

Mock Test Paper - Series II: August, 2025

Date of Paper: 8th August, 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) 10 th October
2.	(a) 17 th October
3.	(d) 22 nd December
4.	(c) IGST = ₹ 2,75,058, CGST = Nil, SGST= Nil
5.	(a) ₹ 16,28,100
6.	(d) ₹ 2,30,000
7.	(b) ₹ 50,000
8.	(d) MS and TS shall be jointly and severally liable
9.	(c) exempted from GST.
10.	(b) No, M/s Mahakal Enterprises is not required to take registration under GST as its aggregate turnover is below the threshold limit for registration. However, it is required to obtain a unique enrolment number under GST.
11.	(d) M/s Velocity Enterprises is eligible for obtaining the CEN as it is registered in multiple States with same PAN. After obtaining CEN, it can use it for generating e-way bills and updating Part-B throughout the country.
12.	(c) Yes, e-way bill is required to be generated mandatorily in case of inter-State transfer of goods by principal to job worker irrespective of value of consignment.
13.	(b) Yes, M/s Velocity Enterprises can generate a consolidated e-way bill containing the details of different EWBs even if all the EWBs have different validity periods and it is transporting consignments of different consignees in a single conveyance.

14.	(c) The refund claim is liable to be rejected because it attempts to challenge an order of assessment without filing a proper appeal within the prescribed timelines.
15.	(c) M/s Pioneer Electronics is prohibited from transferring the unutilized inputs in DTA and must either export the remaining quantity or destroy the inputs.

Division B – Descriptive Questions

1.

S. No.	Particulars	ITC (₹)
(i)	Amount of ITC credited to Electronic Credit Ledger, for the month of October	
	Machinery 'P' - 'A' [Note 1]	36,000
	Machinery 'Q' [Note 2]	18,000
	Machinery 'R' [Note 3]	-
	Machinery 'S' [Note 4]	-
	Machinery 'T' [Note 5]	-
	Raw Material used for manufacturing 'Delta' [Note 6]	27,000
	Raw Material used for manufacturing 'Omega' [Note 6]	-
	Raw Material used for manufacturing 'Theta' [Note 6]	<u>18,000</u>
	Amount of ITC credited to Electronic Credit Ledger, for the month of October	99,000
(ii)	Aggregate value of common credit (T_c) – Note 7	
	Value of 'A' for Machinery 'P' purchased on 1 st October	36,000
	Value of 'A' for Machinery 'T' purchased on 1 st October 2 years ago for effecting both taxable and exempt supplies	54,000
	Input tax claimed on Machinery 'S' purchased on 1 st October 4 years ago for effecting taxable supplies but used for effecting both taxable and exempt supplies from 1 st October in the current year [Note 8]	<u>72,000</u>
	Aggregate value of common credit (T_c)	1,62,000
(iii)	Common credit attributable to exempt supplies, for the month of October	
	Common credit for the month of October (T _m) [Note 9]	2,700

	Common credit attributable to exempt supplies, for the month of October (T_e) – Note 10	1,080
(iv)	Computation of GST liability of the company for October payable through Electronic Cash Ledger	
	IGST payable on 'Delta' [₹ 9,00,000 x 18%]	1,62,000
	IGST payable on 'Omega' [Exempt]	Nil
	IGST payable on 'Theta' [₹ 6,00,000 x 18%]	<u>1,08,000</u>
	Total IGST payable on outward supply	2,70,000
	Common credit attributable to exempt supplies for the month of October [Note 11]	<u>1,080</u>
	Total output tax liability of October	2,71,080
	Less: ITC available in the Electronic Credit Ledger	<u>99,000</u>
	IGST payable from Electronic Cash Ledger	1,72,080

Notes:

- (1) ITC in respect of capital goods used commonly for effecting taxable supplies and exempt supplies denoted as 'A' shall be credited to the electronic credit ledger.
- (2) ITC in respect of capital goods used or intended to be used exclusively for effecting supplies other than exempted supplies but including zero rated supplies shall be credited to the electronic credit ledger.
- (3) ITC in respect of capital goods used or intended to be used exclusively for effecting exempt supplies shall not be credited to electronic credit ledger .
- (4) Machinery 'S' is being used for effecting both taxable and exempt supplies from 1st October. Prior to that it was exclusively used for effecting taxable supplies. Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.
- (5) Machinery 'T' is being used for effecting both taxable and exempt supplies from 1st October two years ago. Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.
- (6) ITC in respect of inputs used for effecting taxable supplies will be credited in Electronic Credit Ledger. ITC in respect of inputs used for effecting exempt supplies will not be credited in the electronic credit ledger.

- (7) The aggregate of the amounts of 'A' credited to the electronic credit ledger in respect of common capital goods whose useful life remains during the tax period, to be denoted as 'T_c', shall be the common credit in respect of such capital goods.
- (8) Where any capital goods which were used exclusively for effecting taxable supplies are subsequently also used for effecting exempt supplies, the ITC claimed in respect of such capital goods shall be added to arrive at the aggregate value of common credit 'T_c' .
- (9) ITC attributable to a month on common capital goods during their useful life (T_m) shall be computed as under:

$$\begin{aligned}
 &= T_c \div 60 \\
 &= ₹ 1,62,000 \div 60 \\
 &= ₹ 2,700
 \end{aligned}$$

The useful life of any capital goods shall be considered as five years from the date of invoice and the said formula shall be applicable during the useful life of the said capital goods

- (10) The amount of common credit attributable towards exempted supplies, be denoted as 'T_e', and shall be calculated as:

$$T_e = (E \div F) \times T_r \text{ where,}$$

'E' is the aggregate value of exempt supplies, made, during the tax period, and

'F' is the total turnover in the State of the registered person during the tax period.

$$= T_r \times \frac{\text{Turnover of exempt supplies during the month of October}}{\text{Total turnover of XYZ Pvt. Ltd. during the month of October}}$$

$$= ₹ 2,700 \times \frac{10,00,000}{25,00,000} = ₹ 1,080$$

- (11) Common credit attributable to the exempt supplies (T_e) along with the applicable interest (which is to be ignored in this case) shall, during every tax period of the useful life of the concerned capital goods, be added to the output tax liability of the person making such claim of credit .

2. (a) Section 15(3)(a) of the CGST Act, 2017 allows discounts to be deducted from the value of taxable supply if the same is given before or at the time of the supply and if such discount has been duly recorded in the invoice issued in respect of such supply. In other words, pre-supply discounts recorded in invoices are allowed as deduction.

Further, post supply discounts are also allowed as deduction from the value of supply under section 15(3)(b) of the CGST Act, 2017 if-

- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.

In the given case, Cygnatek Electronics is entitled for 10% discount on air purifiers supplied by AEL for the quarters April-June as well as July-September as it has sold more than 500 air purifiers in each of these quarters. However, since the sales targets are achieved after the entire stock for the respective quarters of April-June and July-September has been dispatched, the discounts on the air purifiers supplied to Cygnatek Electronics for the quarters of April-June and July-September is a post-supply discount.

Such post-supply discount will be allowed as a deduction from the value of supply since the discount policy was known before the time of such supply and the discount can be specifically linked to relevant invoices (invoices pertaining to air purifiers supplied to Cygnatek Electronics for the quarters of April-June and July-September) provided Cygnatek Electronics reverses the input tax credit attributable to the discount on the basis of document issued by AEL.

The value of supply for the quarters of April-June and July-September will thus, be computed as under:

Computation of value of supply for the quarter - April-June

Particulars	Amount (₹)
Price at which the air purifiers are supplied to Cygnatek Electronics [Note 1]	8,400
Add: Packing expenses [Note 2]	1,200
Less: Discount [Note 3]	<u>Nil</u>
Value of taxable supply of one unit of television	9,600
Value of taxable supply of air purifiers for the quarter April-June [₹ 9,600 x 750]	72,00,000

Notes:

- (1) The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of section 15(1) of the CGST Act, 2017 presuming that the supplier and the recipient of supply are not related and price is the sole consideration for the supply as the supplier and recipient are not related parties.
- (2) The value of supply includes incidental expenses like packing charges in terms of section 15(2)(c) of the CGST Act, 2017.
- (3) Since Cygnatek Electronics has not reversed the input tax credit attributable to such discount on the basis of document issued by AEL, the conditions specified in section 15(3)(b) of the CGST Act, 2017 have not been fulfilled. Thus, the post-supply discount will not be allowed as deduction from the value of supply.

Computation of value of supply for quarter - July-September

Particulars	Amount (₹)
Price at which the air purifiers are supplied to Cygnatek Electronics [Note 1]	8,400
Add: Packing expenses [Note 2]	1,200
Less: Discount [Note 3]	<u>(840)</u>
Value of taxable supply of one unit of television	8,760
Value of taxable supply of air purifiers for the quarter July-September [₹ 8,760 x 1,000]	87,60,000

Notes:

- (1) The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of section 15(1) of the CGST Act, 2017 presuming that the supplier and the recipient of supply are not related and price is the sole consideration for the supply as the supplier and recipient are not related parties.
- (2) The value of supply includes incidental expenses like packing charges in terms of section 15(2)(c) of the CGST Act, 2017.
- (3) Since all the conditions specified in section 15(3)(b) of the CGST Act, 2017 have been fulfilled, the post-supply discount will be allowed as deduction

from the value of supply. The input tax credit to be reversed will work out to be ₹1,51,200 $[1,000 \times (8,400 \times 10\%) \times 18\%]$.

(b) Computation of customs duty and integrated tax payable thereon

Particular	Amount (₹)
Assessable value of zinc imported	30,00,000
Add: Basic custom duty @ 10% (₹ 30,00,000 × 10%)	3,00,000
Safeguard duty @ 30% on ₹30,00,000 [Safeguard duty is imposable in the given case since share of imports of zinc from the developing country is more than 3% of the total imports of sodium nitrite into India (Proviso to section 8B(2) of the Customs Tariff Act, 1975)]	9,00,000
Social welfare surcharge @ 10% x ₹ 3,00,000	<u>30,000</u>
Total	42,30,000
Integrated tax (₹ 42,30,000 × 12%) [Note]	5,07,600
Total customs duty payable (₹ 3,00,000 + ₹ 9,00,000 + ₹ 30,000 + ₹ 5,07,600)	17,37,600

Note: It has been clarified by DGFT vide Guidance note that value for calculation of integrated tax shall also include safeguard duty amount.

3. (a) As per section 10 of the CGST Act, 2017 read with rule 7 of the CGST Rules, 2017, a registered person opting for composition levy for goods pays tax at the rates mentioned below during the current FY, in lieu of the tax payable by him under regular scheme:

Manufacturers, other than manufacturers of notified goods	1% ($\frac{1}{2}\%$ CGST+ $\frac{1}{2}\%$ SGST/UTGST) of the turnover in the State/ Union territory
Trader	1% ($\frac{1}{2}\%$ CGST+ $\frac{1}{2}\%$ SGST/UTGST) of turnover of taxable supplies of goods & services in the State/ Union territory

Turnover prior to getting registered will not be considered for determining the turnover in a State/Union Territory.

(i) If Mr. Arpit is a manufacturer

$$\text{CGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

$$\text{SGST} = ₹ 100 \text{ lakh} \times 0.5\% = ₹ 50,000$$

(ii) If Mr. Arpit is a trader

$$\text{CGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$

$$\text{SGST} = ₹ 75 \text{ lakh (as 25\% of turnover is exempt)} \times 0.5\% = ₹ 37,500$$

- (b)** Since Beniwal Ltd. holds 51% shares of Butler Inc., Beniwal Ltd. and Butler Inc. are 'associated enterprises' as per section 92A of the Income-tax Act, 1961. In case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply is the earlier of the following two dates:

Date of entry in the books of account of the recipient of supply [which is Beniwal Ltd. in the present case]	30 th September
OR	OR
Date of payment [by Beniwal Ltd. in the present case]	23 rd December

Thus, time of supply is 30th September.

- (c)** The facts of the case are similar to the case of *Commissioner v. Hanil Era Textile Ltd. 2005 (180) ELT A44 (SC)* wherein the Supreme Court agreed to the view taken by the Tribunal that in the absence of a restrictive clause in the notifications that imported goods are to be solely or exclusively used for manufacture of goods for export, there is no violation of any condition of notification, if surplus power generated due to unforeseen exigencies is sold in domestic tariff area.

Therefore, no duty can be demanded from M/s JPG for selling the surplus power in domestic tariff area for the following reasons:

- (i) They have used the DG sets and furnace oil imported duty free for generation of power, and
- (ii) such power generated has been used for manufacturing goods for export, and
- (iii) only the surplus power has been sold, as power cannot be stored.

- 4. (a)** Section 25(4) of the CGST Act, 2017, states that a person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory, shall, in respect of each such registration, be treated as distinct persons.

So, Mumbai branch and the Pune branch will be treated as "distinct persons" for GST purposes.

Further, clause 2 of Schedule I to the CGST Act, 2017, specifies that "supply of goods or services or both between distinct persons as specified in section 25, when made in the course or furtherance of business," shall be treated as supply even if made without consideration.

Accordingly, the transfer of garments from the Mumbai branch to the Pune branch will be treated as a supply between distinct persons under the CGST Act, 2017.

Therefore, Mumbai branch must issue a tax invoice and pay GST on such a transfer, irrespective of whether any consideration is charged for this internal transfer.

- (b) E-way Bill is mandatorily required to be generated if the goods are moved, *inter alia*, in relation to supply and the consignment value exceeds ₹ 50,000. Further, explanation 2 to rule 138(1) of the CGST Rules, 2017 stipulates that the consignment value of goods shall be the value, determined in accordance with the provisions of section 15, declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and also includes CGST, SGST/UTGST, IGST and cess charged, if any, in the document and shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

Accordingly, in the given case, the consignment value will be as follows:

$$= ₹ 48,000 \times 118\%$$

$$= ₹ 56,640.$$

Since the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, e-way bill is mandatorily required to be issued in the given case.

- (c) As per section 61(2) of the Customs Act, 1962, if goods remain in a warehouse beyond a period of 90 days from the date on which the order under section 60(1) is made, interest is payable @ 15% 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.

In *Pratibha Processors v. UOI 1996 (88) ELT 12 (SC)*, the Apex Court has held that when goods at the time of removal from warehouse are wholly exempted from payment of duty, the liability to pay interest cannot be saddled on a non-existing duty. Liability to pay interest under section 61(2) is solely dependant upon the exigibility or actual liability to pay duty. In case the liability to pay duty is nil, then, the interest will also be nil. Therefore, since in this case the goods have been re-exported without payment of duty, no interest is payable by 'Ravi'.

5. (a) The provisions of section 76 of the CGST Act, 2017 make it mandatory on Blumora Studio to pay amount collected from other person representing tax under this Act, to the Government.

Section 76 stipulates that notwithstanding anything to the contrary contained in any order or direction of any Appellate Authority or Appellate Tribunal or Court or in any other provisions of the CGST Act or the rules made thereunder or any other law for the time being in force, every person who has collected from any other person any amount as representing the tax under this Act, and has not paid the said amount to the Government, shall forthwith pay the said amount to the Government, irrespective of whether the supplies in respect of which such amount was collected are taxable or not.

Where any amount is required to be paid to the Government as mentioned above, and which has not been so paid, the proper officer may serve on the person liable to pay such amount a notice requiring him to show cause as to why the said amount as specified in the notice, should not be paid by him to the Government and why a penalty equivalent to the amount specified in the notice should not be imposed on him under the provisions of this Act.

The proper officer shall, after considering the representation, if any, made by the person on whom show cause notice (SCN) is served, determine the amount due from such person and thereupon such person shall pay the amount so determined.

The person who has collected any amount as representing the tax, but not deposited the same with the Government shall in addition to paying the said amount determined by the proper officer shall also be liable to pay interest thereon. Interest is payable at the rate specified under section 50. Interest is payable from the date such amount was collected by him to the date such amount is paid by him to the Government.

The proper officer shall issue an order within 1 year [excluding the period of stay order] from the date of issue of the notice. The proper officer, in his order, shall set out the relevant facts and the basis of his decision.

- (b) The Appellate Authority (AA) must ordinarily decide an appeal within **one year** from the date it was filed. However, if the proceedings are stayed by a court or tribunal, this stay period is excluded from the calculation.

In the given case, the order was communicated on January 23, 2024, and the appeal was filed on February 16, 2024. The stay order was in effect for 61 days i.e. May 1, 2024 to June 30, 2024.

Therefore, the ordinary one-year period from February 16, 2024, which would have ended on February 16, 2025, will be extended by 61 days i.e. April 18, 2025, is the last date for the AA to pass its order.

- (c) Section 18 of the Customs Act, 1962 stipulates that the importer is liable to pay interest, on any amount payable consequent to the final assessment order @ 15% p.a. from the first day of the month in which the duty is provisionally assessed till the date of payment thereof.

Accordingly, amount of interest payable will be

$$\begin{aligned} &= [\text{₹ } 1,50,000 \times 15\% \times 51/365] + [\text{₹ } 50,000 \times 15\% \times 62/365] \\ &= \text{₹ } 3,144 + \text{₹ } 1,274 = \text{₹ } 4,418 \end{aligned}$$

6. (a) The procedure to be followed by the Authority for Advance Ruling (AAR) on receipt of the application for advance ruling under section 98 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.
- (b)** Yes, the confidential information can be disclosed by the public servant for certain specific purposes in terms of section 158(3). 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.

OR

Alternative Answer

- (b)** An officer of the rank of Joint Commissioner or above can authorize an officer in writing to carry out search and seize goods, documents, books or things. Such authorization can be given only where the Joint Commissioner/an officer above his rank has reasons to believe that any goods liable to confiscation or any documents or books or things relevant for any proceedings are hidden in any place. The Joint Commissioner/an officer above his rank empowered to authorize any officer to carry out search and seizure can himself also carry out search and seize such goods, documents or books or things.
- (c)** Annual Advance authorisation would be issued to exporters having past export performance in at least preceding two financial years, to enable them to import the inputs required by them on annual basis.

Advance authorization for annual requirement shall only be issued for items, notified in SION and not on basis of *ad hoc* norms under self-declared authorisations where SION does not exist.

Annual Advance Authorisation in terms of CIF value of imports will be granted upto 300% of FOB value of physical exports in preceding financial year and/or FOR value of deemed exports in preceding year or ₹ 1 crore, whichever is higher.