goods	₹15,180
Packing charges (not included in the list price above)	₹1,500

Additional Information: EliteTech Solutions Pvt. Ltd. received ₹3,000 as a subsidy from an NGO on the sale of these goods. The price of ₹75,000 is after considering this subsidy.

EliteTech Solutions Pvt. Ltd. offers a 2% discount on the list price, which is recorded in the invoice. Determine the value of taxable supply made by EliteTech Solutions Pvt. Ltd. under GST.

Answer:

Statement Showing Value of Taxable Supply for EliteTech Solutions Pvt. Ltd.

Particulars	Amount (₹)
List price of the goods (exclusive of taxes and discounts)	₹75,000
Tax levied by Municipal Authority on the sale of such goods	₹6,500
CGST and SGST chargeable on the goods	Not addable
Packing charges (not included in the list price above)	₹1,500
Add: Subsidy received from an NGO	₹3,000
Less: Discount @2% on ₹75,000	(- ₹1,500)
Transaction Value (Value of Taxable Supply)	₹84,500

Illustration 6

Vertex Solutions Pvt. Ltd., a registered supplier in Bengaluru, Karnataka, has supplied goods to Summit Traders and Everest Motors Pvt. Ltd., located in Chennai, Tamil Nadu, and Mysuru, Karnataka, respectively.

Vertex Solutions Pvt. Ltd. has furnished the following details for the **current month**:

S. No.	Particulars	Summit Traders (₹)	Everest Motors Pvt. Ltd. (₹)
(i)	Price of the goods (excluding GST)	30,000	22,000
(ii)	Packing charges	800	600
(iii)	Commission	600	500
(iv)	Weighment charges	1,500	1,200
(v)	Discount for prompt payment (Recorded in the invoice)	700	600

Additional Information:

Items (ii) to (v) have not been included while arriving at the price of the goods in point (i) above.

Assume all supplies are taxable. The supply made to Summit Traders is an inter-State supply, while the supply to Everest Motors Pvt. Ltd. is an intra-State supply.

Applicable GST rates: CGST @ 9% SGST @ 9% IGST @ 18%.

Compute the **GST liability (CGST & SGST or IGST, as applicable) of Vertex Solutions Pvt. Ltd.** for the given month.

Answer:

Statement Showing Value of Supply and GST Liability of Vertex Solutions Pvt. Ltd.

S. No.	Particulars	Summit Traders (₹)	Everest Motors Pvt. Ltd. (₹)	Working Note
(i)	Price of goods (excluding GST)	30,000	22,000	Excluding GST
(ii)	Add: Packing charges	800	600	Addable
(iii)	Add: Commission	600	500	Addable
(iv)	Add: Weighment charges	1,500	1,200	Addable
(v)	Less: Discount for prompt payment	(-700)	(-600)	Allowed as deduction
	Transaction Value (Taxable Supply)	32,200	23,700	
	IGST @18%	5,796	Nil	$32,200 \times 18\%$
	CGST @9%	Nil	2,133	$23,700 \times 9\%$
	SGST @9%	Nil	2,133	$23,700 \times 9\%$



Illustration 7

M/s Titan Machinery Pvt. Ltd., a manufacturer of heavy machines registered in Ahmedabad, Gujarat, supplied one machine to M/s. Orion Engineering Ltd., located in Surat, Gujarat, on 10-03-20XX, under an invoice of the same date.

Using the information provided below, compute the value of the machine and the GST payable (CGST & SGST or IGST, as applicable) in cash for the month of March, 20XX by M/s Titan Machinery Pvt. Ltd., with appropriate working notes.

Assume the following GST rates on the machine:

CGST @ 9%. SGST @ 9%. IGST @ 18%

Sl. No.	Particulars	Amount (₹)
(i)	Basic price of the machine (exclusive of taxes and discount)	₹32,00,000
(ii)	Trade discount allowed @3% on the basic price (shown in invoice)	₹96,000
(iii)	Secondary packing (in iron sheets) charges for safe transportation (on buyer's request)	₹40,000
(iv)	Design and engineering charges of the machine	₹1,10,000
(v)	Tax levied by Municipal Authority on the sale of the machine	₹30,000
(vi)	Subsidy received by the supplier from the State Government to encourage manufacturing	₹1,00,000
(vii)	Pre-delivery inspection charges paid to an independent agency (as per supply agreement, paid by Orion Engineering Ltd., on behalf of Titan Machinery)	₹28,000
(viii)	Interest paid by Orion Engineering Ltd. for delayed payment of the machine	₹15,000

Details of Input Tax Credit (ITC) on Inward Supplies:

Sl. No.	Particulars	Amount (₹)
(i)	IGST paid on food items for consumption by factory employees (Not eligible for ITC)	₹9,000
(ii)	SGST and CGST (₹18,000 each) paid on an electrical transformer used in the manufacturing process (Eligible for ITC)	₹36,000

Additional Information:

M/s Titan Machinery Pvt. Ltd. has no input tax credit balance at the beginning of March, 20XX. All other conditions necessary for availing eligible ITC have been fulfilled. There are no other transactions of supplies during the month of March, 20XX. M/s Titan Machinery Pvt. Ltd. and M/s Orion Engineering Ltd. are not related persons.

Answer:

Statement Showing Value of Supply and GST Liability of M/s Titan Machinery Pvt. Ltd. for March 20XX

Sl. No.	Particulars	Amount (₹)
(i)	Basic price of the machine (exclusive of taxes and discount)	₹32,00,000
(ii)	Less: Trade discount @3% (shown in invoice)	(- ₹96,000)
(iii)	Add: Secondary packing charges (in iron sheets)	₹40,000
(iv)	Add: Design and engineering charges of the machine	₹1,10,000
(v)	Add: Tax levied by Municipal Authority on the sale of the machine	₹30,000
(vi)	Subsidy received from the State Government	Not Addable
(vii)	Add: Pre-delivery inspection charges paid to an independent agency (paid by Orion Engineering Ltd.)	₹28,000
(viii)	Interest paid by Orion Engineering Ltd. for delay in payment (₹15,000 × 100/118)	₹12,712
	Transaction Value (Value of Taxable Supply)	₹33,24,712

GST Liability Calculation

Particulars	CGST @9% (₹)	SGST @9% (₹)	Working Notes
Tax Payable on Transaction Value	₹2,99,224	₹2,99,224	₹33,24,712 × 9%
Less: Input Tax Credit (ITC) on electrical transformer	(- ₹18,000)	(- ₹18,000)	ITC available on inputs used in manufacturing
Less: ITC on food items (Not Allowed)	Not Deductible	Not Deductible	ITC on food for employees is ineligible
Net GST Payable	₹2,81,224	₹2,81,224	

Total GST Payable for March 20XX:

CGST Payable: ₹2,81,224

SGST Payable: ₹2,81,224

Total GST Liability (CGST + SGST): ₹5,62,448

Illustration 8

M/s Velocity Motors Pvt. Ltd., a registered automobile dealer, sells a motor vehicle worth ₹25 lakh to a customer in the retail market. The payment is made as follows ₹6 lakh paid in cash and Balance amount of ₹19 lakh paid by cheque

Find the following:

(a) Is TCS under section 206C of the Income Tax Act, 1961 applicable in the given case?



- (b) Who is required to collect TCS?
- (c) What is the value of TCS, if applicable?
- (d) What is the value of taxable supply under section 15 of the CGST Act, 2017?
- (e) What is the Invoice Price of M/s Velocity Motors Pvt. Ltd.?

Note: Assume applicable **TCS @ 1%** and **GST @ 28%**.

Answer:

a) Applicability of TCS Under Section 206C of the Income Tax Act, 1961

Yes, TCS is applicable in the given case because the sale of a motor vehicle exceeding ₹10 lakh is subject to TCS @ 1% as per Section 206C(1F) of the Income Tax Act, 1961.

(b) Who is Required to Collect TCS?

As per Section 206C, the seller is required to collect TCS @ 1% from the purchaser while selling specified items (including motor vehicles) beyond the prescribed limit.

Thus, M/s Velocity Motors Pvt. Ltd. must collect the TCS from the customer.

(c) Calculation of TCS and (d) Value of Taxable Supply under Section 15 of CGST Act, 2017:

Particulars	Amount (₹)
Cost of Motor Vehicle (exclusive of taxes)	₹25,00,000
Value of Taxable Supply under CGST Act, 2017	₹25,00,000
TCS @ 1% on ₹25,00,000	₹25,000
Total Before TCS	₹25,25,000
GST @ 28% on ₹25,00,000	₹7,00,000
Invoice Price (Total Amount Payable by the Customer)	₹32,25,000

(e) Invoice Price of M/s Velocity Motors Pvt. Ltd.

The final invoice price, including GST and TCS, is ₹32,25,000.

Illustration 9

M/s Titan Industries Pvt. Ltd., a registered manufacturer in Andhra Pradesh, sent steel enclosures worth ₹65 lakh under a delivery challan to M/s Nova Engineering, a registered job worker in Andhra Pradesh, for job work on 15.02.20XX. The scope of job work included mounting the steel enclosures on an aluminum frame and sending the mounted panels back to M/s Titan Industries Pvt. Ltd.. The aluminum frame is to be supplied by M/s Nova Engineering.

M/s Nova Engineering has agreed to a consideration of ₹7 lakh for the entire mounting activity, including the supply of the aluminum frame. During the mounting process, metal scrap is generated, which M/s Nova Engineering sells for ₹60,000.



M/s Nova Engineering sent the mounted steel enclosures on the aluminum frame back to M/s Titan Industries Pvt. Ltd. on 08.11.20XX, within the same financial year.

Compute the GST liability of M/s Nova Engineering.

Provide a reasoned explanation for the inclusion or exclusion of the value of steel enclosures in the job charges for the purpose of GST payment by M/s Nova Engineering.

GST Rate for the Aluminum Frame: 28%.

GST Rate for Metal Scrap: 12%.

GST Rate for Job Work Services: 18%

Answer:

GST Calculation on Job Work Services:

Since M/s Nova Engineering is engaged in job work, the consideration for the job work (which includes mounting the steel enclosures on an aluminum frame) is ₹7,00,000.

GST Rate on Job Work Services: 18%

GST Calculation:

CGST @ 9% on ₹7,00,000 = ₹63,000

SGST @ 9% on ₹7,00,000 = ₹63,000

Total GST on Job Work Services = ₹1,26,000

GST Calculation on Sale of Metal Scrap:

During the mounting process, metal scrap is generated, which M/s Nova Engineering sells for ₹60,000.

GST Rate on Metal Scrap: 12%

GST Calculation:

CGST @ 6% on ₹60,000 = ₹3,600

SGST @ 6% on ₹60,000 = ₹3,600

Total GST on Sale of Metal Scrap = ₹7,200

Illustration 10

AquaTech Solutions Pvt. Ltd. is a supplier of water coolers. The company supplied water coolers to BlueWave Distributors for a consideration of ₹3,54,000 (inclusive of GST @18%).

Additionally, BlueWave Distributors provided some materials to AquaTech Solutions Pvt. Ltd. as part of the consideration, with a value of ₹12,000 (exclusive of GST).

Additional Information:



AquaTech Solutions Pvt. Ltd. has supplied the same type of goods to another buyer for a price of ₹3,57,600 (inclusive of GST @18%).

Determine the value of goods supplied by AquaTech Solutions Pvt. Ltd. to BlueWave Distributors as per the provisions of the CGST Act, 2017. What would be the answer if the price of ₹3,57,600 is not available at the time of supply to BlueWave Distributors? Explain briefly.

Answer:

Determination of Value of Goods Supplied as per Rule 27(a) of CGST Rules, 2017

As per **Rule 27(a) of the CGST Rules, 2017**, **Open Market Value (OMV)** is relevant when **the price is not the sole consideration** for a supply.

Open Market Value = ₹3,57,600 × (100/118).

OMV of supply in the hands of AquaTech Solutions Pvt. Ltd. = ₹3,03,051

Thus, the value of taxable supply for AquaTech Solutions Pvt. Ltd. in this case is ₹3,03,051.

(2) As per Rule 27(b) of the CGST Rules, 2017, when Open Market Value is not available, the sum total of consideration in money + the monetary value of non-monetary consideration is used for determining the value of supply.

Value of monetary consideration = ₹3,54,000 × (100/118) = ₹3,00,000. Value of materials provided by BlueWave Distributors = ₹12,000

Total Value of Supply = ₹3,00,000 + ₹12,000 = ₹3,12,000.

Illustration 11

SecureTrust Life Insurance Company Ltd. (STLICL) has collected insurance premiums from its subscribers. The company does not disclose the amount allocated for investment to subscribers at the time of premium collection.

During the month of October 20XX, SecureTrust Life Insurance Company Ltd. has recorded the following premium receipts:

S. No.	Particulars	Amount (₹)
1	Premium for only risk cover	₹30,00,000
2	Premium from new subscription	₹50,00,000
3	Renewal Premium	₹90,00,000
4	Single premium on annuity	₹1,20,00,000

All amounts are exclusive of tax. You are required to compute the value of supply by

SecureTrust Life Insurance Company Ltd. (STLICL) in accordance with GST laws.

Answer:

Taxable Value of Insurance Premiums for October 20XX

S. No.	Particulars	Taxable Value (₹)	Working Notes
1	Premium for only risk cover	₹30,00,000	Entire value is taxable
2	Premium from new subscription	₹12,50,000	25% of ₹50,00,000
3	Renewal Premium	₹11,25,000	12.5% of ₹90,00,000
4	Single premium on annuity	₹12,00,000	10% of ₹1,20,00,000

Total Taxable Amount: ₹65,75,000

Illustration 12

ZenChem Industries Pvt. Ltd., registered in Himachal Pradesh, has supplied 30 tons of a chemical at a rate of ₹55,000 per ton (excluding taxes) to Omkar Enterprises, also located in Himachal Pradesh, on 12th October, 20XX. The invoice for the supply was also issued on the same date.

Additionally, the following extra charges were levied on Omkar Enterprises:

Particulars	Amount (₹)
Freight Charges	₹2,00,000
Packing Charges	₹1,25,000
Weighing Charges	₹25,000
Cost of a special instrument purchased by ZenChem Industries Pvt. Ltd. for manufacturing the chemical	₹3,50,000

Additional Information:

As per the contract terms, ZenChem Industries Pvt. Ltd. is required to get the chemical inspected by an independent testing agency before delivery. The inspection charges of ₹15,000 were directly paid by Omkar Enterprises to the testing agency.

ZenChem Industries Pvt. Ltd. has also received ₹55,00,000 as a subsidy from the State Government for setting up a chemical manufacturing plant in Himachal Pradesh.

Omkar Enterprises was required to make the payment within 15 days of supply, as per the contract. However, payment was delayed until December 20XX, and ₹18,000 was paid as interest for the delay.

Compute the GST liability for this transaction. Determine the due date for GST deposit based on the date of supply.

Assume the GST rate to be 18%. ZenChem Industries Pvt. Ltd. and Omkar Enterprises are not related, and the price is the sole consideration for the supply.



Answer:

Statement Showing GST Liability of ZenChem Industries Pvt. Ltd.

Particulars	Amount (₹)	Tax Rate	GST Amount (₹)
Price of chemicals (₹55,000 × 30 tons)	₹16,50,000	-	-
Freight Charges	₹2,00,000	-	-
Packing Charges	₹1,25,000	-	-
Weighing Charges	₹25,000	-	-
Cost of Special Instrument Purchased	₹3,50,000	-	-
Inspection Charges (Paid directly by Omkar Enterprises)	₹15,000	-	-
Government Subsidy (Not Addable)	Nil	-	-
Total Value of Taxable Supply – October 20XX	₹23,65,000	-	-
CGST @ 9% on ₹23,65,000	-	9%	₹2,12,850
SGST @ 9% on ₹23,65,000	-	9%	₹2,12,850
Total GST Liability for October 20XX	₹23,65,000	-	₹4,25,700
Value of Taxable Supply (Interest for Late Payment in December 20XX) $₹18,000 \times (100/118) = ₹15,254$	₹15,254	-	-
CGST @ 9% on ₹15,254	-	9%	₹1,373
SGST @ 9% on ₹15,254	-	9%	₹1,373
Total GST on Interest Amount	-	-	₹2,746
Total CGST Payable	-	-	₹2,14,223
Total SGST Payable	-	-	₹2,14,223
Grand Total GST Payable	-	-	₹4,28,446

GST Payment Due Dates

Particulars	Time of Supply	Due Date of Deposit
GST liability of ₹4,25,700 for taxable supply made by ZenChem Industries Pvt. Ltd.	October 12, 20XX	November 20, 20XX
Interest amounting to ₹2,746	December, 20XX	January 20, 20XX

Illustration 13

TechMech Solutions Pvt. Ltd., a supplier of machinery registered in Jaipur, Rajasthan, has supplied machinery to Vertex Industries, located in Jodhpur, Rajasthan, on 5th May 2024. The invoice for the supply was also issued on 5th May 2024, making it the time of supply. TechMech Solutions Pvt. Ltd. and Vertex Industries are not related.

Particulars	Amount (₹)
Basic price of machinery (excluding all taxes but including design and engineering charges of ₹15,000 and loading charges of ₹25,000)	₹22,00,000
Warranty Provided: 2 years free warranty	Included in price

Extended one-year warranty opted by Vertex Industries	₹1,20,000
Consultancy charges for pre-installation planning	₹12,000
Freight and insurance charges (from place of removal to buyer's premises)	₹25,000
Subsidy received from the Central Government for supplying machinery to a backward region	(- ₹60,000) (Not Addable)
Additional amount received from a joint venture partner of Vertex Industries for ensuring timely supply	₹60,000
Cash Discount @1% on the basic price of machinery (discount granted as Vertex Industries agreed to pay within 30 days)	(- ₹22,000)

Compute the Value of Taxable Supply for TechMech Solutions Pvt. Ltd. as per GST provisions. Compute the CGST and SGST or IGST payable on the machinery, assuming:

CGST & SGST @ 9% each (for intra-state supply).

IGST @ 18% (for inter-state supply).

Answer:

Statement Showing GST Liability of TechMech Solutions Pvt. Ltd. (Jaipur, Rajasthan)

Particulars	Value (₹)	Working Note
Basic price of the machinery	₹21,78,000	₹22,00,000 – ₹15,000 – ₹25,000
Add: Design and engineering charges	₹15,000	Addable in transaction value
Add: Loading charges	₹25,000	Addable in transaction value
Add: Extended warranty	₹1,20,000	Addable in transaction value
Add: Consultancy charges	₹12,000	Addable in transaction value
Add: Freight and insurance charges (from place of removal to buyer's premises)	₹25,000	Addable in transaction value
Add: Additional amount received from Joint Venture partner of Vertex Industries	₹60,000	Addable in transaction value
Subsidy received from the Central Government	Not Addable	Not included in the transaction value
Sub-total	₹24,35,000	Total before discount
Particulars	Value (₹)	Working Note
Less: Cash Discount @1% on ₹21,78,000	(- ₹21,780)	Discount allowed as payment was made within 30 days
Transaction Value (Taxable Supply)	₹24,13,220	Final taxable value



GST Calculation

Tax Type	Rate	GST Amount (₹)	Calculation
CGST	9%	₹2,17,190	₹24,13,220 × 9%
SGST	9%	₹2,17,190	₹24,13,220 × 9%
Total GST Payable	18%	₹4,34,380	CGST + SGST

Illustration 14

Medisynth Pharma Ltd., a registered supplier of bulk drugs, is headquartered in Mumbai, Maharashtra. The company manufactures bulk drugs and supplies them in both domestic and international markets.

Bulk drugs are supplied within Mumbai and to the overseas market directly from the company's warehouse located in South Mumbai. For supplies to other States in India, Medisynth Pharma Ltd. has appointed consignment agents in each such State. However, supplies to Pune (Maharashtra) and Surat (Gujarat) are made directly from the South Mumbai warehouse. The bulk drugs for consignment agents are also sent from the South Mumbai warehouse.

Additionally, Medisynth Pharma Ltd. provides drug development services to drug manufacturers across India, including testing of new drugs in its laboratory located in Mumbai.

Details of Transactions for February 20XX

Particulars	Amount (₹)
Advance received for drug development services (to be provided to Genova Biotech Ltd., a drug manufacturer located in Mumbai) [Services provided in March 20XX, invoice issued on 31.03.20XX]	₹6,50,000
Advance received for bulk drugs (to be supplied to Biovista Pharmaceuticals, a wholesale dealer of drugs in Pune, Maharashtra) [Invoice issued at the time of delivery in April 20XX]	₹7,20,000
Supply of bulk drugs to wholesale dealers in Mumbai	₹72,00,000
Bulk drugs supplied to Helix Pharma Inc., USA under bond [Consideration received in convertible foreign exchange]	₹1,10,00,000
Drug development services provided to Invotek Ltd., a drug manufacturer located in Mumbai	₹7,20,000

Bulk drug consignments were sent to Sterling Pharma Pvt. Ltd., the agent of Medisynth Pharma Ltd. in Punjab and Quantum Medicos, the agent of Medisynth Pharma Ltd. in Gujarat. These agents supplied the drugs to medical stores in their respective states for ₹72,00,000 and ₹60,00,000

Bulk drugs were supplied to Mediwise Healthcare Pvt. Ltd., a wholesale dealer of bulk drugs in Pune, Maharashtra, for a consideration of ₹18,00,000. Medisynth Pharma Ltd. owns 60% of Mediwise Healthcare Pvt. Ltd. Open market value of the bulk drugs supplied = ₹36,00,000. Mediwise Healthcare Pvt. Ltd. is NOT eligible for full input tax credit (ITC).

Additional Information & GST Rates:

All amounts are exclusive of GST.

Applicable GST rates:

Category	CGST	SGST	IGST
Bulk Drugs	2.5%	2.5%	5%
Drug Development Services	9%	9%	18%

Determine the GST liability (CGST & SGST or IGST, as applicable) of Medisynth Pharma Ltd. for the month of February, 20XX. Apply the correct tax treatment for related party transactions and advance payments. Consider the impact of the agents supplying bulk drugs in other states.

Answer

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Working Note
Advance received for drug development services (to be provided to Genova Biotech Ltd., Mumbai)	58,500	58,500	Nil	$₹6,50,000 \times 9\%$
Supply of bulk drugs to wholesale dealers in Mumbai	1,80,000	1,80,000	Nil	$₹72,00,000 \times 2.5\%$
Bulk drugs supplied to Helix Pharma Inc., USA (Export of goods)	Nil	Nil	Nil	Exports under bond – no GST
Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Working Note
Supply of drug development services to Invotek Ltd., Mumbai	64,800	64,800	Nil	$₹7,20,000 \times 9\%$
Supply of bulk drugs to consignment agents – Sterling Pharma Pvt. Ltd. (Punjab) & Quantum Medicos (Gujarat)	Nil	Nil	5,94,000	$(₹72,00,000 + ₹60,00,000) \times 90\% \times 5\%$
Supply of bulk drugs to Mediwise Healthcare Pvt. Ltd. (Pune, Maharashtra) (Related Party Transaction – Open Market Value ₹36,00,000 applied)	1,80,000	1,80,000	Nil	$₹36,00,000 \times 5\%$
Total GST Liability for February 20XX	₹3,83,300	₹3,83,300	₹5,94,000	



Illustration 15

Regal Foods Pvt. Ltd., headquartered in **Bengaluru, Karnataka**, is a **manufacturer of cookies** under the brand name **“CrunchyBites.”** The company **supplies cookies to wholesalers and distributors across India** on a **FOR (Freight on Road)** basis from its **warehouse located in Bengaluru.**

For nationwide distribution, **Regal Foods Pvt. Ltd.** uses **multiple modes of transportation** to deliver cookies to its customers. The **transportation cost is shown separately as a line item on the invoice** and is **billed to customers with a 2% markup** on the total **freight cost (inclusive of taxes).**

The **flour used in the cookie production process** is procured from vendors in **Maharashtra** on an **ex-factory basis.** The company **engages Goods Transport Agencies (GTA)** to transport the **flour from vendor factories to its production facility in Bengaluru.** Regal Foods Pvt. Ltd. has provided the following **transportation data for the month of June 20XX:**

For sales within the Bengaluru Metropolitan Region (₹24,00,000), the company arranged a **local mini-truck owned by an individual** and paid **₹65,000** as freight charges. **For sales to distant States (₹1,90,00,000),** the company booked the goods via **Indian Railways** and paid **₹3,45,000** as rail freight.

For sales to neighbouring States (₹65,00,000), the company booked goods through **road carriers (GTAs)** and paid **₹4,20,000** as road freight. Out of these sales, goods worth **₹12,00,000** were transported by a **GTA that paid tax @ 12%.** The freight paid to this GTA amounted to **₹85,000.**

For the purchase of flour from Maharashtra (₹30,00,000), the company booked the transport through a **GTA** and paid **₹65,000** as freight charges.

For the purchase of butter from Tamil Nadu (₹18,00,000), the company booked the transport through a **GTA** and paid **₹42,000** as freight charges. **For the local purchase of baking powder,** the company booked the goods through a **GTA in a single carriage** and paid **₹2,000** as freight.

For transferring cookies (open market value - ₹5,00,000) to one of its sister concerns in Kerala, the company booked the transport through a **GTA** and paid **₹48,000** as freight.

Compute the GST payable by Regal Foods Pvt. Ltd. on the transportation services availed from different transporters.

Compute the GST charged on the transportation cost billed to customers. Assume the **GST rates: 5% for transportation of goods (except where any other rate is specified). 12% for cookies.**

Answer:

Computation of GST Payable on Amount Paid for Transportation Services Availed by Regal Foods Pvt. Ltd.

Particulars	Freight (₹)	GST Payable (₹)	Remarks
Supply of goods in a mini-truck (individual transporter)	₹65,000	Nil	Exempted supply
By Rail (Cookies transport)	₹3,45,000	₹17,250	Forward charge
By GTA (5% under Reverse Charge Mechanism - RCM)	₹3,35,000	₹16,750	RCM applicable
By GTA (12% - Forward Charge)	₹85,000	₹10,200	Forward charge applicable
By GTA (Flour transport)	₹65,000	₹3,250	RCM applicable
By GTA (Butter transport)	₹42,000	₹2,100	RCM applicable
By GTA (Baking powder transport - Single carriage)	₹2,000	Nil	Exempted supply
By GTA (Cookies transport to sister concern in Kerala)	₹48,000	₹2,400	RCM applicable
Total GST Payable by Regal Foods Pvt. Ltd. on transportation services	₹10,87,000	₹51,950	RCM & Forward Charge

Computation of GST Charged on Transportation Cost Billed by Regal Foods Pvt. Ltd. to Customers

Particulars	Freight Paid (₹) [A]	GST Paid on Freight (₹) [B]	Freight Billed (₹) (With 2% Mark-up on [A] + [B])	GST @ 12% on Freight Billed (₹)
Transportation of cookies via local mini-truck	₹65,000	Nil	₹66,300	₹7,956
Transportation of cookies by Indian Railways	₹3,45,000	₹17,250	₹3,70,905	₹44,509
Transportation of cookies by GTA (5% - RCM)	₹3,35,000	₹16,750	₹3,60,915	₹43,310
Transportation of cookies by GTA (12% - Forward Charge)	₹85,000	₹10,200	₹92,904	₹11,148
Total GST Charged by Regal Foods Pvt. Ltd. on transportation cost billed to customers	₹9,30,000	₹44,200	₹9,91,024	₹1,06,923

Total GST Payable on Freight Paid (RCM & Forward Charge): ₹51,950

Total GST Charged to Customers on Freight Billed: ₹1,06,923



Illustration 16

SwiftCommute Pvt. Ltd., based in Mumbai, Maharashtra, is a company engaged in providing passenger transportation services. The company discharges its GST liability under the 5% tax rate scheme. For the month of December 20XX, the total value of services rendered by SwiftCommute Pvt. Ltd. is ₹7,80,000.

The company has sub-contracted a portion of its services to MetroRide Cabs Pvt. Ltd., which is also engaged in passenger transportation services. The total value of sub-contracted services amounts to ₹1,50,000, and GST is charged at 12% on this sub-contracted service.

Determine the net GST liability of SwiftCommute Pvt. Ltd. (to be paid in cash) for the month of December 20XX.

Answer:

Statement Showing Net GST Liability of SwiftCommute Pvt. Ltd. for December 20XX

Particulars	Value (₹)	Working Note
GST on passenger transportation services provided by SwiftCommute Pvt. Ltd.	₹39,000	₹7,80,000 × 5%
Less: ITC on sub-contracted services from MetroRide Cabs Pvt. Ltd.	₹7500	150000 × 5% ITC on similar line of business is restricted for services taxed at 5% as per GST provisions
Net GST Liability Payable in Cash	₹31500	Full amount payable as ITC is not available

Illustration 17

Zenith Industries Pvt. Ltd. owns a manufacturing facility in Hyderabad, Telangana, and a distribution depot in Kochi, Kerala.

Since the Kochi Depot operates in a different state, it is required to obtain a separate GST registration, as it is considered a distinct person under Section 25(4) of the CGST Act, 2017.

The goods manufactured at the Hyderabad factory are transferred to the Kochi Depot, where they are subsequently sold as is.

Details of Goods Transferred and Sold

Particulars	Number of Units	Price at Factory (Per Unit) (₹)	Price at Depot (Per Unit) (₹)	IGST Rate (Ad Valorem)
Goods transferred from factory to depot (on 10th April 20XX)	1,200	₹250	₹270	18%
Goods actually sold at depot (on 22nd April 20XX)	900	₹270	₹300	12%

Determine the **value of taxable supply of goods** and the **IGST liability** for **Zenith Industries Pvt. Ltd., Hyderabad**.

Note:

The **Kochi Depot** is not availing input tax credit (ITC). Valuation should be done as per GST rules applicable to distinct persons.

Answer

Computation of Taxable Supply Value and IGST Liability for Zenith Industries Pvt. Ltd.

Particulars	Computation	Amount (₹)
Value of taxable supply of goods	$(₹270 \times 1,200 \text{ units}) \times 90\%$	₹2,91,600
IGST Liability (@18%)	$₹2,91,600 \times 18\%$	₹52,488

Illustration 18

Regent Industries Pvt. Ltd. owns a manufacturing facility in Chennai, Tamil Nadu, and a distribution depot in Coimbatore, Tamil Nadu.

Since the Coimbatore Depot operates in a different state, it is required to obtain a separate GST registration, as it is considered a distinct person under Section 25(4) of the CGST Act, 2017.

The goods manufactured at the Chennai factory are transferred to the Coimbatore Depot, where they are subsequently sold as is. The Coimbatore Depot avails Input Tax Credit (ITC) on these transfers.

Particulars	Number of Units	Price at Factory (Per Unit) (₹)	Price at Depot (Per Unit) (₹)	IGST Rate (Ad Valorem)
Goods transferred from factory to depot (on 5th May 20XX)	1,200	₹240	₹260	18%
Goods actually sold at depot (on 15th May 20XX)	900	₹260	₹290	12%

Determine the value of taxable supply of goods and the IGST liability for Regent Industries Pvt. Ltd., Chennai.

Note: The Coimbatore Depot is availing Input Tax Credit (ITC). Valuation should be done as per GST rules applicable to distinct persons.

Answer

Computation of Taxable Supply Value and IGST Liability for Regent Industries Pvt. Ltd.

Particulars	Computation	Amount (₹)
Value of taxable supply of goods	$1,200 \text{ units} \times ₹240 \text{ (Deemed Open Market Value)}$	₹2,88,000
IGST Liability (@18%)	$₹2,88,000 \times 18\%$	₹51,840



Illustration 19

Agrifine Exports Pvt. Ltd., a principal supplier of organic almonds, supplies them to its authorized agent, NutriTrade Distributors. The agent subsequently supplies organic almonds of similar kind and quality at a price of ₹6,800 per quintal on the date of supply.

Additionally, another independent supplier, FreshHarvest Agro Ltd., supplies organic almonds of like kind and quality to NutriTrade Distributors at a price of ₹6,200 per quintal. Determine the **value of taxable supply** in the hands of **Agrifine Exports Pvt. Ltd.** as per **Rule 29(a) of the CGST Rules, 2017**.

Answer: not

The value of taxable supply made by the principal shall be ₹6200 or where he exercises the option, the value shall be ₹6120 (i.e. 90% of 6800) per quintal.

Illustration 20

TechNova Systems Pvt. Ltd., a principal supplier of **laptops**, supplies them to its **authorized agent, DigitalTech Distributors**. **TechNova Systems Pvt. Ltd.** is incorporated in **Bengaluru, Karnataka**, while its agent is located in **Mysuru, Karnataka**.

On **10th December 20XX**, the **principal supplied laptops to the agent** for subsequent sales.

Particulars	Number of Units	Price at which Principal Supplies to Agent (₹ per unit)	Price at which Agent Supplies to Customers (not related) (₹ per unit)	Rate of GST (Ad Valorem)
Selling price on 10th December	1,200	₹Nil	₹25,000	18%
Laptops procured by agent from other independent supplier of like kind and quality on 10th December	N/A	N/A	₹23,000	N/A

Determine the value of taxable supply of goods and the GST liability in the hands of TechNova Systems Pvt. Ltd., Bengaluru.

Answer:

The value of taxable supply made by TechNova Systems Pvt. Ltd. shall be ₹23,000 per laptop or, if the principal opts for valuation under Rule 29(a) of the CGST Rules, 2017, the value shall be ₹22,500 per laptop (i.e., 90% of ₹25,000).

It is more economical to opt for 90% of the price charged for the supply of similar goods by the agent to his customer (not being a related person) on the date of supply.

The total taxable value of supply is ₹2,70,00,000 (i.e., ₹22,500 × 1,200 units).

The GST liability for TechNova Systems Pvt. Ltd., Bengaluru is:

CGST @ 9% on ₹270 lakh = ₹24,30,000

SGST @ 9% on ₹270 lakh = ₹24,30,000

Thus, the total GST liability is ₹48,60,000.

Illustration 21

Amit Technologies Pvt. Ltd. manufactures customized industrial components at its production facility in Karnataka. The cost of production for 1,500 units is ₹30,00,000.

These products require further processing before sale, and for this purpose, they are transferred from the Karnataka unit to another unit in Madhya Pradesh. The Madhya Pradesh unit, apart from processing its own products, also provides processing services for similar products manufactured by other businesses. These processed products are later sold to wholesalers.

There are no other manufacturing units in the neighboring area that engage in the same business as that of the Madhya Pradesh unit. However, another manufacturer located in Madhya Pradesh supplies similar industrial components in batches of 1,500 units. The price of such goods is ₹27,75,000.

Determine the value of 1,500 units transferred by Amit Technologies Pvt. Ltd. to its Madhya Pradesh unit as per the provisions of the CGST Act, 2017.

Answer:

In the given case, the open market value of the 1,500 units being supplied to the Madhya Pradesh unit is not available since the supplier manufactures customized industrial components.

Therefore, the value of 1,500 units supplied by the Karnataka unit of Amit Technologies Pvt. Ltd. to its Madhya Pradesh unit will be determined based on the value of goods of like kind and quality supplied to other customers in Madhya Pradesh, which is ₹27,75,000.

Further, if the Madhya Pradesh unit is entitled to avail full Input Tax Credit (ITC), the value declared in the invoice of the Karnataka unit will be deemed to be the open market value of the goods, as per the second proviso to Rule 28 of the CGST Rules, 2017.

Illustration 22

Compute the cost of production and valuation for the under mentioned product as per Rule 30 of the CGST Rules, 2017:

Particulars	Amount (₹)
Cost of material (inclusive of CGST & SGST @12%)	₹1,25,000
Direct wages	₹52,000
Other direct materials	₹15,750
Computer use for office purpose	₹45,000
Quality control test incurred for production process	₹19,500



Engineer charges paid for installation of machinery	₹14,300
Other factory overhead	₹30,500
Salary of staff appointed for office duty	₹92,000
Sale of scrap realized	₹2,200
Actual profit margin	18%
Administrative overhead (100% related to administrative work)	₹1,12,000
Selling and distribution overhead	₹35,000

Answer:

Statement Showing Transaction Value as per Rule 30 of the CGST Rules, 2017

Transaction Cost	Assessable Value (₹)	Remarks
Cost of material	₹1,11,607	₹1,25,000 × 100/112 (excluding GST)
Direct wages	₹52,000	Fully addable
Other direct materials	₹15,750	Fully addable
Computer use for office purpose	Nil	Not addable
Quality control test	₹19,500	Fully addable
Engineering charges for installation of machinery	Nil	Not addable
Other factory overheads	₹30,500	Fully addable
Salary of staff appointed for office duty	Nil	Not addable
Sale of scrap	(-₹2,200)	Deducted from cost
Total Cost of Production	₹2,27,157	Summation of all addable costs
Add: 10% Profit Margin	₹22,716	₹2,27,157 × 10%
Final Assessable Value	₹2,49,873	Value as per Rule 30

Illustration 23

XYZ Manufacturing Pvt. Ltd. has manufactured 1,500 units of a product. Out of these, 1,300 units have been cleared to a sister unit for further production of taxable goods on behalf of the assessee. The remaining 200 units are lying in stock.

Particulars	Amount (₹)
Direct material consumed (inclusive of IGST @18%)	₹2,50,000
Direct labour and direct expenses	₹1,75,000
Works overheads	₹45,000
Research and development costs	₹30,000
Administrative overheads (75% related to production)	₹90,000
Input received free of cost from sister units	₹40,000
Abnormal losses (not included above)	₹28,000
Advertisement and selling costs	₹40,000

VRS compensation to employee (not included above)	₹1,30,000
Realizable value of scrap/wastage	₹25,000

Compute the **transaction value** as per **Rule 30 of the CGST Rules, 2017** for GST purposes.

Answer:

Statement Showing Assessable Value for 1,300 Units as per Rule 30 of the CGST Rules, 2017

Transaction Cost	Assessable Value (₹)	Remarks
Material cost	₹2,11,864	₹2,50,000 × 100/118 (exclusive of IGST @18%)
Labour cost	₹1,75,000	Fully addable
Overheads	₹45,000	Fully addable
Research and Development	₹30,000	Fully addable
Administrative overheads (75% related to production)	₹67,500	₹90,000 × 75% (only production-related cost considered)
Input received from sister unit	₹40,000	Must be included in valuation
Abnormal loss	Nil	Not considered
VRS compensation	Nil	Not considered
Realizable value of scrap	(-₹25,000)	Deducted from cost
Total Cost of Production (for 1,500 units)	₹5,44,364	Summation of all addable costs
Transaction Value of 1,300 units	₹5,21,782	(₹5,44,364 × 1,300/1,500) × 110%

Illustration 24

Zoro Manufacturing Pvt. Ltd., a **manufacturer of taxable goods**, has provided the following cost details. Assuming **no opening or closing inventory**, compute the **transaction value as per Rule 30 of the CGST Rules, 2017** for GST purposes.

Cost of direct materials (inclusive of IGST @18%)* – ₹35,000

Cost of direct salaries (includes HRA of ₹15,000) – ₹40,000

Consumable stores and repairs – ₹10,500

Depreciation of machinery – ₹700

Quality control cost – ₹5,500

Research & Development cost – ₹3,200

Administrative cost:

Production related – ₹2,800

Project management related – ₹2,100

Interest and financial charges – ₹3,000



Cost incurred due to breakdown of machinery – ₹1,700

Amortised cost of moulds and tools received free of cost from the recipient of goods – ₹850

Selling and distribution cost – ₹5,500

Scrap value realised – ₹2,000

Note: *ITC of the IGST paid is availed.

Answer:

Statement Showing Assessable Value for Zoro Manufacturing Pvt. Ltd.

Particulars	Value (₹)	Working Note
Cost of direct materials	₹29,661	₹35,000 × 100/118 (excluding IGST @18%)
Cost of direct salary	₹40,000	Fully addable
Consumable stores and repairs	₹10,500	Fully addable
Depreciation of machinery	₹700	Fully addable
Quality control cost	₹5,500	Fully addable
Research & development cost	₹3,200	Fully addable
Administrative cost (Production-related)	₹2,800	Only production-related considered
Amortized cost of moulds and tools received free of cost	₹850	Must be included
Less: Scrap value realised	(-₹2,000)	Deducted from cost
Total Cost of Production	₹91,211	Summation of all addable costs
Add: 10% Profit Margin	₹9,121	₹91,211 × 10%
Final Transaction Value	₹1,00,332	Value as per Rule 30 of CGST Rules, 2017

Illustration 25

Global Forex Solutions Pvt. Ltd., registered in Mumbai, Maharashtra, operates as a money changer. The company has undertaken the following purchase and sale of foreign currency transactions:

1,500 US Dollars were purchased from Falcon Traders at the rate of ₹75 per US Dollar. RBI reference rate for the US Dollar on that day was ₹75.80.

2,500 US Dollars were sold to Avira Exports at the rate of ₹74 per US Dollar. RBI reference rate for the US Dollar was not available on that day.

Determine the value of supply in each of the above cases as per the provisions of CGST Rules, 2017, under:

1. Rule 32(2)(a) of the CGST Rules, 2017
2. Rule 32(2)(b) of the CGST Rules, 2017

**Answer:**

Determination of Value of Supply as per CGST Rules, 2017 for Global Forex Solutions Pvt. Ltd.

(A) Value of Supply under Rule 32(2)(a) of the CGST Rules, 2017**For the purchase of 1,500 USD from Falcon Traders:**

(RBI reference rate – transaction rate) × Amount in USD

Calculation: (₹75.80 – ₹75) × 1,500 USD

Therefore, Value of supply = ₹1,200

For the sale of 2,500 USD to Avira Exports:

1% of (Transaction rate × Amount in USD)

Calculation: 1% of (₹74 × 2,500 USD)

Value of supply = ₹1,850

(B) Value of Supply under Rule 32(2)(b) of the CGST Rules, 2017**For the purchase of 1,500 USD from Falcon Traders:**

Gross amount of currency exchanged: ₹75 × 1,500 = ₹1,12,500

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

Therefore, Value of supply = ₹1,125

For the sale of 2,500 USD to Avira Exports:

Gross amount of currency exchanged: ₹74 × 2,500 = ₹1,85,000

Since the amount exceeds ₹1,00,000 but is less than ₹10,00,000, the value of supply is ₹1,000 + 0.50% of (₹1,85,000 - ₹1,00,000).

Therefore, Value of supply = ₹1,425

Illustration 26

Skyway Travel Solutions Pvt. Ltd., an air travel agency, needs to determine its **GST liability** for the **quarter ended June 30, 2025**, based on the following details:

- **Basic air fare collected for domestic ticket bookings** – ₹60,00,000
- **Basic air fare collected for international ticket bookings** – ₹95,00,000
- **Commission received from airlines on domestic and international ticket sales** – ₹5,20,000
- **Year-end bonus received from airlines** – ₹75,000

Compute the **GST liability** of **Skyway Travel Solutions Pvt. Ltd.** for the quarter ended **June 30, 2025**. Additionally, determine whether the **GST liability would be reduced** if the company opts



for the **special provision for GST payment under Rule 32(3) of the CGST Rules, 2017.**

The applicable GST rate is **18%.**

Answer:

Statement Showing GST Liability of Skyway Travel Solutions Pvt. Ltd. for the Quarter Ending June 30, 2025

A) GST Liability Without Opting for Special Provision (Regular Method)

Total taxable supply of services = ₹5,95,000 (₹5,20,000 + ₹75,000)

GST @18% on ₹5,95,000 = ₹1,07,100

(B) GST Liability Under Special Provision (Rule 32(3) of CGST Rules, 2017)

Total taxable supply of services:

5% of Basic Domestic Airfare (₹60,00,000 × 5%) = ₹3,00,000

10% of Basic International Airfare (₹95,00,000 × 10%) = ₹9,50,000

Total = ₹12,50,000

GST @18% on ₹12,50,000 = ₹2,25,000

Since the GST liability is higher under the special provision, Skyway Travel Solutions Pvt. Ltd. should continue with the regular method for GST payment to minimize tax liability.

Illustration 27

Eterna Life Insurance Pvt. Ltd. (ELIPL) commenced its operations in the financial year 2025-26 (effective from April 1, 2025).

During the financial year 2025-26, Eterna Life Insurance Pvt. Ltd. (ELIPL) has charged a gross premium of ₹220 lakh from policyholders for life insurance policies. Out of this amount, ₹130 lakh has been allocated for investment on behalf of policyholders.

Compute the GST liability of Eterna Life Insurance Pvt. Ltd. (ELIPL) for the financial year 2025-26 under Rule 32(4) of the CGST Rules, 2017 in the following scenarios:

- I. If the amount allocated for investment has been intimated to policyholders at the time of providing the service.
- II. If the amount allocated for investment has not been intimated to policyholders at the time of providing the service.
- III. If the gross premium charged from policyholders is only towards risk cover.

Applicable GST Rate: 18%

Answer:

Computation of GST Liability for Eterna Life Insurance Pvt. Ltd. (ELIPL) for the Financial Year 2025-26

(i) If the amount allocated for investment has been intimated to policyholders at the time of providing the service Value of taxable supply = ₹90 lakh (i.e. ₹220 lakh - ₹130 lakh)

GST liability = ₹16.20 lakh (i.e. ₹90 lakh × 18%)

(ii) If the amount allocated for investment has not been intimated to policyholders at the time of providing the service

As per Rule 32(4) of the CGST Rules, 2017, 25% of the first-year premium is considered as the value of taxable supply.

Value of taxable supply = ₹220 lakh × 25% = ₹55 lakh

GST liability = ₹9.90 lakh (i.e. ₹55 lakh × 18%)

iii) If the gross premium charged from policyholders is only towards risk cover

Value of taxable supply = ₹220 lakh

GST liability = ₹39.60 lakh (i.e. ₹220 lakh × 18%)

Illustration 28

Evertrust Life Insurance Ltd. provides the following financial data for the month of July 2026. You are required to compute the GST payable by the company if it has opted to pay GST under Rule 32(4) of the CGST Rules, 2017.

Details of Premiums Collected:

General Policies: Total Premiums Collected: ₹15,500 lakhs (Out of which 1st Year Premium: ₹6,200 lakhs)

Only Risk Cover Policies: Premiums Collected: ₹650 lakhs

Variable Insurance Policies: Premiums Collected: ₹10,200 lakhs (80% of this amount is allocated for investments on behalf of policyholders, and policyholders are provided with a separate breakup in premium receipts.)

Compute the GST Liability if GST Rate: 18%

For all transactions, the location of the supplier and the place of supply are within the same State.

Answer:

Statement Showing GST Liability of Evertrust Life Insurance Ltd. for the Month of July 2026 under Rule 32(4) of the CGST Rules, 2017



Particulars	Value (₹ in lakhs)	Working Note
General Policies: 1st Year Premium	₹1,550	₹6,200 × 25%
General Policies: 2nd Year Premium	₹1,162.5	₹9,300 × 12.5%
Only Risk Cover Policies	₹650	Fully taxable
Variable Insurance Policies Premium	₹2,040	(₹10,200 – ₹8,160) (Excluding investment portion)
Total Taxable Supply of Service	₹5,402.5	Summation of all taxable values
CGST @9%	₹486.23	₹5,402.5 × 9%
SGST @9%	₹486.23	₹5,402.5 × 9%

Illustration 29

Elite Auto Traders Pvt. Ltd., a car dealership specializing in second-hand vehicles, purchases a used car from Mr. Arjun and subsequently sells the same car to Ms. Meera after performing minor refurbishments such as cleaning and repainting.

Purchase Price: ₹3,00,000

Sale Price: ₹3,75,000

Elite Auto Traders Pvt. Ltd. is not availing input tax credit (ITC) on the purchase of second-hand cars. Would your answer change if the second-hand car was sold for ₹2,75,000 instead?

Both the buyer (Ms. Meera) and seller (Elite Auto Traders Pvt. Ltd.) are located within the State of Maharashtra.

Compute the GST liability of Elite Auto Traders Pvt. Ltd. as per Rule 32(5) of the CGST Rules, 2017, by applying the margin scheme. Assume the applicable GST rate is 28%.

Answer:

Computation of GST Liability for Elite Auto Traders Pvt. Ltd.

As per Rule 32(5) of the CGST Rules, 2017, when a dealer selling second-hand goods does not avail input tax credit (ITC) on the purchase, GST is levied only on the margin (profit) earned.

Case 1: Sale Price ₹3,75,000

Purchase Price: ₹3,00,000.

Sale Price: ₹3,75,000

Margin (Profit Earned): ₹3,75,000 – ₹3,00,000 = ₹75,000

GST Liability (28% on Margin): ₹75,000 × 28% = ₹21,000

CGST @ 14% = ₹10,500. SGST @ 14% = ₹10,500

Thus, Elite Auto Traders Pvt. Ltd. has a total GST liability of ₹21,000 on the transaction.

Case 2: Sale Price ₹2,75,000

Purchase Price: ₹3,00,000

Sale Price: ₹2,75,000

Margin : ₹2,75,000 – ₹3,00,000 = (-₹25,000) (Loss Incurred)

Since the dealer has incurred a loss on the sale, there is no margin, and therefore, GST liability is Nil.

Illustration 30

Swift Auto Dealers Pvt. Ltd., a registered car dealership, sells new luxury cars at ₹15,50,000 each. The dealership runs a promotional offer allowing customers to exchange their old car when purchasing a new car.

One customer traded in their old car, which was valued at ₹3,25,000, as part of the exchange offer. Consequently, Swift Auto Dealers Pvt. Ltd. sold the new car to the customer at a final price of ₹12,25,000 after adjusting the exchange value.

The Central Tax Department has demanded GST to be paid on ₹15,50,000, arguing that it should be calculated on the full sale price of the new car. However, Swift Auto Dealers Pvt. Ltd. contends that GST should be levied only on the margin, i.e., ₹12,25,000, as per Rule 32(5) of the CGST Rules, 2017.

Analyze the correct tax treatment and determine whether the dealership's claim is valid under GST law.

Answer:

As per Rule 32(5) of the CGST Rules, 2017, the margin scheme applies only to dealers engaged in the buying and selling of second-hand goods, provided they do not avail input tax credit (ITC) on such purchases. In this case, Swift Auto Dealers Pvt. Ltd. is selling a new car, not a second-hand vehicle. Since the transaction involves a brand-new car, the provisions of Rule 32(5) do not apply.

The value of supply should be ₹15,50,000, which is the full price of the new car before adjusting the exchange value.

The Central Tax Department's view is correct, as GST should be charged on the total sale price of ₹15,50,000 rather than the net price after trade-in adjustments.

Illustration 31 (Q 154)

PixelPro Traders Pvt. Ltd., a registered GST dealer engaged in the business of second-hand goods, has supplied a used DSLR camera to a customer in Hyderabad for a sale price of ₹22,000.

The camera was originally **purchased for ₹14,000** from a **registered dealer located in Pune**, on which **CGST + SGST of ₹1,960 each** was charged (i.e., **GST rate on cameras is 28%**).



PixelPro Traders Pvt. Ltd. charged **IGST @ 28%** on this **inter-State supply**.

Compute the **net GST liability** in the following **independent scenarios**:

(a) If **input tax credit is availed**

(b) If **input tax credit is not availed**

Answer:

(a) Net GST liability when input tax credit is availed

Particulars	Value (₹)	IGST @28% (₹)	CGST ITC (₹)	SGST ITC (₹)	Net GST Payable (₹)
Sale price of used camera	22,000	6,160	—	—	—
Less: Input tax credit on purchase	—	—	(1,960)	(1,960)	—
Net GST liability	—	—	—	—	2,240

(b) Net GST liability when input tax credit is NOT availed

Particulars	Value (₹)	IGST @28% (₹)	Remarks
Margin (Sale price – Purchase price)	4,080	1,142.40	GST charged on margin under Rule 32(5) $22,000 - (14,000 \times 128\%) = 4,080$
Net GST liability	—	—	1,142

Illustration 32

Cedar Finance Bank Ltd., a registered financial institution, advanced a loan of ₹3.50 crore to Pioneer Equipment Pvt. Ltd. on 10th September 2025, which was used to acquire a specialized industrial machine. After Pioneer Equipment defaulted on repayment, Cedar Finance Bank Ltd. repossessed the machine on 5th February 2026. The bank subsequently sold the machine on 15th May 2026.

Determine the value of taxable supply of the machine in the hands of Cedar Finance Bank Ltd. under GST in these two independent scenarios:

- Case 1: Machine sold for ₹3,25,00,000
- Case 2: Machine sold for ₹2,95,00,000

The applicable rate of IGST is 18%.

Answer:

Determination of Purchase Value at Time of Disposal

Particulars	Amount (₹)	Working Note
Original Loan-financed Purchase Price	₹3,50,00,000	Loan amount advanced on 10 Sep 2025
Less: Depreciation @5% per quarter for two quarters (10%)	(₹35,00,000)	From 5 th Feb 2026 to 15 th May 2026
Purchase Value at Disposal	₹3,15,00,000	Final value used for margin calculation

Statement Showing Value of Taxable Supply and IGST Liability of Cedar Finance Bank Ltd.

Particulars	Case 1 (Sale ₹3,25,00,000)	Case 2 (Sale ₹2,95,00,000)	Working Note
Sale Price of Machine	₹3,25,00,000	₹2,95,00,000	—
Less: Purchase Value at Disposal	(₹3,15,00,000)	(₹3,15,00,000)	₹3,50,00,000 × 90% (5% per quarter for 2 quarters)
Margin (Taxable Value)	₹10,00,000	Nil	—
IGST @18%	₹1,80,000	Nil	₹10,00,000 × 18%

Illustration 33

NovaTech Electronics Pvt. Ltd., a registered dealer in consumer electronics, issued a gift voucher worth ₹3,500 on 10th January 2025. The voucher entitles the holder to purchase any item from NovaTech's product range. The voucher was redeemed on 18th January 2025, when goods valued at ₹2,100 were purchased. The applicable GST rate is CGST 9% and SGST 9%.

Determine for NovaTech Electronics Pvt. Ltd.:

- Time of supply
- Value of supply
- GST liability

Answer:

- The time of supply is 18 January 2025 — the date on which the gift voucher was redeemed.
- The value of supply is ₹2,100, being the invoice value of goods purchased on redemption.
- GST liability = CGST ₹189 (₹2,100 × 9%) + SGST ₹189 (₹2,100 × 9%) = **₹378**.

Illustration 34

Zenith Realty Pvt. Ltd., a **registered lessor of commercial office space**, has furnished the following particulars for the quarter ended **June 2025**:

- Annual rent for the office premises: ₹22,00,000
- Service charges collected by the building management and reimbursed by the tenant: ₹3,00,000
- Refundable security deposit collected : ₹7,50,000
- Property tax paid by the owner: ₹3,50,000.

Determine the **value of supply** and the **GST liability to be collected and remitted by Zenith Realty Pvt. Ltd.** (Assume GST Rate CGST 9% and SGST 9%)



Answer:

Statement Showing Value of Supply and GST Liability of Zenith Realty Pvt. Ltd.

Particulars	Amount (₹)	Remarks
Annual rent for office premises	22,00,000	Taxable supply
Service charges reimbursed by tenant	3,00,000	Taxable supply
Refundable security deposit		Not a consideration
Property tax paid and recovered		not part of taxable value
Total Taxable Supply Value	25,00,000	
Tax Component	Rate	Amount (₹)
CGST	9%	2,25,000
SGST	9%	2,25,000
Total GST Payable	—	4,50,000

Illustration 35

Apex Global Imports Pvt. Ltd., a **registered importer of industrial machinery**, has provided the following details for a recent import: Assessable value of the equipment: **US\$ 12,500**

Date of Bill of Entry: **15 March 2025** (exchange rate notified by CBIC: **US\$ 1 = ₹78**)

Date of Entry Inwards: **25 March 2025** (exchange rate notified by CBIC: **US\$ 1 = ₹79**)

Determine the **taxable value of the imported goods** under the Customs Act, 1962.

Answer

Statement Showing Taxable Value of Imported Goods for Apex Global Imports Pvt. Ltd.

Particulars	Value (₹)	Remarks
Assessable value (US\$12,500 × ₹78)	9,75,000	Exchange rate as on Bill of Entry date (15 March 2025) applicable under Section 14 of Customs Act, 1962

Illustration 36

Echelon Equipment Pvt. Ltd., a registered importer of industrial machinery in Pune, Maharashtra, engaged **LogiClear Consultants Pvt. Ltd.**, a licensed customs broker headquartered in Jaipur, Rajasthan, to handle all customs clearance formalities for a CNC milling machine imported from Germany.

LogiClear Consultants was also authorised to incur, on behalf of Echelon Equipment, all expenses necessary to clear the machine at Mundra Port, Gujarat, and transport it to Echelon's Pune warehouse. These expenses are reimbursable on an actual-cost basis, in addition to a separate agency fee for LogiClear's services.

In August 2025, LogiClear Consultants issued the following invoice (amounts exclusive of GST):

In **August 2025**, LogiClear Consultants issued the following invoice (amounts exclusive of GST):

- Agency fee: ₹6,50,000
- Unloading at Mundra Port: ₹75,000
- Transport from Mundra Port to Jaipur warehouse: ₹40,000
- Transport from Jaipur to Pune warehouse: ₹35,000
- Customs duty on machine: ₹6,00,000
- Dock dues: ₹65,000
- Port charges: ₹60,000
- Hotel expenses: ₹55,000
- Travel expenses: ₹60,000
- Telephone expenses: ₹3,000

Determine the value of supply made by LogiClear Consultants Pvt. Ltd. under GST.

Would the answer change if LogiClear billed a lump-sum fee of ₹15,00,000 (inclusive of all clearance and transport costs) instead?

Answer:

Statement Showing Taxable Supply of LogiClear Consultants Pvt. Ltd. for August 2025

Particulars	Amount (₹)	Remarks
Agency fee	6,50,000	Taxable supply
Unloading at Mundra Port		Pure agent expense – excluded
Transport (Mundra → Jaipur)		Pure agent expense – excluded
Transport (Jaipur → Pune)		Pure agent expense – excluded
Customs duty		Pure agent expense – excluded
Dock dues		Pure agent expense – excluded
Port charges		Pure agent expense – excluded
Hotel expenses	55,000	Taxable supply
Travel expenses	60,000	Taxable supply
Telephone expenses	3,000	Taxable supply
Total Taxable Supply Value	7,68,000	—

In case of Lump-Sum Consideration:

However, if LogiClear Consultants charges a single lump-sum fee of ₹15,00,000 (inclusive of all clearance and transport costs), the entire amount becomes the **taxable supply value**, since individual pure-agent expenses are no longer separately identified.



Illustration 37

Quanta Machinery Pvt. Ltd., headquartered in **Chennai, Tamil Nadu**, manufactures and supplies **automated cap-forming machines**. Its standard list price (exclusive of taxes) is **₹48,00,000**, although actual transaction prices may vary by $\pm 10\%$ based on contractual terms.

In addition to the machine's sale price, Quanta Machinery levies the following mandatory charges on every supply: **handling and loading fees of ₹12,500** and **installation & commissioning fees of ₹1,25,000**. Transport is arranged directly by the customer under a separate contract with a third-party logistics provider, with freight paid by the purchaser.

Quanta Machinery offers a **one-year warranty free of charge**, with an optional **three-year extended warranty for ₹3,75,000**. A **2% prompt-payment discount** applies if payment is made within **fourteen days** of delivery; late payments incur **interest at 1.25% per month** on the machine's price (excluding tax).

For each machine sold, Quanta Machinery receives a **corporate support grant of ₹2,50,000** from its parent company, Orion Holdings Ltd. On **12th September 2025**, Quanta Machinery supplied one cap-forming machine to **Delta Packaging Pvt. Ltd.**, invoiced at **₹46,00,000** (exclusive of taxes). Delivery was made to Delta's factory in **Pune, Maharashtra**, and Delta elected the three-year warranty option, received the prompt-payment discount, and settled the invoice on **12th December 2025**.

Applicable GST rates:

- Cap-forming machines – CGST 6% / SGST 6% (IGST 12%)
- Transportation – CGST 2.5% / SGST 2.5% (IGST 5%)
- Other services (installation, warranty) – CGST 9% / SGST 9% (IGST 18%)

Calculate the **GST payable (CGST & SGST or IGST as applicable)** on the supply of this machine by Quanta Machinery Pvt. Ltd., citing relevant legal provisions. Make suitable assumptions, wherever needed.

Answer:

Statement Showing Taxable Supply and IGST Liability of Quanta Machinery Pvt. Ltd. for May 2026

Particulars	Value (₹)	Remarks
Sale price of machine	46,00,000	Invoice value excl. taxes
Handling & loading charges	12,500	Mandatory add-on
Installation & commissioning charges	1,25,000	Mandatory add-on
Extended warranty charges	3,75,000	Optional service
Corporate grant received	2,50,000	Addable under Rule 28
Subtotal before discount	53,62,500	—
Less: Prompt-payment discount @2% on ₹46,00,000	(92,000)	

Taxable value of supply	52,70,500	—
IGST @12%	6,32,460	52,70,500 × 12%

Particulars	Value in ₹
Interest on delayed payment (calculated as ₹51,12,500 × 3.75%) = ₹1,91,719	1,91,719
Discount recovered	92,000
Sub-total	2,83,719
GST 12% / 112 x 2,83,719	30,398

Therefore, the total IGST on these additional supplies (interest plus discount recovery) is ₹30,398. Adding this to the IGST on the primary supply of ₹6,32,460 gives a **grand total IGST payable of ₹6,62,858**.

Illustration 38

Archeo Industrial Ltd., a registered manufacturer of high-end industrial ventilators, sells its products exclusively through a network of distributors nationwide. Each ventilator bears a **maximum retail price of ₹12,000**, but is supplied to distributors at **₹8,500 per unit (exclusive of taxes)**. The applicable GST rate is **18%**.

Stock is dispatched quarterly — shipments for each quarter leave in the second week of the preceding month — although additional orders are fulfilled as needed. Packing charges of **₹1,200 per unit** are levied on distributors.

Archeo Industrial offers a **12% volume discount per unit** if a distributor sells **600 units** in the prior quarter (discount applies to the supply price exclusive of charges and taxes).

On **1 April**, Archeo Industrial appointed **Quantum Distributors** and dispatched **800 ventilators** on **7 April** as the April–June stock. Quantum placed an order for **1,200 units** for the July–September quarter; these were dispatched on **9 June**, received on **17 June**, and paid for on **28 June**, with Quantum claiming full input tax credit. Quantum reported sales of **750 units** in April–June and **900 units** in July–September.

Applying Section 15 of the CGST Act, 2017, determine the **taxable value** of ventilators supplied by Archeo Industrial Ltd. to Quantum Distributors during the Quarter July–September.

Answer:

Statement Showing Taxable Value of Supply for Archeo Industrial Ltd. (July–September 2025)

Particulars	Value (₹)	Working Note
Supply of ventilators	1,02,00,000	1,200 units × ₹8,500
Add: Packing charges	14,40,000	1,200 units × ₹1,200
Less: Volume discount	(12,24,000)	12% of ₹1,02,00,000
Taxable value of supply	1,04,16,000	—



Illustration 39

M/s GK Developers Ltd. (hereinafter referred to as “the Developer”) entered into a Joint Development Agreement (JDA) with Mr. Nagarajan (the Landowner) on **31st May 2024**, wherein **Transferable Development Rights (TDRs)** in respect of a plot of land were granted to the Developer. However, the **ownership of land remained with Mr. Nagarajan**, i.e., only **license to occupy land** was granted.

Subsequently, a **Supplementary Agreement (Conveyance Deed)** was executed on **15th June 2024**, wherein **10 residential flats** were to be constructed by the Developer, out of which **4 units (i.e., 40%)** would be allotted to the Landowner.

All units pertain to **non-affordable residential housing**, and **no bookings were made before the issuance of the Completion Certificate**.

Answer the following:

(a) Is the Transfer of Development Rights (TDRs) a taxable supply under GST? If yes, who is liable to pay GST and what is the time of supply?

(b) Is GST payable on the residential flats allotted to the Landowner under the JDA? If yes, what is the time of supply?

(c) What is the GST implication and time of supply for flats sold by the Developer to independent buyers after the Completion Certificate?

(d) Rework the scenario assuming the TDRs are permanently and irrevocably transferred by the Landowner (i.e., sale/transfer of land). Is GST applicable on such transfer of TDRs?

Answer:

(a) Yes, the **transfer of development rights (TDRs)** by Mr. Nagarajan (Landowner) in favour of the Developer is a **taxable supply of service** under GST.

- As per **Notification No. 13/2017-Central Tax (Rate)**, GST on TDR is payable by the **Developer (Promoter)** under **Reverse Charge Mechanism (RCM)** [Section 9(3) of CGST Act, 2017], if the Developer is not paying GST on construction service for the units transferred to the Landowner.
- **Time of Supply:** As per **Notification No. 6/2019-CTR dated 29-03-2019**, the time of supply for TDR shall be:

Date of Completion Certificate or First Occupation, whichever is earlier.

(b) Yes, the **transfer of constructed flats** by the Developer to the Landowner in exchange for TDRs is considered a **taxable supply of construction service** under GST.

- Since the flats are **handed over before the issuance of the Completion Certificate**, the transaction is liable to GST.
- **Time of Supply:** As per the valuation and timing rules under GST:

Date of Completion Certificate or First Occupation, whichever is earlier.

(c) Flats sold to other buyers **after obtaining the Completion Certificate** do **not qualify as supply** under GST law.

- As per Schedule II of CGST Act, 2017, construction of a building intended for sale is a supply of service **only if sold before completion**.
 - Therefore, **no GST is applicable** on such post-completion sales.
- (d) If the Landowner permanently and irrevocably transfers the ownership of land (including TDRs) to the Developer, it constitutes a transfer of immovable property.**
- As per **Entry 5 of Schedule III of CGST Act, 2017**, sale of land is **neither a supply of goods nor a supply of service**.
 - Hence, such transfer is **not taxable under GST**.

Conclusion:

In a JDA, GST applicability hinges on the timing of transfer and the nature of consideration (TDR or monetary). While flats transferred before completion attract GST, sale post-completion is outside GST scope. TDRs granted without transferring land ownership invoke RCM liability on the promoter.

Illustration 40

Nexa Constructions Pvt. Ltd., a **registered real estate developer**, has provided the following particulars for individual residential units built as part of its multi-city apartment projects during the quarter July–September 20XX:

Flat type	Carpet Area (sq.ft.)	Sale Price (₹)	Consideration Received
A	2,100	1,25,00,000	Part of the consideration is received before issuance of the completion certificate by the competent authority. The project includes commercial apartments having carpet area not more than 15% of the total carpet area of all apartments.
B	2,250	1,15,00,000	-do-
C	2,700	1,20,00,000	-do-
D	2,600	1,10,50,000	Entire consideration received before issuance of completion certificate by the competent authority. Commercial apartments having carpet area of more than 15% of total carpet area of all apartments.
E	2,300	1,12,00,000	-do-
F	1,750	90,00,000	-do-
G	2,000	1,05,00,000	Entire consideration received after completion certificate

Under its affordable housing scheme (started April 2021), Nexa built **forty low-income units** (carpet area 65 sq m) at **₹50,00,000 each**, with no input tax credit claimed.

Additional project receipts for the same period were:



Building Type	Amount Charged (₹)	Consideration Received
Multi-level Parking (Local Authority)	3,50,00,000	Part of consideration received before completion certificate
Office Complex	14,00,00,000	Entirely Before completion certificate
Retail Mall	32,50,00,000	Entirely After completion certificate

Calculate the **GST liability** for Nexa Constructions Pvt. Ltd. for the quarter July–September 20XX. Assume applicability of GST uniformly @5%.

Answer:

Statement Showing Taxable Value and GST Liability of Nexa Constructions Pvt. Ltd. for July–September 20XX.

Flat Type	Taxable Value (₹)	GST Rate	CGST (₹)	SGST (₹)	Remarks
A	1,25,00,000	5%	6,25,000	6,25,000	Consideration received before completion certificate
B	1,15,00,000	5%	5,75,000	5,75,000	“
C	1,20,00,000	5%	6,00,000	6,00,000	“
D	1,10,50,000	5%	5,52,500	5,52,500	Entire consideration received before completion certificate
E	1,12,00,000	5%	5,60,000	5,60,000	“
F	90,00,000	5%	4,50,000	4,50,000	“
G	—	—	—	—	Not taxable (received after completion certificate)
Affordable Housing (40 units)	—	—	—	—	Exempt supply
Multi-level Parking	3,50,00,000	5%	17,50,000	17,50,000	Consideration received before completion certificate
Office Complex	14,00,00,000	5%	70,00,000	70,00,000	Entire consideration received before completion certificate
Retail Mall	—	—	—	—	Not taxable (received after completion certificate)
Total GST Payable	₹23,22,50,000	—	₹121,12,500	₹121,12,500	

7

Input Tax Credit (Advanced) [Study Material - Module 5]

Illustration 1

Alpha Manufacturing Pvt. Ltd., engaged in the manufacture of taxable goods, is to compute its Input Tax Credit for the month of **November, 20XX** from the following particulars:

Inward Supplies	GST (₹)	Remarks
Inputs "A"	120,000	One invoice on which GST payable of ₹12,000 is missing
Inputs "B"	60,000	Supplies to be received in two instalments; first instalment received in November, 20XX
Capital Goods	140,000	Capitalized at full invoice value (inclusive of GST) to avail depreciation on full value
Input Services	250,000	One invoice dated 15-Feb-20XX (previous year) with GST payable of ₹55,000 received in November, 20XX

Notes:

1. All conditions necessary for availing ITC have been fulfilled.
2. Alpha Manufacturing Pvt. Ltd. is not eligible for any threshold exemption.
3. The annual return for the previous financial year was filed on **30th September, 20XX**.

Answer:

Computation of ITC available with Alpha Manufacturing Pvt. Ltd. for November, 20XX

Inward Supplies	GST (₹)	Working Note	ITC Allowed (₹)
Inputs "A"	120,000	Missing invoice GST ₹12,000 → 120,000 – 12,000	108,000
Inputs "B"	60,000	ITC allowable only upon receipt of all instalments (first instalment only received)	0
Capital Goods	140,000	ITC not allowed since depreciation claimed on full invoice value (Sec. 16(3))	0
Input Services	250,000	Invoice dated 15-Feb-20XX (GST ₹55,000) received after annual return filing (Sec. 16(4)) → 250,000 – 55,000	195,000
		Total ITC Allowed	303,000



Illustration 2

A registered supplier of taxable goods supplied merchandise valued at ₹3,50,000 (inclusive of CGST ₹17,500 and SGST ₹17,500) to **Delta Industries Ltd.** under forward charge on **20-09-20XX**, issuing the tax invoice on the same date. The goods were received by Delta Industries Ltd. on **20-09-20XX**, and it claimed input tax credit of ₹35,000 on **23-09-20XX**.

However, Delta Industries Ltd. failed to make payment towards the supply, including the applicable tax, to the supplier within the stipulated time. Discuss the eligibility of Delta Industries Ltd. to avail Input Tax Credit on this transaction and the consequences of such non-payment.

Also, discuss the ITC provisions applicable if Delta Industries Ltd. makes a part payment of ₹2,50,000 to the supplier on 23-09-20XX (next year).

Answer:

Payment of the value of goods along with the applicable tax to the supplier is not a pre-condition at the time of availing input tax credit. However, Delta Industries Ltd. must make such payment within 180 days from the date of issue of the tax invoice, i.e., from 20-09-20XX, as per the second proviso to section 16(2) of the CGST Act, 2017, read with Rule 37 of the CGST Rules, 2017.

If Delta Industries Ltd. fails to make the payment within the stipulated period, the ITC of ₹35,000 will be added back to its output tax liability along with interest at 18% p.a., calculated from the date of utilisation of credit till the date on which the amount is added to the output tax liability and discharged.

Further, if the supplier is not paid at all, then subject to the provisions of section 126, a general penalty up to ₹25,000 may also be imposed on Delta Industries Ltd. under section 125 of the CGST Act, 2017, for such contravention.

Delta Industries Ltd. makes a part payment of ₹2,50,000 on 23-09-20XX (next year), after the expiry of 180 days, it can proportionately claim ITC to the extent of paid consideration.

Illustration 3

AutoSphere Pvt. Ltd. is an authorised dealer engaged in the sale of premium vehicles of an international automobile brand. In addition, the company also provides repair and maintenance services for both the vehicles it sells and for other brands.

It seeks your advice regarding the eligibility of input tax credit (ITC) on the following business expenses incurred during its operations:

- I. Vehicles purchased from the manufacturer for the purpose of resale. However, two such vehicles were destroyed in accidents while being taken for test drives by potential buyers.
- II. Works contract services availed for construction of a dedicated car washing shed within the business premises.

Answer:

The availability of Input Tax Credit (ITC) on the expenses incurred by AutoSphere Pvt. Ltd. is discussed below:

(i) Vehicles purchased for resale:

ITC on vehicles purchased from the manufacturer for the purpose of further supply (resale) is allowed, as such inward supply falls under the exception to the blocked credit under section 17(5)(a) of the CGST Act, 2017.

However, ITC on vehicles destroyed during test drives will not be allowed, as credit on goods lost, stolen, destroyed, written off, or disposed of by way of gift or free samples is expressly restricted under section 17(5)(h) of the CGST Act.

(ii) Works contract services for constructing a car washing shed:

Since the car washing shed does not qualify as 'plant and machinery', and the works contract service is not used for further supply of works contract service, the ITC on such construction-related service is blocked under section 17(5)(c) of the CGST Act, 2017.

Illustration 4

With reference to the provisions of Section 17 of the CGST Act, 2017, examine the availability of Input Tax Credit (ITC) under the CGST Act, 2017 in the following independent scenarios:

- I. Nova AutoTech Ltd., a leading automobile manufacturer, has availed works contract services for the construction of a foundation meant for permanently mounting a machinery that will be used in the production line.
- II. UrbanCore Projects Pvt. Ltd. procured cement, paint, iron rods, and engaged architects and interior designers for the construction of a commercial complex on behalf of a client under a contractual agreement.
- III. Glidewell Industries Ltd. availed maintenance and repair services from SpeedTorque Motors for a truck used for transporting its finished goods.

Answer:

- (i) ITC is available to Nova AutoTech Ltd. in respect of the works contract service availed for the construction of a foundation for machinery, since the same is used for the installation of plant and machinery. This input is not blocked under Section 17(5)(c) of the CGST Act, 2017.
- (ii) In the case of UrbanCore Projects Pvt. Ltd., the goods and services have been used for the construction of immovable property for a client, i.e., not on its own account. Therefore, ITC is allowable as the restriction under Section 17(5)(d) applies only to construction on own account and not when it is for others in the course of further supply of works contract service.
- (iii) ITC on maintenance and repair services availed from SpeedTorque Motors for a truck used for transporting finished goods is allowed to Glidewell Industries Ltd., since the vehicle is used in the course of business and is not covered under the blocked credits of Section 17(5)(a)(ii).



Illustration 5

Advise on the availability of Input Tax Credit (ITC) under the CGST Act, 2017 in the following independent scenarios:

- (i) TranzEdge Industries Ltd. purchased a mini bus with a seating capacity of 16 persons for the purpose of transporting its employees between their homes and the company's corporate office.
- (ii) Ceramax Tiles Pvt. Ltd., a manufacturing enterprise, acquired two heavy-duty trucks for transportation of its finished goods from its production facility to dealers situated across various states in India.
- (iii) Autovogue Motors, a luxury automobile dealership based in Vasant Vihar, New Delhi, purchased five premium sedans (Skoda VRS) intended for onward sale to customers.
- (iv) Orion Freight Movers Pvt. Ltd. availed outdoor catering services to operate a factory canteen, which it is mandatorily required to maintain under the Factories Act, 1948.

Answer:

- (i) Since the mini bus purchased by TranzEdge Industries Ltd. has a seating capacity of 16 persons, the restriction under Section 17(5)(a)(i) of the CGST Act, 2017 does not apply, as the blocking of credit is only for motor vehicles used for passenger transportation with seating capacity ≤ 13 persons.

Therefore, ITC is allowed on the mini bus.

- (ii) ITC on motor vehicles used for transportation of goods is not restricted under the CGST Act. Hence, the trucks purchased by Ceramax Tiles Pvt. Ltd. for transporting its finished goods to various dealers are used in the course of business, and ITC is fully allowed.

- (iii) Autovogue Motors, being engaged in the business of car sales, has purchased the five Skoda VRS cars for the purpose of further supply. Under Section 17(5)(a)(A), motor vehicles acquired for resale are eligible for ITC, regardless of their seating capacity.

Therefore, ITC on such cars is allowed.

- (iv) As per Section 17(5)(b)(i), ITC on outdoor catering services is blocked, unless such services are mandated under any law. Since Orion Freight Movers Pvt. Ltd. is required to provide a canteen under the Factories Act, 1948, the ITC on outdoor catering services is allowed.

Illustration 6

Zenith Stationery Pvt. Ltd., a registered supplier, made the following **taxable supplies** to its customer, **Mr. Karan**, during the **quarter ending 30th June, 20XX**:

Date	Invoice No.	Description	Invoice Value (incl. GST ₹)
4th April 20XX	1102	Spiral Notebooks (10 units)	₹1,500
12th May 20XX	1197	Art Sheets (4 units)	₹750
21st May 20XX	1230	Wax Crayons (2 packs)	₹600

3rd June 20XX	1254	Poster Paints (5 packs)	₹1,050
25th June 20XX	1304	Pencil Kits (4 sets)	₹850

Goods mentioned in Invoice Nos. 1102, 1230, and 1254 were returned by Mr. Karan.

Advise whether Zenith Stationery Pvt. Ltd. can issue a consolidated credit note for the returned goods.

Answer:

As per the provisions of the CGST Act, 2017, a registered supplier is permitted to issue one or more credit notes to the recipient in respect of supplies made in a financial year, provided the credit notes contain the prescribed particulars.

Therefore, a supplier may issue a consolidated credit note for multiple invoices issued in the same financial year, without the requirement to link each credit note individually to a specific invoice.

Accordingly, Zenith Stationery Pvt. Ltd. can issue a single (consolidated) credit note for the goods returned by Mr. Karan against Invoice Nos. 1102, 1230, and 1254.

Illustration 7

M/s **BuildPro Infrastructure Solutions Pvt. Ltd.**, a registered supplier, supplies the following goods and services for construction of buildings and infrastructure projects—

- Excavators for the required period at a per-hour rate
- Manpower for operation of the excavators at a per-day rate
- Soil-testing and seismic evaluation at a per-sample rate

The excavators are invariably hired along with operators. Similarly, excavator operators are supplied only when the excavator is hired out.

M/s BuildPro receives the following services—

- Annual maintenance services for excavators
- Health insurance for operators of the excavators
- Scientific and technical consultancy for soil testing and seismic evaluation

For a given month, the receipts (exclusive of GST) of M/s BuildPro Infrastructure Solutions Pvt. Ltd. are as follows—

- Hire charges for excavators – ₹21,00,000
- Service charges for supply of manpower for operation of the excavator – ₹30,000
- Service charges for soil testing and seismic evaluation at three sites – ₹2,75,000

The GST paid during the said month on services received by M/s BuildPro is as follows—

- Annual maintenance for excavators – ₹1,10,000



- Health insurance for excavator operators – ₹13,000
- Scientific and technical consultancy for soil testing and seismic evaluation – ₹1,25,000

Compute the net GST payable by M/s BuildPro Infrastructure Solutions Pvt. Ltd. for the given month. Assume the rates of GST to be as under—

- Hiring out of excavators – 12%
- Supply of manpower services and soil-testing and seismic evaluation services – 18%

Note: Opening balance of input tax credit of GST is nil.

Answer:

Computation of Input Tax Credit (ITC) Available for Set-off

Particulars	GST Paid (₹)	ITC Available (₹)
Annual maintenance services for excavators	1,10,000	1,10,000
Health insurance for excavator operators	13,000	Not Allowed
Scientific & technical consultancy (soil & seismic)	1,25,000	1,25,000
Total Input Tax Credit Available		2,35,000

Computation of GST Liability on Outward Supplies

Particulars	Value Received (₹)	Rate of GST	GST Payable (₹)
Hiring charges for excavators	21,00,000	12%	2,52,000
Supply of manpower for operation of excavators (composite supply with hiring)	30,000	12%	3,600
Soil testing and seismic evaluation services	2,75,000	18%	49,500
Gross GST Liability			3,05,100

Computation of Net GST Payable by M/s BuildPro

Particulars	Amount (₹)
Gross GST Liability	3,05,100
Less: ITC Available	(2,35,000)
Net GST Payable	70,100

Illustration 8

Mr. Kunal Mehra, a registered supplier engaged in the trading of industrial chemicals, pays GST under the regular scheme and is not eligible for any threshold exemption.

He has made the following outward taxable supplies during the month of September, 20XX:

- Intra-State supply of goods – ₹30,00,000
- Inter-State supply of goods – ₹6,00,000

He has also made the following inward supplies:

- Intra-State purchase from a registered dealer – ₹2,50,000
- Intra-State purchase from an unregistered dealer – ₹5,00,000
- Inter-State purchase from a registered dealer – ₹16,00,000

Balance of Input Tax Credit at the beginning of September, 20XX:

- CGST – ₹1,10,000
- SGST – ₹75,000
- IGST – ₹65,000

Additional Information:

On 15th September, 20XX, Mr. Mehra purchased an intra-State vehicle for business use at a total price of ₹7,20,000 (including CGST ₹40,000 and SGST ₹40,000). The vehicle was capitalized at full value including GST on the same day to claim depreciation. Out of the inter-State purchases from registered dealers, goods worth ₹1,20,000 were received on 3rd October, 20XX, due to logistical delays.

Note:

- Applicable GST rates: CGST @ 9%, SGST @ 9%, IGST @ 18%
- All amounts for inward and outward supplies are exclusive of taxes, unless stated otherwise
- All conditions necessary for availing ITC are deemed fulfilled, except those specifically mentioned above

Compute net CGST, SGST, and IGST payable in cash for September, 20XX.

Answer:

Computation of Net GST Payable in Cash for September, 20XX

Particulars	IGST ₹	CGST ₹	SGST ₹	Workings
Total Tax Liability	1,08,000	2,70,000	2,70,000	
Less: ITC Available	(1,08,000)	(1,32,500)	(97,500)	IGST used fully, CGST & SGST adjusted next
Net GST Payable in Cash	Nil	1,37,500	1,72,500	CGST: 2,70,000 – 1,32,500 = 1,37,500; SGST: 2,70,000 – 97,500 = 1,72,500

Working Note: GST Liability and Input Tax Credit

Particulars	Value in ₹	IGST ₹	CGST ₹	SGST ₹	Workings
Intra-State supply of goods	30,00,000	–	2,70,000	2,70,000	₹30,00,000 × 9% = ₹2,70,000 each (CGST/SGST)



Inter-State supply of goods	6,00,000	1,08,000	-	-	₹6,00,000 × 18% = ₹1,08,000
Total Tax Liability	1,08,000	2,70,000	2,70,000		
Opening ITC Balance	65,000	1,10,000	75,000		
ITC on Intra-State purchases	2,50,000	-	22,500	22,500	₹2,50,000 × 9% = ₹22,500 each (CGST/SGST)
ITC on Inter-State purchases	14,80,000	2,66,400	-	-	₹14,80,000 × 18% = ₹2,66,400
Total ITC Available	3,31,400	1,32,500	97,500		

Illustration 9

Stellar Components Pvt. Ltd., a registered manufacturer engaged in the taxable supply of industrial goods, made the following **purchases during the month of January, 20XX**. The details are as follows:

S. No.	Particulars	ITC (₹)
1	Capital goods purchased on which depreciation has been claimed on the full value including GST	18,000
2	Goods purchased from Dharam Distributors – Invoice received in January, 20XX, goods received in March, 20XX	24,000
3	Car purchased for resale, but destroyed during test drive by potential customer	38,000
4	Goods used for setting up telecommunication towers (immovable property)	62,000
5	Goods purchased from Vedika Enterprises , full payment made but supplier has not deposited tax	12,000
6	Truck purchased for delivery of output goods	96,000

Determine the amount of input tax credit (ITC) available for the month of January 20XX by giving necessary explanations for treatment of various items as per the provisions of the CGST Act, 2017. You may assume that all the necessary conditions for availing the ITC have been complied with by Stellar Components Pvt. Ltd.

Answer:

Eligible Input Tax Credit (ITC) Available – January, 20XX

Particulars	ITC Available (₹)
Goods purchased from Vedika Enterprises	12,000
Truck purchased for delivery of output goods	96,000
Total ITC Available	1,08,000

Note : Serial No. 1 to 4 are not eligible for ITC

Illustration 10

Nova Buildtech Pvt. Ltd., a manufacturer of roofing panels, has a total input tax credit of ₹1,95,000 as on 01-07-20XX. The company provides the following additional information for the month of **July, 20XX**:

- (1) Input tax on raw materials in July is ₹48,000. The raw materials are used for both taxable and exempt activities.
- (2) Input tax on account of Horizon Caterers in connection with the company's housewarming event is ₹12,000.
- (3) Input tax on inputs used in exempt supplies worth ₹2,50,000 during July is ₹26,000.
- (4) GST paid on cosmetic and plastic surgery of the company's CEO is ₹36,000.
- (5) Total turnover (inter-State, taxable @18%) for the month of July is ₹72 lakh.

Determine the input tax credit available and the output tax liability of Nova Buildtech Pvt. Ltd. for the month of July, 20XX.

Answer:

Computation of GST Liability and ITC for July, 20XX – Nova Buildtech Pvt. Ltd.

Particulars	GST (₹)	Working Notes
Output tax liability	12,96,000	₹72 lakh × 18%
Output tax attributable to common credit	1,611	₹48,000 × ₹2.5 lakh / ₹74.5 lakh = ₹1,611 (As per Rule 42 of CGST Rules, 2017)
ITC not allowed	–	On catering (₹12,000), exempt inputs (₹26,000), cosmetic surgery (₹36,000)
Total output tax liability	12,97,611	
Less: ITC – Opening balance	(1,95,000)	As on 01-07-20XX
Less: ITC – On common inputs	(48,000)	Used for both taxable and exempt supplies
Net GST liability payable in cash	10,54,611	

Note: ITC is not allowed if inputs/services are used for personal purposes, for exempt supplies, or fall under the category of blocked credit under Section 17(5) of the CGST Act, 2017.

Illustration 11

MechLine Industries Pvt. Ltd., a registered manufacturer of automobile components located in **Ahmedabad, Gujarat**, operates a manufacturing unit registered under the **Factories Act, 1948**. The company sources its inputs from both **registered and unregistered suppliers**, from **within Gujarat, other states**, and also **imports raw materials from Germany**.

The company furnishes the following details for the month of **December, 20XX**:

Description	Amount ₹ (in lakh)
Raw material	4.20
Consumables	1.50
Transportation charges for raw material	0.85



Salary paid to employees	6.00
Life insurance premium for specified employees	1.90
Telephone expenses	0.35
Bank charges	0.12

All values are exclusive of taxes. Applicable taxes have been paid.

Additional Information:

(i) Out of the raw material:

- ₹1.00 lakh is procured from Maharashtra
- ₹1.80 lakh is imported from Germany (with Basic Customs Duty: ₹0.18 lakh, Education Cesses: ₹0.0054 lakh, IGST: ₹0.35658 lakh)
- ₹0.40 lakh from unregistered suppliers in Gujarat
- ₹1.00 lakh from registered suppliers in Gujarat, out of which raw material worth ₹0.06 lakh was destroyed due to flooding in the factory

(ii) Consumables are from registered suppliers in Ahmedabad and include **diesel worth ₹0.30 lakh** used for factory generators

(iii) Transportation includes:

- ₹0.70 lakh paid to GTA in Ahmedabad (GST @ 5%)
- ₹0.15 lakh paid to bullock cart operators (non-taxable)

(iv) Life insurance policies are taken for specified employees to fulfill **statutory obligations**, and the provider is registered in Gujarat

(v) Audit fee is paid to **M/s Verma & Associates**, Chartered Accountants registered in Gujarat

(vi) Telephone expenses are for factory landlines and mobile connections issued to staff for official use (provider registered in Gujarat)

(vii) Bank charges relate to current account with a private sector bank registered in Gujarat

(viii) The breakup of sales is:

- Within Gujarat: ₹8 lakh
- Other states: ₹4 lakh
- Export under LUT: ₹6 lakh

Opening ITC Balance as on 01-12-20XX

- CGST: ₹0.18 lakh
- SGST: ₹0.10 lakh

- IGST: ₹0.12 lakh

Compute eligible input tax credit and net GST payable [CGST, SGST or IGST, as the case may be] for the month of November 20XX.

Note-

- CGST, SGST & IGST rates to be 9%, 9% and 18% respectively, wherever Applicable.
- The necessary conditions for availing input tax credit have been complied with by MechLine Industries Pvt. Ltd., wherever applicable.

You are required to make suitable assumptions, wherever necessary.

Answer:

Working Notes – Eligible ITC

- IGST of ₹35,658 paid on import of goods from Germany is allowed as ITC.
- IGST of ₹18,000 on inter-State purchase from Maharashtra is allowed as ITC.
- Intra-State purchases from unregistered suppliers total ₹40,000 (not eligible for ITC).
- Intra-State purchases from registered suppliers total ₹1,00,000 (₹1,06,000 – ₹6,000 for destroyed goods).
- CGST @9% and SGST @9% on ₹1,00,000 are allowed as ITC.

Computation of Input Tax Credit Available – December, 20XX

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Remarks
Imported raw material	–	–	35,658	IGST paid on imports allowed as ITC
Raw material from Maharashtra	–	–	18,000	IGST allowed on inter-State purchase
Raw material from Gujarat	9,000	9,000	–	₹1,00,000 × 9%
Consumables (excl. diesel)	10,800	10,800	–	₹1,20,000 × 9%
Transportation charges (RCM)	1,750	1,750	–	₹0.70 lakh × 2.5% (GTA under RCM – 5%)
Life insurance (statutory)	17,100	17,100	–	₹1.90 lakh × 9%, allowed under statutory obligation
Audit fees	5,400	5,400	–	₹0.60 lakh × 9%
Telephone expenses	3,150	3,150	–	₹0.35 lakh × 9%
Bank charges	1,080	1,080	–	₹0.12 lakh × 9%
Total ITC for December, 20XX	48,280	48,280	53,658	

Computation of Net GST Payable for December, 20XX

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Remarks
Intra-State Sales (Gujarat)	72,000	72,000	–	₹8 lakh × 9%
Inter-State Sales (other states)	–	–	72,000	₹4 lakh × 18%
Export under LUT	–	–	–	Zero-rated, no GST payable
Total Output Tax Liability	72,000	72,000	72,000	
Less: Opening ITC Balance	(18,000)	(10,000)	(12,000)	As on 01-12-20XX
Less: ITC for December	(48,280)	(48,280)	(53,658)	
Net GST Payable in Cash under FCM	5,720	13,720	6,342	
Inward GTA under RCM	1,750	1,750	–	Paid in cash through e-cash ledger
Net GST payable through e-cash ledger	7,470	15,470	6,342	

Illustration 12

M/s. **AstraTech Manufacturing Pvt. Ltd.** purchased **raw material 'X'**, 12,000 kg @ ₹90 per kg plus GST. The raw material was used in the manufacture of **product 'Z'**. The company has provided the following additional details:

- Processing loss on input 'X' is 2%.
- Transaction value of finished product 'Z' is ₹110 per kg.
- Additional input **material 'Y'** used in the manufacture of 'Z' is valued at ₹2.40 lakh plus GST.
- GST on capital goods imported during the period and used in manufacturing 'Z' includes:
 - Basic Customs Duty: ₹24,000
 - IGST under Section 3(7) of the Customs Tariff Act, 1975: ₹12,000
- The rate of GST applicable on raw material 'X', input material 'Y', and finished product 'Z' is 12%.

Note: M/s AstraTech Manufacturing Pvt. Ltd. is **not eligible for the composition scheme** under Section 10 of the CGST Act, 2017.

Compute amount of input tax credit available and. Net GST payable by M/s. **AstraTech Manufacturing Pvt. Ltd.**

Answer:

Statement Showing Eligible Input Tax Credit of M/s AstraTech Manufacturing Pvt. Ltd.

Particulars	Value in ₹	Working Note
Raw material 'X'	1,29,600	$(12,000 \text{ kg} \times ₹90) \times 12\% = ₹1,29,600$
Other material 'Y'	28,800	$₹2,40,000 \times 12\% = ₹28,800$
Capital goods (IGST)	12,000	IGST on imported capital goods eligible as ITC
Total ITC Available	1,70,400	

Computation of Net GST Liability of M/s AstraTech Manufacturing Pvt. Ltd.

Particulars	Value in ₹	Working Note
Output Quantity 'Z'	11,760 kg	12,000 kg – 2% processing loss (240 kg) = 11,760 kg
Value of supply of 'Z'	12,93,600	11,760 kg × ₹110 = ₹12,93,600
GST payable @12%	1,55,232	₹12,93,600 × 12% = ₹1,55,232
Less: ITC Allowed	(1,70,400)	From the above computation
Excess ITC carried forward	(15,168)	ITC exceeds output tax liability; balance carried forward

Illustration 13

M/s Glamoré Cosmetics Pvt. Ltd., manufactures four variants of nail enamel, namely Blush, Gloss, Luxe, and Shine.

The company has availed input tax credit of ₹3,60,000 on common inputs used in the production of these variants. A portion of these inputs is also used for non-business purposes. During the financial year, the company manufactured 1,200 litres of each variant of nail enamel. However, the company has not maintained a separate record of input usage for each final product.

GST is payable on final goods at the rate of 12%.

You are required to calculate the net GST payable by M/s Glamoré Cosmetics Pvt. Ltd. for the financial year based on the following information:

Product Name	Description	Sale Price (per 20ml bottle) All values exclusive of GST
Blush	Sold in Domestic Tariff Area	₹36
Gloss	Sold to a Special Economic Zone	₹48
Luxe	Exported to Elan Inc., Canada	₹60
Shine	Sold to Armed Forces Canteen (GST Exempt)	₹72

Answer:

Statement Showing GST on Outward Supplies – M/s Glamoré Cosmetics Pvt. Ltd.

Product Name	Description	Sale Price per 20ml	Transaction Value (₹)	GST @ 12% (₹)	Remarks
Blush	Sale to Domestic Tariff Area	₹36	21,60,000	2,59,200	GST Payable
Gloss	Sale to SEZ Unit (treated as export)	₹48	28,80,000	–	Zero-rated supply
Luxe	Export to Elan Inc., Canada	₹60	36,00,000	–	Zero-rated supply
Shine	Sale to Armed Forces Canteen (Exempt)	₹72	43,20,000	–	Exempt supply
Total			1,29,60,000	2,59,200	

Note: 1,200 litres = 1,200,000 ml → 60,000 bottles (20ml each) per product

Transaction Value per product = 60,000 bottles × sale price



Reversal of Common ITC (Rule 42 of CGST Rules)

Particulars	ITC Reversal (₹)	Working Note
Input tax credit attributable to exempt & zero-rated supplies (Rule 42(1)(i))	1,20,000	$(₹43,20,000 \div ₹1,29,60,000) \times ₹3,60,000 = ₹1,20,000$
Input tax credit attributable to non-business use (Rule 42(1)(j))	18,000	$₹3,60,000 \times 5\% = ₹18,000$
Total ITC to be Reversed	1,38,000	

Computation of Net GST Liability / Excess Credit

Particulars	Amount (₹)
GST payable on taxable supplies	2,59,200
Add: ITC reversed	1,38,000
Total Output Tax Liability	3,97,200
Less: ITC available	(3,60,000)
Net GST Payable in Cash	₹37,200

Illustration 14

M/s Dynatek Systems Pvt. Ltd., based in Pune, is a **registered manufacturer and supplier of industrial machinery**. The company has provided the following details for the month of December, 20XX:

Details of GST Paid on Inward Supplies During the Month

- Health insurance of factory workers as required under the Factories Act – ₹24,000
- Raw materials for which invoice has been received and GST has been paid on the full amount, but only 50% of the material has been received during the month (remaining to be received in next month) – ₹21,000
- Works contract service used for **installation of plant and machinery** – ₹15,000
- Purchase of **manufacturing equipment** directly sent to **job worker's premises** under a challan – ₹58,000
- Purchase of a **car used by a director** for business meetings – ₹30,000
- Outdoor catering service availed for business meetings – ₹9,500

Illustration 15

M/s Dynatek Systems Pvt. Ltd. also provides machinery rental services along with manpower for machine operation. As per industry practice, machines are always hired with operators, and operators are supplied only when machines are hired.

Receipts from Outward Supplies (Exclusive of GST) – December, 20XX

Hiring receipts for machinery – ₹6,40,000

Service charges for supply of non-power machine operators – ₹2,90,000

All supplies are inter-State, and applicable IGST rates are:

- (i) Sale of machinery – 5%
- (ii) Hiring of machinery – 12%
- (iii) Supply of manpower/operator services – 18%

Note: Opening balance of input tax credit is Nil.

Answer:

Input Tax Credit (ITC) for December, 20XX – M/s Dynatek Systems Pvt. Ltd.

Items	ITC (₹)	Remarks
Health insurance of factory employees (statutory under Factories Act)	24,000	Allowed as per provisions of CGST Act
Raw materials – only 50% received during the month	NIL	ITC deferred until receipt of goods as per Section 16(2) of CGST Act
Works contract service for installation of plant & machinery	15,000	Allowed (used for plant & machinery installation)
Purchase of manufacturing equipment sent directly to job worker	58,000	Allowed (under challan provisions, Section 19 of CGST Act)
Car purchased for director's business use	NIL	Blocked credit under Section 17(5)(a)
Outdoor catering for business meetings	NIL	Blocked credit under Section 17(5)(b)
Total ITC Available – December, 20XX	97,000	

Computation of Net GST Liability – December, 20XX

Particulars	Amount (₹)	Remarks
Output tax on hiring receipts + Output tax on manpower supply (₹6,40,000 + 2,90,000) × 12%	1,11,600	IGST @12% on machinery hire
Total Output Tax Liability	1,11,600	
Less: ITC Available	(97,000)	From the above ITC computation
Net GST Payable in Cash	14,600	

Illustration 16

M/s Aurelion Beauty Care Pvt. Ltd., located in **Indore (Madhya Pradesh)**, is a registered manufacturer of **cosmetic products**. The company has furnished the following details for the month of **May, 20XX**:

Receipts from Supplies – May, 20XX

Particulars	Amount (₹)
Supplies within Madhya Pradesh	10,40,000
Supplies to other States	4,20,000
Exports under LUT	7,80,000



Details of Payments – May, 20XX

Particulars	Amount (₹)
Raw materials – From registered suppliers in Madhya Pradesh	1,26,000
Raw materials – From unregistered suppliers in Madhya Pradesh	44,000
Raw materials – From registered suppliers in Maharashtra	1,18,000
IGST paid on imports from the UK	26,150
Consumables from registered suppliers in Madhya Pradesh including High Speed Diesel worth ₹38,000(Excise and VAT paid)	1,92,000
Monthly factory building rent paid to owner in Madhya Pradesh	1,20,000
Salary paid to employees	7,40,000
Life insurance premium paid for specified employees (Statutory obligation, insurer in M.P.) The life insurance service provider is registered in Madhya Pradesh.	2,40,000

All values are exclusive of applicable taxes, which have been duly paid by **M/s Aurelion Beauty Care Pvt. Ltd.** GST rates are assumed to be **CGST @ 9%, SGST @ 9%, and IGST @ 18%.**

Opening Balance of Input Tax Credit as on 1st May, 20XX

CGST: ₹24,000

SGST: ₹18,000

IGST: ₹18,000

Assume that all the other necessary conditions to avail the eligible input tax credit have been complied with by Pari Ltd., wherever applicable. Compute eligible input tax credit and net GST payable (CGST and SGST or IGST as the case may be) by Pari Ltd. for the month of May, 20XX.
Answer:

Input Tax Credit (ITC) for May, 20XX – M/s Aurelion Beauty Care Pvt. Ltd.

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Working Notes
Raw materials from Madhya Pradesh	11,340	11,340	–	₹1,26,000 × 9%
Raw materials from Maharashtra	–	–	21,240	₹1,18,000 × 18%
IGST paid on import from UK	–	–	26,150	IGST on imports fully allowed as ITC
Consumables (excluding HSD)	13,860	13,860	–	(₹1,92,000 – ₹38,000 HSD) × 9%
Rent paid for factory building	10,800	10,800	–	₹1,20,000 × 9%
Life insurance premium (Statutory)	21,600	21,600	–	₹2,40,000 × 9%
Total ITC for May, 20XX	57,600	57,600	47,390	
Add: Opening Balance	24,000	18,000	18,000	As on 01-05-20XX
Total ITC Available	81,600	75,600	65,390	

Computation of Net GST Payable – May, 20XX

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Working Notes
Intra-State Supply	93,600	93,600	–	₹10,40,000 × 9%
Inter-State Supply	–	–	75,600	₹4,20,000 × 18%
Exports under LUT	–	–	–	Zero-rated supply
Total Output Tax Liability	93,600	93,600	75,600	
Less: ITC of IGST	–	–	(65,390)	Utilised against IGST liability
Less: ITC of CGST & SGST	(81,600)	(75,600)	–	Utilised against respective liabilities
Net GST Payable in Cash	12,000	18,000	10,210	

Illustration 17

M/s Zephyrus Trading Co., a registered supplier of goods located in **Kochi, Kerala**, who pays GST under the **regular scheme**, has made the following transactions (exclusive of tax) during the month of **May, 20XX**:

Details of Purchases and Sales – May, 20XX

Source	Purchases (₹)	Sales (₹)	Applicable Tax Rate
Mumbai	6,00,000	12,00,000	IGST @18%
Kochi	3,20,000	9,50,000	CGST @9% and SGST @9%
Total	9,20,000	21,50,000	

The dealer has complied with all conditions for availing **input tax credit** and has the following **ITC balance** as on **1st May, 20XX**:

Input Tax Credit and Other Balances as on 01-05-20XX

Tax Type	ITC (₹)	Interest (₹)	Penalty (₹)
CGST	60,000	1,800	500
SGST	36,000	1,800	500
IGST	1,20,000	2,400	500

Compute the minimum net CGST, SGST, and IGST payable in cash by M/s Zephyrus Trading Co. for the month of May, 20XX.

Answer:

Input Tax Credit (ITC) for May, 20XX – M/s Zephyrus Trading Co.

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Working Notes
Opening Balance	60,000	36,000	1,20,000	As on 01-05-20XX
Inter-State Purchases	–	–	1,08,000	₹6,00,000 × 18% (IGST)
Intra-State Purchases	28,800	28,800	–	₹3,20,000 × 9% (CGST & SGST)
Total ITC Available	88,800	64,800	2,28,000	

Computation of Net GST Payable for May, 20XX – M/s Zephyrus Trading Co.

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Working Notes
Inter-State Supply	–	–	2,16,000	₹12,00,000 × 18% (IGST)
Intra-State Supply	85,500	85,500	–	₹9,50,000 × 9% (CGST & SGST)
Total Output Liability	85,500	85,500	2,16,000	
Less: ITC of IGST	–	–	(2,16,000)	Fully utilised against IGST liability
Less: ITC of IGST		(12,000)		
Less: ITC of CGST & SGST	(85,500)	(64,800)	–	Utilised against respective taxes
Net GST Payable	–	8,700	–	SGST paid in cash
Excess ITC Carried Forward	3,300	–	nil	Balance credit left after set-off

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross-utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow.

Interest and penalty paid are not available as credit.

Illustration 18

M/s Mechvalves India Pvt. Ltd., located in Rajkot, Gujarat, has entered into a contract with Vardhman Petrochem Ltd., based in Abu-Road, Rajasthan, to supply 10 industrial valves on FOR basis for its refinery project, with the following terms and conditions:

1. List price per valve is ₹1,20,000, exclusive of taxes.
2. The valves require a two-stage third-party inspection during manufacturing, as mandated by Vardhman Petrochem Ltd. The inspection cost of ₹18,000 is directly paid by Vardhman Petrochem Ltd. to the testing agency.
3. Special packing, as required by the buyer, is done at an additional cost of ₹12,000.
4. After delivery, Mechvalves India Pvt. Ltd. is responsible for erection and testing at the site, costing ₹18,000.
5. The goods were dispatched with a tax invoice on 22nd July, 20XX, and they reached the destination in Abu-Road on 23rd July, 20XX. The freight of ₹6,000 was paid directly by the buyer to the lorry driver.

During the month of **July, 20XX**, the company also carried out the following **local transactions**, where **CGST and SGST** have been paid:

S. No.	Particulars	CGST Paid (₹)	SGST Paid (₹)
1	Works contract service to erect foundation for fixing machinery	6,000	6,000
2	Pipeline laid up to the gate of the factory for bringing water for production	12,000	12,000

3	Installation of telecom tower (with mobile phones given to factory staff for business use)	6,000	6,000
4	Travel service for employees' home travel facility while on leave	3,000	3,000
5	Wellness service agreement with fitness centre for employees after office hours	2,400	2,400

Assume All amounts are exclusive of GST.

CGST & SGST rate = 9% each

IGST rate = 18%

Opening ITC: CGST ₹25,000, SGST ₹25,000

Compute of GST liability for M/s Mechvalves India Pvt. Ltd. for the month of **July, 20XX** based on the above details.

Answer

Computation of Output Tax Liability of M/s Mechvalves India Pvt. Ltd. – July, 20XX

Particulars	Amount (₹)
List price of 10 valves (₹1,20,000 × 10)	12,00,000
Add: Cost of third-party inspection paid by buyer	18,000
Add: Special packing charges	12,000
Add: Erection and testing at site	18,000
Add: Freight paid by buyer	6,000
Value of Taxable Supply	12,54,000
IGST @18% on ₹12,54,000	2,25,720

Input Tax Credit (ITC) for July, 20XX

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Remarks
Opening Balance	25,000	25,000	–	
Works contract service for machinery foundation (eligible)	6,000	6,000	–	Allowed under Section 17(5)
Total ITC Available	31,000	31,000	–	

Computation of Net GST Payable for July, 20XX

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Remarks
Output Tax Liability	–	–	2,25,720	IGST on inter-State supply
Less: ITC Utilised – CGST	–	–	(31,000)	Cross-utilisation towards IGST
Less: ITC Utilised – SGST	–	–	(31,000)	Cross-utilisation towards IGST
Net IGST Payable	–	–	1,63,720	To be paid in cash

Illustration 19

M/s Noventa Industries Pvt. Ltd. is not mandatorily required to register under the CGST Act, 2017, but it has opted for **voluntary registration**. The application for registration was submitted on **18th October, 20XX**, and the **registration certificate was granted on 26th October, 20XX**.

The **CGST and SGST liability** for the month of **October, 20XX** is **₹28,000 each**.

M/s Noventa Industries Pvt. Ltd. provides the following details of **inputs and capital goods held in stock as on 25th October, 20XX**. The business is **not engaged in making inter-State outward taxable supplies**.

Details of Stock as on 25th October, 20XX

Particulars	Amount (₹)	Tax Type & Rate	Tax Amount (₹)
Inputs procured on 03-10-20XX lying in stock	₹75,000	CGST @6%	4,500
		SGST @6%	4,500
Inputs received on 25-08-20XX, contained in semi-finished goods in stock	₹1,25,000	CGST @6%	7,500
		SGST @6%	7,500
Inputs contained in finished goods (procured on 20-10-20XX of previous year)	₹2,40,000	IGST @18%	43,200
Inputs valued at ₹60,000 procured on 15-10-20XX lying in stock	₹60,000	IGST @18%	10,800
Capital goods procured on 14-10-20XX	₹2,00,000	CGST @6%	12,000
		SGST @6%	12,000

You are required to compute the amount of tax to be paid in cash by Quanto Ltd. for the month of **October, 20XX**

You are also required to mention reasons for treatment of all above items.

Answer:

Eligible ITC for M/s Noventa Industries Pvt. Ltd. – October, 20XX

Particulars	CGST (₹)	SGST (₹)	IGST (₹)	Remarks
Inputs lying in stock since 03-10-20XX	4,500	4,500	–	Eligible as within one year from invoice date
Inputs in semi-finished goods (received on 25-08-20XX)	7,500	7,500	–	Eligible
Inputs in finished goods (procured on 20-10-20XX of previous year – more than 1 year old)	–	–	–	Not eligible (held for more than 1 year from invoice date)
Inputs lying in stock since 15-10-20XX	–	–	10,800	Eligible
Capital goods procured on 14-10-20XX	–	–	–	Not eligible (used before registration, and not covered under eligible transitional ITC)
Total Eligible ITC	12,000	12,000	10,800	

Computation of Net GST Payable – October, 20XX

Particulars	CGST (₹)	SGST (₹)	Working Notes
Output Tax Liability	28,000	28,000	As provided
Less: ITC from IGST	(5,400)	(5,400)	IGST credit of ₹10,800 split equally towards CGST and SGST (proportionate cross-utilisation)
Less: ITC from CGST/SGST	(12,000)	(12,000)	Direct set-off from available CGST and SGST credits
Net GST Payable	10,600	10,600	

Illustration 20

UrbanCart Retail Pvt. Ltd. is a nationwide chain of departmental stores, operating across major metropolitan cities in India. These stores deal in both **taxable and exempt goods**, and operate from rented premises. UrbanCart Retail pays GST under the **regular scheme**.

In **Pune**, the store operates from a rented commercial complex, a portion of which is also used by the owner for **personal residential purposes**.

For the month of **November, 20XX**, the Pune store has furnished the following details:

- (i) The **aggregate value** of various items sold by the store is as follows:
 - Taxable goods: ₹46,00,000
 - Goods exempted under notification: ₹13,00,000
 - Goods not leviable to GST: ₹4,00,000
- (ii) The Pune store has transferred certain **taxable items** to another UrbanCart Retail branch located in **Goa** for the purpose of being distributed as **free samples**. The **invoice value** of such items is ₹6,00,000. These items, if sold at the Pune store, would have fetched ₹9,50,000.
- (iii) The aggregate value of various **procurements** made by the Pune store for resale is as follows:
 - Taxable items: ₹60,00,000
 - Items exempted via notification: ₹16,00,000
 - Non-taxable items: ₹6,00,000
- (iv) The **freight paid** to a Goods Transport Agency (GTA) for **inward transportation of taxable goods** is ₹1,20,000.
- (v) Freight paid to GTA for **inward transportation of exempt goods** is ₹90,000.
- (vi) Freight paid to GTA for **inward transportation of non-taxable goods** is ₹25,000.
- (vii) The **monthly rent payable** for the premises is ₹6,00,000. One-third of the space is used by the owner for **personal residential purposes**.
- (viii) The activity of **packing items and affixing store labels with pricing** has been **outsourced**, and the **amount paid for this packing** activity is ₹2,80,000.



(ix) **Salary paid** to the store's regular staff is ₹2,30,000.

(x) **GST paid on inputs used for personal purposes** is ₹6,000.

(xi) **GST paid on rent-a-cab services** used for **business purposes** is ₹5,000.

(xii) **GST paid on items given away as free samples** is ₹5,000.

You are required to compute the following based on the above details:

- Input Tax Credit (ITC) credited to the **Electronic Credit Ledger**
- **Common Credit**
- ITC attributable towards **exempt supplies** out of the common credit
- **Eligible ITC** out of common credit
- **Net GST liability** for the month of **November, 20XX**

Note:

1. Wherever applicable, GST under **reverse charge** is payable at **5%** by UrbanCart Retail Pvt. Ltd.
2. GST rate on all other supplies is **18%**.
3. All sales and purchases are made within the State of **Maharashtra**.
4. All suppliers and expense providers are **registered**.
5. All figures are **exclusive of tax**, wherever applicable.
6. All **ITC eligibility conditions** under the CGST Act have been complied with.

Answer:

Computation of Total Input Tax Involved – November, 20XX

Particulars	Amount (₹)	Remarks
GST on taxable goods procured – ₹60,00,000 × 18%	10,80,000	
GST under RCM on freight for taxable goods – ₹1,20,000 × 5%	6,000	
GST under RCM on freight for exempt goods – ₹90,000 × 5%	4,500	Ineligible – used for exempt inward supply
GST under RCM on freight for non-taxable goods – ₹25,000 × 5%	1,250	Ineligible – used for non-taxable inward supply
GST on monthly rent – ₹6,00,000 × 18%	1,08,000	Partially eligible – 1/3 used for personal purpose
GST on outsourced packing services – ₹2,80,000 × 18%	50,400	
GST on salary paid to regular staff	Nil	
GST on inputs for personal use	6,000	Ineligible – blocked under Section 17(1)
GST on rent-a-cab service for business use	5,000	Ineligible – blocked under Section 17(5)(b)(iii)

GST on goods given away as free samples	5,000	Ineligible – blocked under Section 17(5)(h)
Total Input Tax Involved (T)	12,66,150	

ITC Credited to the Electronic Credit Ledger

Particulars	GST (₹)
Total Input Tax Involved (from above)	12,66,150
Less: GST on freight for exempted goods	(4,500)
Less: GST on freight for non-taxable goods	(1,250)
Less: GST on rent used for personal purposes (1/3 of ₹1,08,000)	(36,000)
Less: GST on personal use inputs	(6,000)
Less: GST on rent-a-cab service (blocked)	(5,000)
Less: GST on goods given free as samples (blocked)	(5,000)
ITC credited to Electronic Credit Ledger (A)	12,08,400

Computation of Common Credit

Particulars	GST (₹)
GST on taxable goods (₹60,00,000 × 18%)	10,80,000
GST under RCM on freight for taxable goods	6,000
Input tax exclusively attributable to taxable supplies	10,86,000
Common Credit = A – Exclusively attributable ITC = ₹12,08,400 – ₹10,86,000	1,22,400

ITC Attributable to Exempt Supplies (Out of Common Credit)

Computation	Amount (₹)
(Exempt Turnover ÷ Total Turnover) × Common Credit	
(13,00,000 ÷ 72,00,000) × ₹1,22,400	22,110

Eligible ITC out of Common Credit

Particulars	Value (₹)
Common Credit	1,22,400
Less: ITC attributable to exempt supplies	(22,110)
Eligible Common Credit	1,00,290

Computation of Net GST Liability – November, 20XX

Particulars	GST (₹)
GST on taxable sales (₹46,00,000 × 18%)	8,28,000
GST on stock transfer to Goa (₹9,50,000 × 18%)	1,71,000
Add: Ineligible common credit (attributable to exempt supplies)	22,110
Total Output Tax Liability	10,21,110



Less: ITC credited to Electronic Credit Ledger	(12,08,400)
Excess ITC carried forward	(1,87,290)
Net GST Payable (Forward Charge) (A)	Nil

Liability Under Reverse Charge

Particulars	GST (₹)
Freight on taxable goods ($₹1,20,000 \times 5\%$)	6,000
Freight on exempt goods ($₹90,000 \times 5\%$)	4,500
Freight on non-taxable goods ($₹25,000 \times 5\%$)	1,250
Total GST Payable under RCM [Payable in Cash] (B)	11,750

Net GST Liability Payable in Cash

Particulars	GST (₹)
Forward Charge (A)	Nil
Reverse Charge (B)	11,750
Net Payable in Cash (e-Cash Ledger) (A+ B)	11,750

Illustration 21

Solvex Manufacturing Pvt. Ltd., registered under GST, is engaged in the production of two **taxable products** – ‘Astra’ and ‘Nova’, and one **exempt product** – ‘Zeron’. The **turnover** for the month of **May, 20XX** was as follows:

Product	Nature of Supply	Turnover (₹)
Astra	Taxable	2,40,000
Nova	Taxable	11,20,000
Zeron	Exempt	13,60,000
Total		27,20,000

Details of Machinery and GST Paid

Machine	Date of Purchase	Usage (before and from 01.05.20XX)	GST Paid (₹)
Alpha	01.05.20XX	Exclusively for non-business purposes	21,600
Beta	01.05.20XX	Exclusively for zero-rated supply	43,200
Corex	01.05.20XX	Used for manufacturing Astra, Nova and Zeron	1,08,000
Dyna	01.05.20XX (purchased 2 years earlier)	Previously for exempt product ‘Zeron’ only; now for all products	2,16,000
Elan	01.05.20XX (purchased 3 years earlier)	Previously for taxable products only; now includes exempt product ‘Zeron’	3,24,000

Solvex Manufacturing Pvt. Ltd. owns certain machinery and has purchased additional machinery. The **useful life of all machines is considered to be 5 years**.

Based on the following details, you are required to compute:

1. The **amount to be credited** to the **Electronic Credit Ledger** of Solvex Manufacturing Pvt. Ltd.
2. The **amount of common credit attributable to exempted supplies**, if any, for the month of **May, 20XX**.

Answer:

Particulars	GST Value (₹)	Working Note
Capital Goods – Corex (used for taxable & exempt products)	1,08,000	As per Rule 43(1)(c) of CGST Rules, 2017 – credit allowed as used for both taxable and exempt supplies.
Capital Goods – Dyna (previously used for exempt supplies, now used for all products)	2,16,000	Proviso to Rule 43(1)(c) – full ITC allowed in May, 20XX. However, ₹86,400 will be added to output tax liability: $₹2,16,000 \times 5\% \times 8 \text{ quarters} = ₹86,400$
Capital Goods – Elan (previously used for taxable, now used for all including exempt supply)	3,24,000	Proviso to Rule 43(1)(d) – ITC already availed in prior years. No new ITC allowed in May, 20XX.
Common Credit (Total)	6,48,000	

Computation of ITC Attributable to May, 20XX (Under Rule 43)

Particulars	Amount (₹)	Working Note
Common Credit on capital goods	6,48,000	Total from above
Monthly ITC (May, 20XX) = 6,48,000 ÷ 60 months	10,800	As per Rule 43(1)(e)
ITC attributable to exempt supplies = $₹10,800 \times \frac{₹13,60,000}{₹27,20,000}$	5,400	As per Rule 43(1)(g); Exempt turnover ÷ Total turnover

Statement Showing ITC to be Credited to Electronic Credit Ledger – May, 20XX

Particulars	Value (₹)
Capital Goods – Beta (used exclusively for zero-rated supplies)	43,200
Capital Goods – Corex (used for all products – taxable and exempt)	1,08,000
Capital Goods – Dyna (shifted from exempt to all products; full ITC claimed now under Rule 43 proviso)	2,16,000
Total ITC to be credited to Electronic Credit Ledger – May, 20XX	3,67,200

Illustration 22

Using the following information in respect of **Sterline Engineering Works**, a registered manufacturer, for the month of **October, 20XX**, calculate the **eligible input tax credit** for the month and also determine the **amount of ITC to be reversed in October, 20XX and November, 20XX**. There is **no carry forward credit or reversal requirement**. Only the current month's data is to be considered for the calculation.



S. No.	Particulars	Amount (₹)
1.	Outward supply of taxable goods	84,000
2.	Outward supply of exempted goods	48,000
	Total Turnover	1,32,000

Inward Supplies

S. No.	Description	GST Paid (₹)
1.	Capital goods used exclusively for taxable outward supply	2,400
2.	Capital goods used exclusively for exempted outward supply	2,100
3.	Capital goods used commonly for both taxable and exempted outward supply	4,800

Answer:

Computation of Eligible Input Tax Credit – October, 20XX

Particulars	GST Paid (₹)	Working Notes
Capital goods used exclusively for taxable outward supply	2,400	ITC fully allowed
Capital goods used exclusively for exempted outward supply	Nil	ITC not allowed
Capital goods used commonly for taxable and exempt outward supply	4,800	Common credit – fully allowed, but proportion attributable to exempt supply to be treated as output tax liability. ITC reversal in October, 20XX and November, 20XX.
Total Eligible ITC for October, 20XX	7,200	

Computation of Common Credit Attributable to Exempt Supplies for October, 20XX

Particulars	Value (₹)	Working Notes
Monthly common credit = ₹4,800 ÷ 60 months	80	As per Rule 43 of CGST Rules
Proportion attributable to exempt supplies	29	₹80 × ₹48,000 ÷ ₹1,32,000 = ₹29 (rounded off)
To be treated as Output Tax Liability	29	Under Rule 43(1)(g)

Illustration 23

Novacel Industries Pvt. Ltd., a manufacturing company registered under GST in the State of **Maharashtra**, is engaged in the manufacture of two **taxable products**, 'Voltix' and 'Dynex', and one **exempt product**, 'Zentra'. On **1st November, 20XX**, product '**Dynex**' became **exempt** through a notification, while the exemption on '**Zentra**' was **withdrawn** on the same date.

The turnover (exclusive of taxes) for the month of **November, 20XX** is as follows:

Product	Nature of Supply	Turnover (₹)
Voltix	Taxable	10,80,000
Dynex	Became exempt on 01.11.20XX	12,00,000
Zentra	Became taxable on 01.11.20XX	7,20,000

Novacel Industries Pvt. Ltd. has also provided the following transaction details for the same month:

S.No.	Particulars	Price (₹)	IGST (₹)
(a)	Machinery 'M1' purchased on 01.11.20XX for use in manufacturing all three products	2,40,000	43,200
(b)	Machinery 'M2' purchased on 01.11.20XX for use in manufacturing products Voltix and Zentra	1,20,000	21,600
(c)	Machinery 'M3' purchased on 01.11.20XX for exclusive use in manufacturing product Dynex	3,60,000	64,800
(d)	Machinery 'M4' purchased on 01.11.20XX (purchased 4 years earlier) initially used exclusively for Dynex; from 01.11.20XX also used for Zentra	4,80,000	86,400
(e)	Machinery 'M5' purchased on 01.11.20XX (purchased 2 years earlier) used in manufacturing all products	3,60,000	64,800
(f)	Raw material used for Voltix purchased on 06.11.20XX	1,80,000	32,400
(g)	Raw material used for Dynex purchased on 12.11.20XX	2,40,000	43,200
(h)	Raw material used for Zentra purchased on 18.11.20XX	1,20,000	21,600

Compute the following for the month of October, 20XX:

- Amount of input tax credit (ITC) credited to Electronic Credit Ledger
- Amount of common credit
- Common credit attributable to exempt supplies
- GST liability of the company payable through Electronic Cash Ledger

Note: Assume that all the procurements made by the company are from States other than Maharashtra, Similarly, the company sells all its products in States other than Maharashtra. Rate of IGST is 18%. All the conditions necessary for availing the ITC have been complied with. Ignore interest, if any and make suitable assumptions wherever required.

Answer:

(i) Statement Showing ITC Credit to Electronic Credit Ledger for November, 20XX

Particulars	IGST (₹)	Remarks
Machinery M1	43,200	ITC fully allowed – Common credit, as used for all products (including exempt earlier)
Machinery M2	21,600	ITC fully allowed – Used for taxable products only



Machinery M3	Nil	ITC not allowed – Exclusively used for exempt product (Dynex)
Machinery M4	Nil	ITC already availed in earlier years
Machinery M5	Nil	ITC already availed in earlier years
Raw material for Voltix	32,400	Used for taxable supply – Fully allowed
Raw material for Dynex	Nil	Used for exempt supply – Not allowed
Raw material for Zentra	21,600	Used for taxable supply – Fully allowed
Total ITC credited to E-Credit Ledger	118,800	

(ii) Statement Showing Common ITC on Capital Goods as on 1st November, 20XX

Particulars	IGST (₹)	Remarks
Machinery M1	43,200	Common ITC – Used for taxable and exempted products
Machinery M4	86,400	Shifted from exempt to common use – Common ITC now
Machinery M5	64,800	Already being used for all three products – Common ITC (from previous period)
Total Common ITC	1,94,400	

(iii) Proportionate Credit Attributable to Exempt Supplies for November, 20XX

Description	Value (₹)	Working Note
Monthly common credit	3,240	₹1,94,400 ÷ 60 months
Turnover ratio (Exempt: Total)	12,00,000 ÷ 30,00,000 = 0.40	
Common credit attributable to exempt supplies	1,296	₹3,240 × 0.40 – Treated as output tax liability under Rule 43(1)(g)

(iv) Computation of GST Liability Payable Through Electronic Cash Ledger for November, 20XX

Particulars	IGST (₹)	Working Note
IGST on Voltix	1,94,400	₹10,80,000 × 18%
IGST on Zentra	1,29,600	₹7,20,000 × 18%
Add: Output tax liability on common credit (exempt use)	1,296	From (iii) above
Total Output Tax Liability	3,25,296	
Less: ITC available in E-Credit Ledger	(1,18,800)	From (i) above
Net IGST Payable Through Electronic Cash Ledger	2,06,496	

Illustration 24

Lexicon Wholesalers, a registered **partnership firm** based in **Aurangabad, Maharashtra**, deals in wholesale supply of a **taxable product “Triton”** and an **exempt product “Neutrino”**. The firm supplies these products only within the **eastern region of Maharashtra** and has opted for the **composition scheme** under GST.

All of Lexicon Wholesalers' procurements (goods and services) are made from suppliers registered under the **regular scheme** in **Maharashtra**.

The firm has now decided to exit the composition scheme and switch to the **regular scheme** with effect from **1st November, 20XX**, and provides the following details for your reference:

Turnover for the Quarters

Particulars	Quarter Ending 30.06.20XX (₹)	Quarter Ending 30.09.20XX (₹)
Product 'Triton'	72,00,000	60,00,000
Product 'Neutrino'	21,00,000	20,40,000

Stock Holding at Cost Price

Product	As on 30.06.20XX (₹)	As on 30.09.20XX (₹)	As on 31.10.20XX (₹)
Triton	30,00,000	12,00,000	4,32,000
Neutrino	12,00,000	2,40,000	1,44,000

Note: All stocks as of 30.09.20XX are procured during the current half-year, except Triton worth ₹3,60,000, purchased in April of the previous financial year. In October, there were **no fresh purchases**, and products were sold with a **20% profit margin** on sales (exclusive of taxes).

Sales Transactions for the month of October, 20XX

Bill No.	Date	Value of Triton (₹)	Value of Neutrino (₹)	Total Invoice Value (₹)
3416	01.10.20XX	2,40,000	3,600	2,43,600
3417	01.10.20XX	1,59,600	6,300	1,65,900
3418	02.10.20XX	80,400	47,100	1,27,500
3419	03.10.20XX	70,500	40,500	1,11,000
3420	05.10.20XX	1,20,000	-	1,20,000
3421	06.10.20XX	1,12,800	7,200	1,20,000
3422	06.10.20XX	-	20,400	20,400
3423	08.10.20XX	60,000	7,200	67,200
3424	09.10.20XX	72,000	10,800	82,800

Details of Services Availed

S. No.	Description	Total (₹)
1	Freight paid to GTA for inward transport for the period Apr 20XX to Oct 20XX (equal payment on 10th each month; transport 11th–20th)	1,68,000
2	Special packing charges paid to a Packing Company, having expertise in such specialized packing, during the period January 20XX to October 20XX. The packing charges are paid for the goods which are transported between 11th to 20th day of the month (as mentioned in point (i) above). The goods are packed on 10th day and then transported from 11th day onwards. Assume equal amount of packing charges are paid each month on the 9th day of each month.	3,60,000



Particulars of Capital Goods Owned by the Firm

Particular	Date of Purchase	Value (₹)	GST (₹)	Remarks
Desktop Computers	01.02.20XX	2,40,000	43,200	
Laser Printers	01.01.20XX (2 yrs old)	96,000	17,280	
Motorbike for collection	23.09.20XX	1,02,000	18,360	Used by staff – personal travel
Furniture & Fixtures	12.06.20XX	4,80,000	86,400	
Air Conditioner (Office)	15.10.20XX	2,40,000	43,200	
Exhaust Fan (Godown)	10.03.20XX	60,000	10,800	

Note:

All figures are **exclusive of GST**, wherever applicable.

The firm has **not claimed depreciation** on GST under the Income-tax Act, 1961.

All conditions for availing **Input Tax Credit** under **Section 18(1)(c) of CGST Act, 2017** are satisfied.

CGST & SGST rates are assumed at **9% each**, and **GTA services** are taxed at **2.5% CGST + 2.5% SGST** under reverse charge mechanism.

All purchases and supplies are **within Maharashtra**.

Compute the Input Tax Credit (ITC) to be credited to the Electronic Credit Ledger of **Lexicon Wholesalers**, when it exits composition scheme and becomes liable to pay tax under regular scheme, in accordance with the provisions of section 18(1)(c) of the CGST Act, 2017.

Answer:

ITC on Inputs as on 2nd November, 20XX

Particulars	Amount (₹)	Notes
Stock of taxable inputs (Triton) as on 30.09.20XX	12,00,000	Only taxable goods considered for ITC – Neutrino being exempt is excluded
Add: Purchases in October	Nil	No fresh purchases made during October
Less: Cost of taxable goods sold from 01.11.20XX to 02.11.20XX	3,84,000	$(2,40,000 + 1,59,600 + 80,400) \times 80\%$
Stock of taxable inputs as on 02.11.20XX	8,16,000	Derived from above
Less: More than 1 year old stock (purchased April previous FY)	3,60,000	Ineligible for ITC
Net eligible stock for ITC	4,56,000	$8,16,000 - 3,60,000$
ITC of CGST @ 9% on ₹4,56,000	41,040	
ITC of SGST @ 9% on ₹4,56,000	41,040	

ITC on Capital Goods as on 2nd November, 20XX

Capital Goods	CGST @ 9% (₹)	SGST @ 9% (₹)	Notes
Desktop Computers	17,280	17,280	$\text{₹}43,200 - (5\% \times 4 \text{ quarters} \times \text{₹}43,200) \div 2$
Printers	–	–	More than 2 years old – ITC not allowed
Motorbike (staff use)	–	–	Personal use – ITC blocked under Sec. 17(5)
Furniture & Fixtures	36,720	36,720	$\text{₹}86,400 - (5\% \times 3 \text{ quarters} \times \text{₹}86,400) \div 2$
Air Conditioner (purchased 15.10.20XX)	–	–	Purchased after 02.11.20XX – full ITC eligible and will be computed separately.
Exhaust Fan (Godown)	4,860	4,860	$\text{₹}10,800 - (5\% \times 4 \text{ quarters} \times \text{₹}10,800) \div 2$
Total Capital Goods ITC	58,860	58,860	

Illustration 25

Radon Tech Industries Ltd., a registered supplier located in **Nagpur (Maharashtra)**, is a manufacturer of goods. The company furnishes the following information pertaining to **GST paid on input supplies during the month of July, 20XX**:

S. No.	Items	GST Paid (₹)
(i)	Life insurance premium paid on the lives of factory employees, as per company policy	1,60,000
(ii)	Raw materials purchased – invoice missing but delivery challan is available	42,000
(iii)	Raw materials used exclusively for zero-rated outward supply	55,000
(iv)	Works contractor's service used for repair of factory building – debited to P&L account	32,000
(v)	Capital goods purchased for ₹4,20,000; depreciation of ₹46,200 (@10%) claimed on full value ₹4,66,200 under Income-tax Act, 1961	50,400

Other Information:

In **October, 20XX** of the **previous financial year**, **Radon Tech Industries Ltd.** availed input tax credit of **₹2,50,000** on raw material **directly sent to a job worker's premises** under a challan. The said raw material has **not been received back** by the company **up to 31-07-20XX** of the current financial year.

All the above input supplies (except the job-worked item mentioned above) have been used exclusively in the **manufacture of taxable goods**.

Assume all other conditions required to avail input tax credit have been **fully complied with**.

Compute the net input tax credit available for the month of July, with necessary explanation for your conclusion for each item. You may assume that all the other conditions necessary for availing the eligible input tax have been fulfilled."



Answer:

Computation of Input Tax Credit available with Radon Tech Industries Ltd., or the month of July 20XX:

S. No.	Items	(₹)
(i)	Life insurance premium paid on the lives of factory employees, as per company policy	Nil
(ii)	Raw materials purchased – invoice missing but delivery challan is available	Nil
(iii)	Raw materials used exclusively for zero-rated outward supply	55,000
(iv)	Works contractor's service used for repair of factory building – debited to P&L account	32,000
(v)	Capital goods purchased for ₹4,20,000; depreciation of ₹46,200 (@10%) claimed on full value ₹4,66,200 under Income-tax Act, 1961	Nil
	Total ITC available	87,000

Note:

Radon Tech Industries Ltd. had sent raw material directly to a job worker's premises on **October, 20XX** of the previous financial year and has **not received it back** up to **31-07-20XX** of the current financial year.

However, since the **one-year period** from the date of dispatch has **not lapsed**, **ITC is not required to be reversed** in July, 20XX under Section 19(3) of the CGST Act, 2017.

Illustration 26

On 28th July, 20XX, of the previous financial year, M/s Siddhant TexMach Pvt. Ltd., a registered supplier of textile manufacturing equipment located in Surat (Gujarat), purchased a machinery for ₹13,68,200 including IGST, from a supplier based in Tamil Nadu, who issued the invoice on the same date. M/s Siddhant TexMach Pvt. Ltd. put the machinery to use on the same day and availed the input tax credit for the eligible amount.

Subsequently, on 24th July, 20XX of the current financial year, M/s Siddhant TexMach Pvt. Ltd. sold the used machinery for ₹8,10,000 excluding IGST, to Mr. Naveen Reddy of Telangana.

The applicable rate of IGST at the time of both purchase and sale was 18%.

Whether M/s Siddhant TexMach Pvt. Ltd. is required to pay GST on the sale of the used machine. If yes, calculate the amount of tax payable under the GST laws at the time of sale.

Also, briefly state the relevant statutory provisions applicable to such a transaction.

Answer:

Amount Payable on Supply of Machinery by M/s Siddhant TexMach Pvt. Ltd.

Particulars	Amount (₹)
ITC taken on the machinery ($₹13,68,200 \times 18/118$)	2,08,560
Less: ITC to be reversed @ 5% per quarter for 5 quarters	(52,140)
Amount required to be paid under Section 18(6) – Value A	1,56,420
Tax on transaction value ($₹8,10,000 \times 18\%$) – Value B	1,45,800
Amount payable (higher of A and B)	1,56,420

Therefore, M/s Siddhant TexMach Pvt. Ltd. is required to pay GST amounting to ₹ 1,56,420 at the time of sale of machinery

Illustration 27

Devansh Engineering Works, a registered person located in Indore, instructs its supplier to send certain capital goods directly to Mahadev Tools & Fabricators, a job worker situated outside its factory premises, for carrying out specific operations on those goods. The goods were dispatched by the supplier on 12-05-20XX and were received by the job worker on 18-05-20XX.

Although Mahadev Tools & Fabricators completed the job work, the capital goods were not returned to their principal — Devansh Engineering Works.

You are required to examine:

Whether Devansh Engineering Works is eligible to retain the input tax credit availed on the capital goods.

What action is required to be taken under the GST Act by Devansh Engineering Works in such a case.

Also, explain what would be your answer if instead of capital goods, jigs and fixtures were sent to the job worker and have not been returned to the principal.

Answer:

A 3-year time period is available to return the capital goods from the date of receipt by the job worker (which may be extended by a further 2 years by the Commissioner of Central Tax).

In view of the above provisions, Devansh Engineering Works is eligible to retain the input tax credit availed by it on the capital goods.

However, if the capital goods are not returned by Mahadev Tools & Fabricators within 3 years from 18.05.20XX, it shall be deemed that such capital goods have been supplied by Devansh Engineering Works to Mahadev Tools & Fabricators on 18.05.20XX, and Devansh Engineering Works shall be liable to pay tax along with applicable interest.

On the other hand, there is no time limit for return of moulds and dies, jigs and fixtures, or tools sent out to a job worker for job work as per Section 19(7) of the CGST Act, 2017.

Therefore, if Mahadev Tools & Fabricators does not return the jigs and fixtures, it shall not be treated as a supply by Devansh Engineering Works to the job worker. In this case as well, Devansh Engineering Works will be eligible to retain the input tax credit availed by it

Illustration 28

M/s Solvex Engineering Pvt. Ltd., based in Surat, Gujarat, becomes liable to pay tax under GST on 1st February, 20XX, and obtains registration on 16th February, 20XX.

The GST-paid goods lying in the premises of M/s Solvex Engineering Pvt. Ltd. as on **31st January,**



20XX are as follows:

Particulars	Value (₹) (Excl. GST)	GST (₹)
Raw material	2,40,000	43,200
Capital goods	6,00,000	1,68,000
Raw material in work-in-progress	3,60,000	64,800
Raw material in finished goods	14,40,000	2,59,200

You are required to address the following:

- What is the eligible amount of input tax credit (ITC) that can be claimed?
- What is the time limit to submit the declaration on the common portal?
- Is any certification required while availing the credit? If yes, then from whom?

Answer:

- The eligible input tax credit available to M/s Solvex Engineering Pvt. Ltd. is ₹3,67,200. (Note: ITC on capital goods is not allowed in this case.)
- A declaration in Form GST ITC-01 should be submitted on the common portal of GSTN on or before 15th March, that is, within 30 days from the date of registration (16th February).
- The declaration for availing input tax credit must be certified by a practicing Chartered Accountant or Cost Accountant, if the total claim exceeds ₹2,00,000.

In this case, since the ITC claim is ₹3,67,200, Therefore, certificate from a practicing Chartered Accountant or a Cost Accountant is required.

Illustration 29

Mr. Kunal Bhatt, based in **Vadodara, Gujarat**, applies for **voluntary registration** under GST on **21st August** and obtains registration on **24th August**, 20XX.

Mr. Kunal has the following **stock movement details**:

Date	Opening Balance (units)	Purchased (units)	Sold (units)
20th August	15,000	25,000	9,000

On **23rd August**, Mr. Kunal purchases **6,000 units** and sells **18,000 units**.

on **23rd August**, Mr. Kunal also purchases **plant and machinery** worth **₹2,40,000** plus **GST @ 28%**. All goods are **purchased at a uniform rate of ₹120 per unit**, plus **GST paid @ 18%**.

You are required to **determine the eligible Input Tax Credit (ITC)** available to **Mr. Kunal Bhatt** upon registration.

Answer:

Computation of Input Tax Credit (ITC) Eligible to Mr. Kunal Bhatt

Particulars	Value/Quantity	Working Note
Closing stock as on 24th August	19,000 units	Opening 15,000 + Purchases 25,000 + 6,000 – Sales 9,000 – 18,000 = 19,000 units
Value of stock	₹22,80,000	1,000 units × ₹120 per unit
GST on stock @18%	₹4,10,400	₹22,80,000 × 18%
Input tax credit eligible	₹4,10,400	

Note : ITC on capital goods is not allowed.

Illustration 30

Mr. Karan Mehta, a registered taxable person based in **Coimbatore**, was paying tax under the **composition scheme** up to **28th August**. However, with effect from **29th August**, Mr. Mehta becomes liable to pay tax under the **regular scheme**.

Other information is provided as follows:

- Inputs held in stock as on 28th August are valued at **₹4,13,000** (inclusive of GST paid @18%).
- Capital goods were purchased for **₹6,00,000** (invoice dated **15th May**) on which GST @18% was charged.

You are required to determine the **eligible Input Tax Credit (ITC)** available to **Mr. Karan Mehta**.

Note: Mr. Mehta has **not availed depreciation** on the GST portion paid on capital goods.

Answer:

Particulars	Value in ₹	Working Note
ITC allowed on inputs	63,000	₹4,13,000 × 18/118
ITC on capital goods	1,08,000	GST @18% on ₹6,00,000 = ₹1,08,000
Less: Reduction @5% per quarter	(10,800)	₹1,08,000 × 5% × 2 quarters
Net ITC on capital goods	97,200	
Total ITC allowed	1,60,200	

Illustration 31

M/s Ananthan Enterprises Pvt. Ltd., Madurai, Tamil Nadu, is exclusively engaged in manufacturing and intra-State supply of a product named “**Sanvika**”, which was exempt from GST as per notifications issued under the GST law.

- The product “Sanvika” was sold only within **Tamil Nadu**.
- The company was **not registered under GST**, as all its outward supplies were exempt.
- All inward supplies, including raw materials and capital goods, were **taxable under forward charge**.



- **Turnover in the previous financial year** was ₹55 lakhs.
- The company anticipated a **15% growth in turnover** in the current year.

To cater to growing demand, the company **purchased new machinery** on **1st July 2024** for enhancing manufacturing capacity, costing **₹30 lakhs (exclusive of GST @18%)**.

However, **with effect from 1st November 2024**, the exemption on “Sanvika” was **withdrawn**, and **GST @12% was made applicable** on the product.

For the **half-year ended 30th September 2024**, the turnover of Ananthan Enterprises stood at **₹60 lakhs**.

(a) Is Ananthan Enterprises Pvt. Ltd. required to obtain GST registration after withdrawal of exemption on 1st November 2024?

(b) Can Ananthan Enterprises Pvt. Ltd. (assume a registered person) claim ITC on the machinery purchased before 1st November 2024, which was exclusively used for manufacturing exempt product “Sanvika”? If yes, when and how much ITC is admissible?

Answer:

(a) Yes, Ananthan Enterprises Pvt. Ltd. becomes liable to **GST registration** after the exemption on the supply of “Sanvika” was withdrawn.

Legal Reference and Reasoning:

- As per **Section 22(1) of the CGST Act, 2017**, read with **Notification No. 10/2019 – CT dated 07.03.2019**, a person engaged **exclusively in intra-State supply of goods** is liable for registration when **aggregate turnover exceeds ₹40 lakhs** in a financial year.
- Prior to 1st November 2024, the supply of “Sanvika” was **exempt**, hence registration was **not required** under **Section 23(1)(a)** of the CGST Act, 2017.
- However, once the product became **taxable on 1st November 2024**, and since the **aggregate turnover (₹60 lakhs)** had already **exceeded ₹40 lakhs** in the financial year (**including exempt supply turnover**), the company becomes **liable to register under GST**.
- As per **Section 25(1)**, the company must apply for registration **within 30 days** from the date it becomes liable, i.e., by **30th November 2024**.

(b) Yes, Ananthan Enterprises Pvt. Ltd. can claim Input Tax Credit (ITC) on the machinery purchased for manufacturing “Sanvika”, but only after the supply becomes taxable, i.e., from 1st November 2024.

Legal Basis:

- As per **Section 18(1)(d)** of CGST Act, 2017, if a **supply that was exempt becomes taxable**, the registered person is eligible to claim **ITC on capital goods** used exclusively for such exempt supply, **as on the day preceding the date of change**, i.e., **31st October 2024**.

- **Rule 40(1)(a)** of CGST Rules, 2017 provides that such credit on capital goods should be **reduced by 5% per quarter** or part thereof from the **date of invoice**.

Computation of Admissible ITC:

- **Date of machinery purchase:** 1st July 2024
- **Date of eligibility for ITC:** 31st October 2024
- **Number of quarters elapsed (including part):** 2 quarters
- **GST paid on machinery:** ₹30,00,000 × 18% = ₹5,40,000
- **Reduction for 2 quarters:** ₹5,40,000 × 5% × 2 = ₹54,000
- **Admissible ITC:** ₹5,40,000 – ₹54,000 = **₹4,86,000**

Thus, **₹4,86,000** of **ITC on capital goods** is **available for claim** in the month of **November 2024** in the first eligible return after obtaining registration.

Illustration 32

The goods manufactured by **Triton Manufacturing Ltd.**, a registered unit in **Aurangabad, Maharashtra**, have been **exempted from GST with effect from 14th November, 20XX**. Prior to this date, the goods were taxable at the rate of 18%, and the inputs used in manufacturing these goods attracted GST at the rate of 12%.

As on **14th November 2025**, the company has the following in its records:

Inputs valued at ₹1,68,960 are lying in stock.

Inputs worth ₹89,520 are contained in goods that are still under process.

Finished goods valued at ₹5,80,800 are also lying in stock, where the cost of inputs is 50% of the value, i.e., ₹2,90,400.

In addition to this, the company had purchased capital goods for ₹2,40,000 and paid GST at 28% thereon through an invoice dated 12th July 2025.

The **electronic credit ledger balance** of Triton Manufacturing Ltd. as on 14th November 2025 stands at ₹3,35,980.

The GST department has directed the company to reverse the input tax credit that relates to inputs lying in stock, inputs contained in semi-finished goods, and those present in finished goods. However, Triton Manufacturing Ltd. argues that once ITC has been validly availed, it becomes indefeasible and is not required to be reversed.

You are required to determine the **correct GST treatment** of such credit reversal under the CGST Act, 2017.

Additionally, what would be the position if the balance in the electronic credit ledger as on 14th November, 2025 were only ₹35,980?



Answer:

Statement Showing Amount to be Paid by Triton Manufacturing Ltd. as on 14th November 2025

S. No.	Particulars	Amount to be Paid (₹)	Working Note
(i)	Inputs lying in stock	20,275	$₹1,68,960 \times 12\% = ₹20,275$
(ii)	Inputs in process	10,742	$₹89,520 \times 12\% = ₹10,742$
(iii)	Inputs contained in finished goods	34,848	$₹5,80,800 \times 50\% \times 12\% = ₹34,848$
(iv)	Capital goods	62,370	Useful life = 60 months. Used for 5 months. Remaining life = 55 months. $₹2,40,000 \times 28\% \times (55 \div 60) = ₹62,370$
	Total amount to be paid	1,28,235	

When Credit Ledger Balance is ₹3,35,980

Amount payable by Triton Manufacturing Ltd. = ₹1,28,235

Less: ITC available in electronic credit ledger = ₹ (3,35,980)

Excess ITC that shall lapse = ₹ (2,07,745)

When Credit Ledger Balance is ₹35,980

Amount payable by Triton Manufacturing Ltd. = ₹1,28,235

Less: ITC available in electronic credit ledger = ₹ (35,980)

Balance payable in cash through electronic cash ledger = ₹92,255

Illustration 33

M/s Trident Engineering Ltd., a registered supplier based in **Vadodara, Gujarat**, sold **plant and machinery**—which had been used in the manufacture of taxable goods—for ₹4,80,000 on **1st December, 20XX**. GST is applicable on the **transaction value of plant and machinery** at the rate of **18%**.

M/s Trident Engineering Ltd. had purchased this machinery **via invoice dated 20th December, 20XX (previous year)** for ₹6,60,000 plus GST @18%. The company had **availed input tax credit** on the said plant and machinery.

You are required to compute the **amount payable under Section 18(6)** of the **CGST Act, 2017** by M/s Trident Engineering Ltd.

Answer:

Computation of Amount Payable under Section 18(6) of the CGST Act, 2017 by M/s Trident Engineering Ltd.

Particulars	Amount (₹)	Working Note
ITC availed on capital goods	1,18,800	₹6,60,000 × 18%
Less: 25% reduction	(29,700)	Machinery used for 5 quarters 5% × 5 = 25% of ₹1,18,800
Balance ITC - A	89,100	
Tax on transaction value - B	86,400	₹4,80,000 × 18%
Amount payable under Sec. 18(6)	89,100	Higher of A or B

Therefore, M/s Trident Engineering Ltd. is liable to pay ₹89,100(Higher of A or B) under Section 18(6) of the CGST Act, 2017.

Illustration 34

Zenith Tools Pvt. Ltd., a **registered manufacturer** based in **Indore, Madhya Pradesh**, is engaged in the supply of **taxable goods**. The company purchased the following goods during the month of **February, 20XX** and has provided the relevant details as below:

S. No.	Particulars	GST Paid (₹)
1	Capital goods purchased on which depreciation has been claimed on the full value including GST	18,000
2	Goods purchased from Mangal Enterprises – Invoice received in February, but goods received in May	24,000
3	Car purchased for further supply – destroyed during test drive	36,000
4	Goods used for setting up telecommunication towers (immovable property)	60,000
5	Goods purchased from Reva Traders – full payment made, but tax deposited by supplier in May	12,000
6	Truck purchased for delivery of finished goods	

You are required to determine the **amount of Input Tax Credit (ITC)** available to **Zenith Tools Pvt. Ltd.** while filing **GSTR-3B for the month of February, 20XX**, giving suitable justification for the treatment of each item in accordance with the **CGST Act, 2017**.

Answer

Computation of ITC Available with Zenith Tools Pvt. Ltd. in February, 20XX

S. No.	Particulars	GST Paid (₹)	Remarks
1	Capital goods purchased on which depreciation has been claimed on full value including GST. ITC not allowed as per Section 16(3) of CGST Act	Nil	ITC not allowed as per Section 16(3) of CGST Act



2	Goods purchased from Mangal Enterprises – Invoice received in February, but goods received in May	Nil	ITC not allowed in February – as goods not received; eligible in May
3	Car purchased for further supply – destroyed during test drive	Nil	ITC blocked under Section 17(5)(h) – goods destroyed
4	Goods used for setting up telecommunication towers (immovable property)	Nil	ITC blocked under Section 17(5)(d) – used for immovable property
5	Goods purchased from Reva Traders – full payment made, tax deposited by supplier in May	12,000	ITC can be provisionally claimed in February under Section 16; confirmed once tax is paid by supplier to the Government.
6	Truck purchased for delivery of output goods	96,000	ITC allowed – motor vehicle used for transportation of goods (not blocked under Section 17(5)(a))
	Total	1,08,000	

Illustration 34

Aarogya Vikas Foundation, a registered **charitable organization** under **section 12AA of the Income-tax Act, 1961**, conducted a **senior citizen vocational training initiative** for individuals **above the age of 65 years** in the **planned region of Neo City** during the month of **May, 20XX**.

The foundation received the following contributions for conducting the programme:

Particulars	Amount (₹)
Subscription fees for the programme	60,000
Sponsorship fees	1,20,000
Consideration for supply of goods	3,60,000

In addition, **donations amounting to ₹2,40,000** were also received by **Aarogya Vikas Foundation** in **May, 20XX**.

Mr. Arvind, the **accountant** of the foundation, is unsure about the **GST applicability** on these receipts and seeks guidance in determining the **value of taxable supply** under GST for the month.

Answer:

Value of Taxable Supply of Aarogya Vikas Foundation for the Month of May, 20XX

Particulars	Amount (₹)
Subscription fees for the programme	60,000
Sponsorship fees	1,20,000
Consideration for supply of goods	3,60,000
Total Taxable Value	5,40,000

Illustration 35

SecureLife General Insurance Ltd., a registered insurance company in **Pune, Maharashtra**, settles motor insurance claims through the **reimbursement mode**.

In one such case:

- The customer, **Mr. Rajeev**, gets his car repaired at **AutoFix Garage** and pays **₹54,000 + 18% GST**.
- An **invoice is issued in the name of SecureLife General Insurance Ltd.** for the full amount.
- The company later reimburses **₹40,000 + 18% GST** to Mr. Rajeev as **approved claim cost**.

You are required to examine:

1. Whether **SecureLife General Insurance Ltd.** qualifies as a **recipient** under GST law.
2. Whether **Input Tax Credit (ITC)** is available to the insurance company on such repair services.
3. What is the **eligible amount of ITC**, if any?

Answer:

(1) Yes. As per **Section 2(93)** of the CGST Act, the **recipient** is the person **liable to pay consideration** for a supply, even if payment is made by another person.

Also, as per **Section 2(31)**, **consideration includes** payments made **by the recipient or any other person** in relation to a supply.

In this case:

- Even though **Mr. Rajeev** initially pays the full repair bill,
- The **approved repair amount** of ₹40,000 is **reimbursed** by **SecureLife General Insurance Ltd.**
- Hence, **SecureLife is treated as the 'recipient'** of services **to the extent of ₹40,000**, as clarified by **CBIC Circular No. 217/11/2024-GST dated 26.06.2024**.

(2) Yes. As per **Section 17(5)**, **ITC is not blocked** when motor vehicle repair services are received by a registered person **engaged in general insurance services** for insured vehicles.

Since **SecureLife** is providing **insurance services for the vehicle**, and the repair was undertaken **for fulfilling its insurance contract**, **ITC is available** on such input service.

(3) Although the **invoice value is ₹54,000 + GST**, the insurance company only **reimbursed ₹40,000 + GST**.

ITC is available **only to the extent of approved claim**:

Particulars	Amount (₹)
Approved repair amount	40,000
GST @18% on ₹40,000	7,200
Eligible ITC	₹7,200



ITC on the remaining ₹14,000 repair amount is not allowed since it is not borne by SecureLife.

Conclusion:

Point	Explanation
Recipient status	SecureLife is recipient to extent of ₹40,000
ITC allowed?	Yes, under Section 17(5) exception
ITC amount available	₹7,200

SecureLife General Insurance Ltd. can **rightfully claim ITC of ₹7,200**, being the GST on the **approved claim amount** reimbursed to the insured.

Notes:

(1) As per **CBIC Circular No. 217/11/2024-GST dated 26.06.2024**, if the **garage issues two separate invoices**:

- One invoice to **SecureLife General Insurance Ltd.** for the **approved claim amount** (₹40,000), and
- A second invoice to **Mr. Rajeev** for the **balance amount** (₹14,000),

Then, **ITC will be available to SecureLife only on the invoice raised in its name**, subject to actual reimbursement of that amount to the insured.

in this case, since SecureLife reimbursed **₹40,000** and the invoice is raised in its name, **ITC of ₹7,200 (₹40,000 × 18%) remains eligible**.

(2) However, if the **entire invoice is issued only in the name of Mr. Rajeev**, and not in the name of **SecureLife Insurance**, then:

The conditions of **Section 16(2)(a) and (aa)** of the CGST Act are **not fulfilled** (i.e., recipient's name on invoice + payment linkage).

Therefore, **ITC will not be allowed** to SecureLife Ltd., even if the amount is reimbursed.

Hence, **ITC eligibility depends not only on reimbursement but also on the invoice being correctly addressed** to the insurance company.

Illustration 36

M/s Neelkamal Engineers Pvt. Ltd., a registered recipient located in Surat, Gujarat, procured manpower services from Mr. Ramesh Yadav, an unregistered supplier based in Varanasi, Uttar Pradesh, for ₹1,00,000 (exclusive of GST) on 28th March 2024. The services were used in the course or furtherance of business for taxable output supply. However, the self-invoice was issued by M/s Neelkamal Engineers Pvt. Ltd. on 3rd April 2024. The company paid GST @18% under Reverse Charge Mechanism (RCM) and claimed the ITC in their GSTR-3B return filed on 18th November 2024.

Based on Section 16(4), Section 31(3)(f) of the CGST Act, and Circular No. 211/5/2024-GST dated 26.06.2024:



(i) What is the relevant Financial Year for availing ITC?

(ii) Can ITC be availed in the return filed on 18th November 2024?

(iii) What are the implications if the self-invoice was issued after the prescribed time of supply? If M/s Neelkamal Engineers Pvt. Ltd. had issued the self-invoice on 10th July 2024 instead of 3rd April 2024:

Answer:

(i) Relevant Financial Year for ITC under Section 16(4):

As per **Circular No. 211/5/2024-GST**, when RCM is applicable on supplies from **unregistered persons**, and the recipient issues a **self-invoice under Section 31(3)(f)**, the **relevant financial year for ITC** is the **FY in which the self-invoice is issued**.

☑ In this case, the self-invoice was issued on **3rd April 2024**, so the **relevant FY is 2024–25**.

(ii) Eligibility of ITC in GSTR-3B filed on 18th November 2024:

Under **Section 16(4)**, ITC must be availed **before** the earlier of:

- **30th November 2025**, or
- The **date of filing the Annual Return** for FY 2024–25 (assume annual return not filed till the end of 30th November 2025)

☑ Since the GSTR-3B was filed on **18th November 2024**, i.e., **within the eligible time**,

☑☑ **ITC of ₹18,000 is validly availed**.

(iii) Implication of delay in self-invoice beyond the time of supply:

If the self-invoice is issued **after the prescribed time of supply** (which, for services under RCM, is generally **the date of payment or 60 days from supplier's invoice**, whichever is earlier):

- Tax under RCM is treated as **delayed**.
- Recipient is liable to pay **interest** under **Section 50(1)** for delayed tax payment.
- A **penalty** may be levied under **Section 122** for non-issuance of invoice and non-payment of tax on time.

If M/s Neelkamal Engineers Pvt. Ltd. had issued the self-invoice on **10th July 2024** instead of 3rd April 2024:

- ITC would still be **eligible** (as the invoice is in FY 2024–25),
- But interest would be payable on ₹18,000 from due **date** to **date of payment**, and
- A **penalty** under Section 122 may also arise.



Illustration 37

M/s X Ltd., a registered person located in Mumbai, Maharashtra, availed **GTA services** from an **unregistered transporter** on **21st March 2025** (FY 2024–25). Since the supplier is **unregistered**, and the service is notified under **Reverse Charge Mechanism (RCM)**, M/s X Ltd. was required to issue a **self-invoice** under **Section 31(3)(f)** of the CGST Act, 2017.

However, M/s X Ltd. issued the self-invoice only on **15th May 2025** (i.e., after the due time limit), and **paid GST under RCM on 20th August 2025**. The payment to the supplier has **not yet been made**.

Based on the above facts and Circular No. 211/5/2024-GST dated 26.06.2024, answer the following:

(i) What is the correct time limit for issuing self-invoice under section 31(3)(f)?

(ii) What will be the Time of Supply (TOS) in this case under Section 13(3)?

(iii) What is the due date to pay tax under RCM?

(iv) Whether interest and penalty would be applicable?

(v) What is the time limit for availing ITC under Section 16(4)?

Answer

(i) Time limit for issuing self-invoice under Section 31(3)(f):

As per **Section 31(3)(f)** of CGST Act, 2017, when the supply is received from an **unregistered person**, the **recipient** must issue an **invoice within 30 days** from the **date of receipt of service**.

- **Service received on:** 21st March 2025
- **Last date to issue self-invoice:** 20th April 2025

M/s X Ltd. issued the invoice late on **15th May 2025**, hence **not compliant** with Section 31(3)(f).

(ii) Time of Supply (TOS) under Section 13(3):

Since **payment is not made**, and the supplier is **unregistered**, TOS is determined as:

TOS = 1st day after 60 days from the earlier of:

- **Date of invoice 15th May 2025, or**
- **Last date to issue invoice (i.e., 20th April 2025)**

So:

- **60 days from 20th April 2025 = 19th June 2025**
- **Therefore, Time of Supply = 20th June 2025**

(iii) Due date to pay tax under RCM:

GST under RCM must be paid in the **return for the month in which TOS arises**.

- **TOS = 20th June 2025**
- Hence, tax should be paid in **GSTR-3B for June 2025, i.e., by 20th July 2025**

However, tax was actually paid on **20th August 2025, i.e., with a delay of 31 days**.

(iv) Interest & Penalty:

- **Interest** is applicable under **Section 50(1)** for **delay of 31 days** in payment of tax under RCM
- **Penalty** under **Section 122(1)(iii)** may apply because M/s X Ltd. **did not issue invoice as per Section 31(3)(f)**

(v) Time limit to avail ITC under Section 16(4):

As per **Circular No. 211/5/2024-GST**, when self-invoice is issued for RCM supplies from unregistered persons, the **relevant FY** for Section 16(4) is the **FY in which self-invoice is issued**.

- **Self-invoice date:** 15th May 2025
- So, **FY 2025-26** is relevant
- ITC can be availed up to **30th November 2026** or **date of filing annual return for FY 2025-26**, whichever is earlier

Conclusion: ITC is eligible, but subject to payment of **interest** and exposure to **penalty**.

Summary Table:

Particular	Date / Details
Service Completion Date	21st March 2025
Last Date to Issue Invoice	20th April 2025
Actual Invoice Issued On	15th May 2025 (Delayed)
Payment Made	Not yet made
Time of Supply (TOS)	20th June 2025
Due Date for RCM Tax Payment	20th July 2025
Actual Tax Payment Date	20th August 2025
Delay in Payment	31 days
Interest Payable	Yes, u/s 50(1)
Penalty u/s 122	Yes, for delay in invoice
Relevant FY for ITC (Sec 16(4))	FY 2025-26
Last Date to Avail ITC	30th November 2026 or Annual Return filing, whichever is earlier



Illustration 38

M/s **Skyline Enterprises Pvt. Ltd.**, a registered dealer located in **Hyderabad, Telangana**, failed to file GST returns for several months, and consequently, its registration was **cancelled by a proper officer on 15th March 2025** under **Section 29 of the CGST Act**. The registration remained inactive, and the company applied for **revocation** on time. The registration was **revoked by an order dated 1st August 2025** under **Section 30**.

During the relevant period, Skyline Enterprises received taxable inward supplies from registered suppliers as follows:

- **Invoices dated February 2025 (before cancellation):**
 - o Value of supply: ₹2,00,000
 - o GST @18%: ₹36,000
- **Invoices during cancellation (March 2025 to July 2025):**
 - o Value of supply: ₹4,00,000
 - o GST @18%: ₹72,000

The company wishes to claim **ITC on these invoices** which has not yet been claimed in any return.

You are required to answer the following based on the provisions of **Section 16(6)** of the **CGST Act, 2017** (inserted by Finance Act, 2024, w.e.f. 27-09-2024, with retrospective effect from 01-07-2017):

1. *Can Skyline Enterprises claim ITC on invoices issued before cancellation (February 2025)?*
2. *Can ITC be claimed for invoices received during the cancellation period (March to July 2025)?*
3. *What is the final time limit to avail total ITC under Section 16(6)?*

Answer:

1. *Yes. The invoices dated **February 2025** pertain to **FY 2024–25**.*

As per **Section 16(4)** read with **Section 16(6)**, ITC on these invoices can be claimed:

- **On or before 30th November 2025, or**
- **Date of filing annual return for FY 2024–25,**

whichever is earlier.

Therefore, **₹36,000** of ITC related to February 2025 is **eligible to be claimed** in a return filed up to **30th November 2025**.

2. *Yes. Under **Section 16(6)(ii)**, ITC on invoices issued **during the period of cancellation** (i.e., from **15th March 2025 to 31st July 2025**) is also eligible, provided:*



- The registration is **revoked**, and
- The return for that period is filed **within 30 days** from the **date of revocation order**.

In this case:

- **Revocation order date:** 1st August 2025
- **30-day limit ends on:** 31st August 2025

Hence, if Skyline Enterprises files the pending returns by **31st August 2025**, it can claim ITC of **₹72,000** on the invoices during the cancellation period.

3. Final time limit to avail total ITC under Section 16(6):

As per **Section 16(6)**, ITC may be claimed **up to whichever is later** of the following:

1. **30th November 2025** (Section 16(4) limit for FY 2024–25), or
2. **31st August 2025** (i.e., 30 days from revocation order date – 1st August 2025)

Later date is 30th November 2025

Therefore, Skyline Enterprises can claim **entire ITC of ₹1,08,000** (i.e. ITC ₹36,000 before cancellation of registration plus ITC of ₹72,000 during cancellation of registration) on or before **30th November 2025**, subject to filing the pending returns by that date.

Therefore, ITC for all invoices (pre-cancellation and cancellation period) can be claimed up to 30th November 2025.

Illustration 39

M/s **Brighton Engineers** (Karnataka) had its **GST registration cancelled** with effect from **31st December 2024** due to non-filing of returns. Later, **revocation of cancellation** was granted on **31st May 2025**.

During the period, the following transactions occurred under **Reverse Charge Mechanism (RCM)**:

1. **Legal Consultancy Service** received from **Advocate & Co., registered person** (RCM applicable):
 - a. **Service completed Date:** 10th January 2025
 - b. **Invoice Received:** 15th January 2025
 - c. **Invoice Value:** ₹1,00,000
 - d. **GST Rate:** 18%
 - e. Full amount paid to supplier on 15th January 2025
2. **Goods Transport Service** from an **unregistered transporter** (RCM applicable):
 - a. **Invoice Date (self-invoice issued by the recipient):** 28th December 2024



b. Invoice Value: ₹50,000

c. GST Rate: 5%

d. Full amount paid to supplier on 8th December 2024

3. Import of Services (RCM applicable):

a. Invoice Date (self-invoice issued by the recipient): 1st August 2023

b. Invoice Value: ₹2,00,000

c. GST Rate: 18%

d. Full amount paid to supplier on 8th August 2023.

For all the above services GST paid to department through e-cash ledger on 30-Jun-2025 under RCM. Input Tax Credit has not been availed for all the above transactions till 31st May 2025.

You are required to:

(a) Determine ITC eligibility for these RCM invoices as per Section 16(4) and Section 16(6) of the CGST Act, 2017.

(b) Explain GST liability under Section 31(3)(f).

(c) Compute GST payable, interest @18% p.a., and penalty under Section 122 for delayed payment.

Answer:

(a) ITC Eligibility under Section 16(4) & 16(6):

Transaction	Invoice Date	GST Amount	ITC Eligibility	Reason
Legal Consultancy (Advocate & Co.)	15-Jan-2025	₹18,000	Eligible (under Section 16(6))	Invoice within time limit; revocation on 31-May-2025 allows claiming within 30 days (by 30-Jun-2025).
Goods Transport (Unregistered GTA)	28-Dec-2024	₹2,500	Eligible (under Section 16(4))	Invoice before cancellation; ITC claimable post-revocation before 30-Nov-2025.
Import of Services (Overseas)	August-2023	nil	Not eligible	ITC of ₹36,000 is Time-barred as per Section 16(4); ITC deadline (30-Nov-2024) passed before cancellation.
Total ITC allowed u/s 16(6)		20,500		Time limit to avail ITC u/s 16(6) of CGST Act, 2017 (a) 30-June 2025 (or) (b) 30-11-2025 Whichever is later i.e. 30-11-2025

(b) GST Liability under Section 31(3)(f):

- All three transactions are liable under RCM.
- M/s Brighton Engineers must pay GST for these supplies, even during the cancellation period.
- As per Section 31(3)(f):
 - o Self-invoice must be issued for RCM supplies from unregistered suppliers (GTA & Import of services).
 - o GST liability remains payable irrespective of cancellation.

(c) GST Payable, Interest & Penalty Calculation:

Transaction	GST Payable	Original Due Date	Payment Date	Delay (Days)	Interest @18% p.a.	Penalty (Section 122) (10% of tax or ₹10,000 Whichever is higher)
Legal Consultancy (₹1,00,000 @18%)	₹18,000	20-Feb-2025	30-Jun-2025	130 days	₹1,153	₹10,000 + ₹10,000 (CGST+ SGST)
Goods Transport (₹50,000 @5%)	₹2,500	20-Jan-2025	30-Jun-2025	161 days	₹198	₹10,000 + ₹10,000 (CGST+ SGST)
Import of Services (₹2,00,000 @18%)	₹36,000	20-Sep-2023	30-Jun-2025	649 days	₹11,522	₹10,000 + ₹10,000 (CGST+ SGST)

Illustration 40

Mr. Rohan, based in Mumbai, hires Swift Travels Pvt. Ltd. (STPL) for transport from Mumbai to Pune in a motor cab for ₹ 1,200.

STPL, in turn, hires a motor cab with operator from GoCab Rentals for ₹ 900 to provide the service.

GoCab Rentals charges STPL CGST & SGST @12% (₹ 108 total).

STPL charges Mr. Rohan CGST & SGST @5%.

Explain how much ITC STPL can avail on the input service from GoCab Rentals, based on the amended GST provisions.

Answer:

Relevant Legal Provisions:



As per **Notification No. 11/2017-Central Tax (Rate)**, as amended from 20th October 2023:

- When **transport of passengers or renting of motor vehicles with fuel cost included** is charged @5% GST, the **supplier (STPL)**:
 - Cannot avail ITC on goods and services except for input services in the same line of business** (like transport of passengers/renting of vehicles with operator).
- However, even for **input services in the same line of business**, where **GST is charged at a rate higher than 5%**, ITC is **capped at 5% of the input service value**.

Application to the Scenario:

Particulars	Amount (₹)
Value of input service from GoCab Rentals	900
GST charged by GoCab Rentals @12%	108
Tax charged by STPL to Mr. Rohan @5%	60

ITC Eligibility for STPL:

- GoCab Rentals** charged **12% GST**, but **STPL** is charging **5% GST** on output service.
- As per the amended rule, **STPL can claim ITC only to the extent of 5% of the input service value (₹900)**.

Eligible ITC = 5% x ₹900 = ₹45

- Actual GST paid to GoCab Rentals: ₹ 108**
- ITC available to STPL: ₹ 45**
- ITC restriction due to amendment: ₹ 63 (not allowed)**

Conclusion:

- STPL can avail ITC of ₹45 only**, despite having paid ₹108 GST to **GoCab Rentals**.
- The **balance ₹63 becomes blocked ITC**.

Illustration 41

Aryan Industries Pvt. Ltd., based in **Jaipur, Rajasthan**, **exclusively manufactures and sells** a product named '**AeroMax**', which was **exempt from GST** vide relevant **notifications**, along with certain **taxable supplies**. The company sells '**AeroMax**' only within **Rajasthan** and is **registered under GST** under the **regular scheme**.

Further details:

- All inward supplies** of the company are **taxable under forward charge**.
- The company anticipated **sales growth** for the current financial year.
- Owing to **growing demand**, the company decided to **expand production capacity** and, on **1st September 2024**, purchased **additional machinery** exclusively used for **manufacturing 'AeroMax'**.

- The **purchase price** of the machinery was ₹ 50 lakh (exclusive of GST @18%).

However, with effect from **1st January 2025**, the **GST exemption on 'AeroMax'** was **withdrawn**, and **GST @12%** was imposed on its supply.

Can **Aryan Industries Pvt. Ltd.** avail **input tax credit (ITC)** on the **machinery** purchased exclusively for manufacturing '**AeroMax**'?

If **yes**, **when** and **how much** ITC can be availed?

Provide your **advice with reference to the relevant provisions of GST law**.

Answer:

As per **Section 18(1)(d)** of the **CGST Act, 2017**, read with **Rule 40(1)(b)** of the **CGST Rules, 2017**:

- When a **supply that was earlier exempt becomes taxable**, the registered person becomes **eligible to claim ITC** in respect of **Capital goods**,

which were **exclusively used for such exempt supplies**.

- ITC on capital goods** is allowed **after reducing the tax paid** on such capital goods by **5% per quarter** (or part thereof) from the **date of the invoice** till the **date immediately preceding the date when such supply becomes taxable**.

Application to Aryan Industries Pvt. Ltd.:

- Capital goods purchased:** Machinery exclusively for manufacturing '**AeroMax**'.
- Purchase date of machinery:** **1st September 2024**.
- GST paid on machinery (18% on ₹50 lakh):** ₹ 9,00,000.
- Date 'AeroMax' becomes taxable:** **1st January 2025**.
- Relevant date for ITC eligibility:** **31st December 2024** (day immediately preceding the date it becomes taxable).

Computation of Eligible ITC:

Particulars	Calculation	Amount (₹)
GST paid on machinery	18% of ₹50,00,000	9,00,000
Period from purchase to taxable status (2 quarters)	Sept-Dec 2024 = 2 quarters July to Sep = 1 quarter Oct to Dec = 1 quarter Total = 2 quarters	
Reduction @5% per quarter (5% × 2 quarters)	10% of ₹9,00,000	90,000
Eligible ITC	₹9,00,000 – ₹90,000	8,10,000



Procedure to Claim ITC:

- **Aryan Industries Pvt. Ltd.** must file an **electronic declaration** in **Form GST ITC-01** within **30 days** from becoming eligible for ITC (i.e., within **30 days from 1st January 2025**).
- This declaration should include **details of capital goods** (machinery) on which ITC is claimed.

Illustration 42

What is the restriction imposed under Rule 86B of the CGST Rules, 2017 regarding the use of Electronic Credit Ledger?

Answer:

Rule 86B, effective from **01-01-2021**, restricts taxpayers from utilizing **more than 99%** of their **Input Tax Credit (ITC)** available in the **Electronic Credit Ledger** to discharge their **output tax liability** under GST.

- **Restriction Threshold:** Applicable when **taxable turnover** (excluding exempt and zero-rated supplies) **exceeds ₹50 lakh in a month**.
- **Impact:** At least **1% of the output tax liability** must be discharged **through the Electronic Cash Ledger**.

(2) Illustrate the working of Rule 86B with a numerical example.

Answer:

Let's consider **M/s Shiva & Sons** for the **month of March 2025**:

- **Taxable Inter-State Supplies:** ₹100 lakh
- **GST Rate (IGST):** 18%
- **Output Tax Liability:** ₹100 lakh × 18% = **₹18,00,000**
- **ITC Available in Electronic Credit Ledger:** ₹20,00,000 (IGST)

Application of Rule 86B:

- Maximum ITC utilization = **99% of ₹18,00,000 = ₹17,82,000**
- Minimum payment through **Electronic Cash Ledger** = **1% of ₹18,00,000 = ₹18,000**

Summary:

Particulars	Amount (₹)
Total Output Tax Liability (IGST)	₹18,00,000
Max ITC Usable (99%)	₹17,82,000
Min Cash Payment (1%)	₹18,000

(3) When is Rule 86B not applicable, even if taxable supplies exceed ₹50 lakh in a month?

Answer:



Rule 86B **does not apply** in the following **exemptions**:

1. Income Tax Paid Criteria:

- a. Where the **proprietor, Karta, Managing Director, partner, Whole Time Director, or Trustee** has **paid income tax exceeding ₹1 lakh** in each of the two preceding financial years.

2. Refunds Received Criteria:

- a. Where taxpayer received **refund of unutilized ITC exceeding ₹1 lakh** in the **preceding financial year** for either:
 - i. **Exports or Supplies to SEZ**, or
 - ii. **Inverted Duty Structure**.

3. Cash Payment Criteria:

- a. Where the taxpayer has **paid more than 1% of total output tax liability cumulatively through cash** up to the said month in the **current financial year**.

4. Specific Entities Exempt:

- a. **Government Departments**
- b. **Public Sector Undertakings (PSUs)**
- c. **Local Authorities**
- d. **Statutory Bodies**

5. Commissioner's Discretion:

- a. The **Commissioner** or any **authorized officer** can **remove the restriction** after necessary verification.

(Notification No. 94/2020 – Central Tax dated 22-12-2020)

(4) How does cumulative cash payment exemption under Rule 86B work?

Answer: If the taxpayer has **already discharged output tax liability cumulatively exceeding 1% through the Electronic Cash Ledger** in the **current financial year** (up to the said month), then **Rule 86B does not apply**.

• **Example:**

- o **April to June output tax liability:** ₹1 crore
- o **Cash paid cumulatively:** ₹1.2 lakh (>1% of ₹1 crore = ₹1 lakh)
- o **Result:** Rule 86B **won't apply** for the taxpayer in subsequent months.

(5) Can the restriction under Rule 86B be removed?



Answer:

Yes, the **Commissioner** or any **authorized officer** may **remove the restriction** under Rule 86B after **verification and safeguards** as deemed necessary.

Illustration 43

M/s **AutoDrive Dealers Pvt. Ltd.**, engaged in the sale of passenger motor vehicles (seating capacity ≤ 13), undertakes the following transactions related to **demo vehicles** for providing **test drives** to potential customers:

1. Scenario A:

In **April 2024**, the company purchases a **demo vehicle** for ₹10,00,000 (excluding GST).

- a. **GST charged:** ₹1,80,000 (18%).
- b. The vehicle is **not capitalized** in the books and is used exclusively for **promoting sales** of similar vehicles.

2. Scenario B:

In **May 2024**, the company purchases another **demo vehicle** for ₹12,00,000 (excluding GST).

- a. **GST charged:** ₹2,16,000 (18%).
- b. The vehicle is **capitalized**, but **no depreciation is claimed** on the GST component under the Income Tax Act.
- c. The vehicle is **sold after 2 years** for ₹8,00,000 (excluding GST).

3. Scenario C:

In **June 2024**, the company purchases a **demo vehicle** for ₹15,00,000 (excluding GST).

- a. **GST charged:** ₹2,70,000 (18%).
- b. The vehicle is **capitalized**, and **depreciation is claimed** on the **GST component** under the Income Tax Act.

4. Scenario D:

In **July 2024**, the company **does not capitalize** another demo vehicle purchased for ₹9,00,000 (excluding GST).

- a. **GST charged:** ₹1,62,000 (18%).
- b. The vehicle is **sold after 1 year** for ₹7,00,000 (excluding GST).

5. Scenario E:

Acting as a **service provider to the manufacturer**, M/s AutoDrive purchases a **demo vehicle** from the **manufacturer** in **August 2024** for ₹12,00,000 (excluding GST) to provide **test drives on behalf of the manufacturer**.

- a. **GST charged:** ₹2,16,000 (18%).
- b. After **1 year**, the company sells this vehicle for ₹8,00,000 (excluding GST).

Based on the **above scenarios**, answer the following:

- Determine ITC eligibility on the purchase of demo vehicles in each scenario as per Section 16(3) and Section 17(5)(a) of the CGST Act, 2017.
- Compute the GST liability on the sale of demo vehicles, specifying whether ITC reversal or GST on transaction value applies, in scenarios where the vehicles are sold.
- Explain the legal framework governing the availability of ITC and GST payable on sale of capitalized and non-capitalized demo vehicles, referencing the CBIC Circular No. 231/25/2024-GST.

Answer:

Absolutely! Here's the **detailed answer** for the **comprehensive question** regarding **ITC on demo vehicles** under **CBIC Circular No. 231/25/2024-GST dated 10th September 2024**:

Answer:

(a) ITC Eligibility as per Section 16(3) & Section 17(5)(a):

Scenario	ITC Eligibility	Reason
Scenario A: Demo vehicle not capitalized	Allowed (₹1,80,000)	Considered as further supply of similar vehicles (Section 17(5)(a), clarified by CBIC circular).
Scenario B: Demo vehicle capitalized, no depreciation on GST	Allowed (₹2,16,000)	Capitalized as capital goods , but no depreciation on GST component (Section 16(3)).
Scenario C: Demo vehicle capitalized, depreciation claimed on GST	Not Allowed	Depreciation claimed on GST component under Income Tax Act, blocked by Section 16(3) .
Scenario D: Demo vehicle not capitalized, later sold	Allowed (₹1,62,000)	Treated as further supply of similar vehicles (Section 17(5)(a)).
Scenario E: Acting as agent for manufacturer	Not Allowed	Dealer is not making further supply , only providing test drives as agent (Section 17(5)(a)).

(b) GST Liability on Sale of Demo Vehicles:

Scenario	Sale Price (Excl. GST)	GST Rate	GST on Sale Value	ITC Reversal (if applicable)	GST Payable on Sale	Explanation
Scenario A	Not sold	N/A	N/A	N/A	N/A	No sale occurred.
Scenario B	₹8,00,000	18%	₹1,44,000	₹1,29,600 (5% × 8 quarters on ₹2,16,000)	₹1,44,000 (Higher of sale GST or ITC reversal)	Under Section 18(6) , higher of GST on sale or ITC reversal applies.
Scenario C	Not sold	N/A	N/A	N/A	N/A	No sale occurred.



Scenario D	₹7,00,000	18%	₹1,26,000	N/A	₹1,26,000	ITC fully allowed; GST payable on transaction value.
Scenario E	₹8,00,000	18%	₹1,44,000	N/A	₹1,44,000	Although ITC not allowed, GST is payable on transaction value (sale of vehicle).

(c) Legal Framework Governing ITC and GST Payable on Demo Vehicles:

1. Section 17(5)(a) of CGST Act, 2017:

a. Blocks ITC on motor vehicles for transportation of persons (capacity ≤13), except when:

- Used for **further supply** of such vehicles.
- Used for **passenger transportation**.
- Used for **driver training**.

2. Clarification via CBIC Circular No. 231/25/2024-GST (dt. 10-09-2024):

- Demo vehicles** used for **promoting sales** are treated as used for **further supply**, making ITC eligible.
- If the **dealer acts as an agent** (providing test drives **on behalf of the manufacturer**), ITC is **blocked** under **Section 17(5)(a)**.

3. Section 16(3) of CGST Act, 2017:

- ITC is **blocked** if **depreciation is claimed on the GST component** under the **Income Tax Act**.

4. Section 18(6) of CGST Act, 2017:

- On **sale of capital goods** (capitalized demo vehicles), **GST payable** is the **higher of**:
 - GST on transaction value** (sale price).
 - ITC attributable to remaining life** (5% reduction per quarter).

Summary Table:

Scenario	ITC Eligibility	GST Payable on Sale
A: Not capitalized (used for sales promotion)	Allowed	Not applicable (no sale)
B: Capitalized (no depreciation on GST)	Allowed	₹1,44,000
C: Capitalized (depreciation claimed on GST)	Not allowed	Not applicable (no sale)
D: Not capitalized, sold after 1 year	Allowed	₹1,26,000
E: Acting as agent for manufacturer (test drives)	Not allowed	₹1,44,000



Illustration 44

M/s Prime Builders Ltd., registered in Maharashtra, is engaged in the following activities for **FY 2024-25**:

1. **Taxable supplies of construction services:** ₹3,00,00,000
2. **Exempt supply of rental income from residential property:** ₹50,00,000
3. **Sale of land (stamp duty value):** ₹80,00,000
4. **Sale of securities:** ₹2,00,00,000
5. **Outward supplies liable under Reverse Charge Mechanism (RCM):** ₹20,00,000

M/s Prime Builders Ltd. has availed the following **Input Tax Credit (ITC)** during FY 2024-25:

- **Common Inputs and Input Services:** ₹10,00,000 (CGST ₹5,00,000 + SGST ₹5,00,000)
- **Inputs and Input Services exclusively for taxable supply:** ₹3,00,000 (CGST ₹1,50,000 + SGST ₹1,50,000)
- **Inputs and Input Services exclusively for exempt supply:** ₹2,00,000 (CGST ₹1,00,000 + SGST ₹1,00,000)

Compute the eligible ITC allowed and ineligible ITC to be reversed under Section 17(2), 17(3) read with Rule 42 of CGST Rules, 2017, highlighting the treatment of exempt turnover including supplies under RCM, sale of land, and sale of securities.

Answer:

Step 1: Understanding Section 17(2), 17(3), and Rule 42

- **Section 17(2):** If inputs/input services are used for both taxable and exempt supplies, ITC is allowed proportionately.
- **Section 17(3):** The term *exempt supply* includes:
 - o Sale of land (stamp duty value)
 - o Sale of securities (value = 1% of sale value)
 - o Supplies attracting RCM (for the purpose of ITC reversal)

Step 2: Identifying Exempt Turnover (As per Section 17(3))

- **Exempt rental income:** ₹50,00,000
- **Sale of land (stamp duty value):** ₹80,00,000
- **Sale of securities (1% of ₹2,00,00,000):** ₹2,00,000
- **outward supplies under RCM:** ₹20,00,000

Total Exempt Turnover = ₹50,00,000 + ₹80,00,000 + ₹2,00,000 + ₹20,00,000 = ₹1,52,00,000



Step 3: Total Turnover (for Rule 42)

- **Taxable turnover** = ₹3,00,00,000
- **Exempt turnover** = ₹1,52,00,000
- **Total turnover** = ₹3,00,00,000 + ₹1,52,00,000 = **₹4,52,00,000**

Step 4: ITC Computation

Particulars	CGST (₹)	SGST (₹)	Total (₹)	ITC eligible
ITC on taxable supply (directly attributable)	1,50,000	1,50,000	3,00,000	Fully eligible
ITC on exempt supply (directly attributable)	1,00,000	1,00,000	2,00,000	Fully not eligible
Common ITC (subject to Rule 42)	5,00,000	5,00,000	10,00,000	Proportionately eligible
Total ITC availed	7,50,000	7,50,000	15,00,000	

Step 5: Reversal of Common ITC under Rule 42

Formula:

Reversal of Common ITC = $10,00,000 \times 1,52,00,000 / 4,52,00,000 = 3,36,283$

- **CGST** = ₹1,68,141
- **SGST** = ₹1,68,142

(Total rounded off = ₹3,36,283)

Step 6: Final Eligible ITC

Particulars	CGST (₹)	SGST (₹)	Total (₹)
ITC on taxable supply	1,50,000	1,50,000	3,00,000
Common ITC after reversal (10,00,000 - 3,36,283)	3,31,859	3,31,858	6,63,717
Total Eligible ITC	4,81,859	4,81,858	9,63,717

Summary:

1. **Total ITC availed** = ₹15,00,000
2. **Ineligible ITC directly attributable to exempt supply** = ₹2,00,000
3. **Common ITC reversal as per Rule 42** = ₹3,36,283
4. **Eligible ITC** = ₹9,63,717

Illustration 45

A banking company, M/s. FinTrust Bank Pvt. Ltd., registered under GST laws in Mumbai, provided the following services during the month of **December, 2024**:

S. No.	Particulars	Amount (₹)
(i)	Discount earned on bills discounted	₹7,50,000
(ii)	Interest earned on reverse repo transaction	₹2,80,000
(iii)	Penal interest recovered from borrowers for delay in payment of loan EMIs/Dues	₹6,20,000
(iv)	Services to merchants accepting credit/debit card payments using POS machines of the bank (In 60% cases, the amount per transaction was up to ₹1,800, and in the remaining 40%, it was between ₹1,800 to ₹2,000)	₹8,10,000
(v)	Commission received for debt collection services	₹13,50,000
(vi)	Interest charged for late payment of credit card dues	₹5,30,000

M/s. FinTrust Bank Pvt. Ltd., has opted for the optional method under Section 17(4) of the CGST Act, 2017 for claiming Input Tax Credit (ITC) in respect of its banking operations.

For the month of December, 2024, the relevant GST input details are as follows:

1. Amount of GST paid on eligible input services: ₹9,20,000
2. Amount of GST paid on eligible capital goods: ₹7,80,000
3. Amount of GST paid on items whose credit is blocked under Section 17(5) of CGST Act, 2017: ₹3,50,000
4. Applicable GST rate on services provided: 18%

Based on the service details provided earlier and the input tax details above, calculate the net GST payable by M/s. FinTrust Bank Pvt. Ltd. for the month of December, 2024.

Ignore the bifurcation of CGST, SGST, or IGST.

Answer:

S. No.	Particulars	Taxable supply (₹)	Exempted supply (₹)
(i)	Discount earned on bills discounted		₹7,50,000
(ii)	Interest earned on reverse repo transaction		₹2,80,000
(iii)	Penal interest recovered from borrowers for delay in payment of loan EMIs/Dues		₹6,20,000
(iv)	Services to merchants accepting credit/debit card payments using POS machines of the bank (In 60% cases, the amount per transaction was up to ₹1,800, and in the remaining 40%, it was between ₹1,800 to ₹2,000)		₹8,10,000
(v)	Commission received for debt collection services	₹13,50,000	



(vi)	Interest charged for late payment of credit card dues	₹5,30,000	
	total	18,80,000	24,60,000
	GST payable 18% on ₹18,80,000	3,38,400	
	Less: 50% of eligible ITC on input services and capital goods availed in October [(₹9,20,000 + ₹7,80,000) × 50%] [Blocked credit cannot be availed.]	(8,50,000)	
	Net GST payable	nil	

Illustration 46

M/s Raj & Co., has made a supply of goods /service in the month of Feb for ₹100, 000 and GST collected on such supply is 5% which is ₹(100,000 * 5%) = ₹5000. Assuming E-Credit Ledger balance is ₹2000.

let's suppose the due date for the GSTR-3B for Feb Month is 20-March, M/s Raj & Co., filed his GSTR-3B against show cause notice issued by Proper Officer under section 74A of CGST Act, 2017 on 20th April.

(A) Find the correct amount of interest for delay payment of tax?

(B) Find the correct amount of interest for delay in payment of tax in case there is no show cause notice issued by Proper Officer?

Answer:

(A) As per Rule 88B(2) of CGST Rules read with section 50(1) of CGST Act:

Due date for payment of tax collected by M/s Raj & Co., in the month of Feb is 20-Mar. Interest @ 18% p.a is payable for the period for which the tax remains unpaid in terms of Sec-50(1) of CGST Act, 2017.

Calculation of interest amount is as follows:

= ₹(5000*18%*31/365) = ₹76/- (Calculated on Gross GST Liability).

(B) As per Rule 88B(1) of CGST Rules read with section 50(1) of CGST Act:

Due date for payment of tax collected by M/s Raj & Co., in the month of Feb is 20-Mar. Interest @ 18% p.a is payable for the period for which the tax remains unpaid in terms of Sec-50(1) of CGST Act, 2017. Calculation of interest amount is as follows:

= ₹(5000-2,000)*18%*31/365 = ₹46/- (Calculated on Net GST Liability).

Illustration 47

M/s **Prakash Traders**, a registered person located in **Ahmedabad, Gujarat**, wrongly availed **ineligible ITC** in the months of **April and June 2025**. The wrongly availed ITC was **utilised** in the months of **June and July 2025**, and the entire amount was **reversed and paid in cash** to the government through the **electronic cash ledger on 31st August 2024**.

You are required to calculate the **correct interest liability** for delay in payment under **Section 50(3)** read with **Rule 88B(3)** of the **CGST Rules, 2017**.

Working Table:

Month	Opening Balance in e-credit ledger (A)	Eligible ITC(B)	ITC wrongly availed (C)	Total ITC (D) = A + B + C	Output tax liability (E)	Closing Balance in e-credit ledger (F) = D-E	Due Date (G)	Filing Date (H)	Date of utilization of ITC wrongly (G) or (H) whichever is earlier
April	Nil	3,50,000	25,000	3,75,000	3,50,000	25,000	20th May	20th May	NA
May	25,000	2,50,000	Nil	2,75,000	2,50,000	25,000	20th June	18th June	NA
June	25,000	1,50,000	Nil	1,75,000	1,65,000	10,000	20th July	19th July	19 July
July	10,000	3,00,000	Nil	3,10,000	3,10,000	Nil	20th Aug.	28th Aug.	20th Aug.

Answer:

Month	Opening Balance in e-credit ledger (A)	Eligible ITC(B)	ITC wrongly availed (C)	Total ITC (D) = A + B + C	Output tax liability (E)	Closing Balance in e-credit ledger (F) = D-E	Amount on which interest is payable	Due Date (G)	Filing Date (H)	Date of utilization of ITC wrongly (G) or (H) whichever is earlier
April	Nil	3,50,000	25,000	3,75,000	3,50,000	25,000	Nil	20th May	20th May	NA
May	25,000	2,50,000	Nil	2,75,000	2,50,000	25,000	Nil	20th June	18th June	NA
June	25,000	1,50,000	Nil	1,75,000	1,65,000	10,000	15,000	20th July	19th July	19 July
July	10,000	3,00,000	Nil	3,10,000	3,10,000	Nil	10,000	20th Aug.	28th Aug.	20th Aug.

Interest @24% on ₹15,000 for 43 days

(i.e. 1st day that occurs after the date of utilisation of ITC wrongly, till the date of payment. From 20th July to 31st August = 43 days.

Interest ₹15,000 x 24% x 43/365 = ₹424

Interest @24% on ₹10,000 for 11 days

(i.e. 1st day that occurs after the date of utilization of ITC wrongly, till the date of payment.

From 21st August to 31st August = 11 days.

Interest ₹10,000 x 24% x 11/365 = ₹72

Illustration 48

M/s Avinash Global Traders, a registered person under GST and located in **Mumbai, Maharashtra**, filed its **GSTR-3B** for the month of **January 2024 on time**, i.e., by the **due date of 20th February 2024**, as per the **CGST Act, 2017**.



However, it was later discovered that **GST of ₹16,000 was short-paid** for the said period.

The shortfall was discharged while filing the **GSTR-3B for February 2024 on 20th March 2024**, using the following method:

Mode of Payment	Amount Paid
Electronic Cash Ledger	₹12,000
Electronic Credit Ledger	₹4,000

Assume sufficient balances were available in electronic credit ledger but nil balance in electronic cash ledger as on the due date to pay tax.

You are required to:

- (i) Calculate the **interest payable** under **Section 50** read with **Rule 88B of CGST Rules, 2017**.
- (ii) Recalculate the interest if the **GSTR-3B for January 2024 had been filed belatedly on 20th March 2024**, with all other details remaining the same.

(Note: Consider 2024 as a **leap year**, so February has 29 days. Round off calculations to the nearest rupee.)

Answer:

(i) If GSTR-3B was filed on time (20th Feb 2024):

- **Due date to pay tax:** 20th February 2024
- **Actual tax paid:** 20th March 2024
- **Delay in payment:** 29 days (9 days in February + 20 days in March)
- **Total shortfall in tax:** ₹16,000
- **Applicable Rule:** Rule 88B(2) – interest on **gross liability** if GSTR-3B was filed **on time**

Interest @18% p.a. on ₹16,000 for 29 days:

$$\text{Interest} = ₹228 [16,000 \times 18\% \times 29/366]$$

(ii) If GSTR-3B was filed late on 20th March 2024:

- **Due date:** 20th February 2024
- **Filing date:** 20th March 2024
- **Delay:** 29 days
- **Credit portion of tax paid (₹4,000):** No interest, as credit is debited only when return is filed
- **Cash portion of tax paid (₹12,000):** Interest applies under **Rule 88B(1)** on **net liability paid in cash**

Interest @18% p.a. on ₹12,000 for 29 days:

Interest = ₹171 $[12,000 \times 18\% \times 29/366]$

Conclusion:

Scenario	Interest Payable
GSTR-3B filed on time (Rule 88B(2))	₹228
GSTR-3B filed late (Rule 88B(1))	₹171

Illustration 49

M/s **Triveni Tech Solutions**, a registered supplier of IT services based in **Pune, Maharashtra**, was required to file its **GSTR-3B for the month of July 2024** by **20th August 2024**. The total **GST liability for July 2024** was **₹90,000** (CGST ₹45,000 + SGST ₹45,000).

The company **credited ₹90,000** to its **Electronic Cash Ledger (ECL)** on **19th August 2024**, i.e., **before the due date** of filing GSTR-3B. However, due to technical delays, the return was **actually filed on 25th August 2024**, and the liability was **debited from the ECL on that date**.

You are required to answer:

1. Is M/s Triveni Tech Solutions liable to pay interest under **Section 50(1)** of the **CGST Act, 2017**?
2. What is the **impact of the newly inserted proviso to Rule 88B(1)** (Notification No. 12/2024)?
3. Compute the interest payable, if any, at **18% p.a.**, assuming the delay is **5 days**.

Answer:

1. Is interest payable under Section 50(1)?

Under normal circumstances, yes. If tax is paid **after the due date**, interest is payable under **Section 50(1)** of the CGST Act.

However, the **new proviso inserted to Rule 88B(1)** (w.e.f. 10-07-2024) provides **relief** in certain cases.

2. Impact of the Proviso to Rule 88B(1):

As per the **proviso inserted by Notification No. 12/2024 dated 10-07-2024**:

If the **amount was credited in the Electronic Cash Ledger on or before the due date** (i.e., 20th August 2024), but the tax was debited from the ECL after the due date (i.e., on 25th August 2024), then **no interest is payable** on such amount **if it remained lying in the ledger throughout the period** from due date till actual payment.

3. Calculation of Interest:

Particulars	Details
GST liability (CGST + SGST)	₹90,000 (₹45,000 + ₹45,000)
Date of deposit to ECL	19th August 2024 (Before due date)



Due date for July GSTR-3B	20th August 2024
Actual filing date	25th August 2024
Delay	5 days
Amount in ECL from 20th–25th Aug	₹90,000
Interest rate	18% p.a.

As per **Rule 88B(1) proviso**, since:

- Entire GST amount was **already in ECL on the due date**, and
- The amount **remained in ECL** till it was debited at the time of filing,

No interest is payable, even though return was filed **5 days late**.

Illustration 50

M/s **Triveni Tech Solutions**, located in **Pune, Maharashtra**, had a total **GST liability of ₹90,000** (₹45,000 CGST + ₹45,000 SGST) for **July 2024**.

- The **due date to file GSTR-3B** was **20th August 2024**.
- M/s Triveni **credited ₹60,000** to its **Electronic Cash Ledger** on **20th August 2024** (the due date).
- The **balance ₹30,000** was credited to the ECL on **24th August 2024**.
- The return was **filed belatedly on 25th August 2024**, and **entire ₹90,000** was debited from ECL at the time of filing.

You are required to compute the **interest payable under Section 50(1)** of the **CGST Act, 2017**, read with **Rule 88B(1) & its proviso**, assuming **interest rate is 18% p.a.**

Answer:

Step-by-Step Analysis:

Particulars	Amount
Total GST Liability	₹90,000
Amount credited to ECL on 20-08-2024	₹60,000
Balance credited to ECL on 24-08-2024	₹30,000
Return filed (and payment made)	25-08-2024
Delay in filing	5 days

Rule 88B(1) Proviso – Application:

As per the **proviso**, **no interest** is payable on any amount **lying in ECL from the due date till actual payment**.

So we divide the liability:

1. For ₹60,000 (credited on due date – 20th August 2024):

No interest payable, because amount was in ECL on due date and remained till 25th August 2024 (filing date).

₹60,000 = Exempt from interest

2. For ₹30,000 (credited on 24th August 2024):

This amount **was not in ECL on the due date**, so it **does not qualify** for the exemption under the proviso.

Hence, **interest is payable for 4 days** (from **21st August to 24th August**, because payment was made on 24th and debited on 25th).

Interest Calculation:

$$= ₹30,000 \times 18\% \times 4 / 365 = ₹59.17 \approx ₹59$$

Final Summary:

Component	Amount
GST liability	₹90,000
Interest applicable on late portion	₹30,000
Days of delay	4 days
Interest Rate	18% p.a.
Interest Payable (on ₹30,000)	₹59

Conclusion:

- M/s **Triveni Tech Solutions** is liable to pay **interest of ₹59** under **Section 50(1)** for the **portion not lying in ECL on the due date**.
- The **proviso to Rule 88B(1)** helped **avoid interest** on ₹60,000 which was pre-deposited in the ECL.

TDS & TCS under GST

[Study Material - Module 7]

Tax Deducted at Source (TDS)

Illustration 1

Supplier Y registered person under GST makes a **supply worth ₹23,600** (inclusive of GST) to a **Municipality**, where the **contract value** is ₹25,00,000. The **rate of GST** applicable is **18%**. Both the **supplier** and the **deductor** (Municipality) are located in the **same State**.

Required:

- Whether **TDS** is to be **deducted** by the Municipality?
- What will be the **net payment** to **Supplier Y** after **TDS**?

Answer:

(a) Applicability of TDS:

Yes, **TDS** is applicable.

- As per **Section 51 of CGST Act, 2017**, TDS is applicable if:
 - The recipient is a **government department** or **local authority** (like Municipality).
 - The **contract value** exceeds **₹2,50,000** (excluding GST).
- In this case:
 - Contract value:** ₹25,00,000 (>₹2,50,000).
 - Recipient:** Municipality (local authority).

Conclusion:

TDS **must be deducted** by the Municipality.

(b) Net Payment to Supplier Y after TDS:

1. Breakup of the payment of ₹23,600 (inclusive of GST at 18%):

Particulars	Amount (₹)
Value of supply (excluding GST)	₹20,000 (₹23,600 × 100 / 118)
Central Tax @9%	₹1,800
State Tax @9%	₹1,800
Total Payment (incl. GST)	₹23,600

2. TDS to be deducted (1% CGST + 1% SGST on taxable value):

Particulars	Amount (₹)
Central Tax (1% of ₹20,000)	₹200
State Tax (1% of ₹20,000)	₹200
Total TDS	₹400

3. Net Payment to Supplier Y:

Particulars	Amount (₹)
Total invoice amount	₹23,600
Less: TDS deducted	₹400
Net payment to Supplier Y	₹23,200

Illustration 2

Supplier Z of Chennai makes a **taxable supply** worth ₹15,000 and an **exempted supply** worth ₹25,000 in a **single invoice** to the **Ministry of Health, Government of India**, located in Kolkata. The **contract value** for supply is as follows:

- **Taxable supply:** ₹4,80,000 (inclusive of GST @18%).
- **Exempted supply:** ₹5,20,000.

The **payment released** by the **Ministry of Health** against this supply is:

- ₹15,000 (taxable value),
- ₹2,700 (Integrated GST), and
- ₹25,000 (exempted supply value).

Required:

1. **Determine whether TDS is applicable** under **Section 51** of the **CGST Act, 2017**.
2. If **TDS is applicable**, calculate the **amount of TDS** and **net payment to Supplier Z**.

Answer:

1. Applicability of TDS under Section 51 of CGST Act, 2017:

As per **Section 51**, TDS is required to be deducted when:

- The **recipient** is a **government department, local authority, or specified entity**.
- The **contract value of taxable supply (excluding GST)** exceeds ₹2,50,000.

In this case:

- **Recipient:** Ministry of Health, Government of India (**eligible for TDS**).
- **Contract value for taxable supply (inclusive of GST):** ₹4,80,000.



Taxable value excluding GST:

Particulars	Amount (₹)
Contract value (inclusive of GST)	₹4,80,000
GST rate	18%
Taxable value (excluding GST) = ₹4,80,000 × 100/118	₹4,06,780

Conclusion: Since the taxable value (₹4,06,780) exceeds ₹2,50,000, TDS is applicable

2. TDS Calculation and Net Payment:

Particulars	Amount (₹)
Taxable value in current payment	₹15,000
TDS @ 2% (IGST, since inter-state supply)	₹300

Total invoice amount: ₹15,000 (taxable value) + ₹2,700 (IGST) + ₹25,000 (exempt supply) = ₹42,700.

- **TDS deducted:** ₹300.

Net payment to Supplier Z = ₹42,700 – ₹300 | **₹42,400** |

Illustration 3

Supplier AB, registered under the **composition scheme** in **Odisha**, makes a **taxable supply** worth **₹12,000** to a **Local Authority of Odisha**. The **contract value for taxable supply** is **₹3,10,000**.

Determine whether **TDS is applicable** under **Section 51 of CGST Act, 2017**, and if so, **calculate the amount of TDS**.

Answer:

Step 1: Applicability of TDS under Section 51 of CGST Act, 2017:

- **Recipient:** Local Authority (liable to deduct TDS).
- **Supplier:** Composition taxpayer (**TDS is applicable** even if the supplier is under composition, as per Section 51).
- **Contract value for taxable supply:** ₹3,10,000 (exceeds ₹2,50,000 threshold).

Conclusion:

- Since the **taxable contract value** exceeds ₹2,50,000, **TDS is applicable**.

Step 2: TDS Calculation:

Particulars	Amount (₹)
Taxable value in current payment	₹12,000
CGST @1% on ₹12,000	₹120
SGST @1% on ₹12,000	₹120
Total TDS	₹240

Illustration 4

Kiran Enterprises, a **registered supplier** from **Lucknow**, is engaged in the supply of various goods and services exclusively to **Government departments, agencies, local authorities**, and other persons **notified under Section 51 of the CGST Act, 2017**.

You are required to:

1. Briefly explain the provisions relating to **Tax Deduction at Source (TDS)** under **Section 51 of CGST Act, 2017**.
2. Determine the amount of **TDS**, if any, to be **deducted** from each of the following **receivables** (independent cases), assuming that **payments as per contract values** are made on **31.10.20XX**.
(Rates of **CGST, SGST, and IGST** may be assumed to be **6%, 6%, and 12%** respectively.)

Receivables:

1. Supply of office furniture to a **Public Sector Undertaking (PSU)** located in **Chennai**.
a. Contract value: ₹2,78,000 (inclusive of GST).
2. Supply of air purifiers to the **Income Tax Department** located in **Delhi**.
a. Contract value: ₹2,60,000 (exclusive of GST).
3. Supply of water cooler renting service to the **Municipal Corporation of Lucknow**.
a. Contract value: ₹3,80,000 (inclusive of GST).

Answer:

1. TDS Provisions under Section 51 of CGST Act, 2017:

- **Recipients liable to deduct TDS:**
 - o Government departments/agencies, local authorities, PSUs, and other notified persons.
- **Applicability of TDS:**
 - o Deduction is made **only on taxable supplies** when **contract value (excluding GST) exceeds ₹2,50,000**.
- **Rate of TDS:**
 - o **2% of taxable value (excluding GST)** (i.e., **1% CGST + 1% SGST** for intra-state supply or **2% IGST** for inter-state supply).

2. TDS Computation for Each Case:

Case 1: Supply of office furniture to PSU in Chennai

Particulars	Amount (₹)
Contract value (inclusive of GST)	₹2,78,000
GST rate (IGST)	12%
Taxable value (excluding GST) = ₹2,78,000 × 100/112	₹2,48,214



Conclusion:

- o Taxable value is below ₹2,50,000, hence TDS is not applicable.

Case 2: Supply of air purifiers to Income Tax Department in Delhi

Particulars	Amount (₹)
Contract value (exclusive of GST)	₹2,60,000
IGST @12%	₹31,200
Total Invoice Value	₹2,91,200

Conclusion:

- o Taxable value (₹2,60,000) exceeds ₹2,50,000, so TDS is applicable.

TDS @2% (IGST) on ₹2,60,000 | ₹5,200 |

Case 3: Supply of water cooler renting service to Municipal Corporation of Lucknow

Particulars	Amount (₹)
Contract value (inclusive of GST)	₹3,80,000
GST rate (CGST + SGST)	6% + 6% = 12%
Taxable value (excluding GST) = ₹3,80,000 × 100/112	₹3,39,286

Conclusion:

- o Taxable value (₹3,39,286) exceeds ₹2,50,000, so TDS is applicable.

TDS @2% (1% CGST + 1% SGST) on ₹3,39,286 | ₹6,786 |

Summary of TDS:

Case	TDS Applicable?	Amount of TDS (₹)
1. Office furniture to PSU (Chennai)	No	Nil
2. Air purifiers to Income Tax Dept (Delhi)	Yes	₹5,200 (IGST)
3. Water cooler renting to Municipal Corp (Lucknow)	Yes	₹6,786 (CGST + SGST)

Illustration 5

M/s Raj & Co., a registered person under GST located in New Delhi, provided interior decorating services to the State Government of Andhra Pradesh, which is registered in Andhra Pradesh.

- The services were provided at Andhra Bhawan, located in New Delhi.
- Contract value (exclusive of GST): ₹50,00,000.
- Applicable GST: CGST @9% and SGST (Delhi) @9% (since the service is provided within New Delhi).
- The State Government of Andhra Pradesh (registered in Andhra Pradesh) made payment on 30th June 2025.

**Required:**

1. Determine whether **TDS under Section 51** of the **CGST Act, 2017** is **applicable** in this case.
2. If applicable, calculate the **amount of TDS**.
3. Explain the **legal reason** for the applicability or non-applicability of **TDS**.

Answer:**1. GST Supply Classification (Place of Supply):**

Particulars	State
Location of Supplier	New Delhi
Place of Supply (Service performed at)	New Delhi
Recipient's Registration	Andhra Pradesh

As per **Section 12(3)(a)** of the **IGST Act, 2017**, for services **directly related to immovable property** (like interior decoration), the **place of supply** is the **location of the immovable property**.

- Since the services are provided at **Andhra Bhawan, New Delhi** (immovable property), the **place of supply** is **New Delhi**.
- **Supplier's location (New Delhi) = Place of supply (New Delhi) ⇒ Intra-state supply (CGST + Delhi SGST).**

2. TDS Applicability under Section 51 of CGST Act, 2017:

- **Recipient:** State Government of Andhra Pradesh (liable to deduct TDS under **Section 51**).
- **Contract value (excluding GST):** ₹50,00,000 (exceeds ₹2,50,000 threshold).

However, **TDS is NOT applicable** in this case due to **Notification No. 50/2018 – Central Tax dated 13.09.2018**, which provides:

TDS is not required to be deducted if the location of supplier and place of supply are in a different State/UT from the State/UT of registration of the recipient.

Location of Supplier | New Delhi |

Place of Supply | New Delhi |

Recipient's Registration | Andhra Pradesh |

- Since **supplier and place of supply (New Delhi)** differ from the **recipient's registration (Andhra Pradesh)**, **TDS is NOT applicable**.



3. GST Invoice Calculation:

Particulars	Amount (₹)
Taxable value (Interior decorating)	₹50,00,000
CGST @9%	₹4,50,000
SGST (Delhi) @9%	₹4,50,000
Total Invoice Value	₹59,00,000

Final Answer:

1. TDS is NOT applicable under **Section 51** because the **location of supplier (New Delhi)** and **place of supply (New Delhi)** are different from the **recipient's registration state (Andhra Pradesh)**.
2. **Total invoice value:** ₹59,00,000 (₹50,00,000 + ₹4,50,000 CGST + ₹4,50,000 SGST).
3. **No TDS deduction**, so the **full amount** of ₹59,00,000 is payable to **M/s Raj & Co..**

Illustration 6

Refer to the **applicability of GST and TDS on the sale of metal scrap (w.e.f. 10th October 2024)** and answer the following cases:

Cases:

1. **M/s Alpha Traders** (an **unregistered supplier**) sells **metal scrap** to **M/s Beta Enterprises** (an **unregistered buyer**).
 - a. **Contract value:** ₹1,50,000.
2. **M/s Gamma Scrap Dealers** (an **unregistered supplier**) sells **metal scrap** to **M/s Delta Manufacturing Pvt. Ltd.** (a **registered buyer**).
 - a. **Contract value:** ₹3,50,000.
3. **M/s Epsilon Steels Pvt. Ltd.** (a **registered supplier**) sells **metal scrap** to **Mr. Rohan Sharma** (an **unregistered buyer**).
 - a. **Contract value:** ₹2,80,000.
4. **M/s Omega Metals Pvt. Ltd.** (a **registered supplier**) sells **metal scrap** to **M/s Sigma Industries Ltd.** (a **registered buyer** but not a DDO).
 - a. **Contract value:** ₹4,20,000.

All supplies are intra state supplies. Location of supplier and location of recipient are in the same State.

Required:

For each case, determine:

- **Whether GST is applicable** (under **RCM** or **FCM**).
- **Whether TDS is applicable** under **Section 51** of **CGST Act, 2017**.

Answer:

Case 1: Unregistered Supplier → Unregistered Buyer

Supplier Status	Unregistered Supplier
Buyer Status	Unregistered Buyer
GST Applicability	Exempt (No GST applicable)
TDS Applicability	Not applicable

Case 2: Unregistered Supplier → Registered Buyer

Supplier Status	Unregistered Supplier
Buyer Status	Registered Buyer
GST Applicability	Reverse Charge Mechanism (RCM) applicable @18% (as per Notification No. 6/2024 dt. 8.10.2024)
TDS Applicability	Not applicable

Case 3: Registered Supplier → Unregistered Buyer

Supplier Status	Registered Supplier
Buyer Status	Unregistered Buyer
GST Applicability	Forward Charge Mechanism (FCM) applicable @18%
TDS Applicability	Not applicable

Case 4: Registered Supplier → Registered Buyer (Not DDO)

Supplier Status	Registered Supplier
Buyer Status	Registered Buyer (even though not DDO)
GST Applicability	Forward Charge Mechanism (FCM) applicable @18%
TDS Applicability	TDS applicable CGST 1% on ₹4,20,000 = ₹4,200 SGST 1% on ₹4,20,000 = ₹4,200

TDS Rate:

- o **1% CGST + 1% SGST** (if intra-state supply), or
- o **2% IGST** (if inter-state supply).



Tax Collected at Source (TCS)

Illustration 1

Rajveer, a trader in Madhya Pradesh, started supplying taxable goods locally from April 2024. By 30th June 2024, his aggregate turnover reached ₹9,20,000. He now considers listing his products on an e-commerce platform – BazarioMart (an ECO) to sell within Madhya Pradesh.

(A) Can Rajveer supply through BazarioMart without GST registration?

(B) What are the GST implications if Rajveer supplies via BazarioMart?

Answer:

(A) Yes, Rajveer can supply through BazarioMart without obtaining GST registration, subject to conditions under Notification No. 34/2023–CT dated 31.07.2023, which allows exemption if:

1. His turnover remains below ₹40 lakh (as per Section 22).
2. He makes only intra-State supplies.
3. He sells only in one State/UT.
4. He declares his PAN, business address, and State on the GST portal.
5. He obtains a unique enrolment number and makes no supply without it.
6. He holds only one enrolment number per State.
7. The enrolment lapses once he obtains regular GST registration.

Therefore, until Rajveer crosses the turnover threshold, he need not register under GST while supplying through BazarioMart.

(B) Since Rajveer is not registered, no GST is chargeable on his supplies. However:

- BazarioMart (ECO) must report such sales in GSTR-8.
- No TCS (Tax Collected at Source) is to be deducted on these supplies.

Illustration 2

Hillview Stays, an unregistered hotel service provider located in Uttarakhand, offers room accommodation services via an e-commerce platform – StayKart Pvt. Ltd. (an ECO registered under GST). The total value of accommodation services supplied to a customer, Mr. Raghav, is ₹1,00,000.

Later in the year, Hillview Stays exceeds the registration threshold and obtains GST registration.

You are required to:

(A) Explain whether Hillview Stays needs to obtain GST registration while supplying through an ECO.

(B) Who is liable to pay GST when Hillview Stays is unregistered? Compute the GST.

(C) Who is liable to collect TCS when Hillview Stays becomes registered? Compute the applicable TCS.

(D) What happens when multiple ECOs are involved in a single transaction?

Applicable rate of CGST and SGST 9% each and IGST 18%.

Answer:

(A) No, GST registration is not mandatory in this case if the turnover is below ₹20 lakhs, because:

- As per Section 24, suppliers supplying through an ECO are usually required to register.
- However, Section 5(5) of the IGST Act, 2017 exempts such suppliers if the service is notified, and the supplier is not liable under Section 22(1).
- Notification No. 14/2017 – IT(R) includes accommodation in hotels under this exemption.

Hence, Hillview Stays is entitled to threshold exemption and need not register if turnover < ₹20 lakhs.

(B) In this case, StayKart Pvt. Ltd. (ECO) is liable to pay the entire GST, as per Section 5(5) of the IGST Act.

- The supply is intra-State (supplier and hotel located in Uttarakhand).
- As per Section 12(3) of the IGST Act, place of supply = location of immovable property = Uttarakhand.
- Thus, CGST and SGST apply.

GST Computation:

Particulars	Value (₹)
Taxable Value	1,00,000
CGST @ 9%	9,000
SGST @ 9%	9,000
Total GST paid by ECO	18,000

(C) Once Hillview Stays crosses ₹20 lakhs and registers under GST:

- The service is no longer notified under Section 5(5).
- Now, Hillview Stays is liable to charge and pay GST.
- StayKart Pvt. Ltd. (ECO) must collect TCS under Section 52.

TCS Computation by ECO:

Particulars	Value (₹)
Net taxable value	1,00,000
CGST @ 0.25%	250
SGST @ 0.25%	250
Total TCS	500



Note: w.e.f. 10th July 2024 onwards TCS rates reduced to @0.25% CGST and @ 0.25% SGST and @0.5% IGST.

(D) As clarified in Circular No. 194/06/2023 – GST:

- If multiple ECOs are involved and the supplier-side ECO is also the supplier, then:
 - The buyer-side ECO must collect TCS, deposit it, and comply with all provisions under Section 52.

Conclusion:

- If Hillview Stays is unregistered, ECO pays full GST.
- If Hillview Stays becomes registered, ECO collects TCS.
- Place of supply is the location of the hotel (Uttarakhand).
- Multiple ECOs → buyer-side ECO handles TCS compliance.

Illustration 3

Sapphire Digital Services Pvt. Ltd. (SDSPL) is registered under GST in the State of Tamil Nadu as an Electronic Commerce Operator (ECO). It owns and operates a web portal through which various goods and services are supplied on behalf of multiple sellers/service providers to their ultimate customers.

The following supplies were undertaken through SDSPL in the month of May 2025:

1. Sale of goods worth ₹ 1,77,000 (inclusive of GST) by M/s Orion Traders, registered under GST in Punjab, to M/s Beta Distributors, registered in Haryana. Additionally, goods worth ₹ 1,70,000 (taxable value) sold by M/s Orion Traders in November 2024 to M/s Beta Distributors were returned in May 2025.
2. Passenger transport services were provided from 15.05.2025 to 25.05.2025 by Galaxy Transport Services Pvt. Ltd., registered under GST in Tamil Nadu, to M/s Zenith Enterprises, also registered in Tamil Nadu. The total value of services was ₹ 6,60,000, which includes ₹ 1,80,000 towards transportation services provided by omnibus.
3. Mr. Rohan, residing in Delhi, booked a room for 2 nights and 3 days at Emerald Heritage Resort, located in Udaipur, Rajasthan, through Regal Stays Ltd. (RSL), an ECO registered under GST in Tamil Nadu. RSL is integrated with SDSPL, which has an agreement with Emerald Heritage Resort. The resort, registered under GST in Rajasthan, raised an invoice of ₹ 1,80,000 to Mr. Rohan and received ₹ 1,74,000 from SDSPL for the same.

GST Rates:

- CGST: 9%
- SGST: 9%
- IGST: 18%

You are required to compute the amount of TCS to be collected by SDSPL for May 2025.

Answer:

(i) Supply of Goods by M/s Orion Traders (Punjab to Haryana) through SDSPL

- Nature of Supply:

Inter-State taxable supply of goods (Punjab to Haryana) made through an ECO.
- TCS Applicability:
 - o Section 52 of CGST Act, TCS @0.5% IGST applies on net taxable supplies (i.e., outward supplies – returns).
 - o Net Value:
 - ☐ Outward supply in May 2025 = ₹ 1,77,000 × 100/118 = ₹ 1,50,000
 - ☐ Less: Sales return = ₹ 1,70,000
 - ☐ Net taxable value = -₹ 20,000 (Negative value)
- TCS Collection:
 - o Since net value is negative, no TCS applicable.
- TCS = Nil

(ii) Passenger Transport Services by Galaxy Transport Services Pvt. Ltd. (Tamil Nadu) to Zenith Enterprises (Tamil Nadu) through SDSPL

- Nature of Supply:
 - o Intra-State supply of passenger transport services.
- TCS Applicability:
 - o For omnibus services (₹ 1,80,000):
 - ☐ TCS applicable, since tax on omnibus services by a company is NOT paid by ECO under section 9(5).
 - o For other motor vehicle services (₹ 4,80,000):
 - ☐ ECO pays tax itself under section 9(5) → TCS not applicable.
- TCS Collection for Omnibus:
 - o Value = ₹ 1,80,000
 - o TCS = CGST @0.25% + SGST @0.25% on ₹1,80,000
 - o CGST = ₹ 450, SGST = ₹ 450



(iii) Hotel Accommodation Services by Emerald Heritage Resort (Rajasthan) through SDSPL

- Nature of Supply:
 - o Intra-State taxable supply of accommodation services.
- TCS Applicability:
 - o Section 52 of CGST Act → TCS = CGST @0.25% + SGST @0.25%.
- TCS Collection:
 - o Value = ₹ 1,80,000
 - o TCS = CGST @0.25% and SGST 0.25% on ₹1,80,000
 - o CGST = ₹ 450, SGST = ₹ 450

Note: supplier side ECO is himself is not the supplier and hence, TCS is applicable to supplier side ECO (i.e. SDSPL).

Computation of TCS to be collected by SDSPL for May 2025

S.No.	Particulars	CGST (₹)	SGST (₹)	IGST (₹)
1	M/s Orion Traders (Goods supply)	Nil	Nil	Nil
2	Galaxy Transport (Omnibus services)	450	450	Nil
3	Emerald Heritage Resort (Hotel stay)	450	450	nil
Total		900	900	nil

Illustration 4

M/s GalaxyCart and M/s QuickBuy are e-commerce operators (ECOs) registered under the ONDC Network (Open Network for Digital Commerce).

- M/s QuickBuy facilitates the sale of taxable goods supplied by M/s Alpha Ltd. (the supplier).
- M/s Beta Ltd., a registered buyer, purchases these goods via the e-commerce platform of M/s GalaxyCart (buyer-side ECO).
- Supplier-side ECO is M/s QuickBuy, but QuickBuy is not the supplier.

Transaction Details:

- M/s Beta Ltd. purchases taxable goods and pays ₹90,000 to the buyer-side ECO, M/s GalaxyCart.
- M/s GalaxyCart (buyer-side ECO) deducts its commission @5% and remits the balance to the seller-side ECO, M/s QuickBuy.
- M/s QuickBuy (seller-side ECO) deducts its commission @3% before releasing payment to the supplier, M/s Alpha Ltd..
- Applicable TCS rate: 0.5% (0.25% CGST and 0.25% SGST under Section 52 of CGST Act, 2017).

Required:

1. Who is liable to collect TCS under Section 52 of CGST Act, 2017?
2. Calculate the amount of TCS, showing detailed workings.

Answer:

1. Liability to Collect TCS under Section 52 of CGST Act, 2017:

- Section 52(1):

Every e-commerce operator (ECO), not being the actual supplier, who facilitates supply of goods/ services through its platform, is required to collect TCS on the net value of taxable supplies made through its platform.

- In this case:
 - o M/s GalaxyCart (buyer-side ECO) collects payment from the buyer (M/s Beta Ltd.).
 - o M/s QuickBuy (seller-side ECO) releases payment to the supplier (M/s Alpha Ltd.), after deducting its commission.
- TCS is collected by the ECO who releases payment to the supplier, which in this case is M/s QuickBuy (seller-side ECO).

Conclusion:

M/s QuickBuy (seller-side ECO) is liable to collect TCS under Section 52 of CGST Act, 2017.

2. Calculation of TCS:

Step 1: Payment Flow

Particulars	Amount (₹)
Total amount paid by buyer (M/s Beta Ltd.) to buyer-side ECO (M/s GalaxyCart)	₹90,000
Buyer-side ECO (M/s GalaxyCart) deducts 5% commission = ₹90,000 × 5%	₹4,500
Balance remitted to seller-side ECO (M/s QuickBuy) = ₹90,000 – ₹4,500	₹85,500
Seller-side ECO (M/s QuickBuy) deducts 3% commission = ₹85,500 × 3%	₹2,565
TCS	₹450
Final payment to supplier (M/s Alpha Ltd.)	₹82,485

Step 2: TCS Calculation (Net Value of Taxable Supply):

- Net taxable value for TCS:

As per Section 52, TCS is collected on the net value of taxable supplies, i.e., ₹90,000.



- TCS @0.5% on ₹90,000:
 $= ₹90,000 \times 0.5\% = ₹450$

Final Answer:

1. M/s QuickBuy (seller-side ECO) is liable to collect TCS under Section 52 of CGST Act, 2017.
2. TCS amount: ₹450.

Illustration 5

M/s NovaCart and M/s TerraLink are e-commerce operators (ECOs) registered under the ONDC Network (Open Network for Digital Commerce).

- M/s TerraLink (seller-side ECO) sells taxable goods directly to M/s Flora Ltd. (registered buyer), who places the order via M/s NovaCart (buyer-side ECO).
- Supplier-side ECO (M/s TerraLink) is itself the supplier of the goods (i.e., supplier and ECO are the same).

Transaction Details:

- M/s Flora Ltd. pays ₹95,000 to the buyer-side ECO, M/s NovaCart.
- M/s NovaCart deducts a platform fee @6% and remits the balance to the supplier-side ECO, M/s TerraLink.
- Applicable TCS rate: 0.50% (0.25% CGST and 0.25% SGST under Section 52 of CGST Act, 2017).

Required:

1. Who is liable to collect TCS under Section 52 of CGST Act, 2017 in this transaction?
2. Calculate the amount of TCS, showing detailed workings.

Answer:

1. TCS Liability under Section 52 of CGST Act, 2017:

- Section 52(1):
Every e-commerce operator (ECO) who collects payment from the buyer for taxable goods/ services is liable to collect TCS on the net value of taxable supplies.
- In this case:
 - o Buyer-side ECO (M/s NovaCart) collects payment from the buyer (M/s Flora Ltd.).
 - o Even though the supplier (M/s TerraLink) is also an ECO, M/s NovaCart (who collects the payment) is liable to collect TCS.

Conclusion:

M/s NovaCart (buyer-side ECO) is liable to collect TCS under Section 52 of CGST Act, 2017.

2. Calculation of TCS:

Step 1: Payment Flow

Particulars	Amount (₹)
Total payment by buyer (M/s Flora Ltd.) to M/s NovaCart	₹95,000
Platform fee deducted by M/s NovaCart @6% = ₹95,000 × 6%	₹5,700
Less: TCS 0.5% on ₹95,000	₹475
Balance remitted to supplier-side ECO (M/s TerraLink)	₹88,825

Step 2: TCS Calculation (on Net Value of Taxable Supply):

- TCS is collected on the full taxable value, i.e., ₹95,000 (the amount received from the buyer before deduction of platform fees).

TCS @0.50% on ₹95,000 | ₹475 |

TCS of ₹475 is deposited to the Government by M/s NovaCart.

9

GST Refund - Inverted Duty Structure and Zero-rated Supplies [Study Material - Module 9]

Illustration 1

X Ltd., a unit in SEZ, received services from various service providers in relation to authorized operations in SEZ during the month April 2025. The following details are furnished for the month April 2025

- (i) Value of Taxable services used exclusively for authorised operations within SEZ: ₹5,00,000 (exemption from GST availed).
- (ii) Value of Taxable Services used by SEZ units and DTA units: ₹8,00,000. GST paid @18%.
- (iii) Value of Taxable Service used wholly for DTA units: ₹3,00,000. GST paid @18%.
- (iv) Export Turnover of SEZ Unit: ₹1,00,00,000
- (v) Turnover of DTA Unit: ₹60,00,000

Compute the ITC and amount of refund if any?

Note: All input services used by SEZ for its authorized operations only.

Answer:

Statement showing ITC & refund of X Ltd. (a unit of SEZ)					
S. No.	Particulars	Value of Input Services ₹	ITC ₹	Refund ₹	remarks
1	Input Services	5,00,000	nil	nil	Since, no tax paid on input services.
2	DTA as well as Zero rated supply	80,000	54,000	90,000	₹8 L x 18% x 100 L/160 L
3	Input Services only for DTA	3,00,000	54,000	nil	3 L x 18%
	Total		1,08,000		

Illustration 2

Super Engineering Works, a registered supplier in Haryana, is engaged in supply of taxable goods within the State. Given below are the details of the turnover and applicable GST rates of the final products manufactured by Super Engineering Works as also the input tax credit (ITC) availed on

inputs used in manufacture of each of the final products and GST rates applicable on the same, during a tax period:

Products	Turnover exclusive of GST ₹	Output tax rate	ITC availed ₹	Input Tax rate
A	5,00,000	5%	54,000	18%
B	3,50,000	5%	54,000	18%
C	1,00,000	18%	10,000	18%

Determine the maximum amount of refund of the unutilized input tax credit that Super Engineering Works is eligible to claim under section 54(3)(ii) of the CGST Act, 2017 provided that Product B is notified as a product, in respect of which no refund of unutilised input tax credit shall be allowed under said section.

Answer:

Maximum Amount of Refund = ₹37,105/- $[(5,00,000/9,50,000) \times 1,18,000] - 25,000$.

Working note:

Products	Turnover exclusive of GST ₹
A	5,00,000
B	3,50,000
C	1,00,000
total	9,50,000

Turnover ₹	Output tax rate	Output tax ₹
5,00,000	5%	25,000

Illustration 3

ABC Enterprises, a registered taxpayer under GST, filed a refund application of ₹5,00,000 on **1st November 2024** for excess tax paid during the month of October 2024.

The following timeline of events occurred after the application:

- **15th November 2024:** The proper officer issued a notice in **FORM GST RFD-08** seeking additional documents.
- **30th November 2024:** ABC Enterprises submitted the required documents in **FORM GST RFD-09**.
- **20th December 2024:** Refund was sanctioned, but credit was delayed due to incorrect bank account details provided by the applicant.
- **10th January 2025:** ABC furnished the correct bank details.
- **15th January 2025:** Refund was finally credited to the bank account.



As per **Section 56 of the CGST Act, 2017**, if the refund is not sanctioned within **60 days** from the date of application, interest is payable by the Government. However, as per **Rule 94 of CGST Rules**, certain periods can be excluded from the delay calculation:

- Time taken to submit additional documents (from 15th Nov to 30th Nov 2024) – **15 days**
- Time taken to furnish correct bank details (from 20th Dec 2024 to 10th Jan 2025) – **21 days**

You are required to:

1. Determine the statutory due date for processing the refund without interest liability.
2. Calculate the **total number of days of actual delay** in crediting the refund after excluding eligible periods under Rule 94.
3. If the net delay period is considered as **15 days**, compute the amount of interest payable to ABC Enterprises at **6% per annum** as per Section 56.
4. Specify the form in which the interest would be sanctioned and how it would be credited to the applicant.
5. Comment on whether interest is actually payable in this case, after considering Rule 94 exclusions.

Answer:

Refund Interest under Section 56 of CGST Act, 2017

1. Statutory Due Date for Processing Refund Without Interest Liability:

- Refund application submitted on **1st November 2024**.
- As per **Section 56 of CGST Act**, refund must be **sanctioned within 60 days**.
 $\blacktriangle$ **Due Date = 1st November 2024 + 60 days = 31st December 2024**

2. Total Number of Days of Actual Delay After Exclusions:

- Refund credited on: **15th January 2025**
- Total duration from date of application to credit: **1st November 2024 to 15th January 2025 = 76 days**

Exclusions as per Rule 94:

- **15 days:** From **15th November to 30th November 2024** (submission of additional documents)
- **21 days:** From **20th December 2024 to 10th January 2025** (incorrect bank details corrected)
 $\blacktriangle$ **Total Excluded Days = 15 + 21 = 36 days**

Net Delay:

- Total period = 76 days



- Excluded = 36 days
- Net delay = $76 - 60 - 36 = 0$ days
- ▲ **Conclusion:** No delay beyond 60 days **after accounting for exclusions** → **No interest payable**

3. If Net Delay is Considered as 15 Days, Calculate Interest Payable:

(Assuming 15 days delay for academic purpose)

Formula:

Interest = $(\text{Refund Amount} \times \text{Interest Rate} \times \text{No. of Days}) / (365 \times 100)$

- Refund Amount = ₹5,00,000
- Interest Rate = 6%
- No. of Days = 15
- ▲ **Interest** = $₹5,00,000 \times 6 \times 15 / (365 \times 100) = ₹1,233$ (rounded off)

4. Form for Interest Sanction and Mode of Credit:

- Interest is sanctioned in **FORM GST RFD-05**
- Refund amount along with interest is **electronically credited** to the taxpayer's **bank account** mentioned in the application.

5. Whether Interest is Payable in This Case (Final Conclusion):

No. Since the total delay after excluding periods under **Rule 94** is **zero**, the department is **not liable** to pay any interest under **Section 56**.

Illustration 4

M/s **GlobalTech Exports LLP**, a registered exporter based in Mumbai, exported a consignment of computer components to a buyer in Germany on **1st April 2025**.

Original Export Details:

- Invoice Value at the time of export: **₹9,50,000**
- IGST paid at 18%: **₹1,71,000**
- Shipping and export documentation were filed, and refund of IGST amounting to ₹1,71,000 was **sanctioned under Rule 96**.

Upward Price Revision:

- On **20th September 2025**, the German buyer agreed to revise the price to **₹11,50,000**.
- This led to an **increased value of ₹2,00,000**, and an **additional IGST of ₹36,000** was paid by GlobalTech Exports LLP.



- GlobalTech Exports LLP now seeks refund of this **additional IGST** under the amended provisions of **Rule 89 and Rule 96**, read with **Circular No. 226/20/2024-GST**.

You are required to answer the following:

- Can GlobalTech Exports LLP claim refund of the **additional IGST** of ₹36,000 paid due to upward price revision? If yes, under what rules?
- What is the **time limit** for filing the refund application under GST for such additional IGST?
- Which **form and category** must be selected on the GST portal for applying for this refund?
- List the **key documents** that must be submitted along with the refund application.
- What are the steps the **Proper Officer** will follow after receiving the refund application?
- Under which **form numbers** will the refund sanction order and payment order be issued?

Answer

- Yes**, the refund of ₹36,000 is allowable under:

- Rule 89** (Manual refund application)
- Rule 96** (Export refund mechanism)

These were amended to allow refund where **upward price revision** occurs **after the export** and additional IGST is paid.

- The application must be submitted within **2 years** from:

- Date of payment of additional IGST** (i.e., payment made post-revision)
- Or realization of revised export proceeds**, whichever is later

For past cases where this period has already lapsed, a **grace period till 10th July 2026** is allowed (i.e., **2 years from 10th July 2024**).

- Form and category should be selected for refund application is as follows:**

- The refund application must be filed in **Form GST RFD-01**
- Under the refund category **"Any other"**
- With remark: *"Refund of additional IGST paid on account of increase in price subsequent to export of goods."*

- The following key documents should be attached with the refund application:**

- Revised Commercial Invoice or Price Amendment Agreement**
- Proof of Payment** of additional IGST (e.g., **challan copy** or **GSTR-3B** reflecting payment)
- Copy of **original and revised shipping bills**, if any
- Export-related documentation** (e.g., Bill of Lading)



5. Bank Realisation Certificate (BRC) or Foreign Inward Remittance Certificate (FIRC)

6. Reconciliation Statement showing:

- a. Increased value from supplementary invoice/debit note
- b. Corresponding BRC/FIRC details

5. Steps followed by the Proper Officer for processing the refund:

The officer will:

- **Verify** the disclosures in:
 - o **GSTR-1 / 1A** (to confirm outward supply)
 - o **GSTR-3B** (to confirm tax payment)
- If satisfied, issue:
 - o **Refund Sanction Order** in **Form GST RFD-06**
 - o **Payment Order** in **Form GST RFD-05**

6. Form numbers are the refund orders issued are as follows:

- **Refund Sanction Order: Form GST RFD-06**
- **Payment Order: Form GST RFD-05**

Illustration 5

M/s **Infinity Global Traders**, a registered exporter, had exported goods on **15th November 2024** with an **invoice value of ₹10,00,000**, and had paid IGST and subsequently received **IGST refund of ₹1,80,000** under Rule 96 of CGST Rules.

On **1st January 2025**, the overseas buyer negotiated and revised the price **downward** to **₹8,00,000**, due to quality-related adjustments.

This resulted in a **reduction of ₹2,00,000** in the export value. Accordingly, **IGST refund of ₹36,000 (on the reduced value)** becomes **ineligible**, and must be **deposited back to the Government along with interest**.

You are required to answer the following:

1. What is the total amount that M/s Infinity Global Traders is required to deposit back to the Government?
2. Why is the exporter required to deposit the refunded IGST in the case of a downward revision in export price?
3. Is interest payable on the refunded IGST that becomes ineligible due to the price reduction? If yes, under which provisions?
4. When should this amount be paid back to the Government?
5. How does this repayment affect future refund claims of the exporter, particularly in cases of upward price revision?



Answer

1. The total amount that M/s Infinity Global Traders is required to deposit back to the Government is as follows:

- ₹36,000, being the **IGST corresponding to the reduction of ₹2,00,000** in export value.
- **Plus applicable interest** calculated from the date of refund to the date of repayment, as per GST law.

2. The exporter required to deposit the refunded IGST in the case of a downward revision in export price:

Under the provisions of the CGST Act read with Rule 96, IGST refund is granted based on the invoice value declared at the time of export.

In case of **downward price revision**, the exporter becomes ineligible for the excess refund already granted, and hence must **reverse the excess refunded amount** along with interest.

3. Interest payable on the refunded IGST that becomes ineligible due to the price reduction:

Yes, interest is payable under **Section 50(1) of the CGST Act, 2017** on the amount of excess refund that was incorrectly granted due to price overstatement.

4. The ₹36,000 along with interest must be deposited **before the exporter applies for any future refund**, especially in cases where:

- The exporter seeks **additional refund** due to **subsequent upward price revisions** or other export supplies.

The **Proper Officer** will verify this repayment as a **pre-condition** for processing future refund claims.

5. The exporter **cannot claim any additional refund**, including refund on upward price revision, until:

- The excess refund of ₹36,000 and applicable interest has been **fully repaid**.
- This compliance will be **verified by the Proper Officer** before sanctioning any further refund under **Rule 89 or Rule 96**.

Illustration 6

M/s **TechNova Solutions Pvt. Ltd.**, a company based in Bengaluru, India, received an order on **10th March 2025** for supply of IT consulting services worth **USD 6,00,000** from a client based in **California, USA**.

However, due to operational constraints, TechNova Solutions engaged **SoftWave Inc., Mexico**, to supply a portion of the services, equivalent to **40% of the total contract value**.

It is confirmed that **SoftWave Inc., Mexico**, is **not merely an establishment of a distinct person** in terms of **Explanation 1 to Section 8 of the IGST Act, 2017**.

You are required to answer the following:

1. Who shall be considered the **exporter of services** for the full contract value?
2. What is the **tax implication** of the services provided by SoftWave Inc., Mexico, to the US client?
3. Whether TechNova Solutions Pvt. Ltd. is liable to pay tax under **reverse charge** on the services outsourced to SoftWave Inc.?
4. Will TechNova Solutions be eligible for **input tax credit (ITC)** of the IGST paid under reverse charge?
5. If only **60% of the payment (USD 3,60,000)** is received by TechNova in India and the balance **40% is directly paid** by the US client to SoftWave Inc., can the entire contract value be treated as export by TechNova?
6. Under what conditions will the export benefit still be available for the **full value** of USD 6,00,000?

Answer:

1. **TechNova Solutions Pvt. Ltd.** is considered the **exporter of services** for the **entire value of USD 6,00,000, provided TechNova raises the invoice** for the full contract value to the US client.
2. The services provided by **SoftWave Inc.** to the **US-based client**, on behalf of TechNova, will be treated as **import of services** by **TechNova Solutions Pvt. Ltd.**, **even if not received in India**, since the recipient of services (TechNova) is located in India.
3. **Yes.** The value of services provided by **SoftWave Inc.** (i.e., 40% of USD 6,00,000 = USD 2,40,000) will be treated as **import of services**, and **TechNova Solutions Pvt. Ltd.** will be liable to **pay IGST under reverse charge** as per **Section 5(3) of the IGST Act, 2017**.
4. **Yes.** TechNova Solutions Pvt. Ltd. is **eligible to avail ITC** of the **IGST paid** on import of services under reverse charge, subject to conditions under **Section 16 of the CGST Act, 2017**.
5. **Yes.** Even if only **60% of the total contract value (USD 3,60,000)** is realized by TechNova in India, and **40% is directly paid** by the US client to **SoftWave Inc.**, the **entire value of USD 6,00,000** shall be treated as **consideration for export** by TechNova **provided specific conditions are met**.
6. The following conditions must be satisfied:
 1. **IGST under reverse charge** has been **paid by TechNova** on services imported from SoftWave Inc.
 2. The **Reserve Bank of India (RBI)** has, either by **general instruction** or **specific approval**, allowed a **portion of export consideration to be retained outside India**.
 3. The amount realized by **both TechNova and SoftWave Inc.** together is in **convertible foreign exchange**.

If these conditions are fulfilled, the **export benefit** will be allowed for the **entire value of USD 6,00,000**.



Illustration 7

M/s **Precision Tech Equipments Pvt. Ltd.**, located in Pune, is a registered manufacturer of industrial machinery. On **15th January 2025**, it receives a supply order from **NeoCore Systems SEZ Unit**, located in a Special Economic Zone (SEZ) in Hyderabad, for the purchase of industrial automation equipment valued at **₹60,00,000**.

The following facts are known:

- The supply is for **authorised operations** as certified by the SEZ authorities.
- Precision Tech opts for the **IGST refund route**, as per the provisions of **Notification No. 05/2023-Integrated Tax**, effective from **1st October 2023**.
- Applicable **IGST rate** on such machinery: **18%**.
- Precision Tech makes the supply **with payment of IGST** and files the refund application post-supply.
- The machinery supplied is **not** part of the excluded categories under **Notification No. 01/2023-IT**.

You are required to:

1. Compute the amount of **IGST paid** by Precision Tech on this supply.
2. Determine whether Precision Tech is eligible for **IGST refund** under the current law.
3. State the **basis for eligibility** and any **conditions** that must be fulfilled for the refund.
4. Mention the **final benefit** availed by Precision Tech after successful refund.

Answer:

1. Calculation of IGST Paid:

- Value of Supply = ₹60,00,000
- IGST Rate = 18%
- **IGST = ₹60,00,000 × 18% = ₹10,80,000**

2. Precision Tech eligible for IGST refund.

Precision Tech is eligible to claim refund of **₹10,80,000 IGST** paid on the supply to the SEZ unit.

3. Basis and Conditions for Refund Eligibility:

- The supply is made to an **SEZ Unit** for **authorised operations**, which qualifies as **zero-rated supply** under **Section 16(1)(b) of the IGST Act, 2017**.
- As per **Notification No. 05/2023-IT** (effective 1st Oct 2023), suppliers can opt for **supply on payment of IGST** and claim **refund of the tax paid**.
- Precision Tech must:
 - o Furnish necessary documents proving the goods were received and used for **authorised operations**.

- o File refund claim in **Form GST RFD-01**, with required endorsements from the SEZ officer.
- o Ensure the supply is **not in the exclusion list** (e.g., pan masala, gutkha, tobacco under Notification No. 01/2023-IT).

4. Final Benefit to Precision Tech:

- Precision Tech recovers the **₹10,80,000 IGST** paid through the **refund route**, improving its **cash flow** while continuing to treat the supply as **zero-rated**.
- Thus, **effective tax burden = Nil** after refund, and full value of input taxes are recovered.

Illustration 8

M/s **Ocean Bright Industries Pvt. Ltd.**, engaged in **manufacturing and trading** of goods, is registered under GST in the **State of Gujarat**. The company supplies goods in both **domestic and international markets**.

For the month of **March 2025**, Ocean Bright has opted to export goods **without payment of tax**, under a valid **Letter of Undertaking (LUT)**, in accordance with **Section 16(3)(a) of the IGST Act, 2017**.

The company has furnished the following details of supplies for the tax period:

Supply Details for March 2025:

S. No.	Particulars	Value (₹)
(i)	Export of product 'X' to Germany (customs assessable value in INR). Note: Export duty is applicable on product X.	₹8,00,000
(ii)	Domestic taxable supply of product 'Y' (exclusive of 5% GST). Inputs used in manufacturing of such goods are taxable @18% Note: Product Y is eligible for refund of unutilised ITC under section 54(3)(ii).	₹12,00,000
(iii)	Supply to Export Oriented Unit (EOU), exclusive of 18% tax. (ITC claimed by recipient)	₹6,00,000
(iv)	Export of exempted goods (under GST)	₹7,00,000

Input Tax Credit (ITC) Available for March 2025:

S. No.	Nature of ITC	Amount (₹)
(i)	ITC on Inputs (includes ₹60,000 related to exempt export supplies)	₹4,20,000
(ii)	ITC on Capital Goods	₹1,50,000
(iii)	ITC on Input Services (includes ₹20,000 on outdoor catering , which is ineligible)	₹2,30,000

Compute the **maximum amount of refund** of unutilized input tax credit **admissible to M/s Ocean Bright Industries Pvt. Ltd.** for the given tax period under the **zero-rated supply without payment of tax route**, in accordance with the CGST and IGST Act and Rules thereunder.



Answer:

Computation of Maximum Refund Admissible to M/s Ocean Bright Industries Pvt. Ltd. for March 2025

Step-by-Step Refund Calculation:

Particulars	Amount (₹)	Working Notes
(i) Export of product 'X' to Germany	Nil	Refund of unutilized ITC is not allowed under Section 54(3) if the exported goods are subjected to export duty . Since export duty is levied on Product 'X', refund is ineligible .
(ii) Domestic supply of taxable product 'Y'	1,12,727	Refund as per section 54(3)(ii) of CGST Act, 2017: $[\text{₹}12,00,000 \times \text{₹}4,20,000 / \text{₹}33,00,000] - [\text{₹}60,000 \times \text{₹}4,20,000 / \text{₹}6,30,000] = \text{₹}1,12,727$
(iii) Supply to Export Oriented Unit (EOU)	Nil	No refund allowed since ITC is already claimed by the recipient under GST law.
(iv) Export of exempt goods	1,33,636	Refund is allowed even if goods are exempt, provided exported under LUT: Refund = $\text{₹}6,30,000 \times \text{₹}7,00,000 / \text{₹}33,00,000 = \text{₹}1,33,636$

Important Notes:

- **Capital goods ITC** of ₹1,50,000 is **not eligible** for refund under Section 54(3).
- **Ineligible ITC** like outdoor catering -related ITC is **excluded** from refund computation.
- Total turnover for refund ratio = ₹12,00,000 (domestic) + ₹6,00,000 (EOU) + ₹7,00,000 (exempt export) + ₹8,00,000 (exports with duty) = **₹33,00,000**

Illustration 9

M/s **Zenith ElectroTech Pvt. Ltd.**, a manufacturer of precision electronics, has furnished the following details for the month of **February 2025** for computation of refund under **Rule 89(4)** of the CGST Rules, 2017.

Assume that all other conditions prescribed under the GST law are fulfilled.

Transaction Details for February 2025:

Particulars	Amount (₹)
Opening balance of Input Tax Credit (ITC)	₹4,00,000
ITC availed during the period , including ₹6,00,000 claimed under Rule 89(4A)/(4B)	₹28,00,000
Zero-rated supplies made during the period without payment of tax under LUT (includes ₹1,20,00,000 covered under Rule 89(4A)/(4B))	₹7,50,00,000
Supply of goods other than zero-rated supply (domestic taxable turnover)	₹3,20,00,000

Compute the **maximum refund amount admissible to M/s Zenith ElectroTech Pvt. Ltd.** under **Rule 89(4)** of the CGST Rules, 2017 for the given tax period.

Answer:

Let's compute the maximum refund admissible under Rule 89(4) of the CGST Rules, 2017 for February 2025, after the effect of Notification No. 20/2024 dated 8th October 2024 (which omits exclusion of ITC and turnover related to 4A/4B).

Given Data (February 2025):

Particulars	Amount (₹)
Opening ITC balance (not relevant for refund computation)	₹4,00,000
ITC availed during the period (including ₹6,00,000 under 4A/4B)	₹28,00,000
Zero-rated supply under LUT (including ₹1.2 Cr under 4A/4B)	₹7,50,00,000
Domestic taxable turnover (DTA supplies)	₹3,20,00,000

Step 1: Determine Net ITC

▲ Post Notification 20/2024, no exclusion of ITC claimed under Rule 89(4A)/(4B):

Net ITC = ₹28,00,000

Step 2: Turnover of Zero-Rated Supply

▲ Entire turnover under LUT is eligible (including 4A/4B components):

Turnover of Zero-Rated Supply = ₹7,50,00,000

Step 3: Adjusted Total Turnover

= ₹7,50,00,000 + ₹3,20,00,000 = ₹10,70,00,000

Step 4: Apply the Formula

Refund Amount = $\{₹7,50,00,000 / ₹10,70,00,000\} \times ₹28,00,000 = ₹19,62,617$

Maximum Refund Admissible = ₹19,62,617 (rounded off to nearest rupee)

Illustration 10

M/s **Deluxe Exporters**, a GST-registered entity located in **New Delhi**, is engaged in the export of goods and services. The entity has furnished a **Letter of Undertaking (LUT)** and supplies goods and services under **zero-rated supply without payment of tax** as per **Section 16(3) of the IGST Act, 2017**.

The following details are provided for a relevant tax period:

Particulars for the Tax Period:

S. No.	Particulars	Amount (₹)
1	Turnover (excluding supply of services, but includes exempt supplies of ₹8,00,000 and inward supplies of ₹2,00,000)	₹76,00,000



2	Zero-rated supply of goods under LUT	₹12,00,000
3	Zero-rated export services under LUT	₹48,00,000
4	Non-zero-rated supply of services	₹10,00,000
5	Payments received for zero-rated supplies (including ₹12,00,000 advance for services yet to be supplied)	₹48,00,000
6	Advance received earlier, now adjusted against supplies made in current period	₹14,00,000
7	Turnover for which refund claimed under Rule 89(4A) and Rule 89(4B) : Goods ₹6,00,000 & Services ₹6,00,000	₹12,00,000
8	Total ITC availed on inputs and input services during the period	₹12,00,000
9	ITC related to Rule 89(4A) and 89(4B) (ineligible for refund under Rule 89(4))	₹2,40,000

Compute the **maximum amount of refund** admissible to **M/s Deluxe Exporters** under **Rule 89(4) of the CGST Rules, 2017**, assuming all other conditions for refund are fulfilled.

Answer:

Computation of Refund Admissible to M/s Deluxe Exporters under Rule 89(4) of CGST Rules, 2017

Step 1: Determine Adjusted Total Turnover

Particulars	Amount (₹)
Turnover of goods (excluding services, includes exempt supplies)	₹74,00,000
Add: Zero-rated supply of services	₹50,00,000
Add: Non-zero-rated supply of services	₹10,00,000
Less: Value of exempted domestic supply (DTA supply)	₹8,00,000
Turnover for which refund is claimed under Rule 89(4A) [w.e.f. 8-10-2024, turnover in respect of which refund is claimed under sub-rule 89(4A) & (4B) is form part of adjusted total turnover]	Already included in above turnover
Turnover for which refund is claimed under Rule 89(4B) [w.e.f. 8-10-2024, turnover in respect of which refund is claimed under sub-rule 89(4A) & (4B) is form part of adjusted total turnover]	Already included in above turnover
Adjusted Total Turnover	₹1,26,00,000

▲ Note: Inward supply of ₹2,00,000 is not part of turnover, hence excluded.

Step 2: Eligible Turnover for Zero-Rated Supplies

A. Zero-Rated Supply of Goods (under LUT):

Particulars	Amount (₹)
Total Zero-rated supply of goods	₹12,00,000
Supplies for which refund is claimed under Rule 89(4A)/(4B) [w.e.f. 8-10-2024, turnover in respect of which refund is claimed under sub-rule 89(4A) & (4B) is form part of zero rated turnover]	Already included in the above
Net Zero-rated supply of goods eligible under Rule 89(4)	₹12,00,000

B. Zero-Rated Supply of Services (eligible portion):

Particulars	Amount (₹)
Aggregate payments received for zero-rated export services	₹48,00,000
Less: Advance received for services not yet supplied	₹12,00,000
Add: Advance received earlier, adjusted against current period export	₹14,00,000
Adjusted Turnover of Export Services	₹50,00,000
Supplies for which refund is claimed under Rule 89(4A)/(4B) [w.e.f. 8-10-2024, turnover in respect of which refund is claimed under sub-rule 89(4A) & (4B) is form part of zero-rated turnover]	Already included in the above
Net Zero-rated supply of services eligible under Rule 89(4)	₹50,00,000

Step 3: Total Zero-Rated Turnover under Rule 89(4)

Particulars	Amount (₹)
Net zero-rated supply of goods	₹12,00,000
Net zero-rated supply of services	₹50,00,000
Total Zero-Rated Turnover (eligible)	₹62,00,000

Step 4: Determine Eligible Input Tax Credit (Net ITC)

Particulars	Amount (₹)
Total ITC availed during the period	₹12,00,000
Less: ITC related to Rule 89(4A)/(4B) (ineligible for 89(4) refund) Already included in the above [w.e.f. 8-10-2024, ITC in respect of which refund is claimed under sub-rule 89(4A) & (4B) is form part of total ITC]	Already included in the above
Net ITC for refund under Rule 89(4)	₹12,00,000

Step 5: Apply Refund Formula under Rule 89(4)

$$= \{₹12,00,000 \times ₹62,00,000\} / \{₹1,26,00,000\} = ₹5,90,476$$

Maximum Refund Admissible: ₹5,90,476

Illustration 11

M/s **HerbalGlow Naturals LLP**, a registered GST supplier, is engaged in the **manufacture of herbal personal care products** in the **State of Maharashtra**. The entity has provided the following details for the month of **March 2025**:

Transaction Details for March 2025:

Particulars	CGST Rate	SGST Rate	Value of Supply (₹) (exclusive of GST)
Outward supply of herbal face cream	2.5%	2.5%	₹40,00,000
Outward supply of hair oil	6%	6%	₹80,000
Inward supply of inputs (e.g., essential oils, plant extracts)	6%	6%	₹28,00,000
Inward supply of input services (e.g., packaging, transport)	2.5%	2.5%	₹4,50,000
Inward supply of capital goods (e.g., mixing machinery)	9%	9%	₹20,00,000

Additional Information:

- M/s HerbalGlow has claimed **ITC** in respect of all inward supplies in the relevant **GSTR-3B**, and the same is reflected in **GSTR-2B**.



- **All conditions** for claiming refund under **inverted duty structure** are complied with.
- **No refund** has been claimed for the month of March 2025.

Compute the **maximum refund amount** eligible to **M/s HerbalGlow Naturals LLP** under the **Inverted Duty Structure** for the month of March 2025.

Note: Include working notes as part of your answer.

Answer:

Computation of Maximum Refund Admissible to M/s HerbalGlow Naturals LLP under Rule 89(5) of CGST Rules, 2017 for March 2025

Step 1: Identify Relevant Values

Component	Amount (₹)	Working
(i) Turnover of inverted rated supply	₹40,00,000	Only outward supply taxed at 2.5% CGST + 2.5% SGST is considered.
(ii) Adjusted Total Turnover	₹40,00,000 + ₹80,000 = ₹40,80,000	Includes all outward taxable supplies.
(iii) Net ITC (on Inputs only)	₹28,00,000 × 12% = ₹3,36,000	Input services & capital goods not included.
(iv) Tax payable on inverted rated supply	₹40,00,000 × 5% = ₹2,00,000	Combined CGST + SGST rate (2.5% + 2.5%)
(v) ITC on input services	₹4,50,000 × 5% = ₹22,500	Not considered in refund calculation
(vi) ITC on capital goods	₹20,00,000 × 18% = ₹3,60,000	Not considered in refund calculation

Step 2: Apply the Refund Formula

$$\{₹40,00,000 \times ₹3,36,000\} / \{₹40,80,000\} - [₹2,00,000 \times \{₹3,36,000\} / \{₹3,58,500\}]$$
$$= ₹3,29,412 - ₹1,87,448 = ₹1,41,964$$

Final Refund Amount = ₹1,41,964 (Split equally between CGST and SGST: ₹70,982 each)

Important Notes:

- Refund is **restricted to ITC on inputs only**.
- **Input services and capital goods** are **excluded** from “Net ITC” as per Rule 89(5).
- All conditions under the GST Act for refund eligibility have been complied with.

Illustration 12

Agora Ltd., a registered exporter located in **Mumbai**, exported goods worth **₹50,00,000** on **1st January 2024** and received **₹25,00,000** as sale proceeds by **30th June 2024**. The company had earlier claimed and received a **refund of unutilized input tax credit (ITC)** amounting to **₹25,00,000** under **Rule 89** of the CGST Rules.

As per the conditions of **FEMA, 1999**, the time limit to realize export proceeds is **9 months** from the date of export (i.e., **up to 30th September 2024**), which may be extended by RBI.

Agora Ltd. fails to realize the balance 50% export proceeds within the permissible time under FEMA. You are required to answer the following:

- (a) What is the implication of non-realization of sale proceeds on refund already received?
- (b) Will refund be recovered if RBI writes off the unrealized export proceeds?
- (c) Can Agora Ltd. reclaim the refund amount if the pending export proceeds are realized after deposit of refund with interest? Assume if the remaining ₹25,00,000 is realized on 15th January 2025.

Answer:

(a) Refund recovery on non-realization of export proceeds:

As per **Proviso to Section 16(3)** of the **IGST Act, 2017** read with **Rule 96B(1)** of the **CGST Rules, 2017**, if the sale proceeds of exported goods are not realized within the period allowed under **FEMA, 1999** (including extensions), the exporter is required to **deposit the refund amount proportionate to the unrealized proceeds** along with **interest under Section 50**.

In this case:

- Export Value = ₹50,00,000
- Realized = ₹25,00,000
- Unrealized = ₹25,00,000 (50%)
- Refund earlier claimed = ₹25,00,000
- Proportion to be refunded = **₹12,50,000 + interest**

Agora Ltd. must **deposit ₹12,50,000 along with applicable interest** within **30 days** from expiry of the FEMA period, i.e., **by 30th October 2024** (if no RBI extension is granted).

- (b) No. As per **Proviso to Rule 96B(1)**, if the **RBI writes off the realization requirement** of the remaining ₹25,00,000 **on merits**, then the refund **shall not be recovered**, even though the sale proceeds remain unrealized.

In this case, if RBI issues a write-off letter for the remaining ₹25,00,000, **Agora Ltd. can retain the entire refund of ₹25,00,000** without any repayment obligation.

(c) Yes. As per Rule 96B(2):

- If the pending ₹25,00,000 is **realized later**, and
- The refund amount proportionately **was already deposited** under Rule 96B(1),
- Then **Agora Ltd. can claim a refund of the recovered amount** (up to the extent of realization), provided:
 - o Realization happens within **RBI-permitted extension**, and
 - o A **refund claim is filed within 3 months** from the **date of realization**.

If the remaining ₹25,00,000 is realized on **15th January 2025**, Agora Ltd. must file the claim for re-refund by **15th April 2025**.



Conclusion:

Situation	Action/Impact
50% sale proceeds not realized within FEMA period	Deposit ₹12,50,000 + interest within 30 days
RBI writes off balance proceeds	No refund recovery
Proceeds realized later	Can re-claim refund within 3 months from realization

Illustration 13

Determine the **refundable amount** for the month of **April 2024** for **M/s Avinash Exports Pvt. Ltd.**, a registered business located in **Coimbatore, Tamil Nadu**, in the following cases:

- (i) Export of goods/services **without payment of tax** under **Letter of Undertaking (LUT)**
- (ii) Supplies made to **SEZ unit / SEZ developer** without payment of tax
- (iii) Accumulated ITC due to **inverted duty structure**

The refund claim is being filed under **Rule 89(4)** or **Rule 89(5)** of the **CGST Rules, 2017**, based on the following details:

Given Data:

(A) Maximum refund amount as per prescribed **formula in Rule 89(4)/(5)** = ₹5,00,000

(B) Balance in **Electronic Credit Ledger** at the end of **April 2024** (after filing GSTR-3B) = ₹4,00,000

(C) Balance in Electronic Credit Ledger at the time of **filing refund application** (say, on 15th May 2024) = ₹6,00,000

Answer:

As per the **CBIC guidelines and Rule 89 of CGST Rules**, the **refundable amount** is the **least of the following three**:

Step 1: Identify the three amounts

Refund Limit Criteria	Amount
(i) Maximum eligible refund as per Rule 89(4)/(5) formula	₹5,00,000
(ii) Balance at the end of April 2024 (after GSTR-3B is filed)	₹4,00,000
(iii) Balance at the time of filing refund application	₹6,00,000

Refundable Amount = Least of the above = ₹4,00,000

System-based Debit from Electronic Credit Ledger:

As per CBIC's SOP on refund processing:

After computing the eligible refundable amount, the **common portal debits the refund** from the **Electronic Credit Ledger** in the following order:

Order of Debit:

1. **Integrated Tax (IGST)** – to the extent available
2. **Central Tax (CGST)** and **State Tax (SGST)** – equally, to the extent available
3. If there's a **shortfall** in CGST or SGST ledger, the **differential amount** is debited from the other

Conclusion:

- Refund eligible to M/s Avinash Exports Pvt. Ltd. for April 2024 = ₹4,00,000
- The debit from the credit ledger will follow the IGST → CGST & SGST order
- This ensures refund does not exceed actual ITC available and claimed through GSTR-3B

Illustration 14

Imperial Manufacturing & Exports Pvt. Ltd. (IMEPL) is registered under GST in the **State of Gujarat** and is engaged in both manufacturing and trading of goods. The company supplies goods both domestically and internationally. It exports goods without payment of tax under a **Letter of Undertaking (LUT)** in accordance with the provisions of **Section 16(3) of the IGST Act, 2017**.

IMEPL provides the following details for the **tax period May 2025**:

Details of Supplies Made:

S.No.	Particulars	Amount (₹)
1	Taxable value of goods "Alpha" supplied within India	18,00,000
2	Taxable value of goods "Beta" exported without payment of tax under LUT. (However, taxable value of such goods when supplied domestically in similar quantities is ₹ 7,50,000)	12,50,000
3	Taxable value of goods "Gamma" exported without payment of tax under LUT. (However, taxable value of such goods when supplied domestically in similar quantities is ₹ 2,25,000)	3,00,000

Input Tax Credit (ITC) Availed for May 2025:

S.No.	Particulars	Amount (₹)
1	ITC availed on capital goods	1,20,000
2	ITC availed on inputs	4,00,000
3	ITC availed on input services	2,00,000
	Total ITC availed	7,20,000

Additional Information:

1. All inputs, input services, and capital goods are used in the manufacturing process, and all conditions for availing ITC have been complied with.



2. Balance in the Electronic Credit Ledger at the time of filing the refund application:
₹2,00,000.
3. Balance in the Electronic Credit Ledger at the end of May 2025 (after filing GSTR-3B):
₹4,50,000.

Required:

Compute the **refund amount of accumulated unutilized ITC** for **IMEPL** for the tax period **May 2025** under the provisions of **GST law**, along with necessary explanations for the treatment of various items.

Answer:

Step 1: Refund Calculation as per Rule 89(4) of CGST Rules, 2017

Refund of **unutilized ITC** in case of **exports without payment of tax** is calculated as per the following formula:

Turnover of Zero-rated Supply of Goods (after applying Rule 89(4)(C)):

As per **Rule 89(4)(C)**, lower of the following two values is to be considered for each exported good:

- Actual export value, or
- 1.5 times the value of like goods supplied domestically.

For “Beta” goods:

- Export value = ₹ 12,50,000
- $1.5 \times \text{domestic value (₹7,50,000)} = ₹ 11,25,000$
- Value for refund calculation = ₹ 11,25,000

For “Gamma” goods:

- Export value = ₹ 3,00,000
- $1.5 \times \text{domestic value (₹2,25,000)} = ₹ 3,37,500$
- Value for refund calculation = ₹ 3,00,000

Total Turnover of Zero-rated Supply = ₹ 11,25,000 + ₹ 3,00,000 = ₹ 14,25,000

Adjusted Total Turnover:

- Domestic turnover (“Alpha”) = ₹ 18,00,000
- Zero-rated turnover (for refund) = ₹ 14,25,000
- Adjusted Total Turnover = ₹ 18,00,000 + ₹ 14,25,000 = ₹ 32,25,000

Net ITC:

S.No.	Particulars	Amount (₹)	Eligible for Refund
1	ITC availed on capital goods	1,20,000	Not eligible
2	ITC availed on inputs	4,00,000	Eligible
3	ITC availed on input services	2,00,000	Eligible
	Total Net ITC	6,00,000	

Refund Amount Calculation:

Refund Amount = $14,25,000 / 32,25,000 \times 6,00,000 = ₹ 2,65,116$

Step 2: Final Refund Eligibility (as per Rule 89(4)):

Refund is restricted to the **least of the following three amounts:**

Criteria	Amount (₹)
a) Refund amount as per formula (Rule 89(4))	2,65,116
b) Balance in Electronic Credit Ledger at the end of May 2025 (after GSTR-3B filing)	4,50,000
c) Balance in Electronic Credit Ledger at the time of filing refund application	2,00,000

Conclusion:

The **refund of accumulated unutilized ITC** allowable to **IMEPL** for the tax period **May 2025** is ₹2,00,000.

10

Returns Under GST

GST Returns

[Study Material - Module 10]

Illustration 1

Kiran Enterprises, a registered taxpayer in **Indore, Madhya Pradesh**, is a monthly filer of GST returns. It is evaluating its compliance obligations for the month of **March 2025**. The following facts are available:

1. The firm has **not filed GSTR-3B for February 2025** (tax liability = ₹2,70,000).
2. It received an **intimation under Rule 88C(1)** for January 2025, showing **discrepancy of ₹55,000** between GSTR-1 and GSTR-3B. It neither paid the amount nor submitted a reply under Rule 88C(2).
3. It also received an **intimation under Rule 88D(1)** for **excess ITC claim of ₹40,000** in GSTR-3B for December 2024. No payment or reply has been submitted under Rule 88D(2).
4. The taxpayer has **not updated its bank account details**, despite being registered since **January 2025**.
5. The firm is now trying to file **GSTR-1 for March 2025**.

Based on the above, answer the following:

(A) Can Kiran Enterprises file GSTR-1 for March 2025?

(B) What actions must it take to regain the ability to file GSTR-1?

(C) Mention the relevant rules applicable in each of the above situations.

Answer:

(A) No, Kiran Enterprises **cannot file GSTR-1** for March 2025 due to multiple restrictions under **Rule 59(6)** of the CGST Rules, 2017.

(B) Reasons and Required Actions

Reason for Restriction	Rule Invoked	Action Required
GSTR-3B for Feb 2025 not filed (₹2,70,000 due)	Rule 59(6)(i)	File GSTR-3B for Feb 2025
No action on ₹55,000 difference (Jan 2025) under Rule 88C	Rule 59(6)(iii)	Pay ₹55,000 or reply under Rule 88C(2)

No response on ₹40,000 excess ITC (Dec 2024)	Rule 59(6)(iv)	Pay or reply under Rule 88D(2)
No bank account details furnished since Jan 2025	Rule 59(6)(v)	Furnish bank details as per Rule 10A

Until the above actions are completed, the portal will **restrict GSTR-1 or IFF filing** for any subsequent month, including March 2025.

(C) Summary of Applicable Rules

Compliance Issue	Rule Reference	Effect
GSTR-3B default	Rule 59(6)(i)/(ii)	GSTR-1 filing blocked
Pending response to Rule 88C intimation	Rule 59(6)(iii)	GSTR-1/IFF blocked
Pending response to Rule 88D intimation	Rule 59(6)(iv)	GSTR-1/IFF blocked
No bank account furnished	Rule 59(6)(v)	GSTR-1/IFF blocked

Conclusion:

Kiran Enterprises is **barred from filing GSTR-1 for March 2025** due to:

- 1. Non-filing of GSTR-3B for February 2025**
- 2. Unresolved discrepancy notices under Rule 88C and Rule 88D**
- 3. Missing bank details**

All issues must be resolved for the portal to allow **March 2025 GSTR-1 filing**.

Illustration 2

Mr. **Kiran Dev**, a registered person in **Rajasthan**, supplies goods taxable @ 18% [CGST @ 9%, SGST @ 9% & IGST @ 18%] in the States of **Rajasthan** and **Gujarat**.

He has furnished the following details in relation to independent supplies made by him in the quarter ending **June, 2025**:

Supply	Recipient	Nature of Supply	Value (₹)
1	Mr. Varun, a registered person	Inter-State	2,40,000
2	Mr. Yash, a registered person	Inter-State	3,10,000
3	Mr. Arun, an unregistered person	Intra-State	2,10,000
4	Mr. Keshav, an unregistered person	Intra-State	2,80,000
5	Mr. Milan, an unregistered person	Inter-State	3,20,000
6	Mr. Nitin, an unregistered person	Inter-State	60,000
7	Mr. Om, an unregistered person	Inter-State	2,70,000
8	Mr. Pranav, an unregistered person	Inter-State	3,00,000
9	Mr. Raghav, a registered person	Intra-State	1,70,000
10	Mr. Sameer, a registered person	Intra-State	4,50,000



The **aggregate annual turnover** of Mr. Kiran Dev in the **preceding financial year (2024-25)** was ₹ 1.35 crore.

With reference to **Rule 59 of the CGST Rules, 2017**, discuss the **manner in which the details of the above supplies are required to be furnished in GSTR-1/GSTR-1A**.

Answer: Mr. Kiran Dev should furnish the details of outward supplies of goods made by him during the quarter ending **June 2025** in the following manner:

Supply	Recipient	Nature of Supply	Value (₹)	Manner of furnishing details in GSTR-1
1	Mr. Varun, a registered person	Inter-State	2,40,000	Invoice-wise details (B2B)
2	Mr. Yash, a registered person	Inter-State	3,10,000	Invoice-wise details (B2B)
3	Mr. Arun, an unregistered person	Intra-State	2,10,000	Consolidated details of supplies 3 and 4 (B2C Small)
4	Mr. Keshav, an unregistered person	Intra-State	2,80,000	
5	Mr. Milan, an unregistered person	Inter-State	3,20,000	Invoice-wise details (B2C Large, value > ₹1 lakh)
6	Mr. Nitin, an unregistered person	Inter-State	60,000	Consolidated details of supplies 6 (B2C Small)
7	Mr. Om, an unregistered person	Inter-State	2,70,000	Invoice-wise details (B2C Large, value > ₹1 lakh)
8	Mr. Pranav, an unregistered person	Inter-State	3,00,000	Invoice-wise details (B2C Large, value > ₹1 lakh)
9	Mr. Raghav, a registered person	Intra-State	1,70,000	Invoice-wise details (B2B)
10	Mr. Sameer, a registered person	Intra-State	4,50,000	Invoice-wise details (B2B)

Explanation (as per updated B2C Large threshold):

- **B2B (Registered Persons):** All supplies to **registered persons**, whether **intra-State** or **inter-State**, are to be furnished **invoice-wise**.
- **B2C Large (Unregistered, Inter-State, invoice value > ₹1 lakh):** These supplies must be reported **invoice-wise**.
- **B2C Small (Unregistered, Inter-State ≤ ₹1 lakh & Intra-State):** These supplies can be reported **consolidated-wise**, state-wise and rate-wise.

Illustration 3

M/s All Is Well Pvt. Ltd. has **not submitted GSTR-1** for the tax period **April 2024**. Now, M/s All Is Well Pvt. Ltd. intends to submit **GSTR-1** on **20th May 2025**.

Advise whether filing is allowed under the CGST Act, 2017 considering the latest amendment in **Section 37(5)**.

Answer:

As per the provisions of **Section 37(5)** of the **CGST Act, 2017** (inserted w.e.f. **1st October 2023**):



- A **time limit of 3 years** is prescribed for furnishing **details of outward supplies (GSTR-1)** from the **due date** of furnishing the return for a particular tax period.
- The **due date for furnishing GSTR-1** for **April 2024** is **11th May 2024** (assuming monthly filing).
- Therefore, the **3-year filing window** for **April 2024 GSTR-1** will be available **till 11th May 2027**.
- Further, the **Government** has been empowered to **relax this time period** for specific registered persons or a class of registered persons via notification.

In the given case:

- M/s **All Is Well Pvt. Ltd.** proposes to file **GSTR-1** for **April 2024** on **20th May 2025**.
- Since **20th May 2025** is **within the 3-year time limit** from the **due date (11th May 2024)**, i.e., well before **11th May 2027**,

M/s **All Is Well Pvt. Ltd.** is **allowed to file GSTR-1** for **April 2024** on **20th May 2025**.

Illustration 4

M/s **Popu & Co.** has **not submitted GSTR-1** for the tax period **April 2024**. Now, M/s **Popu & Co.** intends to **submit GSTR-3B** for **April 2024**.

Advise whether **GSTR-3B** can be filed without filing **GSTR-1** for April 2024 as per the **latest GST provisions**.

Answer:

As per the provisions under **Rule 59(6)** of the **CGST Rules, 2017**, read with **Section 37(4)** of the **CGST Act, 2017** (as amended):

1. **From October 2022 tax period onwards, filing of GSTR-1 is mandatory** before filing **GSTR-3B** for the **same tax period**.
2. Therefore, for the tax period **April 2024**:
 - a. The **due date for GSTR-1** is **11th May 2024**.
 - b. The **due date for GSTR-3B** is **20th May 2024**.
3. As M/s **Popu & Co.** has **not filed GSTR-1** for **April 2024**, it **cannot file GSTR-3B** for the **same period (April 2024)** until **GSTR-1** is filed.
4. **Proviso to Section 37(4)** provides that:
 - a. The **Government**, on the **recommendation of the GST Council**, may **relax** this restriction via **notification**, allowing certain registered persons or classes of persons to **file GSTR-1** for the **current tax period** even if **GSTR-1 for previous periods** is pending.
5. However, **in the absence of any such relaxation notification** for M/s **Popu & Co.**, the **restriction applies**.

Conclusion:

- M/s Popu & Co. cannot file GSTR-3B for April 2024 without filing GSTR-1 for April 2024.
- Sequential filing is mandatory:
 - o First, GSTR-1 for April 2024 (due by 11th May 2024).
 - o Then, GSTR-3B for April 2024 (due by 20th May 2024).

Illustration 5

M/s Bright Star Pvt. Ltd., registered in Maharashtra, supplies electrical appliances taxable @ 18% GST (CGST @ 9%, SGST @ 9%, IGST @ 18%).

For the month of April 2025, the following details are provided:

Outward Supplies as per Books:

Invoice No.	Recipient State	Type	Value (₹)	IGST (₹)	Total (₹)
101	Maharashtra	Inter-State	5,00,000	90,000	5,90,000
102	Karnataka	Inter-State	3,00,000	54,000	3,54,000
103	Gujarat	Inter-State	1,50,000	27,000	1,77,000
Total			9,50,000	1,71,000	11,21,000

M/s Bright Star Pvt. Ltd. filed GSTR-1 on 10th May 2025.

After filing GSTR-1, the company realized that:

1. The Gujarat invoice (Invoice No. 103) should have been ₹1,70,000 (GST ₹30,600).
2. An additional unreported invoice for Madhya Pradesh worth ₹2,00,000 (GST ₹36,000) was omitted.

Input Tax Credit (ITC) as per GSTR-2B (April 2025):

Supplier Name	GSTIN	Invoice Value (₹)	GST (₹)
M/s Power Supply Ltd.	27AABCP1234F1Z2	2,00,000	36,000
M/s Cable Tech Ltd.	29AACCT4567J1Z5	1,50,000	27,000
M/s Bulb Traders Ltd.	27AAACB7890D1Z6	50,000	9,000
Total ITC available			72,000

All ITC is eligible and reflected in GSTR-2B for April 2025.

Requirement:

1. Compute the revised GST liability after incorporating GSTR-1A amendments.
2. Show the ITC claim as per GSTR-2B in GSTR-3B.
3. Discuss the compliance process between GSTR-1, GSTR-1A, GSTR-2B, and GSTR-3B as per latest provisions.

Answer:

Step 1: GST Liability before GSTR-1A (Original GSTR-1)

Supply Type	Value (₹)	GST @18% (₹)
Intra-State (Maharashtra)	5,00,000	90,000
Inter-State (Karnataka)	3,00,000	54,000
Inter-State (Gujarat)	1,50,000	27,000
Total (Original GSTR-1)	9,50,000	1,71,000

Step 2: Amendments through GSTR-1A (as per Notification 12/2024)

Particulars	Value (₹)	GST (₹)
Amendment of Gujarat Invoice (103): +₹20,000	20,000	3,600
Addition of Madhya Pradesh Invoice: ₹2,00,000	2,00,000	36,000
Total amendment impact via GSTR-1A	2,20,000	39,600

As per Notification 12/2024 dated 10th July 2024, GSTR-1A must be filed to **amend or add records** after GSTR-1 but before GSTR-3B.

Step 3: Revised Outward Liability (Post-GSTR-1A)

Particulars	Value (₹)	GST (₹)
Original GSTR-1 Total	9,50,000	1,71,000
GSTR-1A Amendments	2,20,000	39,600
Revised Total	11,70,000	2,10,600

Step 4: ITC Claim as per GSTR-2B

Supplier	GST (₹)
M/s Power Supply Ltd.	36,000
M/s Cable Tech Ltd.	27,000
M/s Bulb Traders Ltd.	9,000
Total ITC Available	72,000

Step 5: Net GST Payable in GSTR-3B

Particulars	Amount (₹)
Total GST Liability (Post GSTR-1A)	2,10,600
Less: ITC Available (GSTR-2B)	72,000
Net GST Payable in Cash	1,38,600

Compliance Process (as per latest Notification 12/2024):

1. **GSTR-1** filed on **10th May 2025** (initial outward supplies reported).
2. **GSTR-1A** filed before **GSTR-3B** (to amend Gujarat invoice and add Madhya Pradesh invoice).



3. **GSTR-2B** auto-populated (ITC ₹72,000 for April 2025).
4. **GSTR-3B** reflects **updated outward liability** and **ITC claim**, ensuring proper compliance.

Illustration 6

M/s **Future Tech Pvt. Ltd.**, a registered supplier in **Delhi**, deals in **solar inverters** taxable @ **12% GST** (CGST @ 6%, SGST @ 6%, IGST @ 12%).

For **April 2025**, the following details are available:

Outward Supplies as per Books:

Invoice No.	Recipient State	Type	Value (₹)	GST (₹)	Total (₹)
201	Delhi	Intra-State	4,00,000	48,000	4,48,000
202	Uttar Pradesh	Inter-State	2,50,000	30,000	2,80,000
203	Rajasthan	Inter-State	1,80,000	21,600	2,01,600
Total			8,30,000	99,600	9,29,600

GSTR-1 was filed on **10th May 2025** based on these values.

Scenario:

- After filing **GSTR-1**, M/s **Future Tech Pvt. Ltd.** realized:
 - o **Rajasthan invoice (203)** should have been **₹2,00,000** (GST ₹24,000).
 - o An **omitted invoice** to **Madhya Pradesh** worth **₹1,50,000** (GST ₹18,000).
- As per **Notification No. 12/2024 dated 10th July 2024**, **GSTR-1A** is used to **amend** or **add** supply records after **GSTR-1** but **before GSTR-3B**.

Input Tax Credit (ITC) as per GSTR-2B for April 2025:

Supplier Name	GSTIN	Invoice Value (₹)	GST (₹)
M/s Solar Components Ltd.	07AABCS2345G1Z8	3,00,000	36,000
M/s Power Grid Ltd.	09AACCP9876K1Z7	1,20,000	14,400
Total ITC available			50,400

*Note: All ITC is **eligible** and **reflected** in **GSTR-2B**.*

Annual Turnover for FY 2024-25:

- **₹5 crore** as per **audited annual financial statements**.

Requirements:

1. Compute the **GST liability** after **GSTR-1A amendments**.
2. Determine the **net GST payable** in **GSTR-3B**.
3. State whether M/s **Future Tech Pvt. Ltd.** is required to file an **Annual Return** under **Section 44**.

Answer:

Step 1: GST Liability before GSTR-1A (Original GSTR-1)

Supply Type	Value (₹)	GST @12% (₹)
Intra-State (Delhi)	4,00,000	48,000
Inter-State (U.P.)	2,50,000	30,000
Inter-State (Rajasthan)	1,80,000	21,600
Total (Original GSTR-1)	8,30,000	99,600

Step 2: Amendments via GSTR-1A (as per Notification 12/2024)

Particulars	Value (₹)	GST (₹)
Amendment of Rajasthan Invoice: +₹20,000	20,000	2,400
Addition of Madhya Pradesh Invoice: ₹1,50,000	1,50,000	18,000
Total amendments via GSTR-1A	1,70,000	20,400

Step 3: Revised GST Liability (Post GSTR-1A)

Particulars	Value (₹)	GST (₹)
Original GSTR-1 Total	8,30,000	99,600
GSTR-1A Amendments	1,70,000	20,400
Revised Total	10,00,000	1,20,000

Step 4: ITC Claim as per GSTR-2B

Supplier	GST (₹)
M/s Solar Components Ltd.	36,000
M/s Power Grid Ltd.	14,400
Total ITC Available	50,400

Step 5: Net GST Payable in GSTR-3B

Particulars	Amount (₹)
Total GST Liability (Post GSTR-1A)	1,20,000
Less: ITC Available (GSTR-2B)	50,400
Net GST Payable in Cash	69,600

Step 6: Annual Return Requirement (Section 44)

- **Annual turnover (FY 2024-25) = ₹5 crore.**
- As per **Section 44 of CGST Act, 2017**:
 - Every registered person (other than ISD, TDS/TCS deductors, CTP, NRTP) must **file an annual return (GSTR-9)**.
 - **Reconciliation statement (GSTR-9C)** is also applicable since turnover exceeds **₹5 crore**.



Illustration 7

M/s Green Power Ltd., registered in Karnataka, has opted for the QRMP Scheme for the quarter April-June 2025.

- The **total cash tax liability** paid in the previous quarter (**January-March 2025**) was **₹1,20,000**.
- M/s Green Power Ltd. opted for the **Fixed Sum Method (FSM)** for monthly payments.

Payment made under FSM:

- **₹40,000** each was paid on:
 - o **25th May 2025** (for April 2025)
 - o **25th June 2025** (for May 2025)

Outward and Inward Supplies for April and May 2025:

Month	GST Liability (Net of ITC)
April	₹42,000
May	₹45,000

GSTR-3B for April-June 2025:

- The **total net tax liability** for the **quarter (April-June 2025)** (after adjusting ITC) = **₹1,35,000**.
- The return was **filed on 28th July 2025**, while the **due date** for quarterly **GSTR-3B** filing is **22nd July 2025**.

Requirements:

1. Determine if **interest** is payable for the **monthly payments** of **April** and **May 2025**.
2. Compute the **interest liability** (if any) on the **balance tax payable** for the **quarter**.
3. Explain whether **late fee** applies in this case.

Answer:

Step 1: Monthly Payments for April & May under FSM

- Under the **Fixed Sum Method**, the **supplier paid ₹40,000 each** in **April** and **May**.

Month	Net GST Liability (₹)	FSM Payment (₹)	Shortfall (₹)
April	42,000	40,000	2,000
May	45,000	40,000	5,000

As per QRMP rules, no interest is payable on monthly shortfall (₹2,000 and ₹5,000) provided the full liability is discharged in the GSTR-3B for the quarter by the due date.

Step 2: Compute Balance Tax Liability for the Quarter

Particulars	Amount (₹)
Total GST Liability for the quarter	1,35,000
Less: FSM Payments (April + May)	80,000
Balance Liability for June (including shortfalls)	55,000

Step 3: Interest Calculation on Balance Liability

- GSTR-3B due date = 22nd July 2025
- Actual filing date = 28th July 2025
- Delay = 6 days
- Interest is payable on balance tax liability of ₹55,000 for the 6-day delay.
- Interest rate under Section 50(1) = 18% p.a.

Interest Calculation: $55,000 \times 18\% \times 6 / 365 = ₹163$ (round-off)

Step 4: Late Fee Applicability

- Late fee under QRMP applies only for delay in furnishing quarterly GSTR-3B or GSTR-1.
- Since GSTR-3B was filed after the due date, late fee is applicable.

Late Fee Calculation (Assuming Normal Taxpayer, No NIL Return):

- CGST Late Fee: ₹25/day
- SGST Late Fee: ₹25/day
- Total Late Fee: ₹50/day

For 6 days delay: = 6 days x ₹50 = ₹300

(the maximum late fees that can be charged by the Government is Rs 5,000 each return being filed under each Act).

Final Summary:

Particulars	Amount (₹)
Interest on delayed tax (₹55,000)	₹163
Late fee for GSTR-3B (6 days)	₹300

Conclusion:

1. No interest payable on monthly shortfall in April and May under Fixed Sum Method (FSM), provided full discharge in quarterly GSTR-3B.
2. Interest of ₹162 is payable on balance liability (₹55,000) due to 6 days delay in filing GSTR-3B.
3. Late fee of ₹300 is payable for delayed filing of GSTR-3B.



Illustration 8

M/s Sunrise Electronics Pvt. Ltd., registered in Tamil Nadu, filed the following GST returns for March 2025:

- **GSTR-1** (filed on 10th April 2025):
 - o Declared **outward taxable supplies** of ₹50,00,000.
 - o Applicable **GST @18%** (CGST @9%, SGST @9%):
 - ▲ **GST liability as per GSTR-1** = ₹9,00,000.
- **GSTR-3B** (filed on 20th April 2025):
 - o Reported **taxable outward supplies** of ₹45,00,000.
 - o **GST liability as per GSTR-3B** = ₹8,10,000.

Scenario:

- As per **Rule 88C(1)**, if the **GST liability declared in GSTR-1** exceeds that in **GSTR-3B** by a specified threshold, the taxpayer is **intimated via FORM GST DRC-01B**.
- The **difference in tax liability** between **GSTR-1** and **GSTR-3B** for **March 2025**: Difference in liability = ₹9,00,000 - ₹8,10,000 = ₹90,000
- M/s Sunrise Electronics Pvt. Ltd. is **intimated via DRC-01B (Part A)** on 25th April 2025 to either:
 - o **Pay the differential tax ₹90,000 + interest** via **DRC-03**, or
 - o **Provide an explanation** within **7 days** (by 2nd May 2025).

Further Information:

- M/s Sunrise Electronics Pvt. Ltd. accepts ₹60,000 of the **difference** as **taxable error** and pays it on **1st May 2025** through **DRC-03**.
- The remaining ₹30,000 pertains to **unrealized export advances** (which were wrongly included in GSTR-1), and they furnish this **explanation** in **Part B of DRC-01B** on **2nd May 2025**.

Requirements:

1. **Compute the interest payable** on the ₹60,000 differential tax liability under **Section 50(1) @ 18% p.a.**
2. Explain the **compliance under Rule 88C** and whether the taxpayer can file **GSTR-1 for April 2025**.
3. Discuss the **action by the proper officer** if the **explanation for ₹30,000** is found **unacceptable**.

Answer:

Interest Calculation:

Tax period: March 2025

Due date for GSTR-3B: 20th April 2025

Interest period starts from: 21st April 2025 (as per **Section 50(1)** for delayed tax payment).

Payment date: 1st May 2025

Number of days delay: 21st April 2025 to 1st May 2025 = 11 days

Interest Calculation:

- $\text{₹}60,000 \times 18\% \times 11 / 365 = \text{₹}325$

Step 2: Compliance under Rule 88C

- **DRC-01B Part A** issued for **₹90,000** on **25th April 2025**.
- Actions taken by M/s **Sunrise Electronics Pvt. Ltd.:**
 - o Paid **₹60,000 + interest ₹325** via **DRC-03** on **1st May 2025**.
 - o Furnished **explanation** for the balance **₹30,000** (unrealized export advances) in **Part B of DRC-01B** on **2nd May 2025** (within 7 days).
- **Filing GSTR-1 for April 2025:**
 - o As per **Rule 59(6)(d)**:
 - ▲ **Filing of GSTR-1 for April 2025 will not be allowed** unless the taxpayer **pays the differential liability or furnishes an explanation**.
 - o Since M/s **Sunrise Electronics Pvt. Ltd.:**
 - ▲ Paid **₹60,000** with interest.
 - ▲ Furnished **explanation** for **₹30,000**.
 - o **Eligible to file GSTR-1 for April 2025**.

Step 3: Action by Proper Officer (if explanation is unacceptable)

- If the **proper officer** finds the **₹30,000 explanation (unrealized advances) unacceptable:**
 - o **Section 79** recovery proceedings can be initiated.
 - o The officer will **recover ₹30,000 + interest** as **tax dues**.
- **GSTR-1 for April 2025: Allowed** after **compliance with Rule 88C**.
- **If explanation rejected:** Balance **₹30,000 + interest** recoverable under **Section 79**.



Illustration 9

M/s **Alpha Traders**, a registered taxpayer in Maharashtra, filed **GSTR-3B for March 2025** declaring **Input Tax Credit (ITC)** of **₹3,00,000** under **CGST** and **₹3,00,000** under **SGST**.

However, as per **Form GSTR-2B for March 2025**, the eligible ITC was only **₹2,60,000** under **CGST** and **₹2,60,000** under **SGST**.

Assume that the **Council** recommends that if the excess ITC exceeds **₹50,000** and **10%** of the eligible ITC as per **GSTR-2B**, intimation will be issued under **Rule 88D**.

M/s Alpha Traders receives an **intimation in Form GST DRC-01C** on **25th April 2025**, directing them to either:

- (a) pay the excess ITC with interest through **DRC-03**, or
- (b) submit reasons for the difference within **7 days**.

They fail to respond or make payment within the stipulated time.

You are required to compute:

1. Whether **Rule 88D** applies in this case.
2. The **excess ITC** amount.
3. **Interest liability** under **Section 50(3)** (18% p.a.).
4. Consequences under **Rule 59(6)(e)** for **GSTR-1** filing of **April 2025**.

Answer:

Step 1: Applicability of Rule 88D

- **ITC declared in GSTR-3B (March 2025):** ₹3,00,000 (CGST) + ₹3,00,000 (SGST)
- **ITC available as per GSTR-2B (March 2025):** ₹2,60,000 (CGST) + ₹2,60,000 (SGST)

Excess ITC availed = ₹3,00,000 – ₹2,60,000 = **₹40,000** (for CGST)

Total excess ITC = ₹40,000 (CGST) + ₹40,000 (SGST) = **₹80,000**

Threshold as recommended by the Council:

- **Amount condition:** ₹80,000 > ₹50,000 (exceeds threshold)
- **Percentage condition:**
 $10\% \text{ of GSTR-2B ITC} = 10\% \times ₹2,60,000 = ₹26,000 \text{ (per CGST/SGST)}$
Excess ITC = ₹40,000 > ₹26,000 (exceeds threshold)

Therefore, Rule 88D applies, and Form DRC-01C is issued.

Step 2: Excess ITC Calculation

Particulars	CGST	SGST	Total
ITC as per GSTR-3B	₹3,00,000	₹3,00,000	₹6,00,000
ITC as per GSTR-2B	₹2,60,000	₹2,60,000	₹5,20,000
Excess ITC availed	₹40,000	₹40,000	₹80,000

Step 3: Interest Liability (Section 50(3))

- **Interest rate:** 18% p.a.
- **Period of delay:** From **21st April 2025** (due date for March GSTR-3B) to **25th April 2025** (date of DRC-01C intimation) = **5 days**.

$$\text{Interest} = \text{Excess ITC} \times 18\% \times (\text{Number of days} / 365)$$

For **CGST (₹40,000):**

$$= ₹40,000 \times 18\% \times (5/365) = ₹98.63 \text{ (rounded ₹99)}$$

For **SGST (₹40,000):**

$$= ₹40,000 \times 18\% \times (5/365) = ₹98.63 \text{ (rounded ₹99)}$$

$$\text{Total Interest} = ₹99 + ₹99 = ₹198$$

Step 4: Consequences under Rule 59(6)(e)

M/s Alpha Traders **fails to respond** within **7 days** (by **2nd May 2025**). Therefore:

- They **cannot file GSTR-1 for April 2025** until:
 - o They **pay the excess ITC of ₹80,000 + ₹198 interest** through **DRC-03**, or
 - o They **furnish a satisfactory reply in Part B of DRC-01C**.

Until compliance, **GSTR-1/IFF for April 2025** is blocked.

Summary :

Excess ITC as per GSTR-3B vs GSTR-2B → Exceeds threshold → DRC-01C issued

Options:

- Pay ₹80,000 + ₹198 interest via DRC-03 within 7 days
- Submit explanation via DRC-01C (Part B)

Failure to comply within 7 days → Blocked from filing GSTR-1/IFF for April 2025 (Rule 59(6)(e))

Recovery under Section 73/74/74A if non-compliance persists.



Illustration 10

M/s **Bright Electronics**, a registered supplier in Maharashtra. For **March 2025**, the following transactions took place:

1. **Electronic goods (B2C)** worth **₹5,00,000** through **QuickKart**, an **E-Commerce Operator (ECO)** registered in Maharashtra. Here, **QuickKart** collects **TCS** under **Section 52**.
2. **Cloud kitchen services (B2B)** worth **₹1,50,000** through **QuickKart**, which falls under **Section 9(5)** (i.e., the ECO is liable to pay GST).

Applicable GST rates:

- **Electronic goods: 18%** (CGST 9% + SGST 9%)
- **Cloud kitchen services: 5%** (CGST 2.5% + SGST 2.5%)

M/s Bright Electronics files **GSTR-1** for **March 2025 in time**.

You are required to:

1. Report the transactions in **Table 14(a)** and **14(b)** of **GSTR-1**.
2. Compute **GST liability**, **TCS**, and explain **GSTR-3B auto-population**.
3. Show the **ECO-Documents** table in **GSTR-2B** for the **recipient** of the **cloud kitchen service**. Suppose **M/s Gourmet Pvt. Ltd.**, a registered recipient in Maharashtra, orders **cloud kitchen services** worth **₹1,50,000** through **QuickKart**

Answer:

1. Reporting in Table 14 of GSTR-1 of M/s Bright Electronics:

Table	Supply Type	ECO GSTIN	Taxable Value	CGST	SGST	Total GST
14(a)	Electronic goods (Supplier liable; TCS)	27AAACQ1234F1Z5	₹5,00,000	₹45,000	₹45,000	₹90,000
14(b)	Cloud kitchen services (ECO liable)	27AAACQ1234F1Z5	₹1,50,000	₹3,750	₹3,750	₹7,500

Table 14(a): Reports goods where **supplier is liable to pay GST**; **TCS** is collected by the **ECO**.

- **Table 14(b):** Reports **cloud kitchen services** under **Section 9(5)** where **ECO is liable to pay GST**.

2. GST Liability & GSTR-3B Auto-Population of M/s Bright Electronics:

(A) GST Liability in GSTR-3B:

- **From Table 14(a) - Electronic Goods:**
 - o **Taxable value:** ₹5,00,000
 - o **GST liability (supplier):** ₹90,000 (CGST ₹45,000 + SGST ₹45,000)

- **From Table 14(b) - Cloud Kitchen Services:**
 - o **No GST liability for supplier** (liability rests with ECO under **Section 9(5)**)

Auto-population in GSTR-3B:

- **Table 3.1.1(i)** (Supplier's own liability):
 - o Taxable Value: ₹5,00,000
 - o GST: ₹90,000
- **Table 3.1.1(ii)** (Section 9(5) supplies, auto-filled from Table 14(b)):
 - o Taxable Value: ₹1,50,000
 - o GST: ₹7,500 (CGST ₹3,750 + SGST ₹3,750)

(B) TCS under Section 52:

- **TCS rate:** 0.5% (0.25% CGST + 0.25% SGST)
- **TCS amount on ₹5,00,000:**
 - o CGST: ₹1,250
 - o SGST: ₹1,250
 - o **Total TCS:** ₹2,500

Collected and deposited by **QuickKart** (ECO). The same auto populated in E-cash ledger of M/s Bright Electronics.

3. ECO-Documents Table in GSTR-2B (for recipient of Cloud Kitchen Service):

Suppose **M/s Gourmet Pvt. Ltd.**, a registered recipient in Maharashtra, orders **cloud kitchen services** worth ₹1,50,000 through **QuickKart**.

In **M/s Gourmet Pvt. Ltd.'s GSTR-2B**, **ECO-Documents table** will reflect:

Supplier GSTIN	ECO GSTIN	Document Type	Document No.	Taxable Value	CGST	SGST	Total GST
Not known	27AAACQ1234F1Z5	Invoice	INV-2025CK01	₹1,50,000	₹3,750	₹3,750	₹7,500

ECO (QuickKart) discharges GST, but **M/s Gourmet Pvt. Ltd.** is eligible to claim **ITC**, visible in **GSTR-2B** under the **ECO-Documents section**. ITC is eligible subject to satisfying conditions under section 16 and 17 of CGST Act, 2017.

Summary Flow:

Supplier:

GSTR-1 Table 14(a) → Report electronic goods (₹5,00,000; ₹90,000 GST)



GSTR-1 Table 14(b) → Report cloud kitchen services (₹1,50,000; GST ₹7,500 paid by ECO)

GSTR-3B:

Table 3.1.1(i) → ₹5,00,000 + ₹90,000 GST (Supplier liability)

Table 3.1.1(ii) → ₹1,50,000 + ₹7,500 GST (ECO liability; auto-filled)

Recipient (M/s Gourmet Pvt. Ltd.):

GSTR-2B → ECO-Documents section → ITC available for cloud kitchen services (₹7,500)

Illustration 11

M/s **GlobalTech Ltd.**, a **non-resident taxable person** from Singapore, registered under **GST** in India for an event from **5th March 2025 to 25th March 2025**.

- Supplies made during this period: **₹20,00,000** (IGST applicable at **18%**).
- Date of registration end: **25th March 2025**.

What is the **due date** for filing **GSTR-5** for **March 2025**, and what is the **GST liability**?

Answer:

- **GST Liability:** $₹20,00,000 \times 18\% = ₹3,60,000$ (IGST)
- **Due Date for GSTR-5:**
 - o **13th April 2025** (13th day of the following month)
 - o OR within **7 days after registration period ends = 1st April 2025**
 - o **Earlier of the two: 1st April 2025**

Illustration 12

M/s **Bright Solutions Pvt. Ltd.**, registered in Tamil Nadu as an **Input Service Distributor (ISD)**, received **input services** worth **₹10,00,000** in **March 2025** with **CGST @9%** and **SGST @9%**.

The **ITC** needs to be distributed to three branches located in Tamil Nadu, except Branch C which is located in Maharashtra:

- **Branch A:** 50%
- **Branch B:** 30%
- **Branch C:** 20%

Calculate **ITC distribution** and the **due date** for **GSTR-6** for **March 2025**.

Answer:

- **Total ITC available:**
 - o CGST: $₹10,00,000 \times 9\% = ₹90,000$
 - o SGST: $₹10,00,000 \times 9\% = ₹90,000$

• **ITC distribution:**

	CGST	SGST	IGST
Branch A	₹45,000	₹45,000	
Branch B	₹27,000	₹27,000	
Branch C			₹36,000

• **Due Date for GSTR-6: 13th April 2025**

Illustration 13

M/s Elite Furnishings Pvt. Ltd., registered in **Rajasthan**, applies for **GST cancellation** due to business closure.

Key dates:

- **Date of cancellation application: 15th February 2025**
- **Effective date of cancellation: 28th February 2025** (as opted by the taxpayer)
- **Cancellation order issued: 10th March 2025**

Stock Details on Cancellation:

- Inputs (raw materials): ₹1,00,000 (GST @18%)**
- Capital goods (machinery): ₹3,00,000 (GST @18%, ITC availed ₹54,000)**
 - Date of purchase of capital goods: 1st April 2022**

Questions:

- What is the **due date for filing GSTR-10**?
- Compute **GST liability** on **inputs** and **capital goods** in compliance with **Section 29(5)** read with **Rule 44(1)(b)**. Open market value of capital goods as on 28th February 2025 is **₹1,20,000** (i.e. Transaction value)

Answer:

1. Due Date for GSTR-10:

- **Later of:**
 - o Effective cancellation date: **28th February 2025**
 - o Cancellation order date: **10th March 2025**
 - **Due date: 10th June 2025** (3 months from later date)
- GSTR-10 due date = 10th June 2025 (3 months from cancellation order)



2. GST Liability Computation:

A. Inputs:

- Value: ₹1,00,000
- GST @18%: ₹18,000

B. Capital Goods (Rule 44(1)(b)):

- ITC availed: ₹54,000
- Useful life: 60 months
- Capital goods usage:
 - From 1st April 2022 to 28th February 2025 = 35 months
- Remaining useful life = 60 – 35 = 25 months
- ITC payable = ₹54,000 × (25/60) = ₹22,500 or 18% on ₹1,20,000 = ₹21,600 whichever is higher. Therefore, ₹22,500 is payable.

3. Total GST Payable in GSTR-10:

Particulars	Value	GST Payable
Inputs	₹1,00,000	₹18,000
Capital Goods	₹3,00,000	₹22,500
Total GST Payable		₹40,500

Key Statutory References:

- **Section 29(5) of CGST Act, 2017:** Requires payment of GST on **inputs** and **capital goods** at the time of cancellation.
- **Rule 44(1)(b) of CGST Rules, 2017:** Prescribes **pro-rata ITC reversal** on capital goods based on **remaining useful life (60 months basis)**.

Illustration 14

(A) M/s **EduGlobal Ltd.**, a company registered in **the United Kingdom**, provides **online educational courses** (recorded and downloadable content) to **individual consumers** (unregistered persons) in India.

- **Turnover from Indian consumers in March 2025:** ₹15,00,000
- **GST rate applicable:** 18% (IGST)

Determine **who is liable to pay GST**, compute the **GST liability**, and mention the **return to be filed**.

(B) M/s **PlayNet Ltd.**, based in **Malta (outside India)**, offers **online money gaming services** (e.g., online poker tournaments) to **both registered and unregistered users** in India.

- **Turnover from Indian customers in March 2025:** ₹30,00,000
- **GST rate applicable:** 28% (IGST)

Determine **who is liable to pay GST**, compute the **GST liability**, and specify the **return to be filed**.

Answer (A): (OIDAR - Section 14):

1. Applicable Provision:

- Section 14 of IGST Act, 2017** applies to **OIDAR services** supplied by a **foreign service provider** to **unregistered persons** in India.

2. Liability to Pay GST:

- The **foreign service provider (M/s EduGlobal Ltd.)** is **liable to pay IGST** in India.

3. GST Liability Calculation:

Particulars	Amount (₹)
Turnover (March 2025)	₹15,00,000
GST Rate (IGST)	18%
GST Payable (IGST)	₹2,70,000

Return to be Filed:

- GSTR-5A** (Monthly return for foreign OIDAR service providers).
- Due date: 20th April 2025** (for March 2025).

Answer (B): (Online Money Gaming - Section 14A):

1. Applicable Provision:

- Section 14A of IGST Act, 2017** applies to **online money gaming services** provided by a **foreign gaming operator** to **any person** in India (**registered or unregistered**).

2. Liability to Pay GST:

- The **foreign gaming operator (M/s PlayNet Ltd.)** is **liable to pay IGST** in India, irrespective of the customer's registration status.

3. GST Liability Calculation:

Particulars	Amount (₹)
Turnover (March 2025)	₹30,00,000
GST Rate (IGST)	28%
GST Payable (IGST)	₹8,40,000

Return to be Filed:

- GSTR-5A** (Monthly return for foreign gaming service providers).
- Due date: 20th April 2025** (for March 2025).



Summary Table:

Particulars	Scenario 1 (OIDAR - Section 14)	Scenario 2 (Gaming - Section 14A)
Service Nature	OIDAR (e-learning courses)	Online Money Gaming (poker)
Recipient Type	Unregistered persons in India	Any person in India
Supplier Location	United Kingdom	Malta
GST Rate (IGST)	18%	28%
GST Payable	₹2,70,000	₹8,40,000
Liable to Pay GST	Foreign Supplier (M/s EduGlobal Ltd.)	Foreign Supplier (M/s PlayNet Ltd.)
Return Form	GSTR-5A	GSTR-5A
Due Date for March 2025	20th April 2025	20th April 2025

Key Takeaways:

- **Section 14** covers **OIDAR services** to **unregistered persons** (B2C transactions).
- **Section 14A** applies to **online money gaming services** provided to **any person** (B2C and B2B).
- Both **foreign suppliers** must **register under GST** and file **GSTR-5A** monthly.

Illustration 15

UNICEF India, a recognized **UIN holder** (Unique Identification Number) under **Section 25(9) of the CGST Act, 2017**, receives **inward supplies** of goods and services from **registered suppliers** for **official use**.

- **Inward supply value (March 2025):** ₹10,00,000
- **Applicable GST rate: 18%** (CGST 9% + SGST 9%)
- **GST paid: ₹1,80,000** (CGST ₹90,000 + SGST ₹90,000)

As a **UIN holder**, **UNICEF India** is **eligible to claim a refund** of the GST paid on such inward supplies.

What is the **due date** for filing **GSTR-11** for **March 2025** to claim a refund?

Answer:

1. GST Paid on Inward Supplies:

Particulars	Amount (₹)
Inward supplies value	₹10,00,000
GST rate	18%
GST paid	₹1,80,000
- CGST	₹90,000
- SGST	₹90,000

2. Statutory Compliance:

- As per **Rule 82 of the CGST Rules, 2017**, UIN holders must furnish **GSTR-11** to claim a refund of taxes paid on **inward supplies**.
- Due Date for GSTR-11: 28th April 2025** (i.e., **28th of the month** following the **tax period** for which the refund is claimed).

Illustration 16

M/s **QuickKart**, registered as an **E-Commerce Operator (ECO)** under **Section 52 of the CGST Act, 2017**, facilitates sales of goods by various sellers to customers through its **e-commerce platform**.

- Total sales facilitated in March 2025: ₹50,00,000**
- TCS rate: 0.5% (CGST 0.25% + SGST 0.25%)**

Question:

- Compute the **TCS liability** for **March 2025**.
- What is the **due date** for filing **GSTR-8** for **March 2025**?

Answer:

1. TCS Liability Computation:

Particulars	Amount (₹)
Sales facilitated by ECO (March 2025)	₹50,00,000
TCS @ 0.5%	₹25,000
- CGST @ 0.25%	₹12,500
- SGST @ 0.25%	₹12,500

M/s **QuickKart** must **collect and deposit TCS** of **₹25,000** for March 2025.

2. Statutory Compliance:

- As per **Section 52(4)** of the CGST Act, 2017 and **Rule 67(2)** of the CGST Rules, 2017, **ECOs** must file **GSTR-8** on a **monthly basis**.
- Due Date for GSTR-8: 10th April 2025** (i.e., **10th day of the month** succeeding the **tax period**).

11

Audit under GST [GST Annual Return and GST Audit Return] [Study Material - Module 12]

Illustration 1

Zentronix Technologies Pvt. Ltd. received a notice under Section 65(3) of the CGST Act, 2017 on 10th May 2025.

Date on which documents were required to be submitted: 25th May 2025

Date on which documents were actually made available to the Department: 4th June 2025

Date of actual institution of audit at Zentronix Technologies Pvt. Ltd. premises: 18th June 2025

Find the following:

- What is the date of commencement of audit?
- What is the date by which audit should be completed in normal course?
- What is the date by which audit should be completed (including extended period)?

Answer:

Particulars	Date	Remarks
Date of commencement of audit	18th June 2025	Date on which documents were made available to the Department (4th June 2025) or date of actual institution of audit (18th June 2025), whichever is later.
Date by which audit should be completed (normal)	17th September 2025	As per Section 65(4) of the CGST Act, 2017: Audit must be completed within 3 months from the date of commencement of audit.
Date by which audit should be completed (extended)	17th March 2026	Commissioner may extend the period by a further 6 months, if satisfied that the audit cannot be completed within 3 months (with reasons recorded in writing).

Illustration 2

M/s **TechnoMotive Pvt. Ltd.**, registered in **Tamil Nadu**, engaged in manufacturing **auto components**, files its **GST returns** regularly. However, during the **FY 2023-24**, certain anomalies were noticed by the GST department, leading to the initiation of both **audit under Section 65** and subsequently a **special audit under Section 66**.



Audit under Section 65 (initiated on 1st July 2024):

- **Turnover reported in GSTR-3B:** ₹12 crore.
- **Turnover as per audited financials:** ₹13 crore.
- **Difference in turnover:** ₹1 crore (unexplained by the taxpayer).
- **Applicable GST rate:** 18%.
- **Taxpayer's argument:** Difference due to **unaccounted export incentives**, which are **zero-rated**.
- **Outcome:** The department **disregards** this explanation and considers it **taxable supply**.
- **Audit concluded on:** 31st August 2024.

Special Audit under Section 66 (ordered on 15th September 2024):

Due to complex records, the **Commissioner** orders a **special audit** to be conducted by a **Cost Accountant** nominated by the department. Key findings:

1. **Unaccounted Input Tax Credit (ITC):**
 - a. **ITC claimed:** ₹1.5 crore.
 - b. **ITC eligible as per special audit:** ₹1.2 crore.
 - c. **Excess ITC availed:** ₹30 lakh.
2. **Non-reversal of ITC under Rule 42 (exempt supplies):**
 - a. **Exempt supplies:** ₹2 crore.
 - b. **Common ITC attributable to exempt supplies:** ₹8 lakh (as per Rule 42).
3. **Additional GST liability on turnover discrepancy (₹1 crore):**
 - a. **GST payable @18%:** ₹18 lakh.
4. **Interest under Section 50(1) @18% p.a.:**
 - a. For **turnover discrepancy** (from 21-04-2024 to 15-09-2024): **148 days**.
 - b. For **excess ITC availed** (from 21-04-2024 to 15-09-2024): **148 days**.

Required:

1. **Explain the provisions of Section 65 and Section 66 of CGST Act, 2017.**
2. **Compute total GST liability**, including **interest**, arising from the audit and special audit.
3. **Discuss the eligibility of the Cost Accountant** to conduct the special audit and **time limits** for submission.



Answer:

1. Legal Provisions:

Section 65 – Audit by Tax Authorities:

- The **Commissioner** or an authorized officer can conduct an **audit** of any registered person.
- **Prior notice of at least 15 working days** must be given.
- Audit must be **completed within 3 months** (extendable to **6 months**).
- Purpose: **Verify correctness of turnover, ITC, tax paid, refunds, compliance with law.**

Section 66 – Special Audit:

- **Ordered by Commissioner** during any stage of proceedings, if:
 - o **Complexity of accounts** or
 - o **Revenue interest requires** examination by a **cost accountant** or **chartered accountant**.
- Conducted by a **nominated CA/CMA** (not engaged by taxpayer).
- **Audit report submission:** Within **90 days** (extendable to **180 days**).

2. Computation of GST Liability & Interest:

(A) GST on Turnover Discrepancy:

Particulars	Amount (₹)
Turnover discrepancy	₹1 crore
GST rate	18%
GST liability on turnover difference	₹18 lakh

(B) Reversal of Excess ITC:

Particulars	Amount (₹)
Excess ITC availed	₹30 lakh
ITC to be reversed for exempt supplies (Rule 42)	₹8 lakh
Total ITC reversal required	₹38 lakh

(C) Interest Calculation @18% p.a.:

On GST liability (turnover discrepancy):

Particulars	Amount (₹)
Tax amount	₹18 lakh
Interest rate	18% p.a.
Interest period (148 days)	148/365
Interest payable	₹1,31,375

On Excess ITC (₹38 lakh):

Particulars	Amount (₹)
Reversal Amount	₹38,00,000
Interest Rate	24% p.a.
Period (148 days)	148/365
Interest Payable	₹3,69,797

Total GST liability and interest:	Amount (₹)
GST on turnover discrepancy	₹18,00,000
Total ITC reversal	₹38,00,000
Interest on turnover discrepancy	₹1,31,375
Interest on ITC reversal	₹3,69,797
Total payable	₹61,01,172

3. Eligibility & Time Limits for Special Audit:

- **Special auditor** must be a **CA/CMA nominated by the Commissioner** (cannot be the taxpayer's auditor).
- **Audit report** must be submitted **within 90 days** from appointment (extendable to **180 days** with approval).

Conclusion:

- **Total liability for M/s TechnoMotive Pvt. Ltd.:** ₹61,01,172 (including GST, ITC reversal, and interest).
- **Special audit** facilitated **detection of revenue leakage**, ensuring compliance with **Sections 65 and 66**.

12

Dispute Resolution Mechanism under GST [Study Material - Module 14]

Assessment

Illustration 1

M/s **Vision Equipments Pvt. Ltd.**, registered in **Delhi**, supplies **solar panels** with uncertainty about the **applicable GST rate**:

- **Possible rates:** 5% (under concessional notification) or 12% (general rate).
- **Turnover (April 2025):** ₹30,00,000.

Provisional Assessment Application:

- **Date of application (ASMT-01):** 10th April 2025.
- **Provisional tax paid @ 5%:** ₹30,00,000 x 5% = ₹1,50,000

Final Assessment Outcome:

- The **Assistant Commissioner**, after review, determines that **12% GST** applies.
- **Final tax liability:** ₹30,00,000 x 12% = ₹3,60,000
- **Tax shortfall:** ₹3,60,000 - ₹1,50,000 = ₹2,10,000
- **Date of final payment of ₹2,10,000:** 15th December 2025

Find the interest payable by M/s **Vision Equipments Pvt. Ltd**?

Answer:

Interest Computation (18% p.a.):

- **Original due date:** 20th May 2025 (for April 2025 liability).
- **Date of final payment:** 15th December 2025.
- **Delay period:** 209 days (from 21st May 2025 to 15th December 2025).

Interest = ₹2,10,000 x 18% x 209 / 365 = ₹21,644

Illustration 2

Orion Tradecorp Pvt. Ltd. has entered into a contract to supply **two consignments** of certain **taxable goods**. However, since it is **unable to determine the value** of the goods to be supplied,



it applies for **payment of tax on a provisional basis** along with the **required supporting documents**.

On **15.02.20XX**, the **Assistant Commissioner of Central Tax** issues an **order** allowing **payment of tax on a provisional basis**, indicating the **value** on which provisional assessment is allowed and the **amount** for which the **bond** is to be executed and **security furnished**.

Orion Tradecorp Pvt. Ltd. complies with the requirements and supplies both consignments on **28.02.20XX**, and pays tax on a **provisional basis** in respect of both consignments on **12.03.20XX**.

Consequent to the **final assessment order** passed by the Assistant Commissioner on **18.04.20XX**:

- A tax of **₹2,10,000** becomes **payable** on the **first consignment**, and
- A tax of **₹3,90,000** becomes **refundable** on the **second consignment**.

Orion Tradecorp Pvt. Ltd. pays the tax due on the **first consignment** and applies for **refund** of the tax on the **second consignment** on **22.04.20XX**. The **refund was actually credited** on **18.06.20XX**.

Determine the **interest payable** and **interest receivable**, if any, by **Orion Tradecorp Pvt. Ltd.** in the above case.

Answer:

In the given case, the due date for payment of tax on goods cleared on 28.02.20XX under provisional assessment is 20.03.20XX.

In view of the provisions of Section 60(4) of the CGST Act, 2017, Orion Tradecorp Pvt. Ltd. is liable to pay interest in respect of the first consignment as follows:

$$\text{Interest} = ₹2,10,000 \times 18\% \times 33 / 365 = ₹3,418 \text{ (rounded off)}$$

However, since the refund in respect of the second consignment was made on 18.06.20XX, which is within 60 days from the date of receipt of the refund application (22.04.20XX), no interest is payable to Orion Tradecorp Pvt. Ltd. on the tax refunded for the second consignment.

Illustration 3

Divy Trader obtained approval for **provisional assessment** under GST and supplied **three consignments of furniture** on **28th April, 20XX**. The provisional tax for all three consignments was paid on **20th May, 20XX**.

Subsequently, the **final assessment order** was issued by the **Assistant Commissioner** on **21st June, 20XX**, which resulted in the following tax adjustments:

- **1st consignment:** Refund of ₹1,20,000 became due
- **2nd consignment:** Additional tax liability of ₹1,20,000 arose
- **3rd consignment:** Refund of ₹1,50,000 became due



Divy Trader filed the **refund application** for the 1st and 3rd consignments and simultaneously paid the additional tax due on the 2nd consignment on **12th July, 20XX**.

The actual **refund was received** as follows:

- **1st consignment:** Refunded on **8th September, 20XX**
- **3rd consignment:** Refunded on **18th September, 20XX**

It is further confirmed that the **customers did not avail Input Tax Credit (ITC)** on these consignments.

Compute the **interest payable and interest receivable**, if any, by Divy Trader under the **CGST Act, 2017**.

Answer:

As per the provisions of the CGST Act, where tax becomes payable pursuant to the **final assessment order**, **interest at the rate of 18% per annum** is applicable. This interest is calculated **from the day immediately following the due date for payment of tax** on goods supplied under **provisional assessment**, and continues **until the date of actual payment**, regardless of whether such tax is paid **before or after** the issuance of the final assessment order.

In the present case, the due date for payment of tax on goods cleared under provisional assessment on **28th April, 20XX** was **20th May, 20XX**.

Accordingly, the interest liability for the **2nd consignment** is computed as follows:

$$\text{Interest} = ₹1,20,000 \times 18\% \times (53 \text{ days}) / 365 = ₹3,136 \text{ (rounded off)}$$

In accordance with **Section 56 of the CGST Act, 2017**, where **tax becomes refundable** pursuant to the order of **final assessment**, the registered person is entitled to receive **interest at the rate of 6% per annum**. This interest is payable **from the day immediately following the expiry of 60 days** from the date of receipt of the **refund application** till the date on which the refund is actually granted.

In the present case:

- For the **1st consignment**, the refund was granted on **8th September, 20XX**, which is **within 60 days** from the date of receipt of the refund application (**12th July, 20XX**).
 - ☐ Therefore, **no interest is receivable** on the tax refunded in respect of the 1st consignment.
- For the **3rd consignment**, the refund was made on **18th September, 20XX**.
 - ☐ The 60-day period from the date of refund application (**12th July, 20XX**) **expired on 10th September, 20XX**.
 - ☐ Interest is therefore receivable for **7 days** (from **11th September to 17th September, 20XX**).



Interest Calculation (for 3rd consignment):

$$= ₹1,50,000 \times 6\% \times 7 / 365 = ₹173 \text{ (rounded off)}$$

*Note: As per law, interest is not payable by the department for the **actual date of refund** (i.e., 18th September, 20XX).*

Illustration 4

M/s **Zenith Automotives Pvt. Ltd.**, registered in **Maharashtra**, was subjected to an investigation by the **GST Department** for **FY 2025-26**.

Two issues were identified:

1. Short payment of GST (non-fraudulent) for October 2025:

- a. **Tax liability:** ₹6,00,000
- b. **Tax paid:** ₹5,40,000
- c. **Short payment:** ₹60,000
- d. **Due date for GSTR-3B:** 20th November 2025
- e. **Actual detection by GST Department:** 15th July 2027
- f. **Notice issued under Section 74A(1):** 20th August 2027
- g. **Payment made within 60 days of notice (i.e. 10th October 2027).**

2. Wrongful ITC availed (fraudulent) for FY 2025-26:

- a. **Wrongful ITC:** ₹4,00,000 (claimed using fake invoices)
- b. **Detection date:** 30th June 2028
- c. **Notice issued under Section 74A(1):** 15th July 2028
- d. **Order issued:** 10th December 2028
- e. **Payment made after the order but within 60 days of communication.**
- f. **Wrongful ITC claimed and utilized in FY 2025-26 (w.e.f. 1st April 2025).**

Questions:

1. **Compute the interest and penalty** applicable for both the short payment (non-fraudulent) and wrongful ITC (fraudulent) cases.
2. Specify **due dates for notice and order** under Section 74A.



Answer:

1. Short Payment of GST (Non-Fraudulent):

- **Short payment:** ₹60,000
- **Interest rate** (Section 50(1)): **18% per annum**
- **Delay period:** From **21st November 2025** to **payment date** (i.e **10th October 2027**) = **689 days**

$$\text{Interest} = ₹60,000 \times 18\% \times 689 / 365 = ₹20,387$$

Penalty (Section 74A(5)(i)):

- **Without fraud:** Penalty = **10% of tax** or **₹10,000**, whichever is higher.
- **Penalty** = Higher of ₹6,000 or ₹10,000 = **₹10,000** (equal amount as per SGST Act)

However, since **payment is made within 60 days of notice** (as per Section 74A(8)(ii)), **penalty is waived**.

Final Payable (Short Payment Case):

Particulars	Amount (₹)
Tax	₹60,000
Interest	₹20,387
Penalty	Nil
Total	₹80,387

2. Wrongful ITC Claimed (Fraudulent):

- **Wrongful ITC:** ₹4,00,000
- **Interest rate** (Section 50(3)): **24% per annum**
- **Delay period:** From **1st April 2025** to **10th December 2028** = **1,349 days**

$$\text{Interest Calculation} = ₹4,00,000 \times 24\% \times 1349 / 365 = ₹3,54,805$$

Penalty (Section 74A(9)(iii)):

- **Fraudulent case, payment made after order but within 60 days of communication:**
 - o **Penalty** = **50% of tax** = ₹4,00,000 × 50% = **₹2,00,000**

Final Payable (Fraudulent ITC Case):

Particulars	Amount (₹)
Tax	₹4,00,000
Interest	₹3,54,805
Penalty	₹2,00,000
Total	₹9,54,805

3. Time Limits under Section 74A:

Particulars	Short Payment Case	Fraudulent ITC Case
FY	2025-26	2025-26
Due date for Annual Return (FY 2025-26)	31st December 2026	31st December 2026
Notice Issuance (max 42 months)	Up to 30th June 2030	Up to 30th June 2030
Order Issuance (12 months from notice)	Up to 20th August 2028	Up to 15th July 2029

Summary of Liabilities:

Case	Tax (₹)	Interest (₹)	Penalty (₹)	Total Payable (₹)
Short Payment	₹60,000	₹20,387	Nil	₹80,387
Fraudulent ITC	₹4,00,000	₹3,54,805	₹2,00,000	₹9,54,805

Illustration 5

M/s Global Textiles Pvt. Ltd., registered in Rajasthan, receives a demand order under Section 74A for wrongful ITC utilization.

Key details:

- Date of demand order issued: 1st April 2025
- GST liability confirmed: ₹8,00,000
- Three-month recovery period (statutory time limit): Ends on 30th June 2025

However, the proper officer observes that the company is liquidating assets and shifting operations overseas, raising concerns about possible tax evasion.

Questions:

1. When can standard recovery proceedings under Section 79(1) commence for this demand order?
2. What steps must the department follow to initiate early recovery proceedings before 30th June 2025 as per Circular No. 01/2024-GST dated 30.05.2024?
3. Provide key statutory references supporting this process.

Answer:**1. Standard Recovery Timeline under Section 79(1):**

- Statutory time period for recovery is 3 months from the date of the demand order.
- Demand order date: 1st April 2025
- Standard recovery commencement date: 1st July 2025 (after the 3-month period expires on 30th June 2025)

If no appeal is filed and payment is not made by 30th June 2025, the proper officer can initiate recovery proceedings from 1st July 2025 under Section 79(1).

2. Steps for Initiating Early Recovery (before 30th June 2025):

As per CBIC Circular No. 01/2024-GST dated 30.05.2024:



Step-by-Step Process:

1. Observation of Risk:

- a. The **Deputy Commissioner** identifies that **M/s Global Textiles Pvt. Ltd.** is:
 - i. **Liquidating assets**
 - ii. **Shifting operations overseas**
- b. This suggests an **intention to evade tax payment**.

2. Escalation to Principal Commissioner:

- a. The **Deputy Commissioner** presents the case to the **Principal Commissioner of Central Tax**, providing **documented evidence** (e.g., sale deeds, news reports).

3. Recording of Written Reasons:

- a. The **Principal Commissioner** evaluates the **financial health** and **business status** of the taxpayer.
- b. If convinced that **early recovery** is necessary to **safeguard revenue**, the **Principal Commissioner** records the reasons in writing (e.g., "Risk of asset liquidation and fund diversion detected").

4. Approval for Early Recovery:

- a. Upon recording valid reasons, **approval is granted for early recovery** (e.g., **approved on 15th May 2025**).

5. Initiation of Recovery:

- a. **Recovery proceedings** under **Section 79(1)** can **commence before the expiry of the 3-month period** (e.g., **from 20th May 2025**).

3. Statutory References:

• **Section 79(1) of CGST Act, 2017:**

Allows **recovery proceedings** after the **expiry of 3 months** from the **demand order date** unless **early recovery** is warranted.

• **CBIC Instruction Circular No. 01/2024-GST dated 30.05.2024:**

Provides **guidelines for early recovery**:

- o **Principal Commissioner** must **record written reasons** before allowing **recovery within 3 months**.
- o This ensures **transparency** and **protects revenue interests**.

Summary Table:

Particulars	Standard Recovery	Early Recovery (Exceptional Case)
Demand Order Date	1st April 2025	1st April 2025
Standard Recovery Start Date	1st July 2025	Approved for 20th May 2025
Reason for Early Recovery	Not applicable	Asset liquidation & fund diversion risk
Authority Approving	Not required	Principal Commissioner (written reasons)

Illustration 6

M/s **Bright Appliances Pvt. Ltd.**, registered in **Maharashtra**, files **GSTR-3B** for **June 2025** showing:

- **Outward taxable supplies:** ₹50,00,000
- **IGST payable @18%:** ₹9,00,000

However, in **GSTR-1 (Outward Supplies)** for the same period:

- **Outward supplies reported:** ₹60,00,000

Discrepancy Identified:

- **Mismatch in turnover:** ₹10,00,000
- **Additional tax liability (IGST @18%):** ₹1,80,000

Timeline:

Event	Date
Scrutiny notice issued (ASMT-10)	15th November 2025
Reply due (within 30 days)	15th December 2025

The officer initiates **demand proceedings** under **Section 74A** for the **unpaid tax liability of ₹1,80,000**, plus **interest (assume 90 days delay)**.

Find the total amount payable by M/s **Bright Appliances Pvt. Ltd.** If liability confirmed?

Answer:

Interest Computation (If liability confirmed):

- **Shortfall in IGST:** ₹1,80,000
- **Interest rate:** 18% per annum
- **Delay period:** 90 days
- Interest = ₹1,80,000 × 18% × 90 × 365 = ₹7,989
- **Total payable (tax + interest):** ₹1,80,000 + ₹7,989 = ₹1,87,989

Illustration 7

M/s **Rapid Traders**, registered under GST in **Karnataka**, engaged in the supply of electronic goods, failed to **file GSTR-3B returns** for the period **April 2025 to June 2025**. The **Proper Officer (PO)** issued a **notice under Rule 100(1)** but received **no response** within the stipulated period.

The officer proceeds with **best judgment assessment** under **Section 62** based on **available records (Invoices & e-way bills)**:

- **Reported outward supplies:** ₹60,00,000 (April 2025 to June 2025).



- **Applicable GST rate:** 18% (CGST 9% + SGST 9%).
- **Due date for filing GSTR-3B for June 2025:** 20th July 2025.
- **Best judgment assessment order issued:** 10th October 2025.
- **Rapid Traders files pending returns:** 5th November 2025 (within 60 days of order).

Based on the above facts, answer the following:

1. Can the Proper Officer proceed with **best judgment assessment** under **Section 62**?
2. What is the **GST liability** determined under **best judgment assessment**?
3. Will the **assessment order be withdrawn** if Rapid Traders files the returns?
4. What is the **interest payable** on delayed tax payment? Compute interest till **5th November 2025**.
5. What happens if the returns are filed **after 60 days but within 120 days** (assume Filed after **75 days**)?

Answer:

1. **Can the Proper Officer proceed with best judgment assessment under Section 62?**

Yes, under **Section 62 of CGST Act, 2017**, if a **registered person** fails to **furnish returns** even after receiving a **notice under Section 46**, the **Proper Officer** can proceed with **best judgment assessment** using **available data (invoices, e-way bills, etc.)**.

- In this case, **Rapid Traders** did not file **GSTR-3B returns** for **April to June 2025** despite notice, so the officer can initiate **assessment**.

2. **What is the GST liability determined under best judgment assessment?**

- **Outward supplies (April to June 2025):** ₹60,00,000
- **GST rate:** 18% (CGST 9% + SGST 9%)

GST Liability Computation:

Particulars	Amount (₹)
Taxable value	₹60,00,000
GST @ 18%	₹10,80,000
CGST (9%)	₹5,40,000
SGST (9%)	₹5,40,000

Total GST liability under assessment: ₹10,80,000

3. **Will the assessment order be withdrawn if Rapid Traders files the returns?**



Yes, under **Section 62(2)**, if the registered person **files a valid return within 60 days** from the **service of the assessment order**, the **order is deemed withdrawn**.

- **Assessment order date: 10th October 2025**
- **Return filed date: 5th November 2025** (within 60 days)

Therefore, the **assessment order is withdrawn**, but **interest and late fees** remain payable.

4. What is the interest payable on delayed tax payment?

- **Tax payable: ₹10,80,000**
- **Due date (for June 2025 GSTR-3B): 20th July 2025**
- **Payment date: 5th November 2025**
- **Delay period: 108 days** (from 21st July 2025 to 5th November 2025)
- **Interest rate: 18% per annum**

$$\text{Interest} = ₹10,80,000 \times 18\% \times 108 \times \frac{365}{365} = ₹57,521$$

5. What happens if the returns are filed after 60 days but within 120 days?

- If returns are filed **between 61 to 120 days** after the order, the **assessment order can still be withdrawn**, but the registered person must pay an **additional late fee of ₹200 per day** (₹100 CGST + ₹100 SGST) for the **extended period**.
- **Filed after 75 days:**
 - o Additional late fee for **15 extra days** = $15 \times ₹200 = ₹3,000$

Illustration 8

Mr. **Amit Mehra**, based in **Rajasthan**, is engaged in the supply of **plastic goods** and has a turnover of **₹55,00,000** during **FY 2024-25**. Despite crossing the **GST registration threshold of ₹40,00,000** (for goods), he **fails to obtain GST registration** and continues to supply taxable goods without charging GST.

The **Proper Officer (PO)**, during **market surveillance**, identifies the non-compliance and initiates **assessment under Section 63** of the CGST Act, 2017.

Key details:

- **Total taxable supplies: ₹55,00,000**
- **Applicable GST rate: 18% (CGST 9% + SGST 9%)**
- **Notice issued in FORM GST ASMT-14: 10th September 2025**
- **No reply submitted by Amit Mehra**
- **Assessment order issued in FORM GST ASMT-15: 30th September 2025**



Based on the above facts, answer the following:

1. Can the **Proper Officer** initiate assessment under **Section 63** for Amit Mehra?
2. What is the **GST liability** determined under the **assessment order**?
3. What is the **time limit** for issuing an assessment order under **Section 63**?

Answer:

1. **Yes**, under **Section 63 of the CGST Act, 2017**, if a **person liable to pay tax** has **failed to obtain registration** or **file returns**, the **Proper Officer** can assess the tax liability based on **available information**.
 - Since **Amit Mehra's turnover** exceeded ₹40,00,000 (threshold limit for goods), he was **liable for GST registration** but **failed to do so**.
 - Therefore, the officer is **empowered to assess** Amit Mehra's liability.
2. **What is the GST liability determined under the assessment order?**
 - **Total taxable supplies:** ₹55,00,000
 - **GST rate:** 18% (CGST 9% + SGST 9%)

GST Liability Computation:

Particulars	Amount (₹)
Taxable turnover	₹55,00,000
GST @18%	₹9,90,000
CGST (9%)	₹4,95,000
SGST (9%)	₹4,95,000

Total GST liability: ₹9,90,000

3. **What is the time limit for issuing an assessment order under Section 63?**

As per **Section 63**, the **Proper Officer** must issue the **assessment order** within:

- **5 years** from the **due date of the annual return** for the financial year.

Timeline:

Event	Date
FY concerned	2024-25
Due date for annual return	31st December 2025
Last date to issue assessment	31st December 2030

In this case, the officer issued the **assessment order on 30th September 2025**, which is **well within the time limit**.

Appeals under GST

Illustration 1

Riviera Teh Ltd., based in Hyderabad, filed an appeal before the High Court regarding whether a particular activity amounts to a “supply” under GST. The High Court decided in favour of Riviera Tech Ltd.

The case involved:

IGST: ₹1.3 crore

Interest: ₹65 lakh

Penalty: ₹55 lakh

The Department disagrees and wishes to file an appeal before the Supreme Court.

(A) Can the Department file an appeal in this case?

(B) Will your answer change if the matter relates to valuation of services instead of the existence of supply?

Answer:

(A) No, because as per CBIC Circular No. 207/1/2024-GST dated 26.06.2024, the monetary threshold for departmental appeal to the Supreme Court is ₹2 crore (tax amount only).

In this case, only IGST of ₹1.3 crore is considered (interest and penalty excluded).

Since ₹1.3 crore < ₹2 crore, the Department cannot file an appeal on monetary grounds.

(B) Yes, the Department can file the appeal even if the amount is below ₹2 crore.

As per the exclusions in the same circular, cases involving valuation, classification, refund, place of supply, etc., can be appealed irrespective of the monetary limit.

Hence, if the dispute involves valuation of services, the monetary cap does not apply, and appeal can be filed on merits.

Conclusion:

Scenario	Can Appeal be Filed?
On question of “supply” – Tax < ₹2 crore	No (monetary limit applies)
On “valuation of services” – Any amount	Yes (excluded category)

Illustration 2

Nexora Technologies Pvt. Ltd. [hereinafter referred to as “the company”], registered in Delhi, operates in multiple States across India and holds separate GST registrations in each State.

During the month of January 2025, the tax team presented the following matters to you:



The company sold goods worth ₹8 crore from its warehouse at Kandla Port, Gujarat to a buyer in Ahmedabad, transferring title of goods. The buyer was responsible for clearing the goods. These goods had been imported from Vietnam and were not yet cleared for home consumption.

The company received a favourable advance ruling on a specific tax matter from the Authority for Advance Ruling (AAR), Andhra Pradesh, where it holds GST registration.

In Maharashtra, the Adjudicating Authority passed an order confirming a demand of:

Tax: ₹1 crore

Penalty: ₹5 lakh

Interest: ₹35 lakh

The issue under dispute was similar to that decided in the company's favour by the AAR in Andhra Pradesh.

The company had collected ₹3 crore GST through invoices on certain supplies which were later found to be non-taxable under GST law.

A special audit was initiated by a Cost Accountant appointed by the State Tax Department of Madhya Pradesh, for the company's operations in that State.

Based on the above, answer the following:

- (1) Is the supply from Kandla Port to Ahmedabad liable to GST?
- (2) Can the advance ruling obtained in Andhra Pradesh be applied in Maharashtra?
- (3) What is the amount of pre-deposit required if the company files an appeal in Maharashtra?
- (4) *What is the treatment of ₹3 crore GST wrongly collected on non-taxable supplies?*
- (5) *Is the special audit valid under GST law?*

Answer:

(1) No, this is considered as supply excludes, covered under Schedule – III of CGST Act, 2017 (i.e. in the course of high-seas sales or bonded warehouse transfer). Since the goods were not cleared for home consumption, they are considered imported goods.

As per Section 5 of the IGST Act, import of goods is deemed to occur when the goods cross the customs frontier.

Since title was transferred before home clearance, this transaction is not liable to GST, but will attract customs duty including IGST at the time of clearance for home consumption.

(2) *No. As per the provisions of Section 103 of the CGST Act, an advance ruling is binding only on the applicant and the jurisdictional officer in the State in which it is issued.*

Therefore, the ruling received by the company in Andhra Pradesh is not binding in Maharashtra.

(3) *The company must pay a mandatory pre-deposit of:*

10% of the tax amount being disputed

Tax disputed = ₹1 crore

Therefore, Pre-deposit = ₹10 lakh (as per Section 107(6) of the CGST Act, 2017)

Note: Penalty and interest are not included in the pre-deposit calculation.

(4) *As per Section 76 of the CGST Act, any amount collected as tax must be deposited with the Government, even if the supply is not liable to tax.*

Therefore, the company must pay the collected ₹3 crore GST to the Government, along with interest, and may initiate refund procedures if eligible.

(5) *Yes. As per Section 66 of the CGST Act, a special audit can be ordered by the Commissioner, if he deems the case complex and in the interest of revenue. The audit must be conducted by a Chartered Accountant or Cost Accountant nominated by the department.*

In this case, the special audit initiated in Madhya Pradesh is valid under law.

Summary Table:

Issue	GST Implication
Import goods not cleared, sold at bonded warehouse	Not liable to GST; customs duty payable on clearance for home consumption
Advance Ruling from Andhra Pradesh used in Maharashtra	Not binding outside issuing State
Pre-deposit for appeal on ₹1 crore tax demand	₹10 lakh required under Section 107(6)
₹3 crore GST wrongly collected on non-taxable supply	Must be deposited with Government under Section 76
Special audit by MP State Tax CA / C MA	Valid under Section 66 of CGST Act

Illustration 3

In an order passed dated 1st February 2025, issued to Sita Ram Pvt. Ltd., the Commissioner of Central Tax, acting as the Revisionary Authority, confirmed the following demands:

IGST demand: ₹ 1400 crore

Penalty: ₹ 200 crore

Interest: ₹ 20 crore

Sita Ram Pvt. Ltd. admits to:

Tax liability: ₹ 200 crore

Penalty: ₹ 20 crore

Interest: ₹ 10 crore



However, the company disputes the balance amount and decides to litigate. Accordingly, Sita Ram Pvt. Ltd. deposits the required pre-deposit on 12th February 2025 and files an appeal with the GST Appellate Tribunal (GSTAT).

The GSTAT decides the appeal in favor of Sita Ram Pvt. Ltd. on 12th April 2025.

Sita Ram Pvt. Ltd. submits an application for refund of the pre-deposit along with applicable interest on 25th April 2025, and the department acknowledges the application on the same day.

The pre-deposit amount is refunded to Sita Ram Pvt. Ltd. on 10th August 2025.

Requirement:

With reference to the provisions of GST law, compute:

The amount of pre-deposit required before filing the appeal to the GSTAT.

The interest payable by the department on the refund of such pre-deposit, if any, along with necessary explanations.

Answer:

1. Pre-deposit Computation:

As per Section 112(8) of the CGST Act, 2017, the pre-deposit required for filing an appeal before the GST Appellate Tribunal (GSTAT) is:

Full amount of admitted tax, interest, and penalty.

20% of the disputed tax amount.

Given Data:

Particulars	Amount (₹ crore)
Total IGST demand	1400
Admitted tax liability	200
Disputed tax liability	1200
Admitted interest	10
Admitted penalty	20

Pre-deposit Calculation:

Particulars	Amount (₹ crore)
Admitted tax, penalty, and interest (₹200 + ₹20 + ₹10)	230
10% of disputed tax (₹1200 crore × 10%)	120
Maximum pre-deposit for disputed tax (restricted to ₹40 crore). As per IGST Act, w.e.f. 1-11-2024 as per F.A. 2024, maximum amount of ₹40 crore shall be payable for each appeal to be filed before the Appellate Authority or the Appellate Tribunal.	40
Total pre-deposit required (₹230 + ₹40)	270

2. Interest on Refund of Pre-deposit:

As per Section 56 of the CGST Act, 2017, read with Notification No. 13/2017 – Central Tax dated 28-06-2017, the interest on refund of pre-deposit is:

6% per annum (on pre-deposit refunds).

Interest is payable from the date of pre-deposit payment to the date preceding the refund date.

Interest Period:

Event	Date
Pre-deposit date	12th February 2025
Refund date	10th August 2025
Interest period	12th February 2025 to 9th August 2025
Total days	179 days

Interest Calculation:

Interest} = ₹270 crore x 6% x 179/365 = ₹ 7,94,46,575/-

Conclusion:

Total pre-deposit made by Sita Ram Pvt. Ltd. = ₹ 270 crore

Interest payable on refund of pre-deposit = ₹ 7,94,46,575

Illustration 4

Q4. M/s X Ltd. receives a protective demand notice under Section 74A of the CGST Act, 2017 from the Assistant Commissioner of Central Tax on 1st November 2024.

Details of demand:

Particulars	Amount (₹)
CGST & SGST due	₹5,00,000
Interest	@18% p.a. (to be calculated based on delay period)
Penalty	10% of tax or ₹10,000, whichever is higher:
Penalty = ₹50,000 (10% of ₹5,00,000)	₹50,000

M/s X Ltd. files an appeal before the Appellate Authority (Commissioner (Appeals)) on 25th November 2024.

The hearing is scheduled for 6th December 2024.

Answer the following:

Case A: How much is the pre-deposit required under Section 107(6) of the CGST Act, 2017 to entertain the appeal, entire amount of ₹5,00,000 is under dispute and by what date must it be deposited?

Case B: If only ₹3,00,000 is disputed, what is the pre-deposit amount, and when should it be paid?

Note: for both the cases A and B entire interest and penalty also under dispute.



Answer:

Case A:

As per Section 107(6) of the CGST Act, for filing an appeal, the taxpayer must pay:

100% of the admitted tax liability (if any).

10% of the disputed tax amount as pre-deposit (maximum ₹40 crores).

Since the entire amount of ₹5,00,000 is under dispute:

Pre-deposit = 10% x ₹5,00,000 = ₹50,000

Deadline for pre-deposit:

On or before 6th December 2024 (date of hearing).

Case B:

Pre-deposit on disputed amount (₹3,00,000):

Pre-deposit = 10% x ₹3,00,000 = ₹30,000

Deadline for pre-deposit:

On or before 6th December 2024.

Note:

Any admitted tax amount (₹2,00,000) must be paid in full.

Total payment to entertain appeal:

Particulars	Amount (₹)
Admitted tax liability	₹2,00,000
Pre-deposit (10% of ₹3,00,000)	₹30,000
Total payment	₹2,30,000

Illustration 5

M/s RRR Pvt. Ltd., engaged in inter-state supply of goods, receives a Show Cause Notice (SCN) under Section 74A of the CGST Act, 2017 and order in original from the Adjudicating Authority.

Demand details as per adjudication order:

Particulars	Amount (₹ Crore)
IGST	600
Interest	10
Penalty	100
Total Demand	710

M/s RRR Pvt. Ltd. accepts part of the demand:

Particulars	Amount Admitted (₹ Crore)
IGST (admitted)	50
Interest (admitted)	1
Penalty (admitted)	10
Total Admitted	61

Disputed IGST = ₹600 crore – ₹50 crore = ₹550 crore

Disputed Interest and Penalty = ₹99 crore

M/s RRR Pvt. Ltd. wishes to appeal against the disputed portion before the Appellate Authority (AA).

How much pre-deposit is required under Section 107(6) of the CGST Act, 2017 for filing an appeal before the Appellate Authority?

Answer:

Step-by-Step Pre-deposit Computation:

(i) Full admitted amount:

Particulars	Amount (₹ Crore)
IGST (admitted)	50
Interest (admitted)	1
Penalty (admitted)	10
Total admitted amount	61

(ii) Pre-deposit on disputed IGST (₹550 crore):

10% of ₹550 crore = ₹55 crore

Capped pre-deposit for IGST = ₹40 crore (maximum cap as per law)

(iii) Total Pre-deposit Required:

Particulars	Amount (₹ Crore)
Admitted tax, interest & penalty	61
Pre-deposit on disputed IGST	40
Total Pre-deposit	101

Effect of Pre-deposit:

Upon making the total pre-deposit of ₹101 crore, recovery proceedings for the balance demand of ₹609 crore (₹710 crore - ₹101 crore) shall remain stayed until the appeal is disposed of.



Illustration 6

M/s Bright Metals Pvt. Ltd., registered in Rajasthan, filed an appeal (FORM GST APL-01) on 15th March 2025 before the Appellate Authority (Commissioner (Appeals)) under Section 107(1) of the CGST Act, 2017 against an order of the adjudicating authority (dt. 1st February 2025) for demand of GST dues amounting to ₹1,50,00,000.

Key details:

Date of appeal filing (APL-01): 15th March 2025

Final acknowledgment (APL-02) issued by Appellate Authority: 20th March 2025

Hearing notice under Section 107(11) not yet issued.

On 10th May 2025, M/s Bright Metals Pvt. Ltd. reaches a settlement with the department and wishes to withdraw the appeal. Withdrawal approved on 15th May 2025

Questions:

Is withdrawal of appeal permissible at this stage under Rule 109C?

What is the procedure to withdraw the appeal, and within what timeline will the appellate authority decide?

If Bright Metals Pvt. Ltd. wishes to file a fresh appeal later, is it permissible? What will be the time limit?

Answer:

1. Permissibility of Withdrawal:

Yes, as per Rule 109C of the CGST Rules, 2017 (inserted via Notification No. 26/2022-CT dated 26.12.2022), withdrawal of appeal is allowed:

Any time before:

Issuance of show cause notice under Section 107(11) (for hearing), OR

Issuance of final order under Section 107(11), whichever is earlier.

In this case:

Particulars	Date
Appeal filing date (APL-01)	15th March 2025
Acknowledgment issued (APL-02)	20th March 2025
No SCN or final order issued yet	Pending

Therefore, withdrawal is permissible since no show cause notice or order has been issued.



2. Procedure & Timeline for Withdrawal:

Step-by-Step Withdrawal Process:

Application for withdrawal must be submitted in FORM GST APL-01W (for taxpayer's appeal) by Bright Metals Pvt. Ltd..

As the final acknowledgment (APL-02) has been issued:

Approval of the appellate authority is mandatory for withdrawal.

Timeline for appellate authority to decide:

The Appellate Authority must approve or reject the withdrawal application within 7 days from the date of filing FORM GST APL-01W.

Example timeline:

Withdrawal application filed: 10th May 2025

Decision deadline (7 days): By 17th May 2025.

3. Filing of Fresh Appeal after Withdrawal:

Fresh appeal is permissible under Section 107(1) if withdrawal is approved.

Time Limit for Filing the Fresh Appeal:

Normally, under Section 107(1):

The time limit to file an appeal before the Appellate Authority is 3 months from the date of communication of the order passed by the adjudicating authority.

But in case of withdrawal, here's how the time limit works practically:

The period during which the earlier appeal was pending (from the original filing date to the date of withdrawal approval) is excluded (i.e., the clock pauses).

After withdrawal approval, the clock resumes, giving the taxpayer the residual time to file a fresh appeal.

In the given case:

Adjudication order received: 1st February 2025

Original time limit to file appeal (3 months): Till 30th April 2025

Appeal and Withdrawal Timeline:

Event	Date
Appeal filed (APL-01)	15th March 2025
Acknowledgment (APL-02) issued	20th March 2025
Withdrawal application (APL-01W) filed	10th May 2025
Withdrawal approved	15th May 2025



Time Exclusion:

Time consumed before first appeal filing:

From 1st February 2025 to 15th March 2025 = 43 days

Time remaining for fresh appeal:

3 months (90 days) – 43 days = 47 days remaining

Fresh appeal time limit restarts from withdrawal approval date (15th May 2025).

New deadline for fresh appeal:

47 days from 15th May 2025 = 1st July 2025.

Illustration 7

Mr. Ranjan intends to commence the supply of certain goods from Delhi, but faces two key uncertainties:

The classification of the goods to be supplied, as classification disputes exist in respect of similar goods.

The place of supply if these goods are supplied from Delhi to buyers located in the United States (export transaction).

Ranjan's tax advisor suggests that he apply for an Advance Ruling under the GST law to obtain clarity on these issues. The advisor emphasizes that an advance ruling will provide certainty, transparency, and help avoid future litigation. While Ranjan agrees with this suggestion, he has some apprehensions regarding the eligibility, applicability, and binding nature of the advance ruling.

Advisory Questions:

The tax advisor advises Ranjan to get registered under GST before applying for advance ruling, asserting that only a registered person can seek it. Is GST registration mandatory for Ranjan before applying?

Can Ranjan seek an advance ruling for determining:

(a) the classification of goods he proposes to supply?

(b) the place of supply for goods supplied from Delhi to the U.S.?

Ranjan is apprehensive that, if allowed, he may have to seek advance ruling every year. Is this apprehension valid?

The tax advisor believes that the order of the Authority for Advance Ruling (AAR) is final and non-appealable. Is this correct?

Sambu, Ranjan's friend, is a GST-registered supplier in Delhi engaged in the same type of goods supply at a similar commercial level. He wishes to apply the classification determined in Ranjan's advance ruling to his own supplies. Can Sambu do so?



Answers:

1. No, it is not mandatory for Ranjan to be registered under GST before applying for an advance ruling.

As per Section 95(c) of the CGST Act, 2017, advance ruling can be sought by:

A registered person, or

A person desirous of obtaining registration under GST.

Therefore, even though Ranjan is not yet registered, being desirous of registration, he is eligible to apply for advance ruling.

2. Can Ranjan seek advance ruling on classification and place of supply?

(a) Classification of Goods:

Yes, Ranjan can seek advance ruling on the classification of goods under Section 97(2)(a) of the CGST Act, 2017.

(b) Place of Supply:

No, advance ruling cannot be sought on the place of supply.

Section 97(2) does not cover the place of supply among the permissible questions.

Summary:

Classification of goods – Eligible for advance ruling.

Place of supply – Not eligible.

3. Is advance ruling required to be sought every year?

No, Ranjan's apprehension is not correct.

As per Section 103(2) of the CGST Act, 2017:

An advance ruling remains binding on:

The applicant, and

The concerned/jurisdictional officer,

Until:

The law, or

The facts or circumstances of the case change.

Therefore, once obtained, the advance ruling remains valid indefinitely, unless law, facts, or circumstances change.

4. Is the order of AAR final and non-appealable?

No, the tax advisor's view is incorrect.

Under Section 100 of the CGST Act, 2017:



Appeal against the order of AAR can be filed before the Appellate Authority for Advance Ruling (AAAR) by:

The applicant, or

The concerned/jurisdictional officer.

Hence, the order of AAR is not final and is appealable.

5. Can Sambu rely on Ranjan's advance ruling for his own supplies?

No, Sambu cannot apply Ranjan's advance ruling to his own supplies.

As per Section 103(1) of the CGST Act, 2017:

An advance ruling is binding only on:

The applicant (Ranjan), and

The concerned/jurisdictional officer in respect of Ranjan.

The ruling does not extend to other taxable persons (like Sambu), even if their circumstances are similar.

Sambu must seek his own advance ruling if he desires certainty on classification.

Summary Table:

Question	Answer
Is GST registration mandatory before applying for advance ruling?	No , even a person desirous of registration can apply (Section 95(c) of CGST Act, 2017).
Can Ranjan seek advance ruling on classification and place of supply?	Classification – Yes; Place of supply – No (Section 97(2) of CGST Act, 2017).
Is advance ruling required to be sought every year?	No , it remains binding unless law, facts, or circumstances change (Section 103(2)).
Is the AAR's order final and non-appealable?	No , appeal can be filed before AAAR (Section 100 of CGST Act, 2017).
Can Sambu rely on Ranjan's advance ruling?	No , it applies only to Ranjan and his jurisdictional officer (Section 103(1)).

Offences and Penalties

Illustration 1

Answer the following questions:

(i) Elite Techno Traders, a supplier based in Rajkot, Gujarat, commenced supply of goods on 01.02.20XX. The firm's turnover exceeded ₹25 lakh on 18.02.20XX. However, the entity failed to apply for GST registration. Determine the amount of penalty, if any, that may be imposed on Elite Techno Traders as on 31.03.20XX, if the tax evaded due to failure to obtain registration amounts to ₹1,42,000.

(ii) Mr. Kunal Batra, Managing Director of Infowave Communications Ltd., has been issued a summons to appear before a central tax officer to produce the books of accounts of Infowave Communications Ltd. in connection with an ongoing inquiry. Determine the amount of penalty, if any, that may be imposed on Mr. Kunal Batra, in case he fails to comply with the summons.

Answer:

(i) As per **Section 122(1)(xi)** of the CGST Act, 2017, any **taxable person** who is liable to be registered under the Act but **fails to obtain registration** shall be liable to a penalty of:

(a) ₹10,000, or

(b) an amount equivalent to the **tax evaded** (₹1,42,000 in the present case), **whichever is higher**.

Accordingly, the **penalty imposable on Elite Techno Traders** is **₹1,42,000**.

(ii) Under **Section 122(3)(d)** of the CGST Act, 2017, any person who **fails to appear** before the central tax officer after being issued a **summon** to give evidence or produce documents in an inquiry is **liable to a penalty which may extend up to ₹25,000**.

Therefore, in this case, **Mr. Kunal Batra** may be subjected to a **penalty of up to ₹25,000** for non-compliance with the summons.

Illustration 2

M/s. Apexon Distributors, a registered person under GST, filed an appeal concerning the denial of Input Tax Credit (ITC) related to the financial year 2019–20. The appeal was disposed of in favour of Apexon Distributors on 12-11-2023. The annual return for the financial year 2019–20 was filed by the firm on 28-05-2021, whereas the due date for filing the said return was 07-03-2021.

Apexon Distributors now seeks your advice—with reasoning—regarding the time period up to which they must retain their books of accounts and other related records as per the provisions of the CGST Act, 2017.

Answer:

As per Section 36 of the CGST Act, 2017, every registered taxable person is required to maintain



books of accounts and other records for a minimum period of 72 months (6 years) from the due date of furnishing the annual return for the relevant financial year to which such records pertain.

However, if the taxpayer is involved in any appeal or proceeding before an authority (such as the First Appellate Authority) or is under investigation, then the records must be retained for 1 year after the date of the final order or for the original 72-month period, whichever is later.

In the present case, Due date for furnishing the annual return for FY 2019–20 = 7th March 2021
(72-month period = from 8th March 2021 to 7th March 2027)

Final appellate order passed in favour of M/s. Apexon Distributors on 12th November 2023
(1 year from date of order = 12th November 2023 to 11th November 2024)

Since 7th March 2027 is later than 11th November 2024, M/s. Apexon Distributors is required to retain the books of accounts and other records until 7th March 2027.

Illustration 3

Mr. Aditya Khurana, registered under the CGST Act, 2017, has committed a breach in the payment of tax amounting to ₹7,800. The Assessing Authority has imposed a penalty in accordance with the law applicable to the breach. Invoking the provisions of Section 126, Mr. Khurana contends that this is a minor breach, and therefore, no penalty should be imposed.

In another instance, Mr. Khurana has omitted certain details in documentation, which are not easily rectifiable. This occurred due to gross negligence on the part of his accountant, and he argues that since he was unaware of it, no penalty should be levied.

Mr. Khurana also voluntarily acknowledges a major procedural lapse on his part and requests the Assessing Authority to condone the lapse, stating that the loss to the revenue was not substantial.

Further, in a separate matter, a lapse on the part of Mr. Khurana does not attract any specific penalty provision under the CGST Act, 2017. He firmly believes that no penalty can be levied without a specific statutory provision.

Discuss what action may be taken by the Assessing Authority under the law for each of the above breaches.

Answer:

As per Section 126(1) of the CGST Act, 2017, a breach shall be considered a 'minor breach' if the amount of tax involved is less than ₹5,000. In such cases, no penalty is imposed.

In the present case, the tax amount involved is ₹7,800. Therefore, the breach does not qualify as a minor breach, and the argument made by Mr. Aditya Khurana is not valid. The penalty imposed by the Assessing Authority is in accordance with the law.

Further, as per Section 126(1), an omission or mistake in documentation is deemed easily rectifiable only if it is an error apparent on the face of the record and is not due to fraudulent intent or gross

negligence. In the given situation, Mr. Khurana has omitted documentation details that are not easily rectifiable, and the error occurred due to gross negligence of his accountant. Hence, penalty is applicable in this case.

According to Section 126(5), if a person voluntarily discloses to a proper officer any breach of tax law, regulation, or procedural requirement before it is discovered by the officer, such voluntary disclosure may be considered as a mitigating factor while determining the penalty amount.

In this instance, since Mr. Khurana voluntarily accepted a major procedural lapse and there is no significant loss to revenue, the officer may consider condoning the lapse or imposing a reduced penalty depending on the facts.

Lastly, Section 126(6) states that the general principles under Section 126 do not apply where the penalty is fixed under the Act—either as a fixed sum or a fixed percentage. Therefore, in situations where a specific penalty provision exists, such penalty shall be imposed regardless of Section 126.

Hence, in all the above instances, the Assessing Authority is empowered to take action in accordance with the nature of breach and provisions of Section 126.

Illustration 4

From the following details, calculate the amount to be paid for **release of goods detained or seized** under **Section 129 of the CGST Act, 2017**, if the **owner of the goods does not come forward** for payment of the applicable penalty.

Particulars	Amount (₹)
Value of Goods	36,00,000
Applicable GST on such goods	6,48,000
GST already paid on such goods	4,20,000

Would your answer be different if the **goods were exempt from GST** and the **value remains the same**, i.e., ₹36,00,000?

Answer:

If the owner of the goods does not come forward for payment of the applicable penalty, the amount to be paid for release of goods detained or seized under Section 129 of the CGST Act, 2017 shall include the applicable GST and a penalty equal to 50% of the value of the goods or 200% of the tax payable on such goods, whichever is higher.

Therefore, the penalty will be:

- 50% of ₹36,00,000 = ₹18,00,000
- 200% of ₹6,48,000 = ₹12,96,000

Whichever is higher = ₹18,00,000

Hence, the amount to be paid for release of goods = ₹18,00,000 (penalty).



However, if the goods are exempt from GST, then the amount to be paid for release of such goods is:

Computation = 5% of ₹36,00,000 = ₹1,80,000 or ₹25,000, whichever is less.

Thus, in case of exempted goods, amount payable = ₹25,000.

Note: Equal amount of ₹25,000 is also liable to be paid as per SGST Act, 2017.

Illustration 5

TransEdge Logistics Pvt. Ltd. transports goods from Surat, Gujarat to Nagpur, Maharashtra. The value of the goods is ₹96,000, and they are chargeable to IGST @18%. While the goods are in transit, a proper officer intercepts the consignment under Section 68 of the CGST Act and detects a contravention of provisions.

Calculate the penalty payable under Section 129 of the CGST Act, 2017 in the following scenarios:

- If TransEdge Logistics Pvt. Ltd. comes forward for payment of penalty
- If TransEdge Logistics Pvt. Ltd. does not come forward for payment of penalty

Answer:

If TransEdge Logistics Pvt. Ltd. comes forward for payment of penalty:

Value of goods = ₹96,000, IGST @ 18% = ₹17,280

Penalty = 200% of tax = ₹17,280 × 200% = ₹34,560 (or) CGST ₹1,00,000 + SGST ₹1,00,000 = ₹2,00,000, Whichever is less.

Thus, penalty payable = ₹34,560.

If TransEdge Logistics Pvt. Ltd. does not come forward for payment of penalty:

As per Section 129(1)(b), when the owner does not come forward, the penalty is 200% of the tax payable or 50% of the value of goods, whichever is higher.

200% of tax = ₹17,280 × 200% = ₹34,560

50% of value of goods = ₹96,000 × 50% = ₹48,000

Since ₹48,000 is higher than ₹34,560, the penalty payable is ₹48,000 u/s 129(3) or [CGST ₹1,00,000 + SGST ₹1,00,000] = ₹2,00,000, Whichever is less.

Illustration 6

From the details given below, determine the maximum amount of fine in lieu of confiscation leviable under Section 130 of the CGST Act, 2017 on:

- (i) the goods liable for confiscation, and
- (ii) the conveyance used for carriage of such goods.



Details are as follows:

- Cost of the goods for owner (before GST): ₹18,00,000
- Market value of goods: ₹24,00,000
- GST on such goods: ₹4,32,000

You are required to explain the relevant legal provisions in brief.

Answer:

(i) Fine in lieu of confiscation under Section 130 of the CGST Act, 2017 on the goods liable for confiscation = ₹19,68,000

= ₹24,00,000 (market value) – ₹4,32,000 (GST on such goods)

(ii) Fine in lieu of confiscation under Section 130 of the CGST Act, 2017 on the conveyance used for carriage of such goods = ₹4,32,000

Note: Fine levied Shall not exceed the market value of the goods confiscated, less the tax chargeable thereon.

Any conveyance used for the carriage of goods or passengers for hire shall be given the option, in lieu of confiscation, to pay a fine equal to the tax payable on the goods or passengers carried therein (less the tax chargeable thereon).

Illustration 7

M/s NovaEdge Industries Pvt. Ltd. issued an invoice without actual supply of goods for an amount of ₹28 crore. The Central Tax Authority issued a show cause notice, raising the following demands:

CGST & SGST @ 18% = ₹5.04 crore

Penalty @ 100% of tax due = ₹5.04 crore

Interest @ 24% p.a.

You are required to answer the following:

- (a) Is it a cognizable offence?
- (b) What is the quantum of punishment if M/s NovaEdge Industries Pvt. Ltd. is convicted?

Answer:

(a) It is non-cognizable offence

(b) Quantum of punishment: Upto 3 years with fine. Non-cognisable offence and it is bailable.

Note: (i) Minimum imprisonment is 6 months unless special or adequate reasons are noticed by the Judiciary.

(ii) If the assessee committed second and subsequent time then irrespective of evasion of tax, maximum imprisonment upto 5 years.



Illustration 8

Examine the implications as regards the bailability and quantum of punishment on prosecution, in respect of the following cases pertaining to the period October, 20XX under the CGST Act, 2017:

(i) Arion Tech Solutions Ltd. collects ₹265 lakh as tax from its clients and deposits only ₹258 lakh with the Central Government. It is discovered that the company has falsified its financial records and failed to maintain proper documentation.

(ii) BriskLine Infra Pvt. Ltd. collects ₹610 lakh as tax from its clients but deposits only ₹38 lakh with the Central Government.

What will be the implications with regard to punishment on prosecution of Arion Tech Solutions Ltd. and BriskLine Infra Pvt. Ltd. for the above offences? What would be the position if both companies repeat the offences?

It may be assumed that the offences are proved in the Court.

Answer:

(i) Failure to deposit ₹7 lakh collected as tax by Arion Tech Solutions Ltd. (₹265 lakh collected – ₹258 lakh deposited) will not attract imprisonment under Section 132(1)(d) of the CGST Act, 2017, since the shortfall does not exceed the ₹100 lakh threshold.

However, the falsification of financial records and failure to maintain proper records by Arion Tech Solutions Ltd. is punishable with imprisonment up to 6 months, or with fine, or both, as per Section 132(1)(f)(iv) of the CGST Act, 2017, assuming that the falsification was with an intent to evade tax. This offence is bailable as per Section 132(4) of the CGST Act, 2017.

(ii) Failure to pay the tax collected within 3 months from the due date is punishable with imprisonment up to 5 years and with fine under Section 132(1)(d)(i) if the amount of tax evaded exceeds ₹500 lakh.

In this case, BriskLine Infra Pvt. Ltd. collected ₹610 lakh and deposited only ₹38 lakh, resulting in tax evasion of ₹572 lakh. Therefore, the company is liable for imprisonment up to 5 years and with fine. Further, under Section 132(3), the imprisonment shall be a minimum of 6 months, unless the court records special and adequate reasons to impose a lesser sentence. This offence is also classified as non-bailable under Section 132(5) of the CGST Act, 2017.

If Arion Tech Solutions Ltd. and BriskLine Infra Pvt. Ltd. repeat the offences, then under Section 132(2) of the CGST Act, 2017, they shall be punishable for the second and every subsequent offence with imprisonment up to 5 years and with fine. The imprisonment shall again be a minimum of 6 months, in the absence of special and adequate reasons recorded in the judgment.

Illustration 9

Answer the following questions:

(a) Avantech Solutions Pvt. Ltd. owns and supplies certain goods costing ₹36,00,000 using a

conveyance hired from Skylink Logistics. The market value of the said goods is ₹48,00,000, and the GST chargeable on them is ₹5,76,000.

The goods supplied by Avantech Solutions Pvt. Ltd. and the conveyance (owned by Skylink Logistics) used for transportation are confiscated, as the supply was made in contravention of the CGST Act, 2017, with an intent to evade payment of tax.

However, the proper officer proposes to give both Avantech Solutions Pvt. Ltd. and Skylink Logistics an option to pay a fine in lieu of confiscation, as per Section 130 of the CGST Act, 2017.

Determine the maximum amount of fine in lieu of confiscation on:

(i) the goods liable for confiscation

(ii) the conveyance used for carriage of such goods

(b) Mr. Keshav Bhandari, a registered supplier in Chhattisgarh, failed to pay GST amounting to ₹8,200 for the month of February, 20XX. The proper officer imposed a penalty for non-payment of tax.

However, Mr. Bhandari contends that the lapse constitutes a minor breach, and under Section 126 of the CGST Act, 2017, no penalty should be imposed for minor breaches of tax regulations.

Answer:

(a)

(i) As per Section 130(2) of the CGST Act, 2017, the maximum fine in lieu of confiscation of goods shall be equal to the market value of the goods confiscated, less the tax chargeable thereon.

In this case:

Market value of goods = ₹48,00,000

GST on goods = ₹5,76,000

Maximum fine leviable = ₹48,00,000 – ₹5,76,000 = ₹42,24,000

(ii) In case the conveyance used for carriage of such goods is liable for confiscation, the maximum amount of fine in lieu of confiscation, as per the third proviso to Section 130(2) of the CGST Act, 2017, shall be equal to the tax payable on the goods transported.

Therefore, maximum fine leviable on the conveyance = ₹5,76,000

b)

No, Mr. Keshav Bhandari's claim is not tenable in law. As per Section 126(1) of the CGST Act, 2017, a breach is considered a 'minor breach' only if the amount of tax involved is less than ₹5,000.

In the present case, the amount of tax involved is ₹8,200, which exceeds the ₹5,000 threshold. Hence, the breach does not qualify as a minor breach, and a penalty is imposable under the CGST Act, 2017.



Illustration 10

Mr. Aarav Nandan has been issued a Show Cause Notice (SCN) on 28.11.2025 under Section 73(1) of the CGST Act, 2017 on account of short payment of tax during the period between 01.08.2021 and 31.10.2021. He has been granted an opportunity for personal hearing on 10.12.2025.

Advise Mr. Aarav Nandan as to what should be the written submissions in the reply to the show cause notice issued to him.

Answer:

The SCN has been issued for the period between 01.08.2021 to 31.10.2021, which falls under the financial year (FY) 2021–22. The due date for furnishing the annual return for FY 2021–22 is 31.12.2022, and the three-year period from this due date expires on 31.12.2025.

Accordingly, under Section 73(1) of the CGST Act, 2017, the Show Cause Notice ought to have been issued latest by 31.10.2025.

Since the SCN has been issued on 28.11.2025, which is after the expiry of the limitation period, the entire proceedings are time-barred and deemed to be concluded under Section 75(10) of the CGST Act, 2017.

Illustration 11

Stratosyn Digital Systems Pvt. Ltd. has been issued a Show Cause Notice (SCN) on 28.02.2026 under Section 74A(1) of the CGST Act, 2017 on account of short payment of tax during the period May 2023. Stratosyn Digital Systems Pvt. Ltd. contends that the show cause notice issued to it is time-barred in law.

You are required to examine the technical veracity of the contention of Stratosyn Digital Systems Pvt. Ltd..

Answer:

The SCN has been issued for the period **May 2023**, which falls in the **financial year (FY) 2023–24**. The **due date for furnishing the annual return** for FY 2023–24 is **31.12.2024**, and the **three-year period** from the due date of filing the annual return **lapses on 31.12.2027**.

Thus, the SCN under **Section 73(1)** ought to have been issued **latest by 30.09.2027**.

Since in the present case, the notice has been issued on **28.02.2026**, it is **well within the permissible time limit**.

Accordingly, the contention of **Stratosyn Digital Systems Pvt. Ltd.** that the notice is time-barred is **not correct in law**

Note: The proper officer shall issue the notice under subsection (1) of section 74A (w.e.f. 1-11-2024) for the financial year 2024-25 onwards) within forty-two months from the due date for furnishing of annual return for the financial year to which the tax not paid or short paid or input tax credit wrongly availed or utilised relates to or within forty- two months from the date of erroneous refund.

Illustration 12

Mr. Rishabh S. Malhotra self-assessed his tax liability as ₹1,20,000 for the month of June 20XX but failed to make the payment. Subsequently, the Department initiated penal proceedings against Mr. Rishabh S. Malhotra for recovery of penalty under Section 74A of the CGST Act, 2017 for failure to pay GST and issued a Show Cause Notice on 12-09-20XX, which was received by Mr. Rishabh S. Malhotra on 15-09-20XX.

Mr. Malhotra deposited the tax along with applicable interest on 22-09-20XX and informed the Department on the same day. However, the Department contends that he is liable to pay a penalty of ₹60,000 (i.e., 50% of ₹1,20,000).

Examine the correctness of the stand taken by the Department with reference to the provisions of the CGST Act, 2017, explaining the relevant provisions in brief.

Answer:

The due date for payment of tax for the month of June, 20XX is 20.07.20XX. As per Section 74A of the CGST Act, 2017, where self-assessed tax is not paid within 30 days from the due date of payment of such tax, a penalty equal to 10% of the tax amount or ₹10,000, whichever is higher, becomes payable.

Therefore, the option to pay tax within 30 days of issuance of SCN to avoid penalty is not available in cases of self-assessed tax.

Since Mr. Rishabh S. Malhotra did not pay the self-assessed tax within 30 days of the due date (i.e., 20.07.20XX), the penalty payable will be the higher of:

– 10% of ₹1,20,000 = ₹12,000

– ₹10,000

Hence, the penalty payable is ₹12,000. The Department's claim of ₹60,000 (i.e., 50% of ₹1,20,000) is not correct, and the same is not supported by Section 73 of the CGST Act, 2017.

Illustration 13

Mr. Karan Bhide, in a statement made and signed by him under **Section 70** of the CGST Act, 2017, has stated that **M/s Nexora Industries Ltd.** supplied raw materials to him **without issuing any invoice**.

Before the statement of **Mr. Karan Bhide** can be considered **relevant and admissible** in prosecution against **M/s Nexora Industries Ltd.** for the purpose of proving that they have committed an offence of supplying goods **without issuance of invoice**, it is necessary that the statement passes the legal test of “**being relevant**”.

This **test of relevance** is defined under **Section 136 of the CGST Act, 2017**. Explain.



Answer:

As per Section 136(b) of the CGST Act, 2017, before the statement made by Mr. Karan Bhide is treated as relevant and admissible under the law, the following conditions must be satisfied:

- The maker of the statement (i.e., Mr. Karan Bhide) must be present during the proceedings before the adjudicating authority.
- The court is legally required to examine him.
- The court must form an opinion that, having regard to the circumstances of the case,
- The statement should be admitted as evidence in the interest of justice.

Only when these criteria are fulfilled can the statement of Mr. Karan Bhide be used as admissible evidence against M/s Nexora Industries Ltd. in the prosecution for supplying goods without issuing an invoice.

Illustration 14

On 08.08.20XX, a Show Cause Notice for ₹6,20,000 was issued to Mr. Devansh Menon, demanding short payment of GST amounting to ₹5,60,000 for the month of March, 20XX, along with interest of ₹60,000.

Mr. Devansh Menon raised objections, and after a personal hearing on 22.09.20XX, the adjudicating authority passed the final order confirming GST liability of ₹4,70,000, with no mention of interest in the order.

Mr. Devansh Menon deposited the GST amount of ₹4,70,000 on 24.09.20XX and informed the department the same day. However, on 04.10.20XX, the Department demanded interest of ₹65,000 on the GST amount of ₹4,70,000.

Mr. Devansh Menon refuses to pay the interest, contending that he has discharged the entire amount mentioned in the final adjudication order, and therefore no interest liability remains.

Examine the validity of the action taken by the Department in light of the relevant provisions of the CGST Act, 2017, with a brief explanation.

Answer:

As per **Section 75(9)** of the CGST Act, 2017, **interest on the tax short paid is payable irrespective of whether it is specified in the final adjudication order** or not.

Therefore, based on this provision, **Mr. Devansh Menon** will be **liable to pay interest**, even though the same was **not mentioned in the final adjudication order**. His contention that he is **not liable to pay interest** because he has deposited the **entire amount specified in the final order** is **not valid in law**.

However, it is also a settled position that the **interest amount demanded by the Department cannot exceed** the amount of interest originally **specified in the show cause notice**.

In this case, since the **SCN specified interest of ₹60,000**, the **Department cannot demand ₹65,000**. Hence, the **maximum recoverable interest** from **Mr. Devansh Menon** shall be **₹60,000**, and **any excess demand is not legally sustainable**.

Illustration 15

A **show cause notice** was issued demanding **GST of ₹2,10,500** for the month of **August, 20XX** on **5th October, 20XX**. However, after conducting a **personal hearing**, the **adjudicating authority** found that there was a **typographical error** in the SCN while mentioning the GST amount and **confirmed the demand for ₹21,10,500**. The assessee now seeks your advice.

What would be your advice in the following situations:

(a) The assessee approaches you **after the issuance of the order**, or

(b) A **corrigendum revising the amount to ₹21,10,500** is issued on **18th November, 20XX**.

Answer:

(a) Advice after issue of order:

As per Section 75(7) of the CGST Act, 2017, the amount of tax, interest, and penalty demanded in the order cannot exceed the amount specified in the show cause notice.

In the present case, the amount of tax confirmed in the order (₹21,10,500) is significantly higher than the amount mentioned in the SCN (₹2,10,500). Therefore, the assessee has valid grounds to file an appeal against the adjudication order, as it violates the statutory limit prescribed under Section 75(7).

b) Advice after issue of corrigendum:

As per Section 161 of the CGST Act, 2017, any authority who has issued a notice may rectify any error apparent on the face of the record, either on its own motion or otherwise, within 6 months from the date of issue of such notice. However, where the rectification is purely clerical or arithmetical in nature, arising from any accidental slip or omission, the 6-month time limit does not apply.

In this case, the corrigendum issued on 18th November, 20XX seeks to correct a typographical error in the original SCN by revising the tax amount from ₹2,10,500 to ₹21,10,500. Since this is a clerical error apparent on face of the record, the rectification is valid in law, and the time limit will not apply.

Therefore, the assessee should respond to the show cause notice considering the revised amount of demand as mentioned in the corrigendum

Illustration 16

Quantrex Solutions Pvt. Ltd. has self-assessed its tax liability under the IGST Act, 2017 as ₹1,05,000. However, it fails to pay the tax within 30 days from the due date of payment.

Determine the interest and penalty payable by the company by explaining the relevant provisions of law, based on the following particulars available from its records:



Date of collection of tax: 12th October, 20XX

Date of payment of tax: 28th December, 20XX

No Show Cause Notice (SCN) has been issued to Quantrex Solutions Pvt. Ltd. so far, and the company intends to discharge its liability voluntarily, before any SCN is served, assuming that no penalty will be applicable if payment is made prior to issuance of SCN.

Analyse the above case and answer.

Answer:

The due date for payment of tax collected on 12.10.20XX is 20.11.20XX.

However, since the tax is actually paid on 28.12.20XX, interest @ 18% p.a. is payable for the period the tax remained unpaid, i.e., 38 days, in accordance with Section 50 of the CGST Act, 2017.

Amount of interest = ₹1,05,000 × 18% × 38 / 365 = ₹1,963 (rounded off)

As per Section 74A(11) of the CGST Act, 2017, where self-assessed tax or any amount collected as tax is not paid within 30 days from the due date, the option to pay such tax before issuance of SCN to avoid penalty is not available.

Consequently, the applicable penalty shall be the higher of:

(i) 10% of tax = ₹1,05,000 × 10% = ₹10,500

(ii) ₹10,000

So, penalty payable = ₹10,500

Note: As per Circular No. 76/50/2018-GST dated 31st December 2018, penalty under Section 73(11) is not applicable in cases of delayed filing of GSTR-3B, where tax and applicable interest have been paid late but within 30 days of the due date.

However, this circular is not applicable to Quantrex Solutions Pvt. Ltd. As it has collected tax but failed to deposit it within 30 days of the due date. Therefore, penalty is rightly applicable.

Illustration 17

The Department has initiated prosecution proceedings against a taxable person, Mr. Neeraj Vyas, who is alleged to have evaded GST of ₹6.8 crores. He has approached the Commissioner with a request for compounding the offence.

After examining the request, the Commissioner has directed Mr. Neeraj Vyas to pay ₹3.9 crores as the compounding amount.

Indicate the minimum and maximum limits for the compounding amount. Is the amount fixed by the Commissioner in this case within the limits prescribed under the law?



Also, what is the consequence of the Commissioner's decision allowing the request for compounding of the offence?

Answer:

With effect from 1st October, as per Section 138(2) of the CGST Act, 2017, the amount for compounding of offences shall be as prescribed, subject to the condition that:

- The minimum amount is not less than 25% of the tax involved, and
- The maximum amount is not more than 100% of the tax involved.

In the present case, the tax evaded by Mr. Neeraj Vyas is ₹6.8 crores. Therefore, the minimum compounding amount = ₹6.8 crore × 25% = ₹1.7 crore

The maximum compounding amount = ₹6.8 crore × 100% = ₹6.8 crore

The amount fixed by the Commissioner, i.e., ₹3.9 crores, is within the permissible limits as prescribed under the law.

If Mr. Neeraj Vyas pays the compounding amount as directed by the Commissioner, no further proceedings shall be initiated under GST law for the same offence and any criminal proceedings already initiated in respect of that offence shall stand abated.

Illustration 18

Horizon Holidays Pvt. Ltd., a **registered taxable person** under **GST** in the **State of Karnataka**, provides **overseas package tours**. The company's **gross receipts** from such tours for the month of **March 2025** amounted to **₹ 60 crore**.

Out of ₹ 60 crore:

- ₹ 15 crore were received from **registered persons**.
- The company, while filing **GSTR-1** for **March 2025**, **tampered the invoice amounts** issued to **unregistered persons** and **under-reported ₹ 25 crore** on account of **B2C transactions** (i.e., transactions with unregistered persons), thereby **understating tax liability** by ₹ 4.50 crore (i.e., **18% of ₹25 crore**).

In addition, while filing **GSTR-3B** for the same month, **Horizon Holidays Pvt. Ltd.** **availed ITC** of ₹ 0.50 crore on account of **fake invoices** received **without the actual receipt of goods/services**.

The **GST Department** initiated **prosecution proceedings** against **Horizon Holidays Pvt. Ltd.** for these offences.

Horizon Holidays Pvt. Ltd.:

- Deposited the **tax due**, along with **interest** and **penalty**.
- Deposited ₹ 1.25 crore as **compounding amount** (being 25% of the **tax evaded**) and requested the **Commissioner** for **compounding of the offence**.

Even though all **other conditions for compounding** were fulfilled, the **Commissioner rejected**



the request on the ground that the **compounding amount deposited was less than the minimum required.**

Examine the case and **comment upon the rejection of the compounding request** by the **Commissioner** under **Section 138 of the CGST Act, 2017** read with relevant **CGST Rules, 2017.**

Also, discuss the **relevant legal provisions** briefly.

Answer:

Offences Committed by Horizon Holidays Pvt. Ltd.:

1. **Availing ITC using fake invoices without receipt of goods/services (Section 132(1)(c)).**
2. **Falsification or substitution of financial records with the intent to evade tax (Section 132(1)(f)).**

Aggregate Amount of Tax Evasion/ITC Wrongly Availed:

- **Understated output tax liability: ₹ 4.50 crore**
- **Fake ITC availed: ₹ 0.50 crore**
- **Total amount involved = ₹ 5 crore**

Compounding Provisions (Section 138 of CGST Act, 2017):

- **Compounding amount** is prescribed under **Rule 162 of CGST Rules, 2017.**
- Where **multiple offences** are committed, the **higher rate of compounding amount** is applicable.

Offence Type	Compounding Rate
Availing ITC on fake invoices	40% of ITC wrongly availed
Falsification of financial records (tax evasion)	40% of tax evaded (since it exceeds ₹2 crore but ≤ ₹5 crore)

Since the **higher rate** applies, **40%** is used for both offences.

Computation of Required Compounding Amount:

Compounding amount = $40\% \times ₹5 \text{ crore} = ₹2 \text{ crore}$

Conclusion:

- **Horizon Holidays Pvt. Ltd.** deposited ₹ **1.25 crore**, which is **less than the required compounding amount of ₹ 2 crore.**
- Therefore, the **Commissioner's rejection** of the **compounding request** is **justified.**

Summary of Legal Provisions:

- **Section 138(1):** Provides for **compounding of offences** under **GST**, subject to specified conditions.
- **Rule 162 of CGST Rules, 2017:** Specifies rates for **compounding:**
 - **25% to 100%** of the **tax evaded/ITC wrongly availed** based on the offence.
- In cases of **multiple offences**, the **higher compounding rate** applies.

Illustration 19

M/s **Galaxy Electronics Pvt. Ltd.**, registered in **Delhi**, was transporting **electronic goods** worth **₹12,00,000** from **Delhi** to **Karnataka**. The vehicle was **detained in Madhya Pradesh** by GST officers on **15th November 2025** due to the **absence of a valid e-way bill**.

Key Details:

1. **Value of goods:** ₹12,00,000
2. **Applicable GST rate:** 18% (Tax payable: ₹2,16,000)

You are required to answer the following:

1. What is the **penalty amount payable** under **Section 129(1)** in the following cases:
 - a. **Case 1:** When the **owner comes forward**.
 - b. **Case 2:** When the **owner does not come forward**.
2. What is the **tax liability status** in this scenario? Is it payable along with the penalty?
3. What are the **compliance steps** for the release of goods and conclusion of proceedings as per **Rule 142(3)**?

Answer:

1. Penalty Amount Computation under Section 129(1):

Case 1: Owner Comes Forward

- **Penalty** = 200% of the **tax payable**
- **Tax payable** = ₹2,16,000
- **Penalty** = ₹2,16,000 × 200% = **₹4,32,000**

Case 2: Owner Does Not Come Forward

- **Penalty options:**
 - o **50% of the value of goods** = ₹12,00,000 × 50% = ₹6,00,000
 - o **200% of the tax payable** = ₹4,32,000
- **Higher of the two** = **₹6,00,000**

2. Tax Liability Status (Delinking of Tax & Penalty):

- As per the **amendment**, the **payment of penalty under Section 129** has been **delinked from the payment of tax**.
- **Tax amount (₹2,16,000)** is **NOT payable for the release of goods**.
- The **tax liability** will be **separately adjudicated** under **Section 74A** (demand and recovery provisions).



3. Compliance Steps as per Rule 142(3):

Step-by-Step Process:

1. Notice in FORM GST MOV-07 issued on **15th November 2025** indicating the **penalty**.
2. **M/s Galaxy Electronics Pvt. Ltd.** (or transporter) **pays the penalty amount** within **7 days** of notice (i.e., by **22nd November 2025**) through **FORM GST DRC-03**:
 - a. **₹4,32,000** (if owner comes forward).
 - b. **₹6,00,000** (if owner does not come forward).
3. The **taxpayer intimates the proper officer** by filing **FORM GST DRC-03** for the penalty payment.
4. **Proper officer** verifies the payment and:
 - a. Issues **FORM GST MOV-05** (releasing the goods and conveyance).
 - b. Issues **FORM GST DRC-05** (concluding the detention proceedings).

Summary Table:

Particulars	Owner Comes Forward	Owner Does Not Come Forward
Tax Payable	₹2,16,000 (adjudicated later under Section 74A)	₹2,16,000 (adjudicated later under Section 74A)
Penalty Payable	₹4,32,000	₹6,00,000
Form for Payment	GST DRC-03	GST DRC-03
Forms Issued by Officer	GST MOV-05 + GST DRC-05	GST MOV-05 + GST DRC-05

Key Takeaways:

- **Penalty** is the **only amount payable** for the **release of goods** under **Section 129**.
- **Tax liability** will be **separately demanded** via **adjudication under Section 74A**.
- **Timely payment within 7 days** ensures the **release of goods** and **conclusion of proceedings** under **Rule 142(3)**.

Illustration 20

M/s X Pvt. Ltd. operates in **two states**:

- **Unit A (Tamil Nadu)**: Turnover = ₹3,00,00,000
- **Unit B (Andhra Pradesh)**: Turnover = ₹1,50,00,000
- **Aggregate turnover for FY 2024-25** = ₹4,50,00,000

Key Dates:

- **Due date for GSTR-9 for FY 2024-25**: **31st December 2025**
- **Filing date for Unit A (Tamil Nadu)**: **30th April 2026**
- **Filing date for Unit B (Andhra Pradesh)**: **31st December 2025** (on time)

Questions:

1. What is the late fee liability for Unit A (Tamil Nadu) & Unit B (Andhra Pradesh) for delayed filing of GSTR-9?
2. Explain the computation of late fees based on Notification No. 07/2023-CT dated 31.03.2023.

Answer:

1. Late Fee Liability for Unit A (Tamil Nadu):

- Aggregate Turnover of M/s X Pvt. Ltd.: ₹4,50,00,000 (up to ₹5 crore)
- Due date for GSTR-9 filing: 31st December 2025
- Actual filing date: 30th April 2026
- Delay period: 120 days (from 1st January 2026 to 30th April 2026)
 - o January: 31 days
 - o February (non-leap year): 28 days
 - o March: 31 days
 - o April: 30 days
 - o Total delay: 120 days

Late Fee Computation (As per Notification No. 07/2023-CT dated 31.03.2023):

- Applicable category: Aggregate turnover up to ₹5 crore.
- Late fee rate: ₹50 per day (₹25 each for CGST & SGST)
- Maximum cap: 0.04% of turnover in the State/UT (0.02% CGST + 0.02% SGST)

Step 1: Compute late fee based on daily rate:

Particulars	Amount (₹)
Days of delay	120 days
Late fee per day (CGST+SGST)	₹50
Total late fee	$120 \times ₹50 = ₹6,000$

Step 2: Compute maximum cap (0.04% of turnover in Tamil Nadu):

Particulars	Amount (₹)
Turnover in Tamil Nadu (Unit A)	₹3,00,00,000
Maximum cap @0.04% (CGST+SGST)	$₹3,00,00,000 \times 0.04\% = ₹12,000$

Step 3: Final late fee payable (whichever is lower):

- Late fee based on daily rate: ₹6,000
- Maximum cap: ₹12,000



Final late fee payable for Unit A (Tamil Nadu): ₹6,000 (₹3,000 CGST + ₹3,000 SGST)

2. Late Fee Liability for Unit B (Andhra Pradesh):

- **GSTR-9 for FY 2024-25 was filed on time (31st December 2025).**
- **No delay, hence no late fee payable.**

3. Explanation Based on Notification No. 07/2023-CT dated 31.03.2023:

- **For registered persons with aggregate turnover up to ₹5 crore:**
 - **Late fee:** ₹50 per day (₹25 each for CGST & SGST)
 - **Maximum cap:** 0.04% of turnover in the State/UT (0.02% CGST + 0.02% SGST)
- **For turnover exceeding ₹5 crore up to ₹20 crore:**
 - **Late fee:** ₹100 per day (₹50 each for CGST & SGST)
 - **Maximum cap:** 0.04% of turnover in the State/UT
- **For turnover exceeding ₹20 crore:**
 - **Late fee under Section 47:** ₹200 per day (₹100 each for CGST & SGST)
 - **Maximum cap:** 0.5% of turnover in the State/UT (0.25% CGST + 0.25% SGST)

Detention, Seizure and Confiscation Inspection, Search, Seizure, Arrest & Prosecution [Study Material - Module 15]

Illustration 1

M/s Finely Fabrics Pvt. Ltd., a registered manufacturer of textiles in Gujarat, is undergoing an enquiry initiated by the GST department based on suspicion of undervalued supplies and incorrect ITC availment for FY 2023-24. The Superintendent of Central Tax, empowered under Section 71 of CGST Act, 2017, seeks access to the business premises on 5th June 2025 to inspect and verify records.

Key Data during Access to Business Premises:

- **Turnover reported in GSTR-3B:** ₹15 crore.
- **Turnover as per audited financial statements:** ₹17 crore.
- **Difference in turnover:** ₹2 crore (undeclared supplies found).
- **GST rate applicable:** 12% (textile products).
- **ITC claimed:** ₹1.8 crore.
- **ITC as per actual invoices & reconciliation:** ₹1.5 crore.
- **Excess ITC availed:** ₹30 lakh.

During access, the officer demands the following records:

1. **Trial balance** for FY 2023-24.
2. **Audited annual financial statements.**
3. **Cost audit report** (available).
4. **Income tax audit report** (available).
5. **Records declared to the GST department.**

Additional Information:

- The business **allowed access** and **produced all required records.**
- The officer identifies:
 - o **Undeclared supplies:** ₹2 crore.



- o **Excess ITC availed and utilized:** ₹30 lakh.
- **Interest rate applicable:**
 - o **GST on turnover discrepancy:** 18% p.a. under **Section 50(1)**.
 - o **Excess ITC availed and utilized:** 24% p.a. under **Section 50(3)**.
- **Interest calculation period:**
 - o From **20th April 2024** (due date for March 2024 return) to **5th June 2025** (date of access)
= **411 days**.

Required:

1. **Explain the provisions of Section 71 of CGST Act, 2017 on access to business premises.**
2. **List the records** that M/s Finely Fabrics Pvt. Ltd. must produce.
3. **Compute total GST liability and interest** arising from the discrepancies found.

Solution:

1. Legal Provision – Section 71 of CGST Act, 2017 (Access to Business Premises):

• **Section 71(1):**

A **proper officer**, authorized under the GST Act, has **access to any business premises** for **verification of records, returns, and other documents** required for any **enquiry or proceeding** under the Act.

• **Section 71(2):**

The **registered person** or the **person in charge of the premises** must:

- o **Furnish records, books, documents, computers, software, or any other material** as required by the officer.
- o **Assist the officer** during the process of enquiry, audit, or special audit.
- **Purpose:**

Ensures **transparency and compliance** with the GST law.

2. Required Records to be Produced (as per the enquiry):

The following records must be furnished:

- i) **Records prepared and declared** to the GST officer.
- ii) **Trial balance** or equivalent statement.
- iii) **Audited annual financial statements**.
- iv) **Cost audit report** (if applicable).

v) **Income tax audit report** (if applicable).

vi) **Any other relevant records** (e.g., invoice details, ITC registers).

M/s Finely Fabrics Pvt. Ltd. produced **all these records** during the **access to premises** on 5th June 2025.

3. GST Liability & Interest Computation:

(A) GST on Undeclared Turnover:

Particulars	Amount (₹)
Undeclared turnover	₹2 crore
GST rate (textiles)	12%
GST liability on undeclared turnover	₹24 lakh

(B) Reversal of Excess ITC (Availed & Utilized):

Particulars	Amount (₹)
Excess ITC availed	₹30 lakh
Interest rate	24% p.a.
Period (411 days)	411/365
Interest payable on ITC	₹8,10,739

(C) Interest on Undeclared Turnover @18% p.a.:

Particulars	Amount (₹)
Tax amount	₹24 lakh
Interest rate	18% p.a.
Period (411 days)	411/365
Interest payable on turnover	₹4,86,444

Total Liability Summary:

Particulars	Amount (₹)
GST on undeclared turnover	₹24,00,000
Excess ITC reversal	₹30,00,000
Interest on undeclared turnover (18%)	₹4,86,444
Interest on excess ITC (24%)	₹8,10,739
Total liability payable	₹66,97,183

Conclusion:

- **Total GST liability (tax + ITC reversal + interest) for M/s Finely Fabrics Pvt. Ltd. = ₹66,97,183.**
- **Section 71** empowers GST officers to **access premises** and demand **specific records** for effective compliance.



- The **interest rate** differs:
 - o **18% p.a. on tax liability.**
 - o **24% p.a. on excess ITC availed and utilized.**

Illustration 2

M/s **Omega Enterprises**, registered in **Delhi**, engaged in trading of electronic goods, was found guilty of **issuing fake invoices without actual supply of goods or services** during a GST investigation. The findings revealed:

- **Total value of fake invoices issued:** ₹30 crore.
- **Tax evaded (GST @18%):** ₹5.4 crore.

The offence falls under **Section 132(1)(i)** of the **CGST Act, 2017**, as the **tax evaded exceeds ₹5 crore**, categorizing it as a **cognizable and non-bailable offence**.

The **Commissioner of Central Tax** authorizes the arrest of **Mr. Rohan Kapoor**, the Managing Director of Omega Enterprises, under **Section 69 of CGST Act, 2017**.

Based on the above, answer the following:

- (a) Explain the provisions of **Section 69 of CGST Act, 2017** relating to arrest, particularly for cognizable offences.
- (b) What safeguards are available to **Mr. Rohan Kapoor** under **Section 69** and the **Code of Criminal Procedure (CrPC)**?
- (c) Apply the numerical facts of the case to determine the compliance steps followed during the arrest.

Answer:

(a) Provisions of **Section 69 of CGST Act, 2017 (Arrest):**

- **Section 69(1):**

The **Commissioner** of Central Tax can **authorize arrest** if a person is believed to have committed offences specified under **Section 132**, which includes:

- o **Fake invoicing.**
- o **Tax evasion.**
- o **Wrongful ITC availment or utilization.**
- **Section 132(5):**

If **tax evasion exceeds ₹5 crore**, the offence is classified as **cognizable and non-bailable**:

- o **Cognizable offence:** An offence for which the person **can be arrested without a warrant** and requires **production before a Magistrate**.

o **Non-bailable offence:** Bail is at the discretion of the **Magistrate**.

• **Section 69(2)(a):**

For **cognizable offences**:

o The arrested person must be **informed of the grounds of arrest**.

o Must be **produced before a Magistrate within 24 hours**.

• **Section 69(3):**

The **arrest procedure** must comply with the **Code of Criminal Procedure (CrPC)**.

(b) Safeguards for Mr. Rohan Kapoor (Section 69 & CrPC):

1. Communication of Grounds of Arrest (Section 69(2)(a)):

a. **Mr. Rohan Kapoor** must be informed of the **reason for arrest** (i.e., **₹5.4 crore tax evasion**).

2. Production before Magistrate within 24 hours (Section 69(2)(a) & CrPC Section 57):

a. He must be **produced before a Magistrate** within **24 hours** (excluding travel time).

3. Compliance with CrPC Procedures (Section 69(3)):

a. **Arrest memo** must be prepared, mentioning:

i. **Date and time of arrest**.

ii. **Witness signatures** (preferably family member/friend or independent person).

b. **Right to inform family/friends** about the arrest (CrPC safeguard).

c. **Use of reasonable force** if required (CrPC Section 41 guidelines).

(c) Application to the Case (Numerical Compliance):

Details of Offence	Amount (₹)
Value of fake invoices issued	₹30 crore
Tax evaded (18%)	₹5.4 crore
Cognizable offence threshold	₹5 crore
Nature of offence (Section 132(5))	Cognizable & Non-bailable

Compliance steps during arrest of Mr. Rohan Kapoor:

1. Commissioner of Central Tax authorized arrest under **Section 69(1)** due to **₹5.4 crore tax evasion** (exceeds ₹5 crore).

2. Grounds of arrest communicated to Mr. Kapoor at the time of arrest.

3. Arrest memo prepared with details of arrest, signed by **independent witnesses**.

4. Family member informed about the arrest as per **CrPC**.



5. **Produced before Magistrate within 24 hours** of arrest, ensuring compliance with **Section 69(2)(a)** and **CrPC Section 57**.

Conclusion:

- The **arrest of Mr. Rohan Kapoor** falls under **cognizable and non-bailable offence** as **tax evasion exceeds ₹5 crore**.
- **Safeguards ensured** under **Section 69 of CGST Act, 2017** and **CrPC**:
 - o Communication of **arrest grounds**.
 - o **24-hour production** before a **Magistrate**.
 - o Compliance with **CrPC arrest procedures**.

This ensures **lawful arrest** and **protection of individual rights** under **GST law** and **criminal procedure**.

Illustration 3

M/s **Global Textiles Pvt. Ltd.**, registered in **Maharashtra**, received a **demand notice under Section 73** for **FY 2018-19** on **1st August 2023**, relating to **non-evasion of tax** due to incorrect classification of goods. The details are as follows:

- **Tax demand (as per notice): ₹25,00,000**
- **Interest demand: ₹5,00,000**
- **Penalty demand: ₹2,50,000**

The company had **already paid ₹15,00,000** towards the tax liability via **DRC-03** on **30th March 2024**. Subsequently, **Notification No. 20/2024** introduced an **amnesty scheme under Section 128A**, effective from **1st November 2024**, waiving **interest and penalty** for certain cases under **Section 73**.

Additional Facts:

1. The demand pertains to the **period from 1st July 2017 to 31st March 2020**.
2. **Adjudication order** under **Section 73** is **not yet issued** as of **1st November 2024**.
3. The company applies for closure of proceedings under **Section 128A** on **15th November 2024**.
4. **Balance tax liability** was paid on **15th March 2025** (before **31st March 2025** deadline).

Required:

1. Determine the **eligibility** of M/s **Global Textiles Pvt. Ltd.** for the **amnesty scheme under Section 128A**.
2. Calculate the **total payment required** and **waiver availed**.
3. Explain the **procedural compliance** steps, including **forms to be filed**.

Answer:

1. Eligibility under Section 128A (Amnesty Scheme):

Condition	Status
Period covered (1st July 2017 - 31st March 2020)	Yes (FY 2018-19)
Notice issued under Section 73 (non-evasion case)	Yes
Adjudication order not issued (Section 128A(1)(a))	Yes (clause (a) of Section 128(1))
Full tax paid before 31st March 2025 (₹25,00,000)	Yes
Application under amnesty filed on 15th November 2024 (within scheme)	Yes (within scheme period)

Conclusion:

M/s Global Textiles Pvt. Ltd. is **eligible** for the **amnesty scheme under Section 128A**, satisfying all conditions.

2. Total Payment and Waiver:

Particulars	Amount (₹)
Total tax demand	₹25,00,000
Interest demand	₹5,00,000
Penalty demand	₹2,50,000
Waiver (Interest + Penalty)	₹7,50,000 (Full waiver)
Tax paid via DRC-03 (30-03-2024)	₹15,00,000
Balance tax paid (15-03-2025)	₹10,00,000
Total tax paid	₹25,00,000

Net payable under scheme:

- Only tax amount (₹25,00,000).
- Interest (₹5,00,000) and Penalty (₹2,50,000) fully waived.

3. Procedural Compliance:

Step	Form
Payment of ₹15,00,000 (prior to adjudication order)	DRC-03
Adjustment of DRC-03 payment toward ELR Part II (demand register)	DRC-03A
Application for closure of proceedings under Section 128A (Amnesty)	GST SPL-01
Proper officer for SPL-01 (Notice under Section 73)	Jurisdictional Officer (Section 73)
Final order waiving interest & penalty under Section 128A	GST SPL-05



Key Notes:

- **Payment made via DRC-03 (₹15,00,000) was adjusted using DRC-03A to offset demand under Electronic Liability Register (Part II).**
- **The remaining tax liability (₹10,00,000) was paid on 15th March 2025, before the cut-off date (31st March 2025).**
- **Interest and penalty are completely waived as per the scheme.**
- **No refund is allowed for any interest or penalty already paid.**

Illustration 4

Calculate the **amount payable for the release of goods detained or seized under Section 129 of the CGST Act, 2017**, in the case where the **owner of the goods does not come forward** to pay the applicable tax and penalty.

Particulars:

Description	Amount (₹)
Value of goods	₹15,00,000
GST payable on goods	₹2,70,000

Answer:

Legal Provision:

Under **Section 129(1)(b)** of the CGST Act, 2017, where the **owner of the goods does not come forward**, the **amount payable for the release of detained goods** shall be:

- **Penalty equal to 50% of the value of goods (exclusive of tax),**

OR

- **Penalty equal to 200% of the GST payable on such goods,**

Whichever is higher.

Calculation:

Particulars	Amount (₹)
50% of the value of goods (₹15,00,000 × 50%)	₹7,50,000
200% of GST payable (₹2,70,000 × 200%)	₹5,40,000
Higher of the two	₹7,50,000

Final Answer:

The **amount payable under Section 129(1)(b)** for the **release of goods** is **₹7,50,000**.

This amount represents the **penalty** for release of the goods in the absence of the **owner**.

Illustration 5

From the details given below, determine the **maximum amount of fine in lieu of confiscation** leviable under **Section 130 of the CGST Act, 2017** for the following:

- (i) **Goods liable for confiscation.**
- (ii) **Conveyance used for carriage of such goods.**

Details:

Particulars	Amount (₹)
Cost of goods for owner (before GST)	₹12,00,000
Market value of goods	₹18,00,000
GST payable on such goods (@18%)	₹3,24,000

Answer:

Relevant Legal Provisions (Section 130 of CGST Act, 2017):

- **Section 130(2):**
 - o The **fine in lieu of confiscation** of goods shall **not exceed the market value of goods (excluding tax)**.
 - o The **minimum fine** shall **not be less than the amount of tax payable** on such goods.
- **Confiscation of conveyance (Section 130(2), second proviso):**
 - o If the **conveyance is used for carriage of goods or passengers for hire**, the **owner** is given the option to pay **fine equal to the tax payable on the goods** transported.

(i) Fine in lieu of confiscation on goods:

Particulars	Amount (₹)
Market value of goods	₹18,00,000
Less: GST payable on goods	₹3,24,000
Maximum fine leviable (Market value – GST)	₹14,76,000

(ii) Fine in lieu of confiscation on conveyance:

Particulars	Amount (₹)
Tax payable on goods transported (GST)	₹3,24,000
Fine leviable on conveyance (equal to GST)	₹3,24,000

Illustration 6

Discuss the **prosecution, arrest, and bail implications**, if any, in respect of the following cases pertaining to the **period November 2025**:



1. **Mr. Arjun** avails **input tax credit** of ₹162 lakh **without actual receipt of excisable goods**. However, he is yet to **utilize the same** (i.e., yet to confirm this credit in his **GSTR-2B return**).
2. **Mr. Sameer** wilfully evades payment of tax of ₹275 lakh.
3. **Mr. Dinesh** collects ₹585 lakh as **tax from his clients** but deposits only ₹25 lakh with the **Central Government**.
4. **Mr. Manish** collects ₹265 lakh as **IGST from his clients**, deposits ₹261 lakh with the **Central Government**, but **falsifies or substitutes financial records** or produces **fake accounts or documents**.

Answer:

Person	Offence	Prosecution / Imprisonment	Arrest	Bail
Arjun	No offence, as ITC availed but not utilized (not confirmed in GSTR-2B).	Not applicable	Not applicable	Not applicable
Sameer	Non-cognizable offence under Section 132(1)(e) (tax evasion).	Up to 3 years with fine [Section 132(1)(ii)]	Arrest by Commissioner of Central Tax possible	Bailable [Section 132(4)]
Dinesh	Cognizable offence [Section 132(1)(d)] (tax collected but not deposited).	Up to 5 years with fine [Section 132(1)(i)]	Arrest without warrant (by Commissioner)	Non-bailable [Section 132(5)]
Manish	Non-cognizable offence [Section 132(1)(f)] (falsifying accounts).	Up to 6 months or fine or both [Section 132(1)(iv)]	Arrest by Commissioner of Central Tax possible	Bailable [Section 132(4)]

Prosecution Implications for Subsequent Offences (Section 132(2)):

If **Sameer**, **Dinesh**, and **Manish** are convicted for **subsequent offences**:

Person	Prosecution for Subsequent Offences
Sameer	Imprisonment up to 5 years with fine
Dinesh	Imprisonment up to 5 years with fine
Manish	Imprisonment up to 5 years with fine

Section - B

Customs Act & Rules

14

Valuation under Custom Valuation and Related Party Transaction [Study Material - Module 18]

Illustration 1

M/s. Global Traders Pvt. Ltd. imported certain goods for subsequent sale in India at an Assessable Value of \$12,000 (CIF basis).

The following details are relevant:

Particulars	Date	Exchange rate declared by CBIC	Rate of Basic Customs Duty
Date of submission of Bill of Entry	10th January 2025	₹72/USD	8%
Date of entry inwards granted to the vessel	15th January 2025	₹73/USD	10%

Calculate the Assessable Value and Customs Duty payable in Indian Rupees.

Answer:

Legal Reasoning (Section 15 of Customs Act, 1962):

- The rate of duty and tariff value applicable is the later of:
 - Date of submission of Bill of Entry, or
 - Date of entry inwards granted to the vessel.
- Exchange rate to be applied is the CBIC rate as on the date of submission of Bill of Entry.

Step 1: Determine Applicable Rates

- Applicable Basic Customs Duty (BCD) = 10% (later date: 15th January 2025).
- Applicable exchange rate = ₹72/USD (as per 10th January 2025).

Step 2: Compute Assessable Value

Assessable Value = 12,000 x 72 = ₹8,64,000

Step 3: Compute Basic Customs Duty (BCD): BCD} = ₹8,64,000 x 10% = ₹86,400

Step 4: Compute Social Welfare Surcharge (SWS)

SWS = 10% of BCD} = 10% x ₹86,400 = ₹8,640



Step 5: Total Customs Duty Payable

$$= ₹86,400 + ₹8,640 = ₹95,040$$

Summary Table:

Particulars	Amount (₹)
Assessable Value	₹8,64,000
Basic Customs Duty (10%)	₹86,400
Social Welfare Surcharge (10% of BCD)	₹8,640
Total Customs Duty Payable	₹95,040

Illustration 2

An importer, **M/s. Orion Exports Pvt. Ltd.**, imported goods. **Entry inwards** was granted to the vessel on **10th April 2025**, and the goods were **cleared from Mumbai port for warehousing** on **12th April 2025**, after assessment.

- The **Bill of Entry** for warehousing was presented on **5th April 2025**.
- **Assessable value** was **USD 15,000** (CIF basis).
- Assume that **no additional duty** (IGST, CVD, etc.) is payable.

The goods were **warehoused at Mumbai** and were **cleared from the warehouse** on **15th June 2025**.

The **exchange rates** and **rates of Basic Customs Duty (BCD)** were as follows:

Particulars	Date	Exchange rate declared by CBIC	Basic Customs Duty
Date of submission of Bill of Entry for warehousing	5th April 2025	₹74/USD	8%
Date of entry inwards granted to the vessel	10th April 2025	₹75/USD	10%
Date of clearance of goods from warehouse	15th June 2025	₹76/USD	12%

What is the duty payable while removing the goods from the **Mumbai warehouse** on **15th June 2025**?

Answer:

Legal Reasoning (Section 15 of Customs Act, 1962):

- For **warehoused goods**, the **rate of duty** and **exchange rate** applicable are those **in force on the date of filing the ex-bond Bill of Entry** (i.e., **sub-bill of entry** filed at the time of clearance from the warehouse).
- Therefore:
 - **Rate of BCD applicable = 12%** (as on **15th June 2025**)
 - **Exchange rate applicable = ₹74/USD** (as on **5th April 2025**, the date of submission of the **Bill of Entry for warehousing**)

Step-by-Step Computation:

Step 1: Compute Assessable Value

Assessable Value = $15,000 \times 74 = ₹11,10,000$

Step 2: Compute Basic Customs Duty (BCD)

= $₹11,10,000 \times 12\% = ₹1,33,200$

Step 3: Compute Social Welfare Surcharge (SWS)

= $10\% \times ₹1,33,200 = ₹13,320$

Step 4: Total Customs Duty Payable

Particulars	Amount (₹)
Assessable Value	₹11,10,000
Basic Customs Duty (12%)	₹1,33,200
Social Welfare Surcharge (10%)	₹13,320
Total Customs Duty Payable	₹1,46,520

Illustration 3

M/s. Zenith Exports Pvt. Ltd. exported goods to Germany by air. The FOB price of goods exported is USD 1,20,000.

Compute the export duty payable by Zenith Exports Pvt. Ltd. based on the following details:

Particulars	Date	Basic Customs Duty Rate	Exchange rate declared by CBIC	Exchange rate prescribed by RBI
Presentation of shipping bill	8th March 2025	15%	1 USD = ₹74	1 USD = ₹73
Let Export Order (LEO)	12th April 2025	12%	1 USD = ₹75	1 USD = ₹74

Answer:

Legal Reasoning:

1. Assessable Value (Section 14(1) of Customs Act, 1962):

- The transaction value (FOB) is taken as the assessable value for exports.
- As per the third proviso to Section 14(1), the CBIC exchange rate on the date of submission of the shipping bill is used for converting the FOB value into INR.

2. Rate of Duty (Section 16(1)(a) of Customs Act, 1962):

- The rate of export duty applicable is the one prevalent on the date of the Let Export Order (LEO).



Computation of Export Duty:

Particulars	Amount (USD)	Amount (₹)
Assessable Value (FOB)	1,20,000	₹88,80,000 (1,20,000 × ₹74)
Export Duty @ 12% (as on LEO date)		₹10,65,600 (₹88,80,000 × 12%)

Summary Table:

Particulars	Amount (₹)
Assessable Value (FOB)	₹88,80,000
Export Duty @ 12%	₹10,65,600

Illustration 4

M/s. Orion Machines Ltd., India, imported a **machine** costing **USD 19,500** from **AlphaTech Corp., Germany** through a **vessel**. Determine the **assessable value** of the said machine under the **Customs Act, 1962** using the following additional information:

Particulars	Amount (USD)
(i) Transport charges from the factory of AlphaTech Corp. to the port for shipment	950
(ii) Freight charges from Germany to India	2,200
(iii) Handling charges paid for loading the machine on the ship	120
(iv) Buying commission paid by Orion Machines Ltd.	100
(v) Exchange rate to be considered: 1 USD = ₹62	
(vi) Actual insurance charges paid are not ascertainable	-

Answer:

Legal Reasoning:

1. Inclusions in Assessable Value (Rule 10 of Customs Valuation Rules, 2007):

- Transport charges** up to the **port of shipment**, **freight**, **handling/loading charges** at the port, and **insurance** are **includible**.
- Buying commission** is **not includible** in the assessable value (**Rule 10(1)(a)(i)**).

2. Insurance charges:

- When **actual insurance charges** are **not ascertainable**, **1.125% of FOB value** is deemed as insurance (**Rule 10(2)(b)**).

Computation of Assessable Value:

Particulars	Amount (USD)
Cost of machine	19,500
Add: Transport charges (factory to port of shipment)	950
Add: Handling charges at port of shipment	120

FOB value of exporter	20,570
Add: Insurance @ 1.125% of FOB (20,570 × 1.125%)	231.41
Add: Freight (Germany to India)	2,200
CIF value (for Customs)	23,001.41

Convert CIF Value into INR: = 23,001.41 × ₹62 = ₹14,26,087 (rounded off)

Illustration 5

M/s. NovaTech Pvt. Ltd. imported **specialized equipment** from **South Korea** at an **FOB cost of 2,50,000 Won (Korean currency)**. The other expenses incurred by M/s. NovaTech Pvt. Ltd. in connection with this import are as follows:

Particulars	Amount
(i) Freight from South Korea to India Port	25,000 Won
(ii) Insurance paid to insurer in India	₹12,000
(iii) Designing charges paid to consultancy firm in South Korea	40,000 Won
(iv) Development activities in India related to the imported equipment	₹1,20,000
(v) Road transport cost from Chennai port to factory in Tamil Nadu	₹35,000
(vi) CBIC notified exchange rate under Section 14(3) of the Customs Act	1 Won = ₹0.3520
(vii) Interbank rate	1 Won = ₹0.3550
(viii) Payment effected by NovaTech at exchange rate	1 Won = ₹0.3600
(ix) Commission payable to Indian agent	6% of FOB value in INR

Compute the assessable value for customs duty purposes under the Customs Act, 1962 with appropriate assumptions and working notes.

Answer:

Legal Reasoning:

1. CBIC Notified Exchange Rate:

- As per **Section 14(3)** of the **Customs Act, 1962**, the **CBIC notified exchange rate** is used for conversion, **not the interbank rate or payment rate**.

2. Inclusions in Assessable Value (Rule 10 of Customs Valuation Rules, 2007):

- FOB cost, freight, insurance, designing charges outside India, and commission payable to an agent in India are includible.**
- Development charges incurred in India and inland transport (India) are excluded.**



Computation of Assessable Value:

Step 1: Compute FOB Value of Customs

Particulars	Amount (Won)	Working Note
FOB value of equipment	2,50,000	Given
Add: Designing charges (South Korea)	40,000	Includible under Rule 10(1)(b)
Add: Commission (6% of FOB in INR) (computed below)	15,000	$2,50,000 \times ₹0.3520 = ₹88,000 \times 6\%$ $= ₹5,280 / ₹0.3520 = 15,000 \text{ Won}$
FOB value for Customs	3,05,000	

Particulars	Amount (₹)
FOB (including designing & commission) $3,05,000 \times 0.3520$	₹1,07,360
Add: Freight $25,000 \times 0.3520$	₹8,800
Add: Insurance	₹12,000
Assessable Value (CIF)	₹1,28,160

Illustration 6

Arya Tech Ltd., Ahmedabad imported a lathe machine from Germany (by air freight). The machinery arrived at Kolkata airport, from where it was transhipped to Ahmedabad airport.

- Contracted CIF price of the machine: US \$22,000, scheduled for delivery in March 2025.
- However, at the request of Arya Tech Ltd., the supplier agreed to deliver the machine earlier in February 2025, for which an additional US \$2,500 was charged over and above the contracted CIF price.

Additional Information:

S. No.	Particulars	Amount
(i)	Air freight charges	\$ 5,500
(ii)	Insurance charges paid	\$ 1,300
(iii)	Inspection charges of the lathe machine paid by the supplier (The same was neither mentioned in the terms of contract nor required for making the goods ready for shipment)	\$ 600
(iv)	Transport charges from Kolkata airport to Ahmedabad airport	₹ 55,000

Rate of exchange (as notified): ₹ 84 per US \$.

Determine the assessable value of the imported lathe machine (rounded off to the nearest one rupee) under the Customs Act, 1962, with brief reasoning for the treatment of each item.

Answer:

Step 1: Understanding CIF Terms

- **CIF (Cost, Insurance, Freight)** includes:
 - **Cost of goods.**
 - **Freight charges.**
 - **Insurance charges.**

The **contracted CIF price** is **US \$22,000**, but **additional US \$2,500** is charged for **early delivery**.

As per Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, any payment made as a condition of sale is **includible** in the **assessable value**.

Step 2: Compute FOB (Free on Board) Price

- **Contracted CIF price** = US \$22,000
- **Add: Early delivery charges** = US \$2,500

FOB price = 22,000 + 2,500 = 24,500 USD

Step 3: Treatment of Additional Costs

Particulars	Treatment as per Customs Law
Air freight (\$5,500)	Restricted to 20% of FOB value (since imported by air) under Rule 10(2) .
Insurance charges (\$1,300)	Actual amount paid is included.
Inspection charges by supplier (\$600)	Excluded , as it is not related to shipment readiness under Rule 10(1)(b) .
Transport from Kolkata to Ahmedabad (₹55,000)	Excluded , as it is post-import inland transport , not includible under Rule 10(2) .

Step 4: Freight Calculation (Restricted for Air Imports)

- **FOB value** = US \$24,500
- **Freight capped at 20% of FOB** = 24,500 × 20% = US \$4,900
- Since **actual air freight (\$5,500)** exceeds the cap, **restricted freight = \$4,900**.

Step 5: Compute CIF Value

CIF Value} = 24,500 + 4,900 + 1,300 = 30,700 USD

Step 6: Convert to INR

Assessable value (INR)} = 30,700 × ₹84 = ₹25,78,800

Step 7: Final Assessable Value is ₹25,78,800}

Summary of Treatment:

Particulars	Included/ Excluded	Reason
Contracted CIF price + early delivery charges	Included	Part of transaction value under Rule 10(1)(a) .
Air freight (restricted)	Included	Restricted to 20% of FOB under Rule 10(2) .
Insurance charges	Included	Actual cost under Rule 10(2) .
Inspection charges	Excluded	Not related to making goods ready for shipment (Rule 10(1)(b)).
Transport from Kolkata to Ahmedabad	Excluded	Post-import inland transport (not includible under Rule 10(2)).

Illustration 7

Mr. **Arvindan** imported certain goods from his cousin, Mr. **Karthik**, residing in **Australia**, and the **transaction value has been rejected** under the **Customs Valuation (Determination of Value of Imported Goods) Rules, 2007** due to their related party status.

- **Rules 4 and 5** (for identical and similar goods) are found **inapplicable** as **no identical/similar goods** are imported into India.
- Mr. Arvindan furnishes **cost-related data** of the imports and requests customs authorities to determine the value **as per Rule 8** (computed value method). The **relevant data** are:

Sr. No.	Particulars	Amount (AUD)
1	Cost of materials incurred by Mr. Karthik	3,000
2	Fabrication charges incurred by Mr. Karthik	1,200
3	Other chargeable expenses incurred by Mr. Karthik	500
4	Other indirect costs incurred by Mr. Karthik	300
5	Freight from Mr. Karthik's factory to Australia port	400
6	Loading charges at Australia port	150
7	Normal net profit margin of Mr. Karthik	20% of FOB
8	Air freight from Australia port to Indian port	1,800
9	Insurance from Australia port to Indian port	70
10	Exchange rate (1 AUD = ₹58)	

The **customs authorities** opine that since the value **under Rule 7 (deductive method)** can be determined at **₹4,00,000**, **Rule 8** need not be applied.

Is the request of Mr. Arvindan legally acceptable?

If yes, **compute the assessable value** under the **Customs Act, 1962**.

Answer:

Legal Acceptability:

- As per **Rule 2(2)** of the **Customs Valuation (Determination of Value of Imported Goods) Rules, 2007**, persons shall be deemed **related** if they are **members of the same family**.

- Since **Mr. Arvindan and Mr. Karthik** are **related**, the **transaction value is rejected** under **Rule 3**.
- **Rules 4 and 5** (identical/similar goods) are **inapplicable**.
- **Rule 6** provides that if the value cannot be determined under **Rules 3, 4, or 5**, it shall be determined under **Rule 7**, or **Rule 8** if Rule 7 is also inapplicable.
- However, **the order of application between Rule 7 and Rule 8 can be reversed at the request of the importer and with the approval of the proper officer**.

Conclusion:

The **request of Mr. Arvindan** to apply **Rule 8** is **legally acceptable**, if approved by the proper officer.

Computation of Assessable Value under Rule 8:

Step 1: Compute Cost at Factory

Particulars	Amount (AUD)
Cost of materials	3,000
Fabrication charges	1,200
Other chargeable expenses	500
Other indirect costs	300
Subtotal (Cost at factory)	5,000

Step 2: Add Local Freight and Loading Charges (FOB before profit)

Particulars	Amount (AUD)
Cost at factory	5,000
Freight (factory to Australia port)	400
Loading charges at Australia port	150
FOB (before profit)	5,550

Step 3: Add Normal Profit Margin @ 18% of FOB

Let us assume FOB (sale price) = X

X = cost till Australian port + profit 18% on "X"

X = 5,550 AUD + 0.20X

X - 0.20X = 5,550 AUD

0.80X = 5,550 USD

X = 5,550 / 0.80

Sale price = 6,937.50 AUD



Profit = $6,937.50 \times 20 / 100$

Profit = 1,387.5

Or

100 = cost + 20. Hence, cost is 80.

20% profit on sale = 25% profit on cost $[(20/80) \times 100 = 25\%]$

Particulars	Amount (AUD)
FOB (before profit)	5,550
Profit @ 20% on sale. I.e. 25% on cost $5,550 \times 25 / 100$	1,387.5
FOB (after profit)	6,937.5

Step 4: Add International Freight and Insurance (CIF)

- **Freight (Australia to India)** is restricted to **20% of FOB value** for air transport:

Particulars	Amount (AUD)
FOB (after profit)	6,937.5
Air freight (restricted to 20%) Actual air freight = 1,800 AUD 20% on 6,937.50 = 1,387.50	1,387.50
Insurance	70
CIF Value	8,395

Step 5: Convert CIF Value to INR

Assessable Value in INR = $8,395 \times 58 = ₹4,86,910$

Illustration 8

Calculate the **assessable value** (rounded off to the nearest one rupee) under the **Customs Act, 1962** with appropriate **working notes** from the following particulars related to the **import of a machine (by sea)** by **M/s. Zenith Tools Ltd.**, from **Germany** in the month of **January 2025**:

S. No.	Particulars	Amount
(i)	Cost of machine at the port of exportation	€9,500
(ii)	Freight from port of export to port of import	€2,100
(iii)	Cost for packing (paid to the seller but not as a condition of sale , included in point (i))	€500
(iv)	Actual selling commission paid by Zenith Tools Ltd. to local agent of exporter	₹25,000
(v)	Actual insurance charges paid are not ascertainable	-
(vi)	Ship demurrage charges paid by Zenith Tools Ltd. at port of importation	₹18,000
(vii)	Engineering charges paid by Zenith Tools Ltd. to a consultancy firm in Delhi as a condition of sale	₹1,50,000

Additional Information:

- Exchange rate to be considered: ₹90 per €

Answer:**Legal Reasoning (as per Customs Valuation Rules):****1. Packing Charges:**

- As per Rule 10(1)(a)(iii) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, packing charges are **includible** in the assessable value, even if not paid as a condition of sale.

2. Selling Commission:

- Selling commission** paid to the **local agent of the exporter** is **includible** in the assessable value (Rule 10(1)(a)(i)), except when it is a **buying commission** (which is **excluded**).

3. Freight:

- As the **import is by sea**, **actual freight** up to the **port of importation** is **includible** in the assessable value (Rule 10(2)(a)).

4. Insurance:

- Since **actual insurance cost** is **not ascertainable**, **1.125% of FOB value** is deemed as **insurance charges** (Rule 10(2)(b)).

5. Ship Demurrage Charges:

- Demurrage charges** are treated as **cost of transport** and hence **includible**

6. Engineering Charges in India:

- Engineering/Design charges incurred in India** are **excluded** from the **assessable value** (Rule 10(1)(b)).

Computation of Assessable Value:

Particulars	Amount (€)	Amount (₹)
Cost of machine (FOB)	9,500	8,55,000 (9,500 × 90)
Add: Local agent's commission (₹25,000 ÷ 90)	277.78	25,000
FOB (Customs valuation)	9,777.78	8,80,000
Add: Freight (by sea)	2,100	1,89,000 (2,100 × 90)
Add: Insurance @1.125% of FOB (€9,777.78)	110	9,900 (110 × 90)
Add: Ship demurrage charges (₹18,000 ÷ 90)	200	18,000
Total (Assessable Value in €)	12,187.78	
Assessable value in INR (12,187.78 × 90)		₹10,96,900



Illustration 9

M/s Delta Equipments Pvt. Ltd., has imported specialized machinery from **Germany** at an **FOB cost of 3,50,000 Euros**. The additional expenses incurred by M/s Delta Equipments in this connection are as follows:

1. **Freight from Germany to Chennai Port:** 25,000 Euros
2. **Insurance paid to Indian insurer:** ₹12,000
3. **Designing charges paid to a German consultancy firm:** 40,000 Euros
4. **Development activities undertaken in India related to the imported machinery:** ₹1,50,000
5. **Road transport cost from Chennai port to factory in Hyderabad:** ₹40,000
6. **Exchange rate notified by CBIC under Section 14(3) of the Customs Act, 1962:** 1 Euro = ₹88.6525
7. **Interbank exchange rate:** 1 Euro = ₹89.20
8. **Payment made to bank at exchange rate:** 1 Euro = ₹90.00
9. **Commission payable to the agent in India:** 6% of FOB cost in Indian Rupees.

Compute the **Assessable Value** for customs purposes under the **Customs Act, 1962**, providing brief notes where necessary.

Answer:

Statement showing computation of Assessable Value under Customs Act, 1962

Particulars	Amount (Euro)	Working Note
FOB Value	3,50,000	Given
Add: Designing charges (abroad)	40,000	Included in Assessable Value as per Rule 10(1)(c) of Customs Valuation Rules
Add: Commission payable in India	21,000	6% of FOB (3,50,000 × 6%)
Total FOB for customs purpose	4,11,000	

Conversion into Indian Rupees (using CBIC rate): = 4,11,000 Euros × ₹88.6525 = ₹3,64,36,178

Particulars	Amount (₹)	Working Note
FOB in INR	3,64,36,178	Rounded off
Add: Freight (abroad)	25,000 × 88.6525 = ₹22,16,313	Included as per Rule 10(2)(a)
Add: Insurance (India)	₹12,000	Included as per Rule 10(2)(b)
CIF Value (Assessable Value)	₹3,86,64,491	

Notes:

1. **Development activities & road transport within India** are **not includible** in Assessable Value as per **Rule 10** of Customs Valuation Rules.

2. **Exchange rate** to be taken is the **CBIC notified rate** (₹88.6525), not interbank or bank payment rate, as per **Section 14(3)**.
3. **Commission payable to an agent in India** is includible as per **Rule 10(1)(a)(i)**.
4. **Freight & insurance** are included as per **Rule 10(2)**.

Illustration 10

M/s **Omega Tech Solutions Pvt. Ltd.** originally imported a **machine from Germany** at **₹300 lakhs** in **September 2024** on payment of all applicable **customs duties**. The machine was subsequently **exported (sent back)** to the German supplier for **repairs** in **February 2025** and **re-imported** in **March 2025** after repairs, **without any re-manufacturing or re-processing**.

Since the machine was under **warranty**, the **repairs were carried out free of cost**. However, the **fair cost of repairs** (including cost of materials ₹8 lakhs) is **₹12 lakhs**. The **actual insurance and freight charges (both ways)** amounted to **₹4 lakhs**.

- **Basic Customs Duty (BCD): 10%**
- **IGST on like articles: 18%**
- **Social Welfare Surcharge (SWS): 10% on BCD**

The **ownership** of the machine **remained unchanged** during this period.

Compute the **amount of customs duty payable** (if any) on **re-import of the machine after repairs**, considering **Notification No. 45/2017-Cus. dated 30.06.2017**.

Ignore Agriculture Infrastructure and Development Cess (AIDC).

Answer:

Computation of Customs Duty Payable on Re-importation

As per **Notification No. 45/2017-Cus. dated 30.06.2017**, **customs duty on re-imported goods sent abroad for repairs** is calculated on:

- **Fair cost of repairs** (whether paid or not) including **cost of materials used**
- **Insurance and freight charges** (both ways)

The **original import value** of the machine is **irrelevant** for duty purposes under this notification.

Particulars	Amount (₹)
Fair cost of repairs (including material cost)	12,00,000
Add: Insurance & Freight (to & fro)	4,00,000
Transaction Value (for customs)	16,00,000
Basic Customs Duty (BCD) @10%	1,60,000
Social Welfare Surcharge (SWS) @10% of BCD	16,000
Sub-total for IGST computation	17,76,000
IGST @18% on ₹17,76,000	3,19,680
Total Customs Duty Payable	4,95,680



Illustration 11

Mr. Yash Enterprises Pvt. Ltd. imported a **replacement machine** from **Germany** in **February 2025** since their earlier machine (imported from Japan in April 2024 for ₹50 lakhs) was sent back for **repairs under warranty** in **June 2024**.

The **value of the replacement machine** is ₹55 lakhs.

The **freight charges incurred** for the import were ₹2 lakhs.

The **insurance cost** is calculated at **1.125%** of the machine's value.

The applicable **Basic Customs Duty (BCD)** is **10%**,

Social Welfare Surcharge (SWS) is **10% on BCD**, and

IGST applicable on such machinery is **12%**.

You are required to **compute**:

1. The **Assessable Value (CIF)**
2. The **Total Customs Duty Payable**

Answer:

Step 1: Computation of Assessable Value (CIF Value)

Particulars	Amount (₹)	Working Notes
Value of the replacement machine	55,00,000	Given
Add: Freight charges	2,00,000	Given
Add: Insurance @1.125% of machine value	61,875	(55,00,000 × 1.125%)
Total Assessable Value (CIF Value)	57,61,875	

Step 2: Computation of Customs Duty Payable

Duty Component	Amount (₹)	Working Notes
Basic Customs Duty (BCD) @10%	5,76,187.50	10% of ₹57,61,875
Social Welfare Surcharge (SWS) @10% on BCD	57,618.75	10% of ₹5,76,187.50
Subtotal for IGST computation	63,95,681.25	₹57,61,875 + ₹5,76,187.50 + ₹57,618.75
IGST @12%	7,67,481.75	12% of ₹63,95,681.25
Total Customs Duty Payable	14,01,288	BCD + SWS + IGST

Illustration 12

M/s **Maxiline Corp** (not an EOU) had imported **technical instruments** from the **USA** at a value of **₹180 lakh** on payment of customs duty. Later, the same instruments were **sent back to the supplier for repairs**.

- The **supplier offered a 50% discount** on the **fair cost of repairs**, and **Maxiline Corp paid USD 15,000**.

- Additional details:

Particulars	Date	Rate of Duty	Interbank Exchange Rate	CBIC Notified Rate
Bill of Entry Filing	21-02-20XX	20%	60	62
Aircraft Arrival	26-02-20XX	15%	62	61

IGST applicable under **Section 3(7) of the Customs Tariff Act, 1975: 12%**

- Insurance:** Outward ₹20,000, Inward ₹30,000
- Air Freight:** Outward ₹80,000, Inward ₹1,20,000

Other Information:

- The goods were **re-imported within 3 years** of dispatch for repairs.
- The **exported and imported goods are the same.**
- Ownership** of the goods **remained unchanged.**
- Export was not from a warehouse, and repairs did not amount to manufacture.**

You are required to **compute:**

- The **Assessable Value (CIF)**
- The **Total Customs Duty Payable**

Answer:

Step 1: Computation of Assessable Value (CIF)

Particulars	Amount (₹)	Working Notes
Fair cost of repairs	18,60,000	(USD 15,000 ÷ 50%) × ₹62 = USD 30,000 × ₹62 = ₹18,60,000
Add: Insurance (Outward + Inward)	50,000	₹20,000 + ₹30,000
Add: Air Freight (Outward + Inward)	2,00,000	₹80,000 + ₹1,20,000
Total Assessable Value (CIF)	21,10,000	

Step 2: Computation of Customs Duty Payable

Duty Component	Amount (₹)	Working Notes
Basic Customs Duty (BCD) @15%	3,16,500	15% of ₹21,10,000
Social Welfare Surcharge (SWS) @10% on BCD	31,650	10% of ₹3,16,500
Subtotal for IGST computation	24,58,150	₹21,10,000 + ₹3,16,500 + ₹31,650
IGST @12%	2,94,978	12% of ₹24,58,150
Total Customs Duty Payable	6,43,128	BCD+ SWS + IGST = ₹3,16,500 + ₹31,650 + ₹2,94,978



Illustration 13

A Malaysian company donated 1,000 metric tons of palm oil to a charitable trust in India for free distribution to the poor and needy. The Indian trust bore the freight and insurance charges, which amounted to US \$20 per metric ton.

At the time of import, the Customs Department found the following comparable imports of Malaysian-origin palm oil into India:

S. No.	Quantity Imported (Metric Tons)	Unit Price (USD CIF)
1	500	400
2	900	350
3	780	300

Exchange rate: 1 US \$ = ₹65

- Basic Customs Duty (BCD): 20% ad valorem
- Social Welfare Surcharge (SWS): 10% on BCD

Requirement:

Compute the Basic Customs Duty payable on the consignment under the Customs Act, 1962, with appropriate assumptions and explanations. (Ignore IGST and AIDC)

Answer:

Assumptions & Explanation:

- Since the consignment was **donated free of cost**, the **transaction value** cannot be adopted under **Section 14(1)** of the **Customs Act, 1962**.
- Therefore, the **assessable value** shall be determined based on **comparable imports (Rule 4 of Customs Valuation Rules, 2007)**.
- Among the given imports, the **lowest comparable CIF value of USD 300 per metric ton** is considered (as per departmental practice for donated goods).

Step 1: Computation of CIF Value

Particulars	Calculation	Amount (USD)
Quantity imported	1,000 metric tons	
CIF value per metric ton (based on comparable import)	USD 300 × 1,000 tons	3,00,000
Total CIF Value		3,00,000

Step 2: Conversion into Indian Rupees

CIF Value (USD)	3,20,000
Exchange Rate (1 USD = ₹65)	3,00,000 × 65
CIF Value in INR	₹1,95,00,000

Step 3: Customs Duty Computation

Duty Component	Calculation	Amount (₹)
Basic Customs Duty (BCD) @20%	20% of ₹1,95,00,000	39,00,000
Social Welfare Surcharge (SWS) @10% on BCD	10% of ₹39,00,000	3,90,000
Total Customs Duty Payable	BCD + SWS	₹42,90,000

Illustration 14

M/s **Apex Technologies Ltd.** sells goods in **India** based on a **price list** that provides **discounted unit prices** for **bulk purchases**. The following details pertain to their **sales transactions** (exclusive of duties and taxes):

Sale Quantity (Units)	Unit Price (₹)	Number of Sales
1 - 10 units	100	10 sales of 5 units, 5 sales of 3 units
11 - 25 units	95	5 sales of 11 units
Over 25 units	90	1 sale of 30 units, 1 sale of 50 units

The **selling price** includes **post-shipment expenses**:

- **Freight** from **port to factory in India**: ₹24,000
- **Insurance** for **transit damage (port to factory)**: ₹6,000

The company imported **5,000 units** under **high seas sales**.

Basic Customs Duty (BCD) applicable: **12%**

Determine the **Assessable Value** and **Total Customs Duty Payable** under the **Customs Act, 1962**.

Answer:

Step 1: Determination of Unit Price for Valuation

- **Bulk Sale Quantity**: 5,000 units
- Based on the **pricing slabs**:
 - For **over 25 units**, the **unit price** is ₹90.

Thus, the **applicable unit price** for valuation = **₹90**.

Sale Quantity (Units)	Unit Price (₹)	Total Quantity Sold
1 - 10 units	100	65 units
11 - 25 units	95	55 units
Over 25 units	90	80 units

The greatest number of units sold 80, therefore, the unit price in the greatest aggregate quantity is ₹90.

Step 2: Computation of CIF Value (Assessable Value)

Particulars	Calculation	Amount (₹)
Total units imported	5,000 units	
Unit price (based on price list)	₹90 × 5,000 units	₹4,50,000
Add: Freight (port to factory)		₹24,000 (Excludable)
Add: Insurance (port to factory)		₹6,000 (Excludable)
CIF Value (Assessable Value)	₹4,50,000	(Freight & Insurance excluded as post-importation expenses)

Note:

- Freight and insurance from port to factory in India are **not includible** in the assessable value as per **Rule 10(2)** of the **Customs Valuation Rules, 2007**.
- Only CIF value up to the port of importation is considered.

Step 3: Computation of Customs Duty Payable

Duty Component	Calculation	Amount (₹)
Basic Customs Duty (BCD) @12%	12% of ₹4,50,000	₹54,000
Total Customs Duty Payable		₹54,000
Social Welfare Surcharge 10%		₹5,400
Total customs duty		₹59,400

Illustration 15

M/s Xenon Minerals Ltd. imported **500 units of minerals** under **High Seas sales** for resale in India. The **selling price** is **exclusive of duties and taxes**. Additional information:

- Freight from port to depot (India): ₹10,150
- Insurance from port to depot (India): ₹1,250
- Basic Customs Duty (BCD): 12%
- Social Welfare Surcharge (SWS): 10% on BCD
- No IGST applicable on this product.

The **sales data** for identical minerals during the same period is as follows:

Sale Quantity (Units)	Unit Price (₹)
400	100
300	90
150	100
500	95
250	105
350	90
50	100

Requirement:

Compute the **Assessable Value** and **Total Customs Duty Payable** under **Rule 7 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007**.

Answer:**Step 1: Determine the Unit Price for Valuation**

As per **Rule 7** of the **Customs Valuation Rules, 2007**, where the goods are sold in **India** and there are **multiple unit prices**, the **unit price at which the greatest aggregate quantity is sold** is taken for customs valuation.

Unit Price (₹)	Quantity Sold (Units)
90	300 + 350 = 650
95	500
100	400 + 150 + 50 = 600
105	250

Greatest quantity sold: 650 units at ₹90/unit.

Thus, **unit price for valuation = ₹90.**

Step 2: Compute CIF Value (Assessable Value)

Particulars	Calculation	Amount (₹)
Total units imported	500 units	
Unit price (based on Rule 7)	₹90 × 500 units	₹45,000
Less: Freight (post-importation)		₹10,150
Less: Insurance (post-importation)		₹1,250
Assessable Value (CIF Value)	₹45,000 – ₹10,150 – ₹1,250	₹33,600

Note:

- **Freight and insurance from port to depot in India** are **excluded** from the assessable value as per **Rule 10(2)** of the **Customs Valuation Rules, 2007**.

Step 3: Customs Duty Computation

Duty Component	Calculation	Amount (₹)
Basic Customs Duty (BCD) @12%	12% of ₹33,600	₹4,032
Social Welfare Surcharge (SWS) @10% on BCD	10% of ₹4,032	₹403.20
Total Customs Duty Payable	BCD + SWS	₹4,435.20

Illustration 16

Q15. A **commodity** is imported into **India** from a **country** covered by a **notification** issued under **Section 9A of the Customs Tariff Act, 1975** (relating to **anti-dumping duty**). The following details are available:



- **CIF value of the consignment:** US \$25,000
- **Quantity imported:** 500 kgs
- **Exchange rate applicable:** ₹60 = US \$1
- **Basic Customs Duty (BCD):** 12%
- **Social Welfare Surcharge (SWS):** 10% on BCD
- **IGST** applicable: 12%

Anti-dumping duty: As per the **notification**, the **anti-dumping duty** is equal to the **difference** between the **cost of the commodity calculated at US \$70 per kg** and the **landed value** of the imported commodity.

Requirement:

Determine the **total customs duty liability**, including **normal duties**, **SWS**, **IGST**, and **anti-dumping duty** under the **Customs Act, 1962**.

Answer:

Step 1: Assessable Value Computation

Particulars	Calculation	Amount (₹)
CIF value (in US \$)		25,000
Exchange rate (₹60 per US \$)	$25,000 \times 60$	₹15,00,000

Step 2: Computation of BCD and SWS

Duty Component	Calculation	Amount (₹)
Basic Customs Duty (BCD) @12%	12% of ₹15,00,000	₹1,80,000
Social Welfare Surcharge (SWS) @10% on BCD	10% of ₹1,80,000	₹18,000
Landed Value (Assessable Value + BCD + SWS)	$₹15,00,000 + ₹1,80,000 + ₹18,000$	₹16,98,000

Step 3: Anti-Dumping Duty Computation

Particulars	Calculation	Amount (₹)
Fair Market Value as per Notification	$500 \text{ kg} \times \text{US } \$70 \times ₹60$	₹21,00,000
Landed Value		₹16,98,000
Anti-Dumping Duty	$₹21,00,000 - ₹16,98,000$	₹4,02,000

Step 4: IGST Computation

IGST Component	Calculation	Amount (₹)
IGST @12%	12% of ₹21,00,000	₹2,52,000

Note:

As per **Section 3(7) of the Customs Tariff Act, 1975**, IGST is levied on the **value including anti-dumping duty**, which is calculated on the **higher of the landed value or fair market value**.

Here, **fair market value (₹21,00,000)** is used for IGST computation.

Step 5: Total Customs Duty Liability

Duty Component	Amount (₹)
Basic Customs Duty (BCD)	₹1,80,000
Social Welfare Surcharge (SWS)	₹18,000
Anti-Dumping Duty	₹4,02,000
IGST	₹2,52,000
Total Customs Duty Liability	₹8,52,000

Illustration 17

Compute the **assessable value** and **total customs duty payable** under the **Customs Act, 1962** for an **imported machine** based on the following information:

Particulars	Amount (US \$)
(i) Cost of the machine at the factory of the exporter	20,000
(ii) Transport charges from the factory of exporter to the port for shipment	800
(iii) Handling charges paid for loading the machine on the ship	50
(iv) Buying commission paid by the importer	100
(v) Lighterage charges paid by the importer	200
(vi) Freight incurred from port of entry to Inland Container Depot (ICD)	1,000
(vii) Ship demurrage charges	400
(viii) Freight charges from exporting country to India	5,000

Additional details:

- **Date of bill of entry:** 20.03.20XX (Exchange rate: ₹60 per US \$)
- **Date of entry inward:** 25.02.20XX (Exchange rate: ₹65 per US \$)

Determine: **Assessable Value** in INR

Answer:

Step 1: Selection of Date for Duty Rate and Exchange Rate

- As per **Section 15 of the Customs Act, 1962**, for **exchange rate** determination date of submission of bill of entry.
 - **Exchange rate:** ₹60 per US \$



Step 2: Computation of Assessable Value (CIF Value)

Particulars	Amount (US \$)	Remarks
Cost of the machine (factory price)	20,000	Given
Add: Transport charges (factory to port of shipment)	800	Addable under Rule 10(2)(a)
Add: Handling charges (loading on ship)	50	Addable under Rule 10(2)(a)
FOB value (for customs purposes)	20,850	
Add: Insurance @1.125% of FOB (if not available)	234.56	1.125% of 20,850
Add: Freight (exporting country to India)	5,000	Addable under Rule 10(2)(a)
Add: Lighterage charges	200	Addable under Rule 10(2)(a)
Add: Ship demurrage charges	400	Addable under Rule 10(2)(a)
Assessable Value (CIF Value)	26,684.56	

Note:

- Buying commission (₹100) is **NOT** addable under **Rule 10(1)(a)**.
- Freight from port of entry to ICD (₹1,000) is **NOT** addable as it is **post-importation**.

Step 3: Convert Assessable Value to INR

Particulars	Calculation	Amount (₹)
Assessable Value in USD	$26,684.56 \times 60$	₹16,01,074

Illustration 18

M/s Omega Technologies Pvt. Ltd. imported **capital goods** under the **Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017** valued at **₹3 crore** on **15th September 2023**. The company paid **customs duty of ₹30 lakh** at the time of import, availing a **duty concession of ₹15 lakh**.

- The **imported capital goods** came into **specified use** (as per exemption notification) from **1st December 2023**.
- The company **cleared the capital goods** (after specified use) on **10th May 2024**.
- The **applicable customs duty rate** on clearance is **15%** (ignore cess or other duties).

You are required to:

1. Calculate the **difference between the customs duty leviable** (but for exemption availed) and **duty already paid** at the time of import, applying **depreciation on the capital goods** (as per straight-line method).
2. Compute **interest payable** on the differential duty as per **Section 28AA of the Customs Act, 1962**, assuming an **interest rate of 15% per annum**.
3. **Duty and interest** were paid on **31st May 2024**.

Answer:

Step 1: Depreciated Value Computation (Straight-Line Method)

Particulars	Amount (₹)
Original value of capital goods	3,00,00,000
Depreciation: 4% per quarter (Dec 2023 to May 2024 = 2 quarters)	$₹3,00,00,000 \times 8\% = 24,00,000$
Depreciated value	$₹3,00,00,000 - ₹24,00,000 = ₹2,76,00,000$

Step 2: Customs Duty Computation on Depreciated Value

Duty Component	Calculation	Amount (₹)
Customs Duty @15% on ₹2,76,00,000	$₹2,76,00,000 \times 15\%$	₹41,40,000
Less: Duty already paid at import		₹30,00,000
Differential duty payable	$₹41,40,000 - ₹30,00,000$	₹11,40,000

Step 3: Interest Computation under Section 28AA

- **Interest Rate:** 15% per annum
- **Interest Period:** From **1st October 2023** (month following import) to **31st May 2024** = **244 days**

Interest Calculation	Amount (₹)
Interest = $₹11,40,000 \times 15\% \times 244 / 366$	₹1,14,000

Illustration 19

M/s Global Imports Pvt. Ltd. paid customs duty of ₹12,500 for the month of July 2024. Upon scrutiny, the Customs Department found that the actual customs duty payable for July 2024 was ₹18,500. The differential duty of ₹6,000 was paid by M/s Global Imports Pvt. Ltd. on 30th September 2024.

Compute the interest payable under Section 28AA of the Customs Act, 1962.

Answer:

Computation of Interest under Section 28AA:

- **Interest Rate:** 15% per annum
- **Interest Period:** From **1st August 2024** (month succeeding July 2024) to **30th September 2024** = **61 days**

Particulars	Calculation	Amount (₹)
Interest payable	$₹6,000 \times 15\% \times 61 / 365$	₹150.41

Total Interest Payable: ₹150 (rounded)



Illustration 20

M/s **Omega Traders** presented a **bill of entry** on **1st March 2025**. The **vessel carrying goods** arrived on **5th March 2025**, and **entry inwards** was granted on the **same day**. The bill of entry was **assessed and returned** to the importer for **payment of duty** on **5th March 2025**. The importer paid the **customs duty of ₹8,00,000** on **12th March 2025**. There were **two holidays** during this period (6th March and 10th March 2025).

Compute the interest payable under Section 47(2) of the Customs Act, 1962.

Answer:

Computation of Interest under Section 47(2):

- **Duty due date:** 5th March 2025
- **Actual payment date:** 12th March 2025
- **Exclude holidays:** 6th March (due date) and 10th March = Only 6 **delayed days** (5th, 7th, 8th, 9th, 11th and 12th March)
- **Interest Rate:** 15% per annum

Particulars	Calculation	Amount (₹)
Interest payable	$₹8,00,000 \times 15\% \times 6 / 365$	₹1,972.60

Total Interest Payable: ₹1,973 (rounded)

Illustration 21

Omega Metals Pvt. Ltd., a domestic manufacturer based in **Chennai, India**, has imported a large quantity of **“Article Gamma”** from **Malaysia**, a developing country, to meet rising local demand for its finished goods.

Due to the surge in such imports, the **Central Government**, upon conducting a detailed investigation, finds that the **increased import volume of Article Gamma** is **threatening to cause serious injury** to the domestic industry producing similar goods.

The investigation report reveals that the **share of imports from Malaysia accounts for 4%** of the total imports of **Article Gamma** into India.

Based on the above facts, answer the following:

- (A)** Is the Central Government empowered to impose safeguard measures in such a situation?
- (B)** Can such measures be applied to imports originating from Malaysia considering it is a developing country?

Answer:

(A) Yes. As per the provisions of the **Customs Tariff Act, 1975**, the **Central Government** is empowered to **impose safeguard measures** (such as safeguard duty or tariff-rate quota) **to protect domestic industry**, if it is satisfied that:

- The **increase in imports** of a particular article is causing or threatening to cause **serious injury** to domestic producers, and
- An **enquiry** under prescribed rules has confirmed this finding.

In this case, since the enquiry confirms a **threat of serious injury** due to the import of **Article Gamma**, the Government is well within its authority to impose such measures.

The Central Government is empowered to impose safeguard measures for a maximum period of 10 years from the date of its imposition.

(B) Yes, safeguard measures **can be imposed** even on imports from **developing countries** if the import share **exceeds 3%** of the total imports of the concerned product into India.

- As per the **rules for safeguard duty**, imports from developing countries are **normally exempt, unless** their share **exceeds 3%** of total imports of that product.
- In this case, **Malaysia's import share is 4%**, which is **above the 3% threshold**.

Hence, **imports from Malaysia are not exempt**, and **safeguard measures can be legally applied** to Article Gamma imported from Malaysia.

Provisional Assessment under Customs Law [Valuation and Related Party Transactions] [Study Material - Module 18]

Illustration 1

M/s Global Chem Traders imported a consignment of chemicals on **5th April 2025**. The assessment was done **provisionally** assessed at a value of ₹ 24,00,000 on 6th April 2025 due to pending chemical testing.

- The test report was received on **5th May 2025**.
- The provisional assessment was **finalized on 30th June 2025** and a **differential duty of ₹40,000** was paid on the same date.
- You are required to:
 - a. Explain the procedural requirements for provisional assessment as per Section 18 of the Customs Act, 1962.
 - b. State the time limit for finalisation of the provisional assessment.
 - c. Compute the interest payable by the importer on the differential duty.

Answer:

(a) Procedural Requirements for Provisional Assessment:

As per **Section 18 of the Customs Act, 1962** read with **Circular No. 38/2016-Cus dated 22.08.2016**, when goods are provisionally assessed:

- The **importer must execute a bond** in the prescribed format, undertaking to pay the **deficiency** (if any) between the provisionally assessed and finally assessed duty.
- The **importer must also furnish security**, generally in the form of a **bank guarantee or cash deposit**, for the potential differential amount.

(b) Time Limit for Finalisation of Provisional Assessment:

As per the **Customs (Finalisation of Provisional Assessment) Regulations, 2018**:

- The **proper officer must finalize** the provisional assessment **within 2 months** from the **receipt of the test report**.
 - o In this case, test report was received on **5th May 2025**, so finalisation should occur by **5th July 2025**.

- If not possible, the **Commissioner may allow an extension of 3 months, i.e., till 5th October 2025.**

In this case, the finalisation was completed on **30th June 2025**, within the prescribed period.

(c) Interest Liability on Final Assessment:

As per **Section 18(3)** of the Customs Act, 1962:

- Interest @ **15% per annum** is payable **from the first day of the month** in which duty was provisionally assessed (i.e., **1st April 2025**) **till the date of final payment** (i.e., **30th June 2025**).

Interest Computation:

- Amount of differential duty = ₹40,000
- Period = 91 days (from 1st March to 30th June)
- Interest = ₹40,000 × 15% × (91/365)
- **Interest Payable = ₹1,496 (rounded off)**

Conclusion:

Particulars	Value
Differential Duty	₹40,000
Interest Payable @15%	₹1,496
Final Payment Date	30th June 2025
Finalisation Due Date	5th July 2025

M/s Global Chem Traders correctly finalized the provisional assessment and paid the duty along with applicable interest.

Illustration 2

SkyLeaf Imports Pvt. Ltd. imported goods valued at **₹20,00,000** through a **Bill of Entry** presented to the proper officer on **15th July 2024**, when the applicable **rate of customs duty was 10%**.

- The importer submitted all required documents, but the officer ordered a **provisional assessment** on 15th July 2024 due to the need for further inquiry.
- **Provisional duty of ₹2,00,000** was paid on **15th July 2024**.
- Later, the following occurred:
 - o **₹50,000** was voluntarily paid by SkyLeaf on **20th August 2024**.
 - o **Final duty assessment** was completed on **31st August 2024**, with the total duty determined at **₹3,00,000**.
 - o The **balance duty** was paid on **31st August 2024** itself.



You are required to compute the **interest payable** by the importer under **Section 18(3) of the Customs Act, 1962**.

Answer:

As per **Section 18(3) of the Customs Act, 1962**, interest at **15% per annum** is payable **on the differential duty amount**, from the **1st day of the month in which provisional assessment was made (i.e., 1st July 2024)** till the date of actual payment.

Breakdown of Differential Duty:

Particulars	Amount (₹)
Final Duty Assessed	3,00,000
Less: Provisional Duty Paid	2,00,000
Total Differential Duty	1,00,000

Interest Calculation:

- **₹50,000 paid on 20th August 2024**
Interest from **1st July to 20th August = 51 days**
 $\text{₹50,000} \times 15\% \times 51 / 365 = \text{₹1,048}$
- **Balance ₹50,000 paid on 31st August 2024**
Interest from **1st July to 31st August = 62 days**
 $\text{₹50,000} \times 15\% \times 62 / 365 = \text{₹1,274}$

Total Interest Payable:

$$\text{₹1,048} + \text{₹1,274} = \text{₹2,322}$$

Conclusion:

SkyLeaf Imports Pvt. Ltd. is liable to pay **interest of ₹2,322** on the **differential duty of ₹1,00,000**, computed as per **Section 18(3)**.

16

Duty on Baggage [Customs Procedures - Baggage & Courier/Post] [Study Material - Module 19]

Illustration 1

Varun Goyal, an IT professional and a **person of Indian origin (PIO)**, has been residing in the **USA for the past 14 months**. He intends to **permanently return to India** and wishes to bring with him a **used microwave oven**:

- **Cost:** ₹ 1,85,500
- **Weight:** 15 kg
- **Usage:** Purchased in the USA **6 months ago** and used personally in his kitchen.

Varun is **unaware of Indian customs regulations** regarding **personal baggage**.

You are required to **analyze the relevant legal provisions** under the **Baggage Rules, 2016** and **advise him** on the **customs duty implications**.

Further, **compute the customs duty payable** if the **value of the baggage exceeds the permissible limit** (Assume microwave oven cost is ₹2,50,000).

Answer:

Relevant Legal Provision:

As per **Rule 6 of the Baggage Rules, 2016** read with the **General Free Allowance (GFA)** limits applicable for **personal household items**, a **person transferring residence (TR)** to India is allowed to bring **used household articles** duty-free, subject to specific **value limits** based on the **duration of stay abroad**.

General Free Allowance (GFA) for Personal Household Items

Duration of Stay Abroad	GFA Limit for Household Items
3 to 6 months	₹ 60,000
6 to 12 months	₹ 1,00,000
1 to 2 years	₹ 2,00,000
Above 2 years	₹ 5,00,000



GFA Applicability for Varun Goyal:

- **Duration of stay abroad:** 14 months (**between 1 to 2 years**)
- **GFA entitlement:** ₹ 2,00,000

Application to Varun's Case:

- **Item:** Used **microwave oven** (personal household article).
- **Declared value:** ₹ 1,85,500
- **GFA entitlement:** ₹ 2,00,000
- **Conclusion:**
 - Since the **declared value (₹1,85,500)** is **within the GFA limit (₹2,00,000)** for **14 months abroad**, **Varun Goyal is not liable to pay customs duty** on this item.

Customs Duty if Baggage Exceeds GFA Limit:

- If **baggage value exceeds the GFA limit**, the **excess amount** is subject to **customs duty**.

Duty Structure for Excess Baggage:

- **Basic Customs Duty (BCD):** 35%
- **Social Welfare Surcharge (SWS):** 10% on BCD

Illustration (if baggage value is ₹2,50,000):

Particulars	Amount (₹)
Total value of baggage	2,50,000
Less: GFA (for 14 months stay)	2,00,000
Excess value chargeable to duty	50,000

Customs Duty Computation:

- **BCD @35% on ₹50,000 = ₹ 17,500**
- **SWS @10% on ₹17,500 = ₹ 1,750**
- **Total Duty Payable = ₹ 19,250**

Summary of Advice:

- **Varun Goyal** qualifies for **GFA of ₹2,00,000** (based on a **14-month stay abroad**).
- Since the **microwave oven's value (₹1,85,500)** is **within this limit**, **no customs duty** is payable.
- If he brings **additional household goods exceeding the GFA**, **customs duty @35% + 10% SWS** will apply **only on the excess value**.

Illustration 2

Ms. Priya, an Indian resident, returned to India from a **visit to Singapore** after **3 months**. She was carrying the following items:

Item Description	Value (₹)
Personal effects	₹80,000
Laptop computer	₹65,000
Jewellery (30 grams) purchased in Singapore	₹85,000
Portable speaker system	₹55,000

Compute the customs duty payable by Ms. Priya under the Baggage Rules, 2016, with appropriate explanations.

Answer:

Step 1: Applicability of Baggage Rules, 2016

- **Personal effects** (used personal belongings like clothes, toiletries) and **one laptop computer** are **fully exempt** from customs duty under **Rule 3 of the Baggage Rules, 2016**.
- **General Free Allowance (GFA)** for **Indian residents returning after a stay abroad of more than 3 days** = **₹50,000** (as per Rule 6).
- **Jewellery allowance:**
 - For a **female passenger**, **20 grams of jewellery** (valued up to ₹50,000) is allowed **duty-free**, only if the stay abroad is more than one year.
 - Since **Ms. Priya stayed only 3 months**, **no jewellery allowance** applies.

Step 2: Computation of Customs Duty

Particulars	Amount (₹)	Remarks
Jewellery (30 grams)	₹85,000	No exemption
Portable speaker system	₹55,000	Non-exempt item
Total dutiable value	₹1,40,000	
Less: General Free Allowance	₹50,000	As per Baggage Rules, 2016
Value liable for customs duty	₹90,000	

Step 3: Apply Customs Duty Rate

- **Rate of customs duty under Baggage Rules, 2016** = **38.5%** (including **Social Welfare Surcharge**).

Particulars	Calculation	Amount (₹)
Customs Duty	₹90,000 × 38.5%	₹34,650

Conclusion:

- **Customs duty payable by Ms. Priya** = **₹34,650**

**Illustration 3**

Mr. **William Frost**, a tourist of **foreign origin**, arrived in India on a **travel visa** carrying the following items as part of his **baggage**:

Item Description	Value (₹)
Travel souvenirs	₹95,000
140 sticks of cigarettes (₹120 each)	₹16,800
Firearm with 80 cartridges (including cartridges at ₹600 each)	₹1,60,000
Other personal articles	₹1,80,000

Determine the **customs duty payable** by Mr. William Frost with **brief explanations** under the **Baggage Rules, 2016** and **Notification No. 26/2016-Cus., dated 31.03.2016**.

The **effective rate of customs duty** is **38.5%**, inclusive of **social welfare surcharge**.

For **firearms**, **cartridges exceeding 50**, and **cigarettes exceeding 100 sticks**, the **duty rate** is **100%**.

Answer:

Step 1: General Free Allowance (GFA)

- **GFA** for a **tourist of foreign origin** (excluding infants): **₹15,000**.

Step 2: Customs Duty Computation

Particulars	Value (₹)	Remarks
Travel souvenirs	Nil	Bona fide baggage – exempt
Cigarettes (up to 100 sticks)	₹12,000	100 sticks × ₹120 = ₹12,000, covered under GFA
Excess cigarettes (40 sticks)	₹4,800	40 sticks × ₹120 = ₹4,800, subject to 100% duty
Cartridges (up to 50)	₹30,000	50 cartridges × ₹600 = ₹30,000, covered under GFA
Excess cartridges (30 cartridges)	₹18,000	30 cartridges × ₹600 = ₹18,000, subject to 100% duty
Firearm	₹1,12,000	Firearm value excluding cartridges
Other personal articles + cigarettes + cartridges (after adjusting GFA)	₹2,07,000	₹(1,80,000 + 12,000 + 30,000) - ₹15,000 = ₹2,07,000, subject to 38.5% duty

Step 3: Duty Calculation

1. **Duty @ 38.5% on dutiable goods:**

Particulars	Value (₹)	Duty @38.5% (₹)
Other personal articles + cigarettes + cartridges (after adjusting GFA)	₹2,07,000	₹79,695

2. Duty @100% on restricted items:

Particulars	Value (₹)	Duty @100% (₹)
Excess cigarettes (40 sticks)	₹4,800	₹4,800
Firearm	₹1,12,000	₹1,12,000
Excess cartridges (30 cartridges)	₹18,000	₹18,000
total		1,34,800

Step 4: Total Duty Payable

Category	Duty (₹)
Duty @ 38.5%	₹79,695
Duty @ 100%	₹1,34,800
Total Customs Duty Payable	₹2,14,495

Illustration 4

Mr. Ravi Kumar (aged 42 years) and Mrs. Neha Kumar (aged 38 years), both Indian residents, returned to India after a 2-month visit to the UK. They brought the following items as baggage:

Item Description	Value (₹)
Laptop computer	₹85,000
Used personal effects	₹2,30,000
Tablet device	₹70,000

Calculate the customs duty payable by Mr. and Mrs. Ravi Kumar under the **Baggage Rules, 2016**.

(Ignore Agriculture Infrastructure and Development Cess.)

Answer:

The **effective rate of customs duty** for baggage is **38.5%** (inclusive of **social welfare surcharge**).

Step 1: Applicability of Baggage Rules, 2016

- Used personal effects and one laptop computer per passenger are fully exempt.
- GFA for each Indian resident = ₹50,000.
- GFA cannot be clubbed for adjusting the value of a single item.

Step 2: Customs Duty Computation

	Amount (₹)	Remarks



Laptop computer	Nil	One laptop per passenger allowed duty-free
Used personal effects	Nil	Exempt as bona fide baggage
Tablet device	₹70,000	Dutiable, only one passenger's GFA (₹50,000) can be applied
Dutiable value	₹70,000 – ₹50,000 = ₹20,000	GFA of one passenger adjusted; balance dutiable value ₹20,000

Step 3: Customs Duty Calculation

Particulars	Calculation	Amount (₹)
Dutiable value (Tablet)	₹20,000	
Customs Duty @38.5%	₹20,000 × 38.5%	₹7,700

Illustration 5

Mr. Rohan Mehta, an **Indian entrepreneur**, went to **New York** on **01.05.2023** to explore **business opportunities**. His **wife**, Mrs. **Anita Mehta**, joined him there on **01.10.2023**. They returned to **India** on **31.05.2024** and declared the following items to **Customs authorities**:

Item Description	Value (₹)
(a) Used personal effects	₹90,000
(b) A portable speaker system	₹40,000
(c) Jewellery brought by Mr. Rohan Mehta	₹52,000
(d) Gold bars (other than ornaments) brought by Mrs. Anita Mehta	₹22,000

Determine their eligibility for the duty-free allowance under the **Baggage Rules, 2016** and compute the customs duty payable, if any.

Answer:

Computation for Mr. Rohan Mehta:

Eligibility for Duty-Free Allowance:

- **Stay abroad:** From **01.05.2023** to **31.05.2024** → **13 months**.
- Since **Mr. Rohan Mehta** stayed abroad for more than one year, he is **eligible for the following exemptions**:
 - **General Free Allowance (GFA)** = **₹50,000** (as per Rule 6 of Baggage Rules, 2016).
 - **Jewellery exemption** = **₹50,000** (for male passengers returning after one year).

Duty Computation for Mr. Rohan Mehta:

Particulars	Amount (₹)	Remarks
Used personal effects	Nil	Fully exempt
Portable speaker system	₹40,000	Dutiable, but adjustable under GFA
Less: GFA	₹40,000	Covered fully under GFA. Balance GFA is ₹10,000
Jewellery	₹52,000	Exemption available up to ₹50,000
Dutiable jewellery	₹2,000	₹52,000 – ₹50,000
Less Balance GFA	₹2000	Covered fully under GFA. Balance GFA is ₹8,000

Customs duty is nil. Since,

Computation for Mrs. Anita Mehta:**Eligibility for Duty-Free Allowance:**

- **Stay abroad:** From **01.10.2023** to **31.05.2024** → **8 months**.
- **GFA = ₹50,000** (as per Rule 6 of Baggage Rules, 2016).
- **Jewellery exemption for female passengers** (returning after one year) = **₹1,00,000**, but **Mrs. Anita Mehta's stay was less than one year**, so **no jewellery allowance** applies.
- **Gold bars** (other than ornaments): **No GFA allowed** as per **Baggage Rules**.

Duty Computation for Mrs. Anita Mehta:

Particulars	Amount (₹)	Remarks
Gold bars	₹22,000	Fully taxable – GFA not applicable

Customs duty @38.5% on ₹22,000 = ₹8,470

Customs Duty Payable by Mrs. Anita Mehta = ₹8,470

Illustration 6

Ms. Kavita Sharma, an **Indian resident**, returned to India after **1 year** of stay in **Canada** to contest in **state assembly elections**. She was carrying the following items in her **baggage**:

Item Description	Value (₹)
(i) Personal effects	₹62,000
(ii) Laptop computer	₹40,000
(iii) Jewellery – 30 grams (purchased in Canada)	₹85,000
(iv) Home theatre system	₹1,35,000

Compute the customs duty payable by Ms. Kavita Sharma under the **Baggage Rules, 2016** (Ignore Agriculture Infrastructure and Development Cess).



Answer:

Step 1: Applicability of Baggage Rules, 2016

- **Personal effects** and **one laptop computer** are **fully exempt**.
- **Jewellery exemption** for a **female passenger** returning after **1 year** = **up to 40 grams of gold**, subject to a **value cap of ₹1,00,000**.
- **General Free Allowance (GFA)** = **₹50,000** for Indian residents.

Step 2: Duty Computation

Particulars	Amount (₹)	Remarks
Personal effects	Nil	Fully exempt
Laptop computer	Nil	Fully exempt
Jewellery (30 grams, ₹85,000)	Nil	Covered under 40 grams & ₹1,00,000 cap exemption
Home theatre system	₹1,35,000	Dutiable, GFA of ₹50,000 applicable
Less: GFA	₹50,000	
Net dutiable value (Home theatre)	₹85,000	

Step 3: Customs Duty Calculation

- **Effective duty rate for baggage** = **38.5%** (inclusive of **Social Welfare Surcharge**).

Particulars	Calculation	Amount (₹)
Customs duty on ₹85,000	$₹85,000 \times 38.5\%$	₹32,725

Conclusion:

- **Total customs duty payable by Ms. Kavita Sharma** = **₹32,725**

17

Warehousing [Manufacture in Bond] [Study Material - Module 20]

Illustration 1

M/s **Omega Pvt. Ltd.** imported goods and stored them in a **public warehouse** licensed under **Section 57**. The **CIF value** of the consignment was **US \$30,000**, with an **exchange rate** of ₹65 per US \$. The applicable **Basic Customs Duty (BCD)** is **12%**, **SWS @10%**, and **IGST @18%**. Compute the **assessable value** and **total customs duty payable** when the goods are cleared for home consumption.

Answer:

- CIF value in INR = $30,000 \times 65 = ₹19,50,000$
- BCD @12% = $₹19,50,000 \times 12\% = ₹2,34,000$
- SWS @10% on BCD = $₹2,34,000 \times 10\% = ₹23,400$
- Subtotal for IGST = $₹19,50,000 + ₹2,34,000 + ₹23,400 = ₹22,07,400$
- IGST @18% = $₹22,07,400 \times 18\% = ₹3,97,332$
- **Total Duty Payable** = BCD + SWS + IGST = $₹2,34,000 + ₹23,400 + ₹3,97,332 = ₹6,54,732$

Illustration 2

M/s **Alpha Ltd.**, an **EOU unit**, imported **capital goods** worth ₹5 crore and warehoused them under **Section 61**. The capital goods remain in the warehouse for **3 years**. Calculate the **depreciated value** assuming **4% depreciation per quarter** and compute the **customs duty payable** when cleared for home consumption. Applicable **BCD @10%**.

Answer:

- Depreciation = $4\% \times 12 \text{ quarters} = 48\%$
- Depreciated value = ₹5 crore - $(₹5 \text{ crore} \times 48\%) = ₹2.60 \text{ crore}$
- Customs Duty = $₹2.60 \text{ crore} \times 10\% = ₹26,00,000$

Illustration 3

M/s **Beta Traders** paid **₹7,00,000** as **BCD** on clearing goods from a **private warehouse** under **Section 58**. The duty payment was delayed by **40 days**. Calculate **interest payable** under **Section 47(2)** at **15% p.a.**



Answer :

- Interest = ₹7,00,000 × 15% × 40 / 365 = ₹11,507
- **Total Interest Payable = ₹11,507**

Illustration 4

M/s **Gamma Corp.** warehoused goods with a **CIF value** of **US \$50,000**. The **exchange rate** on the **into-bond BOE** was ₹66/US \$ and **₹69/US \$** at the time of **home clearance**. Compute the **assessable value** and **duty payable**. **BCD @15%, SWS @10%, and IGST @12%**.

Answer:

- Assessable value = 50,000 × 66 = ₹33,00,000
- BCD @15% = ₹33,00,000 × 15% = ₹4,95,000
- SWS @10% on BCD = ₹4,95,000 × 10% = ₹49,500
- Subtotal for IGST = ₹33,00,000 + ₹4,95,000 + ₹49,500 = ₹38,44,500
- IGST @12% = ₹38,44,500 × 12% = ₹4,61,340
- **Total Duty Payable = ₹4,95,000 + ₹49,500 + ₹4,61,340 = ₹10,05,840**

Illustration 5

M/s **Delta Ltd.** imported goods and deposited them in a **special warehouse** under **Section 58A**. The goods were cleared **2 months** beyond the permitted **period of 90 days from the date of warehousing**. Calculate **interest** if **duty payable** is ₹9,00,000, **interest rate** is 15% p.a.

Answer 5:

- Interest period = 2 months = 60 days
- Interest = ₹9,00,000 × 15% × 60 / 365 = ₹22,192
- **Total Interest Payable = ₹22,192**

Illustration 6

M/s **Iota Ltd.** warehoused goods on **1st April 2023**. The **exchange rate** on **into-bond BOE** was ₹75/USD. On **home clearance** (1st April 2024), the exchange rate is ₹85/USD. The **CIF value** is **USD 40,000**. Compute **assessable value** and **duty payable** (**BCD @10%, SWS @10%, IGST @18%**).

Answer:

- Assessable value = 40,000 × 75 = ₹30,00,000
- BCD = ₹30,00,000 × 10% = ₹3,00,000
- SWS = ₹3,00,000 × 10% = ₹30,000

- Subtotal for IGST = ₹30,00,000 + ₹3,00,000 + ₹30,000 = ₹33,30,000
- IGST = ₹33,30,000 × 18% = ₹5,99,400
- **Total Duty Payable** = ₹3,00,000 + ₹30,000 + ₹5,99,400 = **₹9,29,400**

Illustration 7

M/s **Theta Industries** warehoused goods for **manufacturing operations** under **Section 65**. The **value of raw materials** is ₹60 lakh. Calculate **IGST** and **Compensation Cess** payable upfront under **Section 65A (IGST @18%, Cess @12%)**.

Answer:

- IGST = ₹60,00,000 × 18% = ₹10,80,000
- Compensation Cess = ₹60,00,000 × 12% = ₹7,20,000
- **Total Taxes Payable** = ₹10,80,000 + ₹7,20,000 = **₹18,00,000**

Illustration 8

M/s **Omega Pvt. Ltd.** imported goods and stored them in a **public warehouse** licensed under **Section 57**. The **CIF value** of the consignment was **US \$30,000**, with an **exchange rate** of ₹65 per US \$. The applicable **Basic Customs Duty (BCD)** is **12%**, **SWS @10%**, and **IGST @18%**. Compute the **assessable value** and **total customs duty payable** when the goods are cleared for home consumption.

Answer:

- CIF value in INR = 30,000 × 65 = ₹19,50,000
- BCD @12% = ₹19,50,000 × 12% = ₹2,34,000
- SWS @10% on BCD = ₹2,34,000 × 10% = ₹23,400
- Subtotal for IGST = ₹19,50,000 + ₹2,34,000 + ₹23,400 = ₹22,07,400
- IGST @18% = ₹22,07,400 × 18% = ₹3,97,332
- **Total Duty Payable** = BCD + SWS + IGST = ₹2,34,000 + ₹23,400 + ₹3,97,332 = **₹6,54,732**

Illustration 9

M/s **Vipul Enterprises** imported goods in **May 2024**. An **into-bond bill of entry** was presented on **14th May 2024**, and goods were warehoused. The **assessable value** on that date was **US \$1,00,000**. The order permitting deposit in the warehouse for **4 months** was issued on **21st May 2024**. However, the goods were not cleared after the warehousing period ended on **21st September 2024**. Goods were eventually cleared on **14th October 2024**. Compute the **customs duty** and **interest payable** under **Section 72** of the **Customs Act, 1962**, based on the following:



Particulars	14th May 2024	21st September 2024	14th October 2024
Exchange rate per US \$	₹65.20	₹65.40	₹65.50
Basic customs duty rate	15%	10%	12%
IGST	Exempt	Exempt	Exempt

Ignore Agriculture Infrastructure and Development Cess.

Answer:

Step 1: Assessable Value Calculation

- Assessable Value = US \$1,00,000 × ₹65.20 = **₹65,20,000**

Step 2: Customs Duty Calculation

- As per **Section 14(1)**, the **exchange rate** at the time of **into-bond BOE (14th May 2024)** is considered for **assessable value**.
- Under **Section 72**, since goods were **improperly removed** (not cleared after warehousing period), the **duty rate applicable** is on the **last permissible date (21st September 2024)**:
 - BCD @10%
- Customs Duty = ₹65,20,000 × 10% = ₹6,52,000
- SWS @10% on BCD = ₹6,52,000 × 10% = ₹65,200
- Total Customs Duty Payable** = ₹6,52,000 + ₹65,200 = **₹7,17,200**

Step 3: Interest Calculation under Section 61

- Warehousing on : **21st May 2024**
- Clearance date: **14th October 2024**
- Interest period = (**from 22nd May 2024 to 14th October 2024**) = 146 - 90 days = 56 days
- Interest @15% = ₹7,17,200 × 15% × 56 / 365 = **₹16,505.42**
- Total Interest Payable** = **₹16,505**

Working Note:

- Total number of days delay = May 10 days + June 30 days + July 31 days + Aug 31 days + Sep 30 days + Oct 14 days = 146 days.
- Goods which are not removed within the permissible period are deemed to be improperly removed in terms of section 72 of the Customs Act, 1962 on the day they should have been removed [Kesoram Rayon v. CC 1996 (86) ELT 464 (SC)]. The applicable rate of duty in such a case is the rate of duty prevalent on the last date on which the goods should have been removed.

Illustration 10

M/s **Bhola Ltd.** imported **Super Kerosene Oil (SKO)** valued at **US \$80,000** and stored it in a **public warehouse**. The **exchange rate** at the time of import was **₹70/US \$**. An **ex-bond bill of entry** for home consumption was filed on **1st August 2024**, with **BCD @10%** applicable on that date. The **proper officer passed the order for clearance for home consumption**, and **customs duty** was paid.

Due to the **combustible nature** of SKO, the importer requested **continued storage** in the same warehouse under **Section 49** until the **actual sale/use** of the goods. The **application was approved**. However, on **15th September 2024**, when the goods were actually removed from the warehouse, the **rate of BCD increased to 12%**. The **Department demanded differential duty** at the new rate.

Discuss whether the Department's demand is sustainable. Compute the customs duty payable by M/s Bhola Ltd. and justify the legal position with case law reference.

Answer:

Step 1: Compute Customs Duty (Based on ex-bond BOE date - 1st August 2024)

- Assessable Value = US \$80,000 × ₹70 = ₹56,00,000
- BCD @10% = ₹56,00,000 × 10% = ₹5,60,000
- SWS @10% on BCD = ₹5,60,000 × 10% = ₹56,000
- **Total Customs Duty Paid** = ₹5,60,000 + ₹56,000 = **₹6,16,000**

Legal Position:

- As per **Section 68** of the **Customs Act, 1962**, once **duty is paid** and the **out-of-charge order** is passed for home consumption, the goods **cease to be warehoused goods**.
- Under **Section 49**, if **cleared goods** are permitted to **remain in the warehouse for storage** (due to specific circumstances like **combustibility**), they are **not treated as warehoused goods**.
- Referencing the case of **CCus vs. Biecco Lawrie Ltd. 2008 (223) ELT 3 (SC)**, the **Supreme Court** held that once **customs duty is paid** and **clearance order is passed**, any **subsequent storage** does **not attract additional duty**, even if the **rate changes**.

Conclusion:

- **M/s Bhola Ltd.** is **not liable** to pay **differential duty** at the **enhanced rate**.
- The **Department's demand** is **not sustainable**.
- **Duty Paid:** ₹6,16,000 (already paid on 1st August 2024)

Duty Drawback

[Study Material - Module 21]

Illustration 1

M/s **Delta Exports Ltd.** exported goods with **FOB value ₹10,00,000** on **10th January 2024** and claimed **duty drawback** of **₹40,000**. The claim was filed on **15th January 2024** but was not processed within **one month**. The Department credited the drawback on **5th March 2024**. Calculate the **interest payable** under **Section 75A**.

Answer:

- Due date for drawback payment = 15th February 2024
- Actual payment date = 5th March 2024
- Delay = 19 days
- Interest @6% p.a. = $\text{₹}40,000 \times 6\% \times 19 / 366 = \text{₹}124.59$
- **Interest Payable = ₹125**

Illustration 2

M/s **Gamma Textiles Ltd.** claimed a **duty drawback** of **₹50,000** on **5th May 2024**. It was later discovered that **export proceeds** were not realized within the FEMA stipulated time. A **demand** was raised on **10th November 2024** and the recovery was made on **25th January 2025**. Calculate **interest payable** under **Section 75A**.

Answer:

- Interest period = 5th May 2024 to 25th January 2025 = 265 days
- Interest @15% p.a. = $\text{₹}50,000 \times 15\% \times 265 / 365 = \text{₹}5,445.21$
- **Interest Payable = ₹5,445**

Illustration 3

M/s **Sigma Traders** exported goods to **Nepal** with **FOB value ₹2,00,000** and claimed **duty drawback** of **₹8,000**. The **export proceeds** were realized in **Indian Rupees**. Determine if the **duty drawback** is admissible.



Answer:

- As per **Section 76**, exports to **Nepal/Bhutan** are **not eligible** for **duty drawback** unless **payment is realized in foreign currency**.
- Here, since **payment was in Indian Rupees**, the **duty drawback claim is inadmissible**.

Illustration 4

M/s **Theta Exports** claimed a **duty drawback** of **₹400** on **FOB value ₹60,000** (0.67% of FOB). Is the **claim admissible**?

Answer:

- As per **Section 76**, if **duty drawback as % of FOB** is **less than 1%** and the **amount is less than ₹500**, it is **inadmissible**.
- Here, **drawback = 0.67%** (below 1%) and **amount = ₹400** (below ₹500), hence **inadmissible**.

Illustration 5

M/s **Epsilon Enterprises** exported goods with **FOB value ₹12,00,000** on **1st March 2024** and claimed **duty drawback** of **₹60,000**. The Department credited the drawback on **20th April 2024**. Compute the **interest payable**, if any.

Answer:

- Due date for drawback payment = 1st April 2024
- Actual payment date = 20th April 2024
- Delay = 19 days
- Interest @6% p.a. = $₹60,000 \times 6\% \times 19 / 365 = ₹187.40$
- **Interest Payable = ₹187**

Illustration 6

M/s **Rohan Footwear Pvt. Ltd.** exported **2,000 pairs of leather shoes** at a **FOB value of ₹750 per pair**. The **All Industry Rate (AIR)** of **duty drawback** is fixed on an **average basis** at **11% of FOB**, subject to a **maximum of ₹80 per pair**.

The **actual duty paid** on the **inputs used for manufacturing** these shoes amounts to **₹1,95,000**. The exporter has approached you as a **consultant** seeking advice on whether to apply for a **Special Brand Rate (SBR)** under **Rule 7 of the Customs and Central Excise Duties Drawback Rules, 2017**.

Advise the exporter suitably, including **calculations for duty drawback, AIR coverage**, and the **eligibility for SBR application**.

Answer:

Step 1: Calculation of Duty Drawback under All Industry Rate (AIR)

Particulars	Calculation	Amount (₹)
FOB value per pair	₹750	
Total FOB value (2,000 pairs)	₹750 × 2,000	₹15,00,000
Duty drawback @11% of FOB	₹15,00,000 × 11%	₹1,65,000
Maximum limit per pair	₹80 × 2,000	₹1,60,000
Duty drawback admissible (lower of the above)		₹1,60,000

Step 2: Determine AIR Coverage over Actual Duty Paid

Particulars	Calculation	Percentage (%)
AIR Duty Drawback Allowed	₹1,60,000	
Actual duty paid on inputs	₹1,95,000	
AIR coverage over actual duty paid	(₹1,60,000 / ₹1,95,000) × 100	82.05%

Step 3: Advisory on Eligibility for Special Brand Rate (SBR)

- As per **Rule 7 of the Drawback Rules, 2017**, an **exporter** can **apply for SBR** only if the **AIR does not cover at least 80% of the actual duties paid** on inputs.
- Here, **AIR covers 82.05% of the actual duty paid**, which is **above 80%**.

Conclusion:

- M/s Rohan Footwear Pvt. Ltd.** is **not eligible** to apply for **Special Brand Rate (SBR)** under **Rule 7**.
- The **duty drawback allowed** is **₹1,60,000** as per **All Industry Rate (AIR)**, and this **sufficiently compensates** the **actual duty paid**.

Illustration 7

M/s X Ltd. exported the following goods to the **USA**. Determine whether **duty drawback** is **admissible** under **Section 75 of the Customs Act, 1962**, based on the following information:

Product	FOB Value (₹)	Market Price (₹)	Duty Drawback Rate
A	2,50,000	1,80,000	30% of FOB
B	1,00,000	50,000	0.75% of FOB
C	8,00,000	8,50,000	3.50% of FOB
D	2,000	2,100	1.50% of FOB

Note: The **imported value** of **Product C** is **₹9,50,000**.

Answer:

Product A:

- Drawback amount (as per rate) = ₹2,50,000 × 30% = ₹75,000
- Maximum drawback allowed = 1/3 of market price = ₹1,80,000 × 1/3 = ₹60,000
- As per Section 75, the drawback cannot exceed 1/3 of the market price of exported goods.

Duty Drawback Allowed for Product A: ₹60,000

Product B:

- Drawback amount = ₹1,00,000 × 0.75% = ₹750
- Although the drawback rate is less than 1%, the absolute amount exceeds ₹500, making it admissible as per Rule 12 of the Drawback Rules.

Duty Drawback Allowed for Product B: ₹750

Product C:

- Export FOB value = ₹8,00,000
- Imported value = ₹9,50,000 (higher than export value)
- As per Section 75, duty drawback is not admissible if the export value is lower than the import value (i.e., negative sale scenario).

Duty Drawback for Product C: Not admissible

Product D:

- Drawback amount = ₹2,000 × 1.50% = ₹30
- Although the drawback rate exceeds 1%, the absolute amount is less than ₹50.
- As per Rule 12 of the Drawback Rules, no drawback is allowed if the amount is below ₹50.

Duty Drawback for Product D: Not admissible

Final Summary:

Product	Duty Drawback Admissibility	Amount Allowed (₹)
A	Admissible (restricted to 1/3 market price)	60,000
B	Admissible (amount > ₹500)	750
C	Not admissible (export value < import value)	-
D	Not admissible (amount < ₹50)	-



Illustration 8

Calculate the **duty drawback** allowable under the **Customs Act, 1962** in the following cases:

1. **Mr. Jaggi Mehta** imported a **car** from the **U.K.** for his **personal use** and paid **₹4,50,000** as **import duty**. However, he **re-exported** the car **immediately without bringing it into use**.
2. **Ms. Meenakshi** imported a **music player** from **Dubai** and paid **₹12,000** as **import duty**. She **used the music player for four months** and **re-exported** it.
3. **XYZ Ltd.** exported **1,000 kgs** of **metal** with an **FOB value of ₹1,00,000**. The **rate of duty drawback** on such export is **₹60 per kg**. The **market price** of the goods is **₹40,000** (in the wholesale market).

Answer:

(a) Duty Drawback for Mr. Jaggi Mehta:

- **Import Duty Paid:** ₹4,50,000
- Since the **car was re-exported immediately without use**, as per **Section 74(1)** of the **Customs Act, 1962**, **98%** of the **import duty paid** is allowed as **duty drawback**.

Calculation	Amount (₹)
98% of ₹4,50,000	₹4,41,000

Duty Drawback Allowed: ₹4,41,000

(b) Duty Drawback for Ms. Meenakshi:

- **Import Duty Paid:** ₹12,000
- **Usage Period:** 4 months
- As per the **Notification No. 19/65-Cus.**, when goods are **used before re-export**, the **duty drawback percentage** reduces based on the **period of use**.

Period of Use	Percentage of Duty Drawback
3-6 months	85% of duty paid

Calculation	Amount (₹)
85% of ₹12,000	₹10,200

Duty Drawback Allowed: ₹10,200

(c) Duty Drawback for XYZ Ltd.:

- **Quantity Exported:** 1,000 kgs
- **FOB Value:** ₹1,00,000
- **Market Price:** ₹40,000
- **Drawback Rate:** ₹60 per kg

Drawback Amount (calculated) | $1,000 \text{ kgs} \times ₹60 = ₹60,000$ |

Since, market value of exported goods is less than the value of Duty Drawback. XYZ Ltd. is not entitled to claim duty drawback in this case.

Final Summary:

Case	Duty Drawback Admissible	Amount (₹)
Mr. Jaggi Mehta (Car)	Yes	₹4,41,000
Ms. Meenakshi (Music Player)	Yes	₹10,200
XYZ Ltd. (Metal Export)	No	-

Illustration 9

M/s Vertex Solutions Pvt. Ltd. imported certain **electronic equipment** for **commercial use**. The following details are available for claiming **duty drawback** under **Section 74 of the Customs Act, 1962**:

- **Import Duty Paid:** ₹16,50,000
- The goods were **used** and remained **out of customs control for 13 months** before **re-export**.

Determine the amount of duty drawback admissible in this case, with appropriate explanations.

Answer:

Applicability of Section 74:

- **Section 74 of the Customs Act, 1962** allows **duty drawback** on **re-export of imported goods**.
- If the goods have been **used after importation**, the **percentage of drawback** depends on the **duration** the goods remained **out of customs control**.

Usage Period after Importation	Duty Drawback % (of Import Duty Paid)
More than 12 months but $\leq$ 15 months	65%

In this case:

- **Duration out of customs control = 13 months** (eligible for **65% drawback**).

Calculation of Duty Drawback:

Particulars	Amount (₹)
Import Duty Paid	₹16,50,000
Duty Drawback @65%	$₹16,50,000 \times 65\%$
	₹10,72,500

Conclusion:

M/s Vertex Solutions Pvt. Ltd. is **eligible** for a **duty drawback** of **₹10,72,500** under **Section 74** of the **Customs Act, 1962**.



Illustration 10

M/s Apex Exports Pvt. Ltd. exported **manufactured goods** with the following details:

- **FOB value of exports:** ₹95,000
- **Rate of duty drawback:** 35% of FOB value
- **Market value** of the export product (in the wholesale market): ₹1,05,000

Determine the amount of duty drawback admissible in this case, with suitable explanations under the **Customs & Central Excise Duties Drawback Rules, 2017**.

Answer:

Step 1: Compute Duty Drawback Based on FOB Value

Particulars	Amount (₹)
FOB value of exports	₹95,000
Duty drawback @35% of FOB	₹95,000 × 35%
	₹33,250

Step 2: Apply the Maximum Limit as per Rule 9

- As per **Rule 9 of the Customs & Central Excise Duties Drawback Rules, 2017**, **duty drawback cannot exceed one-third of the market price** of the exported goods.

Maximum allowable drawback | ₹1,05,000 ÷ 3 = **₹35,000** |

- Since the **calculated drawback (₹33,250)** is **less than the one-third cap (₹35,000)**, no restriction is applicable.

Conclusion:

- **Duty drawback admissible to M/s Apex Exports Pvt. Ltd. = ₹33,250** (as per FOB value calculation).
- The **one-third of market price condition** does **not restrict** the drawback in this case.

Illustration 11

M/s PQR Exports Pvt. Ltd. imported **used wearing apparels** from the **USA** in **April 2024** and paid **₹4,80,000** as **import duty**. Upon receipt, they suspected that the **apparels may not be saleable in India** and decided to **re-export the goods back to the USA without using them**. The **supplier accepted the re-export**.

- **Determine whether M/s PQR is eligible for duty drawback** of the import duty paid under **Section 74 of the Customs Act, 1962**.
- **List the conditions** for availing **duty drawback** in this scenario.

Answer:

Eligibility for Duty Drawback:

- As per **Section 74 of the Customs Act, 1962**, duty drawback is admissible on re-exported goods, provided the goods are **re-exported without use** (except for the minimum necessary use for inspection/testing).
- Since **M/s PQR Exports Pvt. Ltd.** has **not used the wearing apparels** and is **re-exporting them back to the USA**, they are **eligible for duty drawback** on the **import duty paid (₹4,80,000)**.

Duty Drawback Amount Calculation:

- In the case of **unused goods**, **98% of the import duty paid** is eligible as **duty drawback**.

Particulars	Amount (₹)
Import Duty Paid	₹4,80,000
Duty Drawback @98%	₹4,80,000 × 98%
	₹4,70,400

Duty Drawback Admissible: ₹4,70,400

Conditions for Duty Drawback (Section 74):

1. Identification of Goods:

- The **proper officer** must **identify the goods** being **re-exported** as the **same goods** that were imported.

2. Time Limit for Re-export:

- Goods must be **re-exported within 2 years** from the **date of import duty payment**.
- This period is **extendable** by the **Commissioner of Customs** on showing **sufficient cause**.

3. No Usage Condition:

- Full duty drawback (98%)** is allowed **only if the goods are unused** after importation.

Conclusion:

- M/s PQR Exports Pvt. Ltd.** is **eligible** for a **duty drawback of ₹4,70,400** under **Section 74** of the **Customs Act, 1962**, subject to the **fulfillment of identification and time conditions**.

Illustration 12

M/s Delta Industries Ltd. exported the following goods:

- Product A** with a **FOB value of ₹1,20,000**. The **duty drawback rate** on such goods is **0.80% of FOB**.
- Product B** with a **FOB value of ₹9,000**. The **duty drawback rate** on such goods is **1.20% of FOB**.

Determine whether M/s Delta Industries Ltd. is entitled to duty drawback for each product under the **Customs Act, 1962**.



Answer:

Product A:

- **FOB value** = ₹1,20,000
- **Drawback rate** = 0.80% of FOB
- **Drawback amount** = ₹1,20,000 × 0.80% = **₹960**

Condition Check:

- As per **Rule 12 of the Customs & Central Excise Duties Drawback Rules, 2017:**
 - If **duty drawback rate is less than 1%**, the **absolute amount** must be **₹500 or more** for the claim to be admissible.
- Here, **drawback rate = 0.80% (<1%)**, but **amount = ₹960 (>₹500)**.
- Therefore, **duty drawback is admissible**.

Duty Drawback for Product A: ₹960

Product B:

- **FOB value** = ₹9,000
- **Drawback rate** = 1.20% of FOB
- **Drawback amount** = ₹9,000 × 1.20% = **₹108**

Condition Check:

- No restriction on **duty drawback rate ≥1%**.
- However, as per **Rule 12**, the **minimum drawback amount** should be **₹50**.
- Here, **drawback amount = ₹108 (>₹50)**.
- Therefore, **duty drawback is admissible**.

Duty Drawback for Product B: ₹108

Final Summary:

Product	FOB Value (₹)	Drawback Rate (%)	Drawback Amount (₹)	Eligibility
A	1,20,000	0.80%	960	Admissible
B	9,000	1.20%	108	Admissible

Illustration 13

You are required to **calculate the amount of interest receivable/payable** (rounded off to the nearest ₹1) in the following **independent cases** along with **brief explanations** under the **Customs Act, 1962** and **rules made thereunder**:

Case (i): Interest Receivable on Delayed Duty Drawback Payment

M/s Delta Impex Pvt. Ltd. filed a **duty drawback claim** of **₹2,40,000** on **15th August 2025**.

However, the **duty drawback** was **received** on **20th November 2025**.

Case (ii): Interest Payable on Erroneous Duty Drawback Refund

M/s Sigma Traders was erroneously refunded a sum of ₹55,000 in excess drawback on 10th March 2025. The Department issued a demand notice on 20th June 2025, and the excess amount was returned by Sigma Traders on 25th July 2025.

Answer:

Case (i): Interest Receivable by M/s Delta Impex Pvt. Ltd.

- As per **Section 75A(1)** of the Customs Act, 1962, if **duty drawback** is **not paid within one month** from the **date of filing of the claim**, **interest @6% p.a.** is payable for the **delayed period**.

Particulars	Date
Date of filing drawback claim	15th August 2025
One month expiry date	15th September 2025
Actual date of drawback receipt	20th November 2025
Delay period (16th September – 19th November)	65 days

Interest Calculation:

Particulars	Calculation	Amount (₹)
Interest	$₹2,40,000 \times 6\% \times 65 / 365$	₹2,564.38
Rounded Interest Receivable		₹2,564

Case (ii): Interest Payable by M/s Sigma Traders

- As per **Section 75A(2)** read with **Section 28AA** of the Customs Act, 1962, if **erroneous drawback refund** is **recovered**, **interest @15% p.a.** is payable from the **date of refund** to the **date of recovery**.

Particulars	Date
Date of excess refund	10th March 2025
Date of repayment by Sigma Traders	25th July 2025
Interest period	138 days

Interest Calculation:

Particulars	Calculation	Amount (₹)
Interest	$₹55,000 \times 15\% \times 138 / 365$	₹3,119.18
Rounded Interest Payable		₹3,119

Refund under Customs Law

[Refund]

[Study Material - Module 24]

Illustration 1

M/s Sunrise Exports, a registered exporter located in Mumbai, exported **industrial machinery** to a US client on **15th June 2024**. The company paid **export duty of ₹50,000** at the time of export. The US client rejected the consignment due to a manufacturing defect, and the machinery was **re-imported into India on 10th February 2025**. The goods were **returned as-is (without resale)**. On **15th February 2025**, the Customs Officer passed the order for re-import clearance. M/s Sunrise Exports wishes to claim a refund of the export duty.

Advise them on:

- Refund eligibility.
- Application timeline.
- Amount refundable.

Answer:

- **Relevant Provision:** Section 26 of the Customs Act, 1962.
- **Key Conditions:**
 - o Goods must be **returned otherwise than by resale**.
 - o Goods must be **re-imported within 1 year** from export date.
 - o Refund application to be filed **within 6 months** from **Customs Officer's order for re-import clearance**.
- **Step-wise Application:**
 - o **Export Date:** 15-06-2024.
 - o **Re-import Date:** 10-02-2025 (within 1 year → eligible).
 - o **Customs Order for Importation:** 15-02-2025.
 - o **Refund Application Deadline:** 6 months from 15-02-2025 → **14-08-2025**.
- **Refund Amount:**
 - o Entire **export duty of ₹50,000** is refundable as goods are returned without resale.



- **Conclusion:**

M/s Sunrise Exports is eligible for **refund of ₹50,000** provided the application is filed by **14th August 2025** with relevant documents like Bill of Entry, Export Invoice, and Proof of Re-import.

Illustration 2

M/s Neptune Traders imported a consignment of **electronic circuit boards** on **1st July 2024**, paying an **import duty of ₹1,20,000**. Order clearance for home consumption on 05-07-2024. Upon inspection at the warehouse, the goods were found **defective**. The company decided to **relinquish its title to the goods** and communicated this to the Customs Department on **20th July 2024**. No **drawback** was claimed on these goods. The company now seeks a refund of import duty.

Advise on:

- Eligibility under Customs Law.
- Refund computation.
- Relevant timelines.

Answer:

- **Relevant Provision:** Section 26A of the Customs Act, 1962.
- **Key Conditions:**
 - o Goods should be **defective**.
 - o Goods should be **relinquished, exported, or destroyed within 30 days** from the date of order clearance for home consumption.
 - o No **drawback** should be claimed.
 - o Application for refund within **6 months** from the relevant date.
- **Step-wise Application:**
 - o **Import Clearance Date:** 05-07-2024.
 - o **Relinquishment Date:** 20-07-2024 (within **30 days** → compliant).
 - o **Refund Application Deadline:** 6 months from clearance date (05-07-2024) → **04-01-2025**.
- **Refund Amount:**
 - o Full **import duty of ₹1,20,000** is refundable.
- **Conclusion:**

M/s Neptune Traders can claim a **full refund of ₹1,20,000** provided they file the application by **4th January 2025** with documents like relinquishment letter, import Bill of Entry, and inspection report.



Illustration 3

M/s Horizon Ltd. imported **1,000 laptops** from Taiwan on **10th August 2024**. Import duty at **₹5,000 per unit** was paid upfront on all 1,000 units on 12-08-2024. During unloading, only **950 laptops** were received due to **pilferage in transit**. The customs authorities confirmed the **short landing**. M/s Horizon Ltd. now seeks a refund.

Determine:

- Eligibility for refund.
- Refund amount.
- Time limit for filing the refund.

Answer:

- **Relevant Provision:** Section 27 of the Customs Act, 1962.
- **Key Conditions:**
 - Refund of **excess duty** paid due to **short landing, pilferage, or incorrect assessment**.
 - Refund claim to be made within **1 year** from **payment of duty**.
- **Step-wise Computation:**
 - **Duty Paid on 1,000 laptops:** $1,000 \times ₹5,000 = ₹50,00,000$.
 - **Actual Duty on 950 laptops:** $950 \times ₹5,000 = ₹47,50,000$.
 - **Excess Duty Paid:** $₹50,00,000 - ₹47,50,000 = ₹2,50,000$.
- **Refund Application Deadline:**
 - **Duty Payment Date:** 12-08-2024.
 - **Deadline:** 11-08-2025.
- **Conclusion:**

M/s Horizon Ltd. is eligible for a **refund of ₹2,50,000** and must apply by **11th August 2025** with proof of pilferage (survey reports, Bills of Entry).

Illustration 4

M/s Galaxy Pvt. Ltd., a registered importer based in Chennai, filed an application for refund of **₹3,00,000** on **1st August 2024** under **Section 27 of the Customs Act, 1962**, due to excess payment of import duty on account of **short landing of goods**. The refund was duly sanctioned by the Assistant Commissioner of Customs on **15th October 2024**, but the amount was actually credited to M/s Galaxy Pvt. Ltd.'s bank account on **15th December 2024**.

You are required to:



1. Determine whether **interest** is payable by the Customs Department on the **delayed refund**.
2. Compute the **interest amount** payable under **Section 27A**.
3. Specify the **period of delay** for interest computation with **justification and legal reference**.

Answer:

Legal Framework:

- **Section 27A of the Customs Act, 1962** governs the payment of **interest on delayed refunds**.
- **Key provisions under Section 27A:**
 - o **Trigger for Interest:** If a refund sanctioned under **Section 27** is **not paid within 3 months** from the **date of receipt of refund application**, the Customs Department shall pay **simple interest** on the delayed amount.
 - o **Rate of Interest:** The prescribed rate is **6% per annum**.
 - o **Interest Period:** Interest is computed **from the expiry of 3 months** from the date of refund application **till the date of actual refund**.

Step-wise Analysis:

Particulars	Details
Refund application filed	01st August 2024
3-month deadline for refund payment	31st October 2024
Refund sanctioned (but not paid)	15th October 2024 (within 3 months)
Actual date of refund payment (credited)	15th December 2024
Delay period for interest computation	1st November 2024 to 15th December 2024 (45 days)

Note:

Although the refund was sanctioned on **15-10-2024**, payment is considered complete only when the **refund amount is actually credited** to the importer. Therefore, interest is applicable from **01-11-2024** (post expiry of 3 months from application) to **15-12-2024** (actual payment date).

Interest Computation: Total delay period for interest:

- **44 days** (from **01-11-2024** to **14-12-2024**, excluding **15-12-2024**).

$$\text{Interest} = ₹3,00,000 \times 6\% \times 44 \times \frac{365}{365} = ₹2,170 \text{ (approx.)}$$

Conclusion:

- **Yes, interest is payable** under **Section 27A** on account of **delay in refund payment** beyond the statutory period of **3 months** from the date of refund application.
- **Interest Payable:** ₹2,170.
- **Total refund received by M/s Galaxy Pvt. Ltd.:** ₹3,02,170 (Principal refund of ₹3,00,000 + Interest of ₹2,170).



Professional Note:

Provision Interpretation:

- **Section 27A** states:

Interest is payable **from the expiry of 3 months** from the **date of receipt of refund application till the date of refund**.

- The **phrase “till the date of refund”** has been **interpreted in various judicial rulings** and standard accounting practices to mean:
 - **Interest is payable up to the day before the refund is paid, not on the day of refund payment itself.**

Supporting Interpretation:

- **Standard Legal Interpretation:**

- When a law says “till the date of refund,” **the day of refund payment is excluded** from interest computation.
- This is because the **refund becomes available to the claimant on that day**, so **no further interest accrues on that day**.

- **Example:**

- Refund paid on **15th December 2024** → **interest stops accruing on 14th December 2024**.
- This principle aligns with **common jurisprudence** in interest computations for **tax refunds**, including **CBDT circulars** and **judgments** under similar provisions in **income tax** and **GST law**.

In the given case:

Particulars	Date
Refund application filed	01st August 2024
Refund due by (3 months)	31st October 2024
Interest starts	01st November 2024
Refund credited (payment date)	15th December 2024
Interest period ends	14th December 2024

Illustration 5

M/s Orion Ltd. paid **customs duty of ₹5,00,000** on **1st March 2024** under protest, disputing the classification of imported goods. The **Supreme Court judgment** dated **10th December 2024** ruled in favor of M/s Orion Ltd., declaring that the duty was wrongly levied.



Advise on:

- Refund eligibility.
- Refund application deadline.

Answer:

- **Relevant Provision:** Section 27(1B) of the Customs Act, 1962.
- **Key Conditions:**
 - Refund period of **1 year** counted from the **date of judgment** (not from duty payment date).
- **Refund Application Timeline:**
 - **Judgment Date:** 10-12-2024.
 - **Refund Deadline:** 09-12-2025.
- **Refund Amount:**
 - Full **duty of ₹5,00,000**, subject to **unjust enrichment test**.
- **Conclusion:**

M/s Orion Ltd. can claim a **refund of ₹5,00,000** by filing the application before **9th December 2025**, along with court judgment copy and original duty payment proof.

Illustration 6

Mr. Ravishankar, an **importer based in Chennai**, filed a **claim for refund of customs duty of ₹12,00,000 paid under protest**, which was assessed on the value of **imported textile machinery**.

- The **assessment order**, based on which the **duty was paid**, has **neither been reviewed nor modified in any appeal proceedings**.
- The **Customs Department rejected the refund claim** filed by Mr. Ravishankar.

Discuss, with the help of **decided case law**, whether the **action of the Department rejecting the refund claim is correct in law**. Provide reasons to support your answer.

What **other options** are available to Mr. Ravishankar?

Answer:

1. Whether the action of the Department is correct?

Yes, the **action of the Department rejecting the refund claim is legally correct**.

- The facts of the case are **similar to the decision of the Hon'ble Supreme Court** in the case of **Priya Blue Industries Ltd. v. Union of India (2004)**.



- In this judgment, the Court held that:
 - o **Unless the assessment order has been reviewed or modified through appeal, the assessment order stands final, and duty is payable as per that order.**
 - o **A refund claim is not a substitute for an appeal proceeding.**
 - o **The officer handling the refund claim has no authority to review or revise the assessment order while processing the refund.**
- **Since Mr. Ravishankar has not challenged the assessment order through an appeal or review, and no modification has been made to the original assessment order, the refund claim cannot be entertained.**

2. Other Options Available to Mr. Ravishankar:

Mr. Ravishankar has the following **alternative legal options**:

1. File an appeal:

- a. He can **file an appeal against the assessment order** with which he is **aggrieved**, before the **Commissioner (Appeals)** under **Section 128 of the Customs Act, 1962**.

2. Request for review:

- a. He can **request the competent authority** (proper officer) to **review the assessment order** under **Section 129D of the Customs Act, 1962**.

Conclusion:

Since the **assessment order remains unchallenged, the refund claim is not maintainable unless the order is overturned through appeal or review**. The **Department's action is correct in law**.

Illustration 1

M/s Jigsaw Exports imported inputs under Advance Authorization scheme with a CIF value of ₹25,00,000 in FY 2024-25. Additionally, free-of-cost inputs valued at ₹5,00,000 were supplied by a foreign buyer. Compute the **minimum FOB value of exports** required to fulfill the **value addition** criteria under the Advance Authorization scheme.

Answer:

Given:

- CIF Value of inputs = ₹25,00,000
- Free-of-cost inputs = ₹5,00,000

Formula:

$$\begin{aligned}\text{Minimum FOB value of export} &= (\text{CIF value} + \text{Free-of-cost inputs}) \times (1 + 15\%) \\ &= ₹(25,00,000 + 5,00,000) \times 1.15 = ₹30,00,000 \times 1.15 = ₹34,50,000\end{aligned}$$

Minimum FOB value of exports = ₹34,50,000

Illustration 2

M/s Shine Textiles imported capital goods worth ₹40,00,000 under the **EPCG scheme** at **zero customs duty** in FY 2024-25. Compute the **specific export obligation (EO)** required to be fulfilled over the export obligation period.

Answer:

Given:

- CIF value of capital goods imported = ₹40,00,000
- Duties saved = ₹40,00,000 (since import is at zero duty)
- EO requirement = 6 times the duties saved

Calculation:

$$\text{Specific EO} = ₹40,00,000 \times 6 = ₹2,40,00,000$$

Specific Export Obligation = ₹2,40,00,000 to be fulfilled over 6 years.



Illustration 3

M/s Elegant Exports exported garments worth ₹60,00,000 under the **DFIA scheme**. The CIF value of imported inputs used was ₹45,00,000. Compute the **minimum required FOB value of exports** to comply with the **value addition** criteria.

Answer:

- CIF value of imported inputs = ₹45,00,000
- Minimum value addition under DFIA = 20%

Formula:

$$\text{Minimum FOB} = \text{CIF} \times (1 + 20\%) = ₹45,00,000 \times 1.20 = ₹54,00,000$$

Since the actual export FOB value is ₹60,00,000 (which exceeds ₹54,00,000), the value addition condition is fulfilled.

Illustration 4

M/s Galaxy Electronics, an SEZ unit, achieved **FOB value of exports** of ₹8,00,00,000 during FY 2024-25. CIF value of imported inputs and capital goods was ₹5,00,00,000. Payments made in foreign currency for royalties, commissions, etc., amounted to ₹50,00,000. Compute whether **Positive Net Foreign Exchange (NFE)** criteria is satisfied.

Answer:

Given:

- FOB exports = ₹8,00,00,000
- CIF imports = ₹5,00,00,000
- Foreign currency payments = ₹50,00,000

Formula:

$$\begin{aligned} \text{NFE} &= \text{FOB} - (\text{CIF imports} + \text{foreign currency payments}) \\ &= ₹8,00,00,000 - ₹(5,00,00,000 + 50,00,000) = ₹8,00,00,000 - ₹5,50,00,000 = ₹2,50,00,000 \end{aligned}$$

Positive NFE = ₹2,50,00,000 (criteria satisfied)

Illustration 5

M/s Alpha Exports exported readymade garments with **FOB value** of ₹75,00,000. The notified **RoDTEP rate** is 1.2% of FOB value with a **value cap** of ₹5 per unit. The total quantity exported is **10,000 units**. Compute the **RoDTEP benefit**.

Answer:

Given:

- FOB value = ₹75,00,000
- RoDTEP rate = 1.2%

- Value cap = ₹5 per unit
- Quantity = 10,000 units

Calculation:

RoDTEP as per rate = ₹75,00,000 × 1.2% = ₹90,000

RoDTEP as per value cap = 10,000 units × ₹5 = ₹50,000

RoDTEP benefit allowable = ₹50,000 (lower of the two)

Illustration 6

M/s Stellar Industries Pvt. Ltd., located in Bengaluru, is a manufacturer operating under the **Advance Authorisation scheme**. In FY 2024–25, the company undertook the following:

- Imported raw materials with **CIF value of ₹25,00,000**, duty-free under Advance Authorisation.
- Received **free-of-cost inputs** from a foreign client valued at **₹5,00,000** to address quality contingencies.
- Manufactured finished goods and supplied them to **M/s BlueWave SEZ Unit**, Kochi.
- Payment was received in **Indian Rupees (INR)** through banking channels.
- Separately, Stellar Industries also supplied goods to **UNICEF India Office**, New Delhi, receiving payment in **INR**.

Answer the following questions based on Foreign Trade Policy 2023:

- (1) Is supply from M/s Stellar Industries (DTA) to M/s BlueWave SEZ Unit an export or deemed export? Can Advance Authorisation be availed if payment is received in INR?
- (2) What is the **minimum FOB value**?
- (3) Can Stellar Industries claim Advance Authorisation for supplies to **UNICEF India Office**, where payment was received in INR?

Answer 1: It is an Export (Not Deemed Export)

Basis	Provision
SEZ Act, 2005	Section 2(m): “Export” includes supply of goods from DTA to SEZ Unit
IGST Act, 2017	Section 16(1)(b): Supplies to SEZ = Export and Zero-rated
RBI/FTP Policy	INR payment allowed for SEZ supplies if routed through RBI-approved channels

Hence, the supply is an **Export**, and **Advance Authorisation is available**, even though payment is received in INR.

Answer 2: The **minimum FOB value** required as per 15% value addition norm:

- **CIF value of imports** = ₹25,00,000
- **Free-of-cost inputs** = ₹5,00,000
- **Total value for value addition calculation** = ₹30,00,000



Minimum FOB Value = ₹30,00,000 × 115% = ₹34,50,000

Thus, **minimum export value required** = ₹34,50,000

Answer 3: Not Eligible

- Supplies to international organizations like **UNICEF** are allowed under Advance Authorisation **only if payment is received in foreign exchange**.
- Here, since payment was in **INR**, the condition is **not fulfilled**.

Result: Stellar Industries **cannot claim Advance Authorisation** for this supply.

Illustration 7

M/s Bright Horizon Exports, a recognized **Star Export House**, intends to import **industrial machinery** valued at **₹75,00,000**. Applicable BCD 10%. Ignore social welfare surcharge.

Under the **Foreign Trade Policy (FTP) 2023**, such imports are eligible for **full exemption from Basic Customs Duty (BCD)**, subject to fulfillment of **export obligation** worth **6 times the duty saved (₹45,00,000)** within the prescribed time frame.

However, **no Customs Notification** has yet been issued to operationalize this FTP benefit under the Customs Act, 1962.

Can M/s Bright Horizon Exports proceed with the import of goods claiming duty exemption based solely on the FTP?

Answer: No, exemption cannot be claimed

Explanation with Legal & Practical Reasoning:

- Though FTP 2023 **allows exemption**, this **has no legal force** unless supported by a corresponding **Customs Notification** under **Section 25 of the Customs Act, 1962**.
- The customs officer **cannot allow exemption** merely on the basis of policy declarations in FTP.

Particulars	Amount (₹)
CIF Value of Machinery	₹75,00,000
Notified BCD Rate (say)	10%
Duty Saved (planned exemption)	₹7,50,000
Export Obligation as per FTP	₹45,00,000
Customs Notification Issued?	No
Exemption Available?	No
Import Duty Payable Now	₹7,50,000

Import duty of ₹7,50,000 must be paid unless and until a **valid Customs Notification** is issued to implement the FTP provision.

Illustration 8

M/s TradeLinx Global, a merchant exporter based in Surat, purchases **cotton bedsheets** from **M/s FabTex Mills**, a manufacturer in Ahmedabad.

They export these goods to the USA under **0.1% concessional GST** as permitted under **Notification No. 41/2017-IGST (Rate)**.

They want to claim **RoDTEP benefit** under the **Foreign Trade Policy 2023** from the following:

Particulars	Value
Quantity Procured	5,000 bedsheets
Procurement Cost per unit	₹200
Total Procurement Cost	₹10,00,000
GST Paid @ 0.1%	₹1,000
RoDTEP Rate as per Appendix 4R (HSN: 63041940)	2%
Mode of Export	Direct from Mundra Port to USA
Export Realization (FOB Value)	₹12,00,000

Note:

(1) The goods (bedsheets) are **manufactured by M/s FabTex Mills**, a domestic supplier.

(2) HSN 63041940 (bedsheets) is listed in **Appendix 4R** under FTP 2023, with a RoDTEP rate of **2%**.

Rework: If M/s TradeLinx were to export **design consultancy services** worth ₹12,00,000 to the USA instead of goods. Find the value of RoDTEP?

Answer:

Compute RoDTEP Benefit = ₹12,00,000 × 2% = ₹24,000

RoDTEP Credit = ₹24,000, which will be issued as an **electronic scrip** (duty credit) on ICEGATE.

If M/s TradeLinx were to export **design consultancy services** worth ₹12,00,000 to the USA instead:

- RoDTEP would **not apply**.
- Reason: **RoDTEP applies only to exported goods**, not services.

RoDTEP Benefit for Services = ₹0

Additional Notes (FTP 2023 Based):

- **RoDTEP is claimable by merchant exporters** even on concessional GST procurement.
- The benefit is processed **electronically via ICEGATE**, post **customs clearance** and **shipping bill declaration**.
- No minimum turnover is required.
- Claim is **reflected as duty credit scrip** (not cash).

Illustration 9

M/s Nova Traders Pvt. Ltd., a merchant exporter based in Mumbai, secured an **export order worth USD 1,50,000** from a buyer located in New York, USA.

To execute this order, Nova Traders approached **M/s Sunrise Manufacturing Ltd.**, a manufacturer



located in Pune, Maharashtra, to supply the goods.

- The **shipping bills** relating to the consignment **mentioned only Nova Traders Pvt. Ltd.**
- The **Bank Realization Certificate (BRC), GR declaration, export order, and export invoice** are all in the name of **Nova Traders Pvt. Ltd.**

Now, **M/s Sunrise Manufacturing Ltd.** wants to know whether it will be considered as the “deemed exporter” under the **Foreign Trade Policy (FTP) 2023** for any benefits.

Answer:

Third-party exports mean exports made by a **manufacturer** on behalf of a **merchant exporter** (or vice versa).

To qualify as **third-party export**, **both parties’ names must be correctly reflected** on key documents.

Conditions for valid third-party exports:

Requirement	Condition
(i) Shipping Bill	Must mention both the names — manufacturer (Sunrise Manufacturing Ltd.) and merchant exporter (Nova Traders Pvt. Ltd.).
(ii) BRC, GR, Export Order, Invoice	Should be in the name of third-party exporter (Nova Traders Pvt. Ltd.).

In the Present Case:

Document	Name Mentioned	Status
Shipping Bill	Only Nova Traders Pvt. Ltd.	Manufacturer’s name missing
Bank Realization Certificate	Nova Traders Pvt. Ltd.	Correct
GR Declaration	Nova Traders Pvt. Ltd.	Correct
Export Order	Nova Traders Pvt. Ltd.	Correct
Invoice	Nova Traders Pvt. Ltd.	Correct

Since the **Shipping Bill does not mention the name of Sunrise Manufacturing Ltd.**, the manufacturer will **not** be treated as an “deemed exporter” under FTP for any export incentives or status benefits.

Only **Nova Traders Pvt. Ltd.** will be considered the **exporter** for purposes of:

- Export promotion benefits,
- Realization of export proceeds,
- Status Holder recognition, etc.

Illustration 10

M/s Vega Appliances Pvt. Ltd., a recognized **Two Star Export House** based in Jaipur, Rajasthan, manufactures home electrical goods for export.

They have received an export order from a buyer in Germany worth **€2,00,000** (approximately ₹1.80 crore at ₹90/Euro).

To execute this order, they plan to import specialized components under an **Advance Authorisation license** issued by DGFT with the following details:

- **Import Value (CIF) = USD 1,00,000** (approximately ₹83 lakh at ₹83/USD)

M/s Vega Appliances Pvt. Ltd. wants to know **what duties will be exempted** when they import under Advance Authorisation, and whether there are **exceptions** to this exemption when supplying under deemed export supplies.

Answer:

Imports under Advance Authorisation are Exempted From Payment of:

When M/s Vega Appliances imports goods worth **₹83 lakh** under **Advance Authorisation**, they will be exempted from paying the following customs duties:

Type of Duty Exempted	Applicable?
Basic Customs Duty (BCD)	Exempted
Additional Customs Duty under Section 3(1)	Exempted
Social welfare surcharge	Exempted
Anti-Dumping Duty	Exempted (for physical exports)
Countervailing Duty (CVD) under Section 9	Exempted
Safeguard Duty	Exempted
Transitional Product-Specific Safeguard Duty	Exempted
Integrated GST (IGST) on Imports	Exempted
Compensation Cess (where applicable)	Exempted

NOTES

[illegible]

This image shows a full page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page, typical of notebook paper. There are no margins, text, or other markings on the page.



The Institute of Cost Accountants of India

Statutory Body under an Act of Parliament

www.icmai.in

Headquarters:

CMA Bhawan; 3, Institutional Area; Lodhi Road; New Delhi - 110003

Ph: +91-11-2462-2156/2157/2158; 24666124

Kolkata Office:

CMA Bhawan; 12, Sudder Street; Kolkata - 700016

Ph: +91-33-4036-4779/4721/4726/4777

E-mail: studies@icmai.in



Behind Every Successful Business Decision, there is always a CMA