

FINAL EXAMINATION
MODEL ANSWERS
PAPER – 19
INDIRECT TAX LAWS & PRACTICE

SET - 1
TERM – JUNE 2024
SYLLABUS 2022

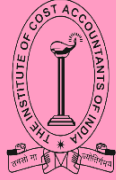
Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

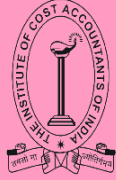
SECTION – A (Compulsory)

1. Choose the correct option: [15 x 2 =30]
- (i) Flow of consideration is not a mandatory requirement under supply, in case of:
- imports
 - Activities specified under Schedule I of the CGST Act
 - Both
 - None of the above
- (ii) What is the threshold limit of turnover in the preceding financial year for opting to pay tax under composition scheme for States other than special category States?
- ₹ 20 lakh
 - ₹ 10 lakh
 - ₹ 50 lakh
 - ₹ 150 lakh
- (iii) Mr. A has started intra-state supply of services from Delhi. He is required to obtain registration if his aggregate turnover exceeds _____ during a financial year.
- ₹ 10 lakh
 - ₹ 20 lakh
 - ₹ 30 lakh
 - ₹ 40 lakh
- (iv) Levy of GST on Priority Sector Lending Certificate (PSLC) under:
- Exempted supply of goods
 - Reverse Charge Mechanism (RCM)
 - Partial Reverse Charge Mechanism
 - Forward Charge
- (v) Which of following deductions is allowed from value of imported goods vide rule 7 (deductive value) —
- commission on sales in India;
 - transport from foreign port;



INDIRECT TAX LAWS & PRACTICE

- c. Both of the above
d. None of the above
- (vi) In case proper officer checks the goods in movement, then what document shall be required apart from delivery challan to satisfy the proper officer where the value of goods exceeds ₹ 50,000?
- a. E-way Bill
b. Voucher
c. Invoice
d. None of the above.
- (vii) Mr. A entered into a contract with Mr. B & agreed to make the payment by 30th Sep 2023. If the payment is not made in time, then he shall pay late fees @ ₹ 200 per day. No payment of late fees has been made so far. What shall be the time of supply in respect of the late fees due on Mr. A?
- a. Sept 2023
b. Oct 2023
c. Time of supply has not arisen
d. None of the above.
- (viii) Is it mandatory to capitalize the capital goods in books of Accounts?
- a. Yes
b. No
c. Optional
d. None of the above
- (ix) Is there any threshold limit for applying the provisions of Section 52 for collecting tax at source?
- a. TCS applies if net value of taxable supplies exceeds ₹ 10,00,000/-
b. TCS applies if net value of taxable supplies exceeds ₹ 15,00,000/-
c. TCS applies if net value of taxable supplies exceeds ₹ 20,00,000/-
d. No such limit prescribed, tax should always be collected at source if the conditions envisaged u/s 52 are met.
- (x) The due date for filling GSTR – 7 is _____ of the succeeding month.
- a. 10
b. 13
c. 18
d. 20

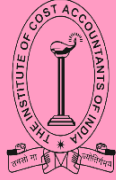


INDIRECT TAX LAWS & PRACTICE

- (xi) Out of the following transaction, which is not considered as supply under GST?
- High sea sale
 - Payment of salary by the employer to his employee
 - Sale of land
 - All of the above
- (xii) Minimum value addition required to be achieved under DFIA is _____.
- 10%
 - 15%
 - 20%
 - 5%
- (xiii) Mr. Raj resident of India, returned back to India from London after 2 years of stay and brought jewellery ₹ 42,000 (18 grams). Duty payable by Mr. Raj is:
- ₹ 770
 - ₹ 2,000
 - ₹ 2,200
 - Nil
- (xiv) _____ grants the permission for manufacturing or other operations in the bonded facility.
- Assistant Commissioner of Customs
 - Deputy Commissioner of Customs
 - Additional Commissioner of Customs
 - Commissioner of Customs
- (xv) In case, the developer submits the proposal to the State Government for The SEZ approval, then state government forwards this proposal to the Board of Approval (BoA) along with its recommendation within.
- 5 days
 - 15 days
 - 30 days
 - 45 days

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)	(xiv)	(xv)
b	d	b	b	a	a	c	a	d	a	d	c	d	d	d



SECTION-B

(Answer any five questions out of seven questions given. Each question carries 14 Marks.)
[5x14=70]

2. (a) (i) R Ltd. a manufacturer of cosmetic products supplied a package consisting of Body oil (GST 18%), Body lotion (GST 28%), Shampoo (GST 28%) and Soap (GST 12%). The price per package is ₹ 750 (exclusive of GST). 15,000 packages were supplied by the company to its dealers. Determine the nature of supply and its GST liability.
- (ii) A hotel provides 3 days and 2 nights package wherein the facility of breakfast and dinner is provided along with the room accommodation free of cost. Determine whether it is composite supply or mixed supply?
- (iii) A toothpaste company has offered a scheme of free toothbrush of ₹ 25 along with the purchase of toothpaste of ₹ 248/-. Classify whether it is composite supply or mixed supply. [7]
- (b) Prepare a list of the contents of Form GSTR 3B. [7]

Answer:

- (a) (i) This supply would be regarded as mixed supply, since in this case each of the goods in the package have individual identity and can be supplied separately. The tax rate applicable in case of mixed supply would be the rate of tax attributable to that one supply (goods or services) which suffers the highest rate of tax in that mixed supply. Therefore the package will be chargeable to 28% GST and the GST liability will be – $[15,000 \times ₹ 750] \times 28\% = ₹ 31,50,000$.

(ii) Under composite supply, two or more taxable supplies of goods or services or both of any combination thereof are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply. Since supply of breakfast and dinner with the accommodation in the hotel are naturally bundled, said supplies qualify as composite supply.

(iii) Since supply of toothbrush along with the toothpaste are not naturally bundled, said supplies do not qualify as composite supply, these will be treated as mixed supply.

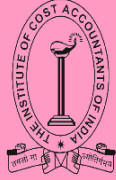
(b) Contents of Form GSTR-3B:

Form GSTR-3B consists of 6 Tables:

1. GSTIN number of Registered Person
2. Legal name of Registered Person
3. Summary of Outward Supply & Inward Supply under Reverse Charge

Bifurcation of Inter-state outward supplies as follows:

- (A) To unregistered Person
- (B) To Composite taxable Person
- (C) To UIN Holders



INDIRECT TAX LAWS & PRACTICE

4. Summary of eligible ITC claim bifurcated into IGST, CGST & SGST/UTSGT and Cess
5. Summary of Exempted, Nil rated and Non-GST inward supplies
6. Details of payment of tax, which includes Category wise tax payable, ITC availed, TDS credit and Tax) paid in cash along with interest and late fees (Though it is not applicable for initial 2 return. Summary of tax category wise TDS/TCS credit.

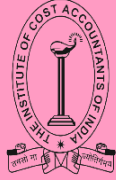
3. (a) **Agro Farm Limited registered under GST furnishes the following details with respect to the activities undertaken by them in the month of May, 2023 –**

S.N.	Particulars	₹
1)	Receipts from Supply of farm labour	85,000
2)	Charges for seed testing	65,000
3)	Charges for soil testing of farm land	35,000
4)	Charges for warehousing of potato chips	85,000
5)	Commission received on sale of wheat	75,000
6)	Charges for training of farmers on use of new pesticides and fertilizers developed through scientific research	10,000
7)	Renting of vacant land to a stud farm	1,85,000
8)	Leasing of vacant land to a cattle farm	83,500
9)	Charges for warehousing of rice	1,50,000
10)	Charges for warehousing of cotton fabrics	2,00,000
11)	Retail packing and labelling of fruits and vegetables	5,00,000

Compute the value of taxable supply of Agro Farm Limited for the month of May, 2023 if all the above amounts are exclusive of GST. [7]

- (b) **Mr. Akhil registered person provides the following information for the month of March 2024:**

Particulars	Amount
Input tax credit in respect of inward supply	₹2,00,000
Taxable supply (Excluding zero rated supply)	₹10,00,000
Export i.e., zero-rated supply	₹ 5,00,000
Exempt supplies	₹ 3,00,000
Inward supplies on which he is liable to pay tax on reverse charge basis	₹ 2,00,000



FINAL EXAMINATION
MODEL ANSWERS
PAPER – 19
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Compute ITC available to him for the month of March 2024

[7]

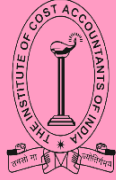
Answer:

(a) Computation of value of taxable supply

S.N.	Particulars	₹
1)	Receipts from Supply of farm labour [Entry 54]	Exempt
2)	Charges for seed testing [Entry 54]	Exempt
3)	Charges for soil testing of farm land [Entry 54]	Exempt
4)	Charges for warehousing of potato chips	85,000
5)	Commission received on sale of wheat [Entry 54]	Exempt
6)	Charges for training of farmers on use of new pesticides and fertilizers developed through scientific research [Entry 54]	Exempt
7)	Renting of vacant land to a stud farm	1,85,000
8)	Leasing of vacant land to a cattle farm [Entry 54]	Exempt
9)	Charges for warehousing of rice [Entry 24]	Exempt
10)	Charges for warehousing of cotton fabrics	2,00,000
11)	Retail packing and labelling of fruits and vegetables [Entry 57]	Exempt
	Value of taxable Supply	4,70,000

(b) Computation of ITC available to Mr. Akhil for the month of March 2024

Particulars		Amount
Taxable supply (Excluding zero rated supply)		₹10,00,000
Export i.e., zero-rated supply		₹ 5,00,000
Exempt supplies		₹ 3,00,000
Inward supplies on which he is liable to pay tax on reverse charge basis		₹ 2,00,000
Total Supply	A	₹ 20,00,000
Out of this taxable supply including zero rated supplies [₹ 10,00,000 + ₹ 5,00,000]	B	₹ 15,00,000
Input tax credit in respect of inward supply	C	₹2,00,000
ITC available [C x B/A] for the month of March 2024		₹ 1,50,000



4. (a) Briefly summarize the provisions relating to TDS under GST Law. [7]
- (b) Explain Online information and database access retrieval service (OIDAR)? Identify few services which are notified under section 9(5) of CGST Act. [7]

Answer:

- (a) The concept of Tax Deducted at Source (TDS) is one of the ways to collect tax based on certain percentages on the amount payable by the receiver on goods/services u/s 51 of the CGST Act, 2017.

Person liable to deduct TDS under GST law:

- 1) A department or an establishment of the Central Government or State Government; or
- 2) Local authority; or
- 3) Governmental agencies; or
- 4) An authority or a board or any other body,—
 - i. Set up by an Act of Parliament or a State Legislature; or
 - ii. Established by any Government
 - with 51% or more participation by way of equity or control, to carry out any function; or
- 5) A society established by the Central or any State Government or a Local Authority and the society is registered under the Societies Registration Act, 1860.
- 6) Public sector undertakings.

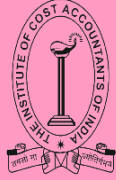
When tax deduction is required to be made in GST:

Tax is required to be deducted from the payment made/credited to a supplier, if the total value of supply under a contract in respect of supply of taxable goods or services or both, exceeds ₹ 2,50,000/- excluding GST.

Conditions for & amount of deduction:

Tax deduction is required if all the following conditions are satisfied –

- 1) Total value of taxable supply > ₹ 2.5 Lakh under a single contract. This value shall exclude taxes & cess leviable under GST.
- 2) If the contract is made for both taxable supply and exempted supply, deduction will be made if the total value of taxable supply in the contract > ₹ 2.5 Lakh. This value shall exclude taxes & cess leviable under GST.
- 3) Where the location of the supplier and the place of supply are in the same State/UT, it is an intra-State supply and TDS @ 1% each under CGST Act and SGST/UTGST Act is to be deducted if the deductor is registered in that State or Union territory without legislature.



INDIRECT TAX LAWS & PRACTICE

- 4) Where the location of the supplier is in State A and the place of supply is in State or Union territory without legislature - B, it is an inter-State supply and TDS @ 2% under IGST Act is to be deducted if the deductor is registered in State or Union territory without legislature - B.
- 5) Where the location of the supplier is in State A and the place of supply is in State or Union territory without legislature B, it is an inter-State supply and TDS @ 2% under IGST Act is to be deducted if the deductor is registered in State A.
- 6) When advance is paid to a supplier on or after 01.10.2018 to a supplier for supply of taxable goods or services or both.
- (b) w.e.f. 1st October 2023, Section 2(17) of IGST Act, 2017 “online information and database access or retrieval services” means services whose delivery is mediated by information technology over the internet or an electronic network and the nature of which renders their supply impossible to ensure in the absence of information technology and includes electronic services such as, —
- advertising on the internet;
 - providing cloud services;
 - provision of e-books, movie, music, software and other intangibles through telecommunication networks or internet;
 - providing data or information, retrievable or otherwise, to any person in electronic form through a computer network;
 - online supplies of digital content (movies, television shows, music and the like);
 - digital data storage; and
 - w.e.f. 1st October 2023, online gaming, excluding the online money gaming as defined in clause (80B) of section 2 of the Central Goods and Services Tax Act, 2017 (12 of 2017.);

List of services notified under section 9(5) of CGST Act:

- Passenger Transport Service
- Accommodation Services
- Housekeeping Services
- w.e.f 1-1-2022 Restaurant Services (i.e. Cloud Kitchen)

5. (a) **Mr. Hogle, an event organiser located in Singapore, undertakes to organize comedy shows of Mr. Bhrami of Hyderabad and Mr. Vadivelu of Chennai in India. The comedy shows are hosted in Telangana, Andhra Pradesh, Tamil Nadu and Pondicherry.**

Gross value of contract is ₹ 60 crores.

State	No. of Days	Recipient of Service
Telangana	20	Mr. Bhrami



INDIRECT TAX LAWS & PRACTICE

Andhra Pradesh	15	Mr. Bhrami
Tamil Nadu	14	Mr. Vadivelu
Pondicherry	01	Mr. Vadivelu
Total	50	

Determine the place of supply of services, value of service and person liable to pay tax. [7]

- (b) Smart Ltd. exported some goods to LG Inc. of USA. It received US \$ 9,000 as consideration for the same and sold the foreign currency @ ₹ 71 per US dollar. Compute the value of supply of money changing service under GST law and rules made thereunder in the following cases:

(A) RBI reference rate for US dollar at that time is ₹ 72 per US dollar

(B) RBI reference rate for US dollars is not available.

Calculate the value of supply if US \$9,000 are converted into UK £ 4,500. RBI reference rate at that time for US \$ is ₹ 73 per US dollar and for UK £ is ₹ 101 per UK Pound. [7]

Answer:

(a)

Place of Supply of service	Value ₹ in crores	Who is liable to pay GST	GST
Telangana	24	Mr. Hogle being a non-resident taxable person	IGST
Andhra Pradesh	18		IGST
Tamil Nadu	16.80		IGST
Pondicherry	1.20		IGST
Total	60		

- (b) (A) In the given case, value of taxable service would be as follows:

$$= ₹ (72-71) \times 9,000 \text{ USD} = ₹ 9,000$$

- (B) In the given case, value of taxable service would be as follows:

$$1\% \text{ of } ₹ (71 \times 9,000 \text{ USD}) = ₹ 6,390$$

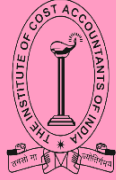
In case neither of the currencies exchanged is Indian Rupee:

In the given case, value of taxable service would be 1% of the lower of the following:

- (A) US dollar converted into Indian rupees (or)

- (B) UK pound converted into Indian rupees Value of taxable service

$$= \$ 9,000 \times ₹ 73 = ₹ 6,57,000 \text{ (or)}$$



INDIRECT TAX LAWS & PRACTICE

$$= ₹ 4,500 \times ₹ 101 = ₹ 4,54,500$$

$$= 1\% \text{ of } ₹ 4,54,500 = ₹ 4,545/-$$

6. (a) Demonstrate various Trade Facilitation Measures taken by Indian Customs. [7]
- (b) Analyze the Advance Authorization Scheme with reference to Foreign Trade Policy. [7]

Answer:

(a) Various trade facilitation measures have been taken by Indian Customs in recent times. Some of the major initiatives include:

- 1) Facility of deferred payment
- 2) Introduction of Revised Authorised Economic Programme(AEO)
- 3) Relaxation in Insurance cover/Bond/BG
- 4) Setting Up of Customs Clearance Facilitation Committee (CCFC)
- 5) Amendments in Warehousing provisions for introducing record based controls
- 6) Indian Customs Single Window Project –Online message exchange
- 7) Reduction in mandatory documents for imports and exports
- 8) Adoption of Digital Signature:
- 9) 24×7 Customs Clearance
- 10) Abolition of Mate Receipt
- 11) Reducing/eliminating printouts in Customs Clearance
- 12) The Courier Imports and Exports (Clearance) Amendment Regulations,2016
- 13) Import Data Processing and Management System (IDPMS)
- 14) Email notification
- 15) Single Window Interface for Facilitation of Trade has now been extended to Export
- 16) Roll Out of Express Cargo Clearance System (ECCS) at Courier Terminal, Sahar Mumbai
- 17) Ease of doing business
- 18) Streamlining of process of Arrival Manifest or Import Manifest amendment for import through sea.

(b) Advance Authorisation (AA) Scheme:

Advance Authorisation is issued to allow duty free import of input, which is physically incorporated in export product (making normal allowance for wastage). In addition, fuel, oil, catalyst which is consumed/utilized in the process of production of export product, may also be allowed.

Eligible Applicant/Export:



INDIRECT TAX LAWS & PRACTICE

- Advance Authorisation can be issued either to a manufacturer exporter or merchant exporter tied to supporting manufacturer.
- Advance Authorisation for pharmaceutical products manufactured through Non-Infringing (NI) process shall be issued to manufacturer exporter only.

Eligible Supply:

Advance Authorisation is issued for procurement of inputs for the following kinds of supply: —

- Physical export (including export to SEZ)
- Intermediate supply; and/or
- Deemed exports
- Supply of ‘stores’ on board of foreign going vessel/aircraft, subject to condition that there is specific SION in respect of item supplied.

Basis of issuance of Advance Authorisation:

Advance Authorisation is issued for inputs in relation to resultant product, on the following basis:

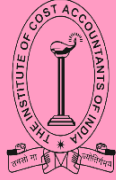
- As per Standard Input Output Norms (SION) notified); or
- On the basis of self declaration; or
- Applicant-specific prior fixation of norm by the Norms Committee or
- On the basis of Self Ratification Scheme

An exporter (manufacturer or merchant), who holds AEO Certificate under Common Accreditation Programme of CBIC is eligible to opt for this scheme. A status holder who is a manufacturer cum actual user and holds valid 2-star or above status and who has already submitted its application for grant of AEO on CBIC’s AEO portal is also eligible to apply for this scheme subject to the specified conditions.

However, DGFT may deny authorisation under this scheme to 2-star and above status holder based on its risk management principles. The scheme is not available for the specified export products as well as specified inputs.

7. (a) **Mr. Brown 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	1,85,000
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)	100,000



INDIRECT TAX LAWS & PRACTICE

Determine Customs Duty payable on baggage @ 38.50% inclusive of social welfare surcharge. [7]

- (b) ABC Industries Ltd. of Mumbai imported one machine through vessel from Japan, in the month of November. The following particulars are made available for computation of customs duty:

S.N	Particulars	Amount in JPY (¥)
(i)	Cost upto port of exportation incurred by exporter	6,00,000
(ii)	Loading charges at port of exportation	25,000
(iii)	Freight charges from port of export to port of import in India.	1,00,000
Following additional amounts paid by ABC Industries Ltd:-		
(i)	Designing charges, necessary for the machine, paid to consultancy firm in Delhi	8,00,000
(ii)	Commission paid (not buying commission) to the local agent of exporter	1,25,000
(iii)	Actual landing charges paid at the place of importation.	15,000
(iv)	Actual insurance charges paid to the place of importation is not ascertainable	
(v)	Ligherage charges paid at the port of importation	20,000
Other information		
(i)	Rate of basic customs duty	10%
(ii)	Rate of social welfare surcharge	10%
(iii)	Integrated tax	18%
(iv)	Ignore GST compensation cess.	
(v)	Rate of exchange to be taken 1 Japanese Yen (¥) =	₹ 0.71

Compute the assessable value and customs duty payable. [7]

Answer:

- (a) Statement showing customs duty on Baggage:

Particulars	Details	Value in ₹
Travel Souvenir [Bona fide baggage is not taxable]		Nil
Value for 100 cigarettes	10,000	



INDIRECT TAX LAWS & PRACTICE

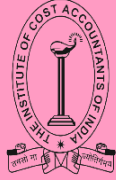
Less: GFA [Up to 100 cigarettes allowed under GFA subject to overall limit of GFA]	10,000	Nil
Cartridges of firearms		
Value for 50 cartridges	25,000	
Less: GFA [Up to 50 cartridges of fire allowed under GFA subject to overall limit of GFA]	5,000	20,000
Other articles carried on in person [Dutiable Goods]		1,50,000
Total Taxable goods as baggage		1,70,000
Duty on Baggage @ 38.5%		65,450

Note:

1. General Free Allowance (GFA) for tourists of foreign origin, excluding infants is ₹ 15,000/-
2. Firearms, 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.

(b) Computation of assessable value and customs duty

	Amount in JPY (¥)
Cost upto port of exportation	6,00,000
Add: Loading charges at the port of exportation	25,000
Total in Japanese Yen	6,25,000
	In ₹
Total in Indian rupees @ ₹ 0.71 per Japanese Yen	4,43,750
Add: Commission paid to local agent of exporter	1,25,000
FOB value as per customs	5,68,750
Add: Freight charges from port of export to port of import in India [1,00,000 JPY × 0.71 = ₹ 71,000]	71,000
Add: Lighterage charges paid by the importer at port of importation	20,000
Add: Insurance charges @ 1.125% of FOB [₹ 5,68,750 × 1.125%]	6,398
CIF value / Assessable Value	6,66,148
Add: Basic customs duty @ 10% of ₹ 6,66,148	66,615
Add: Social welfare surcharge @ 10% of ₹ 66,615	6,662
Value for computing IGST	7,39,425
Add: Integrated tax @ 18% of ₹ 7,39,425	1,33,097
Total custom duty and integrated tax payable	2,06,374



INDIRECT TAX LAWS & PRACTICE

8. (a) Chandana Traders in Karnataka receives an order from M/s A Inc. in USA to deliver 100 cell phones at Odiar Dealers in Karnataka. On application of section 10(1)(b) place of supply will be USA. The question arises will this transaction be taxed even if the place of supply is USA? Discuss with reason. [7]
- (b) Mr. Bhagirath has taken a loan from the bank on 15-07-2023 worth ₹ 2 crore and purchased a machine. Subsequently, he defaulted in paying the loan amount along with interest. Hence, the bank repossessed the machine from him on 1st Jan 2024. The banker sells the said goods on 26th April 2024. Compute the value of taxable supply of goods in the hands of banker in the following two independent cases:
- Case 1: machine sold for ₹ 1,90,00,000.
- Case 2: machine sold for ₹ 1,70,00,000.
- Note: Applicable rate of IGST 18%. [7]

Answer:

(a) There will be two parts to this transaction as well:

- (1) Between Chandana Traders of Karnataka and M/s A Inc. of USA.
- (2) Between M/s A Inc. of USA and Odiar Dealers in Karnataka.

(1) Between Chandana Traders of Karnataka and M/s A Inc. of USA:

Transaction between Chandana Traders of Karnataka and M/s A Inc. of USA will be considered as Export? As per section 16 of the IGST Act, 2017, export of goods is a “Zero Rated Supply” and tax need not be levied on the same.

As per section 2(5) of the IGST Act, 2017, “export of goods” means taking goods out of India to a place outside India. In our case, as goods are not moving out of India hence it cannot be termed as exports.

Section 7(5)(a) of the IGST Act, 2017 states that supply of goods or services or both when the supplier is located in India and the place of supply is outside India shall be treated to be a supply of goods or services or both in the course of inter-state trade or commerce.

Above section applies to the present case, supplier (Chandana Traders) is located in India and place of supply (USA) is outside India as per Sec. 10(1)(b) of the IGST Act, 2017. Hence, the transaction between Chandana Traders of Karnataka and M/s A Inc. of USA will be considered as an inter-state supply, and IGST shall be levied on it.

(2) Between M/s A Inc. of USA and Odiar Dealers in Karnataka:

According to Section 2(10) of the IGST Act, 2017 “import of goods” means bringing goods into India from a place outside India. The transaction between M/s A Inc. of USA and Odiar Dealers in Karnataka cannot be considered as the import of goods.



INDIRECT TAX LAWS & PRACTICE

This transaction will be covered under section 7(5)(c) which states that supply of goods or services or both in the taxable territory, not being an intra-state supply and not covered elsewhere in section 7 shall be treated to be a supply of goods or services or both in the course of inter-state trade or commerce.

In the present case, the supply of goods is in the taxable territory (Karnataka), it is not an intra-state supply as a supplier (M/s A Inc. of USA) is located outside the taxable territory and such a situation is not covered elsewhere in section 7. Hence, transaction between M/s A Inc. of USA and Odiar Dealers in Karnataka is also an Inter-state transaction and IGST will have to be paid by Odiar Dealers under reverse charge mechanism (Section 5(4) of the IGST Act, 2017). However, section 5(4) of IGST is not applicable except in case of construction service.

(b) Determination of purchase value:

Particulars	Value in ₹	Working note
Purchase value of the banker	2,00,00,000	Purchase value for the lending company will be the purchase price of the defaulter.
Less: 5% per quarter for 2 quarters	(20,00,000)	From 1st Jan 2024 to 26th April 2024 = 2 quarters
Purchase value at the time of disposal by the bank	1,80,00,000	

Value of taxable supply in the hands of banking company:

Particulars	Case 1 (₹)	Case 2 (₹)	Remarks
Sale price	1,90,00,000	1,70,00,000	
Less: Purchase price	(1,80,00,000)	(1,80,00,000)	In case the sale price is below ₹ 1,80,00,000, banker will not be liable to pay GST as value is nil.
Taxable value or Margin	10,00,000	Nil	
IGST 18%	1,80,000	Nil	₹ 10 lacs x 18%