

## Charge of GST

**Q6. B & D Company – Change in below para only as highlighted (Pg 3.5)**

Further, B & D Company paid freight of ₹ 1,40,000 to Goods Transport Agency during the period April to October. Assume equal amount of freight is paid each month on the 10th day of each month. Also, assume that the goods for which the freight is paid on 10th day of the month are transported between 11<sup>th</sup> to 20<sup>th</sup> day of the month. **Also, assume that GTA has not opted to pay tax under forward charge.**

**Answer – Change in below para only as highlighted**

The inward supplies of goods transportation services in respect of which the firm has to pay tax under reverse charge have not been included in the aggregate turnover in terms of section 2(6). The tax is payable under reverse charge on such services as **the GTA has not opted to pay tax under forward charge.** Thus, the firm will have to pay tax under regular scheme (Section 9) from 3rd October.

**Q21. XYZ Ltd – Change in below additional info only as highlighted (Pg 3.18)**

- For sales to locations in neighboring States (₹ 55,00,000), the company booked the goods by road carriers (GTAs) and paid road freight of ₹ 3,73,000. Out of the total sales to neighboring States, goods worth ₹ 10,00,000 were booked through **a registered GTA who opted to pay GST @ 12% under forward charge.** Freight of ₹ 73,000 was paid to such GTA. **Rest of the transportation was done by an unregistered GTA.**
- For purchase of butter from Punjab (₹ 15,00,000), the company booked the goods by **an unregistered GTA** and paid road freight of ₹ 35,000.
- For local purchase of baking powder, the company booked the goods by **an unregistered GTA** in a single carriage and paid road freight of ₹ 1,500.
- For transferring the biscuits (open market value - ₹ 4,00,000) to one of its sister concerns in Rajasthan, the company booked the goods by **an unregistered GTA** and paid road freight of ₹ 40,000.

**Answer**

**(i) Computation of GST payable on amount paid for transportation by XYZ Ltd. when it avails the services of different transporters**

Particulars	Freight [₹]	GST payable [₹]
Transportation of biscuits in a local minivan belonging to an individual. [Only the transportation of goods by road by a GTA is liable to GST. Therefore, transportation of goods by road otherwise than by a GTA is exempt from GST – Notification No. 12/2017 CT(R) & 9/2017 IT	54,000	Nil

(R) both dated 28.06.2017.]		
Transportation of biscuits by Indian Railways	3,17,000	15,850
Transportation of biscuits by <b>an unregistered GTA</b> [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	3,00,000	15,000
Transportation of biscuits by <b>a registered GTA @ 12%</b> [When the registered GTA opts to pay GST @ 12% under forward charge, recipient is not required to pay GST under reverse charge - Notification No. 10/2017 IT (R) dated 28.06.2017.]	73,000	8,760
Transportation of flour by GTA [Services provided by GTA by way of transport (in a goods carriage) of, inter alia, flour are exempt from GST vide Notification No. 9/2017 IT (R) dated 28.06.2017.]	55,000	Nil
Transportation of butter by <b>an unregistered GTA</b> [Though services provided by GTA by way of transport (in a goods carriage) of, inter alia, milk is exempt from GST vide Notification No. 9/2017 IT (R) dated 28.06.2017, road transport of butter will not be exempted as butter is milk product and not milk. [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	35,000	1,750
Transportation of baking powder by <b>an unregistered GTA</b> <b>[GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]</b>	1,500	<del>Nil</del> <b>75</b>
Transportation of biscuits by <b>an unregistered GTA</b> to sister concern [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with Notification No. 10/2017 IT (R) dated 28.06.2017.]	40,000	2,000
<b>Total tax payable by XYZ Ltd. on availing services of different transporters</b>		<del>43,360</del> <b>43,435</b>

(ii) No change in answer



## Exemptions from GST

~~Q7. Bhushan Biomedical Waste Ltd. is providing service of bio-medical waste treatment to Vishudhi Pharma Company. For such services, Bhushan Biomedical Waste Ltd. has charged a fixed sum on monthly basis. Whether the service provided by Bhushan Biomedical Waste Ltd. is exempt under GST? (Pg 4.3)~~

### Answer

~~Services provided by operators of the common bio-medical waste treatment facility to a clinical establishment by way of treatment or disposal of bio-medical waste or the processes incidental thereto are exempt GST vide exemption notification.~~

~~Further, the term “clinical establishment” means a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India, or a place established as an independent entity or a part of an establishment to carry out diagnostic or investigative services of diseases. In the present case the bio-medical waste treatment services are being provided to a pharma company. The definition of term “clinical establishment” does not cover a pharma company within its purview.~~

~~Therefore, services provided by Bhushan Biomedical Waste Ltd. to Vishudhi Pharma Company are not exempt from GST. **W.e.f. 18.07.2022, the services of common bio-medical waste treatment facility is made taxable.**~~

**Q9. Sarva Sugam Charitable Trust, a trust registered under section 12AA of the Income – tax Act, 1961, provides the following information relating to supply of its services for the month of August: (Pg 4.5)**

Particulars	Amount (₹)
Renting of residential dwelling for use as a residence <b>to an unregistered person</b>	18,00,000
Renting of rooms for devotees (Charges per day ₹ 750)	6,00,000
Renting of Kalyan mandapam (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 GST liability of Sarva Sugam Charitable Trust for the month of August assuming that the above amounts are exclusive of GST and rate of GST, wherever applicable, is 18%.**

**Note: The rooms/ Kalyan mandapam/ halls/ open space/ shops owned by the trust are located within the precincts of a religious place, meant for general public, owned by the trust.**

**(MTP-I May'22)**

### Answer

Renting of precincts of a religious place meant for general public, owned/managed by, inter alia, an entity registered as a charitable trust under section 12AA of the Income-tax Act are exempt from GST vide exemption notification. However, said exemption is not available if:

- (i) charges for rented rooms are ₹ 1,000 per day or more;
- (ii) charges for rented community halls, Kalyan mandapam, open area are ₹ 10,000 per day or more;
- (iii) charges for rented shops are ₹ 10,000 per month or more.

Further, services by way of renting of residential dwelling for use as residence **to an unregistered person** are also exempt vide exemption notification.

**Computation of GST liability of Sarva Sugam Charitable Trust for August**

Particulars	Value (₹)	GST @18% (₹)
Renting of residential dwelling for use as residence <b>to an unregistered person</b> [Exempt vide exemption notification]	18,00,000	Nil
Renting of rooms for devotees [Exempt since charges per day are below ₹ 1,000]	6,00,000	Nil
Renting of Kalyanamandapam [Taxable since charges per day exceed ₹ 10,000]	12,00,000	2,16,000
Renting of halls and open spaces [Exempt since charges per day are below ₹ 10,000]	10,75,000	Nil
Renting of shops for business [Exempt since charges per month are below ₹ 10,000]	4,75,000	Nil
Renting of shops for business [Taxable since charges per month exceed ₹ 10,000]	7,50,000	1,35,000
<b>Total</b>		<b>3,51,000</b>

**Q10. Mr. Nagarjun (Pg 4.6)**

**Answer - Change in Note VI only as highlighted**

- VI. GST on services provided by a GTA (~~not paying tax @ 12%~~ **unregistered**) to, inter alia, a registered person is payable by the recipient of service i.e., the registered person, under reverse charge in terms of Notification No. 13/2017 CT (R) dated 28.06.2017. The turnover of previous year is irrelevant in this case.

**Q11. Vividh Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka, having turnover of ₹ 200 lakh in the last financial year. It has furnished the following information for the month of June. (Pg 4.7)**

Particulars	Amount (₹) excluding GST
Services provided by way of a labour contract for repairing a single residential unit otherwise than as a part of residential complex	1,30,000
Fee received from students of a competitive exam training academy run by Vividh Pvt. Ltd.	5,40,000
4 buses each with a seating capacity of 72 passengers given on hire to State Transport Undertaking	6,00,000

Rent paid to Local Municipal Corporation for premises taken on rent for competitive exam training academy	2,50,000
Goods transport services received from GTA, tax is payable on such services @ 12% <b>as opted by GTA</b>	1,80,000

**Q14. Pethalal – Change in Answer only as highlighted (Pg 4.13)**

**Answer:**

**Computation of net GST payable by Pethalal**

Particulars	Amount (₹)	CGST (₹)	SGST (₹)
<b><u>Supplies on which Pethalal is liable to pay GST under forward charge</u></b>			
Funeral services [Note 1]	8,80,000		
Services of warehousing of jaggery <b>taxable @ 9% CGST &amp; 9% SGST [Note 2]</b>	50,000	<b>4,500</b>	<b>4,500</b>
Services by way of giving on hire electrically operated buses to Municipality [Note 3]	5,00,000		
Service provided to recognized sports body as commentator taxable @ 9% CGST & 9% SGST [Note 4]	2,00,000	18,000	18,000
Commission received as an insurance agent from insurance company [Note 5]	65,000		
Commission received as business facilitator for the services provided to the urban branch of a nationalised bank with respect to savings bank accounts [Note 6]	15,000		
Security services (supply of security personnel) provided to DEC for the security of the college premises [Note 7]	28,000		
<b>Value of taxable supply</b>	<b>2,00,000</b>		
Total tax liability on outward supplies (A)		22,500	22,500
<b><u>Supplies on which Pethalal is liable to pay GST under reverse charge</u></b>			
Services received from GTA taxable at 2.5% CGST & 2.5% SGST [Note 8]	1,00,000	2,500	2,500
Legal services received [Note 9]	50,000		
<b>Value of taxable supply</b>	<b>1,00,000</b>		
Total tax liability on inward supplies under reverse charge (B) - payable in cash [Note 10]		2,500	2,500
ITC available on input services [Note 8]		Nil	Nil
<b>Net GST payable (A) + (B)</b>		<b>20,500</b> <b>25,000</b>	<b>20,500</b> <b>25,000</b>

**Notes: Change in Note 2 Only (Pg 4.14)**

- (2) **The exemption in respect of services by way of storage/warehousing of, inter alia, jaggery is withdrawn by Notification No. 04/2022 CT(R) dated 18.07.2022. Thus, services of warehousing of jaggery are taxable.**

**Q15. Discuss whether GST is payable in respect of transportation services provided by Raghav Goods Transport Agency in each of the following independent cases: (Pg 4.16)**

Customer	Nature of services provided	Amount charged
A	Transportation of milk	₹ 20,000
B	Transportation consignment goods carriage	₹ 3,000
C	Transportation of chairs for a single consignee in the goods carriage	₹ 600

**Answer:**

Customer	Nature of services provided	Amount charged	Taxability
A	Transportation of milk	₹ 20,000	Exempt Transportation of milk by goods transport agency is exempt.
B	Transportation consignment goods carriage	₹ 3,000	<del>GST is payable. Exemption is available for transportation of goods only where the consideration for transportation of goods on a consignment transported in a single goods carriage does not exceed ₹ 1,500.</del>
C	Transportation of chairs for a single consignee in the goods carriage	₹ 600	<b>GST is payable.</b> <del>Exempt. Transportation of goods where consideration for transportation of all goods for a single consignee does not exceed ₹ 750 is exempt.</del>

**Q19. – Change in Answer only as highlighted (Pg 4.17)**

**Answer**

**Computation of value of taxable supply**

Particulars	(₹)
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 [Note-1]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-2]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-3]	<b>5,00,000</b>
Service provided by commentator to a recognized sports body [Note-4]	5,20,000

**Notes: Change in Note 3 only (Pg 4.18)**

- (3) **Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST **liable to GST.****

**Q20. BODMAS Ltd – Change in Answer only as highlighted (Pg 4.19)**

**Answer:**

Renting of furnished flats for temporary stay to different persons* <b>[Taxable]</b> [ <del>Not exempt since services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, are exempt only when the value of supply of a unit of accommodation is below ₹ 1,000 per day.</del> ] *It has been assumed that rent per flat per day $\geq$ ₹ 1,000.	5,00,000
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## Value of Supply

**Q45.** In the above question, all other things remaining the same, compute the value of supply (most beneficial) made by Bangalore unit as well as the value of supply (most beneficial) made by Ahmedabad Retail Showroom, with respect to transfer of goods by these units to M/s. Equilibrium Sales, M/s. Paridhi Sales and M/s. Dhara Enterprises, if Super Lever Limited furnishes the following additional information for the month of October: **(Pg 7.52)**

- (i) Bangalore unit has appointed M/s. Equilibrium Sales as its sole selling agent. M/s. Equilibrium Sales sells the electronic goods of Bangalore unit under the invoice issued in its own name. The Bangalore unit transferred goods costing ₹ 7,25,000 to M/s. Equilibrium Sales on 20th October which were sold by M/s. Equilibrium Sales on 31st October at ₹ 7,65,000. On 20th October, another electronic goods' manufacturer supplied the goods of like kind and quality to M/s. Equilibrium Sales as the one supplied by the Bangalore unit at a price of ₹ 7,75,000.
- (ii) The Retail Showroom at Ahmedabad transfers goods costing ₹ 85,000 to its agent, M/s. Paridhi Sales on 12th October. M/s. Paridhi Sales sells such goods on 18th October at ₹ 5,00,000 under the invoice issued in the name of Retail Showroom at Ahmedabad. On 17th October, M/s Paridhi Sales has sold goods of like kind and quality as the one supplied by the Retail Showroom at Ahmedabad to an unrelated customer at ₹ 4,70,000.

The Retail Showroom at Ahmedabad also transfers goods costing ₹ 95,000 ~~2,25,000~~ to its agent, M/s. Dhara Enterprises on 15th October. M/s. Dhara Enterprises sells such goods on 20th October at ₹ 1,00,000 under the invoice issued in its own name. On 19th October, M/s Paridhi Sales has sold goods of like kind and quality as the one supplied by the Retail Showroom at Ahmedabad to an unrelated customer at ₹ 98,000.

**Note:** M/s. Equilibrium Sales, M/s. Paridhi Sales and M/s. Dhara Enterprises are not eligible for full input tax credit. Further, open market value of the goods is not available in any of the above cases. **(RTP Nov'22)**

**(Changes made due to Corrigendum for RTP Nov'22 issued by ICAI)**



## Input Tax Credit

**Q18. 'All-in-One Store' - Change in Note 1 only as highlighted (Pg 8.21)**

- 1) **GTA has not opted to pay tax under forward charge.** Wherever applicable, GST under reverse charge is payable @ 5% by All- in-One Stores. Rate of GST in all other cases 18% (Ignore CGST, SGST or IGST for the sake of simplicity).

**Q19. Vansh Shoppe – Change in below para only as highlighted (Pg 8.26)**

Assume, wherever applicable, for purpose of reverse charge payable by Vansh Shoppe, the CGST, SGST and IGST rates as 2.5%, 2.5% and 5% respectively. CGST, SGST and IGST rates to be 6%, 6% and 12% respectively in all other cases. **GTA has not opted to pay tax under forward charge.**

**Q22. V-Supply Pvt. Ltd. – Change in Additional Info Point (3) only as highlighted (Pg 8.36)**

- (3) **Transportation charges comprise of ₹ 0.60 lakh paid to Goods Transport Agency (GTA) in Kolkata and ₹ 0.10 lakh paid to horse pulled carts. GST applicable on the services of GTA is 5%. GTA has not opted to pay tax under forward charge.**

**Answer: Change in Note 3 only (Pg 8.39)**

- (3) In respect of intra-State Road transportation of goods undertaken by a GTA, who has ~~not paid CGST @ 6%, for any person registered under the GST law,~~ **not opted to pay tax under forward charge,** CGST is payable under reverse charge by the recipient of service. The person who pays or is liable to pay freight for the transportation of goods is treated as the person who receives the service [Notification No. 13/2017 CT (R) dated 28.06.2017]. Thus, V- Supply Pvt. Ltd. will pay GST under reverse charge on transportation service received from GTA.

Further, tax payable under section 9(3) of the CGST/SGST Act qualifies as input tax in terms of clauses (b) and (d) of section 2(62). Thus, input tax paid under reverse charge on GTA service will be available as ITC in terms of section 16(1) as the said service is used in course or furtherance of business.

Furthermore, intra-State services by way of transportation of goods by road except the services of a GTA and a courier agency are exempt from CGST vide Notification No.12/2017 CT (R) dated 28.06.2017. Therefore, since no GST is paid on such services, there cannot be any ITC on such services.

**Q30. Mr. Rishi - Change in Inward Supply Point-(ii) as highlighted (Pg 8.55)**

Availed GTA services from M/s Speed Trans of Kolkata with regard to transport of traded goods where rate of CGST/SGST @ 2.5% each IGST @5% was applicable. **GTA has not opted to pay tax under forward charge.**



**Q38. XYZ Ltd. – Change in Answer (iv) only as highlighted (Pg 8.74)**
**Answer**

S. No.	Inward supplies	ITC (₹)
(iv)	Input services. [As per section 16(4), ITC on an invoice cannot be availed after <del>the due date of furnishing of the return for the month of September</del> <b>30<sup>th</sup> November</b> following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the FY ending 31st March, 20XX has been filed on 15th September, 20XX (prior to <b>30<sup>th</sup> November, 20XX</b> <del>due date of filing the return for September, 20XX i.e., 20th October, 20XX</del> ), ITC on the invoice pertaining to FY ending 31st March, 20XX cannot be availed after 15th September, 20XX.]	1,75,000

**Q40. Sukhdev – Answer to be referred from below (Pg 8.77)**
**Answer**
**Computation of tax payable in cash**

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
<b>A.</b>	<b>GST liability on outward supply</b>				
(i)	Consideration for services provided as an operating member to the Joint Venture [The operating member is providing the mining and exploration service to the joint venture, and thus, the consideration received therefor is not cost petroleum and hence, is liable to tax.]	12,00,000	1,08,000	1,08,000	
(ii)	Compensation received in the form of petroleum silt, which, as per the contract with the Government, is part of cost petroleum. [Cost petroleum is not a consideration for service to the Government and thus, is not taxable.]	6,00,000	Nil	Nil	
(iii)	Sale of petroleum silt to a SEZ developer [Supply to SEZ developer is a zero-rated supply and no tax is payable on the same if made under a bond/LUT.]	6,80,000			Nil

(iv)	Consideration for transfer of tenancy rights [Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable even though stamp duty has been paid on the same.]	8,00,000	72,000	72,000	
(v)	Sale of self-fabricated machinery* [Since open market value of the machine is not available, the value will be 90% of the price charged for the supply of machinery by the agent to his unrelated customer.] ** *It has been assumed that the value of ₹ 10 lakh at which the agent sells the self-fabricated machinery to unrelated customer is known to Sukhdev at the time he sells the machinery to the agent. **It has been assumed that the supplier has opted to value the goods at 90% of the value charged by the agent to the unrelated customer.	9,00,000	22,500	22,500	
<b>Total tax liability on outward supplies</b>			<b>2,02,500</b>	<b>2,02,500</b>	
<b>B. GST liability on inward supplies under reverse charge</b>					
	Legal services provided by a firm of advocates to Sukhdev, i.e., a business entity. (It has been assumed that aggregate turnover of Sukhdev in the preceding financial year exceeds ₹ 20 lakh.)	1,00,000	9,000	9,000	
	Renting of immovable Property provided by the State Government to Sukhdev (a registered person)	2,00,000	18,000	18,000	
	Assignment, by the State Government, of the right to collect royalty from mining lease holders to the extent the exemption is not available				2,00,000
<b>Total tax liability on inward supplies under reverse charge</b>			<b>27,000</b>	<b>27,000</b>	<b>2,00,000</b>
<b>C. Input tax credit</b>					
Opening Balance			18,000	12,000	60,000
Inter-State purchase of machinery	Since the goods & services are used for effecting	6,00,000			30,000
Legal services		1,00,000	9,000	9,000	

Renting of immovable property	taxable supplies including zero rated supplies, full ITC thereon will be allowed.	2,00,000	18,000	18,000	
Assignment of right to collect royalty					2,00,000
<b>Total ITC</b> [ITC may be availed for making zero rated supply even if such a supply is an exempt supply. Sale of petroleum silt, being a non-taxable supply, is an exempt supply but since it is also a zero-rated supply, ITC can be availed for making such supply.]			<b>45,000</b>	<b>39,000</b>	<b>2,90,000</b>
<b>D. Computation of tax payable in cash</b>					
Total tax liability on outward supplies			2,02,500	2,02,500	
Less: ITC of IGST			1,26,500	1,26,500	
Less: ITC of CGST and SGST			45,000 (CGST)	39,000 (SGST)	
Forward charge liability on outward supplies payable in cash after set off of ITC			31,000		
Reverse charge liability payable in cash without set off of ITC [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]			27,000	27,000	2,00,000
<b>Total tax liability payable in cash</b> [Since ₹ 12,000 (CGST) is available in Electronic Cash Ledger as opening balance, additional ₹ 46,000 (CGST) needs to be paid in cash.]					
Payment of liquidated damages to the Government [Services provided by the Government by way of tolerating non-performance of a contract for which consideration in the form of liquidated damages is payable to the Government under such contract, is exempt from GST. Hence, no tax will be payable by Sukhdev on such input service.]		3,00,000	Nil	Nil	

**Note:** In terms of section 49B of the CGST Act, 2017, full (100%) IGST credit of ₹ 2,90,000 must be utilized first before using CGST or SGST credit.

However, the said IGST credit can be set off against the CGST and SGST liability in any order and in any proportion. Thus, the final answer in each case would vary.

**Q44. Adityanath Private – Change in Answer Point-4 only as highlighted (Pg 8.85)**
**Answer:**

Particulars	Value (₹)	GST (₹)
Renting of commercial complex to local traders of electronic goods [Services by way of renting of residential dwelling for use as residence <b>to an unregistered person</b> are exempt from GST. Thus, renting of commercial complex is taxable and GST is payable on the same @ 18%.]	50,00,000	9,00,000

**Q45. – Change in Point-5 only as highlighted (Pg 8.86)**

Transportation charges paid for transporting the goods [₹ 4,00,000 is paid to Goods Transport Agency (GTA) registered in Uttar Pradesh and ₹ 1,00,000 is paid for transport of goods by horse pulled carts. <b>GTA has not opted to pay tax under forward charge.</b> GST applicable on the services of GTA is 5%.]	5,00,000
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**Answer: Change in Point-6 only as highlighted (Pg 8.87)**

Services received from GTA [₹ 4,00,000 × 5%] [Tax on services provided by a GTA ( <del>who has not paid GST @ 12%</del> <b>who has not opted to pay tax under forward charge</b> ) to a body corporate, is payable under reverse charge by the body corporate] <del>in terms of Notification No. 13/2017 CT (R) dated 28.06.2017.</del>	20,000
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**Q50. Supermarket – Change in Additional Info Bullet-3 as highlighted (Pg 8.97)**
**It is further given that-**

- **GTA has not opted to pay tax under forward charge.** Wherever applicable for the purposes of reverse charge payable by supermarket, the CGST, SGST and IGST rates are 2.5%, 2.5% and 5% respectively. In all other cases, CGST, SGST and IGST rates are 9%, 9% and 18% respectively.

**Q53. Motopower Pvt. Ltd – (Changes in Additional Info Points as highlighted due to Corrigendum for RTP Nov'22 issued by ICAI)**
**(Pg 8.107)**
**Further, following additional details are furnished by the company in respect of the payments and receipts reported by it:**

- Raw materials worth ₹ 0.50 lakh, purchased from a registered supplier located in Gujarat, were destroyed due to fire in the factory and thus, could not be used in the manufacturing process. Remaining raw material has been procured from various vendors located in Maharashtra.**
- Rent has been paid for the factory building located in ~~Rajasthan~~ Gujarat to its owner registered in ~~Rajasthan~~ Gujarat.**

- (iii) Payment for security services (services provided by way of supply of security personnel) for the tax period has been made to Safe and Secure Solutions Pvt. Limited, a company located in Gujarat and not registered under GST.
- (iv) General insurance services have been availed from Divided Insurance Company Ltd. registered in Gujarat.
- (v) Works contract services, **availed from Chitra Builders, Gujarat**, have been used by the company for construction of a foundation on which machinery to be used in the production process is to be mounted permanently.
- (vi) Audit fee is paid **to a firm of Chartered Accountants** - M/s Pandya & Associates (registered in West Bengal with an aggregate turnover of ₹ 30 crores in the preceding financial year) - for conducting the statutory audit of the company in the preceding financial year. The firm raises an e-invoice without IRN (Invoice Reference Number) for said services.
- (vii) Bank charges are towards various services availed by the company during a month with regard to its current account maintained with Manimani Bank, registered in Gujarat. The bank issued a consolidated tax invoice for all such services at the end of the month containing the details of tax charged, description of services, total value, GSTIN of the bank and Motopower Pvt. Ltd.
- (viii) **Automobile Association is registered in the State of Gujarat.**
- (ix) The breakup of sales is as under:
  - Sales in Gujarat – ₹ 14 lakh
  - Sales in States other than Gujarat – ₹ 6 lakh
  - Exports under Letter of Undertaking (LUT) – ₹ 10 lakh
- (x) Car rental income pertains to renting of cars to Jamaze Travels Ltd., registered in Gujarat and cost of fuel is included in the value of said supply. Further, consumables, procured from registered suppliers located in Gujarat, include diesel (excise and VAT paid) worth ₹ 0.75 lakh used for running the cars so rented out to Jamaze Travels Ltd.
- (xi) Services provided to Gujarat Government administration are under Health Training programme. 51% of the total expenditure for said programme is borne by ~~Rajasthan~~ **Gujarat** Government.
- (xii) The opening balance of ITC with the company for the tax period is:
  - CGST - ₹ 0.50 lakh
  - SGST - ₹ 0.26 lakh
  - IGST - ₹ 0.35 lakh

Compute the total ITC available with Motopower Pvt. Ltd. for the given tax period and net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by Motopower Pvt. Ltd. for the given tax period.

Notes-

- (A) CGST, SGST & IGST rates on all inward and outward supplies are 9%, 9% and

18% respectively, except on renting of cars wherein CGST, SGST & IGST rates are 2.5%, 2.5% and 5% respectively.

It is important to note that credit of input tax charged on goods and services used in supplying the service of transport of passengers by any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, is not available except the credit of the input service in the same line of business.

- (B) The necessary conditions for availing ITC have been complied with by Motopower Pvt. Ltd., wherever applicable.

You are required to make suitable assumptions, wherever necessary.

**Q54. Ram Kumar – Change in Point (ii) as highlighted (Pg 8.112)**

(ii)	Availed services of transportation of raw material from GTA - M/s Ghoomghoom Transporters of Kolkata. <b>GTA has not opted to pay tax under forward charge.</b>	1,00,000
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## Tax Invoice, Credit and Debit Notes

**Q16. Sanmati Industries, registered in the State of Maharashtra, receives a machinery for repair in its workshop located in Mumbai, Maharashtra from Titsubishi Ltd., an automobile manufacturing company based in Japan. The repair work was carried out by Sanmati Consultants for which it was paid in convertible foreign exchange and goods were returned to Titsubishi Ltd. after being used for some time in India.**

**While raising the invoice for the said consideration, the accountant of Sanmati Industries approaches you as to whether the Dynamic Quick Response (QR) code is mandatorily required on said invoice? You are required to advise him on the same.**

**Note - Titsubishi Ltd. is not registered in India. Further, the aggregate turnover of Sanmati Consultants was ₹ 550 crores in the preceding financial year. (RTP Nov'22) (Pg 10.9)**

**(Changes made due to Corrigendum for RTP Nov'22 issued by ICAI)**



## Returns

**Q5. Mr. Anand Kumar, a regular taxpayer, filed GSTR-1 for the month of August before the due date. Later, in the month of February next year, he discovers error in the GSTR-1 of the month of August already filed and wants to revise it.**

**You are required to advise him on the future course of action in this scenario. (May'18) (Pg 13.1)**

### Answer

The mechanism of filing revised return for any correction of errors/omission is not available under GST. The rectification of errors/omission is allowed in the subsequent returns.

Therefore, Mr. Anand Kumar who discovered an error in GSTR-1 for the month of August cannot revise it. However, he should rectify said error in the GSTR- 1 filed for the month of February and should pay the tax and interest, if any, in case there is short payment, in the return to be furnished for February. The error can be rectified by furnishing appropriate particulars in the “Amendment Tables” contained in GSTR-1.

However, as per section 37(3) of the CGST Act, no rectification of details furnished in GSTR-1 shall be allowed after:

- (i) ~~filing of monthly return/ GSTR-3 for the month of September~~ **30<sup>th</sup> November** following the end of the financial year to which such details pertain, or
- (ii) filing of the relevant annual return, whichever is earlier.

**Q14. M/s. Sahu & Co. a registered firm has filed its GST Return in GSTR-1 for the month of February, 2021 declaring an outward supply of ₹ 300 lakhs. The return was filed within the due date of its filing. However, on a subsequent reconciliation of the return with the books of accounts it was found that 5 invoices having a total value of ₹ 20 lacs towards supply made to local parties were inadvertently omitted to be reported. Sahu & Co. have approached you for an advice as to the course of action to be adopted to rectify the omission. (Pg 13.4)**

### Answer

As per GST law, the mechanism of filing revised returns for any correction of errors/omissions has been done away with. The rectification of errors/omissions is allowed in the subsequent Returns. However, no rectification is allowed after ~~furnishing the return for the month of September~~ **30<sup>th</sup> November** following the end of the financial year to which such details pertain or furnishing of the relevant annual return, whichever is earlier.

Hence, the omission in the month of Feb 2021 can be included in the Return for the month when the omission is noticed. The tax and interest @ 18% due on the turnover omitted to be reported for the month of Feb 2021 has to be paid along with the taxes for the month in which the omission is noticed. However, such rectification will be allowed only within the prescribed period as mentioned above.

## Refunds

**Q6. Kailash Global (P) Ltd. supplies various goods in domestic and international markets. It is engaged in both manufacturing and trading of goods. The company is registered under GST in the State of Karnataka. The company exports goods without payment of tax under letter of undertaking in accordance with the provisions of section 16(3)(a) of the IGST Act, 2017.**

The company has made the following supplies during a tax period: **(Pg 15.2)**

S. No.	Particulars	(₹)
(i)	Export of product 'A' to UK for \$ 10,000. Assessable value under customs in Indian rupees. [Export duty is levied on product 'A' at the time of exports. Further, value of like goods domestically supplied by the similarly placed supplier is ₹ 6,00,000]	7,00,000
(ii)	Domestic supplies of taxable product 'B'* during the period [excluding tax @ 5%] [Inputs used in manufacturing of such goods are taxable @ 18%] * Not notified as a product, in respect of which refund of unutilised ITC shall not be allowed under section 54(3)(ii)	10,00,000
(iii)	Supply of goods to Export Oriented Unit [excluding tax @ 18%] [ITC has been claimed by the recipient]	5,00,000
(iv)	Export of exempt supplies of goods (Value of like goods domestically supplied by the similarly placed supplier is ₹ 5,00,000)	6,00,000

The ITC available for the above tax period is as follows:

S.No.	Particulars	(₹)
(i)	On inputs <b>(including ₹ 50,000 on export of exempt supplies)</b>	3,50,000
(ii)	On capital goods	1,20,000
<b>(iii)</b>	<b>On input services (including ₹ 18,000 on outdoor catering)</b>	<b>2,00,000</b>

**Determine the maximum amount of refund admissible to Kailash Global (P) Ltd. for the given tax period.**

**Answer:**

**Computation of maximum amount of refund admissible to Kailash Global (P) Ltd.**

Particulars	(₹)
Exports of product 'A' to UK [Note (i)]	Nil
Domestic supplies of taxable product 'B' during the period [Note (ii)]	92,105
Supply of goods to Export Oriented Unit [Note (iii)]	Nil
Export of exempt supplies [Note (iv)]	<u>1,14,000</u>
<b>Total refund claims admissible</b>	<b>2,06,105</b>

**Notes:**

- (i) Export of goods is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. Further, Kailash Global (P) Ltd. exports goods without payment of tax under letter of undertaking in accordance with the provisions of section 16(3)(a) of the IGST Act, 2017. Therefore, as per clause (i) of first proviso to section 54(3), a registered person may claim refund, of any unutilised ITC in the case of zero-rated supply made without payment of tax at the end of any tax period. However, second proviso to section 54(3) lays down that refund of unutilised ITC is not allowed if the goods exported out of India are subjected to export duty.
- (ii) Refund of unutilised ITC is allowed in case of inverted duty structure, i.e., where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies) except supplies of goods or services or both as may be notified by the Government on the recommendations of the GST Council [Clause (ii) of the first proviso to section 54(3)].

Rule 89(5) stipulates that in the case of refund on account of inverted duty structure, refund of ITC is granted as per the following formula –

Maximum Refund Amount	=	$\frac{\text{Turnover of inverted rated supply of goods and services} \times \text{Net ITC}}{\text{Adjusted Total Turnover}}$	-	$\frac{\text{Tax payable on such inverted rated supply of goods and services} \times \text{Net ITC}}{\text{ITC available on inputs \& input services}}$
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Where -

“Net ITC” means ITC availed on inputs during the relevant period other than the ITC availed for which refund is claimed under sub-rules (4A) or (4B) or both.

“Adjusted total turnover” means the sum total of the value of:

- (a) the turnover in a State/ Union territory, as defined under section 2(112), excluding turnover of services; &
- (b) the turnover of zero-rated supply of services determined in terms of specified manner and non-zero-rated supply of services,

excluding:

- (i) the value of exempt supplies other than zero-rated supplies; and
- (ii) the turnover of supplies in respect of which refund is claimed under sub-rule (4A) or sub-rule (4B) or both, if any, during the relevant period.

“Relevant period” means the period for which the claim has been filed.

Tax payable on inverted rated supply of goods = ₹ 10,00,000 × 5% = ₹ 50,000

Here, Net ITC = ₹ 3,50,000

Adjusted Total Turnover = ₹ 28,00,000 [₹ 7,00,000 + ₹ 10,00,000 + ₹ 5,00,000 + ₹ 6,00,000]

Turnover of inverted rated supply of goods = ₹ 10,00,000

Thus, maximum refund amount under rule 89(5)

= ₹ 3,50,000 × 10,00,000 / ₹ 28,00,000 – (₹ 50,000 × ₹ 3,50,000 / ₹ 5,32,000)

= ₹ 1,25,000 - ₹ 32,895 = ₹ 92,105

- (iii) As per section 2(39), deemed exports means such supplies of goods as may be notified under section 147. Supplies to EOU is notified as deemed export under section 147 vide Notification No. 48/2017 CT dated 18.10.2017. In respect of supplies regarded as deemed exports, the

application of refund can be filed by the supplier of deemed export supplies only in cases where the recipient does not avail of ITC on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund [Third proviso to rule 89(1)]. Therefore, since in the given case, the recipient is claiming ITC, Kailash Global (P) Ltd. (supplier of deemed exports) cannot claim refund of ITC.

- (iv) Section 16(2) of the IGST Act, 2017 stipulates that subject to the provisions of section 17(5) of the CGST Act, ITC may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply. Section 54(3) of the CGST Act, 2017 allows refund of ITC in the case of zero-rated supply made without payment of tax.

Rule 89(4) stipulates that in the case of zero-rated supply of goods or services or both without payment of tax under bond/LUT in accordance with the provisions of section 16(3) of the IGST Act, 2017, refund of ITC shall be granted as per the following formula:

Refund Amount	=	$\frac{(\text{Turnover of zero-rated supply of goods} + \text{Turnover of zero-rated supply of services})}{\text{Adjusted Total Turnover}}$	× Net ITC
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Where-

“Net ITC” means ITC availed on inputs and input services during the relevant period other than the ITC availed for which refund is claimed under sub-rules (4A) or (4B) or both.

“Turnover of zero-rated supply of goods” means the value of zero-rated supply of goods made during the relevant period without payment of tax under bond/LUT, or the value which is 1.5 times the value of like goods domestically supplied by the same or, similarly placed, supplier, as declared by the supplier, whichever is less, other than the turnover of supplies in respect of which refund is claimed under sub-rules (4A) or (4B) or both.

“Adjusted total turnover” means the same as explained in point ii above.

Here, Turnover of zero-rated supply of goods = ₹ 6,00,000 (Lower of ₹ 6,00,000 or 1.5 times of ₹ 5,00,000 i.e., ₹ 7,50,000 whichever is lower)

Net ITC = ₹ 5,32,000 [ITC on outdoor catering disallowed under section 17(5)]

Adjusted Total Turnover = ₹ 28,00,000 (as computed in point ii above)

Thus, maximum refund amount under rule 89(4) = ₹ 5,32,000 × ₹ 6,00,000 / ₹ 28,00,000 = ₹ 1,14,000.

**Q7. 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: (Pg 15.5)**

Products	Turnover * (₹)	Output GST Rates	ITC availed (₹)	Input GST Rates
A	500,000	5%	54,000	18%

B	350,000	5%	54,000	18%
C	100,000	18%	10,000	18%

**\*Excluding GST**

**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) 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? (RTP Nov'18)**

**Answer:**

Section 54(3)(ii) allows refund of unutilized input tax credit (ITC) at the end of any tax period to a registered person where the credit has accumulated on account of inverted duty structure i.e., rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies), except supplies of goods or services or both as may be notified by the Government on the recommendations of the Council.

In the given case, the rates of tax on inputs used in Products A and B (18% each) are higher than rates of tax on output supplies of Products A and B (5% each). However, Product B is notified as a product, in respect of which no refund of unutilised ITC shall be allowed under section 54(3)(ii). Therefore, only Product A is eligible for refund under section 54(3)(ii).

Further, rule 89(5) stipulates that in the case of refund on account of inverted duty structure, refund of ITC shall be granted as per the following formula –

Maximum Refund Amount	=	$\frac{\text{Turnover of inverted rated supply of goods and services} \times \text{Net ITC}}{\text{Adjusted Total Turnover}}$	-	$\frac{\text{Tax payable on such inverted rated supply of goods and services} \times \text{Net ITC}}{\text{ITC availed on inputs \& input services}}$
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Where, -

- A. "Net ITC" means input tax credit availed on inputs during the relevant period;
- B. Adjusted Total Turnover means the sum total of the value of-
  - (a) the turnover in a State or a Union territory, as defined under section 2(112), excluding the turnover of services; and
  - (b) the turnover of zero-rated supply of services determined in specified manner and non-zero-rated supply of services, excluding-
    - (i) the value of exempt supplies other than zero-rated supplies; and
    - (ii) the turnover of supplies in respect of which refund is claimed under rule 89(4A) or rule 89(4B) or both, if any, during the relevant period.
- C. Relevant period means the period for which the claim has been filed.

In accordance with the aforesaid provisions, the maximum refund amount which Super Engineering Works is eligible to claim shall be computed as follows:

Tax payable on inverted rated supply of Product A = ₹ 5,00,000 × 5% = ₹ 25,000

Net ITC = ₹ 1,18,000 (₹ 54,000 + ₹ 54,000 + ₹ 10,000) [Net ITC availed during the relevant period needs to be considered irrespective of whether the ITC pertains to inputs eligible for refund of inverted rated supply of goods or not as clarified vide Circular No. 79/53/2018-GST dated 31.12.2018]

Adjusted Total Turnover = ₹ 9,50,000 (₹ 5,00,000 + ₹ 3,50,000 + ₹ 1,00,000)

Turnover of inverted rated supply of Product A = ₹ 5,00,000

Maximum refund amount for Super Engineering Works is as follows:

$$= [(\text{₹ } 5,00,000 \times \text{₹ } 1,18,000) / \text{₹ } 9,50,000] - [(\text{₹ } 25,000 \times \text{₹ } 1,18,000 / \text{₹ } 1,18,000)]$$

$$= \text{₹ } 37,105 \text{ (rounded off)}$$

**Q11. Jai and Co, a registered supplier under GST, is engaged in weaving yarn into fabrics and has provided the following information: (Pg 15.8)**

Nature of various intra-State supplies during April 2021	Value of supply (excluding GST) (₹)
Outward supply of fabrics (Tax rate of CGST and SGST is 2.5% each)	30,00,000
Inward supply of rayon yarn (Tax rate of CGST and SGST is 6% each)	24,00,000
Inward supply of services for processing the yarn (Tax rate of CGST and SGST is 2.5% each)	4,00,000
Inward supply of machineries for weaving the processed yarn into fabrics (Tax rate of CGST and SGST is 9% each)	45,00,000
The concern has not provided any supply other than the outward supply referred above.	
ITC in respect of all types of inward supplies as given above was claimed in the relevant GSTR 3B as well reflected in GSTR 2B.	
Other applicable conditions for claiming the refund are duly complied with.	

**You are required to compute the 'maximum refund amount' eligible under rule 89(5) of CGST Rules, 2017 for inverted duty structure. Also provide working notes for your calculation.**

**Note - No refund has been claimed under rule 89(3) or rule 89(4) of the CGST Rules, 2017 (Dec'21)**

**Answer:**

Maximum refund amount under rule 89(5) of the CGST Rules, 2017 on account of inverted duty structure, is computed as follows –

Maximum Refund Amount	=	$\frac{\text{Turnover of inverted rated supply of goods and services} \times \text{Net ITC}}{\text{Adjusted Total Turnover}}$	-	$\frac{\text{Tax payable on such inverted rated supply of goods and services} \times \text{Net ITC}}{\text{ITC availed on inputs \& input services}}$
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where Net ITC means ITC availed only on inputs

$$= \text{₹ } [(24,00,000 \times 6\%) \times 30,00,000 / 30,00,000] - \text{₹ } [(30,00,000 \times 2.5\%) \times 1,44,000 / 1,54,000]$$

(each for CGST and SGST)

$$= \text{₹ } 1,44,000 - \text{₹ } 70,130 = \text{₹ } 73,870$$

Thus, maximum refund amount is ₹ 73,870 each for CGST and SGST.

**Note:**

Refund of tax paid on input services and capital goods is not a part of refund of accumulated ITC on account of inverted duty structure.



## Offences and Penalties

**Q23. Adinath Private Limited, registered under GST in the State of Uttar Pradesh, instructed Ashok Transporters to deliver certain taxable goods to Mahavir Enterprises in Maharashtra on 10th January 2022. The value of the goods is ₹ 6,80,000 which are chargeable to CGST & SGST @ 9% each ~~GST @ 18% IGST~~. While the goods were in transit, proper officer intercepted the goods and the truck in which goods were being transported, under section 68. However, the driver of the truck failed to tender any document in relation to the goods in movement. The proper officer, after conducting the physical verification of the goods and the truck, decided to seize the goods and the truck and issued a notice under section 129(3) specifying the penalty payable by Adinath Private Limited after giving it an opportunity of being heard.**

**You are required to determine the amount of penalty payable under CGST Act if Adinath Private Limited does not come forward for the payment of penalty. Further, discuss the suitable course of action for Ashok Transporters if it intends to get its truck released. (RTP Nov'22) (Pg 21.13)**

**(Changes made due to Corrigendum for RTP Nov'22 issued by ICAI)**

**Answer:**

As per section 129(1)(a), when owner of goods does not come forward for payment of tax and penalty or for payment of penalty, detained/seized goods and conveyance (used as a means of transport for carrying said goods) and related documents are released on payment of penalty equal to higher of the following:

- (i) 50% of value of goods or
- (ii) 200% of the tax payable on such goods

In view of the same, the amount of penalty payable if Adinath Private Limited does not come forward for the payment of penalty is as follows:

- (i) 50% of value of goods [₹ 3,40,000 (50% of ₹ 6,80,000)] or
- (ii) 200% of the tax payable on such goods [₹ 1,22,400 (200% of ₹ 6,80,000 × 9%)]

whichever is higher, i.e., ₹ 3,40,000.

As per first proviso to section 129(6), conveyance shall be released on payment by the transporter the penalty as mentioned in the order or ₹ 1 lakh, whichever is less.

In the given scenario, since the owner - Adinath Private Limited has failed to come forward to make payment of penalty, penalty of ₹ 3,40,000 shall be levied.

Further, the transporter of goods can get its truck released upon payment of the lower of the following:

- (i) penalty as mentioned in the order [₹ 3,40,000]
- (ii) ₹ 1,00,000

Hence, Ashok Transporters can get its truck released upon payment of ₹ 1,00,000.



## Warehousing

**Q5.** Niryaat Exporters imported some goods on 1st January. The goods were not meant for being used in an 100% EOU, STP unit, EHTP unit. The goods were cleared from the Mumbai port for warehousing on 8th January by presenting an 'into Bond' Bill of Entry. The assessable value of the goods was US \$ 10,000. On 8th January, the exchange rate was ₹ 66 per US \$ and the rate of basic customs duty was 15%. The order permitting the deposit of goods in warehouse for 4 months was issued under section 60 of the Customs Act, 1962 on 15th January. The goods were thereafter deposited in a warehouse at Pune and were cleared from Pune warehouse on 31st May. The rate of basic customs duty was 12% and exchange rate was ₹ 68.75 per 1 US \$ on 31st May. IGST @ 10% is applicable on said goods. Further, the rate of basic customs duty was 12% and exchange rate was ₹ 67 per 1 US \$ on 15th May. ~~IGST @ 12% is applicable on said goods.~~ Ignore IGST and agriculture and infrastructure development cess. You are required to compute: (a) total customs duty payable and (b) interest, if any, payable.

**(RTP Nov'22) (Pg 6.4-Customs)**

**(Changes made due to Corrigendum for RTP Nov'22 issued by ICAI)**

**Answer:**

**(a) Computation of import duty payable by Niryaat Exporters**

Particulars	Amount (US \$)
Assessable value	10,000
Particulars	Amount (₹)
Value in Indian currency (US \$ 10,000 x ₹ 66) [Note 1]	6,60,000
Customs duty @ 12% [Note 2]	79,200
Add: Social welfare surcharge @ 10% on ₹ 79,200	7,920
<b>Total customs duty payable</b>	<b>87,120</b>

**Notes:**

- As per third proviso to section 14(1) of the Customs Act, 1962, assessable value has to be calculated with reference to the rate of exchange prevalent on the date on which the into bond bill of entry is presented for warehousing under section 46 of the Customs Act, 1962.
- 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.

**(b) Computation of interest payable by Niryaat Exporters**

As per section 61 of the Customs Act, 1962, if goods (not meant for being used in an 100% EOU, STP unit, EHTP unit) remain in a warehouse beyond a period of 90 days from the date on which the order permitting deposit of goods in warehouse under section 60 of the Customs Act, 1962 is made, interest is payable [@ 15% p.a.], on the amount of duty payable at the time of clearance of the goods, for the period from the expiry of the said 90 days till the date of payment of duty on the warehoused goods.

Therefore, interest payable will be computed as under:

**(There is mistake in ICAI RTP – correct answer should be as below)**

Period of 90 days commencing from the date of order made under 60 expires on	16 <sup>th</sup> 15 <sup>th</sup> April
No. of days for which interest shall be payable [14 15 days of April + 31 days of May]	45 46 days
<b>Interest payable = ₹ 87,120 x 15% x 45 46 / 365 (rounded off)</b>	<b>₹ 1,611-1,647</b>

## Foreign Trade Policy

**Q10. Explain salient features of post export EPCG scheme? (Pg 9.4-Customs)**

**Answer:**

In EPCG scheme, first capital goods are imported without payment of customs duty and then export obligation is fulfilled.

In case of post export EPCG scheme, the capital goods are imported on full payment of applicable duties in cash. Later, basic customs duty paid on Capital Goods shall be remitted in the form of freely transferable duty credit scrips. **Capital goods imported under EPCG Authorisation for physical exports are also exempt from IGST and Compensation Cess. upto 30.09.2021 30.06.2022.**

In case integrated tax and compensation cess are paid in cash on imports under EPCG, incidence of the said integrated tax and compensation cess would not be taken for computation of net duty saved provided input tax credit is not availed.

These Duty Credit Scrips can be used for payment of applicable custom duties for imports. All other provisions of EPCG Scheme apply to post export EPCG scheme also.

Specific Export Obligation under this Scheme shall be 85% of the applicable specific EO [6 times of duties, taxes and cess saved on capital goods imported under EPCG scheme to be fulfilled in 6 years reckoned from authorization issue date]. Average EO remains unchanged.

Duty remission shall be in proportion to the Export Obligation fulfilled.

The advantage of the scheme is that the exporter does not have any specific export obligation when he imports capital goods on payment of full customs duty. Later, he gets remission on the basis of exports made by him.

**Q14. Distinguish between Advance Authorization and DFIA (Duty Free Import Authorization) schemes? (May'22) (Pg 9.5-Customs)**

**Answer:**

The key differences between Advance Authorisation and DFIA schemes are as follows -

- (i) 'Advance Authorisation' is not transferable.  
DFIA is transferable after export obligation is fulfilled.
- (ii) Advance Authorisation scheme requires 15% value addition, while in case of DFIA, minimum 20% value addition is required.
- (iii) Advance Authorisation scheme is available to gem and jewellery sector, but DFIA is not.
- (iv) DFIA cannot be issued where SION (Standard Input Output Norms) prescribes actual user condition. DFIA can be issued only if SION has been fixed for that product to be exported. Advance Authorisation can be issued even if SION for that product is not fixed.
- (v) IGST has been exempted on physical imports or specified deemed exports under Advance Authorisation scheme upto 31.03.2022, but there is no such exemption available if imports are under DFIA scheme.