Mock Test Paper - Series II: December, 2025

Date of Paper: 12th December, 2025

Time of Paper: 2 P.M. to 5 P.M.

FINAL COURSE: GROUP - II

PAPER – 5: INDIRECT TAX LAWS

1. *Question paper comprises of two parts – Division A and Division B.*
2. *Division A comprises of Case Scenario based Multiple-Choice Questions (MCQs).*
3. *Division B comprises of questions which require descriptive type answers.*
4. *Working Notes should form part of the answers. However, in answers to Questions in Division A, working notes are not required.*
5. *All questions should be answered on the basis of the position of (i) GST law as amended by significant notifications/circulars issued and by the amendments made by the Finance (No. 2) Act, 2024 which have become effective, till 30.06.2025 and (ii) Customs law as amended by the Finance (No. 2) Act, 2024 and significant notifications/circulars and other legislative amendments made upto 30.06.2025.*

Division A – Case Scenario based MCQs (30 Marks)

Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.

1. M/s Bhola & Associates, dealing in sale/ purchase of used or second-hand cars, is registered under GST. During the current financial year, it effected following intra-State transactions:

Particulars	Purchase Price	Sale Price
Car 1	₹ 5,00,000	₹ 7,50,000
Car 2	₹ 3,00,000	₹ 2,75,000
Car 3	₹ 6,00,000	₹ 6,50,000
Car 4	₹ 8,00,000	₹ 9,50,000

M/s Bhola & Associates purchased Car 1, Car 2 and Car 3 from unregistered persons and Car 4 from registered person who charged GST of ₹ 1,30,000 and accordingly M/s Bhola & Associates had availed the input credit of the same.

M/s Bhola & Associates is not conversant with GST provisions. Hence, it has approached you for determining his GST liability. Assume that the applicable rate of tax is 18% and the amounts given above are exclusive of GST.

(a) ₹ 95,000

(b) ₹ 1,08,000

(c) ₹ 1,30,500

(d) No GST is payable since sale of second-hand goods is exempt under GST.

(2 Marks)

2. John & John India Ltd. imported a consignment from U.S.A (by sea). The value of consignment was ₹ 7,50,000 and total duty payable was ₹ 1,50,000.

Company filed bill of entry for home consumption but before inspection and clearance for home consumption it found that the goods were damaged.

On filing a representation to the Customs Department, the proper officer refused the claim for abatement because goods were already unloaded. The proper officer is in agreement with the claim that the value of goods has come down to only ₹ 1,50,000.

Calculate the amount of total duty payable.

(a) ₹ 1,50,000

(b) ₹ 30,000

(c) ₹ 1,00,000

(d) Nil **(2 Marks)**

3. Saksham Sales Ltd. had imported goods after paying the customs duty of ₹ 25,00,000 at the time of import. These goods were used and later re-exported after 19 months of import. The amount of duty drawback that M/s Saksham Sales Ltd. is eligible to claim on such re-export made is ___________.

(a) nil

(b) 23,75,000

(c) 20,00,000

(d) 24,00,000 **(2 Marks)**

Case Scenario - I

Dinesh Shinde is a registered supplier of goods and services under GST in the State of Karnataka. He provided the following details of outward transactions belong to the financial year 2024-2025:

Particulars	**Amount (₹)**
Taxable supply	1,40,00,000
Exempted Supply	3,50,000
Interest received on Unsecured loan (not included in above)	2,00,000
Transfer goods to the residence of his brother, a well-known professional.	Free of cost but the open market value is ₹ 40,000

During the month of April, Dinesh Shinde provided the following outward supplies:

Particulars	**Amount (₹)**
Taxable supply of goods	4,00,000
Insurance agent service to Raksha Insurance Company registered under GST	30,000
Interest received for late payment from various customers	10,000
Recovery agent service to Yash Siddhi Limited, a trader of goods	40,000
Security and housekeeping service provided to Nanhe School (upto higher secondary), an unregistered person under GST, at its Annual Day function held at Prayag Convention centre being outside the school campus.	50,000

Particulars	**Amount (₹)**
Renting of motor vehicle designed to carry passenger provided to Hiranmayi Limited wherein cost of fuel in included (applicable rate of tax CGST @ 2.50% and SGST 2.50%)	80,000
Received with reference to a contract of ₹ 5,00,000 for taxable supplies of goods awarded by a public sector undertaking (PSU) registered u/s 51 of the CGST Act, 2017 in the State of Tamil Nadu, taxable supplies was made in the State of Karnataka as per instruction of the PSU.	1,50,000

Further, on 20th April, he hired Shinzo Wedding Planner of Japan to plan and organize his son's wedding under a composite contract of all events of marriage.

Pre-wedding program was organized at Mumbai while the marriage and reception held at Paris (France).

In addition to the above, proper officer has issued an order under the CGST Act, 2017 dated 10th April, and raised a demand of ₹ 33 lakh (Tax - ₹ 20 lakh, Interest - ₹ 3 lakh and penalty ₹ 10 lakh) in respect of an intra-State transaction. The above amounts are related to the CGST only.

Dinesh Shinde admitted the tax demand of ₹ 5 lakh and interest demand of ₹ 2 lakh and disputed the remaining tax and interest demand and entire penalty demanded.

Dinesh Shinde wants to file an appeal before the Appellant Authority.

All amounts given above are exclusive of taxes, wherever applicable.

From the information given above, choose the most appropriate answer for the following Q. Nos. 4 to 9 with reference to GST law:

4. What is the taxable value of supply for the month of April in the hands of Dinesh Shinde?

    (a) ₹ 6,50,000

    (b) ₹ 6,10,000

    (c) ₹ 6 00,000

    (d) ₹ 5,60,000 **(2 Marks)**

5. Amount of TDS require to be deducted under section 51 by the PSU:

    (a) CGST ₹ 750 and SGST ₹ 750

    (b) IGST ₹ 3,000

    (c) CGST ₹ 1,500 and SGST ₹ 1,500

    (d) No TDS required to be deducted under section 51 of the CGST Act, 2017. **(2 Marks)**

6. What is the maximum amount of pre-deposit (of CGST only) to be made for filing the appeal before the Appellant Authority under the GST law?

    (a) ₹ 8.50 lakh

    (b) ₹ 10 lakh

    (c) ₹ 9.60 lakh

    (d) ₹ 12.20 lakh **(2 Marks)**

7. What is the aggregate turnover of the financial year 2024-2025 under section 2(6) of the CGST Act 2017?

    (a) ₹ 1,45,90,000

    (b) ₹ 1,45,50,000

(c) ₹ 1,43,50,000.

(d) ₹ 1,43,90,000 **(2 Marks)**

8. What is the place of supply in respect of transaction with Perfect Wedding organization Planner?

(a) Mumbai for both the event

(b) Karnataka for both the event

(c) For Pre-wedding- Mumbai and for marriage and reception- Paris

(d) Japan for both the event **(2 Marks)**

9. Which of following outward supplies provided by Mr. Dinesh Shinde are NOT subject to payment of tax under reverse charge mechanism (RCM)?

(i) Insurance agent service

(ii) Recovery agent service

(iii) Security and housekeeping service

(iv) Renting of motor vehicle

Choose the most appropriate answer.

(a) Only (ii), (iii) and (iv)

(b) Only (ii) and (iii)

(c) Only (ii) and (iv)

(d) Only (iii) **(2 Marks)**

Case Scenario - II

'Shree Ram Travels Private Ltd.' (SRTPL) is established on 3rd April in the city of Bangalore (Karnataka) and the primary objective of the company is to provide air-conditioned contract-based passenger transportation services at affordable fares. The company obtains voluntary registration under GST from 1st May. On 1st July, the company purchased motor vehicles (omnibus) of various seating capacities as follows:

Seating capacity (including driver)	No. of vehicles	Purchase price (per vehicle-exclusive of taxes)	Rate of GST
8 persons	4	10,00,000	CGST-9%; SGST - 9%
9 persons	3	12,00,000	CGST-9%; SGST - 9%
11 persons	2	14,00,000	CGST-9%; SGST - 9%
13 persons	1	15,00,000	IGST-18%

From the month of July, SRTPL associated with MRLT Ltd. to enhance the business operations. MRLT Ltd. owns/operates an electronic platform for supply of passenger transportation services in Bangalore. The company developed an application called 'MRLT' through which the customers can access the nearest available motor vehicles (cabs) and avail the services. MRLT Ltd. collects the consideration for the services from the customers and remits the same to the service provider (SRTPL) after retaining the commission charged by it for using its electronic platform.

The details of few bookings of SRTPL in the month of July are as follows:

(These bookings are obtained by SRTPL on its own account and not through MRLT Ltd.)

Order No.	Date of travel	Starting city	Ending city	Residence of the customer	Date of payment/ booking	Status of customer
CA-234	5th July	Bangalore	Chennai	Bangalore	3rd July	Registered*
CA-435	11th July	Bangalore	Chennai	Chennai	9th July	Unregistered
PH-534	16th July	Chennai	Bangalore	Hyderabad	14th July	Registered*
GK-987	19th July	Hyderabad	Bangalore	Delhi	17th July	Unregistered
UV-777	22nd July	Bangalore	Hyderabad	Mumbai	20th July	Registered*
XE-001	25th July	Chennai	Bangalore	Kolkata	23rd July	Unregistered

*Registered in the State in which they reside

In all the above cases, journey is a single-day journey and invoice is issued electronically on the date of travel immediately after the completion of journey.

The details of the passenger transportation services supplied by SRTPL through MRLT Ltd. & GST liability on the supply is as follows:-

Particulars	July (₹)	August (₹)	September (₹)
Value of services	1,30,00,000	1,25,00,000	1,40,00,000
CGST	9,00,000	8,00,000	8,50,000
SGST	9,00,000	8,00,000	8,50,000
IGST	4,00,000	3,50,000	4,50,000

For the month of October, SRTPL self-assessed its CGST liability of ₹ 90,000 for but failed to make the payment.

However, the Department initiated penal proceedings against SRTPL for recovery of penalty under section 74A for failure to pay GST and issued show cause notice on 10th December.

SRTPL deposited the tax along with interest on 25th December and informed the Department on the same day.

Note:

1. All amounts are exclusive of CGST/SGST or IGST, as the case may be.
2. Booking is confirmed only after paying total fare for the journey.
3. There is no other inward or outward supply transaction for SRTPL in the relevant period apart from the aforementioned transactions.
4. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

Based on the case scenario given above, choose the most appropriate answer to Q. nos. 10 to 15, below:

10. Amount of blocked credit in respect of motor vehicles purchased by SRTPL on 1st July is___________.

    (a) CGST = ₹ 9,36,000; SGST = ₹ 9,36,000 & IGST = ₹ 2,70,000

    (b) CGST = ₹ 3,24,000; SGST = ₹ 3,24,000 & IGST = ₹ 2,70,000

    (c) CGST = Nil; SGST = Nil & IGST = ₹ 2,70,000

    (d) CGST = Nil; SGST = Nil & IGST = Nil **(2 Marks)**

11. Amount of GST payable through electronic cash ledger by SRTPL on the services supplied by it through MRLT Ltd. during the month of July, ignoring the provisions of rule 86B of the CGST Rules, 2017, is_____________.

    (a) CGST=₹ 9,00,000; SGST = ₹ 9,00,000 & IGST = ₹ 4,00,000

    (b) CGST = Nil; SGST = Nil & IGST = ₹ 58,000

    (c) CGST = Nil; SGST = Nil & IGST = ₹ 1,30,000

    (d) CGST = Nil; SGST = Nil & IGST = Nil **(2 Marks)**

12. Amount of tax to be collected at source (ignore bifurcation under the CGST, SGST and IGST) by MRLT Ltd. on the taxable supplies made through it during the months of A) July, B) August and C) September is _____________.

    (a) A) ₹ 65,000; B) ₹ 62,500 and C) ₹ 70,000

    (b) A) ₹ 1,30,000; B) ₹ 1,25,000 and C) ₹ 1,40,000

    (c) A) ₹ 1,30,000; B) Nil and C) ₹ 70,000

(d) A) Nil; B) Nil and C) Nil **(2 Marks)**

13. Place of supply for order numbers 1) CA-435, 2) PH-534 & 3) GK-987 is_______________.

(a) 1) Bangalore, 2) Hyderabad & 3) Hyderabad

(b) 1) Chennai, 2) Hyderabad & 3) Hyderabad

(c) 1) Chennai, 2) Chennai & 3) Delhi

(d) 1) Bangalore, 2) Chennai & 3) Hyderabad **(2 Marks)**

14. Time of supply for order numbers 1) CA-234, 2) UV-777 & 3) XE-001 is_____________.

(a) 1) 5th July, 2) 20th July & 3) 23rd July

(b) 1) 5th July, 2) 22nd July & 3) 23rd July

(c) 1) 3rd July, 2) 20th July & 3) 23rd July

(d) 1) 5th July, 2) 20th July & 3) 23rd July **(2 Marks)**

15. What is the amount of penalty payable by SRTPL in respect of the self assessed tax liability in the month of October?

(a) No penalty is payable since tax was paid before adjudication.

(b) ₹ 45,000

(c) ₹ 9,000

(d) ₹ 10,000 **(2 Marks)**

Division B: Descriptive Questions

1. Keshavrao is a mining contractor. He has crossed the threshold limit for registration in the preceding financial year and is now duly registered under GST in the State of Gujarat. He has undertaken following transactions during the month of April:

S. No.	Particulars	Value of supply in ₹ (exclusive of taxes)
(a)	Keshavrao is an operating member in mining and exploration services at Reliable Oilfield, Bhavnagar, Gujarat. He has provided certain services to the Joint Venture (JV) at same site in which he is also a member. He believes that the consideration received from the JV is 'Cost Recovery' and not taxable.	15,00,000

(b)	He has purchased certain machinery from Mumbai, Maharashtra, to render services to the JV at Reliable Oilfield.	8,00,000
(c)	He has obtained professional legal services from a senior advocate of Ahmedabad, Gujarat to represent him in a matter before the Tribunal.	1,50,000
(d)	He was allotted an office on rent by the State Government of Gujarat close to the sea shore of Reliable Oilfield.	2,50,000
(e)	He got a portion of the petroleum silt (non taxable under GST) as part of compensation while exploring the petroleum reserves at Reliable Oilfield - which as per the contract with the government is part of 'Cost Petroleum'.	8,00,000
(f)	He sells the petroleum silt (non-taxable under GST) to a SEZ Developer in Bhavnagar, Gujarat. He has already filed LUT under GST.	7,50,000
(g)	Consideration received in the nature of recovery of bond amount in case of 3 employees leaving employment before a minimum period of 1 year as per the terms of contract.	75,000
(h)	Consideration received towards transfer of tenancy rights in Gujarat, which according to Keshavrao is not liable to GST as it has suffered stamp duty. The immovable property in respect of which the tenancy rights are transferred, is a commercial property and the same is located in Gujarat.	7,00,000
(i)	Consideration received from mining lease holders for renting of 5 dumpers including driver given for transport of minerals within the mining area for a period of 2 years. (intra-State transaction)	5,00,000
(j)	He has been assigned the mining right from Government and the amount of IGST involved against royalty payment is ₹ 3,00,000.	

Additional information:

(1) Keshavrao has filed bond/LUT to claim benefits under zero rated supplies.

(2) Assume the CGST and SGST rates to be 2.5% each and IGST rate to be 5% on supply of goods.

(3) Assume the CGST and SGST rates to be 9% each and IGST rate to be 18% on supply of services.

(4) There is opening balance of ₹ 34,000 in the Electronic Cash ledger (SGST). And there was brought forward ITC of ₹ 15,000 in Electronic Credit ledger (IGST),

₹ 50,000 in Electronic Credit ledger (CGST), ₹ 9,000 in Electronic Credit ledger (SGST).

From the above details, compute the minimum net GST payable by Keshavrao in cash (CGST, SGST or IGST as the case may be) for the month of April. Working notes should form part of your answer. **(14 Marks)**

2. (a) Mr. Arpit is a registered supplier in Ahmedabad (Gujarat) under GST law. He provides the following information pertaining to various outward supplies made by him during the month of March:

S. No.	Particulars	Amount (₹)
(i)	Shyamji Vayapar Chamber of Commerce organized a business summit. Fiama Pvt. Ltd., manufacturer of readymade garments, sponsored the summit and paid sponsorship fee of ₹ 1,80,000 to Shyamji Vayapar Chamber of Commerce. Mr. Arpit, an independent director of Fiama Private Ltd., provided the services to the company in relation to this in the capacity of director and Fiama Private Ltd. paid ₹ 40,000 to him as remuneration.	40,000
(ii)	Supply of railway equipments by way of transportation by a vessel from one place in India to another.	1,20,000
(iii)	Services by way of storage/warehousing of processed tea used for beverage as green tea.	70,000
(iv)	Health care services by his clinical establishment of providing rooms having room charges ₹ 3,100 per day to a person receiving health care services.	3,00,000
(v)	Services of a guest house, for lodging purposes, having value of supply of a unit of accommodation ₹ 800 per day	72,000

All above amounts are exclusive of GST. All the supplies are intra-State supply and assume the rate of taxes are IGST @ 18% and CGST & SGST @ 9% each.

From the above information, compute the GST liability of each item separately, on which tax to be paid by Mr. Arpit for the month of March.

Correct provision of law should form the part of your answer. **(5 Marks)**

(b) On 25th August, M/s Mehta & Mehta, a registered supplier of taxable goods located in Bengaluru (Karnataka), purchased one machine for ₹ 12,39,000 (including

IGST) from one supplier of Maharashtra who issued the invoice on the same date. M/s Mehta & Mehta received the machinery on the same day and availed ITC for the eligible amount.

M/s Mehta & Mehta used the machine in the process of manufacture of taxable goods. However, M/s Mehta & Mehta sold this machine to Mr. Anand Rathore of Andhra Pradesh on 20th August of next year for ₹ 7,50,000 (excluding IGST).

With reference to section 18(6) of the CGST Act, 2017, determine the amount payable, if any, by M/s Mehta & Mehta at the time of sale of the machine.

Note: The applicable rate of IGST is 18%. **(5 Marks)**

(c) Product 'PKY' was imported by Mr. Surya by air. The details of the import transaction are as follows:

Particulars	**US $**
Price of 'PKY' at exporter's factory	8,500
Freight from factory of the exporter to load airport (airport in the country of exporter)	250
Loading and handling charges at the load airport	250
Freight from load airport to the airport of importation in India	4,500
Insurance charges	2,000

Though the aircraft arrived on 22nd January, the bill of entry for home consumption was presented by Mr. Surya on 20th January.

The other details furnished by Mr. Surya are:

	20th January	**22nd January**
Rate of basic customs duty	20%	10%
Exchange rate notified by CBIC	₹ 70 per US$	₹ 72 per US$
Exchange rate prescribed by RBI	₹ 71 per US$	₹ 72 per US$
Integrated tax leviable under section 3(7) of the Customs Tariff Act, 1975	18%	12%

Compute -

(i) value of product 'PKY' for the purpose of levying customs duty

(ii) customs duty and tax payable **(4 Marks)**

3. (a) KMP Company Ltd., a registered supplier of Bengaluru (Karnataka), is a manufacturer of goods. The company provides the following information pertaining to GST paid on inward supplies during the month of April (current financial year):

S. No.	Items	GST paid in (₹)
(i)	Life Insurance premium paid by the company for the life insurance of factory employees as per the policy of the company. There is no legal obligation for such insurance for employees.	1,50,000
(ii)	Raw materials purchased for which invoice is missing but delivery challan is available	38,000
(iii)	Raw materials purchased which are used for zero rated supply	50,000
(iv)	Works contractor's service used for repair of factory building which is debited in the profit and loss account of company	30,000
(v)	Company purchased the capital goods for ₹ 4,00,000 and claimed depreciation of ₹ 44,800 (@ 10%) on the full amount of ₹ 4,48,000 under Income Tax Act, 1961	48,000

Other information:

(1) In the month of September of previous financial year, KMP Company Ltd. availed ITC of ₹ 2,40,000 on purchase of raw material which was directly sent to job worker's premises under a challan on 25th September (previous financial year). The said raw material has not been received back from the job worker up to 30th April (current financial year).

(2) All the above inward supplies except at S. No. (iii) above have been used in the manufacture of taxable goods. Inward supplies at S. No. (iii) above have been used in the manufacture of exempt goods.

Compute the amount of net ITC that can be availed by KMP Company Ltd. for the month of April with necessary explanations for the treatment of various items as per the provisions of the CGST Act. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

(6 Marks)

(b) Nal Neer Private Ltd. is engaged in the business of distribution of construction material. As an incentive, Nal Neer Private Ltd. pays an amount of ₹ 75,000 to its employees upon achieving a specified sales target. The incentive is part of the salary of the employees and applicable tax is deducted at source as per relevant income tax provisions. Nal Neer Private Ltd. is of the view that GST is not leviable on such incentive paid to the employees. Whether the view taken by Nal Neer Private Ltd. is correct? **(4 Marks)**

(c) Mantu Chaudhary has imported goods from Germany and is finally re-assessed u/s 18(2) of the Customs Act, 1962 for two such consignments. Particulars are as follows:

Date of provisional assessment	12th December, 2024
Date of final re-assessment	2nd February, 2025
Duty demand for 1st consignment	₹ 1,80,000
Refund for the 2nd consignment	₹ 4,20,000
Date of refund made by the department	28th April, 2025
Date of payment of duty demanded	5th February, 2025

Determine the interest payable and receivable, if any, by Mantu Chaudhary on the final re-assessment of the two consignments, with suitable notes thereon.

(4 Marks)

4. (a) Examine the taxes to be paid for the month of July on the basis of below information furnished by M/s Silver & Co.:

Particulars	**IGST (₹)**	**CGST (₹)**	**SGST (₹)**
Output tax payable	14,75,000	28,34,000	28,34,000
Tax payable under reverse charge	36,000	1,44,000	1,44,000
Balance in Electronic Credit Ledger	26,52,000	18,32,000	18,32,000

Output tax reported under IGST column pertains to the month of February, which was not paid for the said period. Also, note that input tax credit available in Electronic Credit Ledger pertains to input tax on purchases made during the month of July and no opening balance exists from previous tax period. It furnishes return on monthly basis. **(6 Marks)**

(b) Manoharan & Sons, a registered person, sends certain category of yarn for processing to the job worker in January. The job worker undertakes the processing work on the yarn as per the requirement of Manoharan & Sons. During the process, the job worker uses his own material also. The processed yarn is sold by Manoharan & Sons directly from the job worker's premises in the month of March.

The balance quantity of yarn and waste material is sent back by the job worker to Manoharan & Sons in April.

The accountant of job worker is of the opinion that since the job worker is using his own material also in the processing, the supply being made by it to Manoharan & Sons is in the nature of supply of goods as well as services. Do you agree with the opinion of accountant of the job worker? **(4 Marks)**

(c) Richard Wilson of foreign origin has come on travel visa, to tour in India. He carries with him, as part of baggage, the following:

Particulars	Value in ₹
Travel Souvenir	85,000
Other articles carried on in person	1,50,000
120 sticks of cigarettes of ₹100 each	12,000
Fire arm with 100 cartridges (value includes the value of cartridges at @ ₹ 500 per cartridge).	1,00,000

Determine customs duty payable, if the effective rate of customs duty is 38.50% inclusive of social welfare surcharge, with short explanations where required. Ignore Agriculture infrastructure and development cess. **(4 Marks)**

5. (a) Kanha Handloom, a registered supplier located in Madhya Pradesh, has duly filed its monthly GST returns for the financial year 2024–25. During the scrutiny of its returns for the said financial year in August 2025, the proper officer noticed an inadvertent short payment of CGST and SGST totaling ₹ 4,60,000 in the month of October 2024, on account of a bonafide error. Before issuance of the show cause notice by the proper officer, Kanha Handloom paid the tax of ₹ 1,00,000 (₹ 50,000 CGST and ₹ 50,000 SGST) on the basis of its own ascertainment along with applicable interest and with penalty, if any, on 15th September 2025 and informed the proper officer in writing of such payment.

Ascertain the last date by which show cause notice can be issued by the proper officer for the amount of tax short paid by Kanha Handloom. **(5 Marks)**

(b) Mr. Cummins, an unregistered person under GST, purchases the goods supplied by Mr. Marsh who is a registered person without receiving a tax invoice from Mr. Marsh and thus helps in tax evasion by Mr. Marsh. A disciplinary action is taken against Mr. Cummins and an adhoc penalty of ₹ 20,000/- is imposed by passing an order without describing contravention for which penalty is going to be imposed and without mentioning the provisions under which penalty is going to be imposed. Should Mr. Cummins proceed to pay for penalty or challenge the order passed by Department? **(5 Marks)**

(c) State few cases where refundable amount shall be paid to the applicant, instead of being credited to Consumer Welfare Fund under the CGST Act, 2017.

(4 Marks)

6. (a) Explain the recourse that may be taken by the officer in case proper explanation is not furnished for the discrepancy detected in the return filed, while conducting scrutiny of returns under section 61 of the CGST Act, 2017. **(4 Marks)**

(b) Section 158(1) of the CGST Act, 2017 lays down that the information obtained by a public servant from the record of any proceeding under the CGST Act is confidential and cannot be disclosed.

Is there any exception to this rule? Discuss in brief. **(6 Marks)**

OR

Briefly explain the procedure to be followed by the Authority for Advance Ruling on receipt of the application for Advance Ruling under section 98 of the CGST Act, 2017. **(6 Marks)**

(c) What is the purpose of including General Rules of Interpretation of First Schedule in Customs Tariff? Do they form part of the Tariff Schedule? Explain the Akin Rule of interpretation. **(4 Marks)**

Mock Test Paper - Series II: December, 2025

Date of Paper: 12th December, 2025

Time of Paper: 2 P.M. to 5 P.M.

FINAL COURSE: GROUP – II

PAPER – 5: INDIRECT TAX LAWS

SOLUTIONS

Division A – Multiple Choice Questions

Question No.	Answer	
1	**(a)**	₹ 95,000
2	**(b)**	₹ 30,000
3	**(a)**	nil.
4	**(a)**	₹ 6,50,000
5	**(b)**	IGST ₹ 3,000
6	**(a)**	₹ 8.50 lakh
7	**(b)**	₹ 1,45,50,000
8	**(a)**	Mumbai for both the event
9	**(b)**	Only (ii) and (iii)
10	**(d)**	CGST = Nil; SGST = Nil & IGST = Nil
11	**(b)**	CGST = Nil; SGST = Nil & IGST = ₹ 58,000
12	**(a)**	A) ₹ 65,000; B) ₹ 62,500 and C) ₹ 70,000
13	**(a)**	1) Bangalore, 2) Hyderabad & 3) Hyderabad
14	**(c)**	1) 3rd July, 2) 20th July & 3) 23rd July
15	**(d)**	₹10,000

Division B: Descriptive Questions

1. Computation of tax payable in cash

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
A.	**GST liability on outward supply**				
(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.]	15,00,000	1,35,000 (15,00,000 x 9%)	1,35,000 (15,00,000 x 9%)	
(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.]	8,00,000	Nil	Nil	Nil
(iii)	Sale of petroleum silt to a SEZ developer [Supply to SEZ developer is a zero-rated supply made under a bond/LUT and no tax is payable on the same.]	7,50,000	Nil	Nil	Nil
(iv)	Bond amount recovered from employees leaving employment before stipulated period [Not a supply since bond amount recovered is not a consideration for tolerating the act of such premature quitting of employment.]	75,000	Nil	Nil	Nil
(v)	Transfer of tenancy rights [Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable	7,00,000	63,000 (7,00,000 x 9%)	63,000 (7,00,000 x 9%)	

<table>
<tr><td></td><td colspan="2">even though stamp duty has been paid on the same.]</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(vi)</td><td colspan="2">Renting of dumpers including driver
[Taxable.]</td><td>5,00,000</td><td>45,000
(5,00,000 x 9%)</td><td>45,000
(5,00,000 x 9%)</td><td></td></tr>
<tr><td colspan="3">Total tax liability on outward supplies</td><td></td><td>2,43,000</td><td>2,43,000</td><td></td></tr>
<tr><td>B.</td><td colspan="6">GST liability on inward supplies under reverse charge (RCM)</td></tr>
<tr><td>(i)</td><td colspan="2">Professional services provided by senior advocate to Keshavrao, i.e. a business entity</td><td>1,50,000</td><td>13,500
(1,50,000 x 9%)</td><td>13,500
1,50,000 x 9%)</td><td></td></tr>
<tr><td>(ii)</td><td colspan="2">Renting of office provided by the State Government to Keshavrao (a registered person)</td><td>2,50,000</td><td>22,500
(2,50,000 x 9%)</td><td>22,500
(2,50,000 x 9%)</td><td></td></tr>
<tr><td>(iii)</td><td colspan="2">Assignment of mining right by Government to Keshavrao (a registered person)</td><td></td><td></td><td></td><td>3,00,000</td></tr>
<tr><td colspan="3">Total tax liability on inward supplies under reverse charge</td><td></td><td>36,000</td><td>36,000</td><td>3,00,000</td></tr>
<tr><td>C.</td><td colspan="2">Input tax credit</td><td></td><td></td><td></td><td></td></tr>
<tr><td>(i)</td><td colspan="2">Opening balance</td><td></td><td>50,000</td><td>9,000</td><td>15,000</td></tr>
<tr><td>(ii)</td><td>Inter-State purchase of machinery</td><td rowspan="4">Since the goods and services are used for effecting taxable supplies including zero rated supplies, full ITC thereon will be allowed.</td><td>8,00,000</td><td></td><td></td><td>40,000
(8,00,000 x 5%)</td></tr>
<tr><td>(iii)</td><td>Professional services from senior advocate</td><td>1,50,000</td><td>13,500
(1,50,000 x 9%)</td><td>13,500
(1,50,000 x 9%)</td><td></td></tr>
<tr><td>(iv)</td><td>Renting of office</td><td>2,50,000</td><td>22,500
(2,50,000 x 9%)</td><td>22,500
(2,50,000 x 9%)</td><td></td></tr>
<tr><td>(v)</td><td>Assignment of mining right</td><td></td><td>____</td><td>____</td><td>3,00,000</td></tr>
<tr><td colspan="3">Total ITC
Note: [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</td><td></td><td>86,000</td><td>45,000</td><td>3,55,000</td></tr>
</table>

it is also a zero-rated supply, ITC can be availed for making such supply.]					
D.	**Computation of tax payable in cash**				
	Total tax liability on outward supplies		2,43,000	2,43,000	
	Less: ITC of IGST Note: ITC of IGST to be used first before ITC of CGST and SGST		1,57,000	1,98,000	
	Less: ITC of CGST and SGST		86,000 (CGST)	45,000 (SGST)	
	Add: 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.]		36,000	36,000	3,00,000
Total tax liability payable in cash *Less:* Balance of Electronic Cash Ledger			36,000	36,000 (-)34000	3,00,000
Net minimum tax liability payable in cash			36,000	2,000	3,00,000

2. (a) Computation of GST liability of Mr. Arpit

	Particulars	**CGST @ 9% (₹)**	**SGST @ 9% (₹)**
(i)	Service provided to Fiama Pvt. Ltd. [Tax on services provided in the capacity of an independent director is payable by the recipient – Fiama Pvt. Ltd. under reverse charge mechanism and not by Mr. Arpit.]	-	
(ii)	Supply of transportation of railway equipment by vessel [Taxable, since it is not specifically exempt. Transportation of specified goods by vessel from one place in India to another are exempt. However, railway equipment is not a specified good.	10,800	10,800

	Exemption earlier available to transportation of railway equipment by vessel from one place in India to another was withdrawn.]		
(iii)	Storage/warehousing of processed tea [Taxable, since storage/warehousing of only agricultural produce is exempt but processed tea is not an agricultural produce.]	6,300	6,300
(iv)	Health care services of providing rooms by his clinical establishment [Exempt, since room charges do not exceed ₹ 5,000 per day.]	-	-
(v)	Services of a guest house for lodging purposes [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.]	6,480	6,480

(b) As per section 18(6) of the CGST Act, 2017, if capital goods/ plant and machinery on which ITC has been taken are supplied (outward) by a registered person, he must pay an amount that is higher of the following:

(a) ITC taken on such goods reduced by 5% per quarter or part thereof from the date of issue of invoice for such goods or

(b) tax on transaction value of such outward supply determined under section 15 of the CGST Act, 2017.

Accordingly, the amount payable on supply of machinery by M/s Mehta & Mehta shall be computed as follows:

Particulars	**Amount (₹)**
ITC taken on the machinery (₹ 12,39,000 × 18/118)	1,89,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine (i) For the previous year = (₹ 1,89,000 × 5%) × 3 quarters (ii) For the current year = (₹ 1,89,000 × 5%) × 2 quarters	 28,350 18,900
Amount required to be paid by adding the reversal amount to the output tax liability) **(A)** **	1,41,750
Duty leviable on transaction value (₹ 7,50,000 × 18%) **(B)**	1,35,000

Amount payable towards disposal of machine is higher of **(A)** and **(B)**	1,41,750
Thus, M/s Mehta & Mehta is required to pay an amount of ₹ 1,41,750 at the time of sale of machinery by adding the same to the output tax liability.	

** In the above solution, amount payable towards disposal of machine has been computed on the basis of rule 40(2) of the CGST Rules, 2017, i.e. ITC to be reversed for the period of use of capital goods/machine has been computed @ 5% for every quarter or part thereof from the date of the issue of invoice.

However, the said amount can also be computed in accordance with rule 44(6) of the CGST Rules, 2017, i.e. ITC involved in the remaining useful life (in months) of the capital goods/ machine can be reversed on *pro-rata* basis, taking the useful life as 5 years.

(c) Computation of assessable value of product 'PKY'

Particulars		**Amount**
Ex-factory price of the goods		8,500 US $
Freight from factory of the exporter to load airport (airport in the country of exporter)	250 US $	
Loading and handling charges at the load airport	250 US $	
Freight from load airport to the airport of importation in India	4,500 US $	
Total cost of transport, loading and handling charges associated with the delivery of the imported goods to the place of importation	5,000 US $	
Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation (restricted to 20% of FOB value) [Note 1]		1,800 US $
Insurance (actual)		2,000 US $
CIF for customs purpose		12,300 US $
Value for customs purpose		12,300 US $
Exchange rate as per CBIC [Note 2]		₹ 70 per US $
		Amount (₹)
Assessable value (₹ 70 x 12,300 US $)		**8,61,000**

Add: Basic customs duty @ 10% [Note 3]	86,100
Add: Social Welfare Surcharge (SWS) @ 10%	8,610
Value for the purpose of levying integrated tax [Note 4]	9,55,710
Add: Integrated tax @ 12%	1,14,685.2
Total duty & tax payable (rounded off)	**2,09,395**

Notes:

(1) In the case of goods imported by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation shall not exceed 20% of the FOB value of the goods.

FOB value in this case is the ex-factory price of the goods (8,500 US $) plus the cost of transport from factory to load airport (250 US $) plus loading and handling charges at the load airport (250 US $) which is 9,000 US $.

(2) Rate of exchange determined by CBIC is to be considered

(3) Section 15 of the Customs Act, 1962 provides that rate of duty shall be the rate in force on the date of presentation of bill of entry or the rate in force on the date of arrival of aircraft, whichever is later.

(4) Integrated tax is levied on the sum total of the assessable value of the imported goods and customs duties. SWS leviable on integrated tax have been exempted.

3. (a) Computation of ITC available with KMP Company Ltd. for the month of April

Particulars	ITC (₹)
Life Insurance premium paid by the company on the life of factory employees [Note 1]	Nil
Raw materials purchased [Note 2]	Nil
Raw materials used for zero rated supply [Note 3]	50,000
Work contractor's service [Note 4]	30,000
Capital goods purchased in respect of which depreciation is claimed on the tax component [Note 5]	Nil
Goods sent to job worker's premises [Note 6]	-
Total ITC available	**80,000**

Notes:

(1) ITC on life insurance service is available only when it is obligatory for an employer to provide said services to its employees under any law for the time being in force. Since it is not obligatory for the employer in the instant case and thus, the ITC thereon is blocked [section 17(5)(b) of the CGST Act, 2017].

(2) ITC cannot be taken since invoice is missing and delivery challan is not a valid document to avail ITC [Section 16(2)(a) of the CGST Act, 2017].

(3) ITC can be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply [Section 16(2) of the IGST Act].

(4) ITC is blocked on works contract services when supplied for construction of an immovable property. However, "construction" includes only that repairs which are capitalized along with the said immovable property.

In this case, since repairs of building is debited to P & L Account, the same does not amount to 'construction' and hence ITC thereon is available [Section 17(5)(c) of the CGST Act, 2017].

(5) ITC is not available when depreciation has been claimed on the tax component of the cost of capital goods under the Income-tax Act [Section 16(3) of the CGST Act, 2017].

(6) The principal is entitled to take ITC of inputs sent for job work even if the said inputs are directly sent to job worker. However, where said inputs are not received back by the principal within a period of 1 year of the date of receipt of inputs by the job worker, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were received by the job worker [Sub-sections (2) and (3) of section 19 of the CGST Act, 2017].

Hence, the ITC taken by KMP Company Ltd. in the month of September last year is valid and since one year period has yet not lapsed in April, there will be no tax liability on such inputs.

(b) Yes, Nal Neer Private Ltd.'s view is correct. In terms of section 7(2) of the CGST Act, 2017 read with Schedule III of the CGST Act, 2017, services by an employee to employer in the course of or in relation to his employment shall not be treated as supply under GST. Further, the amount paid as incentive by Nal Neer Private Ltd. is not in the nature of gift, and thus, is not covered under Schedule I. Infact, in the given case, the incentive is part of the salary and is directly linked to the sales target. Therefore, the services provided in course or in relation to employment by the employees for which incentives are given to them shall not be treated as a "supply".

In the light of above discussion, GST is not leviable on the incentive paid by Nal Neer Private Ltd. to its employees.

(c) As per section 18(3) of the Customs Act, 1962, an importer is liable to pay interest at the rate of 15% p.a. (Notification No. 33/2016-Cus. (NT) dated 01.03.2016), on any amount payable consequent to the re-assessment order from the first day of the month in which the duty is provisionally assessed till the date of payment.

Therefore, in the given case, Mantu Chaudhary is liable to pay following interest in respect of 1st consignment:

= ₹ 1,80,000 × 15% × 67/365

= ₹ 4,956 (rounded off)

If any amount refundable consequent to the re-assessment order is not refunded within 3 months from date of re-assessment of duty, interest is payable to importer on unrefunded amount at the specified rate till the date of refund of such amount in terms of section 18(4) of the Customs Act, 1962.

Since in the given case, refund has been made (28.04.2025) within 3 months from the date of re-assessment of duty (02.02.2025), interest is not payable to Mantu Chaudhary on duty refunded in respect of 2nd consignment.

4. (a) Payment of taxes is governed as per the provisions laid in section 49 read with section 49A and 49B of CGST Act, 2017 along with rule 88A of CGST Rules, 2017

Also, section 49(8) of CGST Act, stipulates that every taxable person shall discharge his tax and other dues under this Act or the rules made thereunder in the following order, namely:

(a) self-assessed tax, and other dues related to returns of previous tax periods;

(b) self-assessed tax, and other dues related to the return of the current tax period;

(c) any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74 or section 74A;

As per the above provisions, self-assessed tax of previous tax period i.e. February shall be paid first and later self-assessed tax of current tax period i.e. July shall be paid.

Payment of taxes under forward charge

Particulars	IGST	CGST	SGST
Balance in electronic credit ledger for utilization	26,52,000	18,32,000	18,32,000
Output tax payable for July	14,75,000	28,34,000	28,34,000
Less: Utilization of input tax credit:			
a. IGST **[Refer Note1]**	14,75,000	5,88,500	5,88,500
b. CGST	0	18,32,000	0
c. SGST	0	0	18,32,000
Amount payable through electronic cash ledger	Nil	4,13,500	4,13,500

Total amount payable through electronic cash ledger

Particulars	IGST	CGST	SGST
Amount payable through Electronic cash ledger under forward charge	Nil	4,13,500	4,13,500
Amount payable through electronic cash ledger under reverse charge [Refer Note-2]	36,000	1,44,000	1,44,000
Total amount payable through electronic cash ledger	36,000	5,57,500	557,500

Notes:-

1. After utilization of IGST credit towards output IGST liability, balance has been utilized equally amongst CGST & SGST
2. Input tax credit cannot be utilized for discharging tax liability under reverse charge basis, thus payable vide electronic cash ledger.

Since, M/s Silver & Co., have defaulted in payment of taxes for the month of February and the same has been paid during July, interest is payable as per the provisions of section 50 of the CGST Act, 2017

(b) No, the opinion of the accountant of the job worker is not correct. Section 7(1A) of the CGST Act, 2017 provides that when certain activities or transactions constitute a supply in accordance with the provisions of section 7(1), they shall be treated either as a supply of goods or supply of services as referred to in Schedule II. Any processing activity carried on any other person's goods is treated as supply of service in terms of Schedule II. *Circular No. 38/12/2018 GST dated 26.03.2018* has also clarified that the job worker, in addition to the goods received from the principal, can use his own goods for providing the services of job work. These goods are not supply *per se*, but are being used in the processing activity carried out by it.

Thus, the activity undertaken by the job worker, in the given case, squarely falls within the purview of Schedule II and shall be considered as supply of service by the job worker to Manoharan & Sons.

(c) As per rule 3 of Baggage Rules, 2016, tourist of foreign origin, excluding infant, is allowed duty free clearance of

(i) travel souvenirs; and

(ii) Articles up to the value of ₹ 15,000 (excluding *inter alia* fire arms, cartridges of fire arms exceeding 50 and cigarettes exceeding 100 sticks), if carried on in person.

Computation of customs duty payable	**₹**
Travel souvenir	Nil
Articles carried on in person	1,50,000
Cigarettes [100 sticks can be accommodated in General Free Allowance (GFA)]	10,000
Fire arms cartridge (50 cartridges can be accommodated in GFA)	25,000
Baggage than can be accommodated in GFA	1,85,000
Less: GFA	15,000
Baggage on which duty is payable	1,70,000
Duty payable @ 38.50% (including 10% Social welfare surcharge)	65,450

Note: Fire arms, cartridges of firearms exceeding 50 and cigarettes exceeding 100 sticks are not chargeable to rate applicable to baggage [*Notification No. 26/2016 Cus. dated 31.03.2016*]. These items are charged @ 100% applicable to baggage under Heading 9803 of the Customs Tariff.

5. **(a)** The proper officer can issue a show cause notice within 42 months from the due date of furnishing the annual return for relevant financial year to which short payment relates to [Section 74A(2) of the CGST Act, 2017]. For the financial year 2024–25, the due date for furnishing the annual return is 31st December, 2025. Therefore, the last date by which show cause notice can be issued by the proper officer for the amount of tax short paid by Kanha Handloom is 30th June 2029.

Further, section 74A stipulates the same limitation period for issuance of show cause notice whether the short payment is on account of fraud or on account of a bonafide error. Thus, answer will remain same if the short payment of tax is on account of fraud.

(b) The levy of penalty is subject to a certain disciplinary regime which is based on jurisprudence, principles of natural justice and principles governing international trade and agreements. Such general discipline is enshrined in section 126 of the CGST Act, 2017. Accordingly—

- no penalty is to be imposed without affording an opportunity of being heard to the person proceeded against to rebut the allegations levelled against him,
- the penalty is to depend on the totality of the facts and circumstances of the case, the penalty imposed is to be commensurate with the degree and severity of breach of the provisions of the law or the rules alleged,
- the nature of the breach is to be specified clearly in the order imposing the penalty,
- the provisions of the law under which the penalty has been imposed is to be specified.

Since the order suffers from lack of clarity about nature of breach which has taken place and about applicable law under which penalty has been imposed, such order passed by the department should be challenged.

(c) Section 54(8) of the CGST Act, 2017 provides that the refundable amount shall be paid to the applicant, instead of being credited to the Consumer Welfare Fund, if such amount is relatable to —

(a) refund of tax paid on export of goods and/or services or on inputs or input services used in making such exports;

(b) refund of unutilized ITC in case of zero-rated supplies made without payment of tax or accumulated ITC on account of inverted duty structure;

(c) refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued, or where a refund voucher has been issued;

(d) refund of tax paid on a transaction treating it to be an intra-State supply, but which is subsequently held to be an inter-State supply or vice-versa;

(e) the tax and interest, if any, or any other amount paid by the applicant, if he had not passed on the incidence of such tax and interest to any other person; or

(f) the tax or interest borne by notified class of applicants.

6. **(a)** If proper explanation is not furnished for the discrepancy detected in return filed, while conducting scrutiny of returns under section 61 of the CGST Act, 2017 of a registered person, the proper officer may:

(i) conduct audit of the registered person; or

(ii) direct the registered person to get his records including books of account examined and audited by a Chartered Accountant or a Cost Accountant nominated for this purpose by the Commissioner; or.

(iii) exercise the powers of inspection, search and seizure with respect to the registered person, or

(iv) proceed to determine the tax and other dues of the registered person under Sections 73 or 74 or 74A of the Act.

(b) Yes, the confidential information can be disclosed by the public servant for certain specific purposes in terms of section 158(3) of the CGST Act, 2017. Such specific purposes are given in brief hereunder:

(i) For prosecution

(ii) For carrying out the objects of the CGST Act

(iii) For service of notice or recovery of demand

(iv) For furnishing information to Court in a proceeding where Government is a party

(v) For audit of tax receipts or refunds

(vi) For inquiry into the conduct of a GST officer

(vii) For enabling levy, realisation of any tax or duty

(viii) In lawful exercise of powers

(ix) For enquiry into a charge of misconduct by any professional

(x) For data entry on automated system

(xi) For fulfilling the requirement under any other law and in public interest.

(b) Alternative Answer

The procedure to be followed by the Authority for Advance Ruling (AAR) on receipt of the application for advance ruling under section 98 of the CGST Act, 2017 is as under:

1. Upon receipt of an application, the AAR shall send a copy of application to the officer in whose jurisdiction the applicant falls and call for all relevant records.
2. The AAR may then examine the application along with the records and may also hear the applicant. Thereafter he will pass an order either admitting or rejecting the application.
3. Application for advance ruling will not be admitted in cases where the question raised in the application is already pending or decided in any proceedings in the case of an applicant under any of the provisions of this Act.
4. If the application is rejected, it should be by way of a speaking order giving the reasons for rejection and only after giving an opportunity of being heard to the applicant.
5. If the application is admitted, the AAR shall pronounce its ruling on the question specified in the application. Before giving its ruling, it shall examine the application and any further material furnished by the applicant or by the concerned departmental officer.
6. Before giving the ruling, AAR must hear the applicant or his authorized representative as well as the jurisdictional officers of CGST/ SGST.
7. If there is a difference of opinion between the two members of AAR, they shall refer the point or points on which they differ to the Appellate Authority for hearing the issue
8. The Authority shall pronounce its advance ruling in writing within 90 days from the date of receipt of application.
9. A copy of the advance ruling duly signed by members and certified in prescribed manner shall be sent to the applicant, the concerned officer and the jurisdictional officer.

(c) The Customs Tariff has a set of six General Rules for Interpretation of the First Schedule and three General Explanatory Notes. The six General Rules of Interpretation and three General Explanatory Notes are integral part of the Tariff Schedule. The purpose of their inclusion in Customs Tariff is to standardize the manner in which the nomenclature in the schedule is to be interpreted so as to reduce classification disputes.

Rule 4 of the Rules of Interpretation is called as akin rule. This rule lays down that goods which cannot be classified in accordance with rules 1, 2 and 3 of the Rules of Interpretation shall be classified under the heading appropriate to the goods to which they are most akin. In other words, akin rule' is a residual rule which is to be applied when classification is not possible by applying any of the earlier rules. It is a rule of last resort.