

Mock Test Paper - Series I: March, 2025

Date of Paper: 19th March, 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 31.10.2024 and (ii) Customs law as amended by the Finance (No. 2) Act, 2024 and significant notifications/circulars and other legislative amendments made upto 31.10.2024.

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.

Case Scenario - I

PQR Pvt. Ltd., a company registered under GST in the State of Uttar Pradesh, manufactures products which are used in laboratories. The products are manufactured in the company's factory located in Lucknow, Uttar Pradesh and sold in various parts of Uttar Pradesh. The company also provides intra-State repair and maintenance services for its products. The details of turnover of the company for preceding two financial years are as under:

Particulars	F.Y.-1 (₹)	F.Y.-2 (₹)
Turnover from supply of goods	75,00,000	1,02,00,000
Turnover from supply of services	7,10,000	9,25,000
Interest income from extending loans to others (not included in aforesaid turnover of services)	5,25,000	6,26,000

The company procures the service of M/s Nakul Enterprises, a Goods Transport Agency, having its place of business in Lucknow, Uttar Pradesh, for transport of goods from its factory to customers' location in April. M/s Nakul Enterprises has not exercised the option to itself pay

GST on the services supplied by it. M/s Nakul Enterprises prepares a regular consignment note containing the details of consignor and consignee and other prescribed details. The services provided by M/s Nakul Enterprises are chargeable to tax @ 5%.

Following details are provided by PQR Pvt. Ltd. for April-June quarter of FY-3 (current FY):

S. No.	Particulars	Amount (₹)
(i)	Turnover of supply of goods	10,20,000
(ii)	Turnover of supply of services	92,550
(iii)	Interest income from extending deposit to others	5,000
(iv)	Amount paid for services received from M/s Nakul Enterprises	50,000
(v)	Raw material received from other States	5,26,000
(vi)	Input services received	7,80,900

Following additional information is also provided:

- (1) The raw material mentioned in point (v) above received by PQR Pvt. Ltd. in April in its factory located in Lucknow, Uttar Pradesh, includes goods amounting to ₹ 2,26,000 received from M/s Suraj Enterprises on the instructions received from M/s Abhinay Enterprises. M/s Suraj Enterprises has its principal place of business in Uttar Pradesh whereas M/s Abhinay Enterprises has its principal place of business in Gujarat.
- (2) Vidhata Foundation, a Charitable Trust, registered under section 12AB of the Income Tax Act, 1961 has been set up by the founders of PQR Pvt. Ltd. for conducting charitable activities, in the State of Uttar Pradesh. The Trust organises sessions on yoga and spirituality in the State of Uttar Pradesh and charges participation fees for the same. The total fees collected from participants for the month of April of current FY is ₹ 2,50,000. The input services received by the Trust during the said month amount to ₹ 1,25,260. The Trust is also analysing the proposal of granting rights to PQR Pvt. Ltd. to advertise on its premises.

All the above amounts are exclusive of GST. Following GST rates are applicable on the inward and outward supplies unless otherwise specified:

Particulars	CGST	SGST	IGST
Outward supply	9%	9%	18%
Inward supply	6%	6%	12%

Based on the case scenario given above, choose the most appropriate answer to Q. nos. 1 to 5, below, carrying 2 marks each:

1. Whether the service provided by M/s Nakul Enterprises to PQR Pvt. Ltd. is chargeable to tax. If yes, who will discharge the tax liability?

- (a) The service is chargeable to tax and M/s Nakul Enterprises will discharge the tax liability.
 - (b) The service is chargeable to tax and PQR Pvt. Ltd. will discharge the tax liability.
 - (c) The service is exempt under the CGST Act, 2017.
 - (d) The service is chargeable to tax and M/s Nakul Enterprises and PQR Pvt. Ltd. will discharge the tax liability in the ratio of 1:1.
2. Whether PQR Pvt. Ltd. could have opted for composition levy under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 for current financial year (F.Y.-3)?
- (a) Yes. However, it could have provided services up to a value of ₹ 11,12,500 under composition levy during the current financial year.
 - (b) No, it could not have opted for composition levy.
 - (c) Yes. However, it could have provided services up to ₹ 5,00,000 under composition levy during the current financial year.
 - (d) Yes. However, it could have provided services up to ₹ 11,75,100 under composition levy during the current financial year.
3. Assuming PQR Pvt. Ltd. has opted for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 at the beginning of the current financial year (F.Y.-3), what shall be the total GST liability of PQR Pvt. Ltd. in the State of Uttar Pradesh for April-June quarter?
- (a) No liability, ITC of 1,56,828 will be carried forward.
 - (b) ₹ 45,931
 - (c) ₹ 13,626
 - (d) ₹ 2,02,759
4. Which of the following statements is incorrect in case of Vidhata Foundation?
- i. Services provided to charitable or religious trusts are not outside the ambit of GST. Unless specifically exempt, they are chargeable under GST.
 - ii. All the activities of Vidhata Foundation are exempt from GST since it is a charitable trust registered under section 12AB of the Income-tax Act, 1961.
 - iii. Fees charged by any registered person for sessions on yoga and spirituality are exempt since the objective of such programs is advancement of yoga and spirituality.

- (a) i & ii
 - (b) i
 - (c) ii
 - (d) ii & iii
5. What shall be the place of supply (POS) for the supply transaction(s) between PQR Pvt. Ltd., M/s Abhinay Enterprises and M/s Suraj Enterprises and the nature of tax leviable thereon?
- (a) POS for transaction between M/s Abhinay Enterprises and M/s Suraj Enterprises is the location of principal place of business of M/s Abhinay Enterprises, i.e. Gujarat and IGST is leviable on such supply. POS for transaction between M/s Abhinay Enterprises and PQR Pvt. Ltd. is the location at which the movement of goods terminates i.e. at the factory of PQR Pvt. Ltd. in Lucknow, Uttar Pradesh and IGST is leviable on such supply.
 - (b) POS for transaction between M/s Abhinay Enterprises and M/s Suraj Enterprises is the location of principal place of business of M/s Suraj Enterprises, i.e. Uttar Pradesh and IGST is leviable on such supply. POS for transaction between M/s Abhinay Enterprises and PQR Pvt. Ltd. is the location of principal place of business of M/s Abhinay Enterprises, i.e. Gujarat and CGST and SGST are leviable on such supply.
 - (c) POS for transaction between M/s Abhinay Enterprises, PQR Pvt. Ltd. and M/s Suraj Enterprises is the location of principal place of business of PQR Pvt. Ltd., i.e. Uttar Pradesh since goods are delivered there and CGST and SGST are leviable on such supply.
 - (d) POS for transaction between M/s Abhinay Enterprises, PQR Pvt. Ltd. and M/s Suraj Enterprises is the location of principal place of business of PQR Pvt. Ltd., i.e. Uttar Pradesh since goods are delivered there and IGST is leviable on such supply.

Case scenario-II

Himgiri Solutions Private Limited (hereinafter referred to as 'Himgiri Solutions') is engaged in providing multidimensional services to its clients through its office in Haryana, registered under GST. During the month of July, the following transactions were undertaken by Himgiri Solutions:

- (i) Import of certain cloud services from Easecart.com for an amount of ₹ 51,00,000.
- (ii) Himgiri Solutions pays sitting fee of ₹ 25,000 each to its 4 directors per month. Further, there are two directors who are in the executive roles and are withdrawing ₹ 2,00,000

each per month as salary from the company and the applicable TDS amount, under section 192 of the Income-tax Act, 1961, is deducted from such salary.

- (iii) Himgiri Solutions paid for life insurance of its employees in compliance of its internal policy. The total amount of premium paid for 20 employees was ₹ 5,00,000.
- (iv) Himgiri Solutions provided consultancy services to its client, Zoom Corp. based in Bangalore and issued an invoice of ₹ 30,00,000.
- (v) Empowering India is a Non-Government Organisation located in Haryana. It aims at empowering the eligible companies to grow their business in India. Himgiri Solutions, being one of the eligible companies, received a subsidy of ₹ 5,00,000 in lumpsum from Empowering India for the month of July.
- (vi) Himgiri Solutions provided sponsorship services to Mr. X, an individual, for an event organised by it in the State of Haryana. The amount agreed for such sponsorship services is ₹ 5,00,000.

All the amounts given above are exclusive of GST unless otherwise provided. There is no other outward or inward supply transaction apart from aforesaid transactions in the month of July.

The opening balance of input tax credit for the relevant tax period for the company is nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

GST is applicable on all inward and outward supplies in the aforesaid case scenario @ 18%, unless otherwise specified. Ignore CGST, SGST and IGST bifurcation for the sake of simplicity.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos 6 to 10 below, carrying 2 marks each:

6. The liability to pay GST for cloud services procured by Himgiri Solutions from Easecart.com shall be:
- (a) on Easecart.com since the services are online information and database access or retrieval services and GST of ₹ 9,00,000 shall be paid by Easecart.com.
 - (b) nil. There will not be any GST liability on the transaction since Easecart.com is located outside India and services are provided electronically.
 - (c) on Easecart.com under forward charge and GST of ₹ 9,18,000 shall be paid by Easecart.com.

- (d) on Himgiri Solutions under reverse charge and GST of ₹ 9,18,000 shall be paid by Himgiri Solutions.
7. Himgiri Solutions seeks your advice on the taxability of the sitting fee payable to directors and salary payable to the executive directors. The correct advice is:
- (a) Sitting fees paid to the directors is liable to GST under reverse charge and the salary paid to executive directors shall not be liable to GST.
 - (b) Total amount payable to directors (sitting fees as well as salary) is exempt from GST.
 - (c) Total amount payable to directors (sitting fees as well as salary) is liable to GST under reverse charge in hands of Himgiri Solutions.
 - (d) Total amount payable to directors (sitting fees as well as salary) is liable to GST under forward charge in the hands of the directors as professional income.
8. What shall be the amount of input tax credit available with Himgiri Solutions for the month of July?
- (a) ₹ 10,26,000
 - (b) ₹ 11,16,000
 - (c) ₹ 9,36,000
 - (d) ₹ 1,96,000
9. Compute the value of outward supplies made by Himgiri Solutions in the month of July.
- (a) ₹ 30,00,000
 - (b) ₹ 25,00,000
 - (c) ₹ 35,00,000
 - (d) ₹ 40,00,000
10. Compute the amount of net GST to be deposited in cash by Himgiri Solutions for the month of July.
- (a) Nil
 - (b) ₹ 7,20,000
 - (c) ₹ 9,36,000
 - (d) ₹ 14,76,000

Case Scenario - III

Bhaskar (P) Ltd., registered under GST in Delhi, is engaged in trading of cement as well as providing services by way of renting of commercial properties. On 2nd January, it received a contract for supply of 1,000 kg cement from Ruksana (P) Ltd., registered under GST in Punjab. Ruksana (P) Ltd. directed Bhaskar (P) Ltd. to send the consignment to Prem & Sons, registered under GST in Gujarat.

Bhaskar (P) Ltd. prepared the consignment on 4th January and dispatched the same on the next day from its warehouse in Gurugram, Haryana. The invoice was also issued on 5th January. On 7th January, it received the cheque and accountant entered the payment in books of accounts. However, he presented the cheque in bank on 14th January which was credited in the bank account of the company on 15th January. In the meanwhile, on 10th January, the rate of tax on cement was reduced from 28% to 18%.

On the inspection of said goods, it was found that there is some deficiency in the quality of goods and therefore, the defective goods were returned to Bhaskar (P) Ltd. Bhaskar (P) Ltd. issued credit note for the same on 20th January.

Bhaskar (P) Ltd. let out its property located in Delhi for a year in lieu of monthly rental income and received rent for the month of January from Ruksana (P) Ltd. on 10th February. Ruksana (P) Ltd. will establish its sales outlet on the same. However, as per the contract entered, the rent for a month should have been received by 7th of the following month.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 11 to 13 below, carrying 2 marks each:

11. What will be the time of supply and rate of tax to be charged in respect of supply of 1,000 kg of cement?
 - (a) 5th January; 28%
 - (b) 7th January; 28%
 - (c) 14th January; 18%
 - (d) 15th January; 18%
12. What is the place of supply in respect of transaction between Bhaskar (P) Ltd. and Ruksana (P) Ltd., and Ruksana (P) Ltd. and Prem & Sons, respectively?
 - (a) Delhi, Punjab
 - (b) Punjab, Gujarat
 - (c) Haryana, Punjab
 - (d) Haryana, Gujarat

13. Bhaskar (P) Ltd. has not issued any invoice in respect of the services provided by way of renting of commercial properties in the month of January. What is the last date for issuance of invoice?
- (a) 10th February
 - (b) 7th February
 - (c) Either (a) or (b), whichever is earlier.
 - (d) Either (a) or (b), whichever is later.

Independent MCQs

14. For determining the CIF price of the imported goods, "Metal PMT" certain additions have to be made to the value of imported goods under rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007. If cost of insurance is not ascertainable from the documents submitted before the customs authorities, then such amount is determined as follows:
- (i) 20% of free on board value of imported goods
 - (ii) 1.125% of free on board value of imported goods
 - (iii) Where free on board value is not ascertainable, but sum of free on board value and cost of transport, loading, unloading and handling charges up to place of importation is ascertainable; then 1.125% of such sum
 - (iv) Where free on board value is not ascertainable, but sum of free on board value and cost of transport, loading, unloading and handling charges up to place of importation is ascertainable; then 20% of such sum.

Choose the most appropriate option.

- (a) (i) or (iii)
 - (b) (i) or (iv)
 - (c) (ii) or (iii)
 - (d) (ii) or (iv)
- (2 Marks)**
15. Determine the total duties payable under the customs law if Mr. Aditya imported rubber from Singapore at landed price (exclusive of duties) of ₹ 50 lakh. It has been notified by the Central Government that share of imports of rubber from the developing country against total imports to India exceeds 5%. Safeguard duty notified

on this product is 30% and basic customs duty is 10%. Ignore integrated tax and agriculture infrastructure and development cess.

- (a) ₹ 20,50,000
- (b) ₹ 20,00,000
- (c) ₹23,50,000
- (d) ₹18,00,000

(2 Marks)

Division B – Descriptive Questions (70 Marks)

Question paper comprises of 6 questions.

Answer Question No. 1 which is compulsory and any 4 questions out of the remaining 5 questions.

1. Vedant Shoppe is a retail trader of both taxable and exempted goods, registered under GST in the State of Rajasthan. Vedant Shoppe has furnished the following details for a month:

		(₹)
(1)	Details of sales:	
	Supply of taxable goods	50,00,000
	Supply of goods not leviable to GST	10,00,000
(2)	Details of goods purchased for being sold in the shop:	
	Taxable goods	45,00,000
	Goods not leviable to GST	4,00,000
(3)	Details of expenses:	
	Monthly rent payable for the shop	3,50,000
	Telephone expenses paid (₹ 30,000 for bills of land line phone installed at the shop and ₹ 20,000 towards mobile phone bills of the employees – Mobile phones are also given to employees for official use)	50,000
	Audit fees paid to a Chartered Accountant (₹ 35,000 for the statutory audit of preceding financial year and ₹ 25,000 for certification work)	60,000
	Premium paid on health insurance policies taken for specified employees of the shop as per company policy.	10,000

Freight paid to goods transport agency (GTA) [service taxable @ 5%] for inward transportation of goods not leviable to GST	50,000
Freight paid to goods transport agency (GTA) [service taxable under reverse charge @ 5%] for inward transportation of taxable goods	1,50,000
Goods given as free samples (Not included in taxable goods value of 45,00,000)	5,000

All the above amounts are exclusive of all kinds of taxes, wherever applicable.

All the inward and outward supplies made by Vedant Shoppe are from/to registered suppliers within Rajasthan.

Assume, wherever applicable, for purpose of reverse charge payable by Vedant 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.

There is no opening balance in the electronic cash ledger or electronic credit ledger. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

You are required to compute the following:

- (i) Input Tax Credit (ITC) credited to Electronic Credit Ledger
 - (ii) Common credit available for apportionment
 - (iii) ITC attributable towards exempt supplies out of common credit
 - (iv) Net GST payable from Electronic Cash Ledger for the month **(14 Marks)**
2. (a) Malceto Manufacturers Ltd., registered in Mumbai (Maharashtra), is a manufacturer of footwear. It imports a footwear making machine from USA. Malceto Manufacturers Ltd. enters into a contract with Shiva Logistics, a licensed customs broker with its office at Ahmedabad (Gujarat), to meet all the legal formalities in getting the said machine cleared from the customs station.

Apart from this, Malceto Manufacturers Ltd. authorises Shiva Logistics to incur, on its behalf, the expenses in relation to clearance of the imported machine from the customs station and bringing the same to the warehouse of Malceto Manufacturers Ltd. which shall be reimbursed by Malceto Manufacturers Ltd. to Shiva Logistics on the actual basis in addition to agency charges.

Shiva Logistics provided following details in the invoice issued by it to Rolly Manufacturers Ltd.:

S. No.	Particulars	Amount (₹)
(i)	Agency charges	5,00,000
(ii)	Unloading of machine at Kandla port, Gujarat	50,000
(iii)	Charges for transportation of machine from Kandla port, Gujarat to its Shiva Logistics' godown in Ahmedabad, Gujarat	25,000
(iv)	Charges for transportation of machine from Shiva Logistics' Ahmedabad godown to the warehouse of Malceto Export Import House in Mumbai, Maharashtra	28,000
(v)	Prepared and submitted Bill of Entry and paid customs duty	5,00,000
(vi)	Dock dues paid	50,000
(vii)	Port charges paid	50,000
(viii)	Hotel expenses	45,000
(ix)	Travelling expenses	50,000
(x)	Telephone expenses	2,000

Compute the value of supply made by Shiva Logistics with the help of given information.

Would your answer be different if Shiva Logistics has charged ₹ 13,00,000 as a lump sum consideration for getting the imported machine cleared from the customs station and bringing the same to the warehouse of Malceto Manufacturers Ltd.?

(10 Marks)

- (b) 15,000 chalices were imported for charitable distribution in India by Social Welfare Charitable Trust. The Trust did not pay either for the cost of goods or for the design and development charges, which was borne by the supplier. Customs officer computed its FOB value at USD 20,000 (including design and development charges), which was accepted by the Trust. Other details obtained were as follows:

Sl. No.	Particulars	Amount
1.	Freight paid (air) (in USD)	4,500
2.	Design & development charges paid in USA (in USD)	2,500
3.	Commission payable to an agent in India (in ₹)	12,500

4.	Exchange rate notified by CBIC and rate of basic duty is as follows:			
	Date of Bill of Entry	BCD	Exchange Rate in	
	8 th September	20%	₹ 70	
	Date of arrival of aircraft	BCD	Exchange Rate in	
	30 th September	10%	₹ 72	
	The inter-bank rate was	1 USD = ₹ 73		

Compute the amount of Assessable value of chalices. Make suitable assumptions where required. Working notes should form part of your answer. **(4 Marks)**

3. (a) RMN 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, RMN 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 RMN 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.

(5 Marks)

- (b) Determine the time of supply in the following cases:

- (i) Bhansali Ltd. sells goods to Chopra Ltd. on 4th June. The goods are taxable under reverse charge. Invoice for the same is issued on 4th June. Chopra Ltd. receives the goods on 12th June.

Chopra Ltd. records the payment in the books of account on 30th June and the same is debited from the bank account of C Ltd. on 2nd July.

- (ii) Aanand Ltd. sells food coupons to Banwari Ltd. The company gives these coupons to its employees as part of the agreed perquisites. The coupons can be redeemed for purchase of any item of food /provisions in the outlets that are part of the program.

(5 Marks)

- (c) M/s Bhalla Imports Ltd. imported certain goods, which were unloaded in the customs area on 1st October. When order for clearance was passed by proper officer on 5th October, it was found that there was some pilferage of such goods. As the imported goods were in the custody of Port Trust, the Department demanded duty from the custodian under section 45(3) of the Customs Act, 1962, on such pilferage. The Port Trust denied such demand contending that it was not an approved custodian falling under section 45 of Customs Act, 1962 and possession of goods by it was by virtue of powers conferred under the Major Port Trust Act, 1963. Hence, it is not liable for customs duty on pilfered goods.

M/s Bhalla Imports Ltd. has also asked the Port Trust to make good the loss of goods. Examine, whether the demands made by the Department and M/s Bhalla Imports Ltd. are justified in law, referring to decided case law.

(4 Marks)

4. (a) M/s Surajbhan & Co. is registered under GST in the state of Maharashtra. They have made zero-rated supply of goods worth ₹ 84,50,000 without payment of IGST for ₹ 10,14,000 during the month of May. The refund application under section 54 for the above supply has been rejected by the proper officer.

Mr. Abhay, taxation manager of the firm, has sought for recrediting the Electronic Credit Ledger as per the provisions of rule 86 for the above rejection. Examine the scenario and offer your comments. **(5 Marks)**

- (b) Mr. Narayan has, over three consignments of 200, 400 and 400 units, imported a total of 1000 units of an article "ZEP", which has been valued at ₹ 1,150 per unit. The customs duty on this article has been assessed ₹ 250 per unit. He adds his profit margin ₹ 350 per unit and sells the article for ₹ 1,750 per unit.

After one month of selling the entire consignment of article "ZEP", Mr. Narayan found that there had been an error in payment of amount of duty, in which duty for the consignment of 200 units was paid as if it was 400 units, resulting in excess payment of duty. Mr. Narayan files an application for refund for ₹ 50,000 (200 X 250). Is the bar of unjust enrichment attracted? **(5 Marks)**

- (c) Vishal imported certain goods in May. An 'into bond' bill of entry was presented on 14th May and goods were cleared from the port for warehousing. Assessable value on that date was US \$ 1,00,000. The order permitting the deposit of goods in warehouse for 4 months was issued on 21st May. Vishal deposited the goods in warehouse on the same day but did not clear the imported goods even after the warehousing period got over on 21st September.

A notice was issued under section 72 of the Customs Act, 1962, demanding duty and interest. Vishal cleared the goods on 14th October. Compute the amount of duty and interest payable by Vishal while removing the goods on the basis of the following information:

Particulars	14 th May	21 st September	14 th October
Rate of exchange per US \$ (as notified by Central Board of Indirect taxes & Customs)	₹65.20	₹ 65.40	₹ 65.50
Basic customs duty	15%	10%	12%

Integrated Tax leviable under section 3(7) of the Customs Tariff Act is exempt. Ignore agriculture and infrastructure development cess. **(4 Marks)**

5. (a) Examine the implications as regards the bailability and quantum of punishment on prosecution, in respect of the following cases pertaining to the month of December under CGST Act, 2017-
- (i) 'Amit' collects ₹ 245 lakh as tax from its clients and deposits ₹ 241 lakh with the Central Government. It is found that he has falsified financial records and has not maintained proper records.

- (ii) 'Suresh' collects ₹ 550 lakh as tax from its clients but deposits only ₹ 30 lakh with the Central Government.

What will be the implications with regard to punishment on prosecution of 'Amit' and 'Suresh' for the offences? What would be the position, if 'Amit' and 'Suresh' repeat the offences?

It may be assumed that offences are proved in the Court. **(5 Marks)**

- (b) In an order dated 20th August issued to QR (P) Ltd., the Joint Commissioner of CGST has confirmed IGST demand of ₹ 280 crore. The company is disputing the entire demand of IGST and wants to know the amount of pre-deposit it has to make under the IGST Act for filing an appeal before the Appellate Authority against the order of the Joint Commissioner.

Assuming that the Appellate Authority also confirms the order of the Joint Commissioner and the company wants to file an appeal before the Appellate Tribunal against the order of the Appellate Authority, determine the amount of pre-deposit to be made by the company for filing the said appeal. **(5 Marks)**

- (c) What are the conditions required to be fulfilled by the importer to make the imported goods eligible for preferential rate of duty prescribed by the Central Government by notification under section 25 of the Customs Act, 1962? **(4 Marks)**

6. (a) Write a brief note on Summary Assessment in certain special cases as per section 64 of the CGST Act, 2017. **(6 Marks)**
- (b) Explain the provisions relating to rectification of errors apparent on the face of record under section 161. **(4 Marks)**

OR

- (b) State the circumstances when the proper officer can authorize 'arrest' of any person under the CGST Act. **(4 Marks)**
- (c) Discuss the liability of the retiring partner of a firm to pay any tax, interest or penalty, if any, leviable on the firm under CGST/ IGST/ SGST Act. **(4 Marks)**

Mock Test Paper - Series I: March, 2025

Date of Paper: 19th March, 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	(b) The service is chargeable to tax and PQR Pvt. Ltd. will discharge the tax liability.
2	(a) Yes. However, it could have provided services up to a value of ₹ 11,12,500 under composition levy during the current financial year.
3	(c) ₹ 13,626
4	(c) ii
5	(a) POS for transaction between M/s Abhinay Enterprises and M/s Suraj Enterprises is the location of principal place of business of M/s Abhinay Enterprises, i.e. Gujarat and IGST is leviable on such supply. POS for transaction between M/s Abhinay Enterprises and PQR Pvt. Ltd. is the location at which the movement of goods terminates i.e. at the place of business of PQR Pvt. Ltd., i.e. Lucknow, Uttar Pradesh and IGST is leviable on such supply.
6	(d) on Himgiri Solutions under reverse charge and GST of ₹ 9,18,000 shall be paid by Aspire Solutions.
7	(a) Sitting fees paid to the directors is liable to GST under reverse charge and the salary paid to executive directors shall not be liable to GST.
8	(c) ₹ 9,36,000
9	(c) ₹ 35,00,000
10	(c) ₹ 9,36,000
11	(a) 5 th January; 28%

12	(b)	Punjab, Gujarat
13	(b)	7 th February
14	(c)	(ii) or (iii)
15	(a)	20,50,000

Division B-Descriptive Questions

1. (i) Computation of ITC credited to Electronic Credit Ledger

ITC of input tax attributable to inputs and input services intended to be used for business purposes is credited to the electronic credit ledger. Input tax attributable to inputs and input services intended to be used exclusively for non-business purposes, for effecting exclusively exempt supplies and on which credit is blocked under section 17(5) of the CGST Act, 2017 is not credited to electronic credit ledger [Sections 16 and 17 of the CGST Act, 2017].

In the light of the aforementioned provisions, the ITC credited to electronic credit ledger of Vedant Shoppe is calculated as under:

Particulars	Amount (₹)	CGST @ 6% (₹)	SGST @ 6% (₹)
GST paid on taxable goods	45,00,000	2,70,000	2,70,000
Goods not leviable to GST [Since non-taxable, no GST is paid]	4,00,000	Nil	Nil
GST paid on monthly rent for shop	3,50,000	21,000	21,000
GST paid on telephone expenses	50,000	3,000	3,000
GST paid on Chartered Accountant Fee	60,000	3,600	3,600
GST paid on premium of health insurance policies as per company policy [ITC on health insurance service is allowed only if it is obligatory for employers to provide such services to its employees under any law for the time being in force-Proviso to section 17(5)(b) of the CGST Act, 2017].	10,000	Nil	Nil

Taxable Goods given as free samples [ITC on goods disposed of by way of free samples is blocked under section 17(5)(h) of the CGST Act, 2017]	5,000	Nil	Nil
Particulars	Amount (₹)	CGST @ 2.5% (₹)	SGST @ 2.5% (₹)
Freight paid to GTA for inward transportation of non-taxable goods under reverse charge [Since definition of exempt supply under section 2(47) of the CGST Act, 2017 specifically includes non-taxable supply, the input service of inward transportation of non-taxable goods is being exclusively used for effecting exempt supplies.]	50,000	Nil	Nil
Freight paid to GTA for inward transportation of taxable goods under reverse charge	1,50,000	3,750	3,750
ITC credited to the electronic ledger		3,01,350	3,01,350
Less: ITC reversal [ITC out of common credit, attributable to exempt supplies] (Refer point no. 2 & 3 below)		(4,600)	(4,600)
Net ITC available		2,96,750	2,96,750

(ii) **Computation of common credit available for apportionment**

Common Credit = ITC credited to Electronic Credit Ledger – ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies [Section 17 of the CGST Act, 2017 read with rule 42 of the CGST Rules, 2017].

Particulars	CGST (₹)	SGST (₹)
ITC credited to Electronic Credit Ledger	3,01,350	3,01,350
Less : ITC on taxable goods	2,70,000	2,70,000
Less: ITC on freight paid to GTA for inward transportation of taxable goods	3,750	3,750
Common credit	27,600	27,600

(iii) **Computation of ITC attributable towards exempt supplies out of common credit**

ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period/ Total turnover during the tax period)[Section 17 of the CGST Act, 2017 read with rule 42 of the CGST Rules, 2017].

Particulars	CGST (₹)	SGST (₹)
ITC attributable towards exempt supplies [₹ 27,600 x (₹ 10,00,000/₹ 60,00,000)]	4,600	4,600

(iv) **Computation of net GST liability for the month**

Particulars	CGST (₹)	SGST (₹)
<i>GST liability under forward charge</i>		
Supply of taxable goods [₹ 50,00,000 x 6%]	3,00,000	3,00,000
Total output tax liability under forward charge	3,00,000	3,00,000
Less: ITC	2,96,750	2,96,750
Net GST payable [A]	3,250	3,250
<i>GST liability under reverse charge</i>		
Freight paid to GTA for inward transportation of taxable goods [₹ 1,50,000 x 2.5%]	3,750	3,750
Freight paid to GTA for inward transportation of non-taxable goods [₹ 50,000 x 2.5%]	1,250	1,250
Total tax liability under reverse charge [B]	5,000	5,000
Net GST liability [A] + [B]	8,250	8,250
Note: Amount available in the electronic credit ledger may be used for making payment towards output tax [Section 49 of the CGST Act, 2017]. However, tax payable under reverse charge is not an output tax in terms of definition of output tax provided under section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.		

2. (a) As per explanation to rule 33 of the CGST Rules, 2017, a “pure agent” means a person who-
- (i) enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;
 - (ii) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;
 - (iii) does not use for his own interest such goods or services so procured; and
 - (iv) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

The supplier needs to fulfil **all** the above conditions in order to qualify as a pure agent.

In the given case, Shiva Logistics has entered into a contractual agreement with recipient of supply, Malceto Manufacturers Ltd., to incur, on behalf of such recipient, the **expenses mentioned in S. No. (ii) to (vii)** incurred in relation to clearance of the imported machine from the customs station and bringing the same to the warehouse of the recipient. Further, Shiva Logistics does not hold any title to said services and does not use them for his own interest.

Lastly, Shiva Logistics receives only the actual amount incurred to procure such services in addition to agency charges. Thus, Shiva Logistics qualifies as a pure agent.

Further, rule 33 of the CGST Rules, 2017 stipulates that notwithstanding anything contained in the provisions of Chapter IV – Determination of Value of supply, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely-

- (I) the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient;

- (II) the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and
- (III) the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

Since conditions (I) to (III) mentioned above are satisfied in the given case, expenses (ii) to (vii) incurred by Shiva Logistics as a pure agent of Malceto Manufacturers Ltd. shall be excluded from the value of supply.

Accordingly, value of supply made by Shiva Logistics is as follows:

Particulars	Amount (₹)
Agency charges	5,00,000
Add: Unloading of machine at Kandla port, Gujarat	Nil
Charges for transport of machine from Kandla port, Gujarat to its godown in Ahmedabad, Gujarat	Nil
Charges for transport of machine from Shiva Logistics' Ahmedabad godown to the warehouse of Malceto Export Import House in Mumbai, Maharashtra	Nil
Customs duty	Nil
Dock charges	Nil
Port charges	Nil
Hotel expenses	45,000
Travelling expenses	50,000
Telephone expenses	2,000
Value of supply	5,97,000

Yes, the answer would be different. If lump sum amount of ₹ 13,00,000 is paid then the value of supply shall be ₹ 13,00,000 and tax shall be charged on value of supply since individual cost are not given.

(b) Computation of Assessable Value

Particulars	Amount
FOB value computed by Customs Officer (including design and development charges)	20,000 US \$

Exchange rate [Note 1]	₹ 70 per \$
	₹
FOB value computed by Customs Officer (in rupees)	14,00,000.00
Add: Commission payable to agent in India	<u>12,500.00</u>
FOB value as per Customs	14,12,500.00
Add: Air freight (₹ 14,12,500 × 20%) [Note 2]	2,82,500.00
Add: Insurance (1.125% of ₹ 14,12,500) [Note 3]	<u>15,890.63</u>
CIF value for customs purposes	17,10,890.63
Assessable value	17,10,890.63

Note:

1. Rate of exchange notified by CBIC on the date of filing of bill of entry has to be considered [Third proviso to section 14 of the Customs Act, 1962].
2. In case of goods imported by air, freight cannot exceed 20% of FOB value [fifth proviso to rule 10(2) of the Customs (Determination of Value of Imported Goods) Rules, 2007].
3. Insurance charges, when not ascertainable, have to be included @ 1.125% of FOB value of goods [Third proviso to rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007].

3. (a) Computation of ITC available with RMN 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	<u>80,000</u>

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 [Second proviso to 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 CGST Act, 2017].
- (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 RMN 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) (i) Time of supply of the goods is 12th June being the earliest of the three stipulated dates namely:
- date of receipt of goods,
 - date of payment and
 - date immediately following 30 days of issuance of invoice.
- (ii) As per section 12(4) of the CGST Act, 2017, the time of supply of vouchers exchangeable for goods is-
- Date of issue of the voucher, if the supply that it covers is identifiable at that point, or
 - Date of redemption of the voucher in other cases,

In the given case, As the supply against which the coupon will be redeemed is not known on the date of the sale of the coupon, the time of supply of the coupon will be the date on which the employee redeems it against food / provision items of his choice.

- (c) The facts of the case are similar to the case of *Board of Trustees v. UOI (2009) 241 ELT 513 (Bom HC DB)*, wherein the High Court held that considering the language of section 45(3) of the Customs Act, 1962, the liability to pay duty is of the person, in whose custody the goods remain as an approved person under section 45 of the Act. Therefore, section 45(3) of the Customs Act, 1962 applies only to the private custodians who are required to be approved by Principal Commissioner/ Commissioner of Customs under section 45(1). Accordingly, the major ports and airports covered under Major Port Trust Act, 1963 who do not require any approval under section 45(1), are not covered by section 45(3). Thus, the Department cannot demand duty from Port Trust on the pilferage under section 45(3) of the Customs Act, 1962.

Section 45(3) of the Customs Act, 1962 holds the custodian responsible only in respect of the customs duty in respect of pilfered goods. It does not extend to the value of goods lost. However, the Port Trust, as bailee of the goods, is liable for value of the goods to the importer.

4. (a) Rule 86 of the CGST Rules, 2017 provides that where a registered person has claimed refund of any unutilized amount (i.e. ITC) from the electronic credit ledger

in accordance with the provisions of section 54 of the CGST Act, the amount to the extent of the claim shall be debited in the said ledger.

If the refund so filed is rejected, either fully or partly, the amount so debited to the extent of rejection, shall be re-credited to the electronic credit ledger by the proper officer.

In the present case, M/s Surajbhan & Co., have made zero-rated supply without payment of IGST for ₹ 10,14,000 and the refund for the same has been rejected by the proper officer.

Therefore, contention of Mr. Abhay is sustainable as debit entry in the Electronic Credit Ledger has been made as per sub-rule (3) of Rule 86 towards “refund of any unutilized amount”.

- (b) Mr. Narayan’s invoices show that he collected duty of ₹ 250 per unit on 1,000 items. However, he paid duty on 200 items more. This payment, in the normal course, was made before the order permitting the clearance of the goods. It would be evident from the bill of entry that the amount paid was more than the amount of duty assessed. Thus Mr. Narayan’s case falls within the exception to unjust enrichment listed at clause (g) of the first proviso to section 27(2) of the CGST Act, 2017. He will be able to refute the charge of unjust enrichment. Furthermore, clause (a) of the same sub-section provides that the doctrine of unjust enrichment will not apply to the refund of duty and interest, if any, paid on such duty if such amount is relatable to the duty and interest paid by the importer/exporter, if he had not passed on the incidence of such duty and interest to any other person. Mr. Narayan’s invoices and other documentary evidences will show how much duty he collected from his customers, hence he may be covered by this clause also to escape the bar of unjust enrichment.

- (c) **Computation of import duty payable by Vishal**

Particulars	Amount (US \$)
Assessable value	1,00,000
	Amount (₹)
Value in Indian currency (US \$ 1,00,000 x ₹ 65.20) [Note 1]	65,20,000
Customs duty @ 10% [Note 2]	6,52,000

Add: Social welfare surcharge @ 10% on ₹ 6,52,000	<u>65,200</u>
Total customs duty payable	<u>7,17,200</u>

Notes:

1. 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.
2. 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.

As per section 61 of the Customs Act, 1962, if goods 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 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:

Period of 90 days commencing from the date of order made under 60 expires on	19 th August
No. of days for which interest shall be payable [12 days of August + 30 days of September + 14 days of October]	56 days
Interest payable = ₹ 7,17,200 × $\frac{15}{100} \times \frac{56}{365}$ (rounded off)	₹ 16,505

5. (a) (i) Failure to pay any amount collected as tax beyond 3 months from due date of payment is a specified offence as per clause (d) of Section 132(1) of the CGST Act, 2017.

In the present case, failure to deposit the tax ₹ 4 lakh (₹ 245 lakh – ₹ 241 lakh). As the amount of failure does not exceed ₹ 200 lakh therefore,

failure to deposit ₹ 4 lakh collected as tax by 'Amit' will not be punishable with imprisonment as per section 132(1) of the CGST Act, 2017.

Further, falsification of financial records by 'Amit' is a specified offence as per section 132(1)(d) and punishable with imprisonment upto 6 months or with fine or both as per clause (iv) of section 132(1) of the CGST Act, 2017 assuming that falsification of records is with an intention to evade payment of tax due under the CGST Act, 2017 and the said offence is bailable in terms of section 132(4) of the CGST Act, 2017.

- (ii) Failure to pay any amount collected as tax beyond 3 months from due date is punishable with imprisonment upto 5 years and with fine, if the amount of tax evaded exceeds ₹ 500 lakh in terms of section 132(1)(d) read with clause (i) of section 132(1) of the CGST Act, 2017.

Since the amount of tax evaded by 'Suresh' exceeds ₹ 500 lakh (₹ 550 lakh - ₹ 30 lakh), 'Suresh' is punishable with an imprisonment for a term which may extend to 5 years and with fine. It has been assumed that amount of ₹ 520 lakh collected as tax is not paid to the Government beyond 3 months from the due date of payment of tax.

Such offence is non-bailable in terms of section 132(5) of the CGST Act, 2017.

If 'Amit' and 'Suresh' repeat the offence, they shall be punishable for second and for every subsequent offence with imprisonment upto 5 years and with fine in terms of section 132(2) of the CGST Act, 2017.

Such imprisonment shall also be of at least 6 months in the absence of special and adequate reasons to the contrary to be recorded in the judgment of the Court.

- (b) Section 107(6) of the CGST Act, 2017 read with section 20 provides that no appeal shall be filed with the Appellate Authority unless the applicant has paid in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him and a sum equal to 10% of the remaining amount of tax in dispute arising from the said order subject to a maximum of ₹ 50 crore. Thus, the amount of pre-deposit for filing an appeal with Appellate Authority cannot exceed ₹ 50 crore (for tax in dispute) where IGST demand is involved.

In the given case, the amount of pre-deposit for filing an appeal with the Appellate Authority against the order of Joint Commissioner, where entire amount of tax is in dispute, is:

(i) ₹ 28 crore [10% of the amount of tax in dispute, viz. ₹ 280 crore]

or

(ii) ₹ 50 crore,

whichever is less.

= ₹ 28 crore.

Further, section 112(8) of the CGST Act, 2017 provides that no appeal shall be filed with the Appellate Tribunal unless the applicant has paid in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him and a sum equal to 20% of the remaining amount of tax in dispute, in addition to the amount paid as pre-deposit while filing appeal to the Appellate Authority, arising from the said order subject to a maximum of ₹ 100 crores.

Thus, in the given case, the amount of pre-deposit for filing an appeal with the Appellate Tribunal against the order of the Appellate Authority, where entire amount of tax is in dispute, is:

(i) ₹ 56 crores [20% of the amount of tax in dispute, viz. 280 crores]

or

(ii) ₹ 100 crores,

whichever is less.

= ₹ 56 crores.

(c) The Government may by notification under section 25 of the Customs Act, 1962 prescribe preferential rate of duty in respect of imports from certain preferential areas. The importer will have to fulfill the following conditions to make the imported goods eligible for preferential rate of duty:

(i) At the time of importation, he should make a specific claim for the preferential rate.

- (ii) He should also claim that the goods are produced or manufactured in such preferential area.
- (iii) The area should be notified under section 4(3) of the Customs Tariff Act, 1975 to be a preferential area.
- (iv) The origin of the goods shall be determined in accordance with the rules made under section 4(2) of the Customs Tariff Act, 1975.

- 6. (a)** As per section 64 of the CGST Act, 2017, summary assessments can be initiated to protect the interest of revenue with the previous permission of Additional/Joint Commissioner when the proper officer has evidence that a taxable person has incurred a liability to pay tax under the Act, and any delay by him in passing an assessment order may adversely affect the interest of revenue.

Additional/Joint Commissioner may withdraw summary assessment order on an application filed by taxable person within 30 days from the date of receipt of order or on his own motion, if he finds such order to be erroneous and may instead follow the procedures laid down in section 73 or section 74 of the CGST Act, 2017 to determine the tax liability of such taxable person.

Where the taxable person to whom the liability pertains is not ascertainable and such liability pertains to supply of goods, the person in charge of such goods shall be deemed to be the taxable person liable to be assessed and liable to pay tax and any other amount due under this section.

- (b)** Section 161 of the CGST Act, 2017 lays down that any authority, who has passed or issued any decision or order or notice or certificate or any other document, may rectify any error which is apparent on the face of record in such decision or order or notice or certificate or any other document, either on its own motion or where such error is brought to its notice by any GST officer or by the affected person within a period of three months from the date of issue of such decision or order or notice or certificate or any other document, as the case may be.

However, no such rectification shall be made after a period of six months from the date of issue of such decision or order or notice or certificate or any other document. Further, the said period of six months shall not apply in such cases where the rectification is purely in the nature of correction of a clerical or arithmetical error, arising from any accidental slip or omission.

Principles of natural justice should be followed by the authority carrying out such rectification, if it adversely affects any person.

OR

Alternative Answer

- (b) The Commissioner can authorize an officer to arrest a person if he has reasons to believe that the person has committed an offence attracting a punishment prescribed under section 132(1) (a), (b), (c), (d) or section 132(2) of the CGST Act, 2017 and the tax evaded / input tax credit wrongly availed or utilized or refund wrongly taken exceeds ₹ 2 crore. This essentially means that a person can be arrested only where the tax evasion is more than ₹ 2 crore and the offences are specified offences namely, making supply without any invoice; issue of invoice without any supply; amount collected as tax but not paid to the Government beyond a period of 3 months and taking input tax credit without receiving goods and services. However, the monetary limit shall not be applicable if the offences are committed again (even after being convicted earlier), i.e. repeat offender of the specified offences can be arrested irrespective of the tax amount involved in the case.

- (c) Where any partner retires from the firm, he or the firm, shall intimate the date of retirement of the said partner to the Commissioner by a notice in that behalf in writing. Such partner shall be liable to pay tax, interest or penalty due up to the date of his retirement whether determined or not, on that date.

However, if no such intimation is given within 1 month from the date of retirement, the liability of such partner shall continue until the date on which such intimation is received by the Commissioner [Section 90 of the CGST Act, 2017].

Corrigendum for Mock Test Paper, Series I: March 2025

Final Course: Group-II, Paper-5: Indirect Tax Laws

Students are advised to refer the modified descriptive Answer 4(a).