cmaknowledge.in

EXCELLENCE IN CMA EDUCATION

DECEMBER 2026

PAPER 19

Indirect Tax Laws & Practice

CMA Final Master Guide

70%

SECTION A

Goods and Services Tax Act & Rules

17 Modules • Supply, Valuation, ITC, Returns, Refunds & More

30%

SECTION B

Customs Act and Rules

10 Modules • Valuation, Drawback, Baggage, SEZ & More

WHAT'S INSIDE

- 27 Modules
- Exam Focused
- Case Laws
- Solved Illustrations
- Revision Tables
- Last Day Notes
- Amendments Updated
- Practical Insights

27 MODULES	**100+** ILLUSTRATIONS
50+ CASE LAWS	**100%** SYLLABUS

CK

CMA Knowledge Faculty

Senior CMA Final Faculty & Indirect Tax Expert

cmaknowledge.in

CMA Final Master Revision Series

Complete Study Material • Theory + Practical + Case Laws

Published by **cmaknowledge.in**

CMAKNOWLEDGE.IN

Paper 19 – Indirect Tax Laws & Practice

CMA Final • Full Syllabus Index • **December 2026**

📖 **Complete Syllabus Index** — Paper 19 consists of two sections: **Section A: Goods and Services Tax (70%)** covering 17 modules, and **Section B: Customs Act and Rules (30%)** covering 10 modules. Total **27 modules** covering 100% of the syllabus.

SECTION A

Goods and Services Tax Act & Rules • 17 Modules

70%

1 Supply under GST – A Refresh

Taxable Event | Scope of Supply | Schedule I, II & III | Composite & Mixed Supply | Composition Scheme | Reverse Charge Mechanism

2 Time of Supply (Advanced)

Forward Charge | Reverse Charge | Vouchers | Continuous Supply | Change in Rate of Tax | Interest & Late Fees

3 Place of Supply

Territorial Waters | Domestic Transactions | Cross-Border Transactions | OIDAR Services | Bill to Ship to Model | IGST Rules

4 Valuation (Advanced)

- Related Party Transactions
- Distinct Person Transactions
- Specific Valuation Rules
- Corporate Guarantee
- Margin Scheme
- Advance Rulings

5 Input Tax Credit (Advanced)

- Conditions for ITC
- Blocked Credit – Sec 17(5)
- Job Work
- Input Service Distributor
- Common Credit Apportionment
- Rule 42 & 43

6 Zero Rated Supplies and Deemed Exports

- Export of Goods & Services
- SEZ Supplies
- Deemed Exports
- Refund Routes
- LUT & Bond

7 TDS & TCS under GST

- Section 51 – TDS
- Section 52 – TCS
- GSTR-7 & GSTR-8
- Rate & Threshold
- Compliance & Returns

8 E-Way Bill

- Generation of EWB
- Consolidated EWB
- Cancellation
- Validity Period
- Blocking of EWB
- Exemptions

9 GST Refunds – Inverted Duty Structure & Zero Rated Supplies

- Refund Formula
- Export Refunds
- IDS Refunds
- Provisional Refund
- SEZ Refunds
- Procedures & Forms

10 GST Returns

- GSTR-1 & GSTR-1A
- GSTR-3B
- GSTR-4 & GSTR-9
- GSTR-10 – Final Return
- QRMP Scheme
- Late Fees & Penalties

11 Accounts and Records

- Books of Account – Sec 35
- Retention Period – 72 Months
- Compulsory Audit
- GSTR-9C
- ENR-01 Enrolment

12 GST Annual Return and GST Audit Return

- GSTR-9 – Annual Return
- GSTR-9C – Reconciliation
- Audit Plan
- Checklists & Methodology
- Management Representations
- Case Studies

13 Transition to GST (Transitional Provisions)

- CENVAT Credit
- Job Work
- Pending Claims
- TRAN-1 & TRAN-2
- Case Laws

14 Dispute Resolution Mechanism under GST

- Demands – Sec 73, 74, 74A
- Assessment & Appeals
- Advance Ruling
- Offences & Penalties
- Recovery Proceedings
- Amnesty Scheme – Sec 128A

15 Inspection, Search, Seizure, Arrest and Prosecution

- Section 67 – Inspection
- Section 69 – Arrest
- Section 70 – Summons
- Section 132 – Prosecution
- Compounding of Offences

16 Anti-Profiteering

- Section 171
- NAA & CCI
- Key Rulings
- Penalty Provisions

17

Walkthrough of GSTN Portal

Pre-Login Services | Post-Login Dashboard | Returns Filing | Ledgers | E-Invoice | Refunds & Payments

SECTION B

Customs Act and Rules • 10 Modules

30%

18

Valuation and Related Party Transactions

Transaction Value | Rule 3 to Rule 10 | Six Sequential Methods | Related Party | Case Laws

19

Customs Procedures – Baggage & Courier / Post

Baggage Rules 2016 | General Free Allowance | Duty-Free Jewellery | Transfer of Residence | Postal Articles | Import of Samples

20

Manufacture in Bond

MOOWR Scheme | Licensing – Sec 57, 58, 58A | Duty Deferment | Section 65 & 65A | Clearance Procedures | Records & Returns

21

Duty Drawback

All Industry Rate | Brand Rate | Special Brand Rate | Section 74 – Re-export | Section 75 – Manufactured Goods | Negative List

22

Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017

IGCR Scheme | IIN Generation | Continuity Bond | Form IGCR-1, 2, 3 | Job Work & Unit Transfer | Re-export & Recovery

23 Remission of Duties

- Section 23 – Loss/Destruction
- Section 13 – Pilferage
- Refund vs. Rebate vs. Remission
- Section 25 – Exemption
- Section 25A & 25B

24 Refund

- Section 26 – Export Duty
- Section 26A – Import Duty
- Section 27 – Claim
- Section 27A – Interest
- Relevant Date
- Unjust Enrichment

25 Trade Facilitation Measures

- WTO TFA & NCTF
- Deferred Payment
- AEO Programme
- Single Window – SWIFT
- 24×7 Clearance
- Electronic Cash Ledger

26 Export Promotion Schemes under Foreign Trade Policy

- FTP 2023
- Advance Authorisation
- DFIA Scheme
- EPCG Scheme
- RoDTEP Scheme
- EOU/EHTP/STP/BTP
- Deemed Exports

27 Special Economic Zone Scheme (with Amended SEZ Rules)

- SEZ Concept
- Incentives & Benefits
- SEZ Act, 2005
- Approval Mechanism – BoA
- SEZ Rules, 2006
- SEZ vs. EOU
- Work from Home

17	10	27
GST MODULES	CUSTOMS MODULES	TOTAL MODULES

CMA KNOWLEDGE — PREMIUM PUBLICATION

DECEMBER 2026 EXAMINATION

Module 1 Supply under GST – A Refresh

Complete Revision Handbook for CMA Final Paper 19 – Indirect Tax Laws and Practice (ITLP)

01	**Paper 19** Indirect Tax Laws & Practice	02	**Module 1** Section A – GST (70%)	03	**ICMAI Official** Study Material Based	04	**December 2026** Latest Amendments

Prepared exclusively from the latest Official ICMAI Study Material – Paper 19 ITLP (Reprint July 2026)

Website: cmaknowledge.in

MODULE 1 · SECTION A · GST

1. Module Introduction

CORE IDEA

Under GST, the taxable event is **"supply"**. The old concepts of manufacture, sale, provision of service and point of taxation are merged into one taxable event. If there is no supply, there is no GST, except where the law deems certain activities to be supply.

GST is a destination-based, multi-stage, value-added tax on consumption of goods or services or both. India adopted a **dual GST model**: CGST and SGST/UTGST on intra-State supplies, and IGST on inter-State supplies and imports. The GST Council, constituted under Article 279A of the Constitution, harmonises rates, exemptions, thresholds, laws, rules and dispute resolution.

Module 1 scope: This module refreshes the foundation of GST – dual GST, UTGST, GST Council, taxable event, scope of supply, inclusive and exclusive parts of supply, Schedule I deemed supply, Schedule II classification, Schedule III negative list, composite and mixed supply, composition levy, exemptions and key circulars/advance rulings.

EXAM ALERT

Module 1 is the base for almost every GST question. Even advanced modules on time, place, value, ITC, returns, refunds and appeals assume clear understanding of "supply".

MODULE 1 · FOUNDATION

2. Syllabus Coverage Map

MODULE 1 TOPIC	SUB-TOPICS IN STUDY MATERIAL	COVERAGE IN THIS HANDBOOK
1.1 Introduction	Dual GST, UTGST, GST Council, taxable event, scope of supply, Section 7, Schedules, composition, exemptions, reverse charge	Chapter 1 – Sections 1 to 10
1.2 Case Studies	Taxable, non-taxable, exempted, deemed supplies, reverse charge, composite, mixed, composition scheme, job work, works contract, import of services	Chapter 1 – Sections 5 to 10 and 14
1.3 Notifications	Goods and services exemptions, nil-rated, wholly exempt, non-taxable, conditional and absolute exemptions, Section 11 and Section 6 IGST	Chapter 1 – Section 11
1.4 Circulars	Principal-agent, inter-State movement, SKO/LAB, goods on approval, ENA, liquor licence, printing, salwar suits, car servicing, bus body, dairy plant, pre-packaged goods, electricity charges, cinema food, broken rice, ice-cream parlours, advertisement, mining trucks	Chapter 1 – Section 12
1.5 Advance Rulings	Columbia Asia Hospitals, Bai Mumbai Trust, Switching Avo Electro Power, Association of Leasing & Financial Service Companies, Rashtriya Ispat Nigam, Delhi Transport Corporation, Tata Consultancy Services	Chapter 1 – Section 13

MODULE 1 · OBJECTIVES

3. Learning Outcome Matrix

SUBJECT LEARNING OBJECTIVE (SLOB)	LEARNING OUTCOME / APPLICATION SKILL	MODULE 1 COVERAGE
SLOB 1: Develop detailed understanding of GST provisions for valuation, computation of tax liability including ITC management.	Identify taxable event, scope of supply, exempt supply, composite/mixed supply, composition scheme and reverse charge.	Fully covered through Section 7, Schedules I/II/III, Section 8, Section 10, exemptions and RCM.
SLOB 2: Obtain detailed knowledge of accounts, records, annual returns and dispute resolution for better compliance.	Classify transactions correctly, apply exemptions, identify deemed supply and compliance implications.	Covered through classification, exemptions, circulars and advance rulings.
SLOB 3: Acquire knowledge of valuation, duty calculation, remission and refund under Customs Act and Rules.	Customs-specific outcomes are covered in Section B modules.	Not applicable to Module 1. Module 1 is GST foundation.
SLOB 4: Facilitate strategic decision making by appropriate management of indirect tax issues.	Apply supply concepts to business restructuring, composition, job work, works contract, import of services and exemptions.	Covered through practical illustrations and case studies.

MODULE 1 · ANALYSIS

4. Exam Weightage Analysis

SECTION A – GST: 70% WEIGHTAGE

Module 1 is the foundation of Section A. Direct and indirect questions are expected from:

- Scope of supply – **5 to 10 marks**
- Schedule I / II / III – **5 to 10 marks**
- Composite vs mixed supply – **5 to 8 marks**
- Composition scheme – **5 to 10 marks**
- Exemptions – **5 to 10 marks**
- Circulars / advance rulings – **5 to 10 marks**

EXPECTED DECEMBER 2026 PATTERN

- MCQ / short notes – **2 to 5 marks**
- Practical problems – **8 to 15 marks**
- Case-based / application – **5 to 10 marks**
- Descriptive / analytical – **5 to 10 marks**

MODULE 1 · EXAM FAVOURITES

5. Frequently Tested Areas

FREQUENTLY REPEATED CONCEPTS

- Whether a transaction is supply under **Section 7(1)(a)** – consideration, business, taxable person, taxable territory.
- **Schedule I deemed supply** – permanent transfer of business assets, related/distinct persons, principal-agent, import of services from related person.
- **Schedule III negative list** – employee services, court/tribunal, sale of land/building, actionable claims other than specified actionable claims, warehoused goods.
- **Composite vs mixed supply** – natural bundling, principal supply, highest rate.
- **Composition scheme eligibility** – turnover, intra-State only, non-taxable goods, ECO, services limit, forms and due dates.
- **Exemptions** – goods and services, absolute vs conditional, Section 11(1)/(2)/(3), Section 11A.
- **Circulars** – principal-agent, JV, no claim bonus, tenancy rights, job work, works contract, pre-packaged goods.
- **Advance rulings** – intermediary, court receiver, mixed supply, leasing, contract liability, software as goods/services.

MODULE 1 · DECEMBER 2026

6. Important Amendments Covered in Material

AMENDMENT BOX – DEC 2026 FOCUS

The following amendments are specifically covered in Module 1 study material. For December 2026, focus on the date and effect.

- **Finance Act, 2021:** Section 7(1)(aa) inserted retrospectively w.e.f. 1-7-2017 – activities/transactions by unincorporated association/body of persons to its members for consideration.
- **Finance Act, 2023:** Schedule III para 7 and 8 retrospective w.e.f. 1-7-2017; specified actionable claims; OIDAR; online money gaming; Section 14A IGST.
- **Finance Act, 2024:** Schedule III entries 9 and 10 – co-insurance premium apportionment and reinsurance commission; Section 74A; Section 128A; Section 16(5)/(6).
- **Finance (No. 2) Act, 2024:** Time of supply under Section 13(3); self-invoice; RCM changes; Section 74A etc.
- **Finance (No. 7) Act, 2025 / Finance Act, 2025:** Schedule III para 8(aa) w.e.f. 1-10-2025; Section 11A; local authority definition; Section 122B; Section 148A; vouchers; etc.
- **Key notifications:** 66/2017-CT (advance against goods), 38/2023-CT, 08/2024-CT, 04/2024-CT, 06/2025-CT, 16/2025-CT, 13/2025-CT, 09/2025-CT, 05/2025-CT.
- **Key circulars:** 57/31/2018, 35/9/2018, 186/18/2022, 178/10/2022, 102/21/2019, 116/35/2019, 190/02/2023, 228/22/2024, 229/23/2024, 234/28/2024, 245/02/2025, 236/30/2024.

MODULE 1 · NAVIGATION

7. Chapter-Wise Coverage Index

CHAPTER / SECTION	COVERAGE	EXAM RELEVANCE
1.1 Introduction	GST fundamentals, dual GST, UTGST, GST Council, taxable event, scope of supply	High – conceptual and application
1.2 Case Studies	Taxable, non-taxable, exempted, deemed supplies, reverse charge, composite, mixed, composition, job work, works contract, import of services	Very high – practical questions
1.3 Notifications	Goods and services exemptions, nil-rated, wholly exempt, non-taxable, conditional/absolute exemptions	High – direct and case-based
1.4 Circulars	Principal-agent, inter-State movement, SKO/LAB, goods on approval, ENA, liquor licence, printing, salwar suits, car servicing, bus body, dairy plant, pre-packaged goods, electricity, cinema food, broken rice, ice-cream, advertisement, mining trucks	High – exam favourites
1.5 Advance Rulings	Columbia Asia, Bai Mumbai Trust, Switching Avo, Association of Leasing, Rashtriya Ispat, Delhi Transport, TCS	Medium to high – case law

CHAPTER 1 · DETAILED STUDY

Supply under GST: A Refresh

1. Chapter Overview

This chapter explains the taxable event under GST – **supply**. It covers the meaning and scope of supply under Section 7 of the CGST Act, 2017, the inclusive and exclusive parts of supply, Schedule I deemed supplies, Schedule II classification of goods/services, Schedule III negative list, composite and mixed supply under Section 8, composition levy under Section 10, exemptions under Section 11, key notifications, circulars and advance rulings. It also covers practical case studies on taxable, non-taxable, exempted and deemed supplies.

2. Learning Objectives

- Understand the taxable event under GST.
- Analyse and identify scope of supply, supply includes and excludes.
- Classify transactions which are exempted from GST.
- Explain composite and mixed supply.
- Understand composition scheme and its application in practice.
- Identify levy and collection of tax.
- Understand reverse charge mechanism.

3. Important Definitions

TERM	DEFINITION / KEY POINT
Supply	Inclusive definition under Section 7(1); includes sale, transfer, barter, exchange, licence, rental, lease, disposal for consideration in course/furtherance of business; import of services for consideration; activities in Schedule I without consideration; activities by unincorporated association/body to members for consideration.
Consideration	Section 2(31): payment in money or otherwise, monetary value of act/forbearance; excludes Central/State Government subsidy; deposit not treated as consideration unless applied.
Business	Section 2(17): includes trade, commerce, manufacture, profession, vocation, adventure, wager, etc.; activity with frequency, volume, continuity.
Goods	Section 2(52): every kind of movable property other than money and securities; includes actionable claim, growing crops, grass, things attached to land agreed to be severed.
Services	Section 2(102): anything other than goods, money and securities; includes activities relating to use of money or conversion of money for which consideration is charged.
Exempt supply	Section 2(47): nil rate, wholly exempt under Section 11 or Section 6 IGST, includes non-taxable supply.
Composite supply	Section 2(30): two or more taxable supplies naturally bundled, one principal supply.
Mixed supply	Section 2(74): two or more individual supplies together for a single price; not naturally bundled.
Principal supply	Section 2(90): predominant element of composite supply.
Works contract	Section 2(119): contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of immovable property involving transfer of property in goods.
Agent	Section 2(5): person carrying on business of supply or receipt of goods/services on behalf of another.
Related persons	Explanation to Section 15: officers/directors, partners, employer-employee, 25% or more voting stock, control, same family, sole agent/distributor/concessionaire.
Distinct persons	Section 25(4)/(5): separate registrations in same/different State/UT treated as distinct persons.
Actionable claim	Section 2(1): claim to any debt other than secured debt, or beneficial interest in movable property not in possession.
Specified actionable claim	Section 2(102A) w.e.f. 1-10-2023: betting, casinos, gambling, horse racing, lottery, online money gaming.

4. Key Legal Terminologies

Taxable event
Supply of goods or services or both.

Dual GST
CGST + SGST/UTGST on intra-State; IGST on inter-State.

UTGST
Union Territory Goods and Services Tax for UTs without legislature.

GST Council
Article 279A; Chairperson Union Finance Minister; quorum one-half; decisions 3/4th weighted votes; Centre 1/3rd, States 2/3rd.

Reverse charge
Recipient liable to pay GST instead of supplier.

Deemed supply
Schedule I activities without consideration.

Negative list
Schedule III activities neither supply of goods nor services.

5. Detailed Topic Explanation

● GST FRAMEWORK

One nation, one tax, one market. Taxable event = supply. Section 7 gives scope. Section 7(1)(a) covers supply for consideration in business; 7(1)(aa) covers unincorporated association/body to members; 7(1)(b) covers import of services for consideration; 7(1)(c) covers Schedule I activities without consideration. Section 7(1A) read with Schedule II classifies activities as goods or services. Section 7(2) excludes Schedule III and notified activities. Section 7(3) allows Government to notify treatment as goods/services.

5.1 SECTION 7 – SCOPE OF SUPPLY

SUB-SECTION	CONTENT
7(1)(a)	All forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business.
7(1)(aa)	Activities or transactions by a person, other than an individual, to its members or constituents or vice versa, for cash, deferred payment or other valuable consideration (inserted by Finance Act, 2021, w.r.e.f. 1-7-2017).
7(1)(b)	Import of services for a consideration whether or not in the course or furtherance of business.
7(1)(c)	Activities specified in Schedule I, made or agreed to be made without a consideration.
7(1A)	Where certain activities or transactions constitute a supply in accordance with sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.
7(2)	Supply excludes: (a) activities specified in Schedule III; (b) activities/transactions by Central Government, State Government, Union territory or local authority in which they are engaged as public authorities, as notified by Government on GST Council recommendations.
7(3)	Government may, on GST Council recommendations, specify by notification transactions to be treated as supply of goods and not services, or supply of services and not goods.

5.2 SIX PARAMETERS OF SUPPLY

1. Supply of goods or services. Supply of anything other than goods or services does not attract GST.
2. Supply should be made for a consideration.
3. Supply should be made in the course or furtherance of business.
4. Supply should be made by a taxable person.

5. Supply should be a taxable supply.
6. Supply should be made within the taxable territory.

EXCEPTIONS TO CONSIDERATION

(1) Any transaction involving supply of goods or services without consideration is not a supply, barring few exceptions, in which a transaction is deemed to be a supply even without consideration. (2) Further, import of services for a consideration, whether or not in the course or furtherance of business is treated as supply.

6. Schedules I, II, III – Complete Coverage

6.1 SCHEDULE I – DEEMED SUPPLY (WITHOUT CONSIDERATION)

Activities to be treated as supply even if made without consideration:

PARA	ACTIVITY	KEY CONDITIONS / NOTES
1	Permanent transfer or disposal of business assets	Applicable only where **input tax credit has been availed** on such assets. If no ITC, not a supply.
2	Supply of goods/services between related persons or distinct persons in course/furtherance of business	Gifts not exceeding **₹50,000** in value in a financial year by an employer to an employee shall not be treated as supply.
3	Supply of goods by principal to agent or by agent to principal	(a) Principal to agent where agent undertakes to supply such goods on behalf of principal; or (b) agent to principal where agent undertakes to receive such goods on behalf of principal.
4	Import of services by a person from a related person or from any of his other establishments outside India, in course/furtherance of business	Deemed supply even without consideration.

IMPORTANT FOR 5/10 MARKS

Permanent transfer of business assets is deemed supply only if ITC was availed. If no ITC, not a supply. Related/distinct person transactions are deemed supply even without consideration.

6.2 SCHEDULE II – CLASSIFICATION AS GOODS OR SERVICES

SL	TRANSACTION	SUPPLY OF GOODS	SUPPLY OF SERVICE
1	Transfer of title in goods	**Yes**	No
2	Transfer of right in goods/share without title	No	**Yes**
3	Transfer of title in future upon payment	**Yes**	No
4	Lease, tenancy, easement, licence to occupy land	No	**Yes**
5	Lease/letting of building for business/commerce	No	**Yes**
6	Treatment/process applied to another person's goods	No	**Yes**
7	Transfer/disposal of business assets	**Yes**	No
8	Business assets used for personal use	No	**Yes**
9	Ceasing to be taxable person – business assets deemed supplied	**Yes**	No
10	Renting of immovable property	No	**Yes**
11	Construction of complex/building intended for sale	No	**Yes**
12	Temporary transfer/use of IPR	No	**Yes**
13	Development/design/programming/customisation/upgradation/implementation of IT software	No	**Yes**
14	Agreeing to refrain/tolerate/do an act	No	**Yes**
15	Transfer of right to use goods for consideration	No	**Yes**
16	Works contract	No	**Yes**
17	Supply of food/drink as part of service	No	**Yes**

AMENDMENT

Paragraph 7 of Schedule II was omitted retrospectively w.e.f. 1-7-2017 consequent to Section 7(1)(aa).

6.3 SCHEDULE III – NEGATIVE LIST

Activities or transactions which shall be treated neither as a supply of goods nor a supply of services:

PARA	ACTIVITY	NOTES / AMENDMENT
1	Services by an employee to the employer in the course of or in relation to his employment.	Employer-employee relationship excluded.
2	Services by any court or Tribunal established under any law for the time being in force.	Court includes District Court, High Court and Supreme Court.
3	(a) Functions performed by MPs, MLAs, Members of Panchayats/Municipalities/local authorities; (b) duties performed by any person holding constitutional post; (c) duties performed by Chairperson/Member/Director in Government bodies not deemed employee.	Constitutional functionaries excluded.
4	Services of funeral, burial, crematorium or mortuary including transportation of the deceased.	Funeral services excluded.
5	Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.	Sale of land/building excluded; construction for sale is service.
6	Actionable claims, other than specified actionable claims.	Specified actionable claims w.e.f. 1-10-2023: betting, casinos, gambling, horse racing, lottery, online money gaming.
7	Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.	Retrospective w.e.f. 1-7-2017 (Finance Act, 2023).
8(a)	Supply of warehoused goods to any person before clearance for home consumption.	Retrospective w.e.f. 1-7-2017.
8(aa)	Supply of goods warehoused in SEZ/FTWZ to any person before clearance for exports or to DTA.	Inserted w.e.f. 1-10-2025 by Finance (No. 7) Act, 2025, w.r.e.f. 1-7-2017.
8(b)	Supply of goods by consignee to any other person by endorsement of documents of title after dispatch from foreign port but before clearance for home consumption.	Retrospective w.e.f. 1-7-2017.
9	Activity of apportionment of co-insurance premium by lead insurer to co-insurer for insurance services jointly supplied.	Inserted by Finance Act, 2024 w.e.f. 1-11-2024, subject to conditions.
10	Services by insurer to reinsurer for ceding/reinsurance commission deducted from reinsurance premium.	Inserted by Finance Act, 2024 w.e.f. 1-11-2024, subject to conditions.

7. Composite and Mixed Supply

BASIS	COMPOSITE SUPPLY	MIXED SUPPLY
Definition	Two or more taxable supplies naturally bundled, one principal supply	Two or more individual supplies together for single price, not naturally bundled
Natural bundling	Yes	No
Principal supply	Exists	No principal supply
Tax rate	Rate of principal supply	Highest rate among supplies
Example	Laptop with bag; hotel accommodation with breakfast; works contract	Diwali gift hamper; shirt + watch + wallet + book kit

ILLUSTRATION **Composite Supply – Laptop with Bag**

Q: Mr. Ram, dealer in laptops, sold a laptop bag along with laptop for ₹55,000. Laptop GST 18%, bag 28%. What is the applicable rate?

> **Solution:** If the laptop bag is supplied along with the laptop in the ordinary course of business, the principal supply is that of the laptop and the bag is ancillary. Therefore, it is a composite supply and the rate of tax would be that applicable to the laptop. Applicable rate of GST = 18% on ₹55,000. CGST = ₹4,950; SGST = ₹4,950.

ILLUSTRATION **Mixed Supply – Detergent with Free Bucket**

Q: Big Bazar offers a free bucket with detergent purchased. Detergent GST 28%, bucket 18%. Is it composite or mixed?

> **Solution:** This is a mixed supply. These items can be sold separately. Product which has the higher rate will apply on the whole mixed bundle. Applicable rate = 28%.

8. Composition Scheme – Section 10

Eligibility: Aggregate turnover in preceding FY up to ₹1.5 crore (₹75 lakh for special category States). Not applicable to non-taxable goods/services, inter-State outward supplies, supply through ECO required to collect TCS, manufacturer of notified goods (ice cream, pan masala, tobacco, aerated water, fly ash bricks/blocks, building bricks, earthen/roofing tiles, etc.). Service supplier under Notification 2/2019: turnover up to ₹50 lakh, not dealing in non-taxable, inter-State, ECO; rate 3% CGST + 3% SGST.

CATEGORY	CGST	SGST/UTGST	TOTAL
Manufacturer / Trader	0.5%	0.5%	1%
Restaurant Service	2.5%	2.5%	5%
Service Provider (Notification 2/2019)	3%	3%	6%

Conditions: No ITC; cannot collect tax; bill of supply; display "Composition Taxable Person"; not casual/non-resident; stock conditions; pay tax under RCM; no inter-State outward supply; not manufacturer of notified goods.

8.1 FORMS AND DUE DATES FOR COMPOSITION LEVY

FORM	PURPOSE	DUE DATE
CMP-01	Opt composition by provisional registration holder	Prior to appointed day or within 30 days
CMP-02	Intimation of willingness by registered person	Prior to commencement of FY
CMP-03	Details of stock and inward supplies from unregistered person	Within 90 days of exercise of option
CMP-04	Intimation of withdrawal from scheme	Within 7 days of event
CMP-05	SCN on contravention of rules	On contravention
CMP-06	Reply to show cause notice	Within 15 days
CMP-07	Issue of order	Within 30 days
CMP-08	Quarterly statement of self-assessed tax	18th of month succeeding quarter
GSTR-4	Annual return	30th June following FY 2024-25 onwards

REVISION BOX

Composition levy is optional, not a right. Once aggregate turnover exceeds limit, option lapses from date of exceeding. All registrations with same PAN must opt together.

9. Reverse Charge Mechanism

Section 9(3) CGST / Section 5(3) IGST: Government may notify goods/services where recipient is liable to pay tax.

Section 9(4) CGST / Section 5(4) IGST: Notified services from unregistered supplier to registered recipient liable under RCM w.e.f. 1-4-2019.

9.1 KEY RCM SERVICES

- Goods Transport Agency (GTA) services
- Legal services by advocate
- Arbitral tribunal services
- Sponsorship services
- Government/local authority services to business entity (excluding specified)
- Renting of immovable property to registered person
- Director services
- Insurance agent services
- Recovery agent services
- Music composer/photographer/artist services
- Author services
- Import of services
- Renting of motor vehicle to body corporate

- Lending of securities
- Overseeing committee to RBI
- Individual DSA to bank/NBFC

9.2 KEY RCM GOODS

- Cashew nuts, bidi wrapper leaves, tobacco leaves
- Essential oils
- Lottery
- Silk yarn
- Used vehicles, seized goods, old and used goods, waste and scrap
- Raw cotton
- Priority Sector Lending Certificate
- Metal scrap w.e.f. 10-10-2024

EXAM ALERT

RCM recipient must compulsorily register. ITC of tax paid under RCM is available subject to conditions. Supplier cannot take ITC of GST paid on goods/services used to make supplies on which recipient is liable to pay tax.

10. Job Work and Works Contract

10.1 JOB WORK – SECTION 143

Principal may send inputs/capital goods without payment of tax to job worker under intimation. Inputs must be returned within **1 year**; capital goods within **3 years**. Moulds and dies, jigs and fixtures, tools are exempt from time limit. Principal can avail ITC on inputs sent to job worker. Job worker can send goods to another job worker. Waste generated at job worker's premises may be supplied on payment of tax by registered job worker or principal.

Forms: ITC-04 (half-yearly if turnover > ₹5 crore; annual if up to ₹5 crore).

10.2 WORKS CONTRACT – SECTION 2(119)

Contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of immovable property involving transfer of property in goods. Treated as supply of service under Schedule II para 6(a).

ILLUSTRATION **Works Contract – Flooring and Wall Tiling**

Q: Shambhu Pvt. Ltd. awarded contract for flooring/wall tiling in Delhi. Gross amount ₹6,00,000; Nath Ltd. supplied material FMV ₹1,00,000; amount charged by Nath included ₹60,000. GST @ 9% CGST + 9% SGST.

Solution:
Gross amount charged by Shambhu Pvt. Ltd. = ₹6,00,000
Add: Fair market value of material supplied by Nath Ltd. = ₹1,00,000
Less: Amount charged by Nath Ltd. for the material = (₹60,000)
Total value subject to GST = ₹6,40,000
CGST 9% × ₹6,40,000 = ₹57,600
SGST 9% × ₹6,40,000 = ₹57,600
Total GST liability = ₹1,15,200

ILLUSTRATION **Job Work – Steel Bar Cutting**

Q: Mr. A gave steel bars worth ₹1,00,000 to job worker Mr. B for cutting; job charges ₹20,000. GST liability?

> **Solution:** Job work = supply of service. Value = ₹20,000. GST on job charges. Principal can avail ITC on inputs sent to job worker.

11. Exemptions – Section 11 CGST / Section 6 IGST

Government may exempt goods/services absolutely or conditionally by notification on GST Council recommendations. Special order in exceptional circumstances. Explanation within one year, effective from inception of original notification. Section 11A w.e.f. 1-11-2024: power not to recover GST not levied/short-levied due to general practice.

11.1 GOODS EXEMPTIONS – ILLUSTRATIVE LIST

Notification No. 2/2017-Central Tax (Rate), dated 28-06-2017

- Edible vegetables, roots and tubers
- Cereals
- Fish (not frozen or processed)
- Fresh fruits and vegetables (other than frozen or processed)
- Meat (other than in unit container and put up for retail sale)
- Cane jaggery (gur)
- Tender coconut water
- Silkworm laying cocoon
- Raw silk, silk waste
- Wool, not carded or combed
- Cotton used in Gandhi Topi, Khadi Yarn
- Coconut, coir fibre
- Jute fibre raw or processed but not spun
- Puja samagri

11.2 SERVICES EXEMPTIONS – COMPREHENSIVE TABLE

Notification No. 12/2017-Central Tax (Rate), dated 28-06-2017

ENTRY	EXEMPTED SERVICE
1	Charitable activities by entity registered under Section 12AA/12AB of Income-tax Act
2	Transfer of going concern, whole or independent part
3	Pure services to Government/local authority for functions under Article 243G/243W
3A	Composite supply where goods ≤25% to Government/local authority for functions under Article 243G/243W
3B	Water supply, public health, sanitation, solid waste management, slum improvement to Governmental Authority w.e.f. 20-10-2023
4/5	Governmental authority services for municipality/panchayat functions
6	Government services excluding postal, aircraft/vessel, transport, business entity services
7	Government services to business entity with turnover up to ₹40 lakh/₹20 lakh/₹10 lakh
8	Government to Government services
9	Government services where consideration ≤₹5,000
9B	Transit cargo to Nepal/Bhutan
9C	Government Entity to Government against grants
9D	Old age homes up to ₹25,000 per month per member
9E	Indian Railways platform tickets, retiring rooms, cloak room, battery car w.e.f. 15-7-2024
9F	Indian Railways zone to zone services w.e.f. 15-7-2024
9G	SPV to Indian Railways infrastructure usage w.e.f. 15-7-2024
10	Pure labour contracts for beneficiary-led individual house construction under Housing for All/PMAY
10A	Electricity distribution utility infrastructure for tube well of farmer
11	Pure labour contracts for single residential unit
11A/11B	Fair Price Shops commission/margin under PDS
12	Renting of residential dwelling for use as residence (except to registered person w.e.f. 18-7-2022)
12A	Accommodation services ≤₹20,000 per person per month for minimum 90 continuous days w.e.f. 15-7-2024
13	Religious ceremony, renting of precincts of religious place (subject to limits)
14	Hotel/inn/guest house below ₹1,000 per day (omitted w.e.f. 18-7-2022)
15	Transport of passengers by air in North-Eastern States, non-AC contract carriage, stage carriage
16	Regional connectivity scheme airport VGF
17	Transport of passengers by railways other than first class/AC, metro, monorail, tramway, inland waterways, public transport vessel, metered cab/auto rickshaw/e-rickshaw
18	Transport of goods by road except GTA/courier agency, inland waterways

ENTRY	EXEMPTED SERVICE
19	Transport of goods by aircraft from outside India to customs station
19A/19B	Transport of goods by aircraft/vessel from customs station to outside India (withdrawn w.e.f. 1-10-2022)
19C	Satellite launch services by ISRO, Antrix, New Space India (extended to private sector w.e.f. 27-7-2023)
20	Transport of specified goods by rail/vessel
21	GTA services for specified goods
21A	GTA to unregistered person other than specified recipients
21B	GTA to Government/local authority/Governmental agencies registered only for TDS
22	Giving on hire to state transport undertaking, GTA, educational institution, local authority EOV
23	Toll charges
23A	Annuity (withdrawn w.e.f. 1-1-2023)
24	Loading, unloading, packing, storage or warehousing of rice
24A	Warehousing of minor forest produce
24B	Storage/warehousing of cereals, pulses, fruits, nuts, vegetables
24C	Department of Posts post card, inland letter, book post, ordinary post w.e.f. 18-7-2022
25	Transmission or distribution of electricity
25A	Metering equipment rent, testing, connection, shifting, duplicate bills w.e.f. 10-10-2024
26	RBI services (omitted w.e.f. 18-7-2022)
27	Extending deposits/loans/advances by way of interest/discount; sale/purchase of foreign currency amongst banks
27A	Banking company to BSBD account holders under PMJDY
28	Life insurance annuity under NPS
29/29A/29B	Group insurance funds for Army/Navy/Air Force/Coast Guard/CAPF
30	ESIC services
31/31A/31B	EPFO, Coal Mines PF, NPS Trust
32/33	IRDAI/SEBI (omitted w.e.f. 18-7-2022)
34	Acquiring bank settlement up to ₹2,000 per transaction
34A	Government guarantee for loans to PSUs
35	General insurance under specified schemes
36	Life insurance under specified schemes

ENTRY	EXEMPTED SERVICE
36A	Reinsurance of specified schemes
36B	Motor Vehicle Accident Fund w.e.f. 16-1-2025
36C/36D/36E	Life/health insurance to non-group; reinsurance w.e.f. 22-9-2025
37/38	Atal Pension Yojana, State Government pension schemes
39/39A	Business facilitator/correspondent; IFSC intermediary
40	Government insurance schemes where total premium paid by Government
41	Upfront amount for long-term lease of industrial plots
41A/41B	Transfer of development rights/FSI; long-term lease for residential apartments
42	Telecom service provider/spectrum user charges pre-1-4-2016
43	Indian Railways Finance Corporation leasing (omitted w.e.f. 1-10-2021)
44	Incubatee up to ₹50 lakh turnover
44A	R&D services against grants w.e.f. 10-10-2024
45	Arbitral tribunal, advocate, senior advocate services
46	Veterinary clinic
47	Government registration, testing, calibration, safety check
47A	FSSAI (omitted w.e.f. 18-7-2022)
48	Technology Business Incubator/Science and Technology Entrepreneurship Park
49	Independent journalist, PTI, UNI
50	Public libraries
51	GSTN (omitted w.e.f. 18-7-2022)
52	Business exhibition outside India
52A	Tour operator service partly outside India to foreign tourist
53	Legal services to Government/local authority/Governmental Authority/Government Entity
54	Agriculture: cultivation, harvesting, commission on sale of agricultural produce, testing, farm labour, trimming, sorting, renting of agro machinery, loading/unloading/packing/storage/warehousing of agricultural produce, agricultural extension services, agricultural produce marketing committee
55	Job work in relation to cultivation of plants and rearing of animals
55A	Artificial insemination of livestock
56	Slaughtering of animals (withdrawn w.e.f. 18-7-2022)
57	Pre-conditioning, precooling, ripening, waxing, retail packing, labelling of fruits and vegetables

ENTRY	EXEMPTED SERVICE
58	National Centre for Cold Chain Development
59	Foreign diplomatic mission
60	Religious pilgrimage under bilateral arrangement
61/61A	Passport, visa, driving licence, birth/death certificate; National Permit
62	Government tolerating non-performance of contract
63/64	Assignment of right to use natural resources to individual farmer/pre-1-4-2016
65/65A/65B	Merchant Overtime charges; RTI; State Government to ERCC
66/66A	Educational institution services; affiliation services to Government schools w.e.f. 10-10-2024
67	IIM services (omitted w.e.f. 1-1-2019)
68	Recognised sports body services
69	NSDC, NCVET, Awarding Body, Assessment Agency, Training Body w.e.f. 10-10-2024; training partner w.e.f. 16-1-2025
70	Assessing bodies under Skill Development Initiative Scheme
71	Training providers under DDU-GKY
72	Training programme with 75% or more expenditure borne by Government
73	Cord blood bank (omitted w.e.f. 18-7-2022)
74	Health care services by clinical establishment/authorised medical practitioner/para-medics; ambulance; room charges >₹5,000 taxable w.e.f. 18-7-2022
74A	Rehabilitation professionals
75	Bio-medical waste treatment facility (omitted w.e.f. 18-7-2022)
76	Public conveniences
77	Unincorporated body/non-profit entity to members: trade union, exempt activity, ₹7,500 per month per member for housing society
77A	Unincorporated body/non-profit entity for welfare of industrial/agricultural labour/farmers; promotion of trade, commerce, etc.; membership fee up to ₹1,000 per member per year
78	Artist performance in folk/classical art forms up to ₹1,50,000; not brand ambassador
79/79A	Museum, national park, wildlife sanctuary, tiger reserve, zoo; protected monument
80	Training/coaching in recreational activities relating to arts/culture by individual; sports by charitable entities
81	Right to admission to circus, dance, theatre, award function, concert, pageant, musical performance, sporting event, planetarium up to ₹500 per person
82/82A/82B	FIFA U-17 World Cup 2017; FIFA U-17 Women's World Cup 2020; AFC Women's Asia Cup 2022

ENTRY	EXEMPTED SERVICE
83	Services received from non-taxable territory by Government/local authority/individual for non-business; charitable entity; person in non-taxable territory (OIDAR and vessel transport excluded w.e.f. 1-10-2023)
84	RBI from outside India for forex reserves (omitted w.e.f. 18-7-2022)
85	Tour operator service partly outside India to foreign tourist
86	Intermediary when both supplier and recipient outside taxable territory w.e.f. 1-10-2019

EXAM TIP

Distinguish absolute exemption vs conditional exemption. Exemption notification is interpreted strictly; burden of proof on assessee. Section 11(3) explanation is effective from inception of original notification. Section 11A protects past practice w.e.f. 1-11-2024.

12. Important Circulars covering Clarifications on Supply

CIRCULAR	SUBJECT	KEY CLARIFICATION
57/31/2018-GST	Principal-agent relationship	Key ingredient: whether invoice for further supply is issued by agent or not. If invoice by agent in name of principal, agent not covered under Schedule I. Procurement agent, auctioneer distinctions explained.
1/1/2017 IGST	Inter-State movement of vehicles	Movement of conveyance between distinct persons not supply unless for further supply. Repairs and maintenance taxable.
53/27/2018-GST	SKO retained for LAB manufacture	GST payable by refinery only on net quantity of petroleum gases retained by recipient manufacturer. Returned quantity taxable when supplied to another person.
22/22/2017-GST	Goods sent on approval basis	Art work sent to gallery for exhibition not supply. Invoice at actual supply. Delivery challan + e-way bill for movement.
121/40/2019-GST	Alcoholic liquor licence	Grant of liquor licence by State Government against licence fee/application fee not supply of goods or services.
13/13/2017-GST	Unstitched salwar suits	GST rate 5%. Cutting and packing of fabrics into pieces does not change nature of goods.
47/21/2018-GST	Servicing of cars	Where goods (spare parts) and services (labour) shown separately, taxable at respective rates separately.
52/26/2018-GST	Bus body building	Built-up bus on own chassis = supply of goods @28%. Body on chassis provided by principal = service @18%.
177/09/2022-TRU	Various clarifications	Dairy plant = composite supply of works contract; sanitation to Army; tour operator; passenger transport; hotel accommodation; etc.
178/10/2022-GST	Liquidated damages, compensation	Liquidated damages for breach not consideration; compensation for cancellation of coal blocks not taxable; cheque dishonour fine not taxable; penalty for violation of law not taxable; forfeiture of salary/bond amount not taxable; late payment surcharge ancillary to principal supply; fixed capacity charges for power exempt; cancellation charges same rate as principal service; earnest money forfeiture not taxable.
102/21/2019-GST	Penal interest against loan repayment	Penal interest treated as interest; exempt under Entry 27 of Notification 12/2017-CT(R).
116/35/2019-GST	Donation/name display	Name plate/acknowledgement of donor in charitable institution premises = no supply; no GST.
190/02/2023-GST	MeitY incentive to acquiring banks	Incentive in nature of subsidy; not taxable.
206/18/2023-GST	Electricity charges, horticulture, milling	Electricity bundled with renting of immovable property = composite supply; pure agent if actual basis. Horticulture to CPWD exempt under Entry 3/3A. Milling of wheat/paddy for PDS exempt if goods ≤25%.
201/13/2023-GST	Cinema food, director services	Food/beverages in cinema hall = restaurant service if independent; bundled with ticket = composite supply at cinema rate. Director services in private/personal capacity not under RCM.

CIRCULAR	SUBJECT	KEY CLARIFICATION
229/23/2024-GST	Pulses/cereals regularization	Regularization for 1-7-2017 to 17-7-2022 for supplies to/from government agencies under approved programmes; certificate and ITC reversal conditions. Pre-packaged >25 kg not pre-packaged and labelled.
234/28/2024-GST	PLC, affiliation, DGCA, MRO	PLC part of construction service; affiliation services by universities to colleges taxable @18%; DGCA flying training exempt; MRO services place of supply.
245/02/2025-GST	RERA, DDA, facility management	RERA statutory collections exempt; DDA not local authority; facility management to MCD taxable; electricity incidental services exempt; NSDC training partner regularized.
228/22/2024-GST	Insurance, accommodation, R&D	Co-insurance/reinsurance no supply w.e.f. 1-11-2024; accommodation ≤₹20,000 per person per month for 90 days exempt w.e.f. 15-7-2024; R&D grants exempt w.e.f. 10-10-2024; past regularized.
236/30/2024-GST	As is where is basis	Tax paid at lower/nil rate treated as full discharge; no refund for higher rate; no recovery for nil rate in genuine doubt cases.

CHAPTER 1 · SECTION 13

13. Analysis of Key Advance Rulings

CASE	FACTS	DECISION	EXAM POINT
Columbia Asia Hospitals Pvt. Ltd. (AAR Karnataka)	Corporate office employees providing services to other units; common expenditure allocation.	Corporate office and units are distinct persons under Section 25; services covered under Schedule I Entry 2; taxable. Reimbursement of expenditure also taxable.	Distinct persons – deemed supply even without consideration.
Bai Mumbai Trust v Suchitra (Bombay High Court)	Services rendered by Court Receiver appointed by Court.	Court Receiver functions under supervision of Court; office is establishment of High Court; services by court not supply under Schedule III. No GST.	Schedule III – court/tribunal services excluded.
Switching Avo Electro Power Ltd. (AAAR West Bengal)	Supply of external storage battery with UPS.	When battery supplied separately with UPS, it is mixed supply, not composite; not naturally bundled even if single contract and single price.	Composite vs mixed supply – natural bundling test.
Association of Leasing & Financial Service Companies v UOI (SC)	Lessor collecting principal and interest from lessee; accounting under AS 19.	Interest part is consideration; lessor liable to service tax on interest. Under GST entire instalments (principal + interest) taxable.	Leasing – entire instalments taxable under GST.
Rashtriya Ispat Nigam Ltd. v Dewan Chand Ram Saran (SC)	Contract clause shifting service tax liability to service provider.	Assessee can contract to shift liability; service receiver can deduct tax from bills.	Contractual shifting of tax burden permissible.
Delhi Transport Corporation v Commissioner (Delhi HC)	Contract with advertisers stating advertisers would pay tax; department demanded tax from DTC.	Contractual arrangement does not absolve statutory liability; assessee must pay tax and recover from other party.	Statutory liability remains on assessee.
Tata Consultancy Services v State of AP (SC)	Software designed/developed, put in media and sold.	Goods may be tangible or intangible; software satisfying attributes (utility, capable of being bought/sold, transmitted, transferred, delivered, stored, possessed) is goods.	Software classification – goods vs services; Schedule II treats IT software development etc. as service under GST.

14. Practical Illustrations with Step-wise Solutions

ILLUSTRATION 1 Sale, Transfer, Barter, Exchange, Licence, Rental, Lease, Disposal

Q: Mr. X sold laptop worth ₹1,00,000 and issued invoice to Mr. Y. Is it supply? What if Mr. X transferred right to operate Xerox machine to Mr. B for ₹10,000 per month?

> **Solution:** Sale involves transfer of property in goods for consideration in course of business. GST leviable. Transfer of right to operate machine without transferring ownership = supply of service under Schedule II para 5(f). GST leviable.

ILLUSTRATION 2 Barter and Exchange

Q: Mr. C, Cost Accountant, provided services to M/s XYZ Ltd. and received two laptops in return. Mr. A supplied laptop for ₹40,000 along with barter of printer worth ₹4,000. Taxability?

> **Solution:** Barter: two-way supply. Mr. C supplies service; XYZ supplies goods. Both taxable. Exchange: Mr. A supplies laptop for ₹40,000 + printer ₹4,000; value of laptop supply = ₹44,000; Mr. B liable on printer ₹4,000 if registered.

ILLUSTRATION 3 Consideration and No Claim Bonus

Q: Insurance company allows No Claim Bonus by deducting ₹10,000 from premium of ₹1,00,000. Is NCB consideration for supply by insured?

> **Solution:** No. Circular 186/18/2022 clarifies NCB is not consideration for any supply by insured. GST on actual premium after deducting NCB. NCB is permissible deduction under Section 15(3)(a).

ILLUSTRATION 4 Subsidy

Q: Bharat Gas sells cylinder at ₹800. Customer receives ₹200 subsidy directly from Government to bank account. Value of supply?

> **Solution:** Subsidy directly credited to customer not received by supplier; not part of transaction value. Transaction value = ₹800 per cylinder.

ILLUSTRATION 5 Permanent Transfer of Business Assets

Q: M/s X Ltd. purchased furniture for ₹10 lakh + IGST 18% = ₹1.80 lakh ITC. Permanently transferred furniture free to Trust. Taxability?

> **Solution:** ITC availed; permanent transfer/disposal = deemed supply under Schedule I. GST payable on value. If ITC not availed, not supply.

ILLUSTRATION 6 Related Persons

Q: M/s Ram & Co. holds 30,000 shares in X Ltd. (capital 1,00,000 shares) and 25,000 shares in Y Ltd. (capital 80,000 shares). Related?

Solution: Ram & Co. holds 30% in X Ltd. and 31.25% in Y Ltd. Both exceed 25%. Related persons. Supply between them deemed supply even without consideration under Schedule I.

ILLUSTRATION 7 Import of Services from Related Person

Q: Sparsh Ltd. of Mumbai imports business support services from head office in USA free of cost. Taxability?

Solution: Import of services from related person/establishment outside India in course of business = deemed supply under Schedule I. Taxable even without consideration. IGST under RCM.

ILLUSTRATION 8 Renting of Immovable Property

Q: Mr. A owns residential building in commercial locality. Basement leased to wholesaler, ground floor to guest house, first floor self-occupied, second floor to Mr. D as residence, vacant land to parking contractor. GST liability?

Solution: Basement – commercial use – taxable. Ground floor – guest house – commercial – taxable. First floor – self-occupied – not supply. Second floor – residential – exempt. Vacant land – commercial – taxable.

ILLUSTRATION 9 Construction Service – Completion Certificate

Q: Builder obtained completion certificate on 31st March. First floor occupied 1st Feb entire consideration received – no GST. Second floor part payment during construction – GST on entire value. Third floor no one occupied till 31st March – sold 1st April – no GST. Fourth floor occupied 3rd April, part payment 3rd Feb – no GST.

Solution: GST applies only to amount paid for flats under construction. Ready-to-move-in flats not taxable. Part payment during construction taxable on entire value.

ILLUSTRATION 10 Composite Supply – Laptop with Bag

Q: Mr. Ram sold laptop bag along with laptop for ₹55,000. Laptop GST 18%, bag 28%. Rate?

Solution: Composite supply; principal supply laptop; GST 18% on ₹55,000 = CGST ₹4,950 + SGST ₹4,950.

ILLUSTRATION 11 Mixed Supply – Detergent with Free Bucket

Q: Big Bazar offers free bucket with detergent purchased. Detergent 28%, bucket 18%. Rate?

> **Solution:** Mixed supply; highest rate 28% applies on whole bundle.

ILLUSTRATION 12 Composition Scheme Eligibility

Q: Ram & Co., trader in Tamil Nadu, preceding FY: intra-State taxable goods ₹120 lakh, exempt goods ₹10 lakh, taxable services ₹5 lakh, exempt services ₹3 lakh, interest ₹15.50 lakh. Eligible for composition?

> **Solution:** Aggregate turnover = ₹120 + ₹10 + ₹5 + ₹3 = ₹138 lakh (interest excluded). Does not exceed ₹150 lakh. Value of services = ₹8 lakh; 10% of ₹138 lakh = ₹13.80 lakh; permissible. Eligible.

ILLUSTRATION 13 Composition Scheme – Services Limit

Q: M/s X & Co. sells electrical cables, motors, wires and undertakes repair. Turnover from sale ₹59 lakh, repairing ₹1 lakh. Eligible?

> **Solution:** Value of service = ₹1L / ₹60L × 100 = 1.67%. Does not exceed 10% or ₹5 lakh. Eligible.

ILLUSTRATION 14 Composition Scheme – Non-Taxable Goods

Q: Hotel King Pvt. Ltd. provider of restaurant services in New Delhi; also serves beer, whisky. Turnover ₹67 lakh. Eligible?

> **Solution:** Not eligible. Supply of non-taxable goods (beer, whisky) disentitles composition.

ILLUSTRATION 15 Composition Scheme – Inter-State Supply

Q: Mr. C of Chennai, retailer of cell phones, supplies goods to Chennai and Pondicherry. Aggregate turnover ₹45 lakh. Eligible?

> **Solution:** No. Inter-State supply of goods prohibited under composition scheme.

ILLUSTRATION 16 Composition Scheme – ECO

Q: Peter England sells ready-made clothes online on Amazon India. Order ₹12,00,000 previous year; aggregate turnover ₹21,00,000. Eligible?

> **Solution:** w.e.f. 1-10-2023, composition taxpayer allowed to sell goods through ECO. Eligible provided no inter-State supply.

ILLUSTRATION 17 **Composition Scheme – Bakery Products**

Q: Hot Breads Pvt. Ltd. supplier of bakery products registered w.e.f. 1-4-2025 in Tamil Nadu. April 2025 taxable supplies ₹88 lakh. Eligible? Rate?

> **Solution:** Eligible for composition levy. Supply of bakery products = supply of goods; rate 1% under trader category, not 5% under food and restaurant services.

ILLUSTRATION 18 **Composition Scheme vs Normal Scheme**

Q: Hotel King Pvt. Ltd. turnover ₹100 lakh; inputs ₹7,80,000 + GST 18%; profit margin 40%. Compare composition vs normal.

> **Solution:**
> **Composition:** Invoice price ₹12,88,560; CGST 2.5% ₹32,214; SGST 2.5% ₹32,214; total ₹64,428.
> **Normal:** Invoice price ₹12,88,560; Output tax ₹1,96,560; ITC ₹70,200; net liability ₹28,080 + ₹28,080 = ₹56,160.
> **Normal scheme economical.**

ILLUSTRATION 19 **Exempted Supplies – Goods**

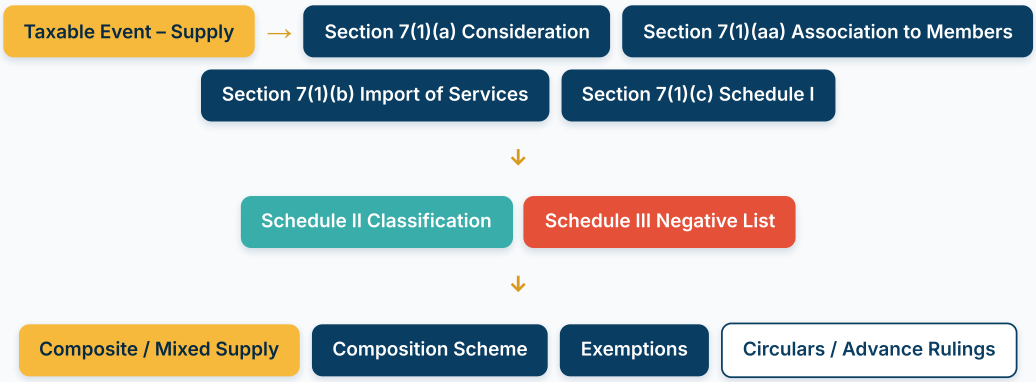
Q: Mr. Raman, dealer, April 2026: plastic bangles ₹20,000; mobile phones ₹3,20,120; books ₹1,25,500; dates ₹13,500; salt ₹9,180; organic manure ₹2,00,000; chemical fertilizers ₹5,75,000 (30% subsidy from Government). GST @5%. Find liability.

> **Solution:** Plastic bangles exempt; mobile phones taxable ₹3,20,120 × 5% = ₹16,006; books exempt; dates exempt; salt exempt; organic manure exempt; chemical fertilizers – subsidy from Government not includible; value ₹5,75,000 × 70% = ₹4,02,500 × 5% = ₹20,125. Total GST = ₹36,131.

CHAPTER 1 · SECTION 15

15. End of Chapter

A. Chapter Mind Map



B. Top 25 Revision Points

1. Taxable event under GST is supply.
2. No supply = no GST, unless deemed.
3. Dual GST: CGST + SGST/UTGST; IGST on inter-State.
4. GST Council under Article 279A.
5. Section 7(1)(a): consideration + business.
6. Section 7(1)(aa): unincorporated association/body to members.
7. Section 7(1)(b): import of services for consideration, even if not in business.
8. Section 7(1)(c): Schedule I without consideration.
9. Schedule I: permanent transfer, related/distinct persons, principal-agent, import from related person.
10. Gifts up to ₹50,000 per employee per FY not supply.
11. Schedule II classifies transactions as goods or services.
12. Schedule III negative list: employee, court, MP, funeral, land/building, actionable claims, warehoused goods.
13. Composite supply: naturally bundled + principal supply.
14. Mixed supply: not naturally bundled; highest rate.
15. Composition scheme: turnover up to ₹1.5 crore / ₹75 lakh.
16. Composition: no ITC, no inter-State outward, no non-taxable goods.
17. Composition rates: 0.5%, 2.5%, 3% under Notification 2/2019.
18. Section 11 exemption: general, special, explanation, absolute/conditional.
19. Section 11A: no recovery for general practice w.e.f. 1-11-2024.
20. Exempt supply includes nil-rated, wholly exempt, non-taxable.
21. Reverse charge: recipient liable.
22. Circular 57/31/2018 principal-agent key.

23. Circular 206/18/2023 electricity bundled with rent.
24. Advance ruling binding only on applicant and jurisdictional officer.
25. December 2026: focus on amendments and practical application.

C. Top 10 Examination Questions

1. Define supply. Explain scope of supply under Section 7 with exceptions.
2. Explain Schedule I deemed supply with examples.
3. Distinguish composite supply and mixed supply with examples.
4. Explain composition scheme eligibility, conditions, rates and forms.
5. Explain exemptions under Section 11; absolute vs conditional.
6. Explain principal-agent relationship under GST with circular.
7. Discuss taxability of import of services from related person.
8. Explain treatment of permanent transfer of business assets.
9. Explain taxability of works contract and job work.
10. Discuss key advance rulings on supply.

D. Expected Dec 2026 Questions

- Practical problem on composite vs mixed supply with rate determination.
- Composition scheme eligibility with turnover and service limit.
- Schedule I / III classification of transactions.
- Exemption notification interpretation and burden of proof.
- Circular-based question on electricity charges, cinema food, pre-packaged goods.
- Advance ruling analysis on distinct persons / intermediary.

E. Formula and Limit Sheet

ITEM	LIMIT / RATE / DATE
Composition scheme turnover – normal States	**₹1.5 crore**
Composition scheme turnover – special category States	**₹75 lakh**
Composition service provider under Notification 2/2019	**₹50 lakh; 3% + 3%**
Composition rates	**Manufacturer/trader 0.5%+0.5%; restaurant 2.5%+2.5%**
Gift by employer to employee	**₹50,000 per FY per employee**
Section 11(3) explanation time limit	**1 year**
Section 11A effective	**1-11-2024**
Specified actionable claims	**28% IGST**
Pre-packaged and labelled	**≤25 kg / 25 litre, declarations under Legal Metrology**

F. Quick Revision Notes

QUICK REVISION

Supply = taxable event. Section 7(1)(a) consideration + business. Schedule I deems supply without consideration. Schedule II classifies. Schedule III excludes. Composite = principal rate. Mixed = highest rate. Composition = small taxpayers, no ITC. Exemptions = Section 11/6 IGST. Circulars and advance rulings are exam favourites.

G. One Page Summary

MODULE 1 IN ONE PAGE

GST is destination-based dual tax. Taxable event is supply. Section 7 defines scope. Schedule I covers deemed supplies. Schedule II classifies goods/services. Schedule III negative list. Section 8 composite/mixed. Section 10 composition. Section 11 exemptions. Key circulars clarify principal-agent, electricity, cinema, pre-packaged goods, etc. Advance rulings clarify distinct persons, court receiver, mixed supply, leasing, contract liability, software. For Dec 2026, apply concepts to practical problems.

End of Module 1

1. Complete Module Summary

Module 1 establishes that GST is levied on supply. It covers the dual GST model, GST Council, taxable event, Section 7, Schedules I/II/III, composite and mixed supply, composition levy, exemptions, notifications, circulars and advance rulings. The module is the foundation for time, place, value, ITC, returns, refunds and dispute resolution.

2. Top 100 Important Examination Points

1. GST is destination-based consumption tax.
2. India adopted dual GST.
3. CGST + SGST/UTGST on intra-State.
4. IGST on inter-State and imports.
5. UTGST for UTs without legislature.
6. GST Council under Article 279A.
7. Taxable event is supply.
8. No supply, no GST unless deemed.
9. Section 7 defines scope.
10. Section 7(1)(a): consideration + business.
11. Forms of supply: sale, transfer, barter, exchange, licence, rental, lease, disposal.
12. Section 7(1)(aa): unincorporated association/body to members.
13. Section 7(1)(b): import of services for consideration.
14. Section 7(1)(c): Schedule I without consideration.
15. Section 7(1A): Schedule II classification.
16. Section 7(2): Schedule III and notified activities excluded.
17. Section 7(3): Government can notify goods/services treatment.
18. Schedule I para 1: permanent transfer/disposal of business assets with ITC.
19. Schedule I para 2: related/distinct persons.
20. Gifts up to ₹50,000 per employee per FY not supply.
21. Schedule I para 3: principal-agent.
22. Schedule I para 4: import of services from related person.
23. Schedule II para 1: transfer of title = goods.
24. Schedule II para 2: right in goods without title = service.
25. Schedule II para 4: land lease = service.
26. Schedule II para 5: building lease = service.
27. Schedule II para 6: job work = service.
28. Schedule II para 7 omitted retrospectively.
29. Schedule II para 10: renting immovable property = service.
30. Schedule II para 11: construction for sale = service.

31. Schedule II para 12: IPR temporary transfer = service.
32. Schedule II para 13: IT software development = service.
33. Schedule II para 14: refrain/tolerate/do = service.
34. Schedule II para 15: right to use goods = service.
35. Schedule II para 16: works contract = service.
36. Schedule III para 1: employee services excluded.
37. Schedule III para 2: court/tribunal excluded.
38. Schedule III para 3: MPs/MLAs etc excluded.
39. Schedule III para 4: funeral excluded.
40. Schedule III para 5: sale of land/building excluded.
41. Schedule III para 6: actionable claims other than specified excluded.
42. Schedule III para 7: goods non-taxable to non-taxable without entering India excluded.
43. Schedule III para 8: warehoused goods excluded.
44. Schedule III para 9/10: co-insurance/reinsurance commission excluded w.e.f. 1-11-2024.
45. Composite supply: naturally bundled.
46. Composite supply: principal supply rate.
47. Mixed supply: single price, not naturally bundled.
48. Mixed supply: highest rate.
49. Composition scheme: ₹1.5 crore / ₹75 lakh.
50. Composition: no ITC.
51. Composition: no inter-State outward.
52. Composition: no non-taxable goods.
53. Composition: manufacturer/trader 0.5%+0.5%.
54. Composition: restaurant 2.5%+2.5%.
55. Composition service provider: 3%+3%.
56. CMP-01 to CMP-08 forms.
57. GSTR-4 annual return for composition.
58. Section 11: exemption power.
59. Section 6 IGST: exemption power.
60. Absolute exemption: no condition.
61. Conditional exemption: option.
62. Special order exemption.
63. Explanation within one year.
64. Section 11A: general practice relief w.e.f. 1-11-2024.
65. Exempt supply includes nil-rated, wholly exempt, non-taxable.
66. No ITC on exempt supplies.
67. Reverse charge: recipient liable.
68. Import of services: recipient liable under RCM.
69. Principal-agent: invoice by agent in principal's name not Schedule I.

70. Circular 57/31/2018: procurement agent vs auctioneer.
71. Circular 1/1/2017: inter-State movement of vehicles not supply unless further supply.
72. Circular 53/27/2018: SKO/LAB net quantity.
73. Circular 22/22/2017: goods on approval.
74. Circular 121/40/2019: liquor licence not supply.
75. Circular 13/13/2017: unstitched salwar suits 5%.
76. Circular 47/21/2018: car servicing goods/services separately.
77. Circular 52/26/2018: bus body building.
78. Circular 177/09/2022: dairy plant works contract.
79. Circular 206/18/2023: electricity bundled with rent.
80. Circular 201/13/2023: cinema food.
81. Circular 229/23/2024: pulses/cereals regularization.
82. Circular 234/28/2024: PLC, affiliation, DGCA.
83. Circular 245/02/2025: RERA, DDA, facility management.
84. Advance ruling binding on applicant and jurisdictional officer.
85. Columbia Asia: distinct persons taxable.
86. Bai Mumbai Trust: court receiver not taxable.
87. Switching Avo: external battery with UPS mixed supply.
88. Association of Leasing: entire instalments taxable under GST.
89. Rashtriya Ispat: contract can shift tax burden.
90. Delhi Transport: statutory liability remains.
91. TCS: software may be goods if attributes satisfied.
92. Job work: principal can avail ITC.
93. Works contract: service; composite.
94. Import of services from related person deemed supply even without consideration.
95. December 2026: focus on amendments, circulars and practical application.
96. Always link answer to Section, Schedule, Circular and case law.
97. Practice at least 10 practical problems.
98. Revise due dates of forms.
99. Revise key notifications and circulars.
100. Focus on December 2026 amendments.

3. Top 50 Practical Adjustments

#	PRACTICAL ADJUSTMENT / CHECK
1	Identify consideration – money or kind; exclude Government subsidy.
2	Check course or furtherance of business.
3	Check taxable person status.
4	Check taxable territory.
5	Check if transaction is in Schedule III negative list.
6	Check Schedule I deemed supply without consideration.
7	Check permanent transfer of business assets – ITC availed?
8	Check related/distinct persons.
9	Check principal-agent relationship and invoice name.
10	Check import of services from related person.
11	Check composite vs mixed supply.
12	Identify principal supply.
13	Apply highest rate in mixed supply.
14	Check composition eligibility – turnover.
15	Check composition – inter-State outward.
16	Check composition – non-taxable goods.
17	Check composition – ECO/TCS.
18	Check composition – services limit.
19	Check notified goods for composition bar.
20	Check all PAN registrations opt together.
21	Check exemption notification – goods or services.
22	Check absolute vs conditional exemption.
23	Check effective date of exemption.
24	Check Section 11(3) explanation time limit.
25	Check Section 11A general practice.
26	Check circular applicable to transaction.
27	Check advance ruling binding scope.
28	Check job work – inputs/capital goods return time.

#	PRACTICAL ADJUSTMENT / CHECK
29	Check works contract – immovable property.
30	Check works contract – transfer of property in goods.
31	Check construction – completion certificate.
32	Check TDR/FSI/JDA taxability.
33	Check tenancy rights – premium taxable.
34	Check no claim bonus – not consideration.
35	Check liquidated damages – compensation vs supply.
36	Check cheque dishonour fine – not consideration.
37	Check penalty for violation – not consideration.
38	Check late payment surcharge – ancillary to principal supply.
39	Check electricity charges – pure agent vs composite.
40	Check cinema food – independent vs bundled.
41	Check pre-packaged and labelled – ≤25 kg/litre.
42	Check agricultural produce >25 kg exemption.
43	Check RWA exemption ₹7,500 per member per month.
44	Check educational services exemption.
45	Check health care exemption and room rent >₹5,000.
46	Check charitable activities exemption.
47	Check GTA exemptions and RCM.
48	Check transport of passengers exemptions.
49	Check import/export of services conditions.
50	Check date of amendment and notification for Dec 2026.

4. Frequently Repeated Questions

- Explain scope of supply under Section 7 with exceptions.
- What is deemed supply under Schedule I? Explain with examples.
- Distinguish composite and mixed supply.
- Explain composition scheme with conditions and rates.
- Explain exemptions under Section 11.
- Explain principal-agent relationship under GST.
- Taxability of import of services.

- Taxability of permanent transfer of business assets.
- Works contract and job work.
- Key circulars and advance rulings.

5. Important Case Study Areas

- Composite vs mixed supply in retail/restaurant/hotel.
- Composition scheme eligibility with mixed supplies.
- Schedule I permanent transfer and related persons.
- Principal-agent and invoice naming.
- Import of services from related/non-related persons.
- Job work and works contract.
- Exemptions for goods/services with turnover limits.
- Circular-based clarifications.
- Advance rulings on distinct persons, court receiver, mixed supply, leasing, contract liability.

6. Complete Revision Charts

CONCEPT	KEY SECTION	EFFECT
Supply	Section 7	Taxable event
Deemed supply	Schedule I	Taxable even without consideration
Classification	Schedule II	Goods or services
Negative list	Schedule III	Neither goods nor services
Composite	Section 2(30)	Principal supply rate
Mixed	Section 2(74)	Highest rate
Composition	Section 10	Simplified scheme
Exemption	Section 11 / Section 6 IGST	No tax or reduced tax

7. GST Revision Tables

FORM	PURPOSE	DUE DATE
CMP-01	Opt composition by provisional registration	Prior to appointed day or within 30 days
CMP-02	Intimation by registered person	Prior to commencement of FY
CMP-03	Stock details	Within 90 days
CMP-04	Withdrawal	Within 7 days of event
CMP-08	Quarterly statement	18th of month succeeding quarter
GSTR-4	Annual return	30th June following FY 2024-25 onwards

8. Customs Revision Tables

CUSTOMS BOX

Module 1 is GST-specific. Customs tables are covered in Section B modules – Valuation, Baggage, Manufacture in Bond, Duty Drawback, IGCR, Remission, Refund, Trade Facilitation, FTP and SEZ.

9. One Night Revision Notes

ONE NIGHT BEFORE EXAM

Read Section 7, Schedule I/II/III, composite/mixed, composition, exemptions, Circular 57/31/2018, 206/18/2023, 201/13/2023, 229/23/2024, 234/28/2024, 245/02/2025, and advance rulings. Practice 5 practical problems. Remember dates.

10. Fast Track Revision Notes

- Supply = Section 7.
- Schedule I = deemed.
- Schedule II = classification.
- Schedule III = negative.
- Composite = principal.
- Mixed = highest.
- Composition = 1.5 crore / 75 lakh.
- Exemption = Section 11.
- Circulars = practical.
- Advance rulings = case law.

11. 20 Marks Most Probable Areas

- Scope of supply and exceptions.
- Composite vs mixed supply with practical problem.

- Composition scheme eligibility and computation.
- Exemptions and classification.

12. 50 Marks Most Probable Areas

- Full practical problem covering supply, Schedule I/II/III, composite/mixed, composition and exemptions.
- Case-based question on circulars and advance rulings.
- Descriptive question on GST framework, taxable event, Schedules.

13. Mock Exam Revision Sheet

> **MOCK EXAM**
>
> Attempt one 15-mark practical on composite/mixed and one 10-mark theory on Schedule I/III. Review composition forms and due dates. Revise key circulars and advance rulings.

14. Examiner Approach Guide

- Start with Section and Schedule.
- State definition or provision.
- Apply to facts.
- Conclude with taxability and rate.
- Support with circular/case law where relevant.

15. Student Mistake Analysis

- Ignoring "course or furtherance of business".
- Treating all free supplies as non-taxable, ignoring Schedule I.
- Confusing composite and mixed supply.
- Forgetting composition restrictions.
- Not checking exemption conditions.
- Missing amendments and dates.
- Not quoting circulars/case law.

16. Final Revision Checklist

- Section 7 and Schedules revised.
- Composite/mixed examples practised.
- Composition eligibility and forms revised.
- Exemptions goods/services revised.
- Key circulars revised.
- Advance rulings revised.
- Amendments and dates revised.
- Practical problems solved.

CMA KNOWLEDGE — PREMIUM PUBLICATION

DECEMBER 2026 EXAMINATION

Module 2
Time of Supply (Advanced)

Complete Revision Handbook for CMA Final Paper 19 – Indirect Tax Laws and Practice (ITLP)

01 **Paper 19** Indirect Tax Laws & Practice	02 **Module 2** Section A – GST (70%)	03 **ICMAI Official** Study Material Based	04 **December 2026** Latest Amendments

Prepared exclusively from the latest Official ICMAI Study Material – Paper 19 ITLP (Reprint July 2026)

Website: cmaknowledge.in

MODULE 2 · SECTION A · GST

1. Module Introduction

CORE IDEA

Under GST, time of supply means the date on which the charging event has occurred. As a result, the rate of CGST/SGST or IGST or UTGST will be decided in accordance with the time of supply. Based on time of supply, we also determine the due date of payment of GST.

This module deals with the time of supply under GST – the most critical determinant of tax liability. The provisions are contained in Sections 12 and 13 of the CGST Act, 2017, which deal with time of supply of goods and services respectively, along with the reverse charge mechanism, vouchers, residual provisions, interest/late fee/penalty, and change in rate of tax.

Module 2 scope: This module covers time of supply of goods and services under forward charge and reverse charge, time of supply in case of vouchers, residual provisions, interest/late fee/penalty, change in rate of tax under Section 14, continuous supply, international transactions including reverse charge, and key case studies/advance rulings.

EXAM ALERT

Module 2 is critical for computing GST liability. Every practical problem on GST requires determination of time of supply. Focus on the "earlier of" rules, reverse charge time of supply, change in rate provisions, and advance rulings.

MODULE 2 · FOUNDATION

2. Syllabus Coverage Map

MODULE 2 TOPIC	SUB-TOPICS IN STUDY MATERIAL	COVERAGE IN THIS HANDBOOK
2.1 Introduction	Meaning of time of supply, charging event, Sections 12 and 13, due date of payment	Chapter 1 – Sections 1 to 5
2.2 Domestic Transactions including Reverse Charge	Time of supply of goods, time of supply of services, forward charge, reverse charge, continuous supply, vouchers, residual, interest/late fee/penalty, change in rate of tax	Chapter 1 – Sections 6 to 12
2.3 International Transactions including Reverse Charge	Time of supply for imports, associated enterprises, supplies from non-taxable territory, reverse charge on imports, case studies	Chapter 1 – Section 13
2.4 Case Studies / Analysis of Advance Rulings	SP Singla Constructions, CMA & Associates, JW Marriott, and other key rulings	Chapter 1 – Section 14

MODULE 2 · OBJECTIVES

3. Learning Outcome Matrix

SUBJECT LEARNING OBJECTIVE (SLOB)	LEARNING OUTCOME / APPLICATION SKILL	MODULE 2 COVERAGE
SLOB 1: Develop detailed understanding of GST provisions for valuation, computation of tax liability including ITC management.	Identify point in time when liability to pay GST arises on supply of goods or services under forward charge and reverse charge including international transactions.	Fully covered through Sections 12 and 13, RCM, change in rate, continuous supply, vouchers.
SLOB 2: Obtain detailed knowledge of accounts, records, annual returns and dispute resolution for better compliance.	Explain time of supply for continuous supply, vouchers, residual cases, interest/late fee/penalty and change in rate of GST.	Covered through detailed topic explanation and practical illustrations.
SLOB 3: Acquire knowledge of valuation, duty calculation, remission and refund under Customs Act and Rules.	Customs-specific outcomes are covered in Section B modules.	Not applicable to Module 2.
SLOB 4: Facilitate strategic decision making by appropriate management of indirect tax issues.	Apply time of supply concepts to real-world business scenarios, advance rulings and case studies.	Covered through case studies, advance rulings and practical problems.

MODULE 2 · ANALYSIS

4. Exam Weightage Analysis

SECTION A – GST: 70% WEIGHTAGE

Module 2 is critical for practical problems. Direct and indirect questions are expected from:

- Time of supply of goods – **5 to 10 marks**
- Time of supply of services – **5 to 10 marks**
- Reverse charge time of supply – **5 to 8 marks**
- Change in rate of tax – **5 to 8 marks**
- Continuous supply – **3 to 5 marks**
- Vouchers & residual – **2 to 5 marks**
- Interest/late fee/penalty – **2 to 5 marks**

EXPECTED DECEMBER 2026 PATTERN

- MCQ / short notes – **2 to 5 marks**
- Practical problems – **8 to 15 marks**
- Case-based / application – **5 to 10 marks**
- Descriptive / analytical – **5 to 10 marks**

MODULE 2 · EXAM FAVOURITES

5. Frequently Tested Areas

FREQUENTLY REPEATED CONCEPTS

- **Time of supply of goods** – earlier of date of invoice or last date for issue of invoice; date of receipt of payment for specified actionable claims.
- **Time of supply of services** – earlier of date of invoice (if within 30/45 days) or date of payment.
- **Reverse charge** – earliest of date of receipt of goods, date of payment, 30/60 days from date of invoice; associated enterprises special rule.
- **Change in rate of tax** – Section 14 matrix for goods and services.
- **Continuous supply** – date of statement or payment, whichever is earlier; due date ascertainable from contract.
- **Vouchers** – prior to omission, date of issue/redemption; post-omission, general provisions apply.
- **Interest, late fee, penalty** – date of receipt of such addition in value.
- **Advance rulings** – SP Singla Constructions, CMA & Associates, JW Marriott.

MODULE 2 · DECEMBER 2026

6. Important Amendments Covered in Material

AMENDMENT BOX – DEC 2026 FOCUS

The following amendments are specifically covered in Module 2 study material. For December 2026, focus on the date and effect.

- **Finance Act, 2024 (w.e.f. 1-11-2024):** Section 13(3) amended – time of supply for RCM services from unregistered suppliers; self-invoice within 30 days; Rule 47A inserted.
- **Finance Act, 2025 (w.e.f. 1-10-2025):** Section 12(4) and 13(4) omitted – vouchers now governed by general time of supply provisions.
- **Notification No. 66/2017-CT (w.e.f. 15-11-2017):** No GST on advance received against supply of goods for all assessees except composition dealers.
- **Notification No. 50/2023-CT (w.e.f. 1-10-2023):** Specified actionable claims – GST on advance received.
- **Circular No. 221/15/2024-GST (26-06-2024):** Time of supply for HAM model road construction.
- **Circular No. 222/16/2024-GST (26-06-2024):** Time of supply for spectrum usage services.
- **Notification No. 04/2018-CT(R) (retrospective sunset w.e.f. 1-4-2019):** TDR/FSI/long-term lease time of supply shifted to completion certificate.
- **Rule 47A (w.e.f. 1-11-2024):** Self-invoice within 30 days from date of receipt of supply.

MODULE 2 · NAVIGATION

7. Chapter-Wise Coverage Index

CHAPTER / SECTION	COVERAGE	EXAM RELEVANCE
2.1 Introduction	Meaning of time of supply, charging event, Sections 12 and 13, due date of payment	High – conceptual
2.2 Domestic Transactions	Time of supply of goods, time of supply of services, forward charge, reverse charge, continuous supply, vouchers, residual, interest/late fee/penalty, change in rate of tax	Very high – practical questions
2.3 International Transactions	Time of supply for imports, associated enterprises, supplies from non-taxable territory, reverse charge on imports, case studies	High – case-based
2.4 Advance Rulings	SP Singla Constructions, CMA & Associates, JW Marriott, and other key rulings	Medium to high – case law

CHAPTER 1 · DETAILED STUDY

Time of Supply (Advanced)

1. Chapter Overview

This chapter explains the time of supply under GST – the point in time when the liability to pay tax arises. It covers Sections 12 and 13 of the CGST Act, 2017, the "earlier of" rules, forward charge and reverse charge, continuous supply, vouchers, residual provisions, interest/late fee/penalty, change in rate of tax under Section 14, international transactions, and key case studies/advance rulings.

2. Learning Objectives

- Identify the point in time when the liability to pay GST arises on supply of goods or services under forward charge.
- Identify the point in time when the liability to pay GST arises on supply of goods or services under reverse charge including international transactions.
- Explain time of supply for continuous supply, vouchers exchangeable for goods and services.
- Understand when the liability to pay GST arises on supply of goods and services in residual cases.
- Identify time of supply in case of interest, late fee/penalty paid for delay in payment of consideration.
- Understand the applicable rate of GST in case there is change in rate of GST in respect of supply of goods or services.
- Understand practical issues relating to time of supply of goods and service.

3. Important Definitions

TERM	DEFINITION / KEY POINT
Time of Supply	The date on which the charging event has occurred. The rate of CGST/SGST or IGST or UTGST is decided in accordance with the time of supply.
Forward Charge	Supplier of goods or services is liable to pay GST.
Reverse Charge	Recipient of supply of goods or services is liable to pay GST instead of supplier.
Continuous Supply of Goods	Section 2(32): supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or periodic basis and includes supply of such goods as the Government may, subject to such conditions, as it may, by notification, specify.
Continuous Supply of Services	Section 2(33): supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may, subject to such conditions, as it may, by notification, specify.
Voucher	Section 2(118): an instrument where there is an obligation to accept it as consideration or part consideration for a supply of goods or services or both and where the goods or services or both to be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the terms and conditions of use of such instrument.
Associated Enterprises	Section 2(12): persons who are associated with each other as per Section 92A of the Income-tax Act, 1961.
Specified Actionable Claim	Section 2(102A) w.e.f. 1-10-2023: betting, casinos, gambling, horse racing, lottery, online money gaming.

4. Key Legal Terminologies

Section 12
Time of supply of goods (forward charge, reverse charge, vouchers, residual, interest/late fee/penalty).

Section 13
Time of supply of services (forward charge, reverse charge, vouchers, residual, interest/late fee/penalty).

Section 14
Change in rate of tax in respect of supply of goods or services.

Section 31
Tax invoice – time limit for issue of invoice.

Section 37
Furnishing of details of outward supplies.

Section 39
Furnishing of returns.

Section 50
Interest on delayed payment of tax.

Rule 47
Time limit for issue of invoice.

Rule 47A

Self-invoice within 30 days from date of receipt of supply (w.e.f. 1-11-2024).

Rule 35
Value inclusive of tax – back calculation.

5. Detailed Topic Explanation

GST FRAMEWORK – TIME OF SUPPLY

Time of supply means the date on which the charging event has occurred. As a result, the rate of CGST/SGST or IGST or UTGST will be decided in accordance with the time of supply. Based on time of supply, we also determine the due date of payment of GST. In terms of Section 39 of the CGST Act, 2017, every registered person who is required to furnish a return shall pay tax to the Government the tax due as per return not later than the last date on which he is required to furnish such return.

SECTION	CONTENT
12(1)	The liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section.
12(2)	Time of supply of goods under forward charge.
12(3)	Time of supply of goods under reverse charge.
12(4)	Time of supply in case of supply of vouchers (omitted w.e.f. 1-10-2025).
12(5)	Residuary clause – where time of supply cannot be determined under sub-sections (2) to (4).
12(6)	Time of supply for addition in value by way of interest, late fee or penalty – date of receipt.
13(1)	The liability to pay tax on services shall arise at the time of supply, as determined in accordance with the provisions of this section.
13(2)	Time of supply of services under forward charge.
13(3)	Time of supply of services under reverse charge.
13(4)	Time of supply in case of supply of vouchers (omitted w.e.f. 1-10-2025).
13(5)	Residuary clause – where time of supply cannot be determined under sub-sections (2) to (4).
13(6)	Time of supply for addition in value by way of interest, late fee or penalty – date of receipt.

EXAM TIP – MNEMONIC

"E-I-P" = Earlier of Invoice, last date for Invoice, Payment. For RCM, **"G-P-30/60"** = Goods receipt, Payment, 30/60 days from invoice.

6. Domestic Transactions including Reverse Charge

6.1 Time of Supply of Goods – Section 12(2)

The time of supply of goods shall be the **earlier** of the following dates:

1. The date of issue of invoice by the supplier or the last date on which he is required, under Section 31, to issue the invoice with respect to the supply; or
2. The date on which the supplier receives the payment with respect to the supply.

AMENDMENT – NO GST ON ADVANCE FOR GOODS

The CBIC vide Notification No. 66/2017-Central Tax dated 15th November, 2017 notified that the registered person who did not opt for the composition levy under Section 10 of the CGST Act as the class of persons who shall pay the central tax on the outward supply of goods at the time of supply as specified in clause (a) of sub-section (2) of Section 12 of the said Act including in the situations attracting the provisions of Section 14 of the said Act. **No GST on advance received against supply of GOODS for ALL ASSESSEES (w.e.f. 15th November 2017).**

AMENDMENT – SPECIFIED ACTIONABLE CLAIMS

w.e.f. 1-10-2023, Notification No. 50/2023-CT amends Notification No. 66/2017-CT dated 15.11.2017 (which provides for an exemption on advance received in case of supply of goods) to state that registered persons making a supply of actionable claims as defined under Section 2(102A) will be liable to pay tax on advance received by them. The time of supply in case of supply of specified actionable claim shall be determined in accordance with Section 12(2) [i.e. date of issue of invoice/last date for issue of invoice OR receipt of payment, whichever is earlier].

SCENARIO	TIME OF SUPPLY	CRITERIA
Invoice issued and payment received after	Date of invoice or last date for issue of invoice, whichever is earlier	Payment not relevant
Invoice not issued, payment received	Date of payment or last date for issue of invoice, whichever is earlier	Payment relevant if earlier
Invoice issued, payment received before invoice	Date of payment	Payment earlier than invoice
Excess payment up to ₹1,000 over invoice value	Date of issue of invoice OR date of receipt of payment, at the option of supplier	Supplier option

PRACTICAL ILLUSTRATION – TIME OF SUPPLY OF GOODS

Example: C of Chennai supplies goods to M of Madurai. Removal of Goods: 30th May; Date of Issue of Invoice: 30th May; Last Date for Issue of Tax Invoice: 30th May; Date on which payment is entered in books: 31st March; Date on which payment is credited in bank: 1st April.
Time of Supply: 30th May (Date of Issue of Invoice).

6.2 Time of Supply of Services – Section 13(2)

The time of supply of services shall be the **earlier** of the following dates:

1. The date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under Section 31(2); or the date of provision of service, if the invoice is not issued within the period prescribed under Section 31(2); or
2. The date on which the supplier receives the payment with respect to the supply.

Section 31(2) time limit for invoice: 30 days from the date of supply of service; 45 days in case of banking company or financial institution or NBFC.

SCENARIO	TIME OF SUPPLY
Invoice issued within 30 days and payment received after invoice	Date of issue of invoice (earlier of invoice or payment)
Invoice not issued within 30 days	Date of provision of service or date of payment, whichever is earlier
Payment received before invoice	Date of payment (earlier of invoice or payment)
Excess payment up to ₹1,000	Option to take invoice date as time of supply

● **PRACTICAL ILLUSTRATION – TIME OF SUPPLY OF SERVICES**

Example: ABC & Co., a Cost Accountants firm issued invoice for services rendered to Mr. Ram on 5th August 2025. Provisions of services were completed on 1st July 2025.
Time of Supply: 1st July 2025 (as invoice is not issued within 30 days from completion).
Rework: If provisions completed on 15th July 2025, time of supply = 5th August 2025 (invoice issued within 30 days).

6.3 Advance Received – Goods vs Services

ASPECT	GOODS	SERVICES
Advance received	No GST on advance for ALL assessees (w.e.f. 15-11-2017)	GST payable on advance received
Exception	Composition dealers – no GST on advance	Specified actionable claims – GST on advance
Time of Supply	Date of issue of invoice (or due date) – Section 12(2)(a)	Earlier of date of invoice or date of payment – Section 13(2)

6.4 Excess Payment up to ₹1,000

The proviso to Section 13(2) provides that if payment received is up to ₹1,000 in excess of the invoice value, the supplier can choose to take the related invoice date as the time of supply in relation to this excess value.

● **PRACTICAL ILLUSTRATION**

A telephone company receives ₹5,000 against an invoice of ₹4,800. The excess amount of ₹200 can be adjusted against the next invoice. The company has the option to take the date of the next invoice as the time of supply of service in relation to the amount of ₹200 received in excess against the earlier invoice.

6.5 Continuous Supply of Goods

In case of continuous supply of goods, the time of supply shall be:

- Time when each statement is issued; or

- Time when each payment is received; whichever is earlier.

Section 31(4) of GST Act, 2017: The invoice shall be issued before or at the time of such statement is issued or, as the case may be, each such payment is received.

6.6 Continuous Supply of Services

In case of continuous supply of services, the time of supply shall be:

- **Where the due date of payment is ascertainable from the contract:** The date on which the payment is liable to be made by the service receiver, whether or not any invoice has been issued or any payment has been received by the supplier of service;
- **Where the due date of payment is not ascertainable from the contract:** When the supplier of service receives the payment, or issues an invoice, whichever is earlier;
- **Where the payment is linked to the completion of an event:** The time of completion of that event.

PRACTICAL ILLUSTRATION – CONTINUOUS SUPPLY

Example: M/s Indian Oil Corporation entered into a contract with Mr. B to supply oil throughout the year. M/s Indian Oil Corporation issues monthly statement for the oil supplied to Mr. B.
(i) Mr. B made payment for July on 31st July, 20XX and IOC issued statement for July on 8th August, 20XX.
Time of Supply: 31st July 20XX (earlier of payment or statement).
(ii) IOC issued statement for August on 5th September, 20XX, payment not received till 30th September, 20XX.
Time of Supply: 5th September 20XX (statement date).

CHAPTER 1 · SECTION 7

7. Reverse Charge Mechanism – Time of Supply

7.1 Time of Supply of Goods under RCM – Section 12(3)

In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the **earliest** of the following dates:

1. The date of receipt of goods; or
2. The date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
3. The date immediately following 30 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier.

Residual: Where it is not possible to determine the time of supply under the above clauses, the time of supply shall be the date of entry in the books of account of the recipient of supply.

7.2 Time of Supply of Services under RCM – Section 13(3)

In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the **earlier** of the following dates:

1. The date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
2. The date immediately following 60 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier, in cases where invoice is required to be issued by the supplier; or
3. The date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient (inserted w.e.f. 1-11-2024).

Residual: Where it is not possible to determine the time of supply under the above clauses, the time of supply shall be the date of entry in the books of account of the recipient of supply.

AMENDMENT – FINANCE ACT, 2024 (W.E.F. 1-11-2024)

Section 13(3) amended:

- Clause (b): "by the supplier, in cases where invoice is required to be issued by the supplier" substituted.
- Clause (c) inserted: "the date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient".
- Rule 47A inserted: Self-invoice within 30 days from date of receipt of supply.

7.3 Associated Enterprises – Special Rule

In case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be the date of entry in the books of account of the recipient of supply or the date of payment, whichever is earlier.

7.4 Time of Supply under RCM – Summary Table

TYPE	CLAUSE (A)	CLAUSE (B)	CLAUSE (C)
Goods	Date of receipt of goods	Date of payment (book or bank, whichever earlier)	30 days from date of invoice
Services	Date of payment (book or bank, whichever earlier)	60 days from date of invoice	Date of issue of invoice by recipient (w.e.f. 1-11-2024)
Associated Enterprises	Date of entry in books of recipient OR date of payment, whichever is earlier		

PRACTICAL ILLUSTRATION – TIME OF SUPPLY UNDER RCM

Example 1: Supplier invoices goods taxable on reverse charge basis to Bridge & Co. on May 4; Bridge & Co. receives goods on May 12; makes payment on May 30.
Time of Supply: May 12 (earliest of receipt of goods, payment, 30 days from invoice).

Example 2: Supplier invoices goods taxable on RCM on May 4; Pillar & Co. receives goods on June 12 (held up in transit); makes payment on July 3.
Time of Supply: June 4 (1st day after 30 days from invoice).

Example 3: Mr. A, registered person, received goods (Bidi leaves) from Mr. B, unregistered dealer. Invoice issued 1st July 2025. Mr. A received goods 15th July 2025, payment not made.
Time of Supply: 15-07-2025 (earliest of receipt of goods, payment, 30 days from invoice = 01-08-2025).

CHAPTER 1 · SECTION 8

8. Time of Supply of Vouchers

AMENDMENT – VOUCHERS OMITTED W.E.F. 1-10-2025

Time of Supply of Vouchers for Goods & Services [Section 12(4) & 13(4) of CGST Act, 2017] **omitted w.e.f. 01-10-2025** by the Finance Act, 2025.

8.1 Prior to Omission – Section 12(4) and 13(4)

- If the supplies is identifiable at that point: **Time of supply = Date of issue of voucher.**
- If the supplies is not identifiable at that point: **Time of supply = The date of redemption of voucher.**

8.2 After Omission (w.e.f. 1-10-2025)

- Vouchers now fall under general time of supply provisions (Section 12(2) / 13(2)).
- Likely taxable based on:
  - Date of invoice or last date to issue invoice whichever is earlier in case of supply of goods.
  - Date of invoice (if issued within prescribed time) or Date of payment, whichever earlier in case of supply of service.

PRACTICAL ILLUSTRATION – VOUCHER (POST-OMISSION)

Example: Reliable Industries issued voucher on 10-01-2026 to prospective customer for enabling them to buy readymade garments. Customer purchased readymade garments on 20th Feb 2026. Invoice issued after redemption of voucher on 20th Feb 2026. Goods dispatched on 1-3-2026.
Time of Supply of Goods: 20th Feb 2026 (date of invoice or last date to issue invoice, whichever is earlier, as per Section 12(2)).

Example: ABC Wellness Pvt. Ltd. issues a generic spa voucher on 10th October 2025 for ₹5,000. Customer pays ₹5,000 on 10th October 2025. Customer redeems voucher on 20th December 2025. Invoice for service issued on 20th December 2025.
Time of Supply: 10th October 2025 (earlier of date of invoice 20th Dec 2025 or date of receipt of payment 10th Oct 2025).

PARTICULARS	BEFORE 01-10-2025	AFTER 01-10-2025
Generic voucher	GST at redemption	GST at receipt of payment
Specific service voucher	GST at issue	GST at receipt of payment (same practical effect)

CHAPTER 1 · SECTION 9

9. Residual Provisions – Sections 12(5) and 13(5)

In case it is not possible to determine the time of supply under the aforesaid provisions, the time of supply is:

- **Due date of filing of return**, in case where periodical return has to be filed.
- **Date of payment of tax** in all other cases.

PRACTICAL ILLUSTRATION – RESIDUAL PROVISION

Example: An income tax and money laundering case against Mr. X, working in a company, reveals a large volume of undisclosed assets, which he claims as service income. On this basis, the GST authorities investigate the GST liability. Dates of provision of service, whether in the first half or the second half of the financial year being scrutinized by income-tax authorities, are not known. Mr. X voluntarily pays GST during the investigation.
Time of Supply: Where it is not possible to determine the time of supply in terms of date of invoice or date of provision of service or date of receipt of payment or date of receipt of services in the books of account of the recipient, and where periodical return is not to be filed (Mr. X, being an employee in a company, is not a registered person), the date of payment of tax is taken as the time of supply [Section 13(5)(b)]. Therefore, the date when Mr. X pays the GST will be the time of supply.

CHAPTER 1 · SECTION 10

10. Interest, Late Fee and Penalty – Sections 12(6) and 13(6)

The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the **date on which the supplier receives such addition in value**.

PRACTICAL ILLUSTRATION – INTEREST ON DELAYED PAYMENT

Example: Mr. X being a supplier receives consideration in the month of September 2025, instead of due date of July 2025, and for such delay he is eligible to receive an interest amount of ₹1,000 and the said amount is received on 15.12.2025.
Time of Supply: 15.12.2025 (date on which it is received by the supplier).
Due date of tax liability: 20.01.2026.

CHAPTER 1 · SECTION 11

11. Change in Rate of Tax – Section 14

Notwithstanding anything contained in Section 12 or Section 13, the time of supply, where there is a change in the rate of tax in respect of goods or services, shall be determined in the following manner:

11.1 Change in Rate – Goods (w.e.f. 15-11-2017)

SL	SUPPLY COMPLETED BEFORE CHANGE	INVOICE ISSUED BEFORE CHANGE	PAYMENT RECEIVED BEFORE CHANGE	TIME OF SUPPLY	APPLICABLE RATE
1	Yes	No	No	Date of issue of Invoice	**New Rate**
2	Yes	Yes	No	Date of issue of invoice	**Old Rate**
3	Yes	No	Yes	Date of issue of Invoice	**Old Rate**
4	No	Yes	Yes	Date of issue of Invoice	**Old Rate**
5	No	Yes	No	Date of issue of Invoice	**New Rate**
6	No	No	Yes	Date of issue of Invoice	**New Rate**

11.2 Change in Rate – Services (w.e.f. 15-11-2017)

SL	SUPPLY COMPLETED BEFORE CHANGE	INVOICE ISSUED BEFORE CHANGE	PAYMENT RECEIVED BEFORE CHANGE	TIME OF SUPPLY	APPLICABLE RATE
1	Yes	No	No	Earliest of date of invoice or payment	**New Rate**
2	Yes	Yes	No	Date of issue of invoice	**Old Rate**
3	Yes	No	Yes	Date of receipt of payment	**Old Rate**
4	No	Yes	Yes	Earliest of date of invoice or payment	**Old Rate**
5	No	Yes	No	Date of receipt of payment	**New Rate**
6	No	No	Yes	Date of issue of Invoice	**New Rate**

11.3 Date of Receipt of Payment – Change in Rate

Normally the date of receipt of payment is the date of credit in the bank account of the recipient of payment or the date on which the payment is entered into his books of account, whichever is earlier.

However, in cases of change in rate of tax, the date of receipt of payment is the **date of credit in the bank account** if such credit is after four working days from the date of change in rate of tax.

DATE OF BOOK ENTRY	DATE OF BANK ENTRY	DATE OF PAYMENT
Whichever is earlier	Amount credited ≤ 4 working days after change	Date of Bank Entry
Whichever is earlier	Amount credited > 4 working days after change	Date of Book Entry

● PRACTICAL ILLUSTRATION – CHANGE IN RATE

Example: Rate of GST reduced from 28% to 18% w.e.f. 15th November 2025.

SUPPLY PROVIDED	INVOICE ISSUED	PAYMENT RECEIVED	GST RATE
Before	After	After	**18%**
Before	Before	After	**28%**
Before	After	Before	**28%**
After	Before	After	**18%**
After	Before	Before	**28%**
After	After	Before	**18%**

CHAPTER 1 · SECTION 12

12. Continuous Supply – Detailed Coverage

12.1 Continuous Supply of Goods

Section 2(32): "continuous supply of goods" means a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or periodic basis and includes supply of such goods as the Government may, subject to such conditions, as it may, by notification, specify.

Time of Supply: Time when each statement is issued OR time when each payment is received, whichever is earlier.

12.2 Continuous Supply of Services

Section 2(33): "continuous supply of services" means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may, subject to such conditions, as it may, by notification, specify.

SITUATION	TIME OF SUPPLY
Due date of payment is ascertainable from contract	The date on which the payment is liable to be made by the service receiver, whether or not any invoice has been issued or any payment has been received by the supplier of service.
Due date of payment is not ascertainable from contract	When the supplier of service receives the payment, or issues an invoice, whichever is earlier.
Payment is linked to the completion of an event	The time of completion of that event.

PRACTICAL ILLUSTRATION – CONTINUOUS SUPPLY OF SERVICES

Example: Gas is supplied by a pipeline. Monthly payments are made by the recipient as per contract. Every quarter, invoice is issued by the supplier supported by a statement of the goods dispatched and payments made, and the recipient has to pay the differential amount, if any.
August 5, September 5, October 6 – Payments of ₹2 lakh made in each month.
October 3 – Statement of accounts issued by supplier, with invoice for the quarter July–September.
October 17 – Differential payment of ₹56,000 received by supplier for the quarter July–September as per statement of accounts.
Time of Supply for payments of ₹2 lakh made in each month: August 5, September 5, October 6.
Time of Supply for differential payment of ₹56,000: October 3 (date of invoice for the quarter).

13. International Transactions including Reverse Charge

13.1 Time of Supply – Import of Goods

The time of supply of goods in case of import of goods shall be the date of payment of duty on such goods. In case of warehoused goods, the time of supply shall be the date of payment of duty on such goods.

13.2 Time of Supply – Import of Services

In case of import of services, the time of supply shall be the **earlier** of the following dates:

1. The date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
2. The date immediately following 60 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier, in cases where invoice is required to be issued by the supplier; or
3. The date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient (w.e.f. 1-11-2024).

13.3 Time of Supply – Associated Enterprises

In case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be the **date of entry in the books of account of the recipient of supply or the date of payment, whichever is earlier**.

PRACTICAL ILLUSTRATION – ASSOCIATED ENTERPRISES

Example: Somnath Industries Ltd. (SIL) is an Indian Company. It has received taxable services from a UK based company George Ltd. on 1-1-2025. George Ltd. raised on SIL an invoice of £45,000 on 27-1-2025. SIL debited its books of accounts on 7-2-2025 and made the payment on 25-3-2025. George Ltd. and SIL are associated enterprises.
Time of Supply: 07-02-2025 (date of entry in books or date of payment, whichever is earlier).

13.4 Time of Supply – Goods Sent for Approval

In case of goods sent for approval, the time of supply shall be the **earlier** of:

- Time when it becomes known that supply is taken place; or
- Six months from the date of removal.

PRACTICAL ILLUSTRATION – GOODS SENT FOR APPROVAL

Example: Mr. A sends goods to Mr. B on approval basis on 20th January 2025.
(a) If Mr. B accepts goods on 10th February 2025: Time of Supply = 10th February 2025.
(b) If Mr. B accepts goods on 1st September 2025: Time of Supply = 21st July 2025 (1st day after expiry of 6 months from date of removal).
(c) If Mr. B returns goods on 10th February 2025: Not applicable (no tax payable).
(d) If Mr. B returns goods on 1st September 2025: GST payable as return is after 6 months from dispatch. Both Mr. A and Mr. B are liable to pay GST.

13.5 Summary – Time of Supply of Goods & Services

CATEGORY	TIME OF SUPPLY	REMARKS
Goods – Forward Charge	Earlier of date of invoice/last date for invoice, or date of receipt of payment	No GST on advance for goods (except specified actionable claims)
Services – Forward Charge	Earlier of date of invoice (if within 30/45 days) or date of payment	GST on advance received
Goods – Reverse Charge	Earliest of receipt of goods, date of payment, 30 days from invoice	Residual: date of entry in books
Services – Reverse Charge	Earliest of date of payment, 60 days from invoice, date of invoice by recipient (w.e.f. 1-11-2024)	Residual: date of entry in books
Associated Enterprises	Earlier of date of entry in books or date of payment	Supplier located outside India
Import of Goods	Date of payment of duty	Warehoused goods – date of payment of duty
Import of Services	Earlier of date of payment, 60 days from invoice, date of invoice by recipient	RCM applicable
Continuous Supply of Goods	Earlier of statement date or payment date	Section 31(4)
Continuous Supply of Services	Due date if ascertainable; else payment/invoice; else event completion	Section 13(2)
Vouchers	General provisions after omission w.e.f. 1-10-2025	Previously: issue/redemption
Interest/Late Fee/Penalty	Date of receipt of such addition in value	Sections 12(6) and 13(6)
Residual	Due date of return or date of payment of tax	Sections 12(5) and 13(5)

14. Case Studies and Analysis of Advance Rulings

SOLVED CASE 1 – CMA & ASSOCIATES

Facts: CMA & Associates provided Cost Audit Services to M/s Wealth & Co. The supply was completed on 15th May. Payment was released on 25th May. GST rate applicable till 30th May was 18%. Invoice was raised on 15th June. GST rate increased to 20% w.e.f. 1st June.
Solution: In the given case, services were completed on 15th May (before change in rate). Time of Supply = Earlier of Date of Invoice (15th June) or Date of Payment (25th May) = 25th May. Applicable tax rate = 18%.

SOLVED CASE 2 – JW MARRIOTT HOTEL

Facts: Mr. X booked a room at JW Marriott for 1 night at ₹1,20,000 per night. Advance of ₹20,000 paid on 08th September and recorded in books. Bank debited ₹20,000 on 10th September. Mr. X stayed on 02nd November and instructed to issue invoice for balance at checkout. Invoice raised on 18th December for ₹1,20,000 showing advance of ₹20,000 and outstanding ₹1,00,000. Cheque of ₹1,00,000 issued on 22nd December; debited on 24th December.
Solution:
For Advance: Time of Supply = Earlier of Date of Payment (08th September) or Date of Invoice (18th December) = 08th September.
For Balance Amount: Time of Supply = Earlier of Date of Payment (22nd December) or Date of Provision of Supply (02nd November, as invoice not raised within 30 days) = 02nd November.

ADVANCE RULING 1 – SP SINGLA CONSTRUCTIONS PVT. LTD. (GST AAR GUJARAT – 2022)

Question: What is the time of supply for discharge of GST in respect of Mobilization Advance received for construction services?
Ruling: SP Singla Constructions Pvt. Ltd. does not contest the taxability on said Advance, but is before us for its deferment from date of its receipt to date of issue of invoice. We pass the Ruling based on Section 13(2) CGST Act read with its explanation (i). Time of Supply, on said Advances received by SPSC for Supply of its Service, is the date of receipt of said advance.
Key Takeaway: Advance received for construction services (works contract) is taxable at the time of receipt of advance, as works contract is treated as supply of service under Schedule II(6)(a).

ADVANCE RULING 2 – TIME OF SUPPLY OF VOUCHERS

Question: ABC Ltd. purchased 50 vouchers worth ₹500 each from Ram Pvt. Ltd. on 20th Aug 20XX. Vouchers issued on 20th Sep 20XX. Employees encashed on 1st Oct 20XX. Determine time of supply.
Ruling: As per Section 12(4)/13(4) (prior to omission), if supplies identifiable at issue: Date of issue of voucher = 20th Sep 20XX. If supplies not identifiable: Date of redemption = 1st Oct 20XX. **Post-omission (w.e.f. 1-10-2025):** General provisions under Section 12(2)/13(2) apply.

14.1 HAM Model – Time of Supply

CIRCULAR NO. 221/15/2024-GST DATED 26 JUNE 2024

The circular clarified the time of supply for deferred annuity payments received by the concessionaire from NHAI for construction of road and O&M under Hybrid Annuity Mode (HAM) model.

- **Tax liability:** Arises at time of issuance of invoice or receipt of payment, whichever is earlier.
- **If invoice not issued on time:** Tax liability arises on date of provision of service or date of receipt of payment, whichever is earlier.
- **Interest component:** Includible in taxable value under Section 15(2)(d).

14.2 Spectrum Allocation – Time of Supply

CIRCULAR NO. 222/16/2024-GST DATED 26 JUNE 2024

The circular clarifies time of supply for GST payment on spectrum allocation services when telecom operator opts for deferred payment in instalments.

- **Upfront Payments:** GST payable when upfront payment is made or due, whichever is earlier.
- **Deferred Payments:** GST payable on deferred payments as and when they are due or made, whichever is earlier.
- **Frequency Assignment Letter:** Not considered as invoice; only bid acceptance document.

14.3 TDR/FSI/Long-Term Lease – Time of Supply

TREATMENT FOR PROJECTS COMMENCING AFTER 1-4-2019

- Supply of TDR, FSI, long-term lease (premium) of land by land owner to developer is exempted subject to condition that constructed flats are sold before issuance of completion certificate and tax is paid on them.
- Exemption withdrawn in case of flats sold after issue of completion certificate, limited to 1% of value for affordable houses and 5% for other than affordable houses.
- Liability to pay tax shifted from landowner to builder under RCM.
- Date on which builder shall be liable to pay tax on TDR, FSI, long-term lease (premium) of land under RCM in respect of flats sold after completion certificate is shifted to date of issue of completion certificate or first occupation of project, whichever is earlier.
- Liability of builder to pay tax on construction of houses given to land owner in JDA is also shifted to date of completion or first occupation of project, whichever is earlier.

CHAPTER 1 · SECTION 15

15. Practical Illustrations with Step-wise Solutions

ILLUSTRATION 1 Time of Supply of Goods – Forward Charge

Q: Mr. Ram registered person under GST sold goods to Mr. Ravi worth ₹5,00,000. Invoice issued on 15th November. Payment received on 1st October. Goods supplied on 20th November. Find time of supply.

Solution:
Date of issue of invoice = 15th November
Last date on which invoice should have been issued = 20th November
Date of receipt of payment (advance) = 1st October
Time of supply of goods = 15th November (earlier of invoice and last date for invoice; payment not relevant as no GST on advance for goods).

ILLUSTRATION 2 Time of Supply of Services – Forward Charge

Q: ABC & Co. issued invoice for services rendered to Mr. Ram on 5th August 2025. Determine time of supply in independent cases: (i) Services completed 1st July 2025; (ii) Services completed 15th July 2025; (iii) Payment made 3rd July 2025, services remaining; (iv) Payment made 15th August 2025, services remaining.

Solution:
(i) 1st July 2025 – invoice not issued within 30 days.
(ii) 5th August 2025 – invoice issued within 30 days.
(iii) 3rd July 2025 – payment received before invoice date.
(iv) 5th August 2025 – invoice issued before completion of services.

ILLUSTRATION 3 Time of Supply of Goods – RCM

Q: Determine the time of supply from the following particulars: May 4 – Supplier invoices goods taxable on reverse charge basis to Bridge & Co.; May 12 – Bridge & Co. receives the goods; May 30 – Bridge & Co. makes the payment.

Solution: Time of supply = **May 12**
Date of payment = May 30
1st Day after expiry of 30 days from date of invoice = June 4
Date of receipt of goods = May 12
Earliest = May 12

ILLUSTRATION 4 **Time of Supply – Reverse Charge (Goods Held Up in Transit)**

Q: Determine time of supply: May 4 – Supplier invoices goods taxable on RCM to Pillar & Co.; June 12 – Pillar & Co. receives goods (held up in transit); July 3 – Pillar & Co. makes payment.

Solution: Time of supply = **June 4**
Date of payment = July 3
1st Day after expiry of 30 days from date of invoice = June 4
Date of receipt of goods = June 12
Earliest = June 4

ILLUSTRATION 5 **Time of Supply – Advance and Balance (Convention Hall)**

Q: 6th May – Booking of convention hall, sum agreed ₹15,000, advance of ₹3,000 received. 15th September – Function held. 27th October – Invoice issued for ₹15,000, indicating balance of ₹12,000 payable. 3rd November – Balance payment of ₹12,000 received. Determine time of supply.

Solution:
Time of Supply for ₹3,000 = **6th May** (date of receipt of advance).
Time of Supply for balance ₹12,000 = **15th September** (date of provision of service, as invoice not issued within 30 days).

ILLUSTRATION 6 **Time of Supply – RCM Goods**

Q: Determine time of supply in the following cases (RCM):

SL	DATE OF RECEIPT OF GOODS	DATE OF PAYMENT	DATE OF INVOICE	TIME OF SUPPLY
(i)	July 1	August 10	June 29	**July 1**
(ii)	July 1	June 25	June 29	**June 25**
(iii)	July 1	Part payment June 30, balance July 20	June 29	**June 30 for part; July 1 for balance**
(iv)	July 5	Book entry June 28; bank debit June 30	June 1	**June 28**
(v)	July 1	Book entry June 30; bank debit June 26	June 29	**June 26**
(vi)	August 1	August 10	June 29	**July 30**

ILLUSTRATION 7 **Time of Supply – RCM Services**

Q: May 4 – Supplier of service issues invoice for service provided. Dispute about amount payable, payment delayed. August 21 – Payment made to supplier. Determine time of supply (RCM services).

Solution: July 4 will be the time of supply, being the earliest of the two stipulated dates namely, date of payment and date immediately following 60 days since issue of invoice. (May 4 + 60 days = July 3; 1st day after = July 4; payment = August 21; earlier = July 4)

ILLUSTRATION 8 **Time of Supply – Associated Enterprises**

Q: X Ltd. (India) & Y Ltd. (London) are associated enterprises. X Ltd. received services from Y Ltd. (unregistered). Determine time of supply: (i) X Ltd. recorded liability in books on 15th January 2025, payment next month; (ii) X Ltd. made advance payment on 10th January 2025, recorded liability on 15th May 2025.

Solution:
(i) Time of supply = **15-01-2025** (date of entry in books is prior to date of payment).
(ii) Time of supply = **10-01-2025** (payment made earlier to date of entry in books).

ILLUSTRATION 9 **Time of Supply – Goods Sent for Approval**

Q: Mr. A sends goods to Mr. B on approval basis on 20th January 2025. Find time of supply: (a) Mr. B accepts on 10th February 2025; (b) Mr. B accepts on 1st September 2025; (c) Mr. B returns on 10th February 2025; (d) Mr. B returns on 1st September 2025.

Solution:
(a) 10th February 2025 (earlier of acceptance or 6 months from removal).
(b) 21st July 2025 (1st day after expiry of 6 months from removal).
(c) Not applicable (no tax payable as goods returned within 6 months).
(d) GST payable by both Mr. A and Mr. B (return after 6 months).

ILLUSTRATION 10 **Time of Supply – Change in Rate of Tax**

Q: X Pvt. Ltd. engaged in providing taxable services by way of training and coaching activities in relation to information Accounting and Auditing since 1st July 2017 has the following details for September 2025:

DATE OF INVOICE	DATE ON WHICH PAYMENT RECEIVED	AMOUNT (₹)
16.09.2025	03.10.2025	2,50,000
20.10.2025	06.10.2025	25,000
02.10.2025	30.09.2025	1,25,000

Solution: Date of change in effective rate of tax = 01-10-2025 from 12% to 18%. Services rendered in August 2025.

SERVICES RENDERED	DATE OF INVOICE	DATE OF PAYMENT	AMOUNT	TIME OF SUPPLY	RATE	DUE DATE
Aug 2025	16.09.2025	03.10.2025	2,50,000	**16.09.2025**	**12%**	20.10.2025
Aug 2025	20.10.2025	06.10.2025	25,000	**06.10.2025**	**18%**	20.11.2025
Aug 2025	02.10.2025	30.09.2025	1,25,000	**30.09.2025**	**12%**	20.10.2025

ILLUSTRATION 11 **Time of Supply – Machine Supplied at Site**

Q: A machine has to be supplied at site. Details: 17th September – Purchase order with advance of ₹50,000 received for goods worth ₹12 lakh; 20th October – Machine assembled, tested and accepted; 23rd October – Invoice raised; 4th November – Balance payment of ₹11,50,000 received. Determine time of supply.

Solution:
For Advance payment: **No Time of supply** (no GST on advance for goods).
For entire amount of ₹12 lakh: **Time of supply = 20th October** (sale taken place on 20th October; invoice issued 23rd October; last date to issue invoice is 20th October; whichever is earlier).

ILLUSTRATION 12 **Time of Supply – Royal Sweet Co.**

Q: Royal Sweet Co., Delhi, registered supplier, transactions in November 2025: (i) 11.11.2025 – Payment made to advocate in Delhi ₹1,25,000 (invoice 07.07.2025); (ii) 20.11.2025 – Paid sitting fee to Director from Haryana for meeting held in Delhi on 15.10.2025 (Inter-State supply) ₹75,000 (invoice 15.10.2025). CGST 9%, SGST 9%, IGST 18%. GST paid to Govt. on 20th December 2025. Compute GST with time of supply.

Solution:
(i) Services from advocate in Delhi – Time of supply = **6th Sep 2025** (60 days from invoice 07.07.2025 = 05.09.2025; 1st day after = 06.09.2025; payment 11.11.2025; earlier = 06.09.2025). CGST = 11,250; SGST = 11,250; Interest = ₹677.
(ii) Director's Sitting fee – Time of supply = **20th Nov 2025** (RCM, payment date earlier than 60 days from invoice). IGST = 13,500.

ILLUSTRATION 13 **Time of Supply – Excess Payment**

Q: Mr. M a registered person provides information: 01.10.2025 – Supply of goods ₹35,700; 01.10.2025 – Date of invoice ₹35,700; 18.10.2025 – Receipt of payment ₹36,000. Find time of supply for excess payment over and above invoice value.

Solution: The time of supply in respect of the excess payment of ₹300 shall be at the option of Mr. M:

- **Option 1:** Time of supply = 01.11.2025 (date of next invoice)
- **Option 2:** Time of supply = 18.10.2025 (date of receipt of excess payment)

ILLUSTRATION 14 **Time of Supply – Convention Hall Advance and Balance**

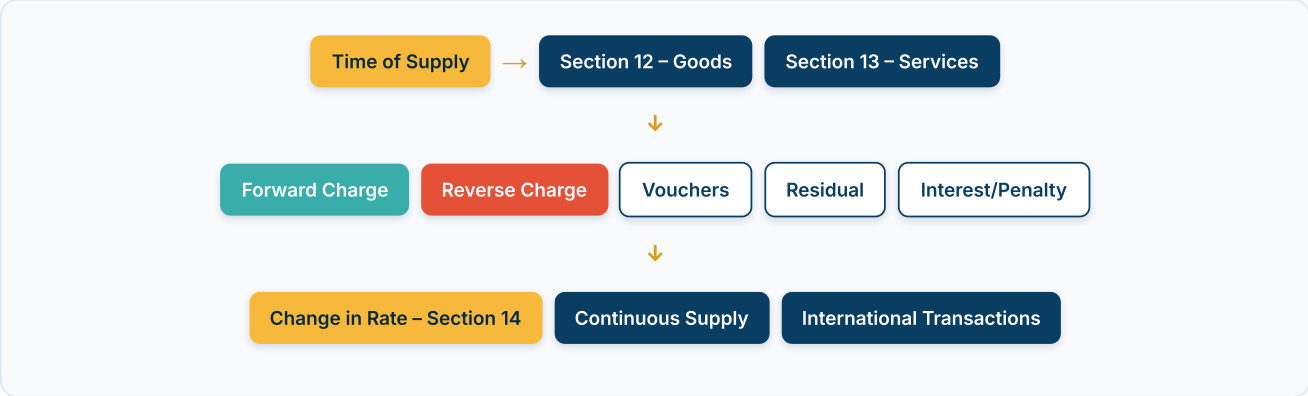
Q: 8th September – Community hall booked for marriage, sum agreed ₹11,20,000, advance ₹1,20,000 recorded in books; 10th September – Advance credited in bank; 2nd November – Marriage held; 18th December – Invoice issued for ₹11,20,000 indicating balance ₹10,00,000; 22nd December – Balance recorded in books; 24th December – Payment credited to bank. Determine time of supply.

Solution:
Date of payment for advance = Bank entry or Book entry, whichever earlier = **8th September**
Date of completion of service = **2nd November** (Invoice date not relevant, as issued after 30 days from completion)
Date of payment for balance = Bank entry or Book entry, whichever earlier = **22nd December**
Time of supply for Advance ₹1,20,000 = 8th September
Time of supply for balance ₹10,00,000 = 2nd November

CHAPTER 1 · SECTION 16

16. End of Chapter

A. Chapter Mind Map



B. Top 25 Revision Points

1. Time of supply = date of charging event; determines rate of tax.
2. Section 12 – time of supply of goods.
3. Section 13 – time of supply of services.
4. Goods forward charge: earlier of invoice/last date or payment.
5. Services forward charge: earlier of invoice (if within 30/45 days) or payment.
6. No GST on advance for goods (except specified actionable claims).
7. GST on advance for services.
8. Goods RCM: earliest of receipt, payment, 30 days from invoice.
9. Services RCM: earliest of payment, 60 days from invoice, date of invoice by recipient.
10. Associated enterprises: earlier of book entry or payment.
11. Continuous supply of goods: statement or payment, whichever earlier.
12. Continuous supply of services: due date if ascertainable; else payment/invoice; else event completion.
13. Vouchers: omitted w.e.f. 1-10-2025; general provisions apply.
14. Residual: due date of return or date of payment of tax.
15. Interest/late fee/penalty: date of receipt.
16. Change in rate: Section 14 matrix for goods and services.
17. Date of receipt of payment in change in rate: 4 working days rule.
18. Excess payment up to ₹1,000: supplier option.
19. Goods sent for approval: earlier of acceptance or 6 months.
20. Import of goods: date of payment of duty.
21. Import of services: earlier of payment, 60 days from invoice, date of invoice by recipient.
22. Self-invoice within 30 days (w.e.f. 1-11-2024).
23. TDR/FSI/long-term lease: time of supply shifted to completion certificate.

24. HAM model: invoice or payment, whichever earlier.
25. Spectrum: upfront or deferred payment, whichever earlier.

C. Top 10 Examination Questions

1. Explain time of supply of goods under forward charge with exceptions.
2. Explain time of supply of services under forward charge.
3. Explain time of supply under reverse charge for goods and services.
4. Explain time of supply for associated enterprises.
5. Explain time of supply for continuous supply of goods and services.
6. Explain the change in rate of tax provisions under Section 14.
7. Explain time of supply for vouchers prior to and post-omission.
8. Explain residual provisions and interest/late fee/penalty.
9. Practical problem on time of supply under RCM.
10. Case study on advance ruling – SP Singla Constructions.

D. Expected Dec 2026 Questions

- Practical problem on time of supply of goods and services with change in rate.
- RCM time of supply for goods and services including associated enterprises.
- Continuous supply of goods and services.
- Vouchers – post-omission treatment.
- Case study on HAM model or spectrum allocation.
- Advance ruling analysis on time of supply.

E. Formula and Limit Sheet

ITEM	LIMIT / RULE
Invoice time limit – goods	On or before removal/delivery
Invoice time limit – services	30 days (45 days for banks/NBFCs)
RCM goods – invoice date reference	30 days
RCM services – invoice date reference	60 days
Self-invoice time limit	30 days from receipt of supply (w.e.f. 1-11-2024)
Excess payment option	Up to ₹1,000
Goods sent for approval	6 months from removal
Change in rate – bank credit	4 working days rule
Continuous supply of services	Contract period exceeding 3 months

F. Quick Revision Notes

QUICK REVISION

Goods forward charge = earlier of invoice/last date or payment. Services forward charge = earlier of invoice (within 30/45 days) or payment. RCM goods = earliest of receipt, payment, 30 days. RCM services = earliest of payment, 60 days, invoice by recipient. Associated enterprises = earlier of book entry or payment. Continuous supply = statement/payment or due date. Change in rate = Section 14 matrix. Vouchers omitted w.e.f. 1-10-2025. Residual = return due date or payment. Interest = date of receipt.

G. One Page Summary

MODULE 2 IN ONE PAGE

Time of supply determines when GST liability arises. Section 12 for goods, Section 13 for services. Forward charge: earlier of invoice or payment (with 30/45 day rule for services). Reverse charge: earliest of receipt/payment/30 or 60 days. Associated enterprises: earlier of book entry or payment. Continuous supply: statement/payment or due date. Change in rate: Section 14 matrix with 4 working days rule. Vouchers: general provisions after omission. Residual: return due date or payment. Interest: date of receipt. Advance rulings clarify practical issues. For Dec 2026, practice numericals and case studies.

End of Module 2

1. Complete Module Summary

Module 2 establishes the time of supply under GST. It covers Sections 12 and 13, forward charge and reverse charge, continuous supply, vouchers, residual provisions, interest/late fee/penalty, change in rate of tax under Section 14, international transactions, and key case studies/advance rulings. The module is essential for computing tax liability and determining applicable rates.

2. Top 100 Important Examination Points

1. Time of supply = date of charging event.
2. Determines rate of tax.
3. Section 12 – goods.
4. Section 13 – services.
5. Goods forward charge: earlier of invoice/last date or payment.
6. Services forward charge: earlier of invoice (if within 30/45 days) or payment.
7. No GST on advance for goods (except specified actionable claims).
8. GST on advance for services.
9. Goods RCM: earliest of receipt, payment, 30 days.
10. Services RCM: earliest of payment, 60 days, invoice by recipient.
11. Associated enterprises: earlier of book entry or payment.
12. Continuous supply of goods: statement or payment, whichever earlier.
13. Continuous supply of services: due date if ascertainable.
14. Vouchers: omitted w.e.f. 1-10-2025.
15. Residual: due date of return or date of payment.
16. Interest/late fee/penalty: date of receipt.
17. Change in rate: Section 14 matrix.
18. Date of receipt of payment: 4 working days rule.
19. Excess payment up to ₹1,000: supplier option.
20. Goods sent for approval: earlier of acceptance or 6 months.
21. Import of goods: date of payment of duty.
22. Import of services: RCM provisions.
23. Self-invoice within 30 days.
24. TDR/FSI: time of supply shifted.
25. HAM model: invoice or payment.
26. Spectrum: upfront or deferred payment.
27. Notification 66/2017-CT: no GST on advance for goods.
28. Notification 50/2023-CT: specified actionable claims.
29. Rule 47A: self-invoice 30 days.

30. Section 31(4): continuous supply invoice.
31. Section 31(2): 30/45 days invoice.
32. Section 39: due date of return.
33. Section 50: interest on delayed payment.
34. Rule 35: back calculation for tax-inclusive value.
35. Section 14: change in rate.
36. Circular 221/15/2024: HAM model.
37. Circular 222/16/2024: spectrum.
38. Advance ruling: SP Singla Constructions.
39. Advance ruling: CMA & Associates.
40. Advance ruling: JW Marriott.
41. Time of supply for vouchers pre-omission.
42. Time of supply for vouchers post-omission.
43. Continuous supply period: >3 months.
44. Due date ascertainable from contract.
45. Due date not ascertainable from contract.
46. Payment linked to event.
47. Goods RCM: 30 days from invoice.
48. Services RCM: 60 days from invoice.
49. Payment date: book entry or bank entry, whichever earlier.
50. Change in rate: bank credit after 4 working days.
51. Excess payment: invoice date or payment date, at option.
52. Goods sent for approval: 6 months limit.
53. Import of goods: duty payment date.
54. Import of services: RCM.
55. Associated enterprises: special rule.
56. Self-invoice: Rule 47A.
57. No consolidation of self-invoices.
58. Time of supply: goods vs services.
59. Advance received: goods vs services.
60. RCM recipient: must register.
61. RCM supplier: cannot take ITC.
62. RCM recipient: can take ITC.
63. Composition dealer: no GST on advance.
64. Specified actionable claims: GST on advance.
65. Practical problem: time of supply.
66. Practical problem: RCM.
67. Practical problem: change in rate.
68. Practical problem: continuous supply.

69. Practical problem: vouchers.
70. Practical problem: goods sent for approval.
71. Case study: SP Singla.
72. Case study: CMA & Associates.
73. Case study: JW Marriott.
74. Case study: HAM model.
75. Case study: spectrum allocation.
76. Case study: TDR/FSI.
77. Due date of payment of tax: 20th of next month.
78. Interest under Section 50: 18% p.a.
79. Interest under Section 50(3): 24% p.a.
80. Refund interest: 6% p.a.
81. Delay refund interest: 9% p.a.
82. Amendment: Finance Act, 2024.
83. Amendment: Finance Act, 2025.
84. Amendment: Rule 47A.
85. Amendment: Section 13(3).
86. Amendment: vouchers omitted.
87. Notification: 66/2017-CT.
88. Notification: 50/2023-CT.
89. Notification: 04/2018-CT(R).
90. Circular: 221/15/2024.
91. Circular: 222/16/2024.
92. Exam tip: E-I-P mnemonic.
93. Exam tip: G-P-30/60 mnemonic.
94. Exam tip: practice numericals.
95. Exam tip: quote case laws.
96. Exam tip: link to Section.
97. Exam tip: state rate and due date.
98. Exam tip: show working notes.
99. Exam tip: conclude with taxability.
100. December 2026: focus on amendments.
101. Practice at least 10 practical problems.

3. Top 50 Practical Adjustments

#	PRACTICAL ADJUSTMENT / CHECK
1	Identify whether goods or services.
2	Check forward charge or reverse charge.
3	For goods forward charge: invoice date or last date for invoice.
4	For services forward charge: invoice within 30/45 days?
5	Check if payment received before invoice.
6	Check if advance received for goods – no GST (except specified actionable claims).
7	Check if advance received for services – GST applicable.
8	For RCM goods: receipt date, payment date, 30 days from invoice.
9	For RCM services: payment date, 60 days from invoice, invoice by recipient.
10	For associated enterprises: book entry or payment, whichever earlier.
11	Check continuous supply of goods.
12	Check continuous supply of services.
13	Check due date ascertainable from contract.
14	Check payment linked to event.
15	Check vouchers – pre or post 1-10-2025.
16	Check residual provisions.
17	Check interest/late fee/penalty receipt date.
18	Check change in rate of tax.
19	Apply Section 14 matrix for goods.
20	Apply Section 14 matrix for services.
21	Apply 4 working days rule for bank credit.
22	Check excess payment up to ₹1,000.
23	Check goods sent for approval – 6 months.
24	Check import of goods – duty payment date.
25	Check import of services – RCM provisions.
26	Check self-invoice within 30 days (Rule 47A).
27	Check no consolidation of self-invoices.
28	Check TDR/FSI/long-term lease time of supply.

#	PRACTICAL ADJUSTMENT / CHECK
29	Check HAM model – invoice or payment.
30	Check spectrum allocation – upfront or deferred.
31	Check bank entry vs book entry for payment date.
32	Check date of invoice vs date of provision of service.
33	Check last date for issue of invoice.
34	Check Section 31 time limits.
35	Check Section 39 due date of return.
36	Check interest under Section 50.
37	Check interest under Section 50(3).
38	Check refund interest.
39	Check notification 66/2017-CT.
40	Check notification 50/2023-CT.
41	Check Rule 47A.
42	Check Section 13(3) amendment.
43	Check vouchers omission.
44	Check circular 221/15/2024.
45	Check circular 222/16/2024.
46	Check advance ruling – SP Singla.
47	Check advance ruling – CMA & Associates.
48	Check advance ruling – JW Marriott.
49	Check practical problem – change in rate.
50	Check date of amendment and notification for Dec 2026.

4. Frequently Repeated Questions

- Explain time of supply of goods under forward charge with exceptions.
- Explain time of supply of services under forward charge.
- Explain time of supply under reverse charge for goods and services.
- Explain time of supply for associated enterprises.
- Explain time of supply for continuous supply of goods and services.
- Explain change in rate of tax provisions under Section 14.
- Explain time of supply for vouchers.

- Explain residual provisions and interest/late fee/penalty.
- Practical problem on time of supply under RCM.
- Case study on advance ruling.

5. Important Case Study Areas

- Time of supply of goods and services with change in rate.
- RCM time of supply for goods and services.
- Associated enterprises time of supply.
- Continuous supply of goods and services.
- Vouchers – pre and post omission.
- Goods sent for approval.
- Import of goods and services.
- Advance rulings – SP Singla, CMA & Associates, JW Marriott.
- HAM model and spectrum allocation.
- TDR/FSI/long-term lease.

6. Complete Revision Charts

CONCEPT	KEY SECTION	EFFECT
Time of Supply – Goods	Section 12	Earlier of invoice/last date or payment
Time of Supply – Services	Section 13	Earlier of invoice (30/45 days) or payment
RCM – Goods	Section 12(3)	Earliest of receipt, payment, 30 days
RCM – Services	Section 13(3)	Earliest of payment, 60 days, invoice by recipient
Associated Enterprises	Section 13(3) proviso	Earlier of book entry or payment
Continuous Supply	Section 12(2)/13(2)	Statement/payment or due date
Vouchers	Section 12(4)/13(4)	Omitted w.e.f. 1-10-2025
Change in Rate	Section 14	Matrix for goods and services
Interest/Penalty	Section 12(6)/13(6)	Date of receipt
Residual	Section 12(5)/13(5)	Return due date or payment date

7. GST Revision Tables

SCENARIO	TIME OF SUPPLY	APPLICABLE RATE	REMARKS
Supply before change, invoice after, payment after	Date of invoice	New Rate	Invoice after change
Supply before change, invoice before, payment after	Date of invoice	Old Rate	Invoice before change
Supply before change, invoice after, payment before	Date of invoice	Old Rate	Payment before change
Supply after change, invoice before, payment before	Date of invoice	Old Rate	Both before change
Supply after change, invoice before, payment after	Date of invoice	New Rate	Supply after change
Supply after change, invoice after, payment before	Date of invoice	New Rate	Payment before change

8. Customs Revision Tables

CUSTOMS BOX

Module 2 is GST-specific. Customs tables are covered in Section B modules – Valuation, Baggage, Manufacture in Bond, Duty Drawback, IGCR, Remission, Refund, Trade Facilitation, FTP and SEZ.

9. One Night Revision Notes

ONE NIGHT BEFORE EXAM

Read Sections 12, 13, 14, RCM provisions, continuous supply, vouchers (omission), change in rate matrix, residual, interest, and advance rulings. Practice 5 practical problems on time of supply including RCM and change in rate.

10. Fast Track Revision Notes

- Goods forward: earlier of invoice/last date or payment.
- Services forward: earlier of invoice (30/45 days) or payment.
- Goods RCM: earliest of receipt, payment, 30 days.
- Services RCM: earliest of payment, 60 days, invoice by recipient.
- Associated enterprises: earlier of book entry or payment.
- Continuous supply: statement/payment or due date.
- Change in rate: Section 14 matrix.
- Vouchers: omitted w.e.f. 1-10-2025.
- Residual: return due date or payment.
- Interest: date of receipt.

11. 20 Marks Most Probable Areas

- Time of supply of goods and services with practical problem.
- RCM time of supply for goods and services.
- Change in rate of tax with matrix application.
- Continuous supply and vouchers.

12. 50 Marks Most Probable Areas

- Full practical problem covering forward charge, RCM, change in rate, and continuous supply.
- Case-based question on advance rulings and circulars.
- Descriptive question on time of supply provisions, RCM, and amendments.

13. Mock Exam Revision Sheet

> **MOCK EXAM**
>
> Attempt one 15-mark practical on time of supply (forward + RCM + change in rate) and one 10-mark theory on Section 13(3) amendment and vouchers omission. Review advance rulings.

14. Examiner Approach Guide

- Start with Section and provision.
- State the "earlier of" or "earliest of" rule.
- Apply to facts.
- Conclude with time of supply, rate, and due date.
- Support with circular/case law where relevant.

15. Student Mistake Analysis

- Confusing goods and services rules.
- Forgetting no GST on advance for goods.
- Applying 30 days instead of 60 days for RCM services.
- Missing associated enterprises special rule.
- Not applying 4 working days rule for change in rate.
- Ignoring vouchers omission w.e.f. 1-10-2025.
- Missing Rule 47A self-invoice time limit.

16. Final Revision Checklist

- Sections 12, 13, 14 revised.
- Forward charge rules revised.
- RCM rules revised.
- Associated enterprises rule revised.
- Continuous supply revised.
- Vouchers omission revised.

- Change in rate matrix revised.
- Residual and interest revised.
- Advance rulings revised.
- Amendments and dates revised.
- Practical problems solved.

CMA KNOWLEDGE — PREMIUM PUBLICATION

DECEMBER 2026 EXAMINATION

Module 3
Place of Supply

Complete Revision Handbook for CMA Final Paper 19 – Indirect Tax Laws and Practice (ITLP)

01	**Paper 19** Indirect Tax Laws & Practice	02	**Module 3** Section A – GST (70%)	03	**ICMAI Official** Study Material Based	04	**December 2026** Latest Amendments

Prepared exclusively from the latest Official ICMAI Study Material – Paper 19 ITLP (Reprint July 2026)

Website: cmaknowledge.in

MODULE 3 · SECTION A · GST

1. Module Introduction

CORE IDEA

Place of supply determines whether a supply is **intra-State** (CGST + SGST/UTGST) or **inter-State** (IGST). It is the most critical determinant of the nature of tax and revenue accrual to the correct State/UT. It is independent of the location of the supplier in cross-border and specific cases.

Place of supply provisions are contained in the Integrated Goods and Services Tax Act, 2017 (IGST Act). Sections 10 to 13 deal with place of supply of goods and services. The place of supply rules determine whether the transaction is intra-State or inter-State, and consequently, whether CGST + SGST/UTGST or IGST is applicable.

Module 3 scope: This module covers supplies in territorial waters, detailed discussion on place of supply provisions for goods and services (domestic and cross-border), place of supply for OIDAR services, case studies and illustrations on place of supply, and IGST Rules for apportionment of value.

EXAM ALERT

Module 3 is critical for determining the nature of tax (IGST vs CGST+SGST). Every practical problem requires identification of place of supply. Focus on Sections 10, 12, and 13 of IGST Act, Bill-to-Ship-to model, OIDAR, intermediary services, and cross-border supplies.

MODULE 3 · FOUNDATION

2. Syllabus Coverage Map

MODULE 3 TOPIC	SUB-TOPICS IN STUDY MATERIAL	COVERAGE IN THIS HANDBOOK
3.1 Supplies in Territorial Waters	Section 9 IGST Act, coastal State/UT, nearest baseline, examples	Chapter 1 – Section 5
3.2 Place of Supply Provisions	Place of supply of goods (Section 10), place of supply of services (Section 12), cross-border (Section 13), Bill-to-Ship-to, OIDAR, intermediary, transportation, immovable property, events, training, admission, banking, insurance, advertisement	Chapter 1 – Sections 6 to 11
3.3 Place of Supply – OIDAR	Definition, examples, B2C vs B2B, registration, Section 14 IGST	Chapter 1 – Section 8
3.4 Case Studies and Illustrations	Universal Services India, Amogh Ramesh Bhatawadekar, satellite launch services, circulars on advertising, co-location, custodial services, data hosting	Chapter 1 – Sections 12 and 13

MODULE 3 · OBJECTIVES

3. Learning Outcome Matrix

SUBJECT LEARNING OBJECTIVE (SLOB)	LEARNING OUTCOME / APPLICATION SKILL	MODULE 3 COVERAGE
SLOB 1: Develop detailed understanding of GST provisions for valuation, computation of tax liability including ITC management.	Understand place of supply importance and its applicability in case of supply of goods or services or both in domestic as well as cross-border transactions.	Fully covered through Sections 10, 12, 13 and IGST Rules.
SLOB 2: Obtain detailed knowledge of accounts, records, annual returns and dispute resolution for better compliance.	Explain provisions relating to determination of place of supply of goods and services.	Covered through detailed topic explanation and practical illustrations.
SLOB 3: Acquire knowledge of valuation, duty calculation, remission and refund under Customs Act and Rules.	Customs-specific outcomes are covered in Section B modules.	Not applicable to Module 3.
SLOB 4: Facilitate strategic decision making by appropriate management of indirect tax issues.	Apply practically how to apportion consolidated values between States and UT using IGST Rules, 2017.	Covered through IGST Rules and apportionment discussion.

MODULE 3 · ANALYSIS

4. Exam Weightage Analysis

SECTION A – GST: 70% WEIGHTAGE

Module 3 is critical for every practical problem. Direct and indirect questions are expected from:

- Place of supply of goods – **5 to 10 marks**
- Place of supply of services – **5 to 10 marks**
- Bill-to-Ship-to model – **5 to 8 marks**
- OIDAR services – **3 to 5 marks**
- Cross-border services – **5 to 8 marks**
- Territorial waters – **2 to 5 marks**
- Inter-State vs Intra-State – **2 to 5 marks**

EXPECTED DECEMBER 2026 PATTERN

- MCQ / short notes – **2 to 5 marks**
- Practical problems – **8 to 15 marks**
- Case-based / application – **5 to 10 marks**
- Descriptive / analytical – **5 to 10 marks**

MODULE 3 · EXAM FAVOURITES

5. Frequently Tested Areas

FREQUENTLY REPEATED CONCEPTS

- **Place of supply of goods** – movement, no movement, bill-to-ship-to, installation, on board conveyance, unregistered person address.
- **Place of supply of services** – default rules, immovable property, events, training, admission, transportation, restaurant, banking, insurance, advertisement.
- **Cross-border services** – Section 13 rules, performance-based, OIDAR, intermediary, hiring of transport.
- **OIDAR services** – definition, examples, B2C vs B2B, registration.
- **Bill-to-Ship-to model** – two supplies, place of supply for each leg.
- **Territorial waters** – coastal State/UT, nearest baseline.
- **Inter-State vs Intra-State** – Section 7 and 8 of IGST Act.
- **Advance rulings and circulars** – advertising, co-location, custodial services, data hosting.

MODULE 3 · DECEMBER 2026

6. Important Amendments Covered in Material

AMENDMENT BOX – DEC 2026 FOCUS

The following amendments are specifically covered in Module 3 study material. For December 2026, focus on the date and effect.

- **Finance Act, 2019 (w.e.f. 1-2-2019):** Section 10(1)(d) – place of supply for goods delivered to unregistered person – address on record or location of supplier; Section 12(8) – transportation of goods to place outside India – place of destination.
- **Finance Act, 2020 (w.e.f. 1-4-2020):** Section 12(2)(b) – online services to unregistered person – address on record.
- **Finance Act, 2023 (w.e.f. 1-10-2023):** Section 13(9) – transportation of goods other than by mail/courier – omitted; OIDAR amendments; Section 14A – online money gaming.
- **Finance Act, 2025 (w.e.f. 1-10-2025):** Section 10(1)(ca) – place of supply for goods to unregistered person – address on record in invoice.
- **Notification No. 04/2018-IT (w.e.f. 1-2-2019):** Place of supply of services in respect of R&D services related to pharmaceutical sector – place of effective use and enjoyment.
- **Notification No. 02/2020-IT (w.e.f. 1-4-2020):** B2B MRO services in respect of aircrafts – place of supply is location of recipient.
- **Notification No. 03/2021-IT (w.e.f. 2-6-2021):** B2B MRO services in respect of ships/vessels – place of supply is location of recipient.
- **Circular No. 203/15/2023-GST (27-10-2023):** Advertising sector – place of supply for hoardings, co-location services.
- **Circular No. 230/24/2024-GST (10-9-2024):** Advertising services to foreign clients – intermediary vs principal.
- **Circular No. 232/26/2024-GST (10-9-2024):** Data hosting services – place of supply is location of recipient.
- **Circular No. 242/36/2024-GST (31-12-2024):** Online services to unregistered recipients – State name on invoice mandatory.
- **Circular No. 220/1/2024-GST (26-6-2024):** Custodial services to FPIs – place of supply is location of recipient.

MODULE 3 · NAVIGATION

7. Chapter-Wise Coverage Index

CHAPTER / SECTION	COVERAGE	EXAM RELEVANCE
3.1 Introduction	Meaning and importance of place of supply, Sections 10 to 13 IGST Act	High – conceptual
3.2 Territorial Waters	Section 9 IGST Act, coastal State/UT, nearest baseline, examples	Medium – direct
3.3 Place of Supply – Goods	Movement, no movement, bill-to-ship-to, installation, on board conveyance, unregistered person, import/export	Very high – practical
3.4 Place of Supply – Services	Default rules, immovable property, events, training, admission, transportation, restaurant, banking, insurance, advertisement, intermediary, OIDAR	Very high – practical
3.5 Cross-Border Services	Section 13 rules, performance-based, OIDAR, intermediary, hiring of transport	High – case-based
3.6 IGST Rules	Apportionment of value between States/UT	Medium – application
3.7 Case Studies	Universal Services India, Amogh Ramesh Bhatawadekar, satellite launch, circulars	Medium to high – case law

CHAPTER 1 · DETAILED STUDY

Place of Supply

1. Chapter Overview

This chapter explains the place of supply under GST – the determinant of whether a supply is intra-State or inter-State. It covers Section 9 (territorial waters), Section 10 (goods), Section 12 (services where location of supplier and recipient is in India), Section 13 (services where location of supplier or recipient is outside India), OIDAR, IGST Rules for apportionment, key circulars and case laws.

2. Learning Objectives

- Understand place of supply importance and its applicability in case of supply of goods or services or both in case of domestic as well as cross border transactions.
- Explain the provisions relating to determination of place of supply of goods and services.
- Apply practically how to apportion consolidated values between States and UT's using IGST Rules, 2017.

3. Important Definitions

TERM	DEFINITION / KEY POINT
Customs frontiers of India	Section 2(4) IGST: limits of a customs area as defined in Section 2 of the Customs Act, 1962.
Export of goods	Section 2(5) IGST: taking goods out of India to a place outside India.
Export of services	Section 2(6) IGST: supplier in India, recipient outside India, place of supply outside India, payment in convertible foreign exchange or INR wherever permitted by RBI, not merely establishments of distinct person.
Import of goods	Section 2(10) IGST: bringing goods into India from a place outside India.
Import of services	Section 2(11) IGST: supplier outside India, recipient in India, place of supply in India.
Non-taxable online recipient	Section 2(16) IGST w.e.f. 1-10-2023: any unregistered person receiving OIDAR services located in taxable territory; includes person registered solely under Section 24(vi) for TDS.
OIDAR services	Section 2(17) IGST: services whose delivery is mediated by information technology over internet/electronic network, essentially automated, minimal human intervention, impossible without IT.
Intermediary	Section 2(13) IGST: broker, agent or any other person who arranges or facilitates supply of goods/services/securities between two or more persons, but does not include person who supplies such goods/services on his own account.
Continuous journey	Section 2(3) IGST: journey for which single or more than one ticket issued at same time, by single supplier or through agent, and involves no stopover.

4. Key Legal Terminologies

Intra-State supply
Section 8 IGST: location of supplier and place of supply in same State/UT. CGST + SGST/UTGST applicable. Excludes supply to/from SEZ, imports, tourist supplies.

Inter-State supply
Section 7 IGST: location of supplier and place of supply in different States/UTs. IGST applicable. Includes imports, exports, supplies to/from SEZ, and supplies in taxable territory not being intra-State.

Bill-to-Ship-to
Section 10(1)(b) IGST: goods delivered to recipient or any other person on direction of third person; place of supply is principal place of business of third person.

OIDAR
Online Information and Database Access or Retrieval services. B2C – supplier liable; B2B – recipient liable under RCM.

Territorial waters
Section 9 IGST: location of supplier or place of supply in territorial waters deemed to be in coastal State/UT where nearest point of appropriate baseline is located.

5. Supplies in Territorial Waters – Section 9 IGST Act

SECTION 9 – TERRITORIAL WATERS

(a) where the location of the supplier is in the territorial waters, the location of such supplier; or
(b) where the place of supply is in the territorial waters, the place of supply,
shall, for the purposes of this Act, be deemed to be in the coastal State or Union territory where the nearest point of the appropriate baseline is located.

EXAMPLE 1

Repair services are provided by M/s X Ltd., in Delhi on ship moved off the coast (i.e. an area of land that is next to the sea of Cochin for a shipping company from U.K., the place of supply of the repairs services will not be the waters but Cochin itself.

EXAMPLE 2

Oil and Natural Gas Company has on offshore (seaward) on the field off coast (seaboard) of Mumbai. Supplies from such oil field would be deemed to be supplies from the State of Maharashtra.

ILLUSTRATION Territorial Waters – Sonu Traders

Q: Sonu Traders, registered person in Maharashtra. In the month of September, it supplied taxable goods worth ₹50 lakh to Rose Oil Corporation Ltd. in the territorial waters. The said territorial waters are located at a distance of 8 nautical miles from the baseline of the State of Maharashtra and 9 nautical miles from the base line of the state of Gujarat. You are required to determine the amount of net CGST and SGST and/or IGST payable.

Solution:
Place of Supply = Maharashtra (nearest point of baseline is Maharashtra).
Since location of supplier (Maharashtra) and place of supply (Maharashtra) are in the same State, it is an **intra-State supply**.
CGST @ 9% = ₹4,50,000; SGST @ 9% = ₹4,50,000.

6. Place of Supply of Goods – Section 10 IGST

As per Section 10 of the IGST Act, 2017, place of supply of goods other than supply of goods imported into, or exported from India, shall be as follows:

SL	NATURE OF SUPPLY	PLACE OF SUPPLY	KEY NOTES
10(1) (a)	Supply involves movement of goods (whether by supplier, recipient or any other person)	Location of the goods at the time at which the movement of goods terminates for delivery to the recipient.	Sale, transfer, dispatch; movement by supplier or recipient.
10(1) (b)	Goods delivered by supplier to recipient or any other person on direction of a third person, whether acting as agent or otherwise, before or during movement of goods by way of transfer of documents of title to goods or otherwise	It shall be deemed that the said third person has received the goods and the place of supply shall be the **principal place of business** of such person.	Bill-to-Ship-to model; two supplies; ITC availability to third person.
10(1) (c)	Supply does not involve movement of goods, whether by supplier or recipient	Location of such goods at the time of delivery to the recipient.	Irrespective of location of buyer and seller.
10(1) (d)	Goods assembled or installed at site	Place of such installation or assembly.	Dismantled goods brought to site and assembled.
10(1) (e)	Goods supplied on board a conveyance including vessel, aircraft, train or motor vehicle	Location at which such goods are taken on board.	Food/items supplied during journey.
10(1) (ca)	Goods supplied to unregistered person (w.e.f. 1-10-2023)	Location as per address of person recorded in invoice; where address not recorded, location of supplier.	Recording name of State in invoice deemed to be recording of address.
10(2)	Anything not covered under 10(1)	Determined in such manner as may be prescribed.	GST Council recommendation.

6.1 PLACE OF SUPPLY OF GOODS – IMPORT AND EXPORT (SECTION 11)

NATURE OF SUPPLY	PLACE OF SUPPLY
Import into India	Location of the importer
Export from India	Location outside India

AMENDMENT – ONLINE MONEY GAMING

w.e.f. 1-10-2023, supply of online money gaming as the supply of goods on import of which IGST shall be levied and collected under Section 5(1) of IGST Act and not under Section 3 of Customs Tariff Act. Registration under Section 24(xia) mandatory irrespective of aggregate turnover.

6.2 BILL-TO-SHIP-TO MODEL – SECTION 10(1)(B)

BILL-TO-SHIP-TO – KEY POINTS

- Three persons: 'A' (order), 'B' (supplier), 'C' (recipient).
- 'B' sends goods directly to 'C' on behalf of 'A'.
- Two tax invoices: Invoice-1 (B to A); Invoice-2 (A to C).
- Place of supply for B = principal place of business of A.
- Place of supply for A = location of goods at time of delivery to C (Section 10(1)(a) or 10(1)(c)).

ILLUSTRATION **Bill-to-Ship-to – Maruti Traders**

Q: Maruti Traders (Maharashtra) receives order from Bhagavan Traders (Maharashtra). Instruction to ship Tables to Bhakta Hardware's (Tamil Nadu). Bhagavan Traders is customer of Maruti Traders. Determine place of supply and GST for each leg.

Solution:
First leg – Maruti Traders (Maharashtra) to Bhagavan Traders (Maharashtra): Bhagavan Traders is third person directing delivery to Bhakta Hardware's. Place of supply = principal place of business of Bhagavan Traders = Maharashtra. CGST + SGST applicable.
Second leg – Bhagavan Traders to Bhakta Hardware's (Tamil Nadu): Inter-State supply, place of supply = Tamil Nadu. IGST applicable.

6.3 BILL-TO-SHIP-TO – COMPLETE TABLE (SECTION 10(1)(B))

STEP	SUPPLIER – RANI	PLACE OF DELIVERY – OFFICE OF RAJA	PRINCIPAL PLACE OF RAM (INSTRUCTING DELIVERY)	PLACE OF SUPPLY FOR RANI	TYPE OF TAX PAYABLE BY RANI
1	Chennai	Chennai	Vijayawada	Vijayawada	IGST
2	Chennai	Hyderabad	Delhi	Delhi	IGST
3	Chennai	Cochin	Kashmir	Kashmir	IGST
4	Chennai	Cochin	Chennai	Chennai	CGST & SGST

Step 2 – Deemed supply by Ram to Raja: Place of supply for Ram = location of goods at time of delivery to recipient (Section 10(1)(a)). Type of tax payable by Ram.

STEP	LOCATION OF SUPPLIER – RANI	PLACE OF DELIVERY – OFFICE OF RAJA	PRINCIPAL PLACE OF RAM	PLACE OF SUPPLY FOR RAM	TYPE OF TAX PAYABLE BY RAM
1	Chennai	Chennai	Vijayawada	Chennai	IGST
2	Chennai	Hyderabad	Delhi	Hyderabad	IGST
3	Chennai	Cochin	Kashmir	Cochin	IGST
4	Chennai	Cochin	Chennai	Cochin	IGST

6.4 PLACE OF SUPPLY – GOODS DELIVERED TO UNREGISTERED PERSON (SECTION 10(1)(CA))

CBIC CIRCULAR NO. 209/3/2024-GST DATED 26TH JUNE 2024

When goods are supplied to an unregistered person and the billing address differs from the delivery address, the place of supply is the location as per the delivery address recorded in the invoice. Suppliers should record the delivery address as the recipient's address on the invoice when the billing and delivery addresses differ.

ILLUSTRATION Place of Supply – Billing vs Delivery Address

Q: Ms. Priya from Mumbai (billing address) orders smartphone from XYZ E-commerce (Chennai) and requests delivery to friend's address in Bengaluru (delivery address). Place of supply?

Solution:
Billing address = Maharashtra; Delivery address = Karnataka.
As per Section 10(1)(ca), when billing and delivery addresses differ, place of supply is delivery address.
Place of Supply = Karnataka.
Supplier location (Tamil Nadu) and place of supply (Karnataka) are different States → **Inter-State supply → IGST applicable.**

CHAPTER 1 · SECTION 7

7. Place of Supply of Services

7.1 Location of Recipient and Supplier

RECIPIENT OF SERVICE	LOCATION OF RECIPIENT
(a) Services received at place of business where registration is obtained	Location of such place of business
(b) Services received at fixed establishment	Location of such fixed establishment
(c) Services received at more than one establishment	The location of establishment most directly concerned with the receipt of the supply
(d) Services received at other than above	The location of the usual place of residence of the recipient

SUPPLIER OF SERVICE	LOCATION OF SUPPLIER
(a) Supply is made from a place of business where registration is obtained	Location of such place of business
(b) Supply is made from a fixed establishment	Location of such fixed establishment
(c) Supply is made from more than one establishment	The location of establishment most directly concerned with the provision of the supply
(d) Services supplied at other than above	The location of the usual place of residence of the supplier

7.2 Section 12 – Place of Supply of Services (Domestic)

Section 12 applies where location of supplier and recipient is in India.

SECTION	NATURE OF SERVICE	PLACE OF SUPPLY
12(2)	Default rule	Registered person: location of recipient; Unregistered person: (i) address on record – location of recipient; (ii) no address on record – location of supplier.
12(3)(a)	Immovable property – architects, interior decorators, surveyors, engineers, estate agents, grant of rights to use immovable property, construction work	Location of immovable property; if outside India, location of recipient.
12(3)(b)	Lodging accommodation – hotel, inn, guest house, home stay, club, campsite, houseboat or vessel	Location of immovable property or boat or vessel; if outside India, location of recipient.
12(3)(c)	Accommodation in immovable property for organizing marriage, reception, official, social, cultural, religious, business function	Location of immovable property; if outside India, location of recipient.
12(3)(d)	Ancillary services to (a) to (c)	Same as principal service.
12(4)	Restaurant, catering, personal grooming, fitness, beauty treatment, health services including cosmetic and plastic surgery	Location where services are actually performed.
12(5)	Training and performance appraisal	Registered person: location of recipient; Unregistered person: location where services are actually performed.
12(6)	Admission to cultural, artistic, sporting, scientific, educational, entertainment event or amusement park	Where the event is actually held or where the park or such other place is located.
12(7)	Organization of cultural, artistic, sporting, scientific, educational, entertainment event, conference, fair, exhibition, celebration, assigning of sponsorship	Registered person: location of recipient; Unregistered person: location where event is actually held; if outside India, location of recipient.
12(8)	Transportation of goods including by mail or courier	Registered person: location of recipient; Unregistered person: location where goods are handed over for transportation. Provided that where transportation is to a place outside India, place of supply shall be place of destination (omitted w.e.f. 1-10-2023).
12(9)	Passenger transportation service	Registered person: location of recipient; Unregistered person: place where passenger embarks on continuous journey.
12(9) proviso	Right to passage for future use, point of embarkation not known	Registered person: location of recipient; Unregistered person: location of recipient if address on record; else location of supplier.
12(10)	Service on board a conveyance (vessel, aircraft, train, motor vehicle)	Location of first scheduled point of departure of that conveyance for the journey.
12(11)	Telecommunication services including data transfer, broadcasting, cable, DTH	Prepaid: location where prepaid voucher is sold; Postpaid: address of recipient on records; else location of supplier.

SECTION	NATURE OF SERVICE	PLACE OF SUPPLY
12(12)	Banking and NBFC services including stock broking	Location of recipient on records of supplier; else location of supplier.
12(13)	Insurance services	Registered person: location of recipient; Other: location of recipient on records of supplier.
12(14)	Advertisement services to Central Government, State Government, statutory body, local authority	Located in each State/UT; value proportional to amount attributable to dissemination in respective State/UT.

ILLUSTRATION 1 – EVENT MANAGEMENT

Q: Mr. X event organizer (Chennai) received order from M/s Taxman Publications (Mumbai) to conduct book fair at Chennai. Find place of supply: (i) Taxman registered; (ii) Taxman unregistered.
Solution: (i) Mumbai (location of recipient); Mr. X liable to pay IGST. (ii) Chennai (location where event held); Mr. X liable to pay CGST & SGST.

ILLUSTRATION 2 – IMMOVABLE PROPERTY

Q: Mr. X (Chennai) engaged Mr. Y (Architect, Chennai) to make design of residential complex in Cochin. Find place of supply.
Solution: Cochin (location of immovable property). Mr. Y liable to pay IGST.

ILLUSTRATION 3 – TRAINING SERVICES

Q: Mr. A (Kolkata) provides training to employees of M/s Infosys (Mumbai): (i) Infosys registered; (ii) Infosys unregistered.
Solution: (i) Mumbai (location of recipient); IGST. (ii) Kolkata (where services performed); CGST & SGST.

ILLUSTRATION 4 – TRANSPORTATION OF GOODS

Q: M/s Navatha (Vijayawada) transporter; M/s C Ltd. (Chennai) registered received services for transport of goods from Vijayawada to Guntur. Determine PoS.
Solution: Registered recipient: Chennai (location of recipient); IGST. Unregistered recipient: Vijayawada (where goods handed over); CGST & SGST.

ILLUSTRATION 5 – PASSENGER TRANSPORTATION

Q: Mr. Ram (Infosys Bengaluru, registered) purchased ticket Hyderabad to Chennai. Determine PoS.
Solution: Registered recipient: Bengaluru (location of recipient); IGST.

ILLUSTRATION 6 – BANKING SERVICES

Q: Mr. Harsha being a registered stock broker at BSE, Mumbai. He has clients in Chennai, Kolkata, Bengaluru. Determine PoS.
Solution: Chennai, Kolkata & Bengaluru (location of recipients on records); IGST.

ILLUSTRATION 7 – INSURANCE SERVICES

Q: M/s X Ltd. (factory in Cochin, Chennai, Vijayawada, Hyderabad; office in Bengaluru) obtains insurance for assets from insurance company at Delhi. Premium receipt issued to Bengaluru office. Determine PoS.
Solution: Bengaluru (location of recipient on records); IGST.

ILLUSTRATION 8 – ADVERTISEMENT SERVICES

Q: Government hires 200 hoardings in Lakshadweep and 175 in Chennai; contract contains consideration separately. Hoarding services supplied by M/s X Ltd. (Hyderabad). Determine PoS.
Solution: Lakshadweep & Chennai (each State/UT); IGST.

7.3 Special Cases – Advertising and Co-location

CBIC CIRCULAR NO. 203/15/2023-GST DATED 27-10-2023 – ADVERTISING

- **Case (i):** Supply (sale) of space or supply (sale) of rights to use space on hoarding/structure (immovable property) belonging to vendor → covered under Section 12(3)(a); place of supply = location where hoarding/structure is located.
- **Case (ii):** Vendor responsible for display of advertisement; vendor owns/takes structure on rent; advertising company does not occupy space → not covered under Section 12(3)(a); place of supply under Section 12(2) (default rule).

CBIC CIRCULAR NO. 203/15/2023-GST – CO-LOCATION SERVICES

- Co-location services are in nature of "Hosting and IT infrastructure provisioning services", not renting of immovable property.
- Place of supply = default rule under Section 12(2) (location of recipient).
- Where agreement restricted to physical space on rent with basic infrastructure → renting of immovable property; place of supply under Section 12(3)(a).

CHAPTER 1 · SECTION 8

8. Place of Supply – Cross-Border Services (Section 13 IGST)

Section 13 applies where location of supplier or location of recipient is outside India.

SECTION	NATURE OF SERVICE	PLACE OF SUPPLY
13(2)	Default rule	Location of recipient; if not available in ordinary course of business, location of supplier.
13(3)(a)	Services in respect of goods made physically available by recipient to supplier	Location where services are actually performed.
13(3)(b)	Services supplied to individual requiring physical presence of recipient	Location where services are actually performed.
13(4)	Immovable property – lease, hotel, construction, architects, interior decorators, renting, real estate agents, auctioneers, engineers	Where immovable property is located or intended to be located.
13(5)	Admission to or organization of cultural, artistic, sporting, scientific, educational, entertainment event, celebration, conference, fair, exhibition	Where event is actually held.
13(6)	Services referred to in 13(3), (4) or (5) supplied at more than one location including taxable territory	Location in taxable territory.
13(7)	Services referred to in 13(3), (4) or (5) performed in more than one State/UT	Each State/UT in proportion to value of services.
13(8)	Specified services: banking company/financial institution/NBFC to account holders; intermediary services; hiring of means of transport (other than aircraft and vessels) up to one month	Location of supplier of service.
13(9)	Transportation of goods other than by mail or courier (omitted w.e.f. 1-10-2023)	Destination of goods (prior to omission).
13(10)	Passenger transportation service	Place where passenger embarks on conveyance for continuous journey.
13(11)	Services provided on board a conveyance	First scheduled point of departure of that conveyance for the journey.
13(12)	OIDAR services	Location of recipient of service.
13(13)	Power to notify services or circumstances	Place of effective use and enjoyment of service.

CBIC CIRCULAR NO. 203/15/2023-GST DATED 27-10-2023 – TRANSPORTATION OF GOODS

After Section 13(9) omitted w.e.f. 1-10-2023, place of supply of services of transportation of goods (other than through mail/courier) where location of supplier or recipient is outside India will be determined by default rule under Section 13(2), not performance-based services under Section 13(3).

ILLUSTRATION 1 – CROSS-BORDER INTERMEDIARY

Q: ABC Pvt. Ltd. (New Delhi) provides support services to foreign customers in relation to procuring goods from India. Foreign customer directly places purchase order on Indian vendor. ABC charges cost + 10% markup. For December 20XX, charged US $1,00,000. Determine PoS.
Solution: ABC is an intermediary. Place of supply = location of supplier (New Delhi) as per Section 13(8)(b). ABC liable to pay IGST = ₹65 × 1,00,000 × 18% = ₹11,70,000.

ILLUSTRATION 2 – EXPORT OF GOODS VS EXPORT OF SERVICES

Q: Chandana Traders (Karnataka) receives order from M/s A Inc. (USA) to deliver 100 cell phones at Odiar Dealers (Karnataka). Determine place of supply and taxability.
Solution: Section 10(1)(b) applies. Place of supply for Chandana Traders = USA. However, goods do not move out of India, so not export of goods. Supply is inter-State under Section 7(5)(a). IGST applicable.

ILLUSTRATION 3 – FREIGHT FORWARDING

Q: Freight forwarder acts as agent of airline/carrier vs principal. Determine place of supply.
Solution: (i) Agent: intermediary service, place of supply = location of service provider [Section 13(8)(b)]. (ii) Principal: transportation of goods, w.e.f. 1-10-2023 place of supply as per Section 13(2) (location of recipient).

ILLUSTRATION 4 – SATELLITE LAUNCH SERVICES

Q: ANTRIX Corporation Ltd. provides satellite launch services to international and domestic customers. Determine PoS.
Solution: International customers: PoS outside India under Section 13(9) [prior to omission]; export of service; zero-rated. Domestic customers: PoS in India under Section 12(8); taxable.

CBIC CIRCULAR NO. 230/24/2024-GST – ADVERTISING TO FOREIGN CLIENTS

- **Case 1:** Comprehensive advertising agreement – advertising company provides entire scope on own account; not intermediary; PoS = location of recipient (outside India); export of service.
- **Case 2:** Facilitation services – advertising company acts as agent; intermediary; PoS = location of supplier (India); not export.

CBIC CIRCULAR NO. 220/1/2024-GST – CUSTODIAL SERVICES TO FPIS

Custodial services provided by banks to FPIs are not services to "account holders" under Section 13(8)(a). PoS determined under Section 13(2) (location of recipient). Similar treatment under service tax regime.

CBIC CIRCULAR NO. 232/26/2024-GST – DATA HOSTING SERVICES

Data hosting service provider to cloud computing service provider:

- Not intermediary.
- No goods made available under Section 13(3)(a).
- Not directly related to immovable property under Section 13(4).
- PoS = location of recipient (cloud computing provider) under Section 13(2).
- Export of service if conditions under Section 2(6) satisfied.

CHAPTER 1 · SECTION 9

9. Place of Supply – OIDAR Services

OIDAR 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 essentially automated and involving minimal human intervention, and impossible to ensure in the absence of information technology.

OIDAR SERVICES INCLUDES	OIDAR SERVICES EXCLUDES
(i) Advertising on the internet	(i) Supplies of goods, where order and processing done electronically
(ii) Providing cloud services	(ii) Supplies of physical books, newsletters, newspapers or journals
(iii) Provision of e-books, movie, music, software and other intangibles via telecommunication networks or internet	(iii) Services of lawyers and financial consultants who advise clients through email
(iv) Providing data or information, retrievable or otherwise, in electronic form through computer network	(iv) Booking services or tickets to entertainment events, hotel accommodation or car hire
(v) Online supplies of digital content (movies, television shows, music)	(v) Educational or professional courses, where content delivered by a teacher over internet
(vi) Digital data storage	(vi) Offline physical repair services of computer equipment
(vii) w.e.f. 1-10-2023 online gaming, excluding online money gaming	(vii) Advertising services in newspapers, posters and television
	(viii) Online money gaming

9.1 Examples – OIDAR or Not?

NATURE OF SERVICE	IT MEDIATED?	AUTOMATED?	OIDAR?
PDF document manually emailed by provider	Yes	No	**No**
PDF document automatically emailed by provider's system	Yes	Yes	**Yes**
PDF document automatically downloaded from site	Yes	Yes	**Yes**
Stock photographs available for automatic download	Yes	Yes	**Yes**
Online course consisting of pre-recorded videos and downloadable PDFs	Yes	Yes	**Yes**
Online course with pre-recorded videos plus support from live tutor	Yes	No	**No**
Individually commissioned content sent in digital form	Yes	No	**No**

9.2 Summary – Section 14 IGST

TYPE OF SERVICE	NATURE OF SERVICE (CROSS-BORDER)	TAXABLE/EXEMPTED	LIABLE TO PAY TAX
B2C	OIDAR service	Taxable	Forward charge (supplier)
B2C	Other than OIDAR service	Exempt	Exempted supply
B2B	OIDAR service	Taxable	Reverse charge (recipient)
B2B	Other than OIDAR service	Taxable	Reverse charge (recipient)

CHANGE W.E.F. 1-10-2023 – OIDAR TO GOVERNMENT/INDIVIDUALS

On September 26, 2023, the Indian government released a circular to end GST exemption enjoyed by overseas OIDAR providers. From October 1, 2023, companies such as Facebook, Google, and various edtech platforms will face IGST of up to 18% on services provided to both individuals and the government. Until this change, OIDAR services provided by overseas companies to Indian central government, state governments, government authorities, or individuals for non-business purposes were exempt from taxation.

SECTION 14A IGST – ONLINE MONEY GAMING

w.e.f. 1-10-2023: A supplier of online money gaming not located in taxable territory is liable to pay IGST on supply to person in taxable territory. Must obtain single registration under Simplified Registration Scheme. If no physical presence/representative, must appoint person in taxable territory for paying tax.

EXAMPLE – OIDAR

Q: Online information and database access or retrieval services, where imported from Google and Facebook by Mr. Rahim (unregistered person) located in taxable territory, for ₹20,000 on 1st January 2026. Is it subject to GST?
Solution: Yes. It is taxable supply of service. IGST is liable to pay by supplier of OIDAR namely, Google and Facebook.

EXAMPLE – IMPORT OF FREE SERVICES

Q: Online information and database access or retrieval services, where import of free services from Google and Facebook by Mr. Ram located in India, without any consideration. Is it subject to GST?
Solution: These are not considered as supply and hence not attract GST. GST will be levied only when services are provided with consideration.

EXAMPLE – DOWNLOADING SONG FOR PERSONAL USE

Q: Import (Downloading) of a song for consideration for personal use by Mr. Bharath. Is it supply of service?
Solution: Yes. It is supply of service and IGST will be levied. Services may be in the course or furtherance of business or not.

CHAPTER 1 · SECTION 10

10. Inter-State vs Intra-State Supply

10.1 Section 7 IGST – Inter-State Supply

SUPPLY OF GOODS	SUPPLY OF SERVICES
7(1): Location of supplier and place of supply in (a) two different States; (b) two different UTs; (c) a State and a UT.	**7(3):** Location of supplier and place of supply in (a) two different States; (b) two different UTs; (c) a State and a UT.
7(2): Supply of goods imported into India till they cross customs frontiers.	**7(4):** Supply of services imported into India.

7(5): Supply of goods or services or both – (a) supplier in India and place of supply outside India; (b) to/from SEZ developer/unit; (c) in taxable territory, not being intra-State and not covered elsewhere.

10.2 Section 8 IGST – Intra-State Supply

SUPPLY OF GOODS	SUPPLY OF SERVICES
8(1): Location of supplier and place of supply in same State/UT.	**8(2):** Location of supplier and place of supply in same State/UT.
Excluded: (i) supply to/from SEZ; (ii) goods imported till customs frontiers; (iii) supplies to tourist under Section 15.	**Excluded:** supply of services to/from SEZ developer/unit.

EXPLANATION 1 – DISTINCT PERSONS

Where a person has:

- (i) an establishment in India and any other establishment outside India;
- (ii) an establishment in a State/UT and any other establishment outside that State/UT; or
- (iii) an establishment in a State/UT and any other establishment being a business vertical registered within that State/UT,

then such establishments shall be treated as establishments of distinct persons.

EXPLANATION 2 – BRANCH/AGENCY

A person carrying on a business through a branch or an agency or a representational office in any territory shall be treated as having an establishment in that territory.

ILLUSTRATION – SEZ SUPPLY

Q: M/s Rajini & Sons (Kerala) is supplier of repair and maintenance services of generator. Supplied to M/s Sha Ltd., SEZ unit in Kerala. What is nature of supply?
Solution: Supply to SEZ unit = inter-State supply = IGST applicable, even though both located in Kerala. Section 16 IGST – supplies to SEZ unit treated as zero-rated.

11. IGST Rules & Apportionment

The Central Government vide Notification No. 04/2018-Integrated Tax, dated 31st December 2018 notified the Integrated Goods and Services Tax (Amendment) Rules, 2018. A new Rule 3 has been inserted in IGST Rules to provide a mechanism to compute proportionate value of advertisement services attributable to different States or Union territories in the absence of any contract between the supplier of service and recipient of services.

11.1 Advertisement Services – Basis of Apportionment

SL	ADVERTISEMENT SERVICES	BASIS OF APPORTIONMENT
1	Newspapers and publications	No. of editions in each State/UT
2	Pamphlets, leaflets, diaries, calendars, T-shirts, etc.	No. of pamphlets/leaflets/diaries/calendars/T-shirts distributed in each State/UT
3	Hoardings other than those on trains	No. of hoardings located in each State/UT
4	Advertisements placed on trains	Length of track in each State/UT where train travelled
5	Advertisements on back of utility bills of oil and gas companies	No. of consumers having billing addresses in such State/UT
6	Advertisements on railway tickets	Ratio of number of Railway Stations in each State/UT
7	Advertisements over radio stations	Release order issued by Govt. Agency showing breakup of amount payable to each radio station
8	Advertisement on television channels	Viewership figures for channel for State/UT from Broadcast Audience Research Council; last week of quarter for succeeding quarter; population ratio for region
9	Advertisements at cinema halls	No. of cinema halls or no. of screens in multiplex
10	Advertisements over internet	Internet subscribers in such State/UT
11	Advertisements through SMS	Telecommunication subscribers in such State/UT

11.2 Rule 4 – Immovable Property in More Than One State

- Where immovable property or boat/vessel located in more than one State/UT – supply treated as made in each State/UT.
- In absence of contract – determined in following manner:
  - **Lodging accommodation:** Proportion to area of immovable property lying in each State/UT (if single property in contiguous States); proportion to number of nights stayed (other cases).
  - **All other services in relation to immovable property:** Proportion to area of immovable property lying in each State/UT.
  - **House boat/vessel:** Proportion to time spent by boat/vessel in each State/UT.

11.3 Rule 5 – Events in More Than One State

Services by way of organization of cultural, artistic, sporting, scientific, educational or entertainment event, conference, fair, exhibition, celebration or similar events, where supplied to unregistered person, event held in more than one State/UT and consolidated amount charged – taken as being in each respective State/UT; in absence of contract, determined by application of generally accepted accounting principles.

11.4 Rule 6 – Leased Circuit

- Number of points in circuit determined:
  - Between two points: starting point and end point = two points.
  - Any intermediate point where benefit of leased circuit available = also a point.
- Supply treated as made in each State/UT in proportion to number of points lying in State/UT.

11.5 Rule 7 – Services on Goods or Individuals

- Services supplied on same goods: equally dividing value in each State/UT where service performed.
- Services supplied on different goods: ratio of invoice value of goods in each State/UT.
- Services supplied to individuals: generally accepted accounting principles.

11.6 Rule 8 and Rule 9

- **Rule 8:** Services directly in relation to immovable property – apply Rule 4 mutatis mutandis.
- **Rule 9:** Admission to or organization of events – apply Rule 5 mutatis mutandis.

● ILLUSTRATION – ADVERTISEMENT APPORTIONMENT

Q: Govt. Agency issues release order with QR channel (Delhi) for telecasting advertisement in Delhi, UP, Uttarakhand, Bihar, Jharkhand. Viewership: 1,00,000 Delhi; 2,00,000 UP+Uttarakhand; 1,00,000 Bihar+Jharkhand. Population ratio UP:Uttarakhand = 9:1; Bihar:Jharkhand = 4:1. Total amount payable = ₹20,00,000. GST 18%. Find value of supply and PoS for each State.

Solution:

Delhi: ₹5,00,000; CGST+SGST = ₹90,000
UP: ₹9,00,000; IGST = ₹1,62,000
Uttarakhand: ₹1,00,000; IGST = ₹18,000
Bihar: ₹4,00,000; IGST = ₹72,000
Jharkhand: ₹1,00,000; IGST = ₹18,000

12. Case Studies and Case Laws

CASE LAW 1 – UNIVERSAL SERVICES INDIA (P) LTD. (2016) 42 STR 585 (AAR)

Facts: WWD (US company) providing name registration, web hosting, designing services globally. Entered agreement with Indian company for payment processing. Customers pay in USD/INR. Applicant provides payment processing on own account.
Issue: (i) Whether place of provision of payment processing service is outside India under Section 13(2)? (ii) Whether services qualify as export of service?
Ruling: Applicant provides main service "business support services" to WWD on own account. Not an "intermediary". Place of provision of payment processing service is outside India under Section 13(2). All conditions under Section 2(6) satisfied – qualifies as export of taxable service.

CASE LAW 2 – AMOGH RAMESH BHATAWADEKAR (2020)

Facts: Applicant located in Thane, proprietor supplying digital goods (online gaming), not registered under GST; opinion that services are export of e-goods.
Ruling: E-goods (online gaming) covered under services under GST Act. SAC 998439. GST rate 18%. In case of procurement from foreign supplier and supply from out of India, applicant to discharge IGST under RCM. If customer from India and paying in dollars – not export; GST @18% under SAC 998439.

CASE LAW 3 – SATELLITE LAUNCH SERVICES BY ANTRIX CORPORATION

Ruling: International customers: place of supply outside India under Section 13(9) [prior to omission]; export of service; zero-rated under Section 16 IGST. Domestic customers: place of supply under Section 12(8); taxable. Note: Satellite launch services by ISRO, Antrix, New Space India exempt under Notification No. 6/2020-IT dated 15-10-2020.

CASE LAW 4 – MUMBAI TRIBUNAL / ADVANCE RULINGS ON INTERMEDIARY

Global Reach Education Services Pvt. Ltd. (2018) 96 taxmann.com 107 (AAAR-West Bengal): Services of promoting foreign university courses in India, finding prospective students, recruiting – intermediary services under Section 2(13) IGST; not export of services.

CASE LAW 5 – CBIC CIRCULAR NO. 242/36/2024-GST DATED 31-12-2024

Issue: Non-compliance of mandatory recording of correct place of supply on invoices for online services to unregistered recipients.
Clarification: Section 12(2)(b) requires supplier to mention State name of recipient on invoice; declare place of supply as State of recipient. Failure attracts penalty under Section 122(3)(e). Rule 46(f) proviso – tax invoice must contain name of State of recipient for online money gaming, OIDAR, online services.

CASE LAW 6 – CBIC CIRCULAR NO. 230/24/2024-GST

Issue: Advertising services to foreign clients – classification as intermediary vs principal.
Clarification: Comprehensive agreement – not intermediary; PoS = location of recipient (outside India); export of service. Facilitation services – intermediary; PoS = location of supplier (India); not export.

13. Practical Illustrations with Step-wise Solutions

ILLUSTRATION 1 **Place of Supply – Goods with Movement**

Q: X Ltd. (Mumbai, Maharashtra) receives order from M/s Y Ltd. (Ahmedabad, Gujarat) for supply of one machine. Movement of goods terminates at Ahmedabad. Find place of supply and applicable GST.

> **Solution:**
> Location of Supplier = Mumbai (Maharashtra)
> Place of Supply = Ahmedabad (Gujarat) – location where movement terminates for delivery
> **Applicable GST = IGST** (inter-State supply)

ILLUSTRATION 2 **Bill-to-Ship-to – Maruti Traders**

Q: Maruti Traders (Maharashtra) receives order from Bhagavan Traders (Maharashtra). Instruction to ship Tables to Bhakta Hardware's (Tamil Nadu). Bhagavan Traders is customer of Maruti Traders. Find place of supply and levy of GST for each leg.

> **Solution:**
> **First leg – Maruti Traders (Maharashtra) to Bhagavan Traders (Maharashtra):** Bhagavan Traders is third person directing delivery. PoS = principal place of business of Bhagavan Traders = Maharashtra. CGST + SGST applicable.
> **Second leg – Bhagavan Traders to Bhakta Hardware's (Tamil Nadu):** Inter-State supply, PoS = Tamil Nadu. IGST applicable.

ILLUSTRATION 3 **Place of Supply – No Movement of Goods**

Q: M/s Karina Ltd. (Mumbai) has godown in Chennai. Mr. M (Mumbai) approached M/s Karina Ltd. for purchase of goods lying in godown at Chennai. Mr. M informs no delivery in Mumbai. M/s Karina Ltd. issues invoice for sale of goods in Mumbai. Find place of supply.

> **Solution:**
> Place of supply = Chennai (location of goods at time of delivery to recipient).
> Location of Supplier = Mumbai; Place of Supply = Chennai.
> **IGST applicable.**

ILLUSTRATION 4 **Place of Supply – Installation at Site**

Q: M/s Feather Light Furnitures Pvt. Ltd. (Mumbai) sends personnel to Kolkata for setting up new office for client whose registered office in Delhi. Furniture brought in dismantled form to Kolkata and assembled at client's place. Find place of supply.

> **Solution:**
> Place of supply = Kolkata (place of installation/assembly).
> M/s Feather Light Furnitures Pvt. Ltd. liable to pay IGST.

ILLUSTRATION 5 Place of Supply – On Board Conveyance

Q: Chennai Express train going from Chennai to Cochin; M/s X Ltd. (Cochin) supplied food to passengers during night. Food packets loaded at Chennai Central Station. Find place of supply.

Solution:
Place of supply = Chennai (location at which goods taken on board).
M/s X Ltd. liable to pay IGST.

ILLUSTRATION 6 Place of Supply – Import and Export of Goods

Q: (i) Mr. M (Mumbai) imports goods from Mr. G (Germany). (ii) Mr. C (Chennai) exports goods to Mr. A Inc. (USA). Find place of supply.

Solution:
(i) Place of supply = Mumbai (location of importer).
(ii) Place of supply = USA (location outside India).

ILLUSTRATION 7 Place of Supply – Immovable Property

Q: Mr. X (Chennai) engaged Mr. Y (Architect, Chennai) for design of residential complex in Cochin. Find place of supply and levy of tax.

Solution:
Place of supply = Cochin (location of immovable property).
Location of Supplier = Chennai; Place of Supply = Cochin.
IGST applicable. Mr. Y liable to pay IGST.

ILLUSTRATION 8 Place of Supply – Event Management

Q: Mr. X event organizer (Chennai) received order from M/s Taxman Publications (Mumbai) to conduct book fair at Chennai. Find PoS: (i) Taxman registered; (ii) Taxman unregistered.

Solution:
(i) Taxman registered person: PoS = Mumbai (location of recipient). Mr. X liable to pay IGST.
(ii) Taxman unregistered: PoS = Chennai (location where event actually held). Mr. X liable to pay CGST & SGST.

ILLUSTRATION 9 Place of Supply – Training Services

Q: Mr. A (Kolkata) provides training at Kolkata to employees of M/s Infosys Ltd. (Mumbai). Find PoS: (i) Infosys registered; (ii) Infosys unregistered.

Solution:
(i) Infosys registered person: PoS = Mumbai (location of recipient). Mr. A liable to pay IGST.
(ii) Infosys unregistered: PoS = Kolkata (location where services actually performed). Mr. A liable to pay CGST & SGST.

ILLUSTRATION 10 Place of Supply – Passenger Transportation

Q: Mr. Ram working in Infosys (Bengaluru, registered) purchased ticket from Hyderabad for transportation by Air from Hyderabad to Chennai. Find PoS: (i) Ram discloses organization registration; (ii) Ram does not disclose.

Solution:
(i) Registered recipient: PoS = Bengaluru (location of recipient). IGST applicable.
(ii) Unregistered: PoS = Hyderabad (place where passenger embarks on continuous journey). CGST & SGST applicable.

ILLUSTRATION 11 Place of Supply – Banking Services

Q: Mr. Harsha (registered stock broker at BSE, Mumbai) has clients in Chennai, Kolkata, Bengaluru. Find PoS.

Solution:
PoS = Chennai, Kolkata & Bengaluru (location of recipients on records).
IGST applicable to each supply.

ILLUSTRATION 12 Place of Supply – Insurance Services

Q: M/s X Ltd. (factory in Cochin, Chennai, Vijayawada, Hyderabad; office in Bengaluru) obtains insurance for assets from insurance company at Delhi. Premium receipt issued to Bengaluru office. Find PoS.

Solution:
PoS = Bengaluru (location of recipient on records of supplier).
IGST applicable.

ILLUSTRATION 13 Place of Supply – Advertisement Services

Q: Government hires 200 hoardings in Lakshadweep and 175 in Chennai for advertisement of Gas subsidy; contract contains consideration separately. Hoarding services supplied by M/s X Ltd. (Hyderabad). Find PoS.

Solution:
PoS = Lakshadweep & Chennai (each State/UT in proportion to amount attributable).
IGST applicable on each supply.

ILLUSTRATION 14 Place of Supply – Cross-Border Intermediary

Q: ABC Pvt. Ltd. (New Delhi) provides support services to foreign customers in relation to procuring goods from India. Foreign customer directly places purchase order on Indian vendor. ABC charges cost + 10% markup. For December 20XX, charged US $1,00,000. Determine PoS and IGST.

Solution:
ABC is an intermediary. PoS = location of supplier (New Delhi) as per Section 13(8)(b).
IGST = ₹65 × 1,00,000 × 18% = **₹11,70,000**.

ILLUSTRATION 15 Place of Supply – Custodial Services to FPI

Q: ABC Bank Ltd. (Mumbai) provides custodial services to XYZ Capital, FPI based in Singapore. Custodial fee ₹10,00,000. Determine PoS and taxability.

Solution:
Custodial services not covered under Section 13(8)(a) (not account holder services).
PoS = location of recipient (Singapore) under Section 13(2).
Place of supply outside India → **Export of service** → Zero-rated. No GST charged; ITC refund available.

ILLUSTRATION 16 Place of Supply – Data Hosting Services

Q: Data hosting service provider (India) provides data hosting services to cloud computing service provider (USA). End users located globally. Contract value $50,000 per month (~₹40,00,000). Determine PoS and taxability.

Solution:
Provider not intermediary. Not covered under Section 13(3)(a) or 13(4).
PoS = location of recipient (USA) under Section 13(2).
Export of service → Zero-rated. No GST charged; ITC refund available.

ILLUSTRATION 17 Place of Supply – Freight Forwarding

Q: Freight forwarder acts as: (i) agent of airline/carrier; (ii) principal. Determine PoS for transportation of goods outside India.

Solution:
(i) Agent of airline/carrier: Intermediary service; PoS = location of service provider [Section 13(8)(b)].
(ii) Principal: Transportation of goods; w.e.f. 1-10-2023 PoS as per Section 13(2) (location of recipient).

ILLUSTRATION 18 Place of Supply – Advertising to Foreign Clients

Q: Indian advertising company provides services to foreign client: (i) Comprehensive agreement – end-to-end services; (ii) Facilitation services – acts as agent, media owner invoices foreign client. Determine PoS.

Solution:
(i) Comprehensive agreement: Not intermediary; PoS = location of recipient (outside India) under Section 13(2).
Export of service.
(ii) Facilitation services: Intermediary; PoS = location of supplier (India) under Section 13(8)(b). **Not export.**

ILLUSTRATION 19 **Place of Supply – OIDAR**

Q: Google and Facebook provide OIDAR services to Mr. Rahim (unregistered person) in taxable territory for ₹20,000. Determine PoS and taxability.

> **Solution:**
> PoS = location of recipient (India) under Section 13(12).
> Taxable supply of service. IGST liable to be paid by supplier (Google/Facebook) as forward charge (B2C OIDAR).

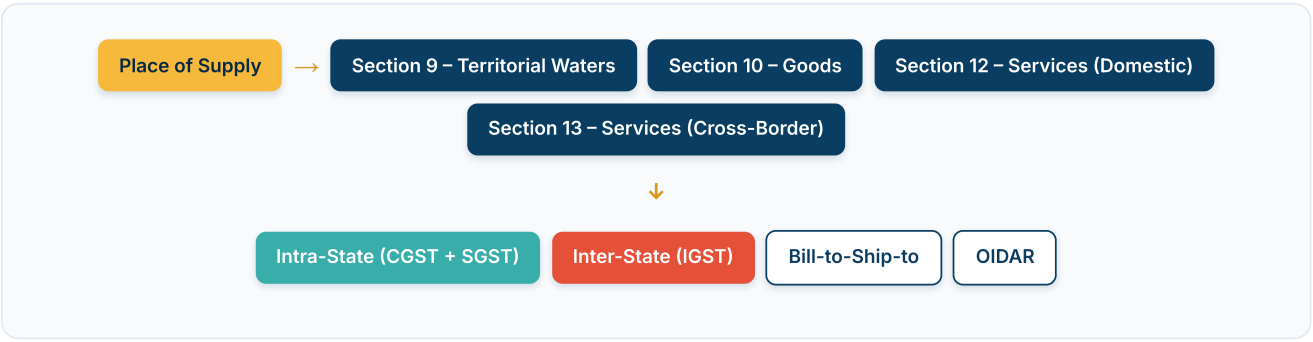
ILLUSTRATION 20 **Place of Supply – Goods Delivered to Unregistered Person**

Q: Ms. Priya from Mumbai (billing address) orders smartphone from XYZ E-commerce (Chennai) and requests delivery to friend's address in Bengaluru (delivery address). Determine PoS and GST.

> **Solution:**
> Billing address = Maharashtra; Delivery address = Karnataka.
> As per Section 10(1)(ca), PoS = delivery address = **Karnataka**.
> Supplier location (Tamil Nadu) and PoS (Karnataka) different → **IGST applicable**.

14. End of Chapter

A. Chapter Mind Map



B. Top 25 Revision Points

1. Place of supply determines intra-State vs inter-State.
2. Section 9 – territorial waters deemed in coastal State/UT.
3. Section 10 – place of supply of goods.
4. Movement: location where movement terminates.
5. Bill-to-ship-to: principal place of third person.
6. No movement: location of goods at delivery.
7. Installation: place of installation.
8. On board: location taken on board.
9. Unregistered: address on invoice; else location of supplier.
10. Import: location of importer.
11. Export: location outside India.
12. Section 12 – services in India.
13. Default: registered – location of recipient; unregistered – address on record.
14. Immovable property: location of property.
15. Lodging: location of property/boat/vessel.
16. Restaurant/grooming/health: where performed.
17. Training: registered – recipient; unregistered – where performed.
18. Event admission: where held.
19. Event organization: registered – recipient; unregistered – where held.
20. Transportation of goods: registered – recipient; unregistered – where handed over.
21. Passenger transport: registered – recipient; unregistered – where embarks.
22. On board conveyance: first scheduled point of departure.
23. Telecommunication: prepaid – sold; postpaid – address.
24. Banking/NBFC: recipient on records; else supplier.
25. Insurance: registered – recipient; others – records.

C. Top 10 Examination Questions

1. Explain place of supply of goods under Section 10 IGST Act with examples.
2. Explain Bill-to-Ship-to model with illustration.
3. Explain place of supply of services under Section 12 IGST Act.
4. Explain place of supply of cross-border services under Section 13 IGST Act.
5. Explain OIDAR services and their taxability.
6. Explain supplies in territorial waters.
7. Distinguish inter-State and intra-State supply.
8. Explain IGST Rules for apportionment.
9. Case study on advertising/custodial services/data hosting.
10. Practical problem on place of supply of goods and services.

D. Expected Dec 2026 Questions

- Practical problem on Bill-to-Ship-to model.
- Place of supply of services to registered vs unregistered person.
- Cross-border services – intermediary vs principal.
- OIDAR services and registration requirements.
- IGST Rules apportionment for advertisements.
- Case study on custodial services / data hosting / advertising.

E. Formula and Limit Sheet

ITEM	RULE
Invoice – goods	On or before removal/delivery
Invoice – services	30 days (45 days for banks/NBFCs)
Bill-to-ship-to	Two invoices; two supplies
Unregistered – goods	Address on invoice; else location of supplier
Unregistered – services	Address on record; else location of supplier
OIDAR – B2C	Forward charge; supplier liable
OIDAR – B2B	Reverse charge; recipient liable
SEZ supply	Inter-State (IGST); zero-rated
Territorial waters	Coastal State/UT (nearest baseline)

F. Quick Revision Notes

QUICK REVISION

Place of supply determines tax type. Goods: Section 10 – movement, bill-to-ship-to, no movement, installation, on board, unregistered. Services: Section 12 – default, immovable property, events, training, transport, banking, insurance. Cross-border: Section 13 – default, performance, OIDAR, intermediary. OIDAR B2C – supplier; B2B – recipient. Territorial waters – coastal State/UT. IGST Rules – apportionment.

G. One Page Summary

MODULE 3 IN ONE PAGE

Place of supply determines intra-State (CGST+SGST) vs inter-State (IGST). Section 9 – territorial waters. Section 10 – goods: movement, bill-to-ship-to, no movement, installation, on board, unregistered. Section 12 – services: default, immovable property, events, training, transport, banking, insurance, advertisement. Section 13 – cross-border: default, performance, OIDAR, intermediary. Section 7/8 – inter-State/intra-State. IGST Rules – apportionment. Key circulars: 203/15/2023, 230/24/2024, 220/1/2024, 232/26/2024, 242/36/2024. For Dec 2026, practice numericals and case studies.

End of Module 3

1. Complete Module Summary

Module 3 establishes the place of supply under GST. It covers Sections 9 to 13 of the IGST Act, 2017, territorial waters, goods (movement, bill-to-ship-to, no movement, installation, on board conveyance, unregistered person), services (domestic and cross-border), OIDAR, inter-State vs intra-State, IGST Rules for apportionment, key circulars and case laws. The module is essential for determining the nature of tax (IGST vs CGST+SGST) and revenue accrual.

2. Top 100 Important Examination Points

1. Place of supply determines intra-State vs inter-State.
2. Section 9 – territorial waters.
3. Coastal State/UT with nearest baseline.
4. Section 10 – goods.
5. Movement: location where movement terminates.
6. Bill-to-ship-to: principal place of third person.
7. No movement: location of goods at delivery.
8. Installation: place of installation.
9. On board: location taken on board.
10. Unregistered: address on invoice; else location of supplier.
11. Import: location of importer.
12. Export: location outside India.
13. Online money gaming – IGST, not customs.
14. Section 12 – services in India.
15. Default: registered – location of recipient.
16. Unregistered: address on record; else location of supplier.
17. Immovable property: location of property.
18. Lodging: location of property/boat/vessel.
19. Restaurant/grooming/health: where performed.
20. Training: registered – recipient.
21. Training: unregistered – where performed.
22. Event admission: where held.
23. Event organization: registered – recipient.
24. Event organization: unregistered – where held.
25. Transportation of goods: registered – recipient.
26. Transportation of goods: unregistered – where handed over.
27. Passenger transport: registered – recipient.
28. Passenger transport: unregistered – where embarks.
29. On board conveyance: first scheduled departure.

30. Telecommunication: prepaid – sold; postpaid – address.
31. Banking/NBFC: recipient on records; else supplier.
32. Insurance: registered – recipient; others – records.
33. Advertisement: each State/UT proportionally.
34. Section 13 – cross-border services.
35. Default: location of recipient.
36. Performance-based: where performed.
37. Immovable property: location of property.
38. Events: where held.
39. Multiple locations: taxable territory.
40. Multiple States: proportion to value.
41. Specified services: location of supplier.
42. OIDAR: location of recipient.
43. Section 13(9) omitted w.e.f. 1-10-2023.
44. Section 14A – online money gaming.
45. OIDAR B2C – supplier liable.
46. OIDAR B2B – recipient liable.
47. OIDAR to Government – taxable w.e.f. 1-10-2023.
48. Intermediary: location of supplier.
49. Section 7 – inter-State supply.
50. Section 8 – intra-State supply.

51. SEZ supply – inter-State; zero-rated.
52. Import of goods – inter-State.
53. Export of goods – inter-State.
54. Explanation 1 – distinct persons.
55. Explanation 2 – branch/agency.
56. IGST Rules – advertisement apportionment.
57. Rule 3 – newspapers, hoardings, TV, etc.
58. Rule 4 – immovable property in multiple States.
59. Rule 5 – events in multiple States.
60. Rule 6 – leased circuit.
61. Rule 7 – services on goods/individuals.
62. Rule 8 – immovable property.
63. Rule 9 – admission/organization of events.
64. Circular 203/15/2023 – advertising.
65. Circular 203/15/2023 – co-location.
66. Circular 230/24/2024 – advertising to foreign clients.
67. Circular 220/1/2024 – custodial services.
68. Circular 232/26/2024 – data hosting.

69. Circular 242/36/2024 – online services to unregistered.
70. Case law – Universal Services India.
71. Case law – Amogh Ramesh Bhatawadekar.
72. Case law – satellite launch services.
73. Case law – Global Reach Education.
74. Practical problem – Bill-to-Ship-to.
75. Practical problem – immovable property.
76. Practical problem – event management.
77. Practical problem – training services.
78. Practical problem – transportation.
79. Practical problem – banking.
80. Practical problem – insurance.
81. Practical problem – advertisement.
82. Practical problem – cross-border intermediary.
83. Practical problem – custodial services.
84. Practical problem – data hosting.
85. Practical problem – freight forwarding.
86. Practical problem – OIDAR.
87. Practical problem – unregistered person.
88. Practical problem – territorial waters.
89. Exam tip: state Section and rule.
90. Exam tip: show working notes.
91. Exam tip: conclude with tax type.
92. Exam tip: quote circular/case law.
93. Exam tip: practice numericals.
94. Exam tip: focus on amendments.
95. Exam tip: link to IGST Act.
96. Exam tip: state intra vs inter.
97. Exam tip: mention rate of tax.
98. Exam tip: verify place of supply first.
99. December 2026: focus on amendments.
100. Practice at least 10 practical problems.
101. Revise circulars and case laws.

3. Top 50 Practical Adjustments

#	PRACTICAL ADJUSTMENT / CHECK
1	Identify whether goods or services.
2	Check if location of supplier and recipient in India.
3	Check movement of goods.
4	Check bill-to-ship-to model.
5	Check no movement of goods.
6	Check installation/assembly at site.
7	Check goods on board conveyance.
8	Check unregistered person address.
9	Check import/export of goods.
10	Check territorial waters.
11	Check default rule for services.
12	Check immovable property.
13	Check lodging accommodation.
14	Check restaurant/grooming/health.
15	Check training.
16	Check event admission.
17	Check event organization.
18	Check transportation of goods.
19	Check passenger transportation.
20	Check on board conveyance.
21	Check telecommunication.
22	Check banking/NBFC.
23	Check insurance.
24	Check advertisement.
25	Check Section 13 default.
26	Check performance-based services.
27	Check OIDAR.
28	Check intermediary.

#	PRACTICAL ADJUSTMENT / CHECK
29	Check B2C vs B2B OIDAR.
30	Check cross-border intermediary.
31	Check custodial services.
32	Check data hosting.
33	Check advertising to foreign clients.
34	Check freight forwarding.
35	Check satellite launch.
36	Check online money gaming.
37	Check IGST Rules apportionment.
38	Check advertisement apportionment.
39	Check immovable property in multiple States.
40	Check events in multiple States.
41	Check leased circuit.
42	Check services on goods.
43	Check inter-State vs intra-State.
44	Check SEZ supply.
45	Check distinct persons.
46	Check branch/agency.
47	Check practical problem – bill-to-ship-to.
48	Check practical problem – event management.
49	Check practical problem – unregistered.
50	Check date of amendment and notification for Dec 2026.

4. Frequently Repeated Questions

- Explain place of supply of goods under Section 10 IGST Act.
- Explain Bill-to-Ship-to model.
- Explain place of supply of services under Section 12 IGST Act.
- Explain place of supply of cross-border services under Section 13 IGST Act.
- Explain OIDAR services and taxability.
- Explain supplies in territorial waters.
- Distinguish inter-State and intra-State supply.

- Explain IGST Rules for apportionment.
- Case study on advertising/custodial services/data hosting.
- Practical problem on place of supply.

5. Important Case Study Areas

- Bill-to-Ship-to model – practical.
- Place of supply of services – registered vs unregistered.
- Immovable property – multiple States.
- Event management – registered vs unregistered.
- Transportation of goods – registered vs unregistered.
- Passenger transportation – registered vs unregistered.
- Banking/insurance – records of supplier.
- Cross-border intermediary.
- OIDAR services – B2C vs B2B.
- Custodial services – FPI.
- Data hosting services.
- Advertising to foreign clients.
- Satellite launch services.
- Freight forwarding.
- IGST Rules apportionment.

6. Complete Revision Charts

CONCEPT	KEY SECTION	EFFECT
Territorial Waters	Section 9 IGST	Coastal State/UT (nearest baseline)
Goods – Movement	Section 10(1)(a)	Location where movement terminates
Goods – Bill-to-Ship-to	Section 10(1)(b)	Principal place of third person
Goods – No Movement	Section 10(1)(c)	Location of goods at delivery
Goods – Installation	Section 10(1)(d)	Place of installation
Goods – On Board	Section 10(1)(e)	Location taken on board
Goods – Unregistered	Section 10(1)(ca)	Address on invoice
Import/Export of Goods	Section 11 IGST	Location of importer / outside India
Services – Default	Section 12(2)	Recipient (registered) / address (unregistered)
Services – Immovable Property	Section 12(3)	Location of property
Services – Events	Section 12(6)/(7)	Where event held
Services – Transportation	Section 12(8)/(9)	Recipient / where handed over / embarks
Services – Banking	Section 12(12)	Records of supplier / supplier
Services – Insurance	Section 12(13)	Recipient / records
Services – Advertisement	Section 12(14)	Each State/UT proportionally
Cross-Border – Default	Section 13(2)	Location of recipient
Cross-Border – Performance	Section 13(3)/(4)/(5)	Where performed / property / event
Cross-Border – Intermediary	Section 13(8)(b)	Location of supplier
OIDAR	Section 13(12)	Location of recipient
Inter-State	Section 7 IGST	IGST applicable
Intra-State	Section 8 IGST	CGST + SGST applicable

7. GST Revision Tables

SERVICE	PLACE OF SUPPLY	REMARKS
Immovable property	Location of property	If outside India – location of recipient
Lodging accommodation	Location of property/boat/vessel	If outside India – location of recipient
Restaurant/grooming/health	Where performed	Actual performance
Training	Registered – recipient; unregistered – where performed	Two-tier rule
Event admission	Where event held	Park location for amusement park
Event organization	Registered – recipient; unregistered – where held	Outside India – recipient
Transportation of goods	Registered – recipient; unregistered – where handed over	Outside India – destination (omitted w.e.f. 1-10-2023)
Passenger transport	Registered – recipient; unregistered – where embarks	Continuous journey
On board conveyance	First scheduled departure	Vessel, aircraft, train, motor vehicle
Telecommunication	Prepaid – sold; postpaid – address	Else location of supplier
Banking/NBFC	Recipient on records; else supplier	Includes stock broking
Insurance	Registered – recipient; others – records	Two-tier rule
Advertisement	Each State/UT proportionally	Specified Government recipients

8. Customs Revision Tables

CUSTOMS BOX

Module 3 is GST-specific. Customs tables are covered in Section B modules – Valuation, Baggage, Manufacture in Bond, Duty Drawback, IGCR, Remission, Refund, Trade Facilitation, FTP and SEZ.

9. One Night Revision Notes

ONE NIGHT BEFORE EXAM

Read Sections 9, 10, 11, 12, 13 IGST Act, IGST Rules, key circulars (203/15/2023, 230/24/2024, 220/1/2024, 232/26/2024, 242/36/2024), and case laws. Practice 5 practical problems on place of supply including bill-to-ship-to, immovable property, event, transportation, and cross-border.

10. Fast Track Revision Notes

- Territorial waters: Section 9 IGST.
- Goods: Section 10 IGST.
- Services (India): Section 12 IGST.

- Cross-border services: Section 13 IGST.
- Inter-State: Section 7 IGST.
- Intra-State: Section 8 IGST.
- OIDAR: Section 13(12).
- Intermediary: Section 13(8)(b).
- Bill-to-ship-to: Section 10(1)(b).
- Unregistered: Section 10(1)(ca).

11. 20 Marks Most Probable Areas

- Bill-to-Ship-to model with practical problem.
- Place of supply of services – registered vs unregistered.
- Cross-border intermediary vs principal.
- OIDAR services.

12. 50 Marks Most Probable Areas

- Full practical problem covering place of supply of goods and services.
- Case-based question on circulars and case laws.
- Descriptive question on Sections 10, 12, 13 and IGST Rules.

13. Mock Exam Revision Sheet

> **MOCK EXAM**
>
> Attempt one 15-mark practical on place of supply (goods + services + bill-to-ship-to) and one 10-mark theory on cross-border services / OIDAR. Review IGST Rules and circulars.

14. Examiner Approach Guide

- Start with Section and rule.
- Identify place of supply.
- Determine intra-State or inter-State.
- Apply CGST+SGST or IGST.
- Support with circular/case law where relevant.

15. Student Mistake Analysis

- Confusing goods and services rules.
- Not checking registered vs unregistered.
- Forgetting bill-to-ship-to two-supply rule.
- Ignoring SEZ inter-State rule.
- Not applying OIDAR B2C vs B2B.
- Missing cross-border intermediary rule.
- Not applying IGST Rules for apportionment.

16. Final Revision Checklist

- Sections 9, 10, 11, 12, 13 revised.
- Bill-to-ship-to examples practised.
- Immovable property rules revised.
- Event management rules revised.
- Transportation rules revised.
- Banking/insurance rules revised.
- OIDAR rules revised.
- Intermediary rules revised.
- IGST Rules revised.
- Circulars and case laws revised.
- Practical problems solved.

CMA KNOWLEDGE DECEMBER 2026 REVISION HANDBOOK

Module 3: Place of Supply | Paper 19 ITLP | CMA Final Examination

Prepared exclusively from the latest Official ICMAI Study Material – Paper 19 ITLP (Reprint July 2026)

CMA KNOWLEDGE — PREMIUM PUBLICATION

DECEMBER 2026 EXAMINATION

Module 4 Valuation (Advanced)

Complete Revision Handbook for CMA Final Paper 19 – Indirect Tax Laws and Practice (ITLP)

01	**Paper 19** Indirect Tax Laws & Practice	02	**Module 4** Section A – GST (70%)	03	**ICMAI Official** Study Material Based	04	**December 2026** Latest Amendments

Prepared exclusively from the latest Official ICMAI Study Material – Paper 19 ITLP (Reprint July 2026)

Website: cmaknowledge.in

MODULE 4 · SECTION A · GST

1. Module Introduction

CORE IDEA

Value of supply is the amount on which GST is levied. **Section 15(1)** adopts **transaction value** as the primary basis when the supplier and recipient are not related and price is the sole consideration. When this fails, **Section 15(4) read with CGST Rules, 2017 (Rules 27 to 35)** determines value.

Valuation is the foundation of GST computation. Transaction value is defined as the price actually paid or payable for the supply of goods or services where the supplier and recipient are not related and price is the sole consideration. The value includes specified additions and excludes specified deductions as per Section 15(2) and 15(3).

Module 4 scope: This module covers valuation under Section 15, related party and distinct person transactions, Rules 27 to 35 of CGST Rules (consideration not wholly in money, related/distinct persons, agent, cost-based, residual, lottery/betting, money changing, air travel agent, life insurance, second-hand goods, vouchers, pure agent, exchange rate, value inclusive of tax), corporate guarantee, and key advance rulings.

EXAM ALERT

Module 4 is critical for every practical problem. Every GST computation begins with valuation. Focus on Section 15 inclusions/exclusions, Rule 27 hierarchy, Rule 28 provisos, Rule 32 specific supplies, Rule 33 pure agent, and corporate guarantee valuation under Rule 28(2).

MODULE 4 · FOUNDATION

2. Syllabus Coverage Map

MODULE 4 TOPIC	SUB-TOPICS IN STUDY MATERIAL	COVERAGE IN THIS HANDBOOK
4.1 Introduction	Meaning of value of supply, transaction value, Section 15(1), related party concept, distinct person	Chapter 1 – Sections 4 to 6
4.2 Related Party Transactions	Definition of related persons, Rule 28, open market value, like kind and quality, 90% option, full ITC proviso	Chapter 1 – Sections 5 and 7
4.3 Distinct Person Transactions	Section 25(4)/(5), Rule 28, 90% option, full ITC proviso	Chapter 1 – Sections 6 and 7
4.4 Specific Valuation Rules	Rule 27, Rule 29, Rule 30, Rule 31, Rule 31A, Rule 31B, Rule 31C, Rule 32, Rule 33, Rule 34, Rule 35, corporate guarantee	Chapter 1 – Sections 7 to 9
4.5 Case Studies and Illustrations	Mahendra & Mahendra, ABC Consultancy, Red and Blue Pvt. Ltd., S Advertisers, Hari Ltd., Shakthi Engineering, XYZ Ltd., Raja Bhai, and other practical problems	Chapter 1 – Section 11
4.6 Key Advance Rulings	Specsmakers Opticians, Lakshmi Tulasi Quality Fuels, Intas Pharmaceuticals, Greenbrilliance Renewable Energy, Fastrack Deal Comm, Shanmuga Durai, Antara Purukul Senior Living	Chapter 1 – Sections 11 and 12

MODULE 4 · OBJECTIVES

3. Learning Outcome Matrix

SUBJECT LEARNING OBJECTIVE (SLOB)	LEARNING OUTCOME / APPLICATION SKILL	MODULE 4 COVERAGE
SLOB 1: Develop detailed understanding of GST provisions for valuation, computation of tax liability including ITC management.	Understand related party and distinct person transactions; explain value of supply with valuation rules; apply practically to arrive at correct valuation.	Fully covered through Section 15, Rules 27 to 35, corporate guarantee.
SLOB 2: Obtain detailed knowledge of accounts, records, annual returns and dispute resolution for better compliance.	Apply valuation rules to practical scenarios and case studies.	Covered through practical illustrations and case laws.
SLOB 3: Acquire knowledge of valuation, duty calculation, remission and refund under Customs Act and Rules.	Customs-specific outcomes are covered in Section B modules.	Not applicable to Module 4.
SLOB 4: Facilitate strategic decision making by appropriate management of indirect tax issues.	Apply valuation concepts to related party transactions, corporate guarantees, second-hand goods, and pure agent arrangements.	Covered through case studies and advance rulings.

MODULE 4 · ANALYSIS

4. Exam Weightage Analysis

SECTION A – GST: 70% WEIGHTAGE

Module 4 is critical for every practical problem. Direct and indirect questions are expected from:

- Section 15 inclusions/exclusions – **5 to 10 marks**
- Rule 27 hierarchy – **5 to 8 marks**
- Rule 28 related/distinct persons – **5 to 10 marks**
- Rule 30 cost-based valuation – **5 to 8 marks**
- Rule 32 specific supplies – **5 to 10 marks**
- Rule 33 pure agent – **3 to 5 marks**
- Corporate guarantee – **5 to 8 marks**

EXPECTED DECEMBER 2026 PATTERN

- MCQ / short notes – **2 to 5 marks**
- Practical problems – **8 to 15 marks**
- Case-based / application – **5 to 10 marks**
- Descriptive / analytical – **5 to 10 marks**

5. Frequently Tested Areas

FREQUENTLY REPEATED CONCEPTS

- **Section 15(1)** – transaction value; sole consideration; not related.
- **Section 15(2) inclusions** – taxes other than GST, recipient-borne expenses, commission/packing, interest/late fee/penalty, subsidy (other than Government).
- **Section 15(3) exclusions** – discounts before/at time of supply, post-supply discounts agreed before/at supply, ITC reversal condition.
- **Rule 27 hierarchy** – open market value, consideration in money, like kind and quality, cost/residual.
- **Rule 28 related/distinct** – open market value, like kind and quality, 90% option, full ITC proviso.
- **Rule 28(2) corporate guarantee** – 1% of guarantee amount or actual consideration, whichever is higher.
- **Rule 30 cost-based** – 110% of cost of production/acquisition/provision.
- **Rule 32 specific supplies** – money changing, air travel agent, life insurance, second-hand goods, vouchers.
- **Rule 33 pure agent** – conditions for exclusion.
- **Rule 35** – value inclusive of tax back calculation.

6. Important Amendments Covered in Material

AMENDMENT BOX – DEC 2026 FOCUS

- **Notification No. 52/2023-CT (w.e.f. 26-10-2023):** Rule 28(2) inserted – corporate guarantee valuation at 1% of guarantee amount or actual consideration, whichever is higher.
- **Notification No. 12/2024-CT (w.e.f. 26-10-2023 retrospectively):** Rule 28(2) amended – "located in India" and "per annum" inserted; proviso for full ITC inserted.
- **CBIC Circular No. 204/16/2023-GST (27-10-2023):** Personal guarantee by director – open market value zero; corporate guarantee – Rule 28(2).
- **CBIC Circular No. 210/4/2024-GST (26-06-2024):** Import of services by related person – full ITC – invoice value deemed open market value; non-issuance of invoice – value deemed Nil.
- **CBIC Circular No. 225/19/2024-GST (11-07-2024):** Corporate guarantee issued before 26-10-2023 – earlier Rule 28; on/after 26-10-2023 – Rule 28(2); loan partly availed – guarantee amount; ITC eligible; takeover of loan – no fresh supply; co-guarantors – proportionate 1%; foreign guarantee – RCM.
- **CBIC Circular No. 212/6/2024-GST (26-06-2024):** Post-sale discount – evidence of ITC reversal – CA/CMA certificate or undertaking.
- **CBIC Circular No. 251/08/2025-GST (12-09-2025):** Financial/commercial credit notes – no ITC reversal; post-sale discount – no inclusion in consideration; dealer promotional activities – GST if explicit agreement.
- **CBIC Circular No. 253/10/2025-GST (1-10-2025):** Withdrawal of Circular 212/6/2024 – CA/CMA certificate no longer mandatory.
- **Notification No. 13/2025-CT (w.e.f. 22-09-2025):** Rule 31A amended – lottery value 100/140 of face value or price notified in official Gazette.
- **CBIC Circular No. 245/02/2025-GST (28-01-2025):** Penal charges by REs – not consideration; payment aggregators – exemption up to ₹2,000.

MODULE 4 · NAVIGATION

7. Chapter-Wise Coverage Index

CHAPTER / SECTION	COVERAGE	EXAM RELEVANCE
4.1 Introduction	Value of supply, transaction value, Section 15(1), related party, distinct person	High – conceptual
4.2 Related Party	Definition, Rule 28, open market value, like kind and quality, 90% option, full ITC proviso	Very high – practical
4.3 Distinct Person	Section 25(4)/(5), Rule 28, 90% option	Very high – practical
4.4 Specific Rules	Rule 27, 29, 30, 31, 31A, 31B, 31C, 32, 33, 34, 35, corporate guarantee	Very high – practical
4.5 Case Studies	Mahendra & Mahendra, ABC Consultancy, Red and Blue, S Advertisers, Hari Ltd., Shakthi Engineering, XYZ Ltd., Raja Bhai	High – application
4.6 Advance Rulings	Specsmakers, Lakshmi Tulasi, Intas, Greenbrilliance, Fastrack, Shanmuga Durai, Antara Purukul	Medium to high – case law

CHAPTER 1 · DETAILED STUDY

Valuation (Advanced)

1. Chapter Overview

This chapter explains the valuation of supply under GST. It covers Section 15 of the CGST Act, 2017, related party and distinct person transactions, Rules 27 to 35 of the CGST Rules, 2017, corporate guarantee valuation, lottery/betting/gambling, and key advance rulings. The chapter is essential for computing the taxable value on which GST is levied.

2. Learning Objectives

- Understand related party and distinct person transactions.
- Explain value of supply with valuation rules.
- Apply practically how to arrive at correct valuation as per the provisions of GST Law.

3. Important Definitions

TERM	DEFINITION / KEY POINT
Value of Supply	Section 2(102) CGST: value determined under Section 15.
Transaction Value	Section 15(1): price actually paid or payable for the supply where supplier and recipient are not related and price is the sole consideration.
Related Persons	Explanation to Section 15: officers/directors, legally recognised partners, employer-employee, 25% or more voting stock, control, same family, sole agent/distributor/concessionaire.
Distinct Persons	Section 25(4)/(5): separate registrations in same/different State/UT treated as distinct persons.
Open Market Value	Rule 2(1)(b): full value in money, excluding GST, payable by a person in a transaction where supplier and recipient are not related and price is the sole consideration, to obtain such supply at the same time when the supply being valued is made.
Like Kind and Quality	Rule 2(1)(c): goods or services which are identical or similar in physical characteristics, quality and reputation, and perform the same functions or are commercially interchangeable.
Pure Agent	Rule 33: person who enters into contractual agreement to act on behalf of recipient, does not hold title, does not use for own interest, receives only actual amount incurred.
Money Changing	Rule 32(2): buying and selling of foreign currency.
Second Hand Goods	Rule 32(5): used goods as such or after minor processing which does not change the nature of goods.

4. Section 15 – Value of Supply

SECTION 15(1) – TRANSACTION VALUE

The value of a supply of goods or services or both shall be the **transaction value**, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are **not related** and the **price is the sole consideration** for the supply.

4.1 SECTION 15(2) – INCLUSIONS

The value of supply shall include:

CLAUSE	PARTICULARS	EXAMPLES / NOTES
15(2)(a)	Any taxes, duties, cesses, fees and charges levied under any law other than CGST/SGST/UTGST/IGST/Compensation Cess, if charged separately by the supplier.	Entertainment tax, municipal tax, stamp duty, etc. GST is not to be included.
15(2)(b)	Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient and not included in the price.	Freight paid by recipient, material supplied free of cost by recipient.
15(2)(c)	Incidental expenses such as commission and packing, charged by the supplier to the recipient, including any amount charged for anything done by the supplier in respect of the supply at the time of or before delivery.	Packing charges, commission, weighing charges, loading charges.
15(2)(d)	Interest or late fee or penalty for delayed payment of any consideration for any supply.	Penal interest, late payment charges, delay compensation.
15(2)(e)	Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments.	Subsidy from NGO, trade association, or any other person is includible; Government subsidy is excluded.

4.2 SECTION 15(3) – EXCLUSIONS (DISCOUNTS)

The value of supply shall not include any discount which is given:

CLAUSE	NATURE OF DISCOUNT	TREATMENT
15(3)(a)	Before or at the time of supply and recorded in the invoice.	Excluded from value. Trade discount, cash discount, volume discount.
15(3)(b)	After the supply, if: (i) such discount is established in terms of an agreement entered into before or at the time of such supply; (ii) specifically linked to relevant invoices; and (iii) input tax credit attributable to such discount has been reversed by the recipient.	Excluded if all three conditions satisfied. Otherwise not excluded.

CBIC CIRCULAR NO. 92/11/2019-GST (07-03-2019)

Discounts covered under Section 15(3):

- "Buy more, save more" offers (staggered discount) – allowed if recorded in invoice.
- Periodic/year ending discounts – allowed if agreement before/at time of supply and ITC reversal.
- Cash back offers – allowed if supplier of goods and recorded in invoice.
- Secondary discounts (offered after supply) – not allowed.

CBIC CIRCULAR NO. 212/6/2024-GST (26-06-2024) – WITHDRAWN BY 253/10/2025-GST

Post-sale discount – evidence of ITC reversal – CA/CMA certificate with UDIN (if tax amount >₹5 lakh) or undertaking from recipient (if ≤₹5 lakh). **Withdrawn w.e.f. 1-10-2025.**

CBIC CIRCULAR NO. 251/08/2025-GST (12-09-2025)

- Financial/commercial credit notes – no ITC reversal by recipient; original tax liability not reduced.
- Post-sale discount by manufacturer to dealer – not consideration for dealer's supply to end customer if no agreement; includible if agreement with end customer.
- Post-sale discount for promotional activities – not consideration unless explicit agreement with clearly defined consideration.

4.3 SECTION 15(4) – VALUATION RULES

Where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed (CGST Rules, 2017).

5. Related Party Transactions

Persons shall be deemed to be "related persons" if:

1. Such persons are officers or directors of one another's businesses;
2. Such persons are legally recognized partners in business;
3. Such persons are employer and employee;
4. Any person directly or indirectly owns, controls or holds 25% or more of the outstanding voting stock or shares of both of them;

5. One of them directly or indirectly controls the other;
6. Both of them are directly or indirectly controlled by a third person;
7. Together they directly or indirectly control a third person; or
8. They are members of the same family.

Explanation: (a) "person" also includes legal persons; (b) persons associated in business as sole agent/distributor/concessionaire shall be deemed to be related.

EXAM TIP – RELATED PERSONS MNEMONIC

"OD-PE-25-C-SF" = Officers/Directors, Partners, Employer-Employee, 25% voting stock, Control, Same Family.

6. Distinct Person Transactions

SECTION 25(4) AND 25(5)

- **25(4):** A person who has obtained or is required to obtain more than one registration, whether in one State/UT or more than one State/UT, shall, in respect of each such registration, be treated as distinct persons.
- **25(5):** Where a person who has obtained or is required to obtain registration in a State/UT in respect of an establishment, has an establishment in another State/UT, then such establishments shall be treated as establishments of distinct persons.

Supply between distinct persons is deemed supply under Schedule I even without consideration. Valuation is determined under Rule 28.

ILLUSTRATION – DISTINCT PERSONS

M/s ABC Ltd. has 3 branches A, B & C in different states. A in Telangana has run out of stock and B from Andhra Pradesh transfers its excess stock. It is supply of goods and liable to IGST.

7. Rules 27 to 31 – Valuation Rules

7.1 RULE 27 – CONSIDERATION NOT WHOLLY IN MONEY

Where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall be:

1. Open market value of such supply;
2. If open market value is not available, the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money, if such amount is known at the time of supply;
3. If value cannot be determined under (a) or (b), the value of supply of goods or services of like kind and quality;
4. If value cannot be determined under (a), (b) or (c), the value as determined by application of Rule 30 or Rule 31, in that order.

ILLUSTRATION Rule 27 – Exchange of Old Phone

Q: A new phone is supplied for ₹20,000 along with exchange of an old phone. If the price of new phone without exchange is ₹24,000, the open market value of new phone is ₹24,000. Value of supply?

> **Solution:** Open market value = ₹24,000. Since open market value is available, value of supply = ₹24,000.

ILLUSTRATION Rule 27 – Partial Money and Partial Goods

Q: M/s X Ltd. supplies security services to M/s Y Ltd. Monthly consideration ₹1,00,000. In November, M/s Y Ltd. supplied uniforms to employees of M/s X Ltd. by spending ₹20,000. M/s X Ltd. raised bill for ₹80,000. Value of supply?

> **Solution:** GST will be levied on ₹1,00,000 (₹80,000 + uniforms equal to monetary value of ₹20,000).

7.2 RULE 28 – RELATED/DISTINCT PERSONS

Where the supply is between related persons or distinct persons, other than through an agent:

1. Open market value of such supply;
2. If open market value is not available, the value of supply of goods or services of like kind and quality;
3. If value cannot be determined under (a) or (b), the value as determined by application of Rule 30 or Rule 31, in that order.

First Proviso: Where the goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person.

Second Proviso: Where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of goods or services.

RULE 28(2) – CORPORATE GUARANTEE (W.E.F. 26-10-2023)

Value of supply of services by a supplier to a recipient who is a related person, by way of providing corporate guarantee to any banking company or financial institution on behalf of the said recipient, shall be deemed to be:

- **1% of the amount of such guarantee offered per annum**; or
- **the actual consideration**,
- whichever is higher.

Proviso: Where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the value of said supply of service (inserted w.e.f. 26-10-2023).

ILLUSTRATION Rule 28 – 90% Option

Q: M/s X Ltd. owned factory in Chennai and depot in Cochin. Goods transferred from factory to depot on 8th February: 1,000 units; Price at Factory ₹200/unit; Price at Depot ₹220/unit; Rate of IGST 18%. Find value of taxable supply and IGST liability in hands of M/s X Ltd. of Chennai.

> **Solution:**
> Value of taxable supply = ₹220 × 1,000 units × 90% = **₹1,98,000**
> IGST = ₹1,98,000 × 18% = **₹35,640**
> (First proviso to Rule 28 – 90% of price at which depot sells to unrelated persons)

ILLUSTRATION Rule 28 – Full ITC Proviso

Q: M/s Y Ltd. owned factory in Hyderabad and depot in Vijayawada. Depot is availing ITC. Goods transferred: 1,000 units; Price at Factory ₹200; Price at Depot ₹220; Rate of IGST 18%. Find value of taxable supply.

> **Solution:**
> Value of taxable supply = ₹2,00,000 (deemed to be open market value) (1,000 units × ₹200)
> IGST = ₹2,00,000 × 18% = **₹36,000**
> (Second proviso to Rule 28 – value declared in invoice deemed open market value where recipient eligible for full ITC)

7.3 RULE 29 – SUPPLY THROUGH AGENT

Where the supply of goods is made or received through an agent:

1. Open market value of the goods being supplied; or at the option of the supplier, 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person, where the goods are intended for further supply by the said recipient;
2. If value not determinable under (a), the value as determined by application of Rule 30 or Rule 31, in that order.

ILLUSTRATION Rule 29 – Groundnut Supply

Q: A principal supplies groundnut to his agent and the agent is supplying groundnuts of like kind and quality in subsequent supplies at a price of ₹5,000 per quintal on the day of the supply. Another independent supplier is supplying groundnuts of like kind and quality to the said agent at the price of ₹4,550 per quintal. Find value of taxable supply in hands of principal.

> **Solution:** The value of taxable supply made by the principal shall be ₹4,550 or where he exercises the option, the value shall be ₹4,500 (i.e. 90% of ₹5,000) per quintal.

7.4 RULE 30 – COST-BASED VALUATION

Where the value of supply of goods or services or both cannot be determined under Rules 27, 28 or 29, the value shall be 110% of the cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services.

ILLUSTRATION Rule 30 – Cost-Based Valuation

Q: Raj & Co. furnishes the following: Direct material cost per unit inclusive of IGST at 18% ₹944; Direct wages ₹250; Other direct expenses ₹100; Indirect materials ₹75; Factory overheads ₹200; Administrative overhead (25% relating to production) ₹100; Selling and distribution expense ₹150; Quality control ₹25; Sale of scrap realized ₹20; Actual profit margin 15%. Find value for payment of GST as per Rule 30.

Solution:
Direct material cost (944 × 100/118) = ₹800
Direct wages = ₹250
Other direct expenses = ₹100
Indirect materials = ₹75
Factory overheads = ₹200
Administrative overhead (25% of ₹100) = ₹25
Quality control = ₹25
Sub-total = ₹1,475
Less: Sale of scrap = (₹20)
Cost of production = ₹1,455
Add: 10% profit margin = ₹145.50
Value of taxable supply = ₹1,600.50

7.5 RULE 31 – RESIDUAL METHOD

Where the value of supply of goods or services or both cannot be determined under Rules 27 to 30, the value shall be determined by using reasonable means consistent with the principles and general provisions of Section 15 and these rules.

Proviso: In case of supply of services, the supplier may opt for Rule 31 ignoring Rule 30.

7.6 RULE 31A – LOTTERY, BETTING, GAMBLING, HORSE RACING

SUPPLY	VALUE (W.E.F. 22-9-2025)
Supply of lottery run by State Government or authorized by State Government	Higher of: (a) 100/140 of the face value of ticket; (b) 100/140 of the price as notified in official Gazette by organizing State
Supply of actionable claim in form of chance to win in betting, gambling or horse racing in a race club	100% of the face value of the bet or the amount paid into totalisator

NOTIFICATION NO. 13/2025-CT (W.E.F. 22-09-2025)

Rule 31A amended – lottery value is 100/140 of face value or 100/140 of price notified in official Gazette by organizing State, whichever is higher.

7.7 RULE 31B – ONLINE GAMING

Value of supply of online gaming, including supply of actionable claims involved in online money gaming, shall be the **total amount paid or payable to or deposited with the supplier** by way of money or money's worth, including virtual digital assets, by or on behalf of the player.

Proviso: Any amount returned or refunded by the supplier to the player for any reason, including player not using the amount, shall not be deductible from the value of supply.

7.8 RULE 31C – CASINO

Value of supply of actionable claims in casino shall be the **total amount paid or payable by or on behalf of the player** for:

- Purchase of tokens, chips, coins or tickets for use in casino; or
- Participating in any event in the casino, where tokens/chips/coins/tickets are not required.

Proviso: Any amount returned or refunded by the casino to the player shall not be deductible from the value of supply.

8. Rules 32 to 35 – Specific Valuation Rules

8.1 Rule 32 – Determination of Value in Respect of Certain Supplies

Notwithstanding anything contained in this Chapter, the value in respect of supplies specified below shall, at the **option of the supplier**, be determined in the manner provided hereinafter.

RULE 32(1) – OPTION OF SUPPLIER

RULE 32(2) – MONEY CHANGING SERVICES

CLAUSE	SCENARIO	VALUE
(a)	Buying or selling of foreign currency from/to a person other than authorized dealer	Difference between buying rate and selling rate of RBI on date of transaction × units of currency
(b)	Where RBI reference rate not available	1% of gross amount of Indian Rupees provided or received
(c)	Where neither of the currencies exchanged is Indian Rupee	1% of lesser of the two amounts the person would have received by converting any of the two currencies into Indian Rupee at RBI reference rate on that date

Proviso to Rule 32(2): Option to ascertain value in terms of clause (b) for a financial year shall not be withdrawn during the remaining part of that financial year.

ILLUSTRATION **Rule 32(2) – Money Changing**

Q: On 25th January 2026, Mr. X (Chennai) converted USD 100 into INR, actual exchange rate ₹72 per USD, RBI reference rate 71/71.5. Find value of supply under Rule 32(2)(a) and GST.

> **Solution:**
> Value of supply = (72 – 71) × 100 = **₹100**
> GST = ₹100 × 18% = ₹18 (CGST ₹9 + SGST ₹9)

RULE 32(3) – AIR TRAVEL AGENT

Value of supply of services in relation to booking of passage for travel by air:

- **Basic fare for domestic booking:** 5% of basic fare
- **Basic fare for international booking:** 10% of basic fare

Where the air travel agent has opted for this sub-rule, GST is payable at 18% on the value so determined. Full ITC is available.

ILLUSTRATION Rule 32(3) – Air Travel Agent

Q: Mr. A, air travel agent, for quarter ended March 31, 2024: Basic air fare domestic ₹50,00,000; international ₹80,00,000; commission from airlines ₹4,50,000; year-end bonus ₹50,000. GST @18%. Compute GST liability under: (a) normal; (b) Rule 32(3).

> **Solution:**
> **(a) Normal:** Taxable supply = ₹4,50,000 + ₹50,000 = ₹5,00,000. GST = ₹5,00,000 × 18% = **₹90,000**
> **(b) Rule 32(3):** Value = (₹50,00,000 × 5%) + (₹80,00,000 × 10%) = ₹2,50,000 + ₹8,00,000 = ₹10,50,000. GST = ₹10,50,000 × 18% = **₹1,89,000**
> *Rule 32(3) is not economical.*

RULE 32(4) – LIFE INSURANCE BUSINESS

Value of supply of services in relation to life insurance business:

- **(a)** Where premium covers only risk: Gross premium charged from policy holder
- **(b)** Where premium covers risk and savings:
  - If amount allocated for savings is intimated to policy holder: Gross premium – Amount allocated for investment
  - If amount not intimated: 25% of 1st year premium; 12.5% of subsequent years premium
  - Single premium annuity: 10% of premium

ILLUSTRATION Rule 32(4) – Life Insurance

Q: Arihant Life Insurance Company Ltd. charged gross premium of ₹180 lakh; ₹100 lakh allocated for investment. GST @18%. Compute GST liability: (i) if allocated amount intimated; (ii) if not intimated; (iii) if only risk cover.

> **Solution:**
> (i) Value = ₹180 L – ₹100 L = ₹80 L. GST = ₹80 L × 18% = **₹14.40 lakh**
> (ii) Value = ₹180 L × 25% = ₹45 L. GST = ₹45 L × 18% = **₹8.10 lakh**
> (iii) Value = ₹180 L. GST = ₹180 L × 18% = **₹32.40 lakh**

RULE 32(5) – SECOND HAND GOODS

Where a taxable supply is provided by a person dealing in buying and selling of second hand goods (used goods as such or after minor processing which does not change the nature) and where **no input tax credit has been availed** on purchase of such goods, the value of supply shall be the **difference between selling price and purchase price**, and where the value is negative, it shall be ignored.

Proviso: Purchase value of goods repossessed from a defaulting borrower, who is not registered, shall be deemed to be the purchase price of such goods by the defaulting borrower reduced by 5% points for every quarter or part thereof, between the date of purchase and the date of disposal.

ILLUSTRATION Rule 32(5) – Second Hand Car

Q: Ram & Co., car dealer, purchased used car for ₹2,00,000 and sold for ₹2,50,000. ITC not availed. GST @28%. Find GST under margin scheme.

Solution:
Margin = ₹2,50,000 – ₹2,00,000 = ₹50,000
CGST @14% = ₹7,000; SGST @14% = ₹7,000
Total GST = ₹14,000
If sale price = ₹1,80,000: Margin negative, GST = Nil.

ILLUSTRATION Rule 32(5) – Repossession

Q: Mr. C took loan of ₹2 crore from bank on 15th July 2024 and purchased machine. Defaulted. Bank repossessed machine on 1st Jan 2025. Bank sold on 26th April 2025 for ₹1,90,00,000. Find value of taxable supply.

Solution:
Purchase value for bank = ₹2,00,00,000
Less: 5% per quarter for 2 quarters = ₹20,00,000
Purchase value at disposal = ₹1,80,00,000
Sale price = ₹1,90,00,000
Margin = ₹10,00,000
IGST @18% = **₹1,80,000**

RULE 32(6) – VOUCHERS, COUPONS, STAMPS

Value of a token, voucher, coupon, or stamp (other than postage stamp) redeemable against supply of goods or services shall be equal to the **money value of the goods or services redeemable** against such token, voucher, coupon, or stamp.

RULE 32(7) – VALUE OF SERVICES BY DISTINCT PERSONS

Value of taxable services provided by notified class of service providers between distinct persons as referred to in Section 25, where input tax credit is available, shall be deemed to be **NIL**.

8.2 Rule 33 – Pure Agent

"Pure agent" means a person who:

1. Enters into a contractual agreement with the recipient to act on their behalf and incur expenditure or costs in the course of supply of goods or services;
2. Neither intends to hold nor holds any title to the goods or services procured on behalf of the recipient;
3. Does not use the goods or services so procured for his own interest; and
4. Receives only the actual amount incurred to procure such goods or services.

CONDITIONS FOR EXCLUSION – RULE 33

Expenditure or costs incurred by a supplier as a pure agent of the recipient shall be excluded from the value of supply if all the following conditions are satisfied:

- (i) The supplier acts as a pure agent of the recipient when he makes payment to the third party on authorization by such recipient;
- (ii) The payment made by the pure agent on behalf of the recipient has been separately indicated in the invoice issued by the pure agent to the recipient;
- (iii) The supplies procured by the pure agent from the third party as a pure agent of the recipient are in addition to the services he supplies on his own account.

ILLUSTRATION Rule 33 – Customs Broker

Q: Mr. X, Customs Broker, issues invoice for reimbursement of expenses and consideration towards agency service. Agency income ₹10,000; Travelling ₹5,500; Hotel ₹9,500; Customs duty ₹55,000; Dock dues ₹2,500. Find value of taxable supply.

> **Solution:**
> Agency income = ₹10,000 (addable)
> Travelling = ₹5,500 (addable)
> Hotel = ₹9,500 (addable)
> Customs duty = Not addable (pure agent reimbursement)
> Dock dues = Not addable (pure agent reimbursement)
> **Total value of taxable supply = ₹25,000**

8.3 Rule 34 – Rate of Exchange

- **Goods:** Rate of exchange notified by CBIC under Section 14 of Customs Act, 1962 for the date of time of supply.
- **Services:** Rate of exchange determined as per generally accepted accounting principles for the date of time of supply.

8.4 Rule 35 – Value Inclusive of Tax

Where the value of supply is inclusive of integrated tax or central tax, State tax, Union territory tax, the tax amount shall be determined in the following manner:

$$\text{Tax Amount} = \text{Value Inclusive of Tax} \times \text{Rate of GST} \div (100 + \text{GST})$$

ILLUSTRATION Rule 35 – Back Calculation

Q: An assessee sold goods @ ₹100 per piece without charging GST. Later found product chargeable with IGST 18%. Determine correct GST payable per piece.

> **Solution:**
> Transaction value = ₹100 × 100/118 = **₹84.75**
> IGST = ₹100 × 18/118 = **₹15.25**
> Total invoice price = ₹100.00

9. Corporate Guarantee – Valuation & Taxability

CBIC CIRCULAR NO. 204/16/2023-GST (27-10-2023)

- **Personal guarantee by Director:** No consideration under RBI Circular – open market value may be taken as zero; no tax payable. Exceptional cases where consideration is paid – taxable value is remuneration/consideration.
- **Corporate guarantee by related person/holding company:** Supply of service between related persons under Schedule I even without consideration. Taxable value determined under Rule 28. Sub-rule (2) inserted w.e.f. 26-10-2023 – 1% of guarantee amount or actual consideration, whichever is higher.

9.1 Corporate Guarantee – Key Issues (Circular No. 225/19/2024-GST dated 11-07-2024)

ISSUE	QUESTION	CLARIFICATION
1	Does Rule 28(2) apply to corporate guarantees issued before 26-10-2023?	No. Guarantees issued before 26-10-2023 valued under earlier Rule 28 (open market value, like kind and quality, Rule 30/31). Guarantees renewed on/after 26-10-2023 valued under Rule 28(2).
2	When loan partly availed or not availed – how is value determined? ITC eligibility?	Value = 1% of **guaranteed amount**, irrespective of loan disbursed. Recipient eligible for full ITC even before full disbursement.
3	GST implications on takeover of existing loans with corporate guarantees.	Assignment of existing guarantee – no fresh supply, no GST. Fresh corporate guarantee – new taxable supply, 1% of guarantee amount.
4	GST on corporate guarantee provided by multiple co-guarantors.	Each co-guarantor pays GST on 1% of guarantee provided by him. If actual consideration higher than 1%, tax on actual consideration.
5	GST payment on intra-group corporate guarantees.	Domestic – forward charge, guarantor pays. Foreign – reverse charge, recipient pays.
6	Discharge of tax liability on corporate guarantee for fixed term/renewal/less than 1 year.	5 years fixed term – GST on 1% per annum × 5 years. 1 year renewable – GST each renewal. 6 months – proportionate 1% for 6 months.
7	Whether proviso to Rule 28(1) (full ITC) applies to Rule 28(2)?	Yes. Proviso inserted in Rule 28(2) retrospectively w.e.f. 26-10-2023 – value declared in invoice deemed value where full ITC available.
8	Whether Rule 28(2) applies to export of corporate guarantee services?	No. Rule 28(2) does not apply where recipient is located outside India.

ILLUSTRATION **Corporate Guarantee – Before and After 26-10-2023**

Q: ABC Ltd. (Holding Company) provided corporate guarantee to PQR Bank on behalf of subsidiary XYZ Ltd. for loan of ₹10 crore on 1st January 2023. No consideration. On 1st November 2023, renewed. GST @18%. Compute GST.

Solution:
Before 26-10-2023: Valued under earlier Rule 28. If open market value of similar guarantee = ₹1 lakh, GST = ₹1 L × 18% = ₹18,000.
After 26-10-2023 (renewal): Rule 28(2) applies. Taxable value = 1% of ₹10 crore = ₹10 lakh. GST = ₹10 L × 18% = **₹1.80 lakh**.

ILLUSTRATION **Corporate Guarantee – Partly Availed Loan**

Q: ABC Ltd. (Guarantor) provides corporate guarantee to XYZ Ltd. for loan of ₹10 crore. Bank approves but only ₹6 crore disbursed. GST @18%. Compute value and GST. Is XYZ eligible for ITC?

Solution:
Taxable value = 1% of ₹10 crore = ₹10 lakh (irrespective of ₹6 crore disbursed)
GST = ₹10 L × 18% = **₹1.80 lakh**
XYZ eligible for full ITC of ₹1.80 lakh irrespective of loan disbursement.

ILLUSTRATION **Corporate Guarantee – Co-Guarantors**

Q: Two co-guarantors A and B jointly provide corporate guarantee of ₹1 crore for related recipient C. A provides 60% (₹60 lakh), B provides 40% (₹40 lakh). No consideration. GST @18%. Compute GST.

Solution:
A: 1% of ₹60 lakh = ₹60,000; GST = ₹60,000 × 18% = **₹10,800**
B: 1% of ₹40 lakh = ₹40,000; GST = ₹40,000 × 18% = **₹7,200**

CHAPTER 1 · SECTION 10

10. Lottery, Betting, Gambling & Online Gaming

SUPPLY	VALUE
Lottery run/authorized by State Government	Higher of: (a) 100/140 of face value of ticket; (b) 100/140 of price notified in official Gazette by organizing State
Betting, gambling, horse racing in race club	100% of face value of bet or amount paid into totalisator
Online gaming including online money gaming	Total amount paid or payable to or deposited with supplier by way of money or money's worth, including virtual digital assets, by or on behalf of player. No deduction for amount returned/refunded.
Casino	Total amount paid or payable by or on behalf of player for: (i) purchase of tokens, chips, coins or tickets; or (ii) participating in any event. No deduction for amount returned/refunded.

EXAM TIP – ONLINE GAMING

- Value = Total amount paid/payable/deposited with supplier.
- Winnings used further in game – exempt from fresh GST.
- Cash refunds – tax not returned.
- Overseas platforms – mandatory registration.
- 28% GST on full purchase amount (not platform fee).

CHAPTER 1 · SECTION 11

11. Practical Illustrations and Case Studies

PRACTICAL 1 Mahendra & Mahendra Ltd.

Q: Mahendra & Mahendra Ltd. (Delhi) supplies bulk drugs. Details for Jan 2026: Advance for drug development ₹5,00,000 (services Feb 2026, invoice 28-02-2026); Advance for bulk drugs ₹6,00,000 (invoice March 2026); Supply in Delhi ₹60,00,000; Export to USA ₹90,00,000; Drug development to Gopal Ltd. ₹6,00,000; Consignment to Kanna Dava (Punjab) ₹60,00,000; Bharath Medicals (Haryana) ₹50,00,000; Supply to Rajandra Medicals (Gurgaon) ₹15,00,000 (OMV ₹30,00,000, 60% shares, not eligible full ITC). GST: Bulk drugs 2.5%+2.5%; Services 9%+9%. Find GST liability.

Solution:
Advance for drug development: CGST ₹45,000 + SGST ₹45,000
Advance for bulk drugs: No time of supply (goods advance)
Supply in Delhi: CGST ₹1,50,000 + SGST ₹1,50,000
Export to USA: Zero-rated
Drug development services: CGST ₹54,000 + SGST ₹54,000
Consignment agents: IGST = (₹60L + ₹50L) × 90% × 5% = **₹4,95,000**
Rajandra Medicals (related, not full ITC): IGST = ₹30L × 5% = **₹1,50,000**
Total: CGST ₹2,49,000 + SGST ₹2,49,000 + IGST ₹6,45,000

PRACTICAL 2 ABC Consultancy – Non-Compete Fee

Q: ABC Consultancy (Mumbai) received ₹45 lakh from XY Ltd. for agreeing not to provide similar technical services for 8 years. GST not separately collected. GST rate 18%. Find GST liability.

Solution:
Non-compete = Supply of service under Schedule II para 5(e).
GST not collected – assumed inclusive.
Taxable value = ₹45,00,000 × 100/118 = **₹38,13,559**
CGST = ₹45,00,000 × 9/118 = **₹3,43,220**
SGST = ₹45,00,000 × 9/118 = **₹3,43,220**

PRACTICAL 3 Red and Blue Pvt. Ltd.

Q: Red and Blue Pvt. Ltd.: List price ₹50,000; Tax by Municipal Authority ₹5,000; CGST/SGST ₹10,440; Packing ₹1,000; Subsidy from NGO ₹2,000 (price after subsidy); Discount 2% on list price recorded in invoice. Determine value of taxable supply.

Solution:
List price = ₹50,000
Add: Municipal tax = ₹5,000
Add: Packing = ₹1,000
Add: Subsidy from NGO = ₹2,000
Less: Discount 2% on ₹50,000 = (₹1,000)
Value of taxable supply = ₹57,000

PRACTICAL 4 S Advertisers

Q: S Advertisers provided advertising services to Moon Pvt. Ltd. for ₹15,00,000. S Advertisers owed ₹1,20,000 to vendor; Moon paid directly. Moon delayed payment, paid ₹15,000 interest. GST 18%. Determine value.

Solution:
Service charges = ₹15,00,000
Add: Payment made by Moon to vendor = ₹1,20,000
Add: Interest (₹15,000 × 100/118) = ₹12,712
Value of taxable supply = ₹16,32,712

PRACTICAL 5 Hari Ltd. – Packing, Commission, Discount

Q: Hari Ltd. supplied goods to Santhi Traders (Ahmedabad) and Peace Motors Ltd. (Pune). Price ₹20,000/₹15,000; Packing ₹600; Commission ₹400; Weighment ₹500; Discount ₹1,000/₹500. CGST 9%, SGST 9%, IGST 18%. Compute GST.

Solution:
Santhi Traders (inter-State): ₹20,000 + ₹600 + ₹400 + ₹500 – ₹1,000 = ₹20,500. IGST = **₹3,690**
Peace Motors (intra-State): ₹15,000 + ₹600 + ₹400 + ₹500 – ₹500 = ₹16,000. CGST = ₹1,440; SGST = ₹1,440

PRACTICAL 6 XYZ Ltd. – Machinery Supply

Q: XYZ Ltd. (Noida) supplies machinery. Price ₹40,00,000; Handling/loading ₹10,000; Installation ₹1,00,000; Warranty extension ₹3,00,000; Grant from DEF Ltd. ₹2,00,000; Cash discount 2% on machinery. GST 18%. Compute GST.

Solution:
Price = ₹40,00,000
Add: Handling = ₹10,000
Add: Installation = ₹1,00,000
Add: Additional warranty = ₹3,00,000
Add: Grant from holding company = ₹2,00,000
Sub-total = ₹46,10,000
Less: 2% cash discount on ₹40,00,000 = (₹80,000)
Taxable value = ₹45,30,000
IGST @18% = **₹8,15,400**

PRACTICAL 7 Raja Bhai – Chemicals Supply

Q: Raja Bhai (Uttarakhand) supplied 30 tons chemical @ ₹50,000/ton. Additional: Freight ₹1,80,000; Packing ₹1,10,000; Weighing ₹20,000; Cost of instrument ₹3,10,000; Inspection charges paid by P directly ₹12,000; Government subsidy ₹50,00,000. GST 18%. Compute GST.

Solution:
Price = ₹15,00,000
Add: Freight = ₹1,80,000
Add: Packing = ₹1,10,000
Add: Weighing = ₹20,000
Add: Cost of instrument = ₹3,10,000
Add: Inspection charges = ₹12,000
Government subsidy = Nil
Value = ₹21,32,000
CGST @9% = ₹1,91,880; SGST @9% = ₹1,91,880
Interest on late payment = ₹15,000 × 100/118 = ₹12,712
CGST = ₹1,144; SGST = ₹1,144

PRACTICAL 8 Mr. Mahendran – Gross Value of Taxable Supply

Q: Mr. Mahendran (Chennai) received: Selector of national team ₹50,000; Insurance agent commission ₹65,000; Business correspondent to urban branch ₹15,000; Foreign diplomatic mission ₹28,000; Funeral services ₹30,000. Freight paid to unregistered GTA ₹45,000 (turnover ₹9,90,000). Compute gross value of taxable supply.

Solution:
Selector = ₹50,000 (taxable)
Insurance agent = Nil (RCM)
Business correspondent = ₹15,000 (taxable w.e.f. 1-1-2019)
Foreign diplomatic mission = ₹28,000 (taxable)
Funeral services = Nil (excluded)
Total taxable supply (forward charge) = ₹93,000
Total taxable supply (RCM) = ₹45,000

PRACTICAL 9 Mahendra Co Ltd – Kolkata

Q: List price in Orissa/Jharkhand ₹6,20,000. Adjustments: Central Government subsidy ₹60,000; Trade Association subsidy ₹15,000; Municipal tax ₹12,000; Packing ₹6,000; Late fee ₹2,500. Compute value of taxable supply.

Solution:
List price = ₹6,20,000
Central Government subsidy = Nil (excluded)
Trade Association subsidy = ₹15,000 (addable)
Municipal tax = ₹12,000 (addable)
Packing = ₹6,000 (addable)
Late fee = ₹2,500 (addable)
Value of taxable supply = ₹6,55,500

PRACTICAL 10 **Mr. Harry – Pure Agent**

Q: Mr. Harry (agent of Mr. Potter) sold printer to Mr. Tom Cruise for ₹74,000. ₹45,000 belongs to West Bengal State Electricity Department. GST 18%. Compute GST.

> **Solution:**
> Mr. Harry acts as pure agent. Amount of ₹45,000 removed.
> Revised invoice value = ₹74,000 − ₹45,000 = ₹29,000
> GST = ₹29,000 × 18% = **₹5,220**

CHAPTER 1 · SECTION 12

12. Key Case Laws and Advance Rulings

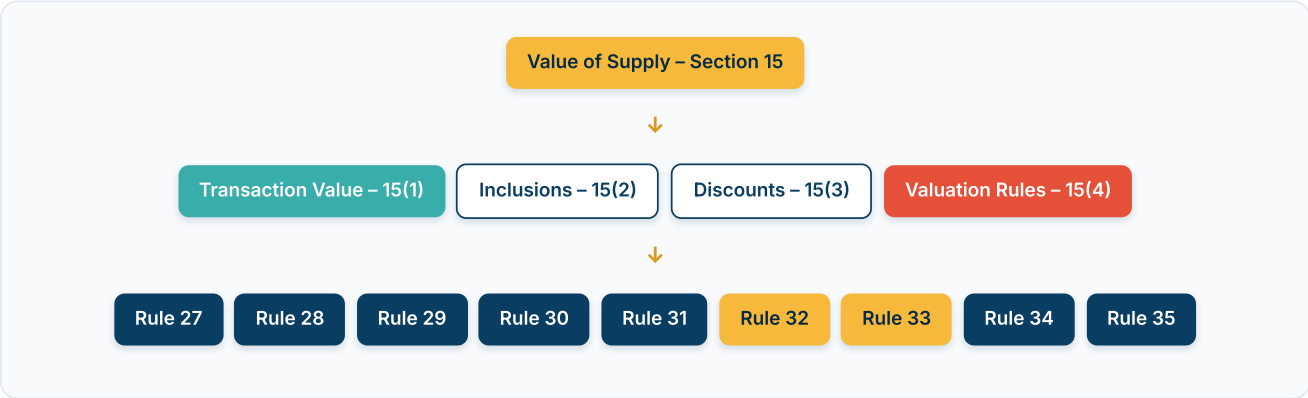
CASE	FACTS	DECISION	EXAM POINT
CCEx. Mumbai v Fiat India Pvt. Ltd. (2012) 283 ELT 161 (SC)	Fiat UNO cars sold below manufacturing cost consistently for 5 years to non-related buyers.	Price not sole consideration; full commercial cost not reflected; Best Judgment Assessment upheld.	Transaction value rejected if price not sole consideration.
Specsmakers Opticians Pvt. Ltd. (GST AAAR Tamil Nadu – 2019)	Provisos under Rule 28 – application sequentially or independently?	Second proviso independently deals with full ITC situation; not subordinate to first proviso. Value declared in invoice deemed open market value where recipient eligible for full ITC.	Rule 28 provisos – independent, not sequential.
Lakshmi Tulasi Quality Fuels – 2022 (62) GSTL 71 (AAAR AP)	Residential building leased; lessee sub-leased for commercial interest.	Exemption only where residential dwelling used as residence. Lessor not eligible; 18% IGST applicable.	Renting exemption depends on actual use.
Intas Pharmaceuticals Ltd. (GST AAR Gujarat – 2022)	Canteen charges – employee portion collected and paid to canteen service provider.	GST not leviable on employee portion collected and paid to canteen service provider.	Pure agent/reimbursement principle.
Greenbrilliance Renewable Energy LLP – 2022 (61) GSTL 114 (AAR Gujarat)	Subsidy under Surya Gujarat Yojna for solar rooftop system.	Subsidy not includible in value of supply; subsidy does not alter taxable nature. ITC implications under Section 17(2) – no implication.	Government subsidy excluded from value.
Fastrack Deal Comm Pvt. Ltd. – 2022 (61) GSTL 125 (AAR Gujarat)	Forfeiture of advance on breach of land sale condition.	Taxable activity of refraining/tolerating/doing an act; taxable in hands of person forfeiting.	Forfeiture of advance – taxable under Schedule II para 5(e).
Shanmuga Durai – 2022 (62) GSTL 210 (AAR Tamil Nadu)	Renting property by partner to partnership firm free of rent; partner holds 2/3rd shares.	Taxable supply under CGST Act. Valuation under Rule 28.	Related party – deemed supply even without consideration.
Antara Purukul Senior Living Ltd. – 2022 (61) GSTL 177 (AAR Uttarakhand)	Electricity charges recovered on actual cost basis; asset replacement deposits.	Electricity charges – taxable (not pure agent). Asset Replacement Deposits – advance for future supply, taxable under Section 13(2)(a).	Pure agent conditions strict; future deposits taxable.

● **CASE LAW – CBIC CIRCULAR NO. 210/4/2024-GST (26-06-2024)**

Import of services by related person where recipient eligible for full ITC: Value declared in invoice deemed open market value under second proviso to Rule 28(1). If no invoice issued – value deemed Nil, treated as open market value.

13. End of Chapter

A. Chapter Mind Map



B. Top 25 Revision Points

1. Transaction value is primary basis of valuation.
2. Applicable when supplier and recipient not related and price is sole consideration.
3. Section 15(2) – inclusions: taxes other than GST, recipient-borne expenses, commission/packing, interest/late fee/penalty, subsidy (other than Government).
4. Section 15(3) – discounts: before/at supply recorded in invoice; post-supply with conditions.
5. Government subsidy excluded from value.
6. Deposit not consideration unless applied.
7. Related persons – 8 categories.
8. Distinct persons – Section 25(4)/(5).
9. Rule 27 – not wholly in money: OMV → consideration → like kind → cost/residual.
10. Rule 28 – related/distinct: OMV → like kind → 90% option → full ITC proviso.
11. Rule 28(2) – corporate guarantee 1% of guarantee or actual consideration, whichever higher.
12. Rule 29 – agent: OMV → 90% → cost/residual.
13. Rule 30 – cost-based: 110% of cost.
14. Rule 31 – residual.
15. Rule 31A – lottery 100/140 of face value or notified price, whichever higher.
16. Rule 31B – online gaming: total amount paid/payable/deposited.
17. Rule 31C – casino: total amount paid/payable.
18. Rule 32(2) – money changing: difference, 1%, or 1% of lesser.
19. Rule 32(3) – air travel agent: 5% domestic, 10% international.
20. Rule 32(4) – life insurance: gross, 25%, 12.5%, 10%.
21. Rule 32(5) – second hand goods: margin scheme.
22. Rule 32(6) – vouchers: money value.

23. Rule 32(7) – distinct persons: NIL.
24. Rule 33 – pure agent: 4 conditions + 3 invoice conditions.
25. Rule 35 – value inclusive of tax back calculation.

C. Top 10 Examination Questions

1. Explain value of supply under Section 15 with inclusions and exclusions.
2. Explain the concept of related persons and distinct persons with examples.
3. Explain Rule 27 valuation hierarchy with examples.
4. Explain Rule 28 valuation for related/distinct persons with provisos.
5. Explain Rule 28(2) corporate guarantee valuation.
6. Explain Rule 30 cost-based valuation with practical problem.
7. Explain Rule 32 specific valuation rules.
8. Explain Rule 33 pure agent with conditions.
9. Explain Rule 35 back calculation.
10. Practical problem on valuation of supply.

D. Expected Dec 2026 Questions

- Practical problem on Rule 28 – 90% option vs full ITC proviso.
- Corporate guarantee valuation – pre and post 26-10-2023.
- Rule 30 cost-based valuation with profit margin.
- Rule 32(5) second-hand goods margin scheme.
- Rule 33 pure agent – customs broker.
- Rule 35 back calculation for tax-inclusive value.
- Case study on valuation with multiple inclusions/exclusions.

E. Formula and Limit Sheet

ITEM	FORMULA / RATE
Rule 28 – 90% option	90% of price charged to unrelated customer
Rule 28(2) – corporate guarantee	1% of guarantee amount per annum or actual consideration, whichever higher
Rule 30 – cost-based	110% of cost of production/acquisition/provision
Rule 32(2)(a) – money changing	(Selling rate – Buying rate) × units
Rule 32(2)(b) – RBI rate not available	1% of gross amount in INR
Rule 32(2)(c) – neither currency INR	1% of lesser of two converted amounts
Rule 32(3) – air travel agent	5% domestic, 10% international
Rule 32(4) – life insurance	25% 1st year, 12.5% subsequent, 10% single premium
Rule 32(5) – second hand goods	Selling price – Purchase price
Rule 32(5) – repossession	Purchase value – 5% per quarter
Rule 35 – inclusive of tax	Value × Rate ÷ (100 + Rate)
Section 15(2)(e) – subsidy	Government subsidy excluded
Section 15(3)(b) – post-supply discount	ITC reversal by recipient mandatory

F. Quick Revision Notes

QUICK REVISION

Section 15(1) transaction value. Add: taxes other than GST, recipient expenses, commission/packing, interest/late fee/penalty, non-Government subsidy. Less: discounts (before/at supply; post-supply with ITC reversal). Rule 27 – OMV → consideration → like kind → cost/residual. Rule 28 – OMV → like kind → 90% → full ITC. Rule 28(2) – corporate guarantee 1%. Rule 30 – 110% of cost. Rule 32 – specific supplies. Rule 33 – pure agent. Rule 35 – back calculation.

G. One Page Summary

MODULE 4 IN ONE PAGE

Valuation begins with transaction value under Section 15(1). Add taxes other than GST, recipient-borne expenses, commission/packing, interest/late fee/penalty, non-Government subsidy. Deduct discounts (recorded in invoice; post-supply with ITC reversal). When transaction value fails, apply Rules 27-35: Rule 27 (not wholly in money), Rule 28 (related/distinct – OMV, like kind, 90%, full ITC), Rule 28(2) (corporate guarantee 1%), Rule 29 (agent), Rule 30 (110% of cost), Rule 31 (residual), Rule 32 (specific supplies – money changing, air travel, life insurance, second-hand goods, vouchers), Rule 33 (pure agent), Rule 34 (exchange rate), Rule 35 (back calculation). For Dec 2026, focus on corporate guarantee, Rule 28 provisos, Rule 30 cost-based, and second-hand goods.

MODULE 4 · COMPLETE REVISION

End of Module 4

1. Complete Module Summary

Module 4 establishes the valuation of supply under GST. It covers Section 15, related party and distinct person transactions, Rules 27 to 35 of the CGST Rules, corporate guarantee valuation, and key advance rulings. The module is essential for computing the taxable value on which GST is levied.

2. Top 100 Important Examination Points

1. Transaction value – Section 15(1).
2. Supplier and recipient not related.
3. Price is sole consideration.
4. Section 15(2)(a) – taxes other than GST.
5. Section 15(2)(b) – recipient-borne expenses.
6. Section 15(2)(c) – commission and packing.
7. Section 15(2)(d) – interest/late fee/penalty.
8. Section 15(2)(e) – subsidy other than Government.
9. Section 15(3)(a) – discount before/at supply.
10. Section 15(3)(b) – post-supply discount with ITC reversal.
11. Government subsidy excluded.
12. Deposit not consideration unless applied.
13. Related persons – 8 categories.
14. 25% voting stock – related.
15. Same family – related.
16. Sole agent/distributor – related.
17. Distinct persons – Section 25(4)/(5).
18. Rule 27 – not wholly in money.
19. Rule 27(a) – open market value.
20. Rule 27(b) – consideration in money.
21. Rule 27(c) – like kind and quality.
22. Rule 27(d) – Rule 30/31.
23. Rule 28 – related/distinct.
24. Rule 28(a) – open market value.
25. Rule 28(b) – like kind and quality.
26. Rule 28(c) – Rule 30/31.
27. Rule 28 – 90% option for further supply.
28. Rule 28 – full ITC proviso.
29. Rule 28(2) – corporate guarantee.

30. Rule 28(2) – 1% or actual, whichever higher.
31. Rule 28(2) – full ITC proviso.
32. Rule 29 – agent.
33. Rule 29 – 90% option.
34. Rule 30 – 110% of cost.
35. Rule 31 – residual.
36. Rule 31A – lottery.
37. Rule 31A – 100/140 of face value.
38. Rule 31B – online gaming.
39. Rule 31B – total amount paid/payable.
40. Rule 31C – casino.
41. Rule 32 – option of supplier.
42. Rule 32(2) – money changing.
43. Rule 32(2)(a) – difference.
44. Rule 32(2)(b) – 1% of gross INR.
45. Rule 32(2)(c) – 1% of lesser.
46. Rule 32(3) – air travel agent.
47. Rule 32(3) – 5% domestic.
48. Rule 32(3) – 10% international.
49. Rule 32(4) – life insurance.
50. Rule 32(4) – 25% 1st year.
51. Rule 32(4) – 12.5% subsequent.
52. Rule 32(4) – 10% single premium.
53. Rule 32(5) – second hand goods.
54. Rule 32(5) – margin scheme.
55. Rule 32(5) – negative margin ignored.
56. Rule 32(5) – repossession 5% per quarter.
57. Rule 32(6) – vouchers.
58. Rule 32(7) – distinct persons NIL.
59. Rule 33 – pure agent.
60. Rule 33 – 4 conditions.
61. Rule 33 – 3 invoice conditions.
62. Rule 34 – exchange rate.
63. Rule 35 – back calculation.
64. Corporate guarantee – Circular 204.
65. Corporate guarantee – Circular 225.
66. Personal guarantee – director – zero.
67. Corporate guarantee – pre 26-10-2023.
68. Corporate guarantee – post 26-10-2023.

69. Corporate guarantee – partly availed loan.
70. Corporate guarantee – ITC eligible.
71. Corporate guarantee – takeover no supply.
72. Corporate guarantee – fresh guarantee supply.
73. Corporate guarantee – co-guarantors.
74. Corporate guarantee – foreign RCM.
75. Corporate guarantee – export no Rule 28(2).
76. Circular 210/4/2024 – import of services.
77. Circular 212/6/2024 – withdrawn.
78. Circular 251/08/2025 – financial credit notes.
79. Circular 253/10/2025 – withdrawal.
80. Circular 245/02/2025 – penal charges.
81. Case law – Fiat India.
82. Case law – Specsmakers.
83. Case law – Lakshmi Tulasi.
84. Case law – Intas Pharmaceuticals.
85. Case law – Greenbrilliance.
86. Case law – Fastrack Deal Comm.
87. Case law – Shanmuga Durai.
88. Case law – Antara Purukul.
89. Practical – Mahendra & Mahendra.
90. Practical – ABC Consultancy.
91. Practical – Red and Blue.
92. Practical – S Advertisers.
93. Practical – Hari Ltd.
94. Practical – XYZ Ltd.
95. Practical – Raja Bhai.
96. Practical – Mr. Mahendran.
97. Practical – Mahendra Co Ltd.
98. Practical – Mr. Harry.
99. Exam tip: state Section and Rule.
100. Exam tip: show working notes.

3. Top 50 Practical Adjustments

#	PRACTICAL ADJUSTMENT / CHECK
1	Identify if supplier and recipient are related.
2	Check if price is sole consideration.
3	Add taxes other than GST.
4	Add recipient-borne expenses.
5	Add commission and packing.
6	Add interest/late fee/penalty.
7	Add non-Government subsidy.
8	Deduct discounts recorded in invoice.
9	Deduct post-supply discounts with ITC reversal.
10	Exclude Government subsidy.
11	Check deposit – applied as consideration?
12	Check related persons – 8 categories.
13	Check distinct persons – Section 25(4)/(5).
14	Rule 27 – open market value.
15	Rule 27 – consideration in money.
16	Rule 27 – like kind and quality.
17	Rule 27 – cost/residual.
18	Rule 28 – open market value.
19	Rule 28 – like kind and quality.
20	Rule 28 – 90% option.
21	Rule 28 – full ITC proviso.
22	Rule 28(2) – corporate guarantee.
23	Rule 28(2) – 1% or actual, whichever higher.
24	Rule 28(2) – full ITC proviso.
25	Rule 29 – agent.
26	Rule 29 – 90% option.
27	Rule 30 – 110% of cost.
28	Rule 31 – residual.

#	PRACTICAL ADJUSTMENT / CHECK
29	Rule 31A – lottery.
30	Rule 31B – online gaming.
31	Rule 31C – casino.
32	Rule 32(2) – money changing.
33	Rule 32(3) – air travel agent.
34	Rule 32(4) – life insurance.
35	Rule 32(5) – second hand goods.
36	Rule 32(5) – repossession.
37	Rule 32(6) – vouchers.
38	Rule 32(7) – distinct persons NIL.
39	Rule 33 – pure agent conditions.
40	Rule 33 – customs broker example.
41	Rule 34 – exchange rate.
42	Rule 35 – back calculation.
43	Corporate guarantee – pre/post 26-10-2023.
44	Corporate guarantee – partly availed loan.
45	Corporate guarantee – co-guarantors.
46	Corporate guarantee – foreign RCM.
47	Practical – Mahendra & Mahendra.
48	Practical – ABC Consultancy.
49	Practical – Hari Ltd.
50	Check date of amendment and notification for Dec 2026.

4. Frequently Repeated Questions

- Explain value of supply under Section 15 with inclusions and exclusions.
- Explain related persons and distinct persons with examples.
- Explain Rule 27 valuation hierarchy with examples.
- Explain Rule 28 valuation for related/distinct persons with provisos.
- Explain Rule 28(2) corporate guarantee valuation.
- Explain Rule 30 cost-based valuation with practical problem.
- Explain Rule 32 specific valuation rules.

- Explain Rule 33 pure agent with conditions.
- Explain Rule 35 back calculation.
- Practical problem on valuation of supply.

5. Important Case Study Areas

- Rule 28 – 90% option vs full ITC proviso.
- Corporate guarantee valuation – pre and post 26-10-2023.
- Rule 30 cost-based valuation with profit margin.
- Rule 32(5) second-hand goods margin scheme.
- Rule 33 pure agent – customs broker.
- Rule 35 back calculation for tax-inclusive value.
- Valuation with multiple inclusions/exclusions.
- Related party transactions – Shanmuga Durai.
- Government subsidy – Greenbrilliance.
- Forfeiture of advance – Fastrack Deal Comm.

6. Complete Revision Charts

CONCEPT	KEY SECTION/RULE	EFFECT
Transaction Value	Section 15(1)	Price actually paid or payable
Inclusions	Section 15(2)	Taxes other than GST, recipient expenses, commission/packing, interest, non-Government subsidy
Discounts	Section 15(3)	Before/at supply; post-supply with ITC reversal
Not wholly in money	Rule 27	OMV → consideration → like kind → cost/residual
Related/Distinct	Rule 28	OMV → like kind → 90% → full ITC
Corporate Guarantee	Rule 28(2)	1% or actual, whichever higher
Agent	Rule 29	OMV → 90% → cost/residual
Cost-based	Rule 30	110% of cost
Residual	Rule 31	Reasonable means
Lottery	Rule 31A	100/140 of face value or notified price
Online Gaming	Rule 31B	Total amount paid/payable/deposited
Casino	Rule 31C	Total amount paid/payable
Money Changing	Rule 32(2)	Difference / 1% / 1% of lesser
Air Travel Agent	Rule 32(3)	5% domestic, 10% international
Life Insurance	Rule 32(4)	25%/12.5%/10%
Second Hand Goods	Rule 32(5)	Margin scheme
Pure Agent	Rule 33	Exclude actual reimbursement
Exchange Rate	Rule 34	CBIC for goods; GAAP for services
Value Inclusive of Tax	Rule 35	Back calculation

7. GST Revision Tables

SCENARIO	VALUATION RULE	FORMULA / METHOD
Not wholly in money	Rule 27	OMV → consideration → like kind → cost/residual
Related/distinct persons	Rule 28	OMV → like kind → 90% → full ITC
Corporate guarantee	Rule 28(2)	1% of guarantee or actual, whichever higher
Supply through agent	Rule 29	OMV → 90% → cost/residual
Cost-based	Rule 30	110% of cost
Residual	Rule 31	Reasonable means
Lottery	Rule 31A	100/140 of face value or notified price
Online gaming	Rule 31B	Total amount paid/payable/deposited
Casino	Rule 31C	Total amount paid/payable
Money changing	Rule 32(2)	Difference / 1% / 1% of lesser
Air travel agent	Rule 32(3)	5% / 10% of basic fare
Life insurance	Rule 32(4)	25% / 12.5% / 10%
Second hand goods	Rule 32(5)	Selling price – Purchase price
Pure agent	Rule 33	Exclude actual reimbursement
Exchange rate	Rule 34	CBIC / GAAP
Value inclusive of tax	Rule 35	Value × Rate ÷ (100 + Rate)

8. Customs Revision Tables

CUSTOMS BOX

Module 4 is GST-specific. Customs tables are covered in Section B modules – Valuation, Baggage, Manufacture in Bond, Duty Drawback, IGCR, Remission, Refund, Trade Facilitation, FTP and SEZ.

9. One Night Revision Notes

ONE NIGHT BEFORE EXAM

Read Section 15, Rules 27 to 35, corporate guarantee circulars (204, 225), and case laws. Practice 5 practical problems on valuation including Rule 28, Rule 30, Rule 32(5), Rule 33, and Rule 35.

10. Fast Track Revision Notes

- Section 15(1) – transaction value.
- Section 15(2) – inclusions.

- Section 15(3) – discounts.
- Rule 27 – not wholly in money.
- Rule 28 – related/distinct.
- Rule 28(2) – corporate guarantee.
- Rule 30 – 110% of cost.
- Rule 32 – specific supplies.
- Rule 33 – pure agent.
- Rule 35 – back calculation.

11. 20 Marks Most Probable Areas

- Rule 28 – 90% option vs full ITC proviso.
- Corporate guarantee valuation.
- Rule 30 cost-based valuation.
- Rule 32(5) second-hand goods.

12. 50 Marks Most Probable Areas

- Full practical problem covering Section 15, Rule 27/28/30/32/33/35.
- Case-based question on corporate guarantee and related party transactions.
- Descriptive question on valuation rules and provisos.

13. Mock Exam Revision Sheet

> **MOCK EXAM**
>
> Attempt one 15-mark practical on valuation (Section 15 + Rule 28 + Rule 30) and one 10-mark theory on corporate guarantee and Rule 32. Review case laws and circulars.

14. Examiner Approach Guide

- Start with Section 15(1).
- Apply inclusions and exclusions.
- If fails, apply Rules 27 to 35 in order.
- Show working notes.
- Conclude with taxable value and GST.
- Support with circular/case law where relevant.

15. Student Mistake Analysis

- Forgetting Section 15(2) inclusions.
- Not applying full ITC proviso.
- Confusing 90% option and full ITC proviso.
- Missing corporate guarantee amendment date.
- Not applying Rule 32(5) margin scheme.

- Forgetting Rule 33 pure agent conditions.
- Missing Rule 35 back calculation.

16. Final Revision Checklist

- Section 15 revised.
- Related/distinct persons revised.
- Rule 27 revised.
- Rule 28 and provisos revised.
- Rule 28(2) corporate guarantee revised.
- Rule 30 cost-based revised.
- Rule 32 specific supplies revised.
- Rule 33 pure agent revised.
- Rule 35 back calculation revised.
- Case laws and circulars revised.
- Practical problems solved.

CMA KNOWLEDGE DECEMBER 2026 REVISION HANDBOOK

Module 4: Valuation (Advanced) | Paper 19 ITLP | CMA Final Examination

Prepared exclusively from the latest Official ICMAI Study Material – Paper 19 ITLP (Reprint July 2026)

CMA KNOWLEDGE — PREMIUM PUBLICATION

DECEMBER 2026 EXAMINATION

Module 5
Input Tax Credit (Advanced)

Complete Revision Handbook for CMA Final Paper 19 – Indirect Tax Laws and Practice (ITLP)

01	**Paper 19** Indirect Tax Laws & Practice	02	**Module 5** Section A – GST (70%)	03	**ICMAI Official** Study Material Based	04	**December 2026** Latest Amendments

Prepared exclusively from the latest Official ICMAI Study Material – Paper 19 ITLP (Reprint July 2026)

Website: cmaknowledge.in

MODULE 5 · SECTION A · GST

1. Module Introduction

CORE IDEA

The basic concept of **Input Tax Credit (ITC)** is to avoid the cascading effect of tax. ITC ensures uninterrupted and seamless flow of credit across the supply chain. However, not every credit is available – **Section 16** prescribes eligibility conditions, **Section 17** prescribes apportionment and blocked credits, **Section 18** covers special circumstances, **Section 19** covers job work, and **Sections 20-21** cover ISD.

Input Tax Credit is the mechanism that makes GST a value-added tax. Without ITC, GST would cascade like the earlier regime. This module covers the entire ITC framework – definitions, eligibility conditions, apportionment for common inputs/input services, blocked credits under Section 17(5), special circumstances under Section 18, job work under Section 19, ISD under Sections 20-21, rules 36 to 45, utilisation and set-off, interest, and case laws.

Module 5 scope: This module covers all aspects of ITC including specific provisions, conditions for availing ITC, apportionment of common ITC between taxable and exempt supplies, blocked credits, special circumstances, job work, input service distributor, rules 36 to 45, utilisation, interest, and practical illustrations/case laws.

EXAM ALERT

Module 5 is heavily tested. Every practical problem on GST computation requires ITC analysis. Focus on Section 16 conditions, Section 17(5) blocked credits, Rule 42/43 apportionment, Rule 37/37A reversal, job work, ISD, and Section 18 special circumstances.

MODULE 5 · FOUNDATION

2. Syllabus Coverage Map

MODULE 5 TOPIC	SUB-TOPICS IN STUDY MATERIAL	COVERAGE IN THIS HANDBOOK
5.1 Introduction	Meaning of ITC, cascading effect, definitions under Section 2	Chapter 1 – Sections 3 to 4
5.2 Specific Provisions on ITC	Section 16 (eligibility, conditions), Section 17 (apportionment, blocked credits), Section 18 (special circumstances), Section 19 (job work), Section 20-21 (ISD)	Chapter 1 – Sections 4 to 8
5.3 Case Studies and Illustrations	Apportionment, blocked credits, job work, ISD, utilisation, reversal, refund	Chapter 1 – Sections 9 to 12

MODULE 5 · OBJECTIVES

3. Learning Outcome Matrix

SUBJECT LEARNING OBJECTIVE (SLOB)	LEARNING OUTCOME / APPLICATION SKILL	MODULE 5 COVERAGE
SLOB 1: Develop detailed understanding of GST provisions for valuation, computation of tax liability including ITC management.	Explain terms and conditions for availing ITC; understand apportionment of common ITC; explain blocked credit; avail ITC in special circumstances; utilise ITC.	Fully covered through Sections 16, 17, 18, 19, 20, 21 and Rules 36-45.
SLOB 2: Obtain detailed knowledge of accounts, records, annual returns and dispute resolution for better compliance.	Apply ITC rules to practical scenarios and case studies; understand reversal and re-availment.	Covered through practical illustrations and case laws.
SLOB 3: Acquire knowledge of valuation, duty calculation, remission and refund under Customs Act and Rules.	Customs-specific outcomes are covered in Section B modules.	Not applicable to Module 5.
SLOB 4: Facilitate strategic decision making by appropriate management of indirect tax issues.	Apply ITC concepts to job work, ISD, refund claims, and blocked credit analysis.	Covered through case studies and advance rulings.

MODULE 5 · ANALYSIS

4. Exam Weightage Analysis

SECTION A – GST: 70% WEIGHTAGE

Module 5 is heavily tested. Direct and indirect questions are expected from:

- Section 16 conditions – **5 to 8 marks**
- Section 17(5) blocked credits – **5 to 10 marks**
- Rule 42/43 apportionment – **8 to 15 marks**
- Rule 37/37A reversal – **5 to 8 marks**
- Job work – **5 to 8 marks**
- ISD – **5 to 8 marks**
- Section 18 special circumstances – **5 to 8 marks**
- Utilisation and set-off – **3 to 5 marks**

EXPECTED DECEMBER 2026 PATTERN

- MCQ / short notes – **2 to 5 marks**
- Practical problems – **8 to 15 marks**
- Case-based / application – **5 to 10 marks**
- Descriptive / analytical – **5 to 10 marks**

MODULE 5 · EXAM FAVOURITES

5. Frequently Tested Areas

FREQUENTLY REPEATED CONCEPTS

- **Section 16 conditions** – possession of invoice, receipt of goods/services, tax paid, return filed, invoice in GSTR-2B, 180 days payment, no depreciation on tax component.
- **Section 17(1)/(2)** – apportionment for partly business/non-business and partly taxable/exempt.
- **Section 17(3)** – value of exempt supply.
- **Section 17(4)** – 50% option for banks/NBFCs.
- **Section 17(5)** – blocked credits (motor vehicles, food/beverages, club, health, works contract, construction, composition, non-resident, CSR, personal consumption, lost/stolen, tax paid under Sections 74/129/130).
- **Rule 42** – apportionment of inputs and input services.
- **Rule 43** – apportionment of capital goods.
- **Rule 37** – 180 days payment reversal.
- **Rule 37A** – non-payment of tax by supplier.
- **Section 18** – registration, voluntary registration, composition to normal, exempt to taxable.
- **Section 19** – job work (1 year inputs, 3 years capital goods).
- **Section 20-21** – ISD distribution and recovery.
- **Rule 86B** – 99% restriction on electronic credit ledger.
- **Rule 86A** – restriction on utilisation of ITC.
- **Section 49** – utilisation order.
- **Section 50** – interest on delayed payment and wrong ITC.

MODULE 5 · DECEMBER 2026

6. Important Amendments Covered in Material

AMENDMENT BOX – DEC 2026 FOCUS

- **Finance Act, 2022 (w.e.f. 1-10-2022):** Section 16(2)(ba) – ITC restricted as per GSTR-2B; Section 38 substituted; Section 41 substituted; Section 42/43/43A omitted.
- **Finance Act, 2024 (w.e.f. 27-9-2024, w.r.e.f. 1-7-2017):** Section 16(5) – ITC for FY 2017-18 to 2020-21 up to 30-11-2021; Section 16(6) – revoked registration.
- **Notification No. 22/2024-CT (8-10-2024):** Special procedure for rectification of certain specified orders under Sections 73, 74, 107, 108.
- **CBIC Circular No. 237/31/2024-GST (15-10-2024):** Clarification on Sections 16(5) and 16(6) and rectification procedure.
- **Notification No. 20/2024-CT (8-10-2024):** Rule 36(3) – no ITC on tax paid under Section 74.
- **Rule 47A (w.e.f. 1-11-2024):** Self-invoice within 30 days for RCM.
- **CBIC Circular No. 240/34/2024-GST (31-12-2024):** No ITC reversal for services notified under Section 9(5).
- **CBIC Circular No. 241/35/2024-GST (31-12-2024):** ITC in EX-Works contracts – deemed receipt when goods handed to transporter.
- **CBIC Circular No. 214/8/2024-GST (26-06-2024):** No ITC reversal on investment portion of life insurance premium.
- **CBIC Circular No. 211/5/2024-GST (26-06-2024):** Section 16(4) for RCM self-invoices – relevant FY is year of self-invoice.
- **CBIC Circular No. 216/10/2024-GST (26-06-2024):** Warranty replacements and extended warranties.
- **CBIC Circular No. 217/11/2024-GST (26-06-2024):** ITC to insurance companies on motor vehicle repair – reimbursement mode.
- **CBIC Circular No. 199/11/2023-GST (17-07-2023):** HO can distribute ITC by ISD or issue tax invoices.
- **CBIC Circular No. 219/13/2024-GST (26-06-2024):** ITC on ducts and manholes for OFC – not restricted.
- **CBIC Circular No. 195/07/2023-GST (17-07-2023):** Warranty replacement – no GST, no ITC reversal.
- **Section 17(5)(fa) w.e.f. 1-10-2023:** CSR expenditure – ITC blocked.
- **Section 17(5)(i) w.e.f. 1-11-2024:** Tax paid under Section 74 up to FY 2023-24 – ITC blocked.
- **Section 16(2)(a) amended w.e.f. 1-10-2022:** ITC only if invoice details furnished in GSTR-1 and communicated in GSTR-2B.
- **Section 16(4) amended w.e.f. 1-10-2022:** 30th November following end of FY or annual return, whichever earlier.

MODULE 5 · NAVIGATION

7. Chapter-Wise Coverage Index

CHAPTER / SECTION	COVERAGE	EXAM RELEVANCE
5.1 Introduction	Meaning of ITC, cascading effect, definitions	Medium – conceptual
5.2 Section 16	Eligibility, conditions, GSTR-2B, 180 days, depreciation, time limit	Very high – practical
5.3 Section 17	Apportionment, blocked credits, 50% option for banks, value of exempt supply	Very high – practical
5.4 Section 18	Registration, voluntary registration, composition to normal, exempt to taxable, change in constitution	High – practical
5.5 Section 19	Job work – inputs 1 year, capital goods 3 years, deemed supply	High – practical
5.6 Section 20-21	ISD distribution, conditions, recovery of excess credit	High – practical
5.7 Rules 36-45	Documentary requirements, ITC-01 to ITC-04, apportionment, reversal, conditions	Very high – practical
5.8 Utilisation	Section 49, 49A, Rule 88A, set-off order	High – practical
5.9 Interest	Section 50, Rule 88B, interest on delayed payment and wrong ITC	Medium to high

CHAPTER 1 · DETAILED STUDY

Input Tax Credit (Advanced)

1. Chapter Overview

This chapter explains the entire Input Tax Credit (ITC) framework under GST. It covers eligibility and conditions under Section 16, apportionment and blocked credits under Section 17, special circumstances under Section 18, job work under Section 19, ISD under Sections 20-21, Rules 36-45, utilisation and set-off, and interest provisions under Sections 50 and Rule 88B.

2. Learning Objectives

- Explain the terms and conditions for availing ITC.
- Understand how to apportion common ITC for exempted and taxable supplies.
- Explain what blocked credit is.
- Get a clear picture on availment of ITC in certain special circumstances.
- Apply how to utilise ITC.

3. Important Definitions

TERM	DEFINITION / KEY POINT
Input [Section 2(59)]	Any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business.
Capital Goods [Section 2(19)]	Goods, the value of which is capitalized in the books of account of the person claiming ITC and which are used or intended to be used in the course or furtherance of business.
Input Service [Section 2(60)]	Any service used or intended to be used by a supplier in the course or furtherance of business.
Input Tax [Section 2(62)]	CGST, SGST, IGST or UTGST charged on any supply of goods or services made to a registered person. Includes IGST on imports, tax under RCM, but does not include tax paid under composition levy.
Input Tax Credit [Section 2(63)]	Credit of input tax.
Exempt Supply [Section 2(47)]	Nil rate, wholly exempt under Section 11 or Section 6 IGST, includes non-taxable supply.
Inward Supply [Section 2(67)]	Receipt of goods or services whether by purchase, acquisition or any other means, with or without consideration.
Job Work [Section 2(68)]	Any treatment or process undertaken by a person on goods belonging to another registered person.
Non-taxable Supply [Section 2(78)]	Supply of goods or services not leviable to tax under CGST or IGST.
Output Tax [Section 2(82)]	Tax chargeable on taxable supply of goods or services made by him or his agent, excluding tax payable under RCM.
Zero-rated Supply [Section 16 IGST]	Export of goods or services; supply to SEZ developer/unit.
Works Contract [Section 2(119)]	Contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of immovable property involving transfer of property in goods.

4. Section 16 – Eligibility and Conditions for Taking ITC

SECTION 16(1) – ENTITLEMENT

Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in Section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.

4.1 SECTION 16(2) – CONDITIONS FOR TAKING ITC

CLAUSE	CONDITION	DETAILS / NOTES
16(2) (a)	Possession of tax invoice or debit note or other prescribed document	Invoice issued by supplier under Section 31; invoice under RCM; debit note; bill of entry; ISD invoice or credit note.
16(2) (aa)	Invoice details furnished by supplier in GSTR-1 and communicated to recipient in GSTR-2B (w.e.f. 1-1-2022)	ITC available only if invoice appears in GSTR-2B.
16(2) (b)	Receipt of goods or services	Deemed receipt if delivered to recipient or any other person on direction of registered person; services provided to any person on direction and on account of registered person.
16(2) (ba)	Details of ITC communicated under Section 38 not restricted (w.e.f. 1-10-2022)	ITC restricted in GSTR-2B cannot be claimed.
16(2) (c)	Tax charged has been actually paid to Government	Tax paid in cash or through utilisation of ITC admissible.
16(2) (d)	Return under Section 39 furnished	Filing of GSTR-3B.

PROVISOS TO SECTION 16(2)

- **1st Proviso:** Goods received in lots or instalments – ITC available only on receipt of last lot or instalment.
- **2nd Proviso:** 180 days payment – recipient must pay supplier the value of supply along with tax within 180 days from date of issue of invoice; else ITC reversed with interest.
- **3rd Proviso:** Re-availment of ITC on payment made to supplier.

4.2 SECTION 16(3) – DEPRECIATION ON TAX COMPONENT

Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the Income-tax Act, 1961, ITC on the said tax component shall not be allowed.

4.3 SECTION 16(4) – TIME LIMIT FOR AVAILING ITC

SECTION 16(4) – TIME LIMIT

A registered person shall not be entitled to take ITC in respect of any invoice or debit note for supply of goods or services after:

- **30th November** following the end of financial year to which such invoice or debit note pertains; or
- **Furnishing of relevant annual return**,
- whichever is earlier.

Note: The words "invoice relating to such" have been omitted w.e.f. 1-1-2021. Date of debit note and date of underlying invoice have been delinked.

4.4 SECTION 16(5) AND 16(6) – RETROSPECTIVE RELIEF (W.E.F. 1-7-2017)

SECTION 16(5) – FY 2017-18 TO 2020-21

Notwithstanding Section 16(4), in respect of invoice or debit note pertaining to FY 2017-18, 2018-19, 2019-20, 2020-21, ITC available in any return under Section 39 filed up to **30th November 2021**.

SECTION 16(6) – REVOKED REGISTRATION

Where registration is cancelled under Section 29 and subsequently revoked, ITC available in return filed:

- (i) up to 30th November following the FY to which invoice pertains or annual return, whichever earlier; or
- (ii) for the period from cancellation till revocation, if return filed within 30 days of revocation order,
- whichever is later.

4.5 RULE 36 – DOCUMENTARY REQUIREMENTS AND CONDITIONS

- **Rule 36(1):** ITC availed on basis of invoice, debit note, bill of entry, ISD invoice/credit note.
- **Rule 36(2):** Details to be furnished in GSTR-2 (now GSTR-2B).
- **Rule 36(3):** No ITC on tax paid under Section 74 (fraud), Section 129 (detention) and Section 130 (confiscation).
- **Rule 36(4):** Omitted w.e.f. 1-1-2022. ITC only if invoice appears in GSTR-2B.

4.6 RULE 37 – REVERSAL OF ITC FOR NON-PAYMENT IN 180 DAYS

- **Rule 37(1):** If payment not made within 180 days, ITC reversed with interest while filing GSTR-3B for the tax period immediately following the 180-day period.
- **Proviso:** Value of supplies made without consideration under Schedule I deemed paid.
- **Proviso:** Value of supplies on account of Section 15(2)(b) deemed paid.
- **Rule 37(2):** Re-availment of ITC on subsequent payment to supplier.
- **Rule 37(3):** Omitted w.e.f. 1-10-2022 (interest incorporated in sub-rule 1).
- **Rule 37(4):** Time limit under Section 16(4) not applicable to re-availment.

ILLUSTRATION – RULE 37

M/s A Ltd. (Aluva, Kerala) receives input service from M/s B Ltd. (Bengaluru) with invoice dated 17th December 2023, availed credit same date. Time limit for payment = 14th June 2024 (180 days). If not paid by then, credit reversed with interest. Re-credit allowed on subsequent payment.

4.7 RULE 37A – REVERSAL OF ITC FOR NON-PAYMENT OF TAX BY SUPPLIER

RULE 37A

Where ITC availed on invoice/debit note furnished by supplier in GSTR-1, but supplier has not furnished GSTR-3B for the period up to 30th September following end of FY, ITC shall be reversed by recipient in GSTR-3B on or before **30th November** following end of such FY.

- **Proviso:** If not reversed, payable with interest under Section 50.
- **Proviso:** If supplier subsequently furnishes GSTR-3B, recipient may re-avail ITC.

ILLUSTRATION – RULE 37A

M/s X Ltd. supplied goods in December 2023; shown in GSTR-1 on 11th January 2024. Recipient availed ITC in GSTR-3B on 20th January 2024. Supplier has not filed GSTR-3B for December 2023 till 30th September 2024. Recipient must reverse ITC by 30th November 2024. If not, pay with interest @24% p.a.

5. Section 17 – Apportionment and Blocked Credits

5.1 Section 17(1) – Partly Business, Partly Other Purposes

Where goods or services are used partly for business and partly for other purposes, ITC is restricted to the portion attributable to business purposes.

5.2 Section 17(2) – Partly Taxable, Partly Exempt

Where goods or services are used partly for effecting taxable supplies (including zero-rated) and partly for exempt supplies, ITC is restricted to the portion attributable to taxable supplies.

5.3 Section 17(3) – Value of Exempt Supply

Value of exempt supply includes:

- Supplies on which recipient is liable to pay tax under RCM;
- Transactions in securities;
- Sale of land;
- Sale of building (subject to clause (b) of paragraph 5 of Schedule II).

Explanation w.e.f. 1-2-2019: Value of exempt supply shall not include Schedule III activities, except:

- (i) value of activities or transactions specified in paragraph 5 of Schedule III (sale of land/building); and
- (ii) value of such activities or transactions as may be prescribed in respect of clause (a) of paragraph 8 of Schedule III (duty-free shops).

5.4 Section 17(4) – Banking Company/NBFC Option

SECTION 17(4) – 50% OPTION

A banking company or financial institution including NBFC, engaged in supplying services by way of accepting deposits, extending loans or advances, shall have the option to either:

- Comply with Section 17(2) (proportionate reversal); or
- Avail every month, an amount equal to **50% of the eligible ITC** on inputs, capital goods and input services in that month and the rest shall lapse.

Proviso 1: Option once exercised cannot be withdrawn during the remaining part of the financial year.
Proviso 2: Restriction of 50% shall not apply to tax paid on supplies made by one registered person to another registered person having the same PAN.

5.5 Section 17(5) – Blocked Credits

Notwithstanding anything contained in Section 16(1) and Section 18(1), ITC shall not be available in respect of the following:

CLAUSE	BLOCKED CREDIT	EXCEPTIONS / NOTES
17(5)(a)	Motor vehicles for transportation of persons with approved seating capacity ≤13 persons (including driver); vessels and aircraft	Allowed when used for: (A) further supply of such vehicles/vessels/aircraft; (B) transportation of passengers; (C) imparting training on driving/navigating/flying; (D) transportation of goods (for vessels/aircraft).
17(5)(ab)	Services of general insurance, servicing, repair and maintenance in relation to motor vehicles, vessels or aircraft referred to in (a) or (aa)	Allowed when: (i) such vehicles used for purposes specified in (a)/(aa); (ii) received by taxable person engaged in manufacture of such vehicles or supply of general insurance services.
17(5)(b)(i)	Food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing/renting/hiring of motor vehicles, vessels or aircraft referred to in (a)/(aa), life insurance and health insurance	Allowed where inward supply used for making outward taxable supply of same category or as an element of taxable composite or mixed supply.
17(5)(b)(ii)	Membership of a club, health and fitness centre	Fully blocked.
17(5)(b)(iii)	Travel benefits extended to employees on vacation such as leave or home travel concession	Allowed where obligatory for employer under any law.
17(5)(c)	Works contract services for construction of immovable property (other than plant and machinery)	Allowed where input service for further supply of works contract service.
17(5)(d)	Goods or services received for construction of immovable property (other than plant and machinery) on own account	Fully blocked even when used in course/furtherance of business.
17(5)(e)	Goods or services on which tax has been paid under Section 10 (composition levy)	Fully blocked.
17(5)(f)	Goods or services received by a non-resident taxable person	Except goods imported by him.
17(5)(fa)	Goods or services used for activities relating to CSR obligations under Section 135 of Companies Act, 2013 (w.e.f. 1-10-2023)	Fully blocked.
17(5)(g)	Goods or services used for personal consumption	Fully blocked.
17(5)(h)	Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples	Fully blocked.
17(5)(i)	Tax paid under Sections 74 (fraud), 129 (detention), 130 (confiscation) (w.e.f. 1-11-2024, only Section 74 up to FY 2023-24)	Fully blocked.

IMPORTANT FOR 5/10 MARKS

Section 17(5) is the most frequently tested provision in Module 5. Learn all clauses, exceptions and the amendments. The exceptions under 17(5)(a)/(aa) and 17(5)(b) are particularly important.

5.6 PLANT AND MACHINERY – EXPLANATION

For the purpose of Chapter V (ITC) and Chapter VI (Registration), "plant and machinery" means apparatus, equipment and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes:

- (a) land, building or any other civil structures;
- (b) telecommunication towers; and
- (c) pipelines laid outside the factory premises.

5.7 SECTION 17(5)(B) – ITC ON FOOD, BEVERAGES, ETC.

CBIC CIRCULAR NO. 172/04/2022-GST (06-07-2022)

- Proviso after sub-clause (iii) of clause (b) applies to whole of clause (b).
- "Leasing" in sub-clause (i) refers to leasing of motor vehicles, vessels and aircraft only, not other items.

5.8 Rule 42 – Apportionment of Inputs and Input Services

Where inputs or input services are used partly for business and partly for other purposes, or partly for taxable supplies and partly for exempt supplies, ITC is attributed to business/taxable supplies in the following manner:

STEP	PARTICULARS	RULE
Step 1	Total ITC on inputs and input services	Rule 42(1)(a)
Step 2	Less: ITC on supplies exclusively used for purpose other than business	Rule 42(1)(b)
Step 3	Less: ITC on supplies exclusively used for providing exempted supplies	Rule 42(1)(c)
Step 4	Less: ITC not available under Section 17(5)	Rule 42(1)(d)
Step 5	ITC used to supply taxable as well as exempted output supplies	Rule 42(1)(e)
Step 6	Less: ITC on supplies exclusively used for taxable supply including zero-rated supply	Rule 42(1)(f)
Step 7	Common ITC used to supply taxable as well as exempted output supplies (C2)	Rule 42(1)(h)

RULE 42(1)(I) – D1 – REVERSAL FOR EXEMPT SUPPLIES

D1 = (E/F) × C2
Where: E = Exempt supplies during tax period; F = Total turnover in State during tax period; C2 = Common ITC.

RULE 42(1)(J) – D2 – REVERSAL FOR NON-BUSINESS PURPOSES

D2 = 5% of C2 (if common inputs and input services used partly for non-business purposes).

RULE 42(1)(K) – C3 – ELIGIBLE ITC

C3 = C2 – (D1 + D2)
C3 shall be computed separately for CGST, SGST, UTGST and IGST.

RULE 42(1)(M) – ADD TO OUTPUT TAX LIABILITY

D1 and D2 added to output tax liability on monthly basis.

RULE 42(2) – ANNUAL ADJUSTMENT

Final calculation before due date for September return following end of FY:

- If final D1+D2 > monthly D1+D2 – excess added to output liability in September with interest from 1st April.
- If monthly D1+D2 > final D1+D2 – excess claimed as credit in September return.

ILLUSTRATION **Rule 42 – Common ITC Apportionment**

Q: M/s X Ltd. manufacturer of textile products. Turnover: taxable goods ₹4 crore; exempt goods ₹1 crore. Common inputs GST paid ₹20,000. Calculate eligible ITC.

Solution:
Common inputs credit = ₹20,000
Total turnover = ₹5 crores
Credit attributable to exempted supplies = ₹20,000 × ₹1 crore/₹5 crores = ₹4,000
Eligible ITC = ₹16,000

ILLUSTRATION **Rule 42 – Common ITC with Non-Business Use**

Q: M/s Lips Ltd. manufactures four types of Nail Polishes. Common inputs ITC ₹3,00,000. Common inputs also used partly for non-business purposes. Sale: Sweety ₹30/20ml (DTA); Pretty ₹40/20ml (SEZ); Beauty ₹50/20ml (Export); Tweety ₹60/20ml (Defence Canteen – exempt). 1000 litres each. GST @12%.

Solution:
Sweety (DTA): ₹15,00,000; GST ₹1,80,000
Pretty (SEZ): ₹20,00,000; zero-rated
Beauty (Export): ₹25,00,000; zero-rated
Tweety (Exempt): ₹30,00,000; exempt
Total turnover: ₹90,00,000
Rule 42(1)(i) reversal: (₹30L/₹90L) × ₹3,00,000 = ₹1,00,000
Rule 42(1)(j) non-business: ₹3,00,000 × 5% = ₹15,000
Total reversal: ₹1,15,000
Eligible ITC = ₹1,85,000
Output tax = ₹1,80,000; Add: reversal ₹1,15,000 = ₹2,95,000
Less: ITC ₹3,00,000 → Excess ITC c/f ₹5,000

5.9 Rule 43 – Apportionment of Capital Goods

STEP	PARTICULARS	RULE
Step 1	ITC on capital goods used exclusively for non-business or exempt supplies – not credited to electronic credit ledger	Rule 43(1)(a)
Step 2	ITC on capital goods used exclusively for taxable supplies – credited to electronic credit ledger	Rule 43(1)(b)
Step 3	Common capital goods used for both taxable and exempt supplies – common credit	Rule 43(1)(c)
Step 4	Monthly credit for common capital goods = Common credit ÷ 60	Rule 43(1)(e)
Step 5	Monthly credit attributable to exempt supplies = (E/F) × monthly credit	Rule 43(1)(g)
Step 6	Eligible credit = Monthly credit – Exempt portion	Rule 43(1)(h)

RULE 43 – USEFUL LIFE

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

RULE 43(2) – ANNUAL ADJUSTMENT

Final calculation before due date for September return following end of FY for the entire useful life of capital goods.

ILLUSTRATION **Rule 43 – Capital Goods Apportionment**

Q: Praja Industries manufactures X (taxable), Y (taxable), Z (exempt). Turnover: X ₹2,00,000; Y ₹10,00,000; Z ₹12,00,000. April 20XX. Machine A: GST ₹19,200 (non-business); Machine B: ₹38,400 (zero-rated); Machine C: ₹96,000 (all three); Machine D: ₹1,92,000 (exclusively exempt for 2 years, now common); Machine E: ₹2,88,000 (exclusively taxable for 3 years, now common). Useful life 5 years.

Solution:
Machine A: Not credited (non-business)
Machine B: ₹38,400 – credited
Machine C: ₹96,000 – credited (common)
Machine D: ₹1,92,000 – credited fully, ₹76,800 considered as output tax liability in April 20XX (1.92L × 5% × 8 quarters)
Machine E: ₹2,88,000 – ITC already availed; not allowed in April
Common credit = ₹96,000 + ₹1,92,000 = ₹2,88,000
Wait – Revised: Common credit = ₹96,000 + ₹1,92,000 = ₹2,88,000
Monthly credit = ₹2,88,000 ÷ 60 = ₹4,800
Exempt portion = ₹4,800 × ₹12,00,000/₹24,00,000 = ₹2,400
Eligible ITC to Electronic Credit Ledger: ₹38,400 + ₹96,000 + ₹1,92,000 = ₹3,26,400

5.10 Rule 44 – Reversal of Credit in Special Circumstances

- **Rule 44(1)(a):** Reversal for inputs held in stock and inputs contained in semi-finished/finished goods – proportionate to exempt supplies.
- **Rule 44(1)(b):** Reversal for capital goods – based on remaining useful life in months (pro-rata, 5 years).
- **Rule 44(2):** Exception for goods sent to job worker.
- **Rule 44(3):** Reversal when composition scheme opted.

5.11 Rule 86A – Conditions of Use of Amount Available in Electronic Credit Ledger

Commissioner or authorised officer (not below Assistant Commissioner) can disallow debit of amount equivalent to ITC in electronic credit ledger if reasons to believe ITC has been fraudulently availed or is ineligible.

5.12 Rule 86B – Restriction on Use of Amount Available in Electronic Credit Ledger

RULE 86B – 99% RESTRICTION (W.E.F. 1-1-2021)

Where taxable supply (other than exempt and zero-rated) exceeds **₹50 lakhs in a month**, registered person cannot use more than **99% of output tax liability** from electronic credit ledger; must pay at least 1% in cash.

Not applicable in following cases:

- Income tax paid > ₹1 lakh in each of 2 preceding FYs;
- Refund of unutilized ITC > ₹1 lakh in preceding FY on account of exports/SEZ;
- Refund of unutilized ITC > ₹1 lakh in preceding FY on account of inverted duty structure;
- Discharged output tax liability through electronic cash ledger > 1% of total output liability;
- Government Department, PSU, Local authority, Statutory body.

CHAPTER 1 · SECTION 6

6. Section 18 – Availability of Credit in Special Circumstances

CLAUSE	SCENARIO	GOODS ELIGIBLE FOR ITC
18(1)(a)	Person applied for registration within 30 days from date on which he becomes liable	Inputs held in stock, WIP or finished goods as on day immediately preceding date from which he becomes liable to pay GST.
18(1)(b)	Person voluntarily registered under Section 25(3)	Inputs held in stock, WIP or finished goods as on day immediately preceding date of grant of registration.
18(1)(c)	Person ceases to pay tax under composition scheme (Section 10)	Inputs held in stock, WIP or finished goods and capital goods as on day immediately preceding date from which he becomes liable to pay tax under regular scheme. ITC on capital goods as per Rule 40(1)(a).
18(1)(d)	Exempt supply becomes taxable	Inputs held in stock, WIP or finished goods and capital goods as on day immediately preceding date from which such supply becomes taxable. ITC on capital goods as per Rule 40(1)(a).
18(3)	Change in constitution on account of sale, merger, demerger, amalgamation, lease or transfer	Unutilized ITC in electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business.

RULE 40 – MANNER OF TAKING ITC IN SPECIAL CIRCUMSTANCES

- **40(1)(a):** ITC on capital goods reduced by 5% per quarter from date of invoice.
- **40(1)(b):** Declaration in FORM GST ITC-01 within 30 days from becoming eligible.
- **40(1)(c):** Details verified by departmental officer.
- **40(1)(d):** Certificate from CA/CMA if ITC > ₹2,00,000.

SECTION 18(2) – TIME LIMIT

No ITC under Section 18(1) after expiry of **one year** from date of issue of tax invoice.

SECTION 18(4) – REVERSAL ON OPTING COMPOSITION OR EXEMPTION

Where registered person opts to pay tax under Section 10 or supplies become wholly exempt, he shall pay an amount by way of debit in electronic credit ledger or electronic cash ledger, equivalent to credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods, reduced by such percentage points as may be prescribed.
Proviso: After payment, balance of ITC, if any, lying in electronic credit ledger shall lapse.

SECTION 18(6) – SUPPLY OF CAPITAL GOODS

In case of supply of capital goods or plant and machinery on which ITC has been taken, registered person shall pay an amount equal to:

- ITC taken on such capital goods/plant and machinery reduced by such percentage points as may be prescribed; or
- Tax on transaction value of such capital goods/plant and machinery determined under Section 15,
- whichever is higher.

Proviso: Where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, taxable person may pay tax on transaction value.

ILLUSTRATION **Section 18(4) – Reversal on Exemption**

Q: Royal Ltd. goods exempted w.e.f. 15th November 2023. Earlier taxable @18%. Inputs @12%. On 15th November: Inputs in stock ₹1,44,720; WIP ₹77,184; Finished goods ₹4,82,400 (input cost 50%); Capital goods purchased for ₹2,00,000 + GST 28% (invoice 10-7-2023). Electronic credit ledger balance ₹2,79,104. Department asked to reverse credit.

Solution:
Inputs in stock: ₹1,44,720 × 12/100 = ₹17,366
WIP: ₹77,184 × 12/100 = ₹9,262
Finished goods: ₹4,82,400 × 50% × 12/100 = ₹28,944
Capital goods: ₹2,00,000 × 28% × 55/60 = ₹51,333
Total amount to be paid = ₹1,06,905
Less: ITC receivable ₹2,79,104
Excess ITC lapses = ₹1,72,199

ILLUSTRATION **Section 18(6) – Supply of Capital Goods**

Q: M/s A Ltd. sold plant and machinery after use for ₹4,00,000 on 1st November 2025. GST @18%. Purchased vide invoice dated 22nd November 2024 for ₹5,50,000 + GST 18%. ITC availed. Find amount payable under Section 18(6).

Solution:
ITC taken: ₹5,50,000 × 18% = ₹99,000
Less: 25% reduction (5 quarters × 5%) = ₹24,750
Balance ITC = ₹74,250
Tax on transaction value = ₹4,00,000 × 18% = ₹72,000
Higher = ₹74,250 payable by M/s A Ltd.

7. Job Work and Input Service Distributor

7.1 Section 19 – Job Work

Section 19(1): Principal allowed ITC on inputs sent to job worker for job work.

Section 19(2): Principal entitled to take credit on inputs even if directly sent to job worker without being first brought to his place of business.

Section 19(3): Where inputs sent for job work are not received back within **one year**, deemed supply by principal to job worker on the day when inputs were sent out. If directly sent, one year counted from date of receipt by job worker.

Section 19(4): Principal allowed ITC on capital goods sent to job worker.

Section 19(5): Credit on capital goods even if directly sent to job worker.

Section 19(6): Where capital goods sent for job work are not received back within **three years**, deemed supply by principal to job worker.

Section 19(7): Sub-sections (3) and (6) do not apply to moulds and dies, jigs and fixtures, or tools sent out to job worker.

SECTION 143 – JOB WORK PROCEDURE

- Principal may send inputs/capital goods without payment of tax to job worker under intimation and subject to conditions.
- Inputs must be returned within 1 year; capital goods within 3 years.
- Waste generated at job worker's premises may be supplied on payment of tax by registered job worker or principal.
- 2nd Proviso to Section 143: Period may be extended by Commissioner for further 1 year (inputs) and 2 years (capital goods).

RULE 45 – CONDITIONS FOR JOB WORK

- Goods sent under delivery challan.
- Details of challans in FORM GST ITC-04 (half-yearly if turnover > ₹5 crore; annual if up to ₹5 crore).
- Due dates: 25th October and 25th April (half-yearly); 25th April (annual).

ILLUSTRATION **Job Work – Steel Bars Cutting**

Q: Mr. A, trader of steel articles purchased steel bars for ₹1,00,000. Gave to Mr. B (job worker) for cutting. Mr. B charged ₹20,000 as job work charges. Find GST liability.

Solution:
Mr. B being a job worker is liable to pay GST on job work charges.
Value of service = ₹20,000
GST payable on ₹20,000

7.2 Sections 20-21 – Input Service Distributor

SECTION 2(61) – INPUT SERVICE DISTRIBUTOR (ISD)

"Input Service Distributor" means an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services, including invoices in respect of services liable to tax under Section 9(3) or 9(4) of CGST or Section 5(3) or 5(4) of IGST, for or on behalf of distinct persons referred to in Section 25, and liable to distribute the input tax credit in respect of such invoices in the manner provided in Section 20.

7.3 Section 20 – Manner of Distribution of Credit by ISD

CLAUSE	PROVISION
20(1)	ISD shall distribute credit of CGST as CGST or IGST and IGST as IGST or CGST.
20(2)(a)	Credit distributed against a document containing prescribed details.
20(2)(b)	Amount of credit distributed shall not exceed amount of credit available for distribution.
20(2)(c)	Credit of tax paid on input services attributable to a recipient shall be distributed only to that recipient.
20(2)(d)	Credit attributable to more than one recipient shall be distributed pro rata on basis of turnover.
20(2)(e)	Credit attributable to all recipients shall be distributed pro rata on basis of turnover.

RULE 39 – PROCEDURE FOR DISTRIBUTION OF ITC BY ISD

- ISD shall distribute credit as per formula in Rule 39(1).
- Monthly return in FORM GSTR-6 by 13th of following month.
- Credit distributed through ISD invoice.
- Distribution based on turnover of recipients in relevant period.

7.4 Section 21 – Recovery of Credit Distributed in Excess

Where ISD distributes credit in contravention of Section 20 resulting in excess distribution, excess credit recovered from such recipients with interest, and provisions of Section 73 or 74 (or 74A) shall apply.

ILLUSTRATION **ISD – Credit Distribution**

Q: XYZ Pvt. Ltd. (ISD, Delhi). ITC available: IGST ₹1,20,000; CGST ₹60,000; SGST ₹60,000. Recipients: R1 (Delhi) turnover ₹50 lakh; R2 (Maharashtra) ₹30 lakh; R3 (Karnataka) ₹20 lakh. Aggregate ₹1 crore.

Solution:
IGST distribution:
R1: ₹1,20,000 × 50/100 = ₹60,000
R2: ₹1,20,000 × 30/100 = ₹36,000
R3: ₹1,20,000 × 20/100 = ₹24,000
CGST & SGST (R1 same state): R1 gets CGST ₹30,000 + SGST ₹30,000.
R2, R3 (different states): Combined CGST+SGST converted to IGST.
R2: ₹60,000 × 30/100 = ₹18,000
R3: ₹60,000 × 20/100 = ₹12,000

7.5 CBIC Circular No. 199/11/2023-GST (17-07-2023) – HO and BO

- HO can distribute ITC by ISD mechanism (mandatory registration as ISD) or issue tax invoices under Section 31 to BOs.
- Distribution only if services attributable to BO or actually provided to BO.
- Value declared in invoice deemed open market value if full ITC available to BO.
- Salary cost of HO employees not mandatorily included while computing value of internally generated services.

CHAPTER 1 · SECTION 9

8. Rules 36 to 45 – Complete Coverage

RULE	CONTENT
Rule 36	Documentary requirements and conditions for claiming ITC: invoice, debit note, bill of entry, ISD invoice/credit note; no ITC on tax paid under Section 74 (fraud).
Rule 37	Reversal of ITC in case of non-payment of consideration within 180 days; re-availment on payment; time limit under Section 16(4) not applicable to re-availment.
Rule 37A	Reversal of ITC in case of non-payment of tax by supplier; re-availment on subsequent filing of GSTR-3B by supplier.
Rule 38	Claim of credit by banking company or financial institution – 50% option; no reference to FORM GSTR-2.
Rule 39	Procedure for distribution of ITC by ISD; formula for distribution; GSTR-6.
Rule 40	Manner of taking ITC in special circumstances – ITC-01 within 30 days; certificate from CA/CMA if ITC > ₹2,00,000.
Rule 41	Transfer of credit on sale, merger, amalgamation, lease or transfer of business – ITC-02.
Rule 41A	Transfer of credit on obtaining separate registration – ITC-02A within 30 days; apportionment based on value of assets.
Rule 42	Manner of determination of ITC in respect of inputs/input services and reversal – common credit; D1, D2, C3; annual adjustment.
Rule 43	Manner of determination of ITC in respect of capital goods – common credit; monthly credit; exempt portion; useful life 5 years; annual adjustment.
Rule 44	Reversal of credit in special circumstances – inputs, capital goods, composition scheme.
Rule 44A	Manner of reversal of credit of additional duty of customs in respect of gold dore bar.
Rule 45	Conditions and restrictions in respect of inputs and capital goods sent to job worker – ITC-04.

8.1 Rule 41 – Transfer of Credit on Sale/Merger

- Registered person shall file FORM GST ITC-02.
- Unutilized ITC transferred to transferee.
- ITC transferred in ratio of value of assets.
- Certificate from CA/CMA not required.

8.2 Rule 41A – Transfer of Credit on Separate Registration

- Registered person with multiple places of business obtaining separate registration – file FORM GST ITC-02A within 30 days.
- ITC transferred in ratio of value of assets.
- Credit credited to electronic credit ledger of transferee.

8.3 Rule 44 – Reversal of Credit in Special Circumstances

Where registration is cancelled or composition scheme opted, amount payable under Section 18(4) or Section 29(5) is determined as follows:

- **For inputs held in stock:** ITC on inputs held in stock and inputs contained in semi-finished/finished goods (proportionate to exempt supplies).
- **For capital goods:** ITC involved in remaining useful life in months computed on pro-rata basis, taking useful life as 5 years.

● ILLUSTRATION – RULE 44

Capital goods in use for 4 years, 6 months, 15 days. Useful remaining life = 5 months (ignoring part of month). ITC taken on capital goods = C. ITC attributable to remaining useful life = C × 5/60. This amount must be reversed/paid.

CHAPTER 1 · SECTION 10

9. Utilisation and Set-off of ITC

9.1 Section 49 – Payment of Tax, Interest, Penalty and Other Amounts

LEDGER	AMOUNT CREDITED	UTILISATION
Electronic Cash Ledger	Deposits towards tax, interest, penalty, fee or any other amount.	Any payment towards tax, interest, penalty, fees or any other amount.
Electronic Credit Ledger	ITC as self-assessed in return.	Payment towards output tax under CGST/IGST only.
Electronic Liability Register	All liabilities of taxable person.	Record of liabilities.

9.2 Section 49(5) – Order of Set-off

INPUT TAX	OFFSET OPTION AVAILABLE AGAINST	ORDER OF SET-OFF
IGST	IGST, CGST, SGST, UTGST	W.e.f. 1-4-2019: IGST credit can be adjusted equally between CGST and SGST or any other proportion at option of assessee.
CGST	CGST, IGST	1. CGST → 2. IGST
SGST	SGST, IGST	1. SGST → 2. IGST
UTGST	UTGST, IGST	1. UTGST → 2. IGST

SECTION 49(5)(E) AND (F) – CROSS-UTILISATION RESTRICTIONS

- CGST shall not be utilised towards payment of SGST or UTGST.
- SGST or UTGST shall not be utilised towards payment of CGST.

9.3 Section 49A – Utilisation of ITC Subject to Certain Conditions

Notwithstanding anything contained in Section 49, the ITC on account of CGST, SGST or UTGST shall be utilised towards payment of IGST, CGST, SGST or UTGST only after the ITC available on account of IGST has first been utilised fully towards such payment.

9.4 Rule 88A – Order of Utilisation of ITC

- IGST credit shall first be utilised towards payment of IGST.
- Remaining IGST credit, if any, may be utilised towards payment of CGST and SGST/UTGST, in any order.
- CGST/SGST/UTGST credit shall be utilised towards payment of IGST, CGST, SGST/UTGST only after IGST credit has first been utilised fully.

9.5 Section 49(8) – Order of Discharge of Tax and Other Dues

1. First: Self-assessed tax and other dues related to returns of previous tax periods.
2. Second: Self-assessed tax and other dues related to return of current tax period.
3. Third: Any other amount payable under the Act or rules including demand determined under Section 73/74/74A.

ILLUSTRATION **Utilisation of ITC**

Q: M/s X Ltd.: Intra-State supply ₹18,00,000; Inter-State supply ₹13,00,000; Intra-State purchases ₹13,00,000; Inter-State purchases ₹1,50,000. Opening ITC: CGST ₹1,30,000; SGST ₹1,30,000; IGST ₹1,70,000. Rates: CGST 9%, SGST 9%, IGST 18%. Compute net GST.

> **Solution:**
> Output tax: CGST ₹1,62,000; SGST ₹1,62,000; IGST ₹2,34,000
> ITC: CGST ₹1,17,000 + ₹1,30,000 = ₹2,47,000; SGST ₹1,17,000 + ₹1,30,000 = ₹2,47,000; IGST ₹27,000 + ₹1,70,000 = ₹1,97,000
> IGST credit utilised against IGST: ₹1,97,000
> Balance IGST liability: ₹37,000
> CGST credit adjusted against IGST: ₹37,000
> Net GST liability: Nil; Excess ITC c/f: CGST ₹85,000; SGST ₹48,000

CHAPTER 1 · SECTION 11

10. Interest and Reversal Provisions

10.1 Section 50 – Interest on Delayed Payment of Tax

SUB-SECTION	SCENARIO	INTEREST RATE
50(1)	Delayed payment of tax or part thereof	Not exceeding 18% p.a.
50(1) Proviso	Interest on tax paid through electronic cash ledger for delayed filing of return	On portion paid through electronic cash ledger
50(3)	ITC wrongly availed and utilised	24% p.a.

10.2 Rule 88B – Manner of Calculating Interest

SUB-RULE	SCENARIO	INTEREST CALCULATION
88B(1)	Tax paid belatedly through credit balance on account of delayed filing of return before proceedings under Section 73/74/74A	Period: delay in filing return beyond due date up to date of filing GSTR-3B. Amount: tax paid by debiting electronic cash ledger.
88B(2)	All other cases of delayed payment of tax under Section 50(1)	Period: from date tax due to date tax paid. Amount: tax remaining unpaid (gross liability without deducting ITC).
88B(3)	ITC wrongly availed and utilised under Section 50(3)	Period: from date of utilisation to date of reversal/payment. Amount: ITC wrongly availed and utilised.

10.3 CBIC Circular No. 192/04/2023-GST (17-07-2023) – Interest on Wrong ITC

- No interest under Section 50(3) if balance of ITC in electronic credit ledger (IGST+CGST+SGST taken together) never fell below amount of wrongly availed ITC.
- Compensation Cess credit cannot be considered while calculating balance of ECL.

ILLUSTRATION **Interest Calculation**

Q: M/s Rajendra Dyeing Pvt Ltd. supplied goods worth ₹10,00,000 + GST 12% in September 2025. Paid GST on 5th December 2025. ITC available ₹70,000. Find interest under Section 50.

Solution:
Tax = ₹1,20,000
Less: ITC = ₹70,000
Tax payable = ₹50,000
Interest from 21st October 2025 to 5th December 2025 = 46 days
Interest = ₹50,000 × 18% × 46/365 = **₹1,134**

11. Practical Illustrations and Case Studies

ILLUSTRATION 1 Job Work – Inputs Returned

Q: M/s X Ltd. supplied inputs to job worker M/s Y Ltd. on 25th August 2024. Not received back till 24th August 2025. Consequences?

> **Solution:**
> As per Section 143(3) of CGST Act, principal required to pay tax on supply of inputs. Time of supply = 25th August 2024. If paid on 25th August 2025, interest for one year.

ILLUSTRATION 2 Job Work – Capital Goods Returned

Q: M/s X Ltd. supplied capital goods on 20th May 2024 directly to job worker M/s Y Ltd., received by job worker on 25th May 2024, based on directions of M/s Z (Buyer-Principal). Not received back till 24th May 2027. Consequences?

> **Solution:**
> As per Section 143(4), principal required to pay tax on supply of capital goods. Time of supply = 25th May 2024. If paid on 25th May 2027, interest for 3 years.

ILLUSTRATION 3 Section 18(1)(a) – Registration within 30 Days

Q: M/s X Ltd. becomes liable to pay tax on 1st December and obtained registration on 15th December. GST paid goods as on 30th November: Raw material ₹2,00,000 (GST ₹36,000); Capital goods ₹5,00,000 (GST ₹1,40,000); WIP ₹3,00,000 (GST ₹54,000); Finished goods ₹12,00,000 (GST ₹2,16,000). Find eligible ITC.

> **Solution:**
> Eligible ITC = ₹36,000 + ₹54,000 + ₹2,16,000 = **₹3,06,000**
> Capital goods not eligible (Section 18(1)(a) only inputs held in stock, WIP, finished goods)
> Declaration in FORM GST ITC-01 by 14th January
> Certificate from CA/CMA required since ITC > ₹2,00,000

ILLUSTRATION 4 Section 18(1)(b) – Voluntary Registration

Q: Mr. A applies for voluntary registration on 22nd November, obtained on 25th November. Stock on 21st November: 12,000 units; purchased 20,000 units; sold 8,000 units. On 24th November: purchased 5,000 units; sold 15,000 units. Rate ₹100/unit + GST 18%. Plant and machinery ₹2,00,000 + GST 28%. Find eligible ITC.

> **Solution:**
> Stock as on 24th November = 14,000 units
> Value = ₹14,00,000
> **ITC eligible = ₹14,00,000 × 18% = ₹2,52,000**
> ITC on capital goods not allowed under Section 18(1)(b)

ILLUSTRATION 5 Section 18(1)(c) – Composition to Normal

Q: Mr. C registered taxable person paying composition tax up to 30th July. W.e.f. 31st July becomes liable under regular scheme. Input as on 30th July ₹3,54,000 (inclusive of GST 18%). Capital goods purchased for ₹5,00,000 (invoice 22nd April, GST 18%). No depreciation on GST portion. Find eligible ITC.

Solution:
ITC on inputs = ₹3,54,000 × 18/118 = ₹54,000
ITC on capital goods = ₹5,00,000 × 18% = ₹90,000
Less: 5% per quarter for 2 quarters = (₹9,000)
Net allowed = ₹81,000
Total ITC allowed = ₹1,35,000

ILLUSTRATION 6 Section 17(4) – Banking Company

Q: OK Bank availed credit of ₹25,00,000 in May 2024. ₹5,00,000 pertains to non-business purpose; ₹7,00,000 under 2nd proviso to Section 17(4). Bank opted 50% option. Find eligible ITC.

Solution:
Non-business ITC: Nil
ITC from other establishment: ₹7,00,000 (fully allowed)
Other ITC: (₹25,00,000 – ₹5,00,000 – ₹7,00,000) × 50% = ₹6,50,000
Total ITC allowed = ₹13,50,000

ILLUSTRATION 7 Section 17(5)(a) – Motor Vehicle

Q: M/s Parveen Travels transporting passengers Chennai-Mumbai-Chennai. Purchased Volvo Bus (AC) ₹55 lakh + GST 28%. ITC eligibility: (i) paying GST 12% on output; (ii) paying GST 5% on output.

Solution:
(i) **Yes** – eligible for ITC (transportation of passengers).
(ii) **No** – not eligible for ITC on capital goods and input goods (except input services from similar line of business).

ILLUSTRATION 8 Section 17(5)(b) – Outdoor Catering

Q: Sky Ltd. engaged in supply of transport of passengers by air. Avails outdoor catering services from M/s Anna Caterers to provide food to passengers. Can Sky Ltd. avail ITC?

Solution: Yes – ITC available where inward supply used as element of taxable composite or mixed supply. Outdoor catering forms part of taxable composite supply of passengers by air services.

ILLUSTRATION 9 Section 17(5)(c)/(d) – Works Contract

Q: M/s MR Ltd. manufacturer of laptops. Appointed M/s RM Constructions for constructing new factory building. Material cost ₹30 lakh + service ₹10 lakh (both supplied by RM Constructions). Output supplies ₹20,00,000 + GST 18%. Find net GST liability. Rework if MR Ltd. is provider of works contract service.

Solution:
Net GST liability = ₹20,00,000 × 18% = **₹3,60,000** (works contract service not input service)
Rework: ITC on works contract = (₹30L + ₹10L) × 18% = ₹7,20,000
Net GST = ₹3,60,000 – ₹7,20,000 = Excess ITC c/f ₹3,60,000

ILLUSTRATION 10 Section 16(2) – Goods in Lots

Q: M/s C Ltd. Chennai procured goods 10,000 Kgs @ ₹100 per Kg from M/s D Ltd. Delhi. Dispatches: 10th Oct 2,000 kg (normal loss 2 kg); 2nd Nov 5,000 kg (normal loss 5 kg); 3rd Dec 3,000 kg (normal loss 1 kg, abnormal loss 20 kg). Invoice shows 10,000 Kgs. GST @18%. When can ITC be availed?

Solution:
M/s C Ltd. cannot take proportionate credit on 15th Nov and 20th Nov.
Eligible for ITC on 1st Jan (receipt of last lot).
ITC allowed = (10,000 kg × ₹100) × 18% × 9,980/10,000 = **₹1,79,640**
Normal loss allowed; abnormal loss ITC not allowed.

ILLUSTRATION 11 Rule 42 – Textile Products

Q: M/s X Ltd. manufacturer of textile products. Turnover: taxable goods ₹4 crore; exempted goods ₹1 crore. Common inputs GST paid ₹20,000. Calculate eligible ITC.

Solution:
Credit attributable to exempted supplies = ₹20,000 × ₹1 crore/₹5 crores = ₹4,000
Eligible ITC = ₹16,000

ILLUSTRATION 12 Rule 42 – Four Types of Nail Polish

Q: M/s Lips Ltd. manufactures Sweety (DTA), Pretty (SEZ), Beauty (Export), Tweety (Defence Canteen – exempt). 1000 litres each. Sale prices: ₹30, ₹40, ₹50, ₹60 per 20ml. Common inputs ITC ₹3,00,000. GST 12%.

Solution:
Sweety (DTA): ₹15,00,000; GST ₹1,80,000
Pretty (SEZ): ₹20,00,000; zero-rated
Beauty (Export): ₹25,00,000; zero-rated
Tweety (Exempt): ₹30,00,000; exempt
Total: ₹90,00,000
Rule 42(1)(i): (₹30L/₹90L) × ₹3,00,000 = ₹1,00,000
Rule 42(1)(j): ₹3,00,000 × 5% = ₹15,000
Total reversal: ₹1,15,000
Eligible ITC = ₹1,85,000

ILLUSTRATION 13 Section 16 – Composite Supply

Q: M/s XYZ Ltd. supplies taxable goods and exempted goods. Common inputs ITC ₹2,00,000. Taxable turnover ₹20,00,000; Exempted ₹5,00,000; Sale of land ₹12,50,000; Recovery agent services ₹2,50,000; Interest on deposits ₹2,00,000. GST @28%. Find GST liability.

> **Solution:**
> Output tax = ₹20,00,000 × 28% = ₹5,60,000
> Exempted supply = ₹5,00,000 + ₹12,50,000 + ₹2,50,000 = ₹20,00,000
> Total turnover = ₹42,00,000
> ITC reversal = ₹2,00,000 × ₹20L/₹42L = ₹95,238
> **Net GST liability = ₹4,55,238**

ILLUSTRATION 14 Section 17(5)(h) – Free Samples

Q: Manufacturer availed ITC of ₹10,000 on inputs to manufacture medicines. At time of return of expired medicines, ITC available to manufacturer on basis of fresh invoice issued by retailer is ₹15,000. How much ITC required to reverse?

> **Solution:** Manufacturer required to reverse ITC of **₹15,000** (not ₹10,000).

ILLUSTRATION 15 Section 17(5)(i) – ITC on Fraud Penalty

Q: M/s X Ltd. sold goods to M/s Y Ltd. for ₹2,00,000 + GST ₹36,000. GST paid on time. Audit quantified GST liability ₹72,000; demanded differential ₹36,000 under Section 74. M/s X Ltd. paid differential. Can M/s Y Ltd. avail ITC on differential?

> **Solution: No** – Differential GST paid against SCN under Section 74 not available as credit to M/s Y Ltd. under Section 17(5)(i).

ILLUSTRATION 16 Section 18(6) – Capital Goods Sale

Q: M/s A Ltd. sold plant and machinery after use for ₹4,00,000 on 1st November 2025. GST 18%. Purchased 22nd November 2024 for ₹5,50,000 + GST 18%. ITC availed. Find amount payable.

> **Solution:**
> ITC taken: ₹99,000
> Less: 25% reduction (5 quarters) = ₹24,750
> Balance ITC = ₹74,250
> Tax on transaction value = ₹72,000
> **Higher = ₹74,250** payable

ILLUSTRATION 17 Rule 37 – 180 Days Payment

Q: M/s A Ltd. of Aluva (Kerala) receives input service from M/s B Ltd. (Bengaluru) who raises invoice on 17th December 2023 and availed credit same date. Time limit for payment? Consequence if not paid?

> **Solution:**
> Payment due by **14th June 2024** (180 days)
> If not paid: credit reversed with interest while filing GSTR-3B for the period immediately following 180 days
> Re-credit allowed on subsequent payment

ILLUSTRATION 18 Section 17(5)(a) – Motor Vehicle ITC

Q: M/s A Ltd. purchased 10 cars for ₹45 lakh + GST 28%. Sold 8 cars for ₹55 lakh + GST 28%. Find GST liability: (a) dealer in motor vehicles; (b) not a dealer.

> **Solution:**
> (a) Dealer: Output tax ₹15,40,000; ITC ₹12,60,000; Net **₹2,80,000**
> (b) Not dealer: Output tax ₹15,40,000; ITC not allowed; Net **₹15,40,000**

ILLUSTRATION 19 ITC on Ambulance

Q: Sukhee Bhava Hospital, clinical establishment, purchased 4 ambulances for ₹32 lakh + GST 28%. Find ITC.

> **Solution: ITC = Nil** – supply of health care services exempt under GST.

ILLUSTRATION 20 ITC on Ducts and Manholes

Q: XYZ Telecom Ltd. installed ducts and manholes for OFC network. ITC eligibility?

> **Solution:** ITC available. Ducts and manholes are not excluded from definition of plant and machinery; basic components of OFC network; used for providing telecommunication services.

CHAPTER 1 · SECTION 13

12. Key Case Laws and Advance Rulings

CASE	FACTS	DECISION / EXAM POINT
CCEx. v Stelko Strips Ltd. 2010 (255) ELT 397 (P&H)	ITC taken on strength of private challans.	ITC allowed – challans not fake; duty paid certified.
CCus. & CEx. v Sachin Malhotra 2015 (37) STR 684 (Uttarakhand)	Rent-a-cab vs hiring of cab.	Distinction between rent-a-cab and hiring of cab explained.
Sri Desikanathar Textiles Pvt. Ltd. vs UOI 2022 (62) GSTL 449 (Mad)	Transitional credit – mistake in TRAN-1 – indefeasible right.	Credit could not be transitioned due to wrong declaration; assessee having indefeasible right; direction to allow.
GRB Dairy Foods (2022) TN AAAR	Sales promotion scheme – buy and fly – rewards to retailers.	ITC on inputs/input services used for rewards not available; Section 17(5)(h) restricted.
BMW (2022) Haryana AAAR	Demo cars – ITC on stock transfer.	Demo cars not input; ITC not allowed; demo vehicles akin to second-hand goods.
ITC Ltd. 2013 (32) STR 283 (AP)	Electricity generated for captive consumption and supplied to residential colony.	ITC available – no requirement of use in manufacture; only requirement is use in course or furtherance of business.
J.K. Fenner (India) Limited (GST AAR Tamil Nadu)	Works contract service for repair of office building.	ITC available to extent expense not capitalized; Section 16(1) read with Section 17(5).
Ansil Ibrahim v Assistant Commissioner (Kerala HC) 2023	Difference between GSTR-2A and GSTR-3B.	Burden on assessee to prove ITC claim by leading cogent evidence; no evidence produced – writ dismissed.

● CIRCULAR – CBIC CIRCULAR NO. 240/34/2024-GST (31-12-2024)

ECO under Section 9(5): No ITC reversal required for services notified under Section 9(5). Tax paid in cash only; ITC on common inputs can be fully used for own outward supplies.

● CIRCULAR – CBIC CIRCULAR NO. 241/35/2024-GST (31-12-2024)

EX-Works contracts: ITC allowed on date goods handed to transporter (deemed receipt), not physical receipt at destination.

● CIRCULAR – CBIC CIRCULAR NO. 217/11/2024-GST (26-06-2024)

Insurance companies: ITC available for motor vehicle repair expenses in reimbursement mode; invoice must be in name of insurance company.

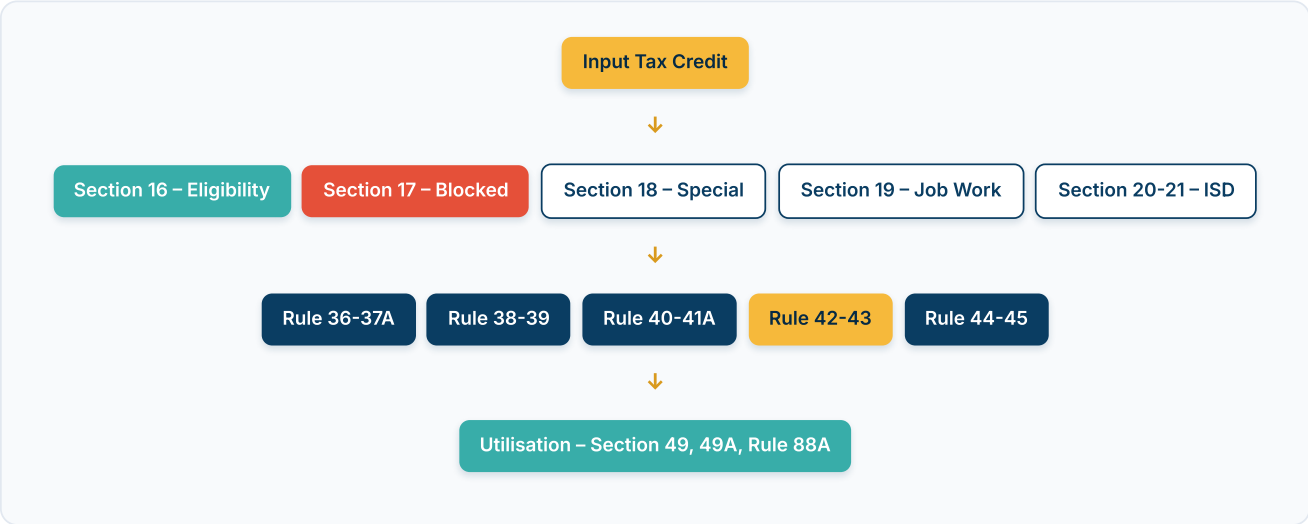
CIRCULAR – CBIC CIRCULAR NO. 214/8/2024-GST (26-06-2024)

Life insurance: No ITC reversal on investment portion of premium (amount not included in value of taxable supply).

CHAPTER 1 · SECTION 14

13. End of Chapter

A. Chapter Mind Map



B. Top 25 Revision Points

1. ITC avoids cascading effect of tax.
2. Section 16(1) – entitlement for business use.
3. Section 16(2)(a) – possession of invoice.
4. Section 16(2)(aa) – GSTR-2B requirement.
5. Section 16(2)(b) – receipt of goods/services.
6. Section 16(2)(c) – tax paid to Government.
7. Section 16(2)(d) – return filed.
8. Section 16(2) 2nd Proviso – 180 days payment.
9. Section 16(3) – no ITC if depreciation on tax component.
10. Section 16(4) – 30th November time limit.
11. Section 16(5) – FY 2017-21 relief up to 30-11-2021.
12. Section 16(6) – revoked registration.
13. Section 17(1) – partly business, partly other.
14. Section 17(2) – partly taxable, partly exempt.
15. Section 17(3) – value of exempt supply.
16. Section 17(4) – 50% option for banks/NBFCs.
17. Section 17(5) – blocked credits (13 clauses).
18. Rule 42 – common ITC apportionment.
19. Rule 43 – capital goods apportionment.
20. Rule 37 – 180 days reversal.

21. Rule 37A – supplier non-filing of GSTR-3B.
22. Section 18 – special circumstances.
23. Section 19 – job work (1 year inputs, 3 years capital goods).
24. Section 20-21 – ISD.
25. Section 49/49A/Rule 88A – utilisation.

C. Top 10 Examination Questions

1. Explain conditions for taking ITC under Section 16.
2. Explain blocked credits under Section 17(5) with exceptions.
3. Explain Rule 42 apportionment with practical problem.
4. Explain Rule 43 apportionment with practical problem.
5. Explain Section 18 special circumstances with examples.
6. Explain job work provisions under Section 19 and Section 143.
7. Explain ISD mechanism under Sections 20-21.
8. Explain utilisation and set-off of ITC.
9. Explain Rule 37 and Rule 37A reversal with examples.
10. Practical problem on ITC computation.

D. Expected Dec 2026 Questions

- Practical problem on Section 17(5) blocked credits with exceptions.
- Rule 42/43 apportionment with annual adjustment.
- Section 18 special circumstances – registration/composition/exempt.
- Rule 37/37A reversal and re-availment.
- Job work – inputs/capital goods not returned.
- ISD credit distribution.
- Section 16(5) and 16(6) retrospective relief.
- Utilisation order under Section 49/49A/Rule 88A.

E. Formula and Limit Sheet

ITEM	LIMIT / FORMULA
Section 16(2) – 180 days payment	Reverse ITC with interest
Section 16(4) – time limit	30th November or annual return, whichever earlier
Section 16(5) – FY 2017-21	30th November 2021
Section 17(4) – banks/NBFCs	50% of eligible ITC
Rule 37 – 180 days	Reversal with interest under Section 50
Rule 37A – 30th September	Reversal by 30th November
Rule 42(1)(i) – D1	(E/F) × C2
Rule 42(1)(j) – D2	5% of C2
Rule 42(1)(k) – C3	C2 – (D1 + D2)
Rule 43 – useful life	5 years (60 months)
Rule 43 – monthly credit	Common credit ÷ 60
Rule 86B – restriction	99% of output tax liability from ECL
Rule 86B – threshold	Taxable supply > ₹50 lakh/month
Section 49(5) – ITC of IGST	IGST → CGST/SGST in any order
Section 50(1) – interest	18% p.a.
Section 50(3) – wrong ITC	24% p.a.

F. Quick Revision Notes

QUICK REVISION

Section 16: eligibility + 4 conditions + GSTR-2B + 180 days + depreciation + time limit. Section 17(5): 13 blocked credits with exceptions. Rule 42: D1 = (E/F)×C2; D2 = 5% of C2; C3 = C2 – (D1+D2). Rule 43: useful life 5 years; monthly credit = common/60. Rule 37: 180 days reversal. Rule 37A: supplier non-filing. Section 18: special circumstances. Section 19: job work (1/3 years). Section 20-21: ISD. Section 49/49A/Rule 88A: utilisation.

G. One Page Summary

MODULE 5 IN ONE PAGE

ITC is the lifeblood of GST — it prevents cascading. Section 16 gives entitlement subject to 4 conditions (invoice, receipt, tax paid, return filed) plus GSTR-2B, 180 days, depreciation, time limit. Section 17(5) blocks 13 categories of credit with exceptions. Rule 42 apportions common inputs/input services; Rule 43 apportions capital goods. Rule 37/37A reverse ITC for non-payment of consideration/non-filing by supplier. Section 18 gives ITC on registration, voluntary registration, composition to normal, exempt to taxable. Section 19 covers job work (1/3 years). Sections 20-21 cover ISD. Section 49/49A and Rule 88A govern utilisation. Section 50 and Rule 88B govern interest. For Dec 2026, focus on blocked credits, Rule 42/43, Section 16(5)/(6), and practical problems.

MODULE 5 · COMPLETE REVISION

End of Module 5

1. Complete Module Summary

Module 5 establishes the entire Input Tax Credit (ITC) framework under GST. It covers eligibility and conditions under Section 16, apportionment and blocked credits under Section 17, special circumstances under Section 18, job work under Section 19, ISD under Sections 20-21, Rules 36-45, utilisation and set-off, and interest. The module is essential for computing net GST liability and ensuring correct credit flow.

2. Top 100 Important Examination Points

1. ITC avoids cascading effect.
2. Input – goods other than capital goods.
3. Capital goods – capitalized in books.
4. Input service – service for business.
5. Input tax – CGST/SGST/IGST/UTGST.
6. Exempt supply – nil, wholly exempt, non-taxable.
7. Section 16(1) – entitlement.
8. Section 16(2)(a) – possession of invoice.
9. Section 16(2)(aa) – GSTR-2B requirement.
10. Section 16(2)(b) – receipt of goods/services.
11. Section 16(2)(c) – tax paid to Government.
12. Section 16(2)(d) – return filed.
13. Section 16(2) 1st Proviso – goods in lots.
14. Section 16(2) 2nd Proviso – 180 days.
15. Section 16(2) 3rd Proviso – re-availment.
16. Section 16(3) – depreciation on tax component.
17. Section 16(4) – 30th November time limit.
18. Section 16(5) – FY 2017-21 relief.
19. Section 16(6) – revoked registration.
20. Rule 36(1) – documents for ITC.
21. Rule 36(3) – no ITC on Section 74 tax.
22. Rule 37 – 180 days reversal.
23. Rule 37A – supplier non-filing.
24. Section 17(1) – partly business.
25. Section 17(2) – partly exempt.
26. Section 17(3) – value of exempt supply.
27. Section 17(4) – 50% option banks.
28. Section 17(5)(a) – motor vehicles.
29. Section 17(5)(ab) – insurance/repair.

30. Section 17(5)(b)(i) – food/beverages.
31. Section 17(5)(b)(ii) – club/health.
32. Section 17(5)(b)(iii) – travel benefits.
33. Section 17(5)(c) – works contract.
34. Section 17(5)(d) – construction.
35. Section 17(5)(e) – composition.
36. Section 17(5)(f) – non-resident.
37. Section 17(5)(fa) – CSR.
38. Section 17(5)(g) – personal consumption.
39. Section 17(5)(h) – lost/stolen/gift.
40. Section 17(5)(i) – tax under Sections 74/129/130.
41. Rule 42 – inputs/input services apportionment.
42. Rule 42(1)(i) – D1.
43. Rule 42(1)(j) – D2.
44. Rule 42(1)(k) – C3.
45. Rule 42(2) – annual adjustment.
46. Rule 43 – capital goods apportionment.
47. Rule 43 – useful life 5 years.
48. Rule 43 – monthly credit.
49. Rule 43(2) – annual adjustment.
50. Rule 44 – reversal special circumstances.

51. Section 18(1)(a) – registration within 30 days.
52. Section 18(1)(b) – voluntary registration.
53. Section 18(1)(c) – composition to normal.
54. Section 18(1)(d) – exempt to taxable.
55. Section 18(2) – one year time limit.
56. Section 18(3) – change in constitution.
57. Section 18(4) – reversal on opting composition.
58. Section 18(6) – supply of capital goods.
59. Rule 40 – ITC-01 within 30 days.
60. Rule 40(1)(d) – CA/CMA certificate if ITC > ₹2 lakh.
61. Rule 41 – transfer on sale/merger.
62. Rule 41A – separate registration.
63. Section 19 – job work.
64. Section 19(3) – inputs 1 year.
65. Section 19(6) – capital goods 3 years.
66. Section 143 – job work procedure.
67. Rule 45 – ITC-04.
68. Section 20 – ISD distribution.

69. Section 21 – recovery of excess credit.
70. Rule 39 – ISD procedure.
71. Rule 39(1A) – RCM IGST through ISD w.e.f. 1-4-2025.
72. Section 49 – electronic ledgers.
73. Section 49(5) – order of set-off.
74. Section 49A – IGST credit first.
75. Rule 88A – IGST adjustment.
76. Section 49(8) – order of discharge.
77. Section 49(10) – transfer between heads.
78. Rule 86A – restriction on utilisation.
79. Rule 86B – 99% restriction.
80. Section 50(1) – interest 18%.
81. Section 50(3) – interest 24%.
82. Rule 88B – manner of interest.
83. Circular 240 – ECO no ITC reversal.
84. Circular 241 – EX-Works ITC.
85. Circular 217 – insurance ITC.
86. Circular 214 – life insurance no reversal.
87. Circular 219 – ducts and manholes ITC.
88. Circular 195 – warranty replacement.
89. Circular 216 – extended warranty.
90. Circular 199 – HO/BO ITC.
91. Circular 192 – interest on wrong ITC.
92. Circular 211 – Section 16(4) for RCM.
93. Case law – Stelko Strips.
94. Case law – ITC Ltd.
95. Case law – J.K. Fenner.
96. Case law – GRB Dairy.
97. Case law – BMW.
98. Case law – Ansil Ibrahim.
99. Exam tip: state Section and Rule.
100. Exam tip: show working notes.

3. Top 50 Practical Adjustments

#	PRACTICAL ADJUSTMENT / CHECK
1	Check Section 16(2) conditions.
2	Check invoice appears in GSTR-2B.
3	Check goods/services received.
4	Check tax paid to Government.
5	Check return filed.
6	Check 180 days payment.
7	Check goods in lots.
8	Check depreciation on tax component.
9	Check Section 16(4) time limit.
10	Check Section 16(5)/(6) relief.
11	Check Rule 37 reversal.
12	Check Rule 37A reversal.
13	Check Section 17(1) business/non-business.
14	Check Section 17(2) taxable/exempt.
15	Check value of exempt supply.
16	Check Section 17(4) 50% option.
17	Check Section 17(5)(a) motor vehicles.
18	Check Section 17(5)(ab) insurance/repair.
19	Check Section 17(5)(b) food/beverages.
20	Check Section 17(5)(c) works contract.
21	Check Section 17(5)(d) construction.
22	Check Section 17(5)(e) composition.
23	Check Section 17(5)(fa) CSR.
24	Check Section 17(5)(g) personal consumption.
25	Check Section 17(5)(h) lost/stolen/gift.
26	Check Section 17(5)(i) fraud tax.
27	Apply Rule 42 for inputs/input services.
28	Calculate D1 = (E/F) × C2.

#	PRACTICAL ADJUSTMENT / CHECK
29	Calculate D2 = 5% of C2.
30	Calculate C3 = C2 – (D1+D2).
31	Apply Rule 43 for capital goods.
32	Calculate monthly credit = common/60.
33	Calculate exempt portion.
34	Check Rule 44 reversal.
35	Check Section 18(1) special circumstances.
36	Check Rule 40 ITC-01.
37	Check Rule 41/41A transfer.
38	Check job work return periods.
39	Check ISD distribution.
40	Check Section 49/49A utilisation.
41	Check Rule 88A adjustment.
42	Check Rule 86A restriction.
43	Check Rule 86B 99% restriction.
44	Check interest under Section 50.
45	Check Rule 88B interest calculation.
46	Check Circular 240/241/217/214.
47	Check Circular 219/195/216/199.
48	Check Circular 192/211.
49	Check case laws – ITC Ltd., J.K. Fenner.
50	Check date of amendment and notification for Dec 2026.

4. Frequently Repeated Questions

- Explain conditions for taking ITC under Section 16.
- Explain blocked credits under Section 17(5) with exceptions.
- Explain Rule 42 apportionment with practical problem.
- Explain Rule 43 apportionment with practical problem.
- Explain Section 18 special circumstances with examples.
- Explain job work provisions under Section 19 and Section 143.
- Explain ISD mechanism under Sections 20-21.

- Explain utilisation and set-off of ITC.
- Explain Rule 37 and Rule 37A reversal with examples.
- Practical problem on ITC computation.

5. Important Case Study Areas

- Section 17(5) blocked credits – motor vehicles, food, works contract, construction.
- Rule 42/43 apportionment with annual adjustment.
- Section 18 special circumstances.
- Rule 37/37A reversal and re-availment.
- Job work – inputs/capital goods not returned.
- ISD credit distribution.
- Section 16(5)/(6) retrospective relief.
- Utilisation order under Section 49/49A/Rule 88A.
- Circular 240/241/217/214/219.
- Case laws – ITC Ltd., J.K. Fenner, BMW, GRB Dairy.

6. Complete Revision Charts

CONCEPT	KEY SECTION/RULE	EFFECT
Eligibility	Section 16(1)	Business use; credited to electronic credit ledger
Conditions	Section 16(2)	Invoice, receipt, tax paid, return filed, GSTR-2B
180 days	Section 16(2) 2nd Proviso / Rule 37	Reversal with interest; re-availment on payment
Depreciation	Section 16(3)	No ITC on tax component
Time limit	Section 16(4)	30th November or annual return
Special relief	Section 16(5)/(6)	FY 2017-21; revoked registration
Apportionment	Section 17(1)/(2)	Business/non-business; taxable/exempt
Banks/NBFCs	Section 17(4)	50% option
Blocked credits	Section 17(5)	13 categories
Common inputs	Rule 42	D1, D2, C3; annual adjustment
Capital goods	Rule 43	Monthly credit; useful life 5 years
Special circumstances	Section 18	Registration, voluntary, composition, exempt
Job work	Section 19/143	Inputs 1 year; capital goods 3 years
ISD	Section 20-21	Distribution and recovery
Utilisation	Section 49/49A/Rule 88A	Order of set-off
Interest	Section 50/Rule 88B	18% / 24%

7. GST Revision Tables

SCENARIO	PROVISION	EFFECT
Partly business, partly other	Section 17(1)	ITC restricted to business portion
Partly taxable, partly exempt	Section 17(2)	ITC restricted to taxable portion
Banking/NBFC	Section 17(4)	50% option
Motor vehicles ≤13 persons	Section 17(5)(a)	Blocked except specified uses
Food/beverages	Section 17(5)(b)(i)	Blocked except as element of taxable composite
Works contract	Section 17(5)(c)	Blocked except further supply of works contract
Construction on own account	Section 17(5)(d)	Blocked
Composition tax	Section 17(5)(e)	Blocked
CSR expenditure	Section 17(5)(fa)	Blocked
Personal consumption	Section 17(5)(g)	Blocked
Lost/stolen/gift	Section 17(5)(h)	Blocked
Fraud tax	Section 17(5)(i)	Blocked
Registration within 30 days	Section 18(1)(a)	ITC on inputs, WIP, finished goods
Voluntary registration	Section 18(1)(b)	ITC on inputs, WIP, finished goods
Composition to normal	Section 18(1)(c)	ITC on inputs, WIP, finished goods, capital goods
Exempt to taxable	Section 18(1)(d)	ITC on inputs, WIP, finished goods, capital goods
Inputs 1 year job work	Section 19(3)	Deemed supply if not returned
Capital goods 3 years	Section 19(6)	Deemed supply if not returned
ISD distribution	Section 20	Pro rata on turnover
Utilisation	Section 49/49A/Rule 88A	IGST first, then any order

8. Customs Revision Tables

CUSTOMS BOX

Module 5 is GST-specific. Customs tables are covered in Section B modules – Valuation, Baggage, Manufacture in Bond, Duty Drawback, IGCR, Remission, Refund, Trade Facilitation, FTP and SEZ.

9. One Night Revision Notes

ONE NIGHT BEFORE EXAM

Read Section 16, Section 17(5), Rule 42, Rule 43, Rule 37/37A, Section 18, Section 19, Section 20-21, Section 49/49A/Rule 88A, Section 50/Rule 88B, and key circulars (240, 241, 217, 214, 219, 195, 216, 199, 192, 211). Practice 5 practical problems.

10. Fast Track Revision Notes

- Section 16 – eligibility + 4 conditions + 180 days.
- Section 17(5) – 13 blocked credits.
- Rule 42 – D1, D2, C3.
- Rule 43 – useful life 5 years.
- Rule 37 – 180 days reversal.
- Rule 37A – supplier non-filing.
- Section 18 – special circumstances.
- Section 19 – job work 1/3 years.
- Section 20-21 – ISD.
- Section 49/49A – utilisation.

11. 20 Marks Most Probable Areas

- Section 17(5) blocked credits with exceptions.
- Rule 42 apportionment with practical problem.
- Rule 43 capital goods apportionment.
- Section 18 special circumstances with examples.

12. 50 Marks Most Probable Areas

- Full practical problem covering Section 16, 17(5), Rule 42/43.
- Case-based question on job work, ISD, Section 18.
- Descriptive question on ITC framework and amendments.

13. Mock Exam Revision Sheet

MOCK EXAM

Attempt one 15-mark practical on Rule 42/43 apportionment and one 10-mark theory on Section 17(5) blocked credits. Review Section 16(5)/(6) and Rule 37/37A.

14. Examiner Approach Guide

- Start with Section and Rule.
- State the condition or exception.
- Apply to facts.
- Show working notes.

- Conclude with eligible ITC and net GST.
- Support with circular/case law where relevant.

15. Student Mistake Analysis

- Forgetting GSTR-2B condition.
- Not applying 180 days payment rule.
- Ignoring Section 17(5) blocked credits.
- Confusing Rule 42 and Rule 43.
- Missing Section 16(5)/(6) retrospective relief.
- Not applying Rule 37A for supplier non-filing.
- Forgetting job work time limits.

16. Final Revision Checklist

- Section 16 revised.
- Section 17(5) blocked credits revised.
- Rule 42/43 revised.
- Rule 37/37A revised.
- Section 18 revised.
- Section 19 revised.
- Section 20-21 revised.
- Section 49/49A/Rule 88A revised.
- Section 50/Rule 88B revised.
- Circulars and case laws revised.
- Practical problems solved.

CMA KNOWLEDGE — PREMIUM PUBLICATION

DECEMBER 2026 EXAMINATION

Modules 6 to 9
Zero Rated & Deemed Exports · TDS/TCS · E-Way Bill · GST Refunds

Complete Revision Handbook for CMA Final Paper 19 – Indirect Tax Laws and Practice (ITLP)

06 **Zero Rated & Deemed Exports**
Section 16 IGST · Section 147 CGST

07 **TDS & TCS**
Sections 51 & 52 CGST

08 **E-Way Bill**
Rule 138 CGST Rules

09 **GST Refunds**
Section 54 · Rules 89-96

Prepared exclusively from the latest Official ICMAI Study Material – Paper 19 ITLP (Reprint July 2026)

Website: cmaknowledge.in

Zero Rated Supplies and Deemed Exports

1. Introduction

Zero rate is also a rate of tax. Supply which attracts zero rate of tax is called a taxable supply for claiming Input Tax Credit or refund. Zero-rated supply does not mean that the goods and services have a tariff rate of '0%', but the recipient to whom the supply is made is entitled to pay '0%' GST to the supplier. By zero rating, it is meant that the entire value chain of the supply is exempt from tax. This means that in case of zero rating, not only is the output exempt from payment of tax, but there is also no bar on taking/availing credit of taxes paid on the input side for making/providing the output supply. As per the GST Law, exports are meant to be zero-rated. The zero-rating principle is applied in letter and spirit for exports and supplies to SEZ.

ZERO RATED SUPPLY – SECTION 16(1) IGST ACT

"Zero rated supply" means any of the following supplies of goods or services or both, namely:

- (a) Export of goods or services or both; or
- (b) Supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.

2. Zero Rated Supplies – Refund Options

A registered person making zero rated supply can claim refund under either of the following options:

OPTION	METHOD	REFUND MECHANISM
Option 1	Supply under Bond/LUT without payment of IGST	Refund of unutilised ITC as per formula under Rule 89(4) of CGST Rules, 2017 by prescribed application (GST RFD 01).
Option 2	Supply on payment of IGST	Refund of IGST paid as per Rule 96 of CGST Rules, 2017. No separate application required – Shipping Bill, Export Manifest/Departure Manifest/Export Report and GSTR-3B submission.

AMENDMENT – SECTION 16(3) IGST (W.E.F. 1-11-2024)

A registered person making zero rated supply shall be eligible to claim refund of unutilised input tax credit on supply of goods or services or both, without payment of integrated tax, under bond or Letter of Undertaking, in accordance with Section 54 of CGST Act.

Proviso: In case of non-realisation of sale proceeds, refund so received shall be deposited along with applicable interest under Section 50 within 30 days after expiry of time limit prescribed under FEMA, 1999.

AMENDMENT – SECTION 16(4) IGST (W.E.F. 1-11-2024)

The Government may, on GST Council recommendations, specify:

- (i) a class of persons who may make zero rated supply on payment of integrated tax and claim refund;
- (ii) a class of goods or services on zero rated supply of which, the supplier may pay integrated tax and claim refund.

AMENDMENT – SECTION 16(5) IGST (W.E.F. 1-11-2024)

Notwithstanding sub-sections (3) and (4), no refund of unutilised input tax credit on account of zero rated supply of goods or of integrated tax paid on account of zero rated supply of goods shall be allowed where such zero rated supply of goods are subjected to export duty.

3. Provisional Refund

- 90% of the total amount of refund claimed on account of zero-rated supply of goods or services may be sanctioned on provisional basis (Section 54(6) CGST).
- Remaining 10% refunded after due verification of documents.
- Provisional refund not granted if applicant prosecuted for offence under GST law within past 5 years where tax evaded > ₹2.5 crores.

INSTRUCTION NO. 06/2025-GST (03-10-2025) – RISK-BASED PROVISIONAL REFUND

90% of refund can be given quickly based on system-generated risk score (not officer discretion). Applicable to zero-rated supplies and IDS refunds (interim). Officer can deny provisional refund only with written reasons. Excess refund recovered through SCN.

4. Non-Applicability of Principle of Unjust Enrichment

The principle of unjust enrichment shall not be applicable in case of refund of taxes paid where such refund is on account of zero-rated supplies. As per Section 54(8) CGST Act, the refundable amount shall be paid to the applicant instead of being credited to the Consumer Welfare Fund.

5. Deemed Exports

Section 2(39) CGST: "deemed exports" means such supplies of goods as may be notified under Section 147.

Section 147 CGST: The Government may, on GST Council recommendations, notify certain supplies of goods as deemed exports, where goods supplied do not leave India, and payment for such supplies is received either in Indian rupees or in convertible foreign exchange, if such goods are manufactured in India.

5.1 CATEGORIES OF SUPPLY NOTIFIED AS DEEMED EXPORTS

SL	CATEGORY OF SUPPLY
1	Supply of goods by a registered person against Advance Authorisation (AA).
2	Supply of capital goods by a registered person against Export Promotion Capital Goods (EPCG) Authorisation.
3	Supply of goods by a registered person to Export Oriented Unit (EOU).
4	Supply of gold by a bank or Public Sector Undertaking specified in Notification No. 50/2017-Customs, dated 30th June 2017 against Advance Authorisation.

5.2 DIFFERENCE BETWEEN EXPORT, DEEMED EXPORT AND MERCHANT EXPORT

TYPE	DESCRIPTION
Export	Goods produced locally shipped to a foreign country.
Deemed Export	Goods classified as deemed export may not ship out of the country.
Merchant Export	Process of procuring goods locally and then exporting them under the merchant exporter's label.

5.3 TAXABILITY OF DEEMED EXPORTS

- All supplies notified as supply for deemed exports are subject to levy of taxes.
- Refund of tax paid on supply regarded as deemed export is admissible to either the supplier or the recipient.
- Application for refund to be filed by supplier or recipient (subject to conditions).
- Supplies against Advance Authorisation not to be used in supply of nil-rated/fully exempted supplies when exports have already been made after availing ITC on inputs used in manufacture of such exports.

5.4 REFUND TO SUPPLIER OF DEEMED EXPORTS

RULE 89(1) THIRD PROVISO – SUPPLIER OF DEEMED EXPORT

Supplier of deemed export supplies can file application for refund if the recipient does not avail ITC on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund.
Circular No. 147/03/2021-GST: In a case where recipient of deemed export supplies claims refund, there is no restriction on such recipient in availing ITC of tax paid on such supplies.

5.5 EVIDENCE TO BE PRODUCED BY SUPPLIER OF DEEMED EXPORTS

1. Acknowledgment by jurisdictional Tax officer of AA/EPCG holder that deemed export supplies have been received; or a copy of tax invoice duly signed by recipient EOU.
2. An undertaking by recipient of deemed export supplies that no ITC on such supplies has been availed.
3. An undertaking by recipient of deemed export supplies that he shall not claim refund in respect of such supplies and the supplier may claim the refund.

5.6 REFUND ON ACCOUNT OF EXPORT OF GOODS/SERVICES

Refund on account of export of goods or services can be granted in the following two methods:

- **(i)** Refund of un-utilised credit when exports made without payment of tax (Section 54(3) CGST).
- **(ii)** Refund of taxes paid on output supply of goods or services (known as rebate).

6. Refund Formula – Rule 89(4) CGST Rules

FORMULA FOR ZERO-RATED SUPPLIES (RULE 89(4))

Refund Amount = [(Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) ÷ Adjusted Total Turnover] × Net ITC

Definitions:

- **"Net ITC"** – ITC availed on inputs and input services during the relevant period (other than ITC availed for which refund claimed under Rule 89(4A)/(4B)).

- **"Turnover of zero-rated supply of goods"** – value of zero-rated supply of goods made during relevant period without payment of tax under Bond/LUT OR 1.5 times the value of like goods domestically supplied, whichever is less.
- **"Turnover of zero-rated supply of services"** – aggregate of payments received during relevant period for zero-rated supply of services + zero-rated supply of services where supply completed for which payment received in advance – advances received for which supply not completed.
- **"Adjusted Total Turnover"** – sum total of (a) turnover in a State/UT excluding turnover of services; and (b) turnover of zero-rated supply of services and non-zero-rated supply of services; excluding (i) value of exempt supplies other than zero-rated supplies; and (ii) turnover of supplies for which refund claimed under Rule 89(4A)/(4B).

AMENDMENT W.E.F. 5-7-2022 – VALUE OF EXPORTED GOODS (RULE 89(4))

While calculating refund of unutilised ITC in case of zero-rated supply without payment of tax, value of goods exported out of India shall be:

- (i) FOB value declared in Shipping Bill; or
- (ii) value declared in tax invoice or bill of supply;
- whichever is less.

ILLUSTRATION **Refund Formula – Zero Rated Supplies**

Q: Win India Exports Pvt. Ltd. – Local supply: 5 units @ ₹200 = ₹1,000; Export: 5 units @ ₹350 = ₹1,750. Net ITC = ₹270. Find refund under Rule 89(4).

Solution:
Turnover of zero-rated supply of goods = lesser of ₹1,750 or (₹200 × 5 × 1.5 = ₹1,500) = **₹1,500**
Adjusted Total Turnover = ₹1,000 + ₹1,500 = ₹2,500
Refund = ₹270 × ₹1,500/₹2,500 = **₹162**

7. LUT/Bond and Export Procedures

7.1 LUT/BOND – RULE 96A

- Any registered person availing option to supply goods/services for export without payment of IGST shall furnish Bond/LUT in FORM GST RFD-11 to jurisdictional Commissioner.
- Binding himself to pay tax due with interest within:
  - (a) 15 days after expiry of 3 months from date of invoice for export, if goods not exported; or
  - (b) 15 days after expiry of 1 year (or extended period) from date of invoice for export, if payment for services not received in convertible foreign exchange.

CBIC CIRCULAR NO. 8/8/2017-GST (04-10-2017) – LUT KEY POINTS

- LUT facility extended to all registered persons except those prosecuted for offence involving tax evasion > ₹250 lakh.
- LUT valid for whole financial year.
- Bond required for persons prosecuted for cases > ₹250 lakh, with bank guarantee of 15% of bond amount.
- LUT/bond should be accepted within 3 working days; else deemed accepted.

7.2 EXPORT PROCEDURE – CASE A (GENERAL)

- Application in FORM GST RFD-01 within 2 years from relevant date (Rule 89(1)).
- For supplies to SEZ: application after goods admitted/receipt of service in full in SEZ for authorised operations, as endorsed by specified officer.
- For IGST paid on goods exported: Shipping Bill itself treated as refund claim (Rule 96).
- For IGST paid on services exported: Application in FORM GST RFD-01.

7.3 RELEVANT DATE FOR REFUND (SECTION 54, EXPLANATION 2)

CLAUSE	SCENARIO
(a)	Goods exported by sea/air – date ship/aircraft leaves India; by land – date goods pass frontier; by post – date of despatch.
(b)	Deemed exports – date return relating to deemed exports furnished.
(c)	Services exported – (i) receipt of payment in convertible foreign exchange; or (ii) issue of invoice where payment received in advance.
(d)	Tax refundable due to judgment/decree/order – date of communication.
(e)	Unutilised ITC under Section 54(3)(ii) – due date for furnishing return under Section 39.
(f)	Tax paid provisionally – date of adjustment after final assessment.
(g)	Person other than supplier – date of receipt of goods/services.
(h)	Any other case – date of payment of tax.

7.4 RULE 96B – RECOVERY OF REFUND WHERE EXPORT PROCEEDS NOT REALISED

- Where refund of unutilised ITC or IGST paid on export of goods has been paid but sale proceeds not realised within FEMA period (including extension), the person shall deposit the amount so refunded with interest within 30 days of expiry of period.
- If not deposited, recovered under Section 73/74/74A with interest under Section 50.
- Proviso: Where RBI writes off requirement of realisation on merits, refund not recovered.
- Where sale proceeds realised after recovery, refunded by proper officer to extent of realisation.

TDS & TCS under GST

1. TDS under GST – Section 51

Section 51 CGST Act, 2017 prescribes authority and procedure for 'Tax Deduction at Source' (TDS). TDS is to be deducted at the rate of **2%** on payments made to the supplier of taxable goods and/or services, where the total value of such supply, under an individual contract, exceeds **₹2,50,000**.

WHO IS LIABLE TO DEDUCT TDS

- (a) A department or establishment of the Central Government or State Government; or
- (b) Local authority; or
- (c) Governmental agencies; or
- (d) An authority or board or any other body, set up by an Act of Parliament or State Legislature or established by any Government with 51% or more participation by way of equity or control; or
- (e) A society established by the Central or State Government or Local Authority and registered under the Societies Registration Act, 1860;
- (f) Public sector undertakings.

1.1 CONDITIONS FOR TDS DEDUCTION

- Total value of taxable supply > ₹2.5 lakh under a single contract (excluding GST and cess).
- If contract is for both taxable and exempt supply – deduction if total value of taxable supply > ₹2.5 lakh.
- Where location of supplier and place of supply are in same State/UT – intra-State – TDS @ 1% CGST + 1% SGST/UTGST.
- Where location of supplier and place of supply are in different States – inter-State – TDS @ 2% IGST.
- When advance is paid to supplier on or after 01.10.2018 for supply of taxable goods/services.

1.2 WHEN TDS NOT REQUIRED

- Total value of taxable supply ≤ ₹2.5 lakh under a contract.
- Contract > ₹2.5 lakh for both taxable and exempt supply, but value of taxable supply ≤ ₹2.5 lakh.
- Receipt of exempted goods/services.
- Goods on which GST is not leviable (petrol, diesel, petroleum crude, natural gas, ATF, alcohol for human consumption).
- Where supplier issued invoice before 01.07.2017 under VAT Law but payment made on/after 01.07.2017.
- Where location of supplier and place of supply is in different State/UT from where deductor is registered.
- All activities/transactions specified in Schedule III.
- Payment relates to tax invoice issued before 01.10.2018.
- Advance paid before 01.10.2018 and tax invoice issued on/after 01.10.2018 (to extent of advance).
- Tax to be paid on reverse charge by recipient.
- Payment made to unregistered supplier.
- Payment relates to "Cess" component.

1.3 TDS ON METAL SCRAP (W.E.F. 10-10-2024)

NOTIFICATION NO. 25/2024-CT (09-10-2024)

TDS @2% applicable on business-to-business (B2B) supply of metal scrap. This expands scope of TDS under Section 51 which previously applied mainly to government bodies and public sector. Suppliers must register once they surpass threshold limit; recipients responsible for paying tax under RCM (if unregistered supplier).

1.4 RATE OF TDS AND VALUATION

- TDS rate – 2% (1% CGST + 1% SGST/UTGST for intra-State; 2% IGST for inter-State).
- Value of supply for TDS – excludes GST (CGST, SGST, UTGST, IGST, Cess).
- No deduction on exempted goods/services even if billed together.

1.5 TDS COMPLIANCE

COMPLIANCE	DETAILS
Registration	Compulsory registration under Section 24(vi) – through common portal using PAN/TAN.
Payment of TDS	Within 10 days after end of month in which deduction made.
Return (GSTR-7)	Within 10 days after end of month in which deduction made.
Certificate (GSTR-7A)	Within 5 days of crediting payment of TDS to Government.
Late fee for GSTR-7	₹100 + ₹100 per day (maximum ₹5,000) under CGST & SGST separately.
Late fee for GSTR-7A	₹100 + ₹100 per day (maximum ₹5,000).
Interest on late payment	18% p.a. under Section 50(1).

AMENDMENT – SECTION 39(3) W.E.F. 1-11-2024

Every registered person required to deduct tax at source under Section 51 shall electronically furnish a return for every calendar month of deductions made during the month, whether or not any deductions have been made during the said month.
Due date: On or before the 10th day of the month succeeding the calendar month (Notification No. 20/2024-CT dt. 8-10-2024).

1.6 EXEMPTION FROM TDS

- **Notification No. 57/2018-CT (23-10-2018):** Authorities under Ministry of Defence (other than specified in annexure) exempted from TDS provisions w.e.f. 01.10.2018.
- **Notification No. 73/2018-CT (31-12-2018):** Supplies made by Government Departments and PSUs to other Government Departments and vice-versa exempted from TDS.

ILLUSTRATION TDS Deduction

Q: Supplier X makes supply worth ₹11,800 (inclusive of GST 18%) to a Municipality where contract for supply is ₹15,00,000. Supplier and deductor in same State. Find TDS and net payment.

Solution:
Value of supply = ₹11,800 × 100/118 = ₹10,000
CGST TDS = 1% × ₹10,000 = ₹100
SGST TDS = 1% × ₹10,000 = ₹100
Net payment to X = ₹11,600

2. TCS under GST – Section 52

Every Electronic Commerce Operator (ECO) is liable to collect TCS at the rate not exceeding 1% (0.5% CGST + 0.5% SGST or 1% IGST) of the net value of taxable supplies made through it by other suppliers where consideration is to be collected by such operator.

AMENDMENT – TCS RATE W.E.F. 10-07-2024

PARTICULARS	OLD RATE	NEW RATE
TCS under CGST	0.50%	**0.25%**
TCS under SGST/UTGST	0.50%	**0.25%**
TCS under IGST	1.00%	**0.50%**

2.1 KEY TCS PROVISIONS

- **Net Value of Taxable Supplies:** Aggregate value of taxable supplies of goods/services (other than Section 9(5) services) made during any month by registered supplier through ECO, reduced by aggregate value of taxable supplies returned to supplier during said month.
- **Time of Collection:** TCS collected once supply made through ECO where consideration to be collected by ECO, irrespective of actual collection.
- **Payment:** Within 10 days after end of month in which amount collected.
- **Monthly Statement:** FORM GSTR-8 within 10 days from end of month.
- **Annual Statement:** Before 31st December following end of financial year.
- **Credit:** TCS credited to electronic cash ledger of supplier on basis of GSTR-8 filed by ECO.

2.2 SERVICES NOTIFIED UNDER SECTION 9(5)

- Passenger transport service (radio-taxi, motorcab, maxicab, motorcycle, omnibus w.e.f. 1-1-2022).
- Accommodation services (hotels, inns, guest houses, clubs, campsites).
- Housekeeping services (plumbing, carpentering, etc.).
- Restaurant services (cloud kitchens) w.e.f. 1-1-2022.

CBIC CIRCULAR NO. 167/23/2021-GST (17-12-2021)

- ECO liable to pay GST on restaurant services u/s 9(5) – no TCS required on such services.
- No separate registration required for Section 9(5) services.
- ECOs liable to pay tax on restaurant service supplied through them, even by unregistered person.
- ECOs not required to reverse ITC on account of restaurant services.
- ECOs must pay entire GST liability in cash (no ITC utilization) on restaurant service.

CIRCULAR NO. 194/06/2023-GST (17-07-2023) – MULTIPLE ECOS

- Multiple ECOs – supplier-side ECO (who finally releases payment to supplier) responsible for TCS compliance.
- If supplier-side ECO is himself supplier – buyer-side ECO (who makes payment to supplier) responsible for TCS.

ILLUSTRATION TCS Calculation

Q: Peter England sells ready-made clothes online on Amazon India. Order for ₹12,000 inclusive of tax and commission 2%. Amazon charges commission ₹200. GST ₹1,800. Sales returns of ₹2,000. Find TCS.

Solution:
Supply = ₹12,000
Less: Sales returns = (₹2,000)
Balance = ₹10,000
Less: GST 18% = (₹1,800)
Less: Commission = (₹200)
Net value of taxable supplies = ₹8,000
TCS @1% (0.5% CGST + 0.5% SGST) = **₹80**

2.3 EXEMPTION FOR UNREGISTERED PERSONS SUPPLYING GOODS THROUGH ECO (W.E.F. 1-10-2023)

- Unregistered persons with aggregate turnover up to threshold limit permitted to supply goods through ECO.
- Conditions: No inter-State supply; supply only through ECO in one State/UT; PAN, address, State/UT declared on common portal; enrolment number granted; no supply unless enrolment number granted.
- Once registered under GST, enrolment number becomes invalid from effective date of registration.
- ECO shall not collect TCS on such supplies; furnish details in GSTR-8.

E-Way Bill

1. Introduction

E-Way Bill is an electronic way bill for movement of goods which can be generated on the E-Way Bill Portal. Transport of goods of more than **₹50,000** (single invoice/bill/delivery challan) in value in a vehicle cannot be made by a registered person without an E-Way bill. E-Way bill can also be generated or cancelled through SMS, Android App and by Site-to-Site Integration (through API).

1.1 WHEN E-WAY BILL MUST BE ISSUED

E-Way bill will be generated when there is movement of goods in a vehicle/conveyance of value more than ₹50,000 (either each invoice or in aggregate of all invoices in a vehicle/conveyance):

- In relation to a 'supply';
- For reasons other than a 'supply' (say a return);
- Due to inward 'supply' from an unregistered person.

1.2 WHO SHOULD GENERATE E-WAY BILL

1. **Registered Person:** Must generate when movement of goods > ₹50,000 to/from registered person.
2. **Unregistered Persons:** Required to generate E-Way Bill (supply by unregistered to registered – receiver ensures compliance).
3. **Transporter:** Carrying goods by road, air, rail, etc. if supplier has not generated E-Way Bill.

1.3 DOCUMENTS REQUIRED

- Tax Invoice / Bill of Supply / Delivery Challan
- Transport Document (LR/GR)
- Vehicle Number

LATEST UPDATE – 23RD MARCH 2018

Until notified, transporters need not generate E-Way bill where all consignments in conveyance:

- Individually (single document) ≤ ₹50,000 BUT
- In Aggregate (all documents together) > ₹50,000

2. Consolidated E-Way Bill

Where consignor/consignee has not generated E-Way bill in Form GST EWB-01 and aggregate of consignment value > ₹50,000, the transporter (except railways, air and vessel) shall, in respect of inter-State supply, generate E-Way bill in Form GST EWB-01 on basis of invoice/bill of supply/delivery challan, and may also generate consolidated E-Way bill in Form GST EWB-02.

Consolidated EWB is like a trip sheet containing details of different E-Way bills in respect of various consignments being transported in one vehicle. Consolidated EWB does not have independent validity period.

3. Cancellation of E-Way Bill

- E-Way bill may be cancelled electronically on common portal within **24 hours** of generation (Rule 138(9)).
- Cannot be cancelled if verified in transit (Rule 138B).
- Unique number generated valid for 15 days for updation of Part B.

4. Validity Period – Rule 138(10)

SL	DISTANCE	VALIDITY PERIOD
1	Up to 200 km (other than Over Dimensional Cargo or multimodal shipment)	One day
2	For every 200 km or part thereof thereafter	One additional day
3	Up to 20 km (Over Dimensional Cargo or multimodal shipment)	One day
4	For every 20 km or part thereof thereafter	One additional day

KEY POINTS ON VALIDITY

- Relevant date: Date on which E-Way bill generated; validity counted from time of generation.
- Each day counted as period expiring at midnight of day immediately following date of generation.
- Validity can be extended within 8 hours from time of expiry.
- Commissioner may extend validity for certain categories of goods.
- Validity commences upon updation of vehicle number for first time in Part B.

ILLUSTRATION E-Way Bill Validity

Q: E-Way bill generated on 01.01.2026 for 500 km. Validity?

> **Solution:** 500 km = 200 km (1 day) + 300 km (2 more days) = **3 days validity**

5. Blocking of E-Way Bill Generation – Rule 138E

- E-Way bill generation blocked for person paying tax under composition scheme or Notification 2/2019-CT(R) who has not furnished statement for 2 consecutive quarters.
- Person paying tax under regular scheme who has not furnished returns for 2 consecutive tax periods.
- Person paying tax under regular scheme who has not furnished GSTR-1 for any 2 months/quarters.
- Person whose registration has been suspended under Rule 21A.

BLOCKING OF E-WAY BILL – AATO > ₹5 CRORE (AFTER 15-10-2020)

EWB generation facility of person with Aggregate Annual Turnover (PAN based) > ₹5 Crores blocked if GSTR-3B returns not filed for 2 or more tax periods.

BLOCKING ONLY FOR OUTWARD MOVEMENT (RULE 138E)

Blocking of GSTIN for EWB generation only for defaulting supplier GSTIN, not defaulting recipient/transporter. Suspended GSTIN cannot generate EWB as supplier but can get EWB generated as recipient/transporter.

6. E-Way Bill Not Required

1. Mode of transport is non-motor vehicle.
2. Goods transported from Customs port, airport, air cargo complex or land customs station to ICD/CFS for clearance by Customs.
3. Goods transported under Customs supervision or under customs seal.
4. Goods transported under Customs Bond from ICD to Customs port or from one custom station to another.
5. Transit cargo transported to or from Nepal or Bhutan.
6. Movement of goods caused by defence formation under Ministry of Defence as consignor/consignee.
7. Empty Cargo containers being transported.
8. Consignor transporting goods to/from between place of business and weighbridge for weighment at a distance of 20 kms, accompanied by Delivery challan.
9. Goods being transported by rail where Consignor is Central Government, State Governments or local authority.
10. Goods specified as exempt from E-Way bill requirements in respective State/UT GST Rules.
11. Transport of certain specified goods – includes list of exempt supply of goods, Annexure to Rule 138(14), goods treated as no supply as per Schedule III, Certain schedule to Central tax Rate notifications.
12. Where empty cylinders for packing of liquefied petroleum gas are being moved for reasons other than supply (w.e.f. 16-6-2018).

AMENDMENT – RULE 138(14) (W.E.F. 26-12-2022)

E-Way bill needs to be generated for transporting imitation jewellery (7117). Jewellery, goldsmiths' and silversmiths' wares and other articles (Chapter 71) can be transported without E-Way bill.

6.1 PART B OF E-WAY BILL – NOT REQUIRED

- Where distance between consigner/consignee and transporter is less than 50 Kms and transport is within same state.
- Person-in-charge of conveyance to carry copy of tax invoice/bill of supply where such person is not required to carry E-Way bill (Rule 55A w.e.f. 23-1-2018).

7. Inspection and Verification – Rule 138C

- Summary report of every inspection of goods in transit recorded online in Part A of Form GST EWB-03 within 24 hours of inspection.
- Final report in Part B of Form GST EWB-03 within 3 days of inspection.
- Commissioner may extend time for final report by not exceeding 3 days on sufficient cause.

8. Bill to Ship to Model of Supplies – CBIC Press Release No. 152/2018 (23-4-2018)

In "Bill To Ship To" model, three persons involved:

- 'A' – person who has ordered 'B' to send goods directly to 'C'.

- 'B' – person who is sending goods directly to 'C' on behalf of 'A'.
- 'C' – recipient of goods.

Two tax invoices required: Invoice-1 (B to A); Invoice-2 (A to C). Only one E-Way Bill required.

FIELD	IF B GENERATES EWB	IF A GENERATES EWB
Bill From	Details of 'B'	Details of 'A'
Dispatch From	Place where goods actually dispatched (B's principal/additional place)	Same (B's principal/additional place)
Bill To	Details of 'A'	Details of 'C'
Ship To	Address of 'C'	Address of 'C'
Invoice Details	Invoice-1	Invoice-2

9. Goods Sent/Taken Out of India for Exhibition or Consignment Basis (Circular No. 108/27/2019-GST, 18-07-2019)

- Exporter shall maintain record of such goods.
- Supply treated as sale on approval basis.
- Delivery challan to be issued.
- Not a zero-rated supply; no need to execute Bond/LUT.
- Not a supply if goods returned ≤ 6 months from date of removal.
- Goods sold ≤ 6 months from removal – supply; issue tax invoice.
- Refund claim cannot be preferred under Rule 96; supplier can claim refund under Section 54(3) read with Rule 89(4).

ILLUSTRATION **Goods Sent for Exhibition**

Q: IEM sent 100 units to USA for exhibition in January. If entire 100 units brought back: (i) in February; (ii) in August. Requirement to issue invoice?

> **Solution:**
> (i) **February** (within 6 months) – No tax invoice required as no supply.
> (ii) **August** (after 6 months) – Tax invoice required for entire 100 units.
> **Rework:** If 65 units sold in exhibition, tax invoice required for 65 units; 35 units brought back on 31st January (within 6 months) – no invoice.

GST Refunds – Inverted Duty Structure and Zero Rated Supplies

1. Inverted Duty Structure

Inverted duty structure indicates a situation when the rate of tax on inward supply is higher than rate of tax on outward supply. Section 54(3)(ii) CGST Act, 2017 read with Rule 89(5) CGST Rules, 2017 provides for refund of accumulated ITC on account of inverted duty structure.

1.1 CONDITIONS FOR REFUND UNDER INVERTED DUTY STRUCTURE

1. Rate of tax on input is higher than rate of tax on output supplies.
2. Output supplies are not exempt or nil-rated supplies.
3. Refund on such supplies is not specifically restricted by Government.
4. ITC on capital goods and input services do not qualify for refund.
5. Refund of accumulated ITC on account of reduction in GST rate on goods not available.
6. Refund of ITC restricted to extent of credit reflected in FORM GSTR-2B.
7. Registered person claiming refund basically a manufacturer.

1.2 FORMULA FOR REFUND UNDER INVERTED DUTY STRUCTURE (RULE 89(5))

FORMULA – RULE 89(5)

Refund Amount = [(Turnover of inverted rated supply of goods and services) × Net ITC ÷ Adjusted Total Turnover] – Tax payable on such inverted rated supply of goods and services × (Net ITC ÷ ITC availed on inputs and input services)

Note (w.e.f. 5-7-2022): "Net ITC" means ITC availed on inputs during relevant period other than ITC availed for which refund claimed under Rule 89(4A)/(4B). Net ITC covers ITC availed on all inputs in relevant period, irrespective of rate of tax.

AMENDMENT – W.E.F. 20-10-2023

- No refund of unutilised ITC under inverted duty structure for supply of imitation zari thread or yarn made out of Metallised polyester film/plastic film.
- No refund of unutilised ITC under inverted duty structure for supply of services of construction of complex/building intended for sale to buyer, wholly or partly, where amount charged includes value of land/undivided share of land, except where entire consideration received after issuance of completion certificate/first occupation.

CIRCULAR NO. 173/05/2022-GST (06-07-2022)

Refund of accumulated ITC on account of inverted duty structure allowed where accumulation is on account of rate of tax on outward supply being less than rate of tax on inputs (same goods) at same point of time, as per some concessional notification.

2. Refund of Zero Rated Supplies

Refund on account of export of goods or services can be granted in the following two methods:

- (i) Refund of un-utilised credit when exports made without payment of tax (Section 54(3) CGST).
- (ii) Refund of taxes paid on output supply of goods or services (known as rebate).

2.1 FORMULA FOR ZERO RATED SUPPLIES (RULE 89(4))

REFUND FORMULA – RULE 89(4)

Refund Amount = [(Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) ÷ Adjusted Total Turnover] × Net ITC

2.2 KEY DEFINITIONS

- **"Turnover of zero-rated supply of goods"** – value of zero-rated supply of goods made during relevant period without payment of tax under Bond/LUT OR 1.5 times value of like goods domestically supplied, whichever is less.
- **"Turnover of zero-rated supply of services"** – aggregate of payments received during relevant period for zero-rated supply of services + zero-rated supply of services where supply completed for which payment received in advance – advances received for which supply not completed.
- **"Adjusted Total Turnover"** – sum total of (a) turnover in a State/UT excluding turnover of services; and (b) turnover of zero-rated supply of services and non-zero-rated supply of services; excluding (i) value of exempt supplies other than zero-rated supplies; and (ii) turnover of supplies for which refund claimed under Rule 89(4A)/(4B).

AMENDMENT – W.E.F. 8-10-2024 (NOTIFICATION NO. 20/2024-CT)

Sub-rules (4A) and (4B) of Rule 89 omitted. Net ITC excludes ITC availed for which refund claimed under sub-rules (4A)/(4B) – omitted. Turnover of zero-rated supply of goods excludes turnover of supplies for which refund claimed under (4A)/(4B) – omitted.

2.3 RELEVANT DATE FOR REFUND (SECTION 54, EXPLANATION 2)

CLAUSE	SCENARIO
(a)	Goods exported by sea/air – date ship/aircraft leaves India; by land – date goods pass frontier; by post – date of despatch.
(b)	Deemed exports – date return relating to deemed exports furnished.
(c)	Services exported – (i) receipt of payment in convertible foreign exchange; or (ii) issue of invoice where payment received in advance.
(d)	Tax refundable due to judgment/decree/order – date of communication.
(e)	Unutilised ITC under Section 54(3)(ii) – due date for furnishing return under Section 39.
(f)	Tax paid provisionally – date of adjustment after final assessment.
(g)	Person other than supplier – date of receipt of goods/services.
(h)	Any other case – date of payment of tax.

3. Refund Procedure and Documentation

3.1 APPLICATION FOR REFUND

- Application in FORM GST RFD-01 within 2 years from relevant date (Rule 89(1)).
- For supplies to SEZ: application after goods admitted/receipt of service in full in SEZ for authorised operations, as endorsed by specified officer.
- For IGST paid on goods exported: Shipping Bill itself treated as refund claim (Rule 96).
- For IGST paid on services exported: Application in FORM GST RFD-01.
- For excess balance in electronic cash ledger: Application in FORM GST RFD-01.

3.2 DOCUMENTS TO BE SUBMITTED

- Self-declaration where refund amount ≤ ₹2 lakh (CA/CMA certificate if refund > ₹2 lakh other than zero-rated supply).
- Relevant invoices, shipping bills, BRC/FIRC, final assessment order in case of provisional assessment.
- For deemed exports: statement containing number and date of invoices, acknowledgment by AA/EPCG holder, undertaking by recipient.

3.3 PROCESSING OF REFUND CLAIM

STAGE	DETAILS
Acknowledgement	Within 15 days of filing application; deficiency memo if incomplete.
Provisional Refund	90% of total refund claim within 7 days where refund arises on account of zero-rated supplies (Section 54(6) read with Rule 91).
Order of Refund	After satisfying, order sanctioning amount after completely adjusted against any outstanding demand.
SCN and Rejection	Applicant to furnish reply within 15 days of receipt of notice in FORM GST RFD-08.
Final Order	Proper officer to issue order within 60 days from date of receipt of application.

3.4 PROVISIONAL REFUND – RULE 91(2)

RULE 91(2) – SUBSTITUTED W.E.F. 01-10-2025

The proper officer, on basis of identification and evaluation of risk by the system, shall make an order in FORM GST RFD-04 within 7 days from date of acknowledgement:

- Proviso: Proper officer may not grant provisional refund for reasons recorded in writing and proceed under Rule 92.
- Proviso: Order in FORM GST RFD-04 not required to be revalidated.

3.5 WITHHOLDING OF REFUND – SECTION 54(10) AND (11)

- Refund due to registered person who has defaulted in furnishing return or not paid GST liability – refund withheld/deducted.
- Extended to all kinds of refunds if pending liability of applicant.

3.6 INTEREST ON DELAYED REFUND – SECTION 56

- If refund not paid within 60 days from date of receipt of application – interest @ 6% p.a.
- If refund arising from order of Appellate Authority/Tribunal/Court not paid within 60 days – interest @ 9% p.a.

4. Rule 96B – Recovery of Refund Where Export Proceeds Not Realised

- Where refund of unutilised ITC on account of export of goods or IGST paid on export of goods paid but sale proceeds not realised within FEMA period (including extension), person shall deposit amount so refunded with interest within 30 days of expiry of period.
- If not deposited, recovered under Section 73/74/74A with interest under Section 50.
- Proviso: Where RBI writes off requirement of realisation on merits, refund not recovered.
- Where sale proceeds realised after recovery, refunded by proper officer to extent of realisation.

5. Bunching of Refund Claims Across Financial Years

CBIC Circular No. 135/05/2020-GST (31-03-2020) clarified that applicant may, at his option, file refund claim for a tax period or by clubbing successive tax periods. The restriction on bunching across financial years has been relaxed.

6. Consumer Welfare Fund – Rule 97

- All amounts of duty/CGST/IGST/UTGST/cess and income from investment credited to Fund.
- 50% of IGST determined under Section 54(5) deposited in Fund.
- Accounts audited by CAG.
- Applicants eligible for grant: Central/State Government, regulatory authorities, consumer welfare organizations, educational/research institutions, complainants.

7. Refund to Unregistered Persons – Rule 89(2)

New functionality on common portal allows unregistered persons to take temporary registration and apply for refund under category 'Refund for Unregistered person' in cases where contract/agreement for supply of services of construction of flat/building cancelled or long-term insurance policy terminated.

7.1 DOCUMENTARY EVIDENCE FOR UNREGISTERED PERSONS

- Statement containing details of invoices, proof of payment, copy of agreement/contract, letter of cancellation/termination, proof of payment received.
- Certificate from supplier that tax paid, not adjusted against tax liability by credit note, not claimed/will not claim refund.
- CA/CMA certificate not required where refund claimed by unregistered person who has borne incidence of tax (even if > ₹2 lakh).

8. Refund of Additional IGST on Upward Price Revision – Rules 89 and 96

AMENDMENT W.E.F. 10-07-2024 (NOTIFICATION NO. 12/2024-CT)

Refund of additional IGST paid on account of upward revision in price of goods subsequent to exports allowed. Application in FORM GST RFD-01 before expiry of 2 years from relevant date. Where time limit lapsed, application before expiry of 2 years from 10-07-2024.

CBIC CIRCULAR NO. 226/20/2024-GST (11-07-2024)

Until GSTN updates system, exporters can file Form GST RFD-01 under category 'Any other' with remark 'Refund of additional IGST paid on account of increase in price subsequent to export of goods'. Proper officer to verify disclosures in GSTR-1 and GSTR-3B; issue refund sanction order in FORM GST RFD-06 and payment order in FORM GST RFD-05.

9. Rule 95B – Refund of Goods Received by Canteen Stores Department

- CSD can claim refund of 50% of applicable central tax paid on all inward supplies of goods.
- New form GST RFD-10A introduced.
- Conditions: inward/outward supplies details furnished in respective forms; name and GSTIN on tax invoice; goods received by CSD for subsequent supply to Unit Run Canteens or authorised customers.
- CSD to apply for refund once every quarter; can opt for multiple quarters clubbing multiple financial years.

Practical Illustrations

MODULE 6 Zero Rated Refund

Q: Win India Exports Pvt. Ltd. – Local supply: 5 units @ ₹200 = ₹1,000; Export: 5 units @ ₹350 = ₹1,750. Net ITC = ₹270. Find refund under Rule 89(4).

Solution:
Turnover of zero-rated supply of goods = lesser of ₹1,750 or (₹200 × 5 × 1.5 = ₹1,500) = **₹1,500**
Adjusted Total Turnover = ₹1,000 + ₹1,500 = ₹2,500
Refund = ₹270 × ₹1,500/₹2,500 = **₹162**

MODULE 6 Deemed Export Refund

Q: X Ltd. supplied goods to EOU for ₹10,00,000 + IGST ₹1,80,000. Recipient EOU availed ITC. Can supplier claim refund?

Solution:
Supplier can claim refund only if recipient does not avail ITC and furnishes undertaking that supplier may claim refund. If recipient avails ITC, no refund to supplier.

MODULE 7 TDS Deduction

Q: Education Department (Tamil Nadu) received two purchase orders: PO-001 for ₹3,00,000 (inclusive of tax ₹60,000); PO-002 for ₹3,50,000. Payment made 15-8-20XX. Find TDS.

Solution:
PO-001: Value after deducting tax = ₹2,40,000 (not attract TDS).
PO-002: TDS @2% = ₹3,50,000 × 2% = **₹7,000**
Person liable to deduct TDS = Education Department of T.N. State.
Last date of payment = 10-09-20XX
Date of furnishing certificate (GSTR-7A) = 15-9-20XX
Date of furnishing return (GSTR-7) = 10-09-20XX

MODULE 7 TCS Calculation

Q: Flipkart Online Services Pvt. Ltd. supplied product 'A' from supplier Sri Ram Ltd. to various customers aggregating to ₹50 lakh for July 2025. Sales returns of product 'A' sold in May, June, July amounting to ₹20 lakh during July 2025. Find TCS.

Solution:
TCS = (₹50 lakh – ₹20 lakh) × 1% = **₹30,000**
Due date of deposit = 10th Aug 2025

MODULE 8 **E-Way Bill Validity**

Q: E-Way bill generated on 01.01.2026 for 500 km. Validity?

> **Solution:** 500 km = 200 km (1 day) + 300 km (2 more days) = **3 days validity**

MODULE 8 **E-Way Bill – Bill to Ship to**

Q: 'A' ordered 'B' to send goods directly to 'C'. How many E-Way bills required?

> **Solution:** Only **one E-Way bill** required. Either 'A' or 'B' can generate. If B generates: Bill From = B, Bill To = A, Ship To = C, Invoice = Invoice-1. If A generates: Bill From = A, Bill To = C, Ship To = C, Invoice = Invoice-2.

MODULE 9 **Inverted Duty Structure Refund**

Q: X Ltd. manufactures product 'P'. Inputs GST @18%, output GST @12%. ITC on inputs ₹1,80,000; ITC on input services ₹20,000. Turnover: Output ₹10,00,000; Adjusted Total Turnover ₹12,00,000. Find refund.

> **Solution:**
> Net ITC (on inputs only) = ₹1,80,000
> Refund = [(₹10,00,000 × ₹1,80,000) ÷ ₹12,00,000] – [₹1,20,000 × (₹1,80,000 ÷ ₹2,00,000)]
> = ₹1,50,000 – ₹1,08,000 = **₹42,000**

MODULE 9 **Refund – Zero Rated**

Q: M/s X Ltd. exported goods ₹20,00,000 (FOB). Domestic supply ₹10,00,000. Net ITC ₹2,00,000. Find refund.

> **Solution:**
> Adjusted Total Turnover = ₹20,00,000 + ₹10,00,000 = ₹30,00,000
> Refund = ₹2,00,000 × ₹20,00,000/₹30,00,000 = **₹1,33,333**

End of Modules 6-9

1. Complete Summary of Modules 6-9

These four modules cover critical GST compliance areas: zero-rated supplies and deemed exports (Module 6), TDS and TCS (Module 7), E-Way Bill (Module 8), and GST refunds including inverted duty structure (Module 9). Together they address cross-border transactions, tax deduction/collection at source, goods movement documentation, and refund mechanisms.

2. Top Important Examination Points

1. Zero-rated supply – Section 16(1) IGST.
2. Export of goods/services and SEZ supplies.
3. Options: Bond/LUT or payment of IGST.
4. Formula Rule 89(4) – zero-rated.
5. Deemed exports – Section 147.
6. Categories of deemed exports (4).
7. Refund to supplier or recipient.
8. Rule 96B – non-realisation of proceeds.
9. LUT/Bond – Rule 96A.
10. Relevant date – Section 54.
11. TDS – Section 51.
12. TDS rate – 2%.
13. TDS threshold – ₹2.5 lakh.
14. TDS on metal scrap w.e.f. 10-10-2024.
15. TDS forms – GSTR-7, GSTR-7A.
16. TCS – Section 52.
17. TCS rate – 0.5% w.e.f. 10-07-2024.
18. TCS net value of taxable supplies.
19. TCS forms – GSTR-8.
20. Section 9(5) services.
21. E-Way Bill – Rule 138.
22. Threshold – ₹50,000.
23. Part A and Part B.
24. Consolidated EWB – EWB-02.
25. Cancellation – 24 hours.
26. Validity – 200 km/day.
27. Blocking – Rule 138E.
28. Exemptions – Rule 138(14).
29. Bill to Ship to model.

30. Goods sent for exhibition.
31. Inverted duty structure – Section 54(3)(ii).
32. Formula Rule 89(5).
33. Conditions for IDS refund.
34. Refund procedure – RFD-01.
35. Provisional refund – 90%.
36. Interest on delayed refund – 6%/9%.
37. Consumer Welfare Fund.
38. Bunching across financial years.
39. Rule 96B – recovery.
40. Additional IGST on price revision.
41. Rule 95B – CSD refund.
42. Circular 135/05/2020.
43. Circular 226/20/2024.
44. Circular 108/27/2019.
45. Circular 167/23/2021.
46. Circular 194/06/2023.
47. Notification 25/2024-CT.
48. Notification 20/2024-CT.
49. Notification 12/2024-CT.
50. Exam tip: state Section/Rule.

51. Exam tip: show working notes.
52. Exam tip: quote circulars.
53. Exam tip: practice numericals.
54. Exam tip: focus on amendments.
55. December 2026: latest amendments.
56. Zero-rated vs exempt supply.
57. Unjust enrichment not applicable.
58. Provisional refund – risk-based.
59. Instruction 06/2025-GST.
60. Rule 89(4A)/(4B) omitted.
61. Rule 89(4) formula.
62. Rule 89(5) formula.
63. Net ITC definition.
64. Adjusted Total Turnover.
65. Turnover of zero-rated goods.
66. Turnover of zero-rated services.
67. Relevant date for exports.
68. Relevant date for deemed exports.

69. Relevant date for services.
70. Relevant date for IDS.
71. Refund to unregistered persons.
72. Rule 89(2) – documents.
73. CA/CMA certificate requirement.
74. Withdrawal of Circular 212.
75. Circular 251/08/2025.
76. Circular 253/10/2025.
77. TDS – Government departments.
78. TDS – local authority.
79. TDS – Governmental agencies.
80. TDS – PSUs.
81. TDS – 51% participation.
82. TDS – societies.
83. TDS – exempt supplies.
84. TDS – Schedule III.
85. TDS – RCM.
86. TDS – unregistered supplier.
87. TDS – cess.
88. TDS – advance payment.
89. TDS – inter-State.
90. TDS – intra-State.
91. TDS – location of supplier.
92. TDS – place of supply.
93. TDS – registration.
94. TDS – GSTR-7.
95. TDS – GSTR-7A.
96. TDS – late fee.
97. TDS – interest.
98. TDS – metal scrap.
99. TDS – B2B supply.
100. TDS – 2% rate.
101. TDS – threshold.

3. Top 50 Practical Adjustments

#	PRACTICAL ADJUSTMENT / CHECK
1	Identify zero-rated supply vs exempt supply.
2	Check export of goods/services.
3	Check SEZ supply.
4	Check Bond/LUT option.
5	Check payment of IGST option.
6	Apply Rule 89(4) formula.
7	Calculate turnover of zero-rated goods.
8	Calculate adjusted total turnover.
9	Check deemed export categories.
10	Check refund to supplier/recipient.
11	Check Rule 96B – non-realisation.
12	Check LUT/Bond – Rule 96A.
13	Check relevant date for refund.
14	Check TDS applicability.
15	Check TDS threshold ₹2.5 lakh.
16	Check TDS on metal scrap.
17	Calculate TDS @2%.
18	Check TDS exemptions.
19	Check TCS applicability.
20	Calculate TCS @0.5%.
21	Check net value of taxable supplies.
22	Check Section 9(5) services.
23	Check E-Way bill requirement.
24	Check E-Way bill threshold ₹50,000.
25	Check Part A and Part B.
26	Check consolidated EWB.
27	Check cancellation – 24 hours.
28	Calculate validity – 200 km/day.

#	PRACTICAL ADJUSTMENT / CHECK
29	Check blocking – Rule 138E.
30	Check exemptions – Rule 138(14).
31	Check Bill to Ship to model.
32	Check goods sent for exhibition.
33	Check inverted duty structure.
34	Apply Rule 89(5) formula.
35	Check conditions for IDS refund.
36	Check refund procedure – RFD-01.
37	Check provisional refund – 90%.
38	Check interest on delayed refund.
39	Check Consumer Welfare Fund.
40	Check bunching across financial years.
41	Check Rule 96B – recovery.
42	Check additional IGST on price revision.
43	Check Rule 95B – CSD refund.
44	Check Circular 135/05/2020.
45	Check Circular 226/20/2024.
46	Check Circular 108/27/2019.
47	Check Circular 167/23/2021.
48	Check Circular 194/06/2023.
49	Check Notification 25/2024-CT.
50	Check date of amendment for Dec 2026.

4. Frequently Repeated Questions

- Explain zero-rated supply and refund options.
- Explain deemed exports with categories.
- Explain TDS provisions under Section 51.
- Explain TCS provisions under Section 52.
- Explain E-Way bill requirements and validity.
- Explain inverted duty structure refund.
- Explain refund procedure and documentation.

- Explain Rule 89(4) and Rule 89(5) formulas.
- Explain Bill to Ship to model with E-Way bill.
- Practical problems on refund computation.

5. Important Case Study Areas

- Zero-rated supply – export and SEZ.
- Deemed exports – AA/EPCG/EOU.
- TDS – Government payments.
- TCS – E-commerce operators.
- E-Way bill – Bill to Ship to.
- E-Way bill – goods sent for exhibition.
- Inverted duty structure refund.
- Refund procedure and provisional refund.
- Rule 96B – non-realisation of proceeds.
- Additional IGST on price revision.

6. Complete Revision Charts

CONCEPT	KEY SECTION/RULE	EFFECT
Zero-rated supply	Section 16(1) IGST	Export; SEZ supply
Refund options	Section 16(3)/(4) IGST	Bond/LUT or pay IGST
Deemed exports	Section 147 CGST	AA/EPCG/EOU/gold
Refund formula – zero-rated	Rule 89(4)	Turnover ratio × Net ITC
Refund formula – IDS	Rule 89(5)	Turnover ratio × Net ITC – tax payable
TDS	Section 51	2%; threshold ₹2.5 lakh
TDS on metal scrap	Notification 25/2024-CT	2% w.e.f. 10-10-2024
TCS	Section 52	0.5% w.e.f. 10-07-2024
E-Way bill	Rule 138	Threshold ₹50,000
E-Way bill validity	Rule 138(10)	200 km/day
E-Way bill blocking	Rule 138E	Non-filing of returns
Provisional refund	Rule 91(2)	90%; risk-based w.e.f. 1-10-2025
Interest on delayed refund	Section 56	6%/9% p.a.
Consumer Welfare Fund	Rule 97	Unjust enrichment
Rule 96B	Recovery – non-realisation	Deposit refund with interest

7. GST Revision Tables

SCENARIO	PROVISION	EFFECT
Export of goods	Section 16(1)(a) IGST	Zero-rated
SEZ supply	Section 16(1)(b) IGST	Zero-rated
Deemed export	Section 147 CGST	Refund to supplier/recipient
TDS – Government	Section 51	2% above ₹2.5 lakh
TDS – metal scrap	Notification 25/2024-CT	2% B2B supply
TCS – ECO	Section 52	0.5% net value
TCS – Section 9(5)	Circular 167/23/2021	ECO pays GST; no TCS
E-Way bill	Rule 138	₹50,000 threshold
E-Way bill – validity	Rule 138(10)	200 km/day
E-Way bill – cancellation	Rule 138(9)	Within 24 hours
IDS refund	Rule 89(5)	Formula-based
Zero-rated refund	Rule 89(4)	Formula-based
Provisional refund	Rule 91(2)	90% within 7 days
Interest	Section 56	6%/9% p.a.

8. Customs Revision Tables

CUSTOMS BOX

Modules 6-9 are GST-specific. Customs tables are covered in Section B modules – Valuation, Baggage, Manufacture in Bond, Duty Drawback, IGCR, Remission, Refund, Trade Facilitation, FTP and SEZ.

9. One Night Revision Notes

ONE NIGHT BEFORE EXAM

Read Section 16 IGST, Section 147 CGST, Section 51, Section 52, Rule 138, Section 54, Rules 89-96, Circulars 135/226/108/167/194, and key notifications. Practice 5 practical problems on refund computation and E-Way bill.

10. Fast Track Revision Notes

- Zero-rated – export and SEZ.
- Deemed exports – AA/EPCG/EOU.
- Refund formula – Rule 89(4)/(5).
- TDS – 2% above ₹2.5 lakh.
- TCS – 0.5% w.e.f. 10-07-2024.

- E-Way bill – ₹50,000 threshold.
- Validity – 200 km/day.
- Blocking – Rule 138E.
- Provisional refund – 90%.
- Interest – 6%/9%.

11. 20 Marks Most Probable Areas

- Zero-rated refund formula with practical problem.
- Inverted duty structure refund formula.
- TDS provisions and computation.
- E-Way bill requirements and validity.

12. 50 Marks Most Probable Areas

- Full practical problem covering refund computation (zero-rated + IDS).
- Case-based question on TDS/TCS and E-Way bill.
- Descriptive question on deemed exports and refund procedure.

13. Mock Exam Revision Sheet

> **MOCK EXAM**
>
> Attempt one 15-mark practical on refund computation and one 10-mark theory on TDS/TCS. Review E-Way bill provisions and circulars.

14. Examiner Approach Guide

- Start with Section and Rule.
- State the provision.
- Apply to facts.
- Show working notes.
- Conclude with refund amount/tax liability.
- Support with circular where relevant.

15. Student Mistake Analysis

- Confusing zero-rated and exempt supply.
- Not applying 1.5 times restriction.
- Forgetting TDS threshold ₹2.5 lakh.
- Not applying TCS new rate 0.5%.
- Ignoring E-Way bill validity rules.
- Not checking blocking under Rule 138E.
- Forgetting provisional refund 90%.

16. Final Revision Checklist

- Section 16 IGST and Section 147 CGST revised.
- Refund formulas (Rule 89(4)/(5)) revised.
- TDS Section 51 revised.
- TCS Section 52 revised.
- E-Way bill Rule 138 revised.
- Blocking Rule 138E revised.
- Refund procedure revised.
- Provisional refund revised.
- Circulars and notifications revised.
- Practical problems solved.

CMA KNOWLEDGE DECEMBER 2026 REVISION HANDBOOK

Modules 6-9: Zero Rated & Deemed Exports · TDS/TCS · E-Way Bill · GST Refunds | Paper 19 ITLP | CMA Final Examination

Prepared exclusively from the latest Official ICMAI Study Material – Paper 19 ITLP (Reprint July 2026)

CMA KNOWLEDGE

cmaknowledge.in

December 2026 Revision Book

CMA Final · Paper 19
Indirect Tax Laws and Practice (ITLP)

THIS VOLUME COVERS

Module 10	Payment of Tax, Interest & Utilisation of ITC
Module 11	TDS, TCS & Refunds
Module 12	Assessment and Audit
Module 13	Demands and Recovery

PREMIUM REVISION EDITION

Self-Study Reference · Exam-Oriented · Print Ready · A4 Format

PUBLICATION INFORMATION

Title	CMA Knowledge — December 2026 Revision Book
Subject	Paper 19 — Indirect Tax Laws and Practice (ITLP)
Course	CMA Final
Examination	December 2026
Volume	Modules 10 – 13
Publisher	CMA Knowledge · cmaknowledge.in
Edition	First Revision Edition
Format	A4 print-ready · Self-study reference

HOW TO USE THIS BOOK

This volume is organised as a **four-module revision book**. Each module opens with a syllabus map, learning outcome matrix, exam weightage analysis and frequently tested areas — followed by the chapter content, illustrations and a structured wrap-up with a mind map, revision points, exam questions and a one-page summary.

The boxes inside the text are colour-coded to serve different revision needs:

- **Exam Alert** — the areas most frequently tested by the examiner.
- **Amendment** — statutory changes to be verified against the latest notifications.
- **Practical Illustration** — worked examples in the exact format expected in the answer script.
- **Exam Writing Tip** — presentation techniques that secure method marks.
- **Last-Day Revision** — the compressed notes to read on the eve of the examination.

STUDY SEQUENCE

The modules are arranged in the order in which they appear in the examination. A candidate is advised to move through the book sequentially in the first reading, and to use the wrap-up sections alone in the final week of preparation.

Verification note. The official ICMAI Study Material was not received along with the instruction brief — only the instruction brief itself. Every statutory rate, threshold, time limit and amendment in this volume must be re-verified against the latest ICMAI Study Material, the Finance Act in force and CBIC notifications before the December 2026 attempt.

TABLE OF CONTENTS

MODULE 10 — PAYMENT OF TAX, INTEREST & UTILISATION OF ITC

10.1 Module Introduction M10 · 1

10.2 Syllabus Coverage Map M10 · 1

10.3 Learning Outcome Matrix M10 · 2

10.4 Exam Weightage & Frequently Tested Areas M10 · 2

10.5 Chapter — Payment of Tax (Sec. 49–53) M10 · 3

10.6 Illustrations & Case Studies M10 · 6

10.7 Chapter Wrap-Up (Mind Map · Top 25 · Questions) M10 · 9

MODULE 11 — TDS, TCS & REFUNDS

11.1 Module Introduction & Syllabus Map M11 · 1

11.2 Chapter — TDS (Sec. 51) & TCS (Sec. 52) M11 · 2

11.3 Chapter — Refunds (Sec. 54–58) M11 · 4

11.4 Illustrations & Case Studies M11 · 7

11.5 Chapter Wrap-Up M11 · 9

MODULE 12 — ASSESSMENT AND AUDIT

12.1 Module Introduction & Syllabus Map M12 · 1

12.2 Chapter — Assessment & Audit (Sec. 59–66) M12 · 2

12.3 Illustrations & Case Studies M12 · 6

12.4 Chapter Wrap-Up M12 · 8

MODULE 13 — DEMANDS AND RECOVERY

13.1 Module Introduction & Syllabus Map M13 · 1

13.2 Chapter — Demands & Recovery (Sec. 73–84) M13 · 2
13.3 Illustrations & Case Studies M13 · 6
13.4 Chapter Wrap-Up M13 · 8

CONSOLIDATED REVISION & EXAM TOOLKIT

Complete Module Summary W · 1
Top 40 Important Examination Points W · 1
Top 20 Practical Adjustments W · 2
Frequently Repeated Questions & Case Study Areas W · 3
Complete Revision Charts & GST / Customs Tables W · 4
One Night · Fast Track · Weightage Guide W · 5
Examiner Approach Guide & Final Checklist W · 6

MODULE 10

Payment of Tax, Interest & Utilisation of ITC

10.1 Module Introduction

Payment of tax is the *cash-out stage* of the GST cycle. Every preceding chapter — supply, time of supply, place of supply, value, ITC — converges here. The examiner therefore uses this chapter to test integration: can you compute net liability, set it off in the correct order, compute interest on the correct base, and identify the correct electronic ledger?

10.2 Syllabus Coverage Map

Syllabus Area	Sub-Topics Covered	Statutory Anchor
Electronic Ledgers	Electronic Cash Ledger, Electronic Credit Ledger, Electronic Liability Register, order of debit	Sec. 49, Rules 87, 87A
Utilisation of ITC	Cross-utilisation matrix, IGST/CGST/SGST/UTGST/Cess, Sec. 49A, Sec. 49B	Sec. 49(5), 49A, 49B, Rule 88A
Interest	Interest on delayed payment, interest on wrongly availed & utilised ITC, interest on delayed refund	Sec. 50, Rule 88B, Sec. 56
Payment Modes	Online payment, challan PMT-06, NEFT/RTGS, payment by debit/credit card, IMPS	Rule 87
Transfer of ITC	Change in constitution, sale/merger/amalgamation/lease/transfer of business	Sec. 53, Rule 41

10.3 Learning Outcome Matrix

LO	On completion, the student will be able to…	Bloom's Level
LO-1	Explain the three electronic ledgers and the sequence of debit/credit among them	Understand
LO-2	Apply the ITC utilisation matrix to compute net cash payable in a multi-tax scenario	Apply
LO-3	Compute interest under Sec. 50(1) and 50(3) with correct base and period	Apply / Analyse
LO-4	Identify the correct challan/return form and the due date for payment	Remember / Apply
LO-5	Advise on transfer of ITC on business reorganisation	Analyse / Evaluate

10.4 Exam Weightage & Frequently Tested Areas

Tested Area	Typical Format	Marks Band	Frequency
ITC utilisation & net cash computation	Practical computation	10 MARKS 15 MARKS	REPEATED
Interest on delayed payment	Computation / theory	5 MARKS	REPEATED
Electronic ledgers — nature & order	Theory / short note	5 MARKS	REPEATED
Sec. 49A / 49B / Rule 88A ordering	Theory / case	5 MARKS	Moderate
Transfer of ITC on reorganisation	Theory / case study	5 MARKS	Moderate

EXAM ALERT · FREQUENTLY TESTED AREAS

- Order of utilisation of IGST credit — which head must be exhausted first.
- Whether cess credit can be set off against CGST/SGST liability.
- Whether IGST credit can be used against CGST before IGST.
- Interest base under Sec. 50(3) — net ITC utilised, not gross ITC availed.
- Interest on ITC reversal under Rule 37 (non-payment within 180 days).
- Due date of payment — GSTR-3B; quarterly filers under QRMP.

10.5 Chapter — Payment of Tax

Chapter Overview

Section 49 governs the manner of payment; Sections 49A and 49B govern the order of utilisation; Section 50 governs interest; Sections 51 and 52 provide for deduction and collection at source; Section 53 permits transfer of ITC on reorganisation. The chapter is procedural but highly computational, and it is where a single arithmetic slip costs the whole answer.

Learning Objectives

- Distinguish the Electronic Liability Register, Electronic Credit Ledger and Electronic Cash Ledger.
- State the debit order mandated by Sec. 49(8).
- Apply the cross-utilisation matrix to a full-month liability scenario.
- Compute interest under Sec. 50(1) and Sec. 50(3) with correct base and day count.
- Identify persons liable to deduct TDS and collect TCS, and their rates/thresholds.
- Explain transfer of ITC under Sec. 53 in reorganisation cases.

Important Definitions & Key Legal Terminologies

Term	Meaning / Significance
Electronic Liability Register	Ledger in **FORM GST PMT-01** recording the total tax, interest, penalty, fee and other amounts payable. All liabilities are debited here first.
Electronic Credit Ledger	Ledger in **FORM GST PMT-02** recording self-assessed ITC available. Credit can be used only for payment of tax — not for interest, penalty or fee.
Electronic Cash Ledger	Ledger in **FORM GST PMT-05** recording deposits made through challan **PMT-06**. Used for tax, interest, penalty, fee and any other amount.
Rule 88A	Permits IGST credit to be utilised first against IGST and then in any order against CGST and SGST/UTGST.
Rule 88B	Prescribes the manner of computing interest, including that interest under Sec. 50(3) applies only where ITC is wrongly availed and utilised.
Relevant Date (interest)	For Sec. 50(1), the date on which the return is due; the period of delay is counted from the day succeeding the due date.

Concept Summary

GST SUMMARY · PAYMENT CHAIN

1. Every liability is first recorded in the Electronic Liability Register (PMT-01).
2. The registered person then discharges it by debiting the Electronic Credit Ledger (to the extent of available ITC) and the balance from the Electronic Cash Ledger.
3. ITC can be used only against tax — never against interest, penalty or fee.
4. IGST credit must be fully exhausted first before CGST/SGST credits are touched (Rule 88A read with Sec. 49B).
5. CGST credit can never be set off against SGST liability, and vice versa.
6. Cess credit can be set off only against cess.
7. Interest under Sec. 50(1) is 18% p.a.; under Sec. 50(3), 24% p.a.; on delayed refund, 6% p.a. under Sec. 56.

Section-wise Coverage & Provision-wise Analysis

Section	Title	Core Provision
49	Payment of tax, interest, penalty and other amounts	Creates the three ledgers. Sec. 49(5) prescribes the utilisation order for IGST; Sec. 49(8) prescribes the debit order.
49A	Utilisation of ITC	ITC available in the credit ledger may be utilised for payment of self-assessed output tax under the return filed under Sec. 39. Not for interest, penalty or fee.
49B	Order of utilisation of ITC	Empowers the Government to prescribe the order and manner of utilisation. Rule 88A is framed under this section.
50	Interest on delayed payment of tax	Sec. 50(1): interest on tax paid after the due date. Sec. 50(3): interest where ITC is wrongly availed and utilised.
51	Tax deduction at source	Notified persons deduct TDS at 2% from payments to suppliers where the contract value exceeds the notified threshold.
52	Collection of tax at source	Electronic commerce operators collect TCS on net taxable supplies through their platform.
53	Transfer of ITC	On change in constitution or on sale, merger, amalgamation, lease or transfer of business, unutilised ITC may be transferred, subject to Rule 41.

Utilisation Matrix — The Single Most Examined Table

Credit Available ↓ / Liability →	IGST	CGST	SGST / UTGST	Cess
IGST	Yes	Yes	Yes	No
CGST	Yes	Yes	No	No
SGST / UTGST	Yes	No	Yes	No
Cess	No	No	No	Yes

> **CONCEPTUAL TRAP**
>
> Many students set off CGST credit against SGST liability. This is **prohibited**. A further trap is forgetting that under Rule 88A, IGST credit must be *fully utilised first* — you cannot preserve IGST credit and use CGST/SGST credit instead, because CGST/SGST credit cannot be used against IGST liability.

Compliance & Procedural Requirements

Requirement	Form	Key Point
Deposit of cash	GST PMT-06 (challan)	Generated on the portal; payment by net banking, NEFT/RTGS, debit/credit card, UPI/IMPS. Valid for 15 days.
Liability register	GST PMT-01	Auto-populated from returns and orders.
Credit ledger	GST PMT-02	Credited on acceptance of return; debited on utilisation.
Cash ledger	GST PMT-05	Credited on realisation of challan.
Monthly return & payment	GSTR-3B	Due 20th of the following month for monthly filers.
Quarterly return (QRMP)	GSTR-1 + PMT-06	Payment for the first two months of the quarter by the 25th.

Time Limits, Due Dates & Threshold Limits

Particulars	Limit / Date
Interest — general delay (Sec. 50(1))	**18% per annum**
Interest — ITC wrongly availed & utilised (Sec. 50(3))	**24% per annum**
Interest — delayed refund (Sec. 56)	**6% per annum**
Interest accrual under Sec. 50(1)	From the day succeeding the due date till the date of payment
TDS rate (Sec. 51)	**2% (1% CGST + 1% SGST/UTGST; 2% IGST for inter-State)**
TDS threshold (Sec. 51(1)(d))	**₹2,50,000 per contract (exclusive of tax)**
TDS deposit due date	10th of the following month
TCS rate (Sec. 52) — verify current notified rate	**0.5% total w.e.f. 10.07.2024**
Challan PMT-06 validity	15 days

AMENDMENT · WATCH-POINTS FOR DEC 2026

- Sec. 50(2) (interest on undue/excess ITC claim) — inserted by Finance Act 2022, omitted by Finance Act 2023. Confirm the position in force.
- Rule 88B — interest under Sec. 50(3) is computed on ITC wrongly availed and utilised.
- Sec. 16(5) / Sec. 16(6) — special time limits for ITC for FY 2017-18 to 2020-21.
- TCS rate reduction from 1% to 0.5% (Notification 15/2024-CT dated 10.07.2024).

CROSS-LINK TO CUSTOMS

The concept of "payment first, adjustment later" appears in Customs as provisional assessment under Sec. 18 of the Customs Act, 1962. Refund of excess duty paid under provisional assessment is governed by Sec. 27 of the Customs Act read with the Customs (Finalisation of Provisional Assessment) Regulations. Keep this parallel in mind for cross-chapter questions.

Departmental Perspective & Practical Industry Application

The department's focus in this area is on **Rule 86B** (restriction on utilisation of ITC exceeding 99% of output tax liability for taxable turnover above ₹50 lakh per month) and on **Rule 86A** (blocking of ITC). Students often overlook that these are payment-side restrictions. Industry practice involves reconciling GSTR-2B with books monthly, monitoring the credit ledger's "blocked credit" tab, and planning the utilisation order to preserve cash.

Frequently Tested Concepts & Case-Based Areas

- Whether IGST credit must be exhausted before CGST credit — **yes**, Rule 88A.
- Whether the cash ledger balance can be used to pay a demand raised under Sec. 73/74 — **yes**.
- Whether interest is payable where a return is filed late but tax is nil — no interest on nil liability; but late fee applies.
- Whether interest under Sec. 50(1) applies where ITC was availed but not utilised and reversed — no.
- Transfer of ITC under Sec. 53 — the transferee must file FORM GST ITC-02.

Examiner's Favourite Questions

1. Compute the net GST payable in cash after utilising the available credit, showing the order of utilisation. 10 MARKS
2. Explain the three electronic ledgers under Sec. 49. 5 MARKS
3. Compute interest payable where tax of ₹X was paid Y days after the due date. 5 MARKS
4. Short note: Transfer of ITC on amalgamation. 5 MARKS

Common Student Mistakes

Wrong: Setting off CGST credit against SGST liability.

Right: CGST credit → CGST and IGST only. SGST credit → SGST and IGST only.

Wrong: Using ITC to pay interest or penalty.

Right: Interest, penalty and fee must always be paid from the Electronic Cash Ledger.

Wrong: Computing interest on the gross ITC availed under Sec. 50(3).

Right: Interest is computed on the ITC wrongly availed *and utilised* — see Rule 88B.

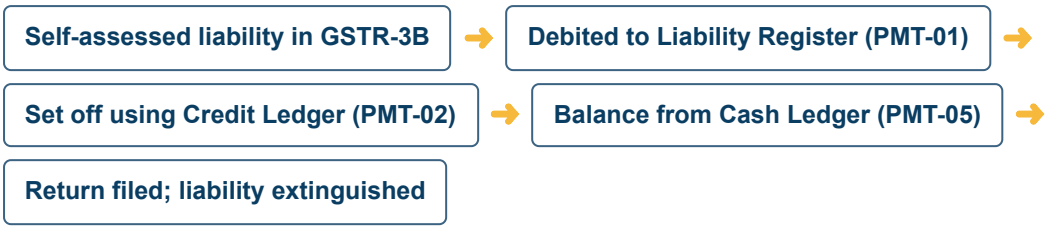
Wrong: Using cess credit to settle CGST liability.

Right: Cess credit is ring-fenced for cess liability only.

Memory Tricks & Mnemonics

Order of debit ("LCR"): *L*iability Register → *C*redit Ledger → *R*esidual cash.
Utilisation order ("I First, Then Any"): IGST credit used first against IGST, then any order against CGST and SGST.
Rates ("18-24-6"): 18% general delay, 24% wrong ITC, 6% delayed refund.
Ledger forms ("1-2-5"): PMT-01 Liability, PMT-02 Credit, PMT-05 Cash.

Summary Chart & Process Flow



Worked Examples & Case Studies

ILLUSTRATION 10.1 · SIMPLE · UTILISATION ORDER

Question: M/s Alpha Ltd. has output liability: IGST ₹40,000; CGST ₹30,000; SGST ₹30,000. Credit available: IGST ₹25,000; CGST ₹20,000; SGST ₹20,000. Compute the net cash payable.

STEP-WISE SOLUTION

```
Step 1 – Rule 88A: Exhaust IGST credit first against IGST liability.
        IGST credit ₹25,000 – IGST liability ₹40,000 = ₹15,000 IGST
liability remaining.

Step 2 – CGST credit against CGST liability.
        CGST ₹20,000 – ₹30,000 = ₹10,000 CGST liability remaining.

Step 3 – SGST credit against SGST liability.
        SGST ₹20,000 – ₹30,000 = ₹10,000 SGST liability remaining.

FINAL ANSWER – Payable in cash:
        IGST ₹15,000 + CGST ₹10,000 + SGST ₹10,000 = ₹35,000
```

Presentation Format: Draw a three-column table — Liability | Credit Utilised | Cash Payable — and show the utilisation head by head. Examiners award step marks for correct ordering even if the final figure is wrong.

ILLUSTRATION 10.2 · EXAMINATION LEVEL · INTEREST UNDER SEC. 50(1)

Question: M/s Beta Ltd. was liable to pay GST of ₹1,20,000 for July 2025. The due date was 20 August 2025. Tax was actually paid on 30 October 2025. Compute interest payable.

WORKING NOTES

```
Delay period: 21 August 2025 to 30 October 2025.
  August (21–31)  = 11 days
  September       = 30 days
  October         = 30 days
  TOTAL           = 71 days

Interest = Tax × Rate × Days / 365
         = 1,20,000 × 18% × 71 / 365
         = 1,20,000 × 0.18 × 0.19452
         = ₹4,201.64

FINAL ANSWER – Interest payable ≈ ₹4,202 (rounded to the nearest rupee)
```

Always show the day-count working. If the question does not specify the convention, use 365 days and state the assumption.

ILLUSTRATION 10.3 · ADVANCED · INTEREST UNDER SEC. 50(3) WITH RULE 88B

Question: M/s Gamma Ltd. availed ITC of ₹5,00,000 in November 2025 which was ineligible. Of this, ₹3,00,000 was utilised against output liability in the same month, and ₹2,00,000 remained unutilised and was reversed voluntarily in March 2026. The department issued a notice. Compute interest exposure under Sec. 50(3).

STEP-WISE SOLUTION

```
Step 1 – Rule 88B: Interest under Sec. 50(3) applies only to ITC wrongly
         availed AND utilised.

Step 2 – Split the ITC:
         Utilised        : ₹3,00,000  → interest applies
         Not utilised    : ₹2,00,000  → reversed; NO interest under 50(3)

Step 3 – Compute interest at 24% p.a. from the date of utilisation till
         the date of reversal/re-payment.

Assume utilisation on 20.11.2025 and payment on 31.03.2026:
  Delay = 21.11.2025 to 31.03.2026 = 131 days

Interest = 3,00,000 × 24% × 131/365
         = 3,00,000 × 0.24 × 0.35890
         = ₹25,840.80

FINAL ANSWER – Interest under Sec. 50(3) ≈ ₹25,841
         (No interest on the ₹2,00,000 unutilised portion)
```

This is a classic Sec. 50(3) trap. The examiner is testing whether you know that **unutilised ITC attracts no interest**. State Rule 88B explicitly to secure the reasoning marks.

ILLUSTRATION 10.4 · PRACTICAL CASE STUDY · MULTI-HEAD LIABILITY WITH CESS

Question: M/s Delta Ltd. has the following for September 2025:

Particulars	IGST	CGST	SGST	Cess
Output liability	₹1,00,000	₹80,000	₹80,000	₹20,000
ITC available	₹1,40,000	₹50,000	₹50,000	₹15,000

COMPUTATION

```
STEP 1 – IGST credit ₹1,40,000 utilised first against IGST ₹1,00,000.
         IGST liability  : NIL
         IGST credit left: ₹40,000

STEP 2 – Balance IGST credit ₹40,000 set off against CGST and SGST.
         CGST ₹80,000 – ₹40,000 = ₹40,000 remaining
         SGST ₹80,000 – NIL     = ₹80,000 remaining

STEP 3 – CGST credit ₹50,000 against CGST ₹40,000 → NIL, ₹10,000 CGST
credit left
STEP 4 – SGST credit ₹50,000 against SGST ₹80,000 → ₹30,000 SGST payable in
cash
STEP 5 – Cess credit ₹15,000 against cess ₹20,000 → ₹5,000 cess payable in
cash

FINAL ANSWER
  Cash payable: CGST NIL + SGST ₹30,000 + Cess ₹5,000 = ₹35,000
  Credit carried forward: CGST ₹10,000 + SGST NIL + Cess NIL
```

Note the ring-fencing of cess. Cess credit can never be diverted to CGST/SGST/IGST.

MODULE 10 · WRAP-UP

Mind Map, Revision Points & Questions

A. Chapter Mind Map

- **PAYMENT OF TAX (Sec. 49–53)**
  - Electronic Ledgers — PMT-01 Liability · PMT-02 Credit · PMT-05 Cash
  - Utilisation — Sec. 49(5) · Sec. 49A · Sec. 49B + Rule 88A · Rule 86B
  - Interest — Sec. 50(1) 18% · Sec. 50(3) 24% (Rule 88B) · Sec. 56 6%
  - TDS / TCS — Sec. 51 / 52
  - Transfer of ITC — Sec. 53, Rule 41

B. Top 25 Revision Points

1. Three ledgers: PMT-01, PMT-02, PMT-05.
2. Debit order: Liability → Credit → Cash.
3. ITC is usable only against tax.
4. Interest/penalty/fee → cash ledger only.
5. IGST credit must be exhausted first (Rule 88A).
6. CGST credit ≠ SGST liability.
7. SGST credit ≠ CGST liability.
8. Cess credit → cess only.
9. Interest 18% general.
10. Interest 24% for wrongly availed & utilised ITC.
11. Rule 88B — no interest on unutilised ITC.
12. Interest on delayed refund 6%.
13. Challan PMT-06 valid 15 days.
14. GSTR-3B due 20th of following month.
15. QRMP monthly payment by 25th.
16. TDS rate 2%, threshold ₹2.5 lakh per contract.
17. TDS deposit by 10th of following month.
18. TCS collected by e-commerce operators.
19. TCS rate currently 0.5% — verify notification.
20. Rule 86B restricts ITC use beyond 99%.
21. Rule 86A allows blocking of ITC.
22. Sec. 53 — transfer of ITC on reorganisation.
23. Rule 41 — FORM GST ITC-02 for transfer.
24. Day count: from day after due date to date of payment.
25. Interest base under Sec. 50(3) is net ITC utilised.

C. Top 10 Examination Questions

1. Compute net GST payable in cash after applying the utilisation matrix. **10 MARKS**
2. Explain the Electronic Credit Ledger and its restrictions. **5 MARKS**
3. State the order of utilisation of ITC under Sec. 49 and Rule 88A. **5 MARKS**
4. Compute interest under Sec. 50(1) for delayed payment. **5 MARKS**
5. Distinguish Sec. 50(1) and Sec. 50(3) with Rule 88B. **5 MARKS**

6. Explain the provisions relating to TDS under Sec. 51. 5 MARKS
7. Explain TCS under Sec. 52 with an illustration. 5 MARKS
8. Discuss transfer of ITC on amalgamation under Sec. 53. 5 MARKS
9. Explain Rule 86B and Rule 86A. 5 MARKS
10. Case study: multi-head liability with cess and interest. 10 MARKS

D. Expected December 2026 Questions

- Computation of interest under Sec. 50(1) and 50(3) in a single problem — highly probable.
- Utilisation matrix question involving IGST credit exceeding IGST liability — very high probability.
- Short note on Rule 88B read with Sec. 50(3) — high probability.
- TDS computation with the ₹2.5 lakh threshold and 2% rate — moderate probability.

E. Formula & Limit Sheet

FORMULAE

```
Interest under Sec. 50(1) = Tax × 18% × Days/365
Interest under Sec. 50(3) = ITC wrongly availed & utilised × 24% × Days/365
Interest on delayed refund = Refund amount × 6% × Days/365
Net Cash Payable = Total Liability − Eligible ITC utilised (in prescribed order)
```

Limit	Value
TDS threshold per contract	**₹2,50,000**
Rule 86B turnover threshold	**₹50 lakh per month**
Challan PMT-06 validity	**15 days**
Interest rates	**18% / 24% / 6%**

F. Quick Revision Notes

LAST-DAY REVISION

- **Debit order:** Liability → Credit → Cash.
- **IGST credit first**, then any order for CGST/SGST.
- **Never** cross CGST and SGST.
- **Cess is ring-fenced.**
- **18 / 24 / 6** — the three interest rates.
- **Rule 88B** — no interest on unutilised ITC.
- **TDS 2%**, threshold ₹2.5 lakh.

G. One Page Summary

MODULE 10 · ONE PAGE SUMMARY

Ledgers: PMT-01 Liability · PMT-02 Credit · PMT-05 Cash. Debit in that order.

ITC use: Tax only. IGST credit → IGST first, then CGST/SGST in any order (Rule 88A). CGST credit → CGST + IGST. SGST credit → SGST + IGST. Cess → cess only.

Interest: Sec. 50(1) 18% on delayed tax; Sec. 50(3) 24% on ITC wrongly availed and utilised (Rule 88B); Sec. 56 6% on delayed refund.

Returns: GSTR-3B by 20th; QRMP monthly payment by 25th.

TDS: Sec. 51, 2%, ₹2.5 lakh threshold, deposit by 10th. **TCS:** Sec. 52, e-commerce operators, 0.5% (verify).

Transfer of ITC: Sec. 53, Rule 41, FORM GST ITC-02.

Restrictions: Rule 86A blocking; Rule 86B 99% cap.

Payment of tax is a scoring chapter provided you internalise the utilisation matrix and the three interest rates. Practise at least ten multi-head problems until the ordering becomes automatic.

◆ ◆ ◆

MODULE 11

TDS, TCS & Refunds under GST

11.1 Module Introduction

This module covers the two withholding mechanisms — TDS under Sec. 51 and TCS under Sec. 52 — and the recovery-side relief mechanism, refunds, under Sec. 54 to 58. Together they carry significant practical weight and a disproportionate share of case-study questions.

Syllabus Coverage Map

Area	Sub-Topics	Anchor
TDS	Notified deductors, rate, threshold, deposit, certificate, return	Sec. 51, Rule 66
TCS	E-commerce operators, rate, net taxable supplies, filing	Sec. 52, Rule 67
Refund — Grounds	Zero-rated, inverted duty, excess balance in cash ledger, provisional, excess payment	Sec. 54
Refund — Procedure	RFD-01, RFD-02, RFD-03, RFD-04, RFD-05, RFD-06, RFD-09	Rules 89–96
Refund — Formulae	Rule 89(4) zero-rated; Rule 89(5) inverted duty	Rules 89(4), 89(5)
Consumer Welfare Fund	Unjust enrichment; Sec. 57 and 58	Sec. 57, 58

11.2 Chapter — TDS (Sec. 51) & TCS (Sec. 52)

Important Definitions

Term	Meaning
Deductor	A notified person under Sec. 51(1) — a department or establishment of the Central/State Government, a local authority, a governmental agency, or a notified person.
Deductee	The supplier of goods or services to the deductor, whose payment is subject to deduction.
TCS Collector	An electronic commerce operator required to collect tax at source under Sec. 52.
Net Taxable Supplies	Taxable supplies made through the e-commerce operator, net of returns.

TDS and TCS — Side by Side

Particulars	TDS — Sec. 51	TCS — Sec. 52
Applicability	Notified deductor making payment to a supplier	Electronic commerce operator
Rate	**2% (1% CGST + 1% SGST/UTGST; 2% IGST for inter-State)**	**0.5% total — verify current notification**
Threshold	**₹2,50,000 per contract**	No monetary threshold
Payment due date	10th of the following month	10th of the following month
Return	FORM GSTR-7 (by the 10th)	FORM GSTR-8 (by the 10th)
Certificate	FORM GSTR-7A	Statement in GSTR-8
Credit to deductee	Reflected in the deductee's electronic cash ledger	Reflected in the supplier's cash ledger

EXAM ALERT · CRITICAL POINTS

- The TDS amount is credited to the deductee's **Electronic Cash Ledger** — not the credit ledger.
- The deductor must issue a TDS certificate in **FORM GSTR-7A** within 5 days of crediting the amount.
- Where the deductee has no GST registration, the deductor must still deduct and deposit; the deductee can claim a refund.
- TCS applies to **net taxable supplies** — returns and cancellations must be netted off.

Compliance, Procedural Requirements & Due Dates

Compliance	Form	Due Date
TDS return	GSTR-7	10th of the following month
TDS certificate	GSTR-7A	Within 5 days of crediting the amount
TCS statement	GSTR-8	10th of the following month
Registration by deductor	FORM GST REG-07	Before deducting tax

11.3 Chapter — Refunds (Sec. 54–58)

Chapter Overview

Refund is the taxpayer's remedy for excess or unintended tax outflow. The chapter is heavily procedural and heavily computational. The examiner's favourite combination is zero-rated supply refund or inverted duty structure refund, with a follow-up on relevant date and time limit.

Important Definitions

Term	Meaning
Relevant Date	Defined in the Explanation to Sec. 54. Determines the starting point of the two-year limitation period. Varies with the nature of the refund claim.
Zero-rated Supply	Export of goods/services and supply to a Special Economic Zone developer or unit for authorised operations.
Inverted Duty Structure	A situation where the rate of tax on inputs is higher than the rate on output supplies — generating accumulated ITC.
Unjust Enrichment	The principle that a refund should not be granted where the incidence of tax has been passed on to the consumer — Sec. 54(8) proviso and Sec. 57.

Grounds for Refund

Ground	Provision	Key Point
Excess tax paid	Sec. 54(1)	Two years from the relevant date
Zero-rated supply without payment of tax	Sec. 54(3)(i)	Refund of unutilised ITC
Inverted duty structure	Sec. 54(3)(ii)	Refund of unutilised ITC
Excess balance in Electronic Cash Ledger	Sec. 54(1) proviso	Refund of the balance at the end of the tax period
Provisional refund on zero-rated supplies	Sec. 54(2)	90% of the claim, within 7 days of acknowledgement
Refund to UN bodies, embassies, etc.	Sec. 55	Notified persons, subject to conditions

Refund Formulae — Memorise These Two

RULE 89(4) — ZERO-RATED SUPPLY (WITHOUT PAYMENT OF TAX)

```
Refund Amount = (Turnover of zero-rated supply × Net ITC) ÷ Adjusted Total
Turnover

Where:
  Net ITC                 = ITC availed on inputs and input services
  Adjusted Total Turnover = Turnover in the State/UT excluding exempt supplies
                            and excluding zero-rated supplies on which IGST was
paid
```

RULE 89(5) — INVERTED DUTY STRUCTURE

```
Refund Amount = (Turnover of inverted rated supply × Net ITC ÷ Adjusted Total
Turnover)
                – Tax payable on such inverted rated supply
```

CONCEPTUAL TRAP

In Rule 89(5), the subtraction of *tax payable on the inverted rated supply* is mandatory. Students frequently omit this deduction and overstate the refund. Rule 89(4) does **not** have this deduction — the two formulae are not symmetrical.

Procedural Flow — Refund Application

Application in FORM GST RFD-01 ➜ **Acknowledgement — RFD-02** ➜ **Deficiency memo — RFD-03** ➜ **Provisional refund — RFD-04 (90%)** ➜ **Payment order — RFD-05** ➜ **Sanction order — RFD-06**

Time Limits & Due Dates

Particulars	Time Limit
Application for refund (Sec. 54(1))	**2 years from the relevant date**
Provisional refund sanction (Sec. 54(2))	**Within 7 days of acknowledgement**
Interest on delayed refund (Sec. 56)	**6% p.a. after 60 days from the date of application**
Order sanctioning refund	Within 60 days of receipt of a complete application

Relevant Date — Quick Reference

Situation	Relevant Date
Goods exported by sea or air	Date on which the ship or aircraft leaves India
Goods exported by land	Date on which the goods pass the frontier
Goods exported by post	Date of despatch of goods by the post office
Services exported	Date of receipt of payment, or date of issue of invoice, whichever is later
Deemed export	Date of return relating to the period in which the return is furnished
Refund of unutilised ITC	Due date for furnishing the return under Sec. 39 for the period in which the claim arises
Tax paid under protest / excess payment	Date of payment of tax

AMENDMENT · WATCH-POINTS

- Rule 89(5) — amended following the Gujarat High Court's decision in *VKC Footsteps India Pvt. Ltd.* The Supreme Court in *Union of India v. VKC Footsteps India Pvt. Ltd. (2021)* upheld the constitutionality of Rule 89(5) as amended.
- Rule 96(10) — restrictions on refund of IGST paid on exports. Multiple amendments; verify the position in force.
- Time limit for filing refund of ITC — held to run from the due date of the return for the period.

Common Student Mistakes

Wrong: Omitting the deduction of "tax payable on inverted rated supply" in Rule 89(5).

Right: Always deduct it — the formula is a two-step computation.

Wrong: Using the invoice date as the relevant date for exported services.

Right: Use the later of the date of receipt of payment and the date of issue of invoice.

Wrong: Computing interest under Sec. 56 from the date of application.

Right: From the date immediately after the expiry of 60 days from the date of receipt of the application.

Memory Tricks & Mnemonics

Refund timeline ("2 – 7 – 60 – 6"): 2 years to apply · 7 days for provisional 90% · 60 days before interest starts · 6% interest rate.
Two formulae ("4 has no minus, 5 has a minus"): Rule 89(4) → no deduction. Rule 89(5) → deduct tax payable on inverted rated supply.

Worked Examples & Case Studies

ILLUSTRATION 11.1 · SIMPLE · TDS COMPUTATION

Question: A Government department pays a contractor ₹12,00,000 (exclusive of GST) under a single contract in September 2025. Compute TDS and state the deposit due date.

SOLUTION

```
Contract value ₹12,00,000 > ₹2,50,000 → TDS applicable.

TDS @ 2% = ₹12,00,000 × 2% = ₹24,000
  (CGST ₹12,000 + SGST ₹12,000 – intra-State supply)

Due date of deposit: 10th October 2025
Return: FORM GSTR-7
Certificate: FORM GSTR-7A within 5 days of crediting

FINAL ANSWER – TDS = ₹24,000 (CGST ₹12,000 + SGST ₹12,000)
```

ILLUSTRATION 11.2 · EXAMINATION LEVEL · REFUND UNDER RULE 89(4)

Question: M/s Omega Ltd. made zero-rated supplies (without payment of IGST) of ₹40,00,000 during the relevant period. Its adjusted total turnover was ₹80,00,000 and net ITC availed was ₹12,00,000. Compute the refund.

COMPUTATION

```
Formula (Rule 89(4)):
Refund = (Turnover of zero-rated supply × Net ITC) ÷ Adjusted Total
Turnover

= (40,00,000 × 12,00,000) ÷ 80,00,000
= 4,80,00,00,00,000 ÷ 80,00,000
= ₹6,00,000

FINAL ANSWER – Refund admissible = ₹6,00,000
```

ILLUSTRATION 11.3 · ADVANCED · INVERTED DUTY STRUCTURE UNDER RULE 89(5)

Question: M/s Sigma Ltd. supplies goods taxable at 5% while its inputs attract 18%. For the relevant period:

- Turnover of inverted rated supply: ₹25,00,000
- Adjusted total turnover: ₹50,00,000
- Net ITC: ₹9,00,000
- Tax payable on inverted rated supply: ₹1,25,000

STEP-WISE SOLUTION

```
Step 1 – Apply Rule 89(5):

Refund = (Turnover of inverted rated supply × Net ITC ÷ Adjusted Total
Turnover)
         – Tax payable on inverted rated supply

Step 2 – Substitute:

= (25,00,000 × 9,00,000 ÷ 50,00,000) – 1,25,000
= (2,25,00,00,00,000 ÷ 50,00,000) – 1,25,000
= 4,50,000 – 1,25,000
= ₹3,25,000

FINAL ANSWER – Refund admissible = ₹3,25,000

Note: Had the student omitted the deduction, the answer would wrongly
      have been ₹4,50,000 – a classic exam trap.
```

ILLUSTRATION 11.4 · CASE STUDY · INTEREST ON DELAYED REFUND

Question: M/s Theta Ltd. filed a refund application on 1 April 2025. The refund of ₹5,00,000 was sanctioned and paid on 15 September 2025. Compute interest under Sec. 56.

COMPUTATION

```
Step 1 – The 60-day period ends on 31 May 2025.
Step 2 – Interest runs from 1 June 2025.
Step 3 – Period from 1 June 2025 to 15 September 2025:
         June 30 + July 31 + August 31 + September 15 = 107 days

Interest = 5,00,000 × 6% × 107/365
         = 5,00,000 × 0.06 × 0.29315
         = ₹8,794.52

FINAL ANSWER – Interest under Sec. 56 ≈ ₹8,795
```

MODULE 11 · WRAP-UP

Mind Map, Revision Points & Questions

A. Chapter Mind Map

- **TDS, TCS & REFUNDS**
  - TDS (Sec. 51) — 2%, ₹2.5 lakh, GSTR-7, GSTR-7A, credit to cash ledger
  - TCS (Sec. 52) — e-commerce operators, GSTR-8, 0.5%
  - Refunds (Sec. 54–58) — grounds, relevant date, 2-year limit, Rule 89(4) & 89(5), RFD forms, Sec. 56 interest, unjust enrichment

B. Top 25 Revision Points

1. TDS rate 2% (1% + 1%).
2. TDS threshold ₹2,50,000 per contract.
3. TDS return is GSTR-7, by the 10th.
4. TDS certificate is GSTR-7A, within 5 days.
5. TDS credit goes to the cash ledger.
6. Deductor registers in FORM GST REG-07.
7. TCS is collected by e-commerce operators.
8. TCS return is GSTR-8, by the 10th.
9. TCS applies to net taxable supplies.
10. Refund application within 2 years.
11. Relevant date varies by situation.
12. Provisional refund 90% in 7 days.
13. Rule 89(4) — zero-rated formula.
14. Rule 89(5) — inverted duty formula.
15. Rule 89(5) requires deduction of tax payable.
16. Rule 89(4) has no such deduction.
17. RFD-01 is the application.
18. RFD-02 is the acknowledgement.
19. RFD-05 is the payment order.
20. RFD-06 is the sanction order.
21. RFD-09 is the rejection order.
22. Interest on delayed refund 6% p.a.
23. Interest starts after 60 days.
24. Unjust enrichment — Sec. 57.
25. Consumer Welfare Fund — Sec. 57, 58.

C. Top 10 Examination Questions

1. Compute the refund under Rule 89(4) for zero-rated supplies. **10 MARKS**
2. Compute the refund under Rule 89(5) for an inverted duty structure. **10 MARKS**
3. Explain the provisions of TDS under Sec. 51 with an illustration. **5 MARKS**
4. Explain TCS under Sec. 52. **5 MARKS**
5. What is the "relevant date" for refund? Explain with examples. **5 MARKS**
6. Discuss the doctrine of unjust enrichment in GST refunds. **5 MARKS**

7. Explain provisional refund under Sec. 54(2). 5 MARKS
8. Compute interest on delayed refund under Sec. 56. 5 MARKS
9. Explain the refund procedure with reference to the RFD forms. 10 MARKS
10. Case study: zero-rated supply with partial IGST payment and partial ITC refund. 15 MARKS

D. Expected December 2026 Questions

- Rule 89(5) computation — very high probability.
- Rule 89(4) computation with a twist (partial export on payment of IGST).
- TDS computation combined with the ₹2.5 lakh threshold and multiple contracts.
- Relevant date short note.
- Interest under Sec. 56 computation.

E. Formula & Limit Sheet

Item	Value / Formula
Rule 89(4) refund	**(Zero-rated turnover × Net ITC) ÷ Adjusted Total Turnover**
Rule 89(5) refund	**(Inverted rated turnover × Net ITC ÷ Adjusted Total Turnover) − Tax payable on inverted supply**
Refund time limit	**2 years from relevant date**
Provisional refund	**90% within 7 days**
Interest on delayed refund	**6% p.a. after 60 days**
TDS rate / threshold	**2% / ₹2,50,000**

F. Quick Revision Notes

LAST-DAY REVISION

- **2 – 7 – 60 – 6** — the refund timeline.
- **89(4) no minus, 89(5) minus.**
- **TDS → cash ledger.**
- **GSTR-7 and GSTR-8 by the 10th.**
- **RFD-01 to RFD-09** — know at least 01, 02, 05, 06, 09.

G. One Page Summary

MODULE 11 · ONE PAGE SUMMARY

TDS: Sec. 51 · 2% · ₹2.5 lakh per contract · GSTR-7 by 10th · GSTR-7A in 5 days · credit to cash ledger · registration in REG-07.

TCS: Sec. 52 · e-commerce operators · 0.5% (verify) · GSTR-8 by 10th.

Refund grounds: Sec. 54(1) excess tax; 54(2) provisional 90%; 54(3) zero-rated and inverted duty.

Formulae: Rule 89(4) — no deduction. Rule 89(5) — deduct tax payable on inverted supply.

Timeline: 2 years to apply · 7 days for provisional · 60 days before interest · 6% interest.

Relevant date: Varies — export by sea (ship leaves India), by land (crosses frontier), services (later of payment or invoice), ITC refund (due date of return).

Unjust enrichment: Sec. 57 — refunds to the Consumer Welfare Fund where the incidence has been passed on.

MODULE 12

Assessment and Audit under GST

12.1 Module Introduction

Assessment is the process by which the correct liability of a taxpayer is determined. GST follows a self-assessment model, with the department intervening only in defined circumstances — scrutiny, non-filing, unregistered persons, special cases, audit and special audit. This module is largely theoretical but is a reliable source of 5-mark and 10-mark questions.

Syllabus Coverage Map

Section	Type of Assessment / Audit	Trigger
59	Self-assessment	Every registered person, on filing the return
60	Provisional assessment	Request by the taxpayer; bond and security
61	Scrutiny of returns	Discrepancy noticed by the proper officer
62	Assessment of non-filers	Failure to furnish return despite notice
63	Assessment of unregistered persons	Taxable person liable to register but not registered
64	Summary assessment	Evidence of tax liability; protective assessment
65	Audit by tax authorities	General audit programme
66	Special audit	Complexity; direction by the Assistant/Deputy Commissioner

12.2 Chapter — Assessment and Audit

Chapter Overview

The chapter sets out a ladder of intervention: self-assessment is the norm; scrutiny is a light-touch verification; best-judgment assessments apply where the taxpayer defaults; summary assessment applies in urgent protective cases; and audit (general and special) is the deep-dive tool. Understanding which provision applies to which fact pattern is the core exam skill.

Learning Objectives

- Explain the self-assessment mechanism and its consequences.
- Distinguish provisional assessment from summary assessment.
- State the time limits under Sec. 61, 62, 63, 64 and 65.
- Explain the procedure and timeline for audit under Sec. 65 and special audit under Sec. 66.
- Identify the forms used — ASMT-01 to ASMT-14, ADT-01 to ADT-04.

Important Definitions

Term	Meaning
Self-assessment	The taxpayer himself computes and pays tax and files the return under Sec. 39. No order is passed.
Provisional Assessment	Assessment on a provisional basis at the taxpayer's request, subject to execution of a bond and furnishing of security.
Scrutiny	Examination of returns by the proper officer to verify correctness; the taxpayer must explain discrepancies within 30 days.
Best Judgment Assessment	Assessment made by the officer based on his own judgment where the taxpayer has failed to file returns or is unregistered.
Summary Assessment	Assessment made on the basis of evidence showing liability, with prior permission of the Additional/Joint Commissioner.
Special Audit	Audit conducted by a Chartered Accountant or Cost Accountant nominated by the Commissioner, in complex cases.

Provision-wise Analysis

Sec.	Provision	Procedure	Time Limit
59	Self-assessment	Taxpayer computes and pays tax; files return	As per return due dates
60	Provisional assessment	ASMT-01 → ASMT-04 → ASMT-05 → ASMT-07	Final assessment within 6 months, extendable
61	Scrutiny	ASMT-10 → ASMT-11 → ASMT-12	**30 days to reply**
62	Non-filers	GSTR-3A → ASMT-13	**5 years; withdrawn if return filed within 30 days**
63	Unregistered	Assessment of tax payable by an unregistered person	**5 years from the annual return due date**
64	Summary assessment	With prior permission of the Addl./Joint Commissioner; ASMT-14	Taxpayer may file a return within 30 days
65	Audit by tax authorities	ADT-01 → ADT-02 → ADT-03	**3 months + 6 months extension**
66	Special audit	Direction by the Asst./Dy. Commissioner with prior approval of the Commissioner; CA or CMA	**90 days + 90 days extension**

EXAM ALERT · HIGH-YIELD POINTS

- Sec. 62 — the assessment is **deemed withdrawn** if the taxpayer files the return within 30 days of the notice.
- Sec. 65 — the audit notice must be given at least **15 days** before the audit; the audit report is in **FORM GST ADT-02**; the taxpayer's reply is in **ADT-03**.
- Sec. 66 — special audit is conducted by a **Chartered Accountant or Cost Accountant**.
- Sec. 61 — the reply period is **30 days**, extendable by a further 30 days.

Process Flow — Audit under Sec. 65

Process Flow — Scrutiny under Sec. 61

Return filed → Discrepancy noticed → Notice ASMT-10 → Reply ASMT-11 (30 days) → Accepted → ASMT-12 / Not accepted → Sec. 73/74

Forms — Consolidated Reference

Form	Purpose
GST ASMT-01	Application for provisional assessment
GST ASMT-02	Notice seeking further information
GST ASMT-03	Reply to the notice
GST ASMT-04	Order of provisional assessment
GST ASMT-05	Bond for provisional assessment
GST ASMT-06	Notice for final assessment
GST ASMT-07	Order of final assessment
GST ASMT-10	Notice of discrepancy on scrutiny
GST ASMT-11	Reply to the scrutiny notice
GST ASMT-12	Order accepting the reply
GST ASMT-13	Assessment order under Sec. 62/63
GST ASMT-14	Summary assessment order
GST ADT-01	Notice of audit under Sec. 65
GST ADT-02	Audit findings
GST ADT-03	Reply to audit findings
GST ADT-04	Audit report under Sec. 66 (special audit)

AMENDMENT · WATCH-POINTS

- Sec. 62 — the time limit for best-judgment assessment substituted to **five years**; the **30-day withdrawal window** was introduced by the Finance Act 2023.
- Sec. 63 — time limit aligned to **five years**.
- Sec. 65 — audit completion period of **three months, extendable by six months**, substituted by the Finance Act 2021.
- Sec. 64 — the summary assessment order is now appealable.

CROSS-LINK TO CUSTOMS

Customs has its own assessment framework under Sec. 17 (self-assessment), Sec. 18 (provisional assessment on a bond), Sec. 28 (notice for short levy) and Sec. 28A (recovery). Audit in Customs is conducted under Sec. 99A by Customs Audit Commissioners. Prepare a two-column comparison table for exam questions.

Common Student Mistakes

Wrong: Confusing Sec. 62 and Sec. 63.

Right: Sec. 62 → registered person who failed to file. Sec. 63 → person liable to register but unregistered.

Wrong: Stating that provisional assessment requires only an informal request.

Right: It requires ASMT-01, an order in ASMT-04, and a bond with security in ASMT-05.

Wrong: Stating that special audit is conducted by the departmental officer.

Right: It is conducted by a Chartered Accountant or Cost Accountant nominated by the Commissioner.

Memory Tricks & Mnemonics

Assessment ladder ("S-P-S-N-U-S"): Self (59) → Provisional (60) → Scrutiny (61) → Non-filers (62) → Unregistered (63) → Summary (64).
Audit numbers ("3-6, 90-90, 30"): Sec. 65 audit → 3 + 6 months. Sec. 66 special audit → 90 + 90 days. Sec. 61 scrutiny reply → 30 days.
"ASMT is Assessment, ADT is AuDiT": All assessment forms are ASMT-xx; all audit forms are ADT-xx.

Worked Examples & Case Studies

ILLUSTRATION 12.1 · SIMPLE · IDENTIFYING THE CORRECT PROVISION

Question: M/s Upsilon Ltd., a registered person, failed to file GSTR-3B for three consecutive months despite a notice in FORM GSTR-3A. The officer proceeded to assess. Which section applies, and what is the remedy?

SOLUTION

```
Provision: Section 62 – Assessment of non-filers of returns.

Nature: Best judgment assessment, order in FORM GST ASMT-13.

Remedy: If the taxpayer files the valid return within 30 days of the
        notice, the assessment is DEEMED WITHDRAWN.

Time limit for the officer: Within 5 years from the due date of the
        annual return for the financial year to which the tax relates.

FINAL ANSWER – Sec. 62 applies; the 30-day filing window withdraws the
assessment.
```

ILLUSTRATION 12.2 · EXAMINATION LEVEL · AUDIT TIMELINE

Question: The proper officer issued a notice in FORM GST ADT-01 on 1 June 2025 to audit M/s Phi Ltd. The audit commenced on 20 June 2025. By what date must the audit be completed, and what is the maximum extension?

WORKING NOTES

```
Step 1 – Rule 101(1): notice must be issued at least 15 days before the
audit.
         1 June + 15 days = 16 June. Audit commencing 20 June is valid.

Step 2 – Sec. 65(4): audit must be completed within 3 months from the
         date of commencement.
         20 June 2025 + 3 months = 20 September 2025.

Step 3 – Extension: The Commissioner may extend by a further period
         not exceeding 6 months.
         Maximum outer limit = 20 March 2026.

FINAL ANSWER – Completion by 20 September 2025; outermost limit 20 March
2026.
```

ILLUSTRATION 12.3 · PRACTICAL CASE STUDY · SCRUTINY UNDER SEC. 61

Question: On scrutiny of the GSTR-3B of M/s Chi Ltd. for August 2025, the officer noticed that ITC claimed exceeded the ITC appearing in GSTR-2B by ₹2,00,000. A notice in FORM GST ASMT-10 was issued on 15 December 2025. What is the taxpayer's timeline and options?

STEP-WISE SOLUTION

Step 1 – The taxpayer must furnish an explanation in FORM GST ASMT-11 within 30 days of receipt of the notice, i.e. by 14 January 2026 (extendable by a further 30 days).

Step 2 – Options available:
(a) Accept the discrepancy and pay the tax with interest; or
(b) Contest the discrepancy with documentary evidence; or
(c) Partly accept and partly contest.

Step 3 – Officer's response:
(a) If satisfied → order in FORM GST ASMT-12;
(b) If not satisfied → initiate proceedings under Sec. 73 or 74.

FINAL ANSWER – Reply by 14 January 2026 in FORM GST ASMT-11.

MODULE 12 · WRAP-UP

Mind Map, Revision Points & Questions

A. Chapter Mind Map

- **ASSESSMENT & AUDIT (Sec. 59–66)**
  - Assessments — Self (59) · Provisional (60) · Scrutiny (61) · Non-filers (62) · Unregistered (63) · Summary (64)
  - Audits — General (65: ADT-01/02/03; 3+6 months) · Special (66: CA/CMA; 90+90 days; ADT-04)

B. Top 25 Revision Points

1. Self-assessment is the default — Sec. 59.
2. Provisional assessment requires a bond and security.
3. Provisional assessment application is ASMT-01.
4. Provisional assessment order is ASMT-04.
5. Final assessment order is ASMT-07.
6. Scrutiny notice is ASMT-10.
7. Scrutiny reply is ASMT-11.
8. Scrutiny reply period is 30 days.
9. Scrutiny acceptance order is ASMT-12.
10. Best judgment (non-filers) is Sec. 62.
11. Sec. 62 time limit is 5 years.
12. Sec. 62 assessment withdrawn if return filed within 30 days.
13. Unregistered persons — Sec. 63, 5 years.
14. Summary assessment — Sec. 64.
15. Summary assessment needs prior permission.
16. Summary assessment order is ASMT-14.
17. General audit — Sec. 65.
18. Audit notice is ADT-01, at least 15 days prior.
19. Audit findings are ADT-02.
20. Audit completion is 3 months + 6 months.
21. Special audit — Sec. 66.
22. Special audit by a CA or CMA.
23. Special audit report in 90 days + 90 days.
24. Special audit report form is ADT-04.
25. Unsatisfactory scrutiny → Sec. 73/74.

C. Top 10 Examination Questions

1. Explain the different types of assessment under GST. **10 MARKS**
2. Explain the provisions relating to scrutiny of returns under Sec. 61. **5 MARKS**
3. Explain provisional assessment under Sec. 60. **5 MARKS**
4. Explain the provisions relating to audit under Sec. 65. **10 MARKS**
5. Explain special audit under Sec. 66. **5 MARKS**

6. Distinguish Sec. 62 and Sec. 63. 5 MARKS
7. Explain summary assessment under Sec. 64. 5 MARKS
8. List the forms used in assessment and audit. 5 MARKS
9. Case study: non-filing of returns and the officer's powers. 10 MARKS
10. Compare assessment under GST with assessment under Customs. 10 MARKS

D. Expected December 2026 Questions

- Sec. 62 with the 5-year and 30-day amendments — very high probability.
- Sec. 65 audit timeline — high probability.
- Distinguish Sec. 60 and Sec. 64 — moderate probability.
- Forms-based question (ASMT and ADT series) — moderate probability.

E. Formula & Limit Sheet

Item	Limit
Sec. 62 / 63 time limit	**5 years from the due date of the annual return**
Sec. 62 withdrawal window	**30 days**
Sec. 61 reply period	**30 days (+ 30 days extension)**
Sec. 65 audit completion	**3 months + 6 months**
Sec. 65 notice period	**15 days before the audit**
Sec. 66 special audit report	**90 days + 90 days**
Sec. 60 final assessment	**6 months from the date of the provisional order**

F. Quick Revision Notes

LAST-DAY REVISION

- **Self → Provisional → Scrutiny → Non-filer → Unregistered → Summary.**
- **5 years** for Sec. 62 and 63.
- **30 days** — the recurring number: scrutiny reply, Sec. 62 withdrawal, Sec. 64 return.
- **3 + 6** for general audit; **90 + 90** for special audit.
- **ASMT = assessment, ADT = audit.**

G. One Page Summary

MODULE 12 · ONE PAGE SUMMARY

Sec. 59: Self-assessment is the norm.

Sec. 60: Provisional assessment — ASMT-01, order ASMT-04, bond ASMT-05, final order ASMT-07 within 6 months.

Sec. 61: Scrutiny — ASMT-10 notice, ASMT-11 reply within 30 days, ASMT-12 acceptance; else Sec. 73/74.

Sec. 62: Non-filers — GSTR-3A notice, ASMT-13 order, 5-year limit, deemed withdrawn on filing within 30 days.

Sec. 63: Unregistered persons — 5-year limit.

Sec. 64: Summary assessment — prior permission of the Addl./Joint Commissioner, ASMT-14.

Sec. 65: Audit — ADT-01 notice 15 days prior, ADT-02 findings, ADT-03 reply, completion in 3 + 6 months.

Sec. 66: Special audit — by a CA or CMA, ADT-04 report within 90 + 90 days.

MODULE 13

Demands and Recovery under GST

13.1 Module Introduction

Once an assessment or audit throws up a short payment, the machinery of Sec. 73 to 84 comes into play. This module covers determination of tax, penalties on short payment, recovery mechanisms and protective powers such as provisional attachment. It is the highest-yield theoretical module in the GST section.

Syllabus Coverage Map

Area	Sub-Topics	Anchor
Demand — Non-fraud	Time limit, notice, penalty, voluntary payment	Sec. 73
Demand — Fraud	Suppression, misstatement, 5-year limit, penalty	Sec. 74
General provisions	Sec. 75 — period of stay, payment before order, self-assessed tax	Sec. 75
Recovery	Modes of recovery, instalments, first charge, provisional attachment	Sec. 78–84

13.2 Chapter — Demands and Recovery

Chapter Overview

The chapter draws a sharp line between inadvertent default (Sec. 73) and deliberate default (Sec. 74). The distinction drives the limitation period, the penalty rate and the settlement window. Recovery follows only after a demand becomes payable, and is subject to safeguards — instalments, appeal stay, provisional attachment limits.

Important Definitions

Term	Meaning
Determination of Tax	The process by which the proper officer ascertains the tax not paid, short paid, erroneously refunded, or ITC wrongly availed or utilised.
Suppression	Non-disclosure of facts material to the determination of tax — the trigger for the extended five-year period under Sec. 74.
Provisional Attachment	Attachment of property, including bank accounts, during the pendency of proceedings.
First Charge	Tax, interest and penalty payable under GST constitute the first charge on the property of the taxable person (Sec. 82).
Garnishee Proceedings	Recovery of dues from a third party who holds money on behalf of the defaulter.

Sec. 73 vs Sec. 74 — The Core Comparison

Particulars	Sec. 73 — Non-fraud	Sec. 74 — Fraud
Trigger	Tax not paid, short paid, erroneously refunded, ITC wrongly availed — for any reason other than fraud	Reason of fraud, wilful misstatement or suppression of facts
Limitation period	**3 years from the due date of the annual return**	**5 years from the due date of the annual return**
Penalty	**10% of tax or ₹10,000, whichever is higher**	**100% of tax**
No penalty if paid before notice	Yes — pay tax with interest	Not available
Reduced penalty on payment within 30 days of notice	**15% of tax**	**15% of tax**
Reduced penalty on payment within 30 days of order	—	**25% of tax**
Notice form	GST DRC-01	GST DRC-01
Order form	GST DRC-07	GST DRC-07

EXAM ALERT · HIGH-YIELD POINTS

- Sec. 73(1) proviso — where the taxpayer pays the tax with interest **before** issue of notice, **no penalty** is payable.
- Sec. 74(5) — where the taxpayer pays the tax with interest and a **15% penalty** within 30 days of notice, proceedings are deemed concluded.
- Sec. 74(8) — where the taxpayer pays within 30 days of the order, the penalty is **25%**.
- Sec. 75(12) — self-assessed tax and amounts declared in returns but not paid may be recovered **without any notice**.
- Sec. 75(13) — recovery of amounts collected as tax but not deposited.

Recovery — Sec. 79 Modes

Clause	Mode of Recovery
(a)	Deduction from any money owed to the defaulter by the department or any person
(b)	Recovery from any person from whom money is due or may become due to the defaulter
(c)	Detaining and selling goods belonging to the defaulter
(d)	Garnishee proceedings — requiring a third party to pay the department
(e)	Stopping clearance of goods from the factory or warehouse
(f)	Directing the Collector of the district to recover as arrears of land revenue
(g)	Any other mode of recovery prescribed

Protective and Ancillary Provisions

Sec.	Provision	Key Content
78	Initiation of recovery proceedings	No recovery until the period for appeal has expired, or the appeal has been disposed of
79	Recovery of tax	Seven modes of recovery as tabulated above
80	Payment in instalments	Commissioner or authorised officer may permit payment in instalments, up to **24 months**, on security
81	Transfer of property void	A transfer of property made with intent to defeat a demand is void
82	Tax to be first charge	First charge on the property, except during insolvency proceedings under the IBC
83	Provisional attachment	Commissioner may provisionally attach property during the pendency of proceedings, for a period not exceeding **one year**
84	Continuation of recovery	Where an order is transferred or modified, recovery continues as per the modified order

Demand and Recovery Process Flow

Default detected → **Statement in FORM GST DRC-01 / DRC-01A** → **Taxpayer reply (DRC-06)** →
Order in FORM GST DRC-07 → **Summary in DRC-08** → **Recovery under Sec. 79 if unpaid**

Time Limits, Due Dates & Threshold Limits

Particulars	Limit
Sec. 73 — limitation	**3 years from the due date of the annual return**
Sec. 74 — limitation	**5 years from the due date of the annual return**
Sec. 73 — penalty	**10% of tax or ₹10,000, whichever is higher**
Sec. 74 — penalty	**100% of tax**
Reduced penalty — within 30 days of notice	**15%**
Reduced penalty — within 30 days of order (Sec. 74)	**25%**
Instalment facility (Sec. 80)	**Up to 24 months**
Provisional attachment (Sec. 83)	**1 year, extendable**

AMENDMENT · WATCH-POINTS

- Sec. 74A — inserted by the Finance Act 2024, providing a distinct framework for demands relating to ITC wrongly availed or utilised and tax wrongly collected.
- Sec. 75(2) — the third proviso was omitted by the Finance Act 2023.
- Sec. 83 — the extension of the provisional attachment period was amended by the Finance Act 2023 to permit extension by the Commissioner.
- Sec. 82 — the first-charge provision was amended to carve out proceedings under the Insolvency and Bankruptcy Code, 2016.

CROSS-LINK TO CUSTOMS

Customs demand provisions are found in Sec. 28 of the Customs Act, 1962 — a **two-year** period for non-fraud cases and **five years** for collusion, wilful misstatement or suppression of facts. Recovery is under Sec. 142. Provisional attachment appears in Sec. 28BA.

Common Student Mistakes

Wrong: Stating the Sec. 73 penalty as 100%.

Right: Sec. 73 → 10% or ₹10,000, whichever is higher. Sec. 74 → 100%.

Wrong: Saying no penalty is payable at all if tax is paid after the notice.

Right: A 15% penalty applies if paid within 30 days of notice.

Wrong: Stating that Sec. 83 attachment can continue indefinitely.

Right: Maximum one year, extendable by the Commissioner.

Wrong: Confusing the limitation period with the date of the order.

Right: The limitation runs from the due date of the annual return for the financial year in question.

Memory Tricks & Mnemonics

73 vs 74 ("3 and 10, 5 and 100"): Sec. 73 → 3 years, 10% penalty. Sec. 74 → 5 years, 100% penalty.
Reduced penalty ("15 then 25"): Within 30 days of notice → 15%. Within 30 days of order → 25%.
Recovery modes ("D-R-S-G-C-L-A"): Deduct · Recover from debtor · Sell goods · Garnishee · Clearance stop · Land revenue · Any other mode.
Protective provisions ("80 months, 82 charge, 83 attach"): 24 months instalments, first charge, one-year attachment.

Worked Examples & Case Studies

ILLUSTRATION 13.1 · SIMPLE · CHOOSING BETWEEN SEC. 73 AND SEC. 74

Question: On verification, it was found that M/s Psi Ltd. had short-paid GST of ₹4,00,000 for FY 2023-24 owing to a clerical error in the invoice series. The annual return for FY 2023-24 was due on 31 December 2024. Which section applies, what is the limitation date, and what is the penalty if the company pays before any notice?

SOLUTION

```
Step 1 – Nature of default: clerical error, no fraud, no suppression
         → Section 73 applies.

Step 2 – Limitation: 3 years from the due date of the annual return.
         Due date = 31 December 2024.
         Limitation expires = 31 December 2027.

Step 3 – Penalty: Since the tax is paid with interest BEFORE issue
         of notice, the proviso to Sec. 73(1) applies → NO PENALTY.

FINAL ANSWER – Sec. 73 applies; limitation 31 December 2027;
               penalty NIL if paid before notice.
```

ILLUSTRATION 13.2 · EXAMINATION LEVEL · PENALTY COMPUTATION

Question: In the above case, assume instead that the department issued a notice under Sec. 73 on 1 March 2026 demanding ₹4,00,000. M/s Psi Ltd. paid the tax with interest on 25 March 2026. Compute the penalty.

COMPUTATION

```
Step 1 – Notice issued 1 March 2026.
Step 2 – Payment made 25 March 2026 → within 30 days of the notice.
Step 3 – Sec. 73(5): penalty reduced to 15% of tax.

Penalty = ₹4,00,000 × 15% = ₹60,000

FINAL ANSWER – Penalty payable = ₹60,000 (15% of tax)

Note: The ordinary penalty would be 10% of ₹4,00,000 = ₹40,000,
which is higher than ₹10,000. Where the taxpayer pays within 30 days
of notice, the concessional rate of 15% under Sec. 73(5) applies.
```

ILLUSTRATION 13.3 · ADVANCED · SEC. 74 WITH SUPPRESSION

Question: M/s Rho Ltd. suppressed outward supplies worth ₹50,00,000 (tax @18% = ₹9,00,000) for FY 2022-23. The annual return was due on 31 December 2023. A notice under Sec. 74 was issued on 1 June 2027. The company wishes to settle. Advise on the penalty if it pays (a) within 30 days of notice; (b) within 30 days of the order.

STEP-WISE SOLUTION

Step 1 – Limitation under Sec. 74: 5 years from the due date of the annual return.
Due date = 31 December 2023 → limitation expires 31 December 2028.
Notice on 1 June 2027 is WITHIN limitation. Valid.

Step 2 – Tax involved = ₹9,00,000. Penalty under Sec. 74 = 100% = ₹9,00,000.

Step 3 – Option (a): Payment within 30 days of notice.
Sec. 74(5) → penalty = 15% of ₹9,00,000 = ₹1,35,000.

Step 4 – Option (b): Payment within 30 days of the order.
Sec. 74(8) → penalty = 25% of ₹9,00,000 = ₹2,25,000.

FINAL ANSWER
(a) Penalty ₹1,35,000 (15%)
(b) Penalty ₹2,25,000 (25%)

ILLUSTRATION 13.4 · CASE STUDY · PROVISIONAL ATTACHMENT AND RECOVERY

Question: During an investigation into M/s Tau Ltd., the Commissioner formed the opinion that provisional attachment was necessary to protect the interests of revenue. An attachment order in FORM GST DRC-22 was issued on 1 April 2025 attaching a bank account with ₹15,00,000. Discuss the validity and the maximum period of attachment.

STEP-WISE SOLUTION

Step 1 – Sec. 83 permits provisional attachment of property, including bank accounts, during the pendency of proceedings.

Step 2 – Procedure: Rule 159 – order in FORM GST DRC-22, with a copy to the bank, which must freeze the operation of the account.

Step 3 – Period: The attachment ceases to have effect after the expiry of ONE YEAR from the date of the order, unless extended by the Commissioner. The taxpayer may file an objection in FORM GST DRC-22A.

Step 4 – In this case, the attachment was ordered on 1 April 2025, so it would ordinarily lapse on 31 March 2026 unless extended.

FINAL ANSWER – Attachment valid; maximum period one year from 1 April 2025, i.e. up to 31 March 2026, unless extended.

MODULE 13 · WRAP-UP

Mind Map, Revision Points & Questions

A. Chapter Mind Map

- **DEMANDS & RECOVERY (Sec. 73–84)**
  - Determination of Tax — Sec. 73 (3 years, 10%) · Sec. 74 (5 years, 100%) · Sec. 74A (ITC/wrong tax) · Sec. 75 (general)
  - Recovery — Sec. 78 initiation · Sec. 79 seven modes · Sec. 80 instalments (24 months) · Sec. 81 void transfer
  - Protective — Sec. 82 first charge (IBC carve-out) · Sec. 83 provisional attachment (1 year) · Sec. 84 continuation

B. Top 25 Revision Points

1. Sec. 73 — non-fraud demand.
2. Sec. 73 — 3 years from the annual return due date.
3. Sec. 73 — penalty 10% or ₹10,000.
4. Sec. 73 — no penalty if paid before notice.
5. Sec. 73 — 15% if paid within 30 days of notice.
6. Sec. 74 — fraud demand.
7. Sec. 74 — 5 years.
8. Sec. 74 — penalty 100%.
9. Sec. 74 — 15% within 30 days of notice.
10. Sec. 74 — 25% within 30 days of order.
11. Notice form — GST DRC-01.
12. Order form — GST DRC-07.
13. Reply form — GST DRC-06.
14. Sec. 75(12) — recovery without notice.
15. Sec. 78 — no recovery until appeal period expires.
16. Sec. 79 — seven modes of recovery.
17. Garnishee is a Sec. 79 mode.
18. Sec. 80 — instalments up to 24 months.
19. Sec. 81 — void transfer.
20. Sec. 82 — first charge.
21. Sec. 82 — IBC carve-out.
22. Sec. 83 — provisional attachment.
23. Sec. 83 — one year, extendable.
24. Rule 159 — FORM GST DRC-22.
25. Sec. 84 — continuation of recovery.

C. Top 10 Examination Questions

1. Distinguish Sec. 73 and Sec. 74 with respect to limitation and penalty. 10 MARKS
2. Explain the modes of recovery under Sec. 79. 10 MARKS
3. Explain provisional attachment under Sec. 83. 5 MARKS
4. Explain the first charge provision under Sec. 82. 5 MARKS

5. Explain Sec. 75(12) — recovery without notice. 5 MARKS
6. Explain the instalment facility under Sec. 80. 5 MARKS
7. Compute the penalty where tax is paid within 30 days of notice under Sec. 73. 5 MARKS
8. Compute the penalty under Sec. 74 in both settlement windows. 10 MARKS
9. Case study: investigation leading to a demand and provisional attachment. 15 MARKS
10. Compare demand and recovery under GST and Customs. 10 MARKS

D. Expected December 2026 Questions

- Sec. 73 vs Sec. 74 comparison — near-certain.
- Sec. 79 modes of recovery — high probability.
- Sec. 83 provisional attachment with Rule 159 — high probability.
- Sec. 74A (new provision) — moderate-to-high probability.
- Sec. 82 first charge with the IBC carve-out — moderate probability.

E. Formula & Limit Sheet

Item	Limit
Sec. 73 limitation	**3 years from the annual return due date**
Sec. 74 limitation	**5 years from the annual return due date**
Sec. 73 penalty	**10% or ₹10,000, whichever is higher**
Sec. 74 penalty	**100% of tax**
Reduced penalty (30 days of notice)	**15%**
Reduced penalty (30 days of order)	**25%**
Instalments	**Up to 24 months**
Provisional attachment	**1 year**

F. Quick Revision Notes

LAST-DAY REVISION

- **73 = 3 & 10. 74 = 5 & 100.**
- **15 then 25** — the two settlement windows.
- **No penalty** if paid before notice under Sec. 73.
- **Sec. 75(12)** — no notice needed for self-assessed tax.
- **Seven modes** under Sec. 79.
- **24 months** instalments; **1 year** attachment.
- **DRC-01 notice, DRC-07 order, DRC-22 attachment.**

G. One Page Summary

MODULE 13 · ONE PAGE SUMMARY

Sec. 73: Non-fraud demand · 3 years · penalty 10% or ₹10,000 · no penalty before notice · 15% within 30 days of notice.

Sec. 74: Fraud demand · 5 years · penalty 100% · 15% within 30 days of notice · 25% within 30 days of order.

Sec. 74A: ITC wrongly availed / tax wrongly collected — new framework; verify notified effect.

Sec. 75(12): Self-assessed tax and declared-but-unpaid amounts recoverable without notice.

Sec. 78: No recovery until the appeal period expires or the appeal is decided.

Sec. 79: Seven modes — deduction, recovery from debtor, sale of goods, garnishee, stop clearance, land revenue, any other mode.

Sec. 80: Instalments up to 24 months on security.

Sec. 82: First charge on property, subject to the IBC.

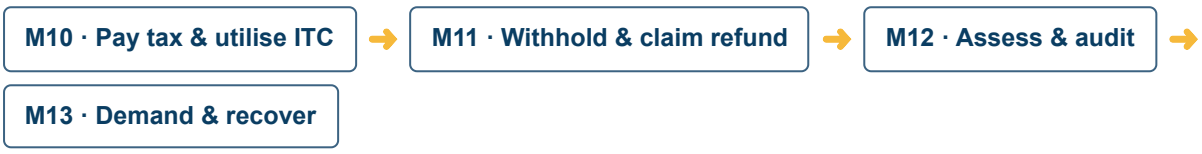
Sec. 83: Provisional attachment for one year, extendable; Rule 159, FORM GST DRC-22, objection in DRC-22A.

CONSOLIDATED TOOLKIT

Modules 10–13 Revision & Exam Guide

1. Complete Module Summary

Modules 10 to 13 together form the "compliance and enforcement" block of the GST syllabus. Module 10 governs how tax is paid and how ITC is utilised. Module 11 covers withholding (TDS/TCS) and the refund of excess tax. Module 12 covers how the department assesses and audits. Module 13 covers what happens when the assessment reveals a shortfall — demand and recovery.



2. Top 40 Important Examination Points

1. Three ledgers: PMT-01, PMT-02, PMT-05.
2. Debit order: Liability → Credit → Cash.
3. ITC only against tax.
4. IGST credit first (Rule 88A).
5. CGST ≠ SGST set-off.
6. Cess is ring-fenced.
7. Interest 18% (Sec. 50(1)).
8. Interest 24% (Sec. 50(3)).
9. Rule 88B — no interest on unutilised ITC.
10. Interest 6% on delayed refund.
11. Rule 86A — blocking of ITC.
12. Rule 86B — 99% cap.
13. TDS 2%, ₹2.5 lakh, GSTR-7.
14. TDS credit to cash ledger.
15. GSTR-7A within 5 days.
16. TCS by e-commerce operators, GSTR-8.
17. Refund within 2 years.
18. Relevant date varies by situation.
19. Provisional refund 90% in 7 days.
20. Rule 89(4) — no deduction.
21. Rule 89(5) — deduct tax payable.
22. RFD-01 application, RFD-02 acknowledgement.
23. RFD-05 payment, RFD-06 sanction, RFD-09 rejection.
24. Unjust enrichment — Sec. 57.
25. Consumer Welfare Fund — Sec. 57, 58.
26. Sec. 59 — self-assessment.
27. Sec. 60 — provisional, bond + security.
28. Sec. 61 — scrutiny, ASMT-10/11/12, 30 days.
29. Sec. 62 — non-filers, 5 years, 30-day withdrawal.
30. Sec. 63 — unregistered, 5 years.
31. Sec. 64 — summary assessment, prior permission.
32. Sec. 65 — audit, ADT-01/02/03, 3 + 6 months.
33. Sec. 66 — special audit by CA/CMA, 90 + 90 days.
34. Sec. 73 — 3 years, 10% or ₹10,000.
35. Sec. 74 — 5 years, 100%.
36. 15% and 25% settlement windows.
37. Sec. 75(12) — recovery without notice.
38. Sec. 79 — seven recovery modes.
39. Sec. 80 — 24 months instalments.
40. Sec. 83 — one-year provisional attachment.

3. Top 20 Practical Adjustments

1. Net output liability against available credit, head by head.
2. Exhaust IGST credit before CGST/SGST credit.
3. Ring-fence cess credit.
4. Transfer interest/penalty/fee to the cash ledger.
5. Apply Rule 86B before utilising ITC beyond 99%.
6. Check the blocked-credit tab in the credit ledger.
7. Compute interest from the day after the due date.
8. Compute Sec. 50(3) interest only on the utilised portion.
9. Net off returns before computing TCS.
10. Apply the ₹2.5 lakh threshold per contract, not per invoice.
11. Credit TDS to the deductee's cash ledger.
12. Apply Rule 89(4) for zero-rated supplies.
13. Apply Rule 89(5) with the subtraction for inverted duty.
14. Determine the relevant date before computing the limitation.
15. Compute the 60-day period for Sec. 56 interest.
16. Apply the 30-day reply window under Sec. 61.
17. Apply the 30-day withdrawal window under Sec. 62.
18. Determine the limitation from the annual return due date.
19. Apply the 15%/25% settlement windows correctly.
20. Verify the one-year expiry of a Sec. 83 attachment.

4. Frequently Repeated Questions

- Utilisation of ITC and net cash computation.
- Interest under Sec. 50(1) and Sec. 50(3).
- Refund under Rule 89(4) and Rule 89(5).
- Distinguish Sec. 73 and Sec. 74.
- Modes of recovery under Sec. 79.
- Provisional attachment under Sec. 83.
- Types of assessment under GST.
- Audit under Sec. 65 and special audit under Sec. 66.

5. Important Case Study Areas

- Multi-head liability with cess and IGST credit exceeding IGST liability.
- Export refund with partial IGST payment.
- Inverted duty structure refund.

- Non-filing of returns and best-judgment assessment.
- Investigation, provisional attachment and subsequent demand.
- Fraud vs non-fraud demand with penalty computation.

6. Complete Revision Chart

Concept	Number / Limit	Provision
General interest rate	**18% p.a.**	Sec. 50(1)
Interest on wrongly utilised ITC	**24% p.a.**	Sec. 50(3)
Interest on delayed refund	**6% p.a.**	Sec. 56
Refund application time	**2 years**	Sec. 54(1)
Provisional refund	**90% in 7 days**	Sec. 54(2)
TDS threshold	**₹2,50,000**	Sec. 51
Scrutiny reply	**30 days**	Sec. 61
Non-filer assessment	**5 years**	Sec. 62
General audit	**3 + 6 months**	Sec. 65
Special audit report	**90 + 90 days**	Sec. 66
Non-fraud demand	**3 years**	Sec. 73
Fraud demand	**5 years**	Sec. 74
Instalments	**24 months**	Sec. 80
Provisional attachment	**1 year**	Sec. 83

7. GST Revision Table — Penalty Structure

Situation	Penalty
Sec. 73 — normal	10% of tax or ₹10,000, whichever is higher
Sec. 73 — paid before notice	NIL
Sec. 73 — paid within 30 days of notice	15% of tax
Sec. 74 — normal	100% of tax
Sec. 74 — paid within 30 days of notice	15% of tax
Sec. 74 — paid within 30 days of order	25% of tax

8. Customs Revision Table — Parallel Provisions

Concept	GST	Customs Act, 1962
Self-assessment	Sec. 59	Sec. 17
Provisional assessment	Sec. 60	Sec. 18
Non-fraud demand	Sec. 73 — 3 years	Sec. 28 — 2 years
Fraud demand	Sec. 74 — 5 years	Sec. 28 — 5 years
Recovery	Sec. 79	Sec. 142
Provisional attachment	Sec. 83	Sec. 28BA
Audit	Sec. 65 / 66	Sec. 99A

9. One Night Revision Notes

IF YOU HAVE ONLY ONE NIGHT, READ THIS

- **M10:** 3 ledgers · IGST first · 18/24/6 · Rule 88B · Rule 86B.
- **M11:** TDS 2% / ₹2.5L · TCS 0.5% · Refund 2 years · 7 days / 90% · 60 days / 6% · Rule 89(4) vs 89(5).
- **M12:** Self → Provisional → Scrutiny → 62 → 63 → 64 · Audit 3+6 · Special audit 90+90 by CA/CMA.
- **M13:** 73 = 3 & 10 · 74 = 5 & 100 · 15/25 · Sec. 79 seven modes · Sec. 80 24 months · Sec. 83 one year.

10. Fast Track Revision Notes

If the question says…	Write this…
"Set off the liability"	IGST credit first → then CGST/SGST in any order; cess separately
"Compute interest"	18% general · 24% wrongly utilised ITC · 6% delayed refund
"Refund on exports"	Rule 89(4) — no deduction
"Inverted duty"	Rule 89(5) — deduct tax payable on inverted supply
"Non-filer"	Sec. 62 — 5 years — withdrawn if filed within 30 days
"Audit"	Sec. 65 — 3 + 6 months — ADT-01/02/03
"Special audit"	Sec. 66 — CA/CMA — 90 + 90 days — ADT-04
"Short payment, no fraud"	Sec. 73 — 3 years — 10% or ₹10,000
"Suppression of facts"	Sec. 74 — 5 years — 100%
"Attach the bank account"	Sec. 83 — DRC-22 — one year

11. Weightage Guide

Band	Most Probable Areas
HIGHER MARKS	ITC utilisation with multi-head liability · Refund under Rule 89(4) and 89(5) · Sec. 73 vs Sec. 74 with penalty computation · Types of assessment and audit
MEDIUM MARKS	Interest under Sec. 50 · Provisional attachment under Sec. 83 · Modes of recovery under Sec. 79 · TDS and TCS computation
SHORT MARKS	Electronic ledgers · Relevant date · Forms (ASMT, ADT, DRC, RFD) · Sec. 75(12) · Sec. 80 instalments · Sec. 82 first charge

12. Examiner Approach Guide

EXAM WRITING TIP

1. **State the provision first.** "As per Section 73 of the CGST Act, 2017..." — this earns the legal mark.
2. **Show the formula** before substituting figures.
3. **Use a tabular format** for multi-head computations.
4. **State assumptions** where the question is silent (day count, rounding).
5. **Write the conclusion in bold** — "Therefore, the net cash payable is ₹X."
6. **Cite the form number** wherever the question touches procedure.
7. **Never leave a computation blank** — write the formula for the formula mark.

13. Student Mistake Analysis

Mistake	Consequence	Correction
Setting off CGST credit against SGST liability	Whole computation wrong	Draw the utilisation matrix first
Using ITC for interest	Wrong source of payment	Interest → cash ledger only
Omitting the Rule 89(5) deduction	Overstated refund	Two-step formula
Computing Sec. 50(3) interest on gross ITC	Overstated interest	Only on the utilised portion
Counting the 60-day period from acknowledgement	Wrong Sec. 56 interest	From the date of receipt of the application
Confusing Sec. 62 and Sec. 63	Wrong provision cited	62 = registered non-filer; 63 = unregistered
Stating the Sec. 73 penalty as 100%	Wrong penalty	73 → 10%; 74 → 100%
Measuring limitation from the date of default	Wrong limitation	From the due date of the annual return

14. Final Revision Checklist

BEFORE YOU CLOSE THE BOOK, CONFIRM YOU CAN…

- Draw the utilisation matrix from memory
- State the three interest rates
- Explain Rule 88B in one sentence
- Write both refund formulae
- List the RFD forms 01, 02, 05, 06, 09
- List the ASMT forms 10, 11, 12, 13, 14
- List the ADT forms 01, 02, 03, 04
- Distinguish Sec. 73 and Sec. 74 in a table
- State the seven modes under Sec. 79
- State the Sec. 83 attachment period
- State the TDS rate and threshold
- State the Sec. 62 withdrawal window

FINAL WORD

Modules 10–13 are the most predictable block in Paper 19. The questions repeat with cosmetic changes. Master the tables, the forms and the numbers — and you will convert this block into a guaranteed score.

◆ THE END ◆

CMA Knowledge · December 2026 Revision Book · Modules 10–13
cmaknowledge.in

CMA KNOWLEDGE

cmaknowledge.in

December 2026 Revision Book

CMA Final · Paper 19
Indirect Tax Laws and Practice (ITLP)

VOLUME II · EXAM-READY EDITION

Module 14	Dispute Resolution Mechanism under GST
Module 15	Inspection, Search, Seizure, Arrest & Prosecution
Module 16	Anti-Profiteering
Module 17	Walkthrough of GSTN Portal

COMPLETE · WITH ILLUSTRATIONS & CASE LAWS

ICMAI Official Study Material · Reprint July 2026 · All page references included

cmaknowledge.in

PUBLICATION INFORMATION

Title	CMA Knowledge — December 2026 Revision Book · Volume II · Exam-Ready Edition
Subject	Paper 19 — Indirect Tax Laws and Practice (ITLP)
Course / Exam	CMA Final · December 2026
Volume	Modules 14 – 17 (GST Section A — concluding modules)
Publisher	CMA Knowledge · cmaknowledge.in
Primary Source	ICMAI Official Study Material, Paper 19 — Indirect Tax Laws and Practice, Syllabus 2022 (Reprint July 2026, © The Institute of Cost Accountants of India)
Module Page Ranges	Module 14: pp. 893–1034 · Module 15: pp. 1035–1060 · Module 16: pp. 1061–1074 · Module 17: pp. 1075–1098
Contents Included	Complete statutory provisions · All illustrations from study material · Worked numerical examples · Case laws · CBIC Circulars & Notifications · Revision charts
Format	A4 print-ready · Self-study reference · Web-publishable

OFFICIAL SOURCE DOCUMENT

> **ICMAI Official Study Material:**
> `Paper 19 — Indirect Tax Laws and Practice`

HOW TO USE THIS EXAM-READY EDITION

Each module contains the following standard sections: (i) Module Introduction with ICMAI page range; (ii) complete statutory provisions in tables; (iii) **every illustration** from the ICMAI Study Material; (iv) worked numerical examples with step-by-step solutions; (v) relevant case laws; (vi)

CBIC circulars and notifications; (vii) revision charts; (viii) exam-writing tips; (ix) Top 25 revision points; (x) Top 10 exam questions; (xi) One-page summary.

Verification note. This revision book is a supplementary self-study resource prepared for the December 2026 attempt. It does not replace the ICMAI Official Study Material. All statutory rates, thresholds, time limits and amendments must be re-verified against the latest ICMAI Study Material, the Finance Act in force and CBIC notifications before the examination.

TABLE OF CONTENTS

MODULE 14 — DISPUTE RESOLUTION MECHANISM (PP. 893–1034)

14.1 Demands — Sec. 73 & 74 with illustrations M14 · 1

14.2 Sec. 74A, 75, 76 & 77 M14 · 4

14.3 Recovery — Sec. 78 to 84 M14 · 6

14.4 Assessment — Sec. 59 to 64 with illustrations M14 · 8

14.5 Appeals — Sec. 107 to 118 with forms & charts M14 · 11

14.6 Advance Ruling — Sec. 95 to 106 M14 · 15

14.7 Offences & Penalties — Sec. 122 to 138 M14 · 18

14.8 Top 25 Revision · Case Laws · One-Page Summary M14 · 21

MODULE 15 — INSPECTION, SEARCH, SEIZURE, ARREST & PROSECUTION (PP. 1035–1060)

15.1 Inspection — Sec. 67(1) with INS forms M15 · 1

15.2 Search & Seizure — Sec. 67(2) to (12) M15 · 2

15.3 Movement, Arrest, Summons, Access — Sec. 68 to 72 M15 · 4

15.4 Prosecution — Sec. 132 with thresholds M15 · 6

15.5 Compounding — Sec. 138 with examples M15 · 8

MODULE 16 — ANTI-PROFITEERING (PP. 1061–1074)

16.1 Sec. 171 — Full analysis with illustrations M16 · 1

16.2 NAA, Screening Committee, DGAP, CCI M16 · 3

16.3 Key Rulings & Sunset provisions M16 · 4

MODULE 17 — WALKTHROUGH OF GSTN PORTAL (PP. 1075–1098)

17.1 Vision, Mission, Guiding Principles — M17 · 1

17.2 All Services on GSTN Portal — M17 · 2

17.3 Pre-Login Details & GST Practitioner (Rule 83) — M17 · 3

17.4 Post-Login Ledgers, Returns, Payments, Refunds — M17 · 4

CONSOLIDATED EXAM TOOLKIT

Master Tables & Charts — W · 1

One Night · Fast Track · Weightage — W · 3

Examiner Guide & Checklist — W · 4

Dispute Resolution Mechanism under GST

14.1 Demands — Sections 73 & 74 ICMAI p. 893–918

Adjudicating Authority — Sec. 2(4)

"Adjudicating authority" means any authority appointed or authorised to pass any order or decision under this Act, but does **not** include: CBIC, Revisional Authority, AAR, AAAR, Appellate Authority, Appellate Tribunal and the Authority referred to in Sec. 171(2) [Anti-profiteering — inserted by CGST Amendment Act 2018 w.e.f. 1-2-2019].

Sec. 73 vs Sec. 74 — Comprehensive Comparison

Particulars	Sec. 73 — Non-Fraud	Sec. 74 — Fraud
Trigger	Tax not paid, short paid, erroneously refunded, ITC wrongly availed — any reason *other than* fraud	Reason of fraud, wilful misstatement or suppression of facts to evade tax
SCN time limit	**2 years 9 months from annual return due date**	**4 years 6 months from annual return due date**
Order time limit	**3 years from annual return due date**	**5 years from annual return due date**
Penalty (default)	**Higher of 10% of tax or ₹10,000**	**100% of tax**
Before notice	Tax + interest paid — no penalty; officer shall not serve SCN	Tax + interest + 15% penalty — officer shall not serve SCN
Within 30 days of SCN	Tax + interest — no penalty; proceedings concluded	Tax + interest + 15% penalty — proceedings concluded
Within 30 days of order	—	Tax + interest + 25% penalty — proceedings concluded
Within 30 days of communication of order	—	Tax + interest + 50% penalty
Sec. 73(11)/74(11)	Penalty payable if self-assessed tax / collected tax not paid within 30 days from due date	Penalty payable if collected tax not paid within 30 days from due date
Explanation 1	(i) "All proceedings in respect of said notice" does NOT include proceedings under Sec. 132. (ii) Where main person's proceedings concluded, proceedings against persons liable to penalty under Sec. 122 and 125 also deemed concluded.	
Explanation 2	"Suppression" means non-declaration of facts or information required to be declared in return/statement/report, or failure to furnish information on being asked by proper officer. *(Omitted w.e.f. 1-11-2024 by Finance Act 2024)*	

EXAM ALERT · KEY TIME-LIMIT FORMULA

- **Sec. 73(2):** SCN must be issued at least **3 months before** the 3-year order limit → SCN by month 33 (2 years 9 months).
- **Sec. 74(2):** SCN must be issued at least **6 months before** the 5-year order limit → SCN by month 54 (4 years 6 months).
- **Exclusion:** Period of stay ordered by Court/Tribunal under Sec. 75(1) is excluded.
- **Extension:** Period spent between a decision of AA and the Tribunal/HC/SC in some other proceeding may be excluded (Sec. 75(11)).

Monetary Limits for Issuance of SCN under Sec. 73 & 74 ICMAI p. 897

S. No.	Officer of Central Tax	CGST (incl. cess)	IGST (incl. cess)	CGST & IGST
1	Superintendent of Central Tax	≤ ₹10 lakhs	≤ ₹20 lakhs	≤ ₹20 lakhs
2	Deputy/Assistant Commissioner	₹10 L – ₹1 Cr	₹20 L – ₹2 Cr	₹20 L – ₹2 Cr
3	Additional/Joint Commissioner	> ₹1 Cr (no limit)	> ₹2 Cr (no limit)	> ₹2 Cr (no limit)

Official Illustration 14.1 — Sec. 73: Voluntary Payment Before Notice ICMAI p. 908

PRACTICAL ILLUSTRATION · SIMPLE LEVEL

Question: M/s Ram & Co. discovered that it had short-paid GST of ₹5,00,000 for the month of July 2025. Before any notice from the department, it paid the tax with interest of ₹18,000 on 15-10-2025. Can the proper officer issue a SCN?

SOLUTION

As per Sec. 73(5), where a person chargeable with tax pays the amount of tax along with interest payable thereon under Sec. 50 on the basis of his own ascertainment (or as ascertained by the proper officer) and informs the proper officer in writing of such payment, then Sec. 73(6) mandates that the proper officer SHALL NOT serve any SCN in respect of the tax so paid or any penalty payable.

FINAL ANSWER – NO SCN shall be issued. M/s Ram & Co. has discharged its tax liability and interest of ₹18,000. No penalty is payable.

Official Illustration 14.2 — Sec. 73: Payment After Notice ICMAI p. 908

PRACTICAL ILLUSTRATION · EXAM LEVEL

Question: M/s Bharat Ltd. received a SCN under Sec. 73 on 1st August 2025 for short-paid GST of ₹12,00,000 for FY 2022-23 (annual return due on 31-12-2023). The company paid the tax with interest on 25th August 2025 (within 30 days of SCN). Compute the penalty.

COMPUTATION

Sec. 73(8): Where any person chargeable with tax under Sec. 73(1) or (3) pays the said tax along with interest within 30 days of issue of SCN, NO PENALTY shall be payable and all proceedings in respect of the said notice shall be deemed to be concluded.

FINAL ANSWER

Tax paid	= ₹12,00,000
Interest	= As applicable u/s 50
Penalty	= NIL

Note: Since the payment was made within 30 days of the SCN, no penalty is payable under Sec. 73(8). This is the primary benefit of Sec. 73 over Sec. 74.

Official Illustration 14.3 — Sec. 74: Fraud Case with 15% Penalty ICMAI p. 908

PRACTICAL ILLUSTRATION · ADVANCED

Question: M/s Fraudster Pvt. Ltd. was issued a SCN under Sec. 74 on 1st June 2025 for tax evasion of ₹50,00,000 for FY 2022-23 by suppressing facts (annual return due 31-12-2023). The company paid the tax with interest and 15% penalty on 20th June 2025. Compute the amount paid.

STEP-WISE SOLUTION

Step 1 – Limitation under Sec. 74: 5 years from annual return due date. 31-12-2023 + 5 years = 31-12-2028. Notice on 1-6-2025 is WITHIN limitation. Valid.

Step 2 – Sec. 74(5): Where the person pays tax + interest + 15% penalty within 30 days of SCN, all proceedings shall be deemed to be concluded.

FINAL ANSWER

Tax	= ₹50,00,000
Interest u/s 50	= As applicable
15% Penalty	= ₹7,50,000 (₹50 L × 15%)
Total	= ₹57,50,000 + interest

Note: If the company had paid within 30 days of the ORDER, the penalty would be 25% = ₹12,50,000. If paid later, penalty would be 50% = ₹25,00,000.

Official Illustration 14.4 — Sec. 74: Late Payment with 25% Penalty ICMAI p. 909

PRACTICAL ILLUSTRATION · APPLICATION LEVEL

Question: In the above case, assume M/s Fraudster Pvt. Ltd. did not pay within 30 days of SCN but paid within 30 days of the adjudication order. Compute the penalty.

COMPUTATION

```
Sec. 74(8): Where any person chargeable with tax under Sec. 74(1) pays the
said tax along with interest and a penalty equivalent to 25% of such tax
within 30 days of communication of the order, all proceedings shall be deemed
to be concluded.

FINAL ANSWER
  Tax                 = ₹50,00,000
  25% Penalty         = ₹12,50,000

If paid within 30 days of communication of order → 50% penalty = ₹25,00,000
(Sec. 74(11))
```

14.2 Section 74A, 75, 76 & 77 ICMAI p. 920–934

Sec. 74A — Common Demand Provision (w.e.f. 1-11-2024, Finance Act 2024)

Applicable for determination of tax not paid or short paid, erroneously refunded, or ITC wrongly availed or utilised for **FY 2024-25 onwards**. This section replaces the earlier distinction of Sec. 73 and 74 for the future, providing a common limitation and common penalty framework that varies by the *stage of payment* rather than by fraud.

Provision	Detail
Notice issuance — Sec. 74A(2)	**Within 42 months from annual return due date or from date of erroneous refund**
Order issuance — Sec. 74A(7)	**Within 12 months from date of notice; extendable by 6 months by Commissioner/JC**
Statement for subsequent period — Sec. 74A(3), (4)	Deemed to be notice if grounds are same as original SCN

Penalty Structure under Sec. 74A — Stage-Wise

Stage	Non-Fraud [Sec. 74A(5)(i)]	Fraud [Sec. 74A(5)(ii)]
Default penalty	**10% of tax or ₹10,000 (higher)**	**100% of tax**
Before notice — Sec. 74A(8)(i) / (9)(i)	Tax + interest; no penalty; no SCN to be issued	Tax + interest + **15%** penalty; no SCN to be issued
Within 60 days of SCN — Sec. 74A(8)(ii) / (9)(ii)	Tax + interest; no penalty; proceedings concluded	Tax + interest + **25%** penalty; proceedings concluded
Within 60 days of order — Sec. 74A(9)(iii)	—	Tax + interest + **50%** penalty; proceedings concluded

AMENDMENT · SEC. 74A VS SEC. 73/74 — CHANGES IN KEY TIMELINES

- **Common limitation:** 42 months for ALL cases (fraud and non-fraud) under Sec. 74A. This simplifies the earlier dual-limitation structure.
- **Settlement window:** 60 days under Sec. 74A vs 30 days under Sec. 73/74.
- **Reduced penalty:** 15%/25%/50% under Sec. 74A (fraud) vs 15%/25%/50% under Sec. 74.
- **Minimum threshold:** No notice if tax involved in a financial year is less than ₹1,000.

Official Illustration 14.5 — Sec. 75(2): Deemed Notice ICMAI p. 921

PRACTICAL ILLUSTRATION · APPLICATION LEVEL

Question: M/s Delta Ltd. received a SCN under Sec. 74 for FY 2022-23. The Appellate Authority concluded that the charges of fraud were NOT established and the matter would have been covered under Sec. 73. Discuss what the proper officer should do.

SOLUTION

Step 1 – Sec. 75(2): Where any AA/Tribunal/Court concludes that the notice under Sec. 74(1) is not sustainable for the reason that the charges of fraud/wilful misstatement/suppression have NOT been established, the proper officer SHALL determine the tax payable by such person DEEMING AS IF the notice were issued under Sec. 73(1).

Step 2 – If the original SCN was issued beyond 2 years 9 months from the annual return due date, then under Sec. 73(2), the deemed notice is TIME-BARRED and the entire proceeding shall be dropped.

FINAL ANSWER – The proper officer must:
(a) Treat the SCN as if issued under Sec. 73(1);
(b) Determine tax + interest + penalty at 10% or ₹10,000 (whichever higher);
(c) Check whether the SCN was issued within 2 years 9 months of the annual return due date – if NOT, drop the proceeding as time-barred.

[CBIC Circular No. 185/17/2022-GST dated 27-12-2022]

Sec. 75 — General Provisions · Sub-section-Wise Analysis

Sub-sec.	Provision
75(1)	Period of stay ordered by Court/Tribunal to be excluded for computing limitation
75(2)	Deemed notice under Sec. 73 where Sec. 74 notice is not sustainable
75(2A) w.e.f. 1-11-2024	Where penalty under Sec. 74A(5)(ii) not sustainable, penalty payable under Sec. 74A(5)(i)
75(3)	Order in pursuance of Court direction within **2 years**
75(4)	Opportunity of hearing where adverse decision contemplated or on written request
75(5)	Adjournment not more than **3 times**
75(6)	Order shall set out relevant facts and basis of decision
75(7)	Demand in order shall not exceed amount specified in SCN; no new grounds
75(8)	Where Court modifies tax, interest and penalty shall stand modified accordingly
75(9)	Interest mandatory whether or not specified in order
75(10)	Adjudication deemed concluded if order not issued within 3/5 years
75(11)	Period of decision of lower appellate authority to higher appellate authority excluded when revenue prejudicial
75(12)	Self-assessed tax unpaid → recoverable under Sec. 79 without notice
75(13)	No penalty for same act under different provisions

Sec. 76 — Tax Collected but Not Paid

Sub-sec.	Provision
76(1)	Any person who collects any amount as tax must pay it to the Government irrespective of whether the supply is taxable or not
76(2)	SCN can be issued if person fails to pay collected tax — no time limit
76(3)	Proper officer shall determine amount due after representation
76(4)	Interest payable u/s 50 from date of collection till date of payment
76(5)	Opportunity of hearing
76(6)	Order within **1 year** from SCN — FORM GST DRC-07
76(7)	Stay period excluded
76(9)	Amount adjusted against tax payable for the supply
76(10)	Surplus credited to Consumer Welfare Fund or refunded to person bearing incidence
76(11)	Refund application under Sec. 54 for surplus amount

Sec. 77 — Tax Wrongfully Collected and Paid

- **Sec. 77(1):** A person who has paid CGST + SGST/UTGST on a transaction considered as intra-State but later held as inter-State, shall be treated as having paid IGST and no interest shall be payable on such amount.
- **Sec. 77(2):** A person who has paid IGST on a transaction considered as inter-State but later held as intra-State, shall be treated as having paid CGST + SGST/UTGST and no interest shall be payable on such amount.

> **Case Law — Ansil Ibrahim v. Assistant Commissioner (Kerala HC, 2023):** Where there is a difference between GSTR-2A and GSTR-3B, the burden of proving the ITC claim lies on the assessee/dealer. If the assessee does not provide evidence despite SCN, the writ petition cannot be entertained.

14.3 Recovery — Sections 78 to 84 ICMAI p. 925–937

Sec. 78 — Initiation of Recovery Proceedings

Any amount payable by a taxable person in pursuance of an order shall be paid within **3 months from the date of service of such order**. Failing this, recovery proceedings shall be initiated. However, where the proper officer considers it expedient in the interest of revenue, he may, for reasons to be recorded in writing, require payment within a period less than 3 months.

Sec. 79 — Seven Modes of Recovery with Forms

Clause	Mode	Form
(a)	Deduction from money owed to defaulter	FORM GST DRC-09
(b)	Recovery by sale of goods under control of proper officer	FORM GST DRC-10 (notice), DRC-11 (bid), DRC-12 (possession)
(c)	Recovery from a third person (Garnishee)	Garnishee notice in writing
(d)	Recovery by sale of movable/immovable property	FORM GST DRC-16 (attachment/distraint)
(e)	Recovery through land revenue authority	Certificate to Collector
(f)	Recovery through Court	Application to Magistrate
(g)	Any other mode prescribed	—

EXAM ALERT · RECOVERY FROM DISTINCT PERSON

The Explanation to Sec. 79 clarifies that the word "person" includes a "distinct person" under Sec. 25(4) or (5). Thus, recovery of taxes can now be made from distinct persons present in different States/UTs.

Sec. 80 — Payment in Instalments

- Commissioner may allow payment with interest in monthly instalments not exceeding **24 instalments**.
- Default in one instalment → whole outstanding becomes due.
- Application in **FORM GST DRC-20**.
- **Not allowed if:** (i) already defaulted and recovery is undergoing; (ii) not allowed in preceding FY; (iii) amount sought is less than ₹25,000.

Sec. 81 — Transfer of Property Void

Where a person, after any amount has become due from him, creates a charge on or parts with the property with the intention of defrauding the Government revenue, such charge or transfer shall be **void**. However, such charge or transfer shall not be void if: (i) made for adequate consideration; (ii) in good faith; (iii) without notice of pendency of proceedings; or (iv) with previous permission of the proper officer.

Sec. 82 — Tax to be First Charge

Notwithstanding anything contained in any law for the time being in force, save as otherwise provided in the **Insolvency and Bankruptcy Code, 2016**, any amount payable by a taxable person on account of tax, interest or penalty shall be a **first charge** on the property of such taxable person.

Sec. 83 — Provisional Attachment with Rule 159

Particulars	Detail
Who can attach	Commissioner (not below Assistant Commissioner authorised by him)
Purpose	To protect interests of revenue in pending assessment/adjudication proceedings
Property covered	Any property including bank account, movable/immovable
Order	FORM GST DRC-22
Copy to bank/authority	To place encumbrance
Objection time	Within 7 days (w.e.f. 1-1-2022 — at any time)
Release order	FORM GST DRC-23
Period of attachment	**Ceases after 1 year from date of order unless extended**
Extension	Commissioner may extend for reasons in writing
Perishable goods	Release on payment of market price or amount payable, whichever lower; else disposed of
Property exempt	As per CPC, 1908 exempt from attachment and sale for execution of a Decree of a Civil Court

Sec. 84 — Continuation of Recovery

Where an order is transferred or modified in appeal/revision, recovery proceedings shall continue as per the modified order.

CBIC Circular No. 01/2024-GST dated 30-05-2024 — Early Recovery: The proper officer may initiate recovery before 3 months only in exceptional cases. For early recovery, the Deputy/Assistant Commissioner must place the matter before the Principal Commissioner/Commissioner with reasons. The Commissioner must record written reasons and issue directions considering the taxable person's financial health.

CBIC Circular No. 224/18/2024-GST dated 11-07-2024 — Recovery when GSTAT not operational: Taxpayers intending to appeal can pay the pre-deposit amount u/s 112(8) through the GST portal (Services >> Ledgers >> Payment towards demand). Once paid and mapped to the specific demand, recovery proceedings for the remaining balance shall be deferred until GSTAT becomes operational.

14.4 Assessment — Sections 59 to 64 ICMAI p. 939–947

Sec. 59 — Self-Assessment

Every registered person shall self-assess the taxes payable under the Act and furnish a return for each tax period as specified under Sec. 39. The registered person computes output, takes available ITC, pays balance and files returns. Prima facie, the department accepts self-assessed returns, subject to scrutiny.

Sec. 60 — Provisional Assessment with Forms

Stage	Form	Time Limit
Application by taxpayer	GST ASMT-01	When unable to determine value or rate
Notice for additional info	GST ASMT-02	By proper officer
Reply by taxpayer	GST ASMT-03	Within stipulated time
Order allowing provisional	GST ASMT-04	Within 90 days of request
Bond with security	GST ASMT-05	Security up to 25% of bond amount
Final assessment notice	GST ASMT-06	By proper officer
Final assessment order	GST ASMT-07	Within **6 months** (extendable by JC/ADC 6 months, by Commissioner 4 years)
Application for release of security	GST ASMT-08	After payment of dues
Order releasing security	GST ASMT-09	Within 7 working days of application

Official Illustration 14.6 — Provisional Assessment with Interest ICMAI p. 941

PRACTICAL ILLUSTRATION · EXAM LEVEL

Question: M/s Ram Ltd. manufactured and cleared goods under provisional assessment in July 2025, paying tax of ₹50,000 on 20th August 2025. Further tax of ₹90,000 was paid on 15th November 2025. Final assessment order issued on 18th November 2025 assessed tax at ₹1,50,000. Additional tax of ₹10,000 paid on 30th November 2025. Compute total interest payable.

COMPUTATION

```
Step 1 – No interest on ₹50,000 paid on or before due date (20-08-2025).

Step 2 – Interest on ₹90,000 from 21-08-2025 to 15-11-2025.
         Number of days = 11 (Aug) + 30 (Sep) + 31 (Oct) + 15 (Nov) = 87 days
         Interest = 90,000 × 18% × 87/365 = ₹3,861

Step 3 – Interest on ₹10,000 from 21-08-2025 to 30-11-2025.
         Number of days = 11 + 30 + 31 + 30 + 30 = 102 days
         Interest = 10,000 × 18% × 102/365 = ₹503

FINAL ANSWER – Total interest payable = ₹3,861 + ₹503 = ₹4,364
```

Sec. 61 — Scrutiny of Returns

Return filed → Discrepancy noticed → Notice ASMT-10 →
Reply ASMT-11 within 30 days → Accepted — ASMT-12 / Not accepted — Sec. 73/74

CBIC Instruction No. 02/2023-GST dated 26-05-2023 — Standard Operating Procedure (SOP) for Scrutiny

S. No.	Process	Timelines
1	Communication of list of GSTINs for scrutiny	From time to time
2	Finalization of scrutiny schedule	Within 7 working days of receipt
3	Issuance of ASMT-10	Within the month per schedule
4	Reply by taxpayer in ASMT-11	Within 30 days of ASMT-10
5	Order in ASMT-12	Within 30 days of reply
6	Initiate Sec. 73/74 if no reply	Within 15 days of expiry of 30-day period
7	Initiate Sec. 73/74 if reply not acceptable	Within 30 days of reply
8	Reference to Audit/Anti-evasion	Within 30 days of reply or 45 days of ASMT-10

Sec. 62 — Non-Filers (Best Judgment)

- SCN under **Sec. 46 / FORM GSTR-3A** — failure to file return u/s 39 or 45.
- Best judgment assessment order in **FORM GST ASMT-13** within **5 years** from the due date of annual return.
- If taxpayer files return within **30 days** of notice → assessment **deemed withdrawn**.
- Sec. 62 amended by Finance Act 2023 — extended to 5 years, 30-day withdrawal window introduced.

Sec. 63 — Unregistered Persons

- Where a person is liable to register but not registered, or registration cancelled u/s 29(2) but liable to pay tax — best judgment assessment within **5 years** from annual return due date.
- No order shall be passed without giving opportunity of being heard.

Sec. 64 — Summary Assessment

Stage	Form	Particulars
Grounds	—	Evidence of tax liability; delay may adversely affect revenue
Permission	—	Prior permission of Additional/Joint Commissioner
Order	GST ASMT-16	Assessment order
Withdrawal application	GST ASMT-17	Within 30 days of receipt of order
Withdrawal/rejection order	GST ASMT-18	To be issued after following Sec. 73/74

Official Illustration 14.7 — Summary Assessment ICMAI p. 946

PRACTICAL ILLUSTRATION · APPLICATION LEVEL

Question: Whether summary assessment can be initiated on mere change of opinion of the proper officer?

SOLUTION

NO. Mere change of opinion cannot be treated as evidence for initiating summary assessment under Sec. 64. The proper officer must have "evidence showing a tax liability" of a person and "sufficient grounds to believe" that delay in assessment may adversely affect the interest of revenue.

Further, summary assessment can be initiated on any taxable person — submission of return u/s 39 or 45 is NOT a prerequisite.

The Additional/Joint Commissioner may withdraw the summary assessment order on his own motion (in addition to on application) if the order is erroneous.

14.5 Appeals — Sections 107 to 118 ICMAI p. 948–981

CBIC Circular No. 207/1/2024-GST dated 26-06-2024 — Monetary Limits for Departmental Appeals

Appellate Forum	Monetary Limit (₹)
GSTAT	₹20,00,000
High Court	₹1,00,00,000
Supreme Court	₹2,00,00,000

Not applicable to: ultra vires rulings, valuation, classification, refunds, place of supply, recurring issues, adverse comments, and cases requiring contest in the interest of justice.

Sec. 107 — Appeal to Appellate Authority — Full Analysis

Sub-sec.	Provision
107(1)	Any person aggrieved by any decision or order passed by an adjudicating authority may appeal to AA within **3 months** from date of communication
107(2)	Commissioner may direct subordinate officer to file departmental appeal within **6 months**
107(3)	AA may allow appeal to be presented after 3 months if sufficient cause shown (up to 1 month extension)
107(4)	Appeal in **FORM GST APL-01** verified; provisional acknowledgement in APL-02
107(5)	Where appellant is department, application in **FORM GST APL-03**
107(6)	Pre-deposit: (i) amount admitted in full; (ii) **10% of remaining tax in dispute** — max **₹20 crore**
107(7)	Where appellant has paid pre-deposit, recovery proceedings for balance deemed to be stayed
107(8)	AA may adjourn hearing (not more than 3 times)
107(9)	AA may allow additional grounds if omission not wilful or unreasonable
107(10)	AA shall hear appeal and pass order within **1 year** of filing
107(11)	AA shall confirm, modify or annul order but shall **NOT remand** back to adjudicating authority
107(12)	Order in **FORM GST APL-04**
107(13)	Recovery of confirmed amount within 3 months from date of communication of AA order
107(14)	AA may also pass order enhancing fee/penalty after giving reasonable opportunity

Sec. 108 — Revisional Authority — Notification No. 05/2020-CT dated 13-01-2020

Order passed by	Revisional Authority
Additional/Joint Commissioner	Principal Commissioner or Commissioner
Deputy/Assistant Commissioner or Superintendent	Additional/Joint Commissioner

Sec. 108(2) — When Revisional Authority Cannot Exercise Powers

- (a) Order has been subject to appeal u/s 107, 112, 117, 118.

- (b) Appeal period has not yet expired OR more than 3 years have expired since order.
- (c) Order already taken up for revision at an earlier stage.
- (d) Order passed in exercise of powers under sub-sec. (1).

Sec. 109 — Constitution of GSTAT — w.e.f. 1st August 2023

Bench	Constitution
Principal Bench (New Delhi)	President + 1 Judicial Member + 1 Technical Member (Centre) + 1 Technical Member (State)
State Bench	2 Judicial Members + 1 Technical Member (Centre) + 1 Technical Member (State)
Single Member Bench	Matters up to ₹50 lakh + no question of law (Sec. 109(8))

Sec. 109(5) proviso: Cases involving place of supply shall be heard only by the Principal Bench.

Sec. 112 — Appeals to GSTAT

Sub-sec.	Provision
112(1)	Any person aggrieved may appeal within **3 months** from order communication
112(3)	Commissioner may direct officer to apply to GSTAT within **6 months**
112(5)	Cross-objections within **45 days** of notice — **FORM GST APL-06**
112(6)	Tribunal may admit appeal within 3 months after expiry if sufficient cause shown
112(7)	Appeal in **FORM GST APL-05** (taxpayer) or **APL-07** (department)
112(8)	Pre-deposit: amount admitted + **10% additional** (total 20% including first appeal) — max **₹20 crore**
112(9)	Recovery of balance deemed to be stayed

Rule 110 — Appeal to GSTAT w.e.f. 22-09-2025 (Notification No. 13/2025-CT)

Stage	Detail
Filing	FORM GST APL-05 with relevant documents
Provisional Acknowledgement	**Part A of FORM GST APL-02A**
Final Acknowledgement	**Part B of FORM GST APL-02A**
Signing	DSC (mandatory for companies/LLPs) or EVC (individuals/proprietors)
Self-attested copy (if order not on portal)	Within 7 days; else date of submission = date of filing
Fee	₹1,000 per ₹1 lakh of disputed tax; min ₹5,000; max ₹25,000

Sec. 115 — Interest on Refund of Pre-Deposit

Where the amount paid by the appellant under Sec. 107(6) or Sec. 112(8) is refunded consequent to an order of the AA or the Tribunal, interest at **6% p.a.** shall be payable from the date of payment till the date of refund.

Official Illustration 14.8 — Pre-Deposit Computation ICMAI p. 954

PRACTICAL ILLUSTRATION · EXAM LEVEL

Question: X Ltd. received a demand order on 1-11-2024 under Sec. 73 with CGST + SGST of ₹5,00,000, interest and penalty. X Ltd. filed appeal before AA on 25-11-2024. Compute the pre-deposit.

COMPUTATION

```
Pre-deposit under Sec. 107(6):
  (a) Amount admitted by appellant in full – assume NIL
  (b) 10% of remaining tax in dispute = 10% of ₹5,00,000 = ₹50,000

FINAL ANSWER – Pre-deposit = ₹50,000 (CGST ₹25,000 + SGST ₹25,000)

If appealing only part of the amount, say ₹3,00,000 is in dispute:
  Pre-deposit = 10% of ₹3,00,000 = ₹30,000

Note: Capped at ₹20 crore per appeal (w.e.f. 1-11-2024, Finance Act 2024).
Prior cap was ₹500 crore.
```

Official Illustration 14.9 — GSTAT Pre-Deposit ICMAI p. 954

PRACTICAL ILLUSTRATION · ADVANCED

Question: In the above case, if the AA passed an order against the assessee on some date and now the assessee wants to appeal to GSTAT, compute the additional pre-deposit.

COMPUTATION

```
Sec. 112(8): Additional pre-deposit = 10% of remaining disputed tax (in
addition to the 10% already paid to AA).
  Additional = 10% of ₹5,00,000 = ₹50,000

Total pre-deposit at GSTAT stage = ₹50,000 (AA) + ₹50,000 (GSTAT) = ₹1,00,000
(i.e. 20%)

For partial dispute of ₹3,00,000:
  Additional = 10% of ₹3,00,000 = ₹30,000
  Total = ₹30,000 + ₹30,000 = ₹60,000

FINAL ANSWER — Additional pre-deposit = ₹50,000 (or ₹30,000 for partial)
```

Official Illustration 14.10 — Interest on Refund of Pre-Deposit ICMAI p. 955

PRACTICAL ILLUSTRATION · EXAM LEVEL

Question: M/s Ram & Sons deposited pre-deposit of ₹5,05,000 on 10-09-2024. GSTAT decided appeal in favour of M/s Ram & Sons on 10-11-2024. M/s Ram & Sons filed for refund on 30-11-2024. Refund paid on 15-03-2025. Compute interest under Sec. 115.

COMPUTATION

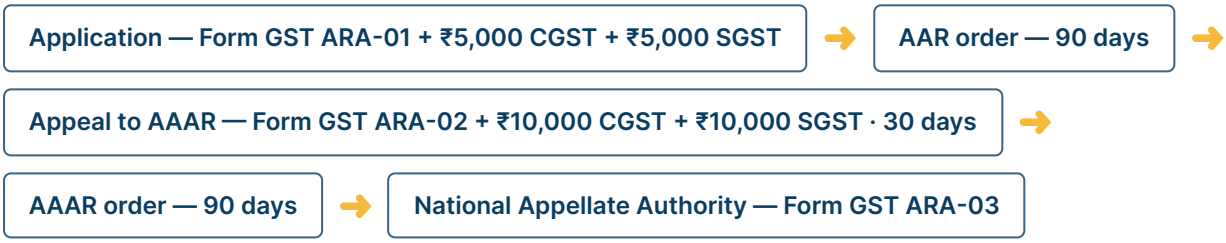
```
Interest under Sec. 115 = 6% p.a. from date of payment of pre-deposit till
date of refund.

Period: 10-09-2024 to 14-03-2025 = 186 days

Interest = 5,05,000 × 6% × 186/365 = ₹15,441

FINAL ANSWER — Interest = ₹15,441
```

14.6 Advance Ruling — Sections 95 to 106 ICMAI p. 982–1002

Sec. 97(2) — Matters on Which Advance Ruling May Be Sought

1. Classification of any goods or services or both.
2. Applicability of a notification issued under the Act.
3. Determination of time and value of supply.
4. Admissibility of input tax credit.
5. Determination of liability to pay tax on any goods or services or both.
6. Whether applicant is required to be registered.
7. Whether any particular thing done amounts to or results in a supply.

Procedure — Rule 104 to 107A of CGST Rules



Sec. 102 — Rectification of Advance Ruling

The Authority or AAAR may amend any order passed under Sec. 98 or 101, so as to rectify any error apparent on the face of the record, within **6 months** from date of the order. No rectification enhancing tax liability shall be made unless opportunity of being heard is given.

Sec. 103 — Binding Nature

- Binding on the **applicant** and the **jurisdictional officer** in respect of the applicant.
- Binding unless the law, facts or circumstances supporting the original ruling have changed.
- Not a precedent — advance ruling is not applicable to similarly placed other taxable persons.

Sec. 104 — Void Ruling

Where the AAR/AAAR finds that the ruling was obtained by **fraud**, **suppression of material facts** or **misrepresentation of facts**, it may, by order, declare such ruling to be **void ab-initio**. However, the period beginning with the date of such ruling and ending with the date of order under Sec. 104(1) shall be **excluded** while computing the period specified in Sec. 73(2) and (10) or Sec. 74(2) and (10).

Sec. 106 — Bar on Jurisdiction

No other authority or Appellate Authority can decide the question raised in the application for advance ruling.

Global Reach Education Services Pvt. Ltd. (2018) 96 taxmann.com 107 (AAAR-West Bengal): The Appellant Authority for Advance Rulings, West Bengal confirmed the decision of AAR that services of promoting courses of foreign universities in India, finding suitable prospective students, recruiting and assisting in recruiting the suitable students shall be treated as **intermediary services** under Sec. 2(13) of IGST Act, 2017 and NOT export of services.

Key Reasoning: The appellant was free to refer students to various foreign universities of its choice. The fee paid was a percentage of student fee — not tied to promotional activities. No consideration was paid if no student joined the university. This is a classic intermediary case — the appellant arranged/facilitated supply of services between two or more persons.

Official Illustration 14.11 — AAR Eligibility ICMAI p. 996

PRACTICAL ILLUSTRATION · APPLICATION LEVEL

Question: *Kiran intends to start selling certain goods in Mumbai. He is not able to determine (i) classification of goods and (ii) place of supply for supply from Mumbai to buyers in U.S. He has not registered under GST. Advise on the following: (a) Does he need registration to apply for AAR? (b) Can he seek advance ruling on classification and place of supply? (c) Is it a one-time ruling?*

SOLUTION

(a) NO. Advance ruling can be sought by a ***registered person OR a person desirous of obtaining registration*** *[Sec. 95(c)].*

(b) Classification – YES. Place of supply – NO. Sec. 97(2) permits classification but NOT place of supply. The reason: AAR is constituted under SGST/UTGST Act and rulings apply only within the State/UT.

(c) YES, one-time. Sec. 103(2) – binding unless the law, facts or circumstances supporting the original ruling have changed.

(d) The AAR's order is NOT final. Sec. 100 provides appeal to AAAR.

(e) Rahim CANNOT use the ruling obtained by Kiran. Sec. 103 – binding only on the applicant.

14.7 Offences & Penalties — Sections 122 to 138 ICMAI p. 998–1034

Sec. 122(1) — 21 Offences with Penalty Structure

Sl.	Offence	Penalty
1	Supply without invoice / incorrect or false invoice	Higher of ₹10,000 or tax involved
2	Issuing invoice without supply (bogus invoice)	Same as above
3	Collects tax but fails to deposit beyond 3 months	Same as above
4	Collects tax in contravention of law, fails to deposit beyond 3 months	Same as above
5	Fails to deduct TDS under Sec. 51 or deposit it	Same as above
6	Fails to collect TCS under Sec. 52 or deposit it	Same as above
7	Avails/utilises ITC without actual receipt	Same as above
8	Fraudulently obtains refund	Same as above
9	Takes/distributes ITC in contravention of Sec. 20 (ISD)	Same as above
10	Falsifies/substitutes records or produces fake accounts	Same as above
11	Fails to obtain registration	Same as above
12	Furnishes false information regarding registration	Same as above
13	Obstructs or prevents an officer in discharge of duties	Same as above
14	Transports taxable goods without cover of specified documents	Same as above
15	Suppresses turnover leading to evasion	Same as above
16	Fails to keep/maintain/retain books of account	Same as above
17	Fails to furnish information or furnishes false info	Same as above
18	Supplies/transports/stores goods liable to confiscation	Same as above
19	Issues invoice using registration number of another person	Same as above
20	Destroys or tampers with material evidence	Same as above

Sl.	Offence	Penalty
21	Disposes of or tampers with detained/seized goods	Same as above

Sec. 122(1A) — Beneficiary Penalty

*Any person who **retains the benefit** of a transaction covered under clauses (i), (ii), (vii), (ix) and at whose **instance** such transaction is conducted, shall be liable to pay penalty equal to the tax evaded or ITC availed of or passed on.*

Sec. 122(1B) — Electronic Commerce Operator (w.e.f. 1-10-2023)

Any ECO who fails to comply with Sec. 52(4) — penalties of ₹10,000 or tax involved, whichever higher — for the following:

- *(i) Allows supply through unregistered person (other than exempted);*
- *(ii) Allows inter-State supply through person not eligible;*
- *(iii) Fails to furnish correct details in GSTR-8.*

Sec. 122A — Penalty for Unregistered Machines (w.e.f. 1-10-2024)

*Where the special procedure under Sec. 148 requires registration of machines: **₹1,00,000 per unregistered machine**; machine liable to seizure and confiscation. Confiscation avoided if penalty paid AND machine registered within **3 days** of receipt of order.*

Sec. 129 — Detention/Seizure in Transit

Situation	Penalty
Owner comes forward	200% of tax payable on goods
Owner does NOT come forward	Higher of 50% of value of goods OR 200% of tax
Conveyance release if goods perishable	15 days reduced by proper officer
Conveyance release on payment by transporter	Penalty u/s 129(3) or ₹1,00,000, whichever LESS

***Sec. 129(3):** SCN within 7 days of detention; order within 7 days of SCN. **Sec. 129(6):** Failure to pay penalty within 15 days → goods sold or disposed of per Rule 144A.*

Official Illustration 14.12 — Sec. 129 Computation ICMAI p. 1020

PRACTICAL ILLUSTRATION · EXAM LEVEL

Question: *Goods valued at ₹15,00,000 with GST payable @ ₹2,70,000 were detained under Sec. 129. Owner did NOT come forward. Compute penalty.*

COMPUTATION

```
Sec. 129(1)(b): Where owner does not come forward, penalty = higher of:
  (i) 50% of value of goods = 50% × ₹15,00,000 = ₹7,50,000
  (ii) 200% of tax payable = 200% × ₹2,70,000 = ₹5,40,000

Higher = ₹7,50,000

FINAL ANSWER – Penalty = ₹7,50,000
```

Sec. 130 — Confiscation

Provision	Detail
Sec. 130(1)	Goods and conveyances liable to confiscation on specified grounds
Sec. 130(2)	Fine in lieu of confiscation not exceeding market value – tax; aggregate of fine + penalty ≥ 100% of tax payable
Sec. 130(3)	Omitted w.e.f. 1-1-2022 — delinked from Sec. 129
Sec. 130(4)	No order without opportunity of hearing
Sec. 130(5)	Title vests in Government upon confiscation
Sec. 130(7)	Disposal within 3 months

Official Illustration 14.13 — Sec. 130: Confiscation Fine ICMAI p. 1022

PRACTICAL ILLUSTRATION · EXAM LEVEL

Question: *Cost of goods = ₹15,00,000; Market value = ₹20,00,000; GST = ₹3,60,000. Compute maximum fine in lieu of confiscation for (i) goods and (ii) conveyance.*

COMPUTATION

```
(i) Fine in lieu of confiscation of goods:
    = Market value – tax chargeable
    = ₹20,00,000 – ₹3,60,000
    = ₹16,40,000

(ii) Fine for conveyance used for carriage of goods for hire:
    = Tax payable on goods
    = ₹3,60,000

FINAL ANSWER – Goods: ₹16,40,000; Conveyance: ₹3,60,000
```

Sec. 132 — Prosecution with Full Threshold Table

Tax Amount Involved	Imprisonment	Cognizable / Bailable
> ₹500 lakhs (5 crore)	**Up to 5 years + fine**	Cognizable · Non-bailable
> ₹200 lakhs ≤ ₹500 lakhs	**Up to 3 years + fine**	Non-cognizable · Bailable
> ₹100 lakhs ≤ ₹200 lakhs	**Up to 1 year + fine**	Non-cognizable · Bailable
Clause (f) — falsification of records	Up to 6 months or fine or both	Non-cognizable · Bailable

Official Illustration 14.14 — Prosecution Thresholds ICMAI p. 1048–1049

PRACTICAL ILLUSTRATION · ADVANCED

Question: *Discuss prosecution, arrest and bail implications in the following cases:*

- *(i) Ram avails ITC of ₹162 lakh without receipt of goods but has NOT utilised it in GSTR-2B.*
- *(ii) Rahim wilfully evades tax of ₹275 lakh.*
- *(iii) Robert fails to supply information sought by GST Officer — GST involved ₹8 lakh.*
- *(iv) Lakshman collects ₹585 lakh as tax but deposits only ₹25 lakh.*
- *(v) Karthik collects ₹265 lakh as IGST and deposits ₹261 lakh by falsifying records.*

SOLUTION

(i) Ram – NO OFFENCE. Utilisation of ITC not confirmed in GSTR-2B. Arrest and bail not applicable.

(ii) Rahim – Non-cognizable offence under Sec. 132(1)(e) [evasion of tax]. Imprisonment up to 3 years + fine. Arrest can be ordered by Commissioner. Bailable offence.

(iii) Robert – NOT an offence u/s 132 (clause (k) omitted w.e.f. 1-10-2023).

(iv) Lakshman – Cognizable offence under Sec. 132(1)(d) [collected tax > ₹500 lakh, fails to deposit beyond 3 months]. Imprisonment up to 5 years + fine. Arrest without warrant by Commissioner. Non-bailable offence.

(v) Karthik – Non-cognizable offence under Sec. 132(1)(f) [falsifies records]. Imprisonment up to 6 months or fine or both. Bailable.

If convicted for subsequent offences:
All – Imprisonment up to 5 years + fine (Sec. 132(2)).

Sec. 138 — Compounding of Offences (w.e.f. 1-10-2023)

Offence	Compounding Amount
Clause (a), (c), (d), (e), (f) of Sec. 132(1) — where tax involved > ₹500 L	Up to 75%, minimum 50% of tax evaded
Clause (a), (c), (d), (e), (f) — where tax involved ₹200 L – ₹500 L	Up to 60%, minimum 40% of tax evaded
Clause (h), (i), and attempt/abet	25% of tax evaded

Not compoundable: *Person accused of fake invoicing (Sec. 132(1)(b)); person convicted; second offence under clauses (a) to (f), (h), (i), (l).*

Official Illustration 14.15 — Compounding

ICMAI p. 1054–1056

PRACTICAL ILLUSTRATION · EXAM LEVEL

Question: *X Pvt Ltd issued tax invoice to few customers without actually making supply (ITC wrongly availed by customers = ₹300 lakh). Can X Firm compound the offence?*

SOLUTION

```
X Firm's offence falls under Sec. 132(1)(b) – issuing invoice without supply.
This is a FAKE INVOICING offence.

Sec. 138 as amended w.e.f. 1-10-2023: Option of compounding has been TAKEN
AWAY for cases of fake invoicing irrespective of value.

In the case of customers who availed ITC:
  This falls under Sec. 132(1)(c) – availing ITC using invoice referred to in
(b).
  Case A (ITC ₹300 lakh – punishable u/s 132(1)(ii)):
    Compounding amount = Up to 60%, minimum 40% of ₹300 L = ₹1,20,00,000 to
₹1,80,00,000
  Case B (ITC ₹150 lakh – NOT punishable u/s 132(1)(iii) since ≤ ₹200 L):
    NO COMPOUNDING allowed.

FINAL ANSWER
  X Firm – NOT compoundable (fake invoicing).
  Customers – Case A (₹300 L): compoundable at ₹1.2 Cr to ₹1.8 Cr.
              Case B (₹150 L): NOT compoundable.
```

Module 14 — Wrap-Up & Revision

Chapter Mind Map

- **DISPUTE RESOLUTION MECHANISM**
  - Demands — Sec. 73 (3 yr, 10%) · Sec. 74 (5 yr, 100%) · Sec. 74A (42 months common, w.e.f. 1-11-2024)
  - General — Sec. 75 (stay, deemed notice, adjournment 3 times) · Sec. 76 (tax collected but not paid — 1 yr) · Sec. 77 (wrongful collection)
  - Recovery — Sec. 78 (3 months) · Sec. 79 (7 modes) · Sec. 80 (24 instalments) · Sec. 81 (void transfer) · Sec. 82 (first charge) · Sec. 83 (1-yr attachment) · Sec. 84 (continuation)
  - Assessment — Self (59) · Provisional (60) · Scrutiny (61) · Non-filer (62) · Unregistered (63) · Summary (64)
  - Appeals — AA (107 · 3+1 mo · 10%) · GSTAT (112 · 3+3 mo · +10%) · HC (117) · SC (118) · Revision (108 · 3 yr)
  - Advance Ruling — AAR (95–98 · 90 days) · AAAR (99–101 · 30 days) · NAAAR (101A) · Rectification (102 · 6 mo) · Binding (103) · Void (104)
  - Offences — 122 (21 offences) · 122A (machines) · 123–126 · 129 (detention) · 130 (confiscation) · 132 (prosecution) · 138 (compounding)

Top 25 Revision Points

1. Sec. 73 — 3 years, 10% or ₹10,000.
2. Sec. 74 — 5 years, 100%.
3. Sec. 73 — no penalty before notice.
4. Sec. 74 — 15% within 30 days of SCN.
5. Sec. 74 — 25% within 30 days of order.
6. Sec. 74 — 50% within 30 days of communication of order.
7. Sec. 74A — 42-month common limit; 60-day settlement.
8. Sec. 75(2) — Deemed notice u/s 73 if Sec. 74 fails.
9. Sec. 75(5) — Adjournment max 3 times.
10. Sec. 75(12) — Recovery without notice.
11. Sec. 79 — 7 modes of recovery.
12. Sec. 80 — 24 instalments.
13. Sec. 82 — First charge, IBC carve-out.
14. Sec. 83 — 1-year attachment.
15. Sec. 59 — Self-assessment.
16. Sec. 60 — Provisional (ASMT-01 to ASMT-09).
17. Sec. 61 — Scrutiny (ASMT-10/11/12).
18. Sec. 62 — Non-filers, 5 years, 30-day withdrawal.
19. Sec. 64 — Summary, ASMT-16, 30-day withdrawal.
20. Sec. 107 — First appeal, 10% pre-deposit.

21. *Sec. 112 — GSTAT, additional 10% (total 20%).*
22. *Sec. 115 — 6% interest on refund of pre-deposit.*
23. *Advance Ruling — 90-30-90 timeline.*
24. *Sec. 122 — Higher of ₹10,000 or tax.*
25. *Sec. 138 — Compounding 25%–100%.*

Top 10 Examination Questions

1. *Distinguish Sec. 73 and Sec. 74 with limitation and penalty.* **10 MARKS**
2. *Explain the modes of recovery under Sec. 79.* **10 MARKS**
3. *Explain provisional attachment under Sec. 83.* **5 MARKS**
4. *Explain the first charge provision under Sec. 82.* **5 MARKS**
5. *Explain Sec. 75(12) — recovery without notice.* **5 MARKS**
6. *Explain the various types of assessment under GST.* **10 MARKS**
7. *Explain the provisions of audit under Sec. 65.* **10 MARKS**
8. *Explain the provisions of advance ruling under Sec. 95–106.* **10 MARKS**
9. *Compute the pre-deposit for first appeal and GSTAT.* **5 MARKS**
10. *Compute the penalty under Sec. 73 and Sec. 74 with worked examples.* **10 MARKS**

Formula & Limit Sheet

Item	Limit
Sec. 73 — limitation / penalty	***3 years · 10% or ₹10,000***
Sec. 74 — limitation / penalty	***5 years · 100%***
Sec. 74A — notice / order	***42 months · 12 + 6 months***
Sec. 107 — time / pre-deposit	***3+1 months · 10% (max ₹20 Cr)***
Sec. 112 — time / pre-deposit	***3+3 months · additional 10%***
Sec. 115 — interest on pre-deposit refund	***6% p.a.***
Sec. 129 — detention penalty	***200% / 50% of value***
Sec. 132 — prosecution thresholds	***₹5 Cr / ₹2 Cr / ₹1 Cr***
Sec. 138 — compounding	***25% – 100%***

One Page Summary

MODULE 14 · ONE PAGE SUMMARY

Demands: *Sec. 73 (3 yr, 10% or ₹10,000) vs Sec. 74 (5 yr, 100%). Sec. 74A (42 months, 60-day settlement from FY 2024-25). Sec. 75(12) — recovery without notice.*

Recovery: *Sec. 79 seven modes · Sec. 80 24 instalments · Sec. 82 first charge (IBC carve-out) · Sec. 83 one-year attachment (DRC-22/23).*

Assessment: *Self (59) · Provisional (60, ASMT-01 to 09) · Scrutiny (61, ASMT-10/11/12) · Non-filers (62, 5 yr, 30-day withdrawal) · Unregistered (63, 5 yr) · Summary (64, ASMT-16).*

Appeals: *AA (107, 3+1 mo, 10%) · GSTAT (112, 3+3 mo, +10%) · HC (117) · SC (118). Revision (108, 3 yr). Sec. 115 — 6% interest.*

Advance Ruling: *AAR (90 days) · AAAR (30 days + 90 days) · Binding on applicant only · Void ab-initio on fraud (Sec. 104).*

Offences: *Sec. 122 (21 offences, ₹10,000/tax) · Sec. 129 (200% / 50% of value) · Sec. 130 (confiscation) · Sec. 132 (5/3/1 yr thresholds) · Sec. 138 (25%–100% compounding).*

Inspection, Search, Seizure, Arrest & Prosecution

15.1 Introduction & Inspection — Sec. 67(1) ICMAI p. 1037–1040

*Inspection, Search and Seizure provisions protect the interest of genuine taxpayers. These powers can be exercised **only by a proper officer not below the rank of Joint Commissioner**, and only when such officer has **reasons to believe** regarding exceptional circumstances.*

Sec. 67(1) — Grounds for Inspection

- *Taxable person has suppressed any transaction relating to supply or stock in hand; or*
- *Claimed ITC in excess of entitlement; or*
- *Indulged in contravention of any provisions to evade tax; or*
- *Any person engaged in transporting goods, owner/operator of warehouse/godown is keeping goods which have escaped payment of tax or has kept accounts in a manner likely to cause evasion.*

Rule 139 — Forms for Inspection, Search & Seizure

Form	Purpose
FORM GST INS-01	Authorisation for inspection/search/seizure by proper officer (JC or above) to any other officer subordinate
FORM GST INS-02	Order of seizure of goods/documents/books/things
FORM GST INS-03	Order of prohibition where it is not practicable to seize

> ***Patran Steel Rolling Mill v. Assistant Commissioner of State Tax [2019] 101 taxmann.com 80 (Guj.):*** *The Gujarat High Court held that provisions of Sec. 67 should NOT be exercised as a matter of course, but only after due application of mind to relevant factors.*

Definition of "Place of Business" — Sec. 2(85)

Includes: (a) place from where business is ordinarily carried on, including warehouse/godown/any place where goods are stored or supplied; (b) place where books of account are maintained; (c) place where business is engaged through an agent. Thus, if books are maintained at the residence of a director, that may be treated as place of business and inspection can be carried out there.

15.2 Search & Seizure — Sec. 67(2) to (12) ICMAI p. 1039–1041

Sub-sec.	Provision
67(2)	Where JC or above has reasons to believe goods liable to confiscation or documents/books/things secreted in any place — authorise search & seizure. Proviso 1: Where seizure not practicable, serve order of prohibition (INS-03). Proviso 2: Documents/books/things retained only as long as necessary.
67(3)	Documents/books/things not relied upon for notice to be returned within **30 days** of issue of notice.
67(4)	Officer may seal or break open the door of any premises if access denied; may break open almirah, electronic devices, box, receptacle.
67(5)	Person from whose custody documents are seized entitled to copies/extracts in presence of authorised officer.
67(6)	Seized goods to be released on provisional basis on execution of bond + security, or payment of applicable tax, interest, penalty.
67(7)	If no notice within **6 months**, goods to be returned. Commissioner may extend by another **6 months** on sufficient cause.
67(8)	Perishable/hazardous goods — may be disposed of by proper officer as prescribed.
67(9)	Inventory of goods to be prepared.
67(10)	CrPC provisions relating to search & seizure apply; "Magistrate" replaced with "Commissioner".
67(11)	Officer may seize accounts/registers/documents if reasons recorded — receipt to be given.
67(12)	Commissioner may cause purchase of goods/services to check issue of tax invoices.

Sec. 68 — Inspection of Goods in Movement

- ***68(1):*** *Government may require person in charge of conveyance carrying consignment exceeding specified value to carry prescribed documents (E-Way Bill) and devices.*
- ***68(2):*** *Details to be validated as prescribed.*
- ***68(3):*** *Proper officer may intercept the conveyance, require production of documents and devices, and inspect goods.*

Sec. 69 — Power to Arrest

- ***69(1):*** *Where Commissioner has reasons to believe that a person has committed an offence under Sec. 132(1)(a) or (b) or (c) or (d) punishable under Sec. 132(1)(i) or (ii) or (2), he may authorise any officer of central tax to arrest such person.*
- ***69(2):*** *Where a person is arrested for an offence under Sec. 132(5) [offence involving tax evasion exceeding ₹500 lakh], officer shall inform such person of the grounds of arrest and produce him before a Magistrate within* ***24 hours****.*
- ***69(3):*** *Subject to CrPC:*
  - *(a) For offences under Sec. 132(4) [non-cognizable and bailable]: admitted to bail or forwarded to Magistrate.*
  - *(b) DC/AC shall have powers of officer-in-charge of a police station for releasing on bail.*

CBIC Instruction No. 02/2022-23 (GST-Investigation) dated 17-08-2022 — Guidelines for Arrest & Bail

- *Arrest to be made only in exceptional circumstances where there is credible evidence of fraud.*
- *Monetary limit of ₹500 lakh not applicable to: (a) habitual evaders [2+ cases of confirmed demand in past 2 years involving tax evaded/ITC misused exceeding ₹500 lakh]; (b) arrest cases during investigation.*
- *Reasons for arrest to be recorded in writing.*
- *Arrested person to be produced before Magistrate within 24 hours.*

Sec. 70 — Power to Summon

- ***70(1):*** *Proper officer may summon any person whose attendance is considered necessary to give evidence or produce documents.*
- ***70(1A) w.e.f. 1-11-2024:*** *All persons summoned shall be bound to attend, in person or by authorised representative, and shall state the truth during examination.*
- ***70(2):*** *Every inquiry deemed to be a* ***judicial proceeding*** *under IPC Sec. 193 & 228.*

CBIC Instruction No. 03/2022-23 (GST-Investigation) dated 17-08-2022 — Guidelines on Summons

- *Summons to be issued only when necessary; cannot be issued routinely.*
- *Summons to be issued with DIN (Document Identification Number).*
- *Senior officers to authorise summons.*
- *Statements to be recorded in presence of authorised representative, if requested.*

Sec. 71 — Access to Business Premises

- ***71(1):*** *Officer authorised by proper officer not below JC shall have access to any place of business to inspect books, accounts, computers, software — for audit, scrutiny, verification, checks.*

- ***71(2):*** *Person in charge shall make available records within* ***15 working days****: (i) declared records; (ii) trial balance; (iii) audited annual accounts; (iv) cost audit report; (v) income-tax audit report; (vi) any other record.*

Sec. 72 — Officers to Assist Proper Officers

All officers of Police, Railways, Customs, State tax, UT tax, and land revenue to assist proper officers. Government may notify additional classes of officers to assist.

15.4 Prosecution — Sec. 132 ICMAI p. 1046–1050

Sec. 132(1) — Offences Covered

Clause	Offence
(a)	Supply without invoice with intent to evade tax
(b)	Issue invoice/bill without supply → wrongful ITC/refund
(c)	Avail ITC using such invoice, or fraudulently avail ITC without invoice
(d)	Collect tax but fail to pay to Government beyond 3 months
(e)	Evade tax, fraudulently avail ITC or obtain refund (residual)
(f)	Falsify/substitute records, produce fake accounts/documents
(g) — omitted w.e.f. 1-10-2023	Obstruct or prevent officer in discharge of duties
(h)	Acquire possession, transport, remove, deposit, keep, conceal goods liable to confiscation
(i)	Receive/deal with supply of services in contravention of Act
(j) — omitted w.e.f. 1-10-2023	Tamper or destroy material evidence
(k) — omitted w.e.f. 1-10-2023	Fail to supply information / supply false information
(l)	Attempt to commit / abet offences under (a) to (f), (h), (i)

Sec. 132 — Punishment Table

Sec. 132(1) clause	Tax Amount Involved	Imprisonment	Cognizable / Bailable
(i)	> ₹500 lakhs	**Up to 5 years + fine**	Cognizable · Non-bailable
(ii)	> ₹200 L ≤ ₹500 L	**Up to 3 years + fine**	Non-cognizable · Bailable
(iii)	> ₹100 L ≤ ₹200 L	**Up to 1 year + fine**	Non-cognizable · Bailable
(iv)	Clause (f)	Up to 6 months or fine or both	Non-cognizable · Bailable

Sec. 132(2): *Second and subsequent offence → imprisonment up to* ***5 years*** *+ fine.* ***Sec. 132(3):*** *Minimum imprisonment = 6 months (unless special reasons recorded).* ***Sec. 132(6):*** *Prior sanction of Commissioner required for prosecution.*

Sec. 138 — Compounding of Offences

ICMAI p. 1051–1056

Compounding is a shortcut method to avoid litigation. On payment of compounding amount, no further proceedings shall be initiated under the Act against the accused person in respect of the same offence, and any criminal proceedings shall stand abated.

Offence	Amount if punishable u/s 132(1)(i) [> ₹500 L]	Amount if punishable u/s 132(1)(ii) [₹200–500 L]
Clauses (a), (c), (d), (e), (f)	50% – 75% of tax evaded / ITC / refund	40% – 60% of tax evaded / ITC / refund
Clauses (h), (i) and attempt/abet	25% of tax evaded	25% of tax evaded

Not compoundable w.e.f. 1-10-2023:

- *Person accused of fake invoicing — Sec. 132(1)(b)*
- *Person convicted by a court under the Act*
- *Person allowed to compound once already under clauses (a) to (f), (h), (i), (l)*
- *Any other class as may be prescribed*

Rule 162 — Compounding Procedure

- *Application in FORM GST DRC-21.*
- *Commissioner may allow compounding on payment of prescribed amount.*

- *Commissioner shall determine compounding amount within 90 days of receipt of application.*
- *Opportunity of hearing before rejecting application.*
- *Tax, interest, penalty must be paid before compounding is allowed.*
- *Compounding amount to be paid within 30 days of order; else order becomes void.*
- *Immunity may be withdrawn if concealment or false evidence found.*

Official Illustration 15.1 — Compounding ICMAI p. 1054

PRACTICAL ILLUSTRATION · EXAM LEVEL

Question: *Z LLP has tax liability of ₹510 lakh for December 2023, unpaid till 30-04-2024 (due date 20-01-2024). Compute compounding amount. First-time offence.*

SOLUTION

```
Offence: Sec. 132(1)(d) – collected tax but failed to deposit beyond 3
months.
Punishable under: Sec. 132(1)(i) [tax > ₹500 L].

Compounding amount:
  Maximum = 75% of ₹510 L = ₹382.5 lakh
  Minimum = 50% of ₹510 L = ₹255 lakh

FINAL ANSWER – Compounding between ₹255 lakh and ₹382.50 lakh
```

Module 15 — Wrap-Up

Top 20 Revision Points

1. *JC or above authorises inspection under Sec. 67(1).*
2. *Search authorisation — INS-01.*
3. *Order of seizure — INS-02.*
4. *Prohibition order — INS-03.*
5. *Return of documents — 30 days.*
6. *Return of goods — 6 months + 6 months.*
7. *Arrest — Sec. 69, 24 hours to Magistrate.*
8. *Summons — Sec. 70, deemed judicial proceeding.*
9. *Access to premises — Sec. 71, 15 working days.*
10. *Prosecution — Sec. 132, 5/3/1 year thresholds.*
11. *Second offence — 5 years (Sec. 132(2)).*
12. *Minimum imprisonment — 6 months (Sec. 132(3)).*
13. *Commissioner sanction — Sec. 132(6).*
14. *Cognizable if tax > ₹500 lakh.*
15. *Compounding — 25% to 100%.*
16. *Fake invoicing — NOT compoundable.*
17. *Rule 162 — compounding procedure.*

18. *Sec. 122A — unregistered machine penalty.*

19. *Sec. 122 — 21 offences, ₹10,000/tax.*

20. *Sec. 129 — 200%/50% of value.*

One Page Summary

MODULE 15 · ONE PAGE SUMMARY

Inspection: *Sec. 67(1) — JC or above; INS-01 authorisation.*

Search & Seizure: *Sec. 67(2) — reasons recorded in writing; INS-02 seizure; INS-03 prohibition; return of documents in 30 days; return of goods in 6+6 months.*

Arrest: *Sec. 69 — 24 hours to Magistrate; bailable for Sec. 132(4) offences; non-bailable for Sec. 132(5) offences.*

Summons: *Sec. 70 — deemed judicial proceeding under IPC Sec. 193, 228.*

Access: *Sec. 71 — JC authorisation; 15 working days to produce records.*

Prosecution: *Sec. 132 — 5/3/1 year thresholds; cognizable only above ₹500 lakh.*

Compounding: *Sec. 138 — 25%–100% of tax; fake invoicing not compoundable.*

CMA FINAL DECEMBER 2026

Paper 19 – Indirect Tax Laws & Practice

CUSTOMS MASTER REVISION NOTES

MODULE 18

VALUATION AND RELATED PARTY TRANSACTIONS

Complete Study Material | Theory + Practical | Case Laws | Revision Tables

Premium Faculty Revision Series

MODULE 18 – MODULE OVERVIEW

This module deals with the **determination of value of imported and exported goods** under the Customs Act, 1962. The value determined is called **Assessable Value** on which customs duty is levied.

Coverage of the Module

- Transaction Value as the primary basis of valuation
- Customs Valuation Rules for Imported Goods, 2007
- Customs Valuation Rules for Export Goods, 2007
- Related Party Transactions and their impact on valuation
- Six sequential methods of valuation
- Practical computation of assessable value
- Case laws and advance rulings

⚠ **EXAM ALERT: Weightage in Examination:** 8–12 marks (Theory + Practical). This module is highly scoring if valuation rules are mastered.

LEARNING OBJECTIVES

After studying this module, the student will be able to:

1. Understand the concept of **Transaction Value** under Section 14 of the Customs Act, 1962.
2. Apply the **Customs Valuation (Determination of Value of Imported Goods) Rules, 2007**.
3. Apply the **Customs Valuation (Determination of Value of Export Goods) Rules, 2007**.
4. Identify related party transactions and determine their impact on valuation.
5. Compute assessable value using the six sequential methods.
6. Understand treatment of various additions and deductions under Rule 10.
7. Apply provisions relating to rejection of declared value.
8. Solve practical problems on customs valuation.

SYLLABUS COVERAGE

Topic	Coverage
Valuation of Imported Goods	Rules 3 to 10 of Customs Valuation Rules, 2007
Valuation of Exported Goods	Customs Valuation Rules, 2007 for Export Goods
Transaction Value	Section 14(1) of Customs Act, 1962
Related Party Transactions	Rule 2(2) of Customs Valuation Rules, 2007
Sequential Methods	Rules 3, 4, 5, 7, 8, 9
Additions to FOB	Rule 10(1) and 10(2)
Exchange Rate	Section 14(3) of Customs Act, 1962
Case Laws	Supreme Court & High Court judgments

CHAPTER INDEX

Chapter	Topic	Page Reference
18.1	Introduction to Customs Valuation	1103
18.2	Valuation of Exported Goods	1104–1106
18.3	Valuation of Imported Goods	1107–1119
18.4	Related Party Transactions	1130–1133
18.5	Solved Cases and Case Laws	1132–1133

EXAMINATION FOCUS AREAS

1. **Computation of Assessable Value** – Most important practical area
2. **Rule 10(2) – Freight and Insurance** – Apportionment rules
3. **Rule 10(1) – Additions to FOB** – Commission, packing, royalties
4. **Related Party Transactions** – Definition and impact
5. **Rejection of Declared Value** – Rule 12
6. **Case Laws** – Supreme Court judgments
7. **Exchange Rate** – CBIC rate vs. RBI rate
8. **Deductive Value Method** – Rule 7
9. **Computed Value Method** – Rule 8
10. **Residual Method** – Rule 9

FREQUENTLY TESTED CONCEPTS

Concept	Frequency	Importance
Computation of Assessable Value	Every exam	Very High
Rule 10(2) – Freight addition @ 20%	Every exam	Very High
Rule 10(2) – Insurance @ 1.125%	Every exam	Very High
Related Party Definition	Often	High
Rejection of Declared Value	Sometimes	Medium
Deductive Value Method	Sometimes	Medium
Case Laws	Often	High
Export Valuation Rules	Sometimes	Medium
Exchange Rate Provisions	Often	High

MOST IMPORTANT PRACTICAL AREAS

1. **Basic Assessable Value Computation** – FOB + Freight + Insurance
2. **Rule 10(1) Additions** – Commission, packing, royalties, engineering charges
3. **Rule 10(2) Additions** – Freight @ 20%, Insurance @ 1.125%
4. **Deductions** – Post-shipment expenses, buying commission
5. **Related Party Transactions** – Comparison with identical/similar goods
6. **Depreciation on Capital Goods** – For re-import/EPCG
7. **Exchange Rate Application** – CBIC rate on date of bill of entry
8. **Freight Limitations** – Actual vs. 20% of FOB (whichever is less)
9. **Insurance Limitations** – Actual vs. 1.125% of FOB
10. **Deductive Value** – Greatest aggregate quantity method

CHAPTER 18.1: INTRODUCTION TO CUSTOMS VALUATION

A. Chapter Introduction

Customs valuation is the process of determining the value of imported or exported goods for the purpose of levying customs duty. Under the Customs Act, 1962, the value determined is called **Assessable Value**. The primary basis of valuation is **Transaction Value** (i.e., the price actually paid or payable for the goods).

The World Trade Organization (WTO) mandates that customs valuation should be based on the **Transaction Value** of the goods. India being a WTO member follows this principle, and the Customs Valuation Rules, 2007 are framed on these lines.

B. Important Definitions

Term	Definition
Value (Section 2(41))	Value determined in accordance with Section 14(1) and 14(2) of the Customs Act, 1962
Transaction Value (Rule 2(1)(g))	The value referred to in sub-section (1) of Section 14 of the Customs Act, 1962
Customs Station	Any customs port, customs airport, land customs station or inland container depot
Assessable Value	The value on which customs duty is calculated
FOB	Free on Board – Price includes all charges up to placing goods on board a ship at the port of departure
CIF	Cost, Insurance and Freight – FOB + Freight + Insurance

C. Important Legal Terms

Term	Meaning
Ad Valorem Duty	Duty calculated as a percentage of the value of goods
Specific Duty	Duty calculated on the basis of quantity (e.g., ₹5,000 per Kg)
Tariff Value	Value fixed by CBIC under Section 14(2)
Exchange Rate	Rate notified by CBIC for conversion of foreign currency into Indian Rupees

D. Concept Explanation

D1. Types of Customs Duty

Duty Type	Basis
Basic Customs Duty (BCD)	Ad valorem or Specific
Integrated GST (IGST)	Ad valorem
Social Welfare Surcharge (SWS)	10% of BCD
Agriculture Infrastructure and Development Cess (AIDC)	Ad valorem
Compensation Cess	Ad valorem

D2. Taxable Event

The taxable event for customs duty is the **importation** or **exportation** of goods into/out of India.

D3. Relevant Date for Valuation

Scenario	Relevant Date
Import	Date of presentation of Bill of Entry
Export	Date of presentation of Shipping Bill
Warehoused Goods	Date of presentation of Bill of Entry for home consumption

E. Section-wise Analysis

Section 14(1) – Valuation of Imported and Exported Goods

Condition	Explanation
Price at which such or like goods are ordinarily sold	Comparable price
For delivery at the time and place of importation	Temporal and spatial factor
In the course of international trade	Commercial transaction
Seller and buyer have no interest in the business of each other	Arm's length principle
Price is the sole consideration for sale	No hidden consideration
At rate of exchange as on date of presentation of Bill of Entry	CBIC notified rate

Section 14(2) – Tariff Value

The Central Board of Indirect Taxes and Customs (CBIC) is empowered to fix tariff values of imported goods or export goods by issuing notifications.

Section 14(3) – Exchange Rate

The rate of exchange for determination of value shall be the rate notified by the CBIC on the date of presentation of Bill of Entry.

F. Rule-wise Analysis

Customs Valuation (Determination of Value of Imported Goods) Rules, 2007

Rule	Method
Rule 3	Transaction Value Method
Rule 4	Identical Goods Method
Rule 5	Similar Goods Method
Rule 7	Deductive Value Method
Rule 8	Computed Value Method
Rule 9	Residual Method
Rule 10	Cost and Services (Additions)
Rule 12	Rejection of Declared Value

Customs Valuation (Determination of Value of Export Goods) Rules, 2007

Rule	Method
Rule 3	Transaction Value Method
Rule 4	Export Value by Comparison
Rule 5	Computed Value Method
Rule 6	Residual Method
Rule 8	Rejection of Declared Value

G. Practical Implications

1. **Correct determination of assessable value** is crucial as it directly impacts the duty liability.

2. **Exchange rate** plays a significant role – CBIC rate is used, not RBI rate.
3. **Additions under Rule 10** must be carefully analyzed.
4. **Related party transactions** require special scrutiny.
5. **Post-importation costs** are not included in assessable value.

H. Examination Perspective

Aspect	Importance
Basic computation	Very High
Rule 10 additions	Very High
Exchange rate	High
Related party	High
Case laws	Medium
Export valuation	Medium

I. Frequently Tested Areas

1. Computation of Assessable Value
2. Rule 10(2) – Freight and Insurance
3. Rule 10(1) – Commission and Packing
4. Related Party Transactions
5. Exchange Rate Provisions
6. Rejection of Declared Value
7. Deductive Value Method
8. Case Laws

J. Examiner's Favourite Topics

1. **Computation of Assessable Value with all additions and deductions**
2. **Treatment of buying commission vs. selling commission**
3. **Freight limitation – actual vs. 20% of FOB**

4. **Insurance limitation – actual vs. 1.125% of FOB**
5. **Related party definition and impact on valuation**
6. **Case laws: Aggarwal Industries, Gira Enterprises, Wep Peripherals**
7. **Exchange rate – CBIC vs. RBI**
8. **Deductive value – greatest aggregate quantity**

K. Common Student Mistakes

Mistake	Correction
Using RBI exchange rate instead of CBIC rate	Always use CBIC rate notified under Section 14(3)
Adding buying commission to assessable value	Buying commission is NOT added
Adding post-shipment expenses	Post-shipment expenses are NOT added
Adding local transportation in India	NOT added – only up to place of importation
Ignoring 20% freight limitation	Apply lower of actual or 20% of FOB
Ignoring 1.125% insurance limitation	Apply lower of actual or 1.125% of FOB
Including development charges in India	NOT added – only those undertaken outside India
Forgetting SWS @ 10% of BCD	Always add Social Welfare Surcharge

L. Important Limits and Time Periods

Particular	Limit/Period
Freight addition (Rule 10(2))	Lower of actual or 20% of FOB
Insurance addition (Rule 10(2))	Lower of actual or 1.125% of FOB
Air freight limitation	20% of FOB
Minimum drawback rate	1% of FOB
Maximum drawback rate	1/3rd of Market Price
Re-export time limit (Section 74)	2 years from date of payment of duty
Time limit for claiming refund (Section 74)	3 months from let export order (extendable)

M. Important Tables

Table 1: Comparison of Six Valuation Methods

Order	Method	Rule	Basis
1	Transaction Value	Rule 3	Price actually paid or payable
2	Identical Goods	Rule 4	Transaction value of identical goods
3	Similar Goods	Rule 5	Transaction value of similar goods
4	Deductive Value	Rule 7	Selling price in India minus post-importation costs
5	Computed Value	Rule 8	Cost of production + profit + expenses
6	Residual Method	Rule 9	Reasonable means consistent with principles

Table 2: Additions under Rule 10(1)

Item	Addable?
Commission and brokerage (except buying commission)	Yes
Packing cost (except durable/returnable packing)	Yes
Cost of engineering, development, plans, sketches (outside India)	Yes
Royalties and license fee	Yes
Value of subsequent resale (if payable to foreign supplier)	Yes
Value of material supplied by buyer free of cost	Yes
Buying commission	No
Development charges in India	No

Table 3: Additions under Rule 10(2)

Item	Addable?
Cost of freight	Yes (lower of actual or 20% of FOB)
Cost of insurance	Yes (lower of actual or 1.125% of FOB)
Ship demurrage charges	Yes
Lighterage or barge charges	Yes
Post-shipment expenses	No
Local transportation in India	No

N. Summary Charts

Chart 1: Assessable Value Computation – Imported Goods

ASSESSABLE VALUE (CIF) = FOB + Freight + Insurance

FOB = Ex-factory price + Carriage to port + Loading charges

Freight = Lower of (a) Actual freight, OR (b) 20% of FOB

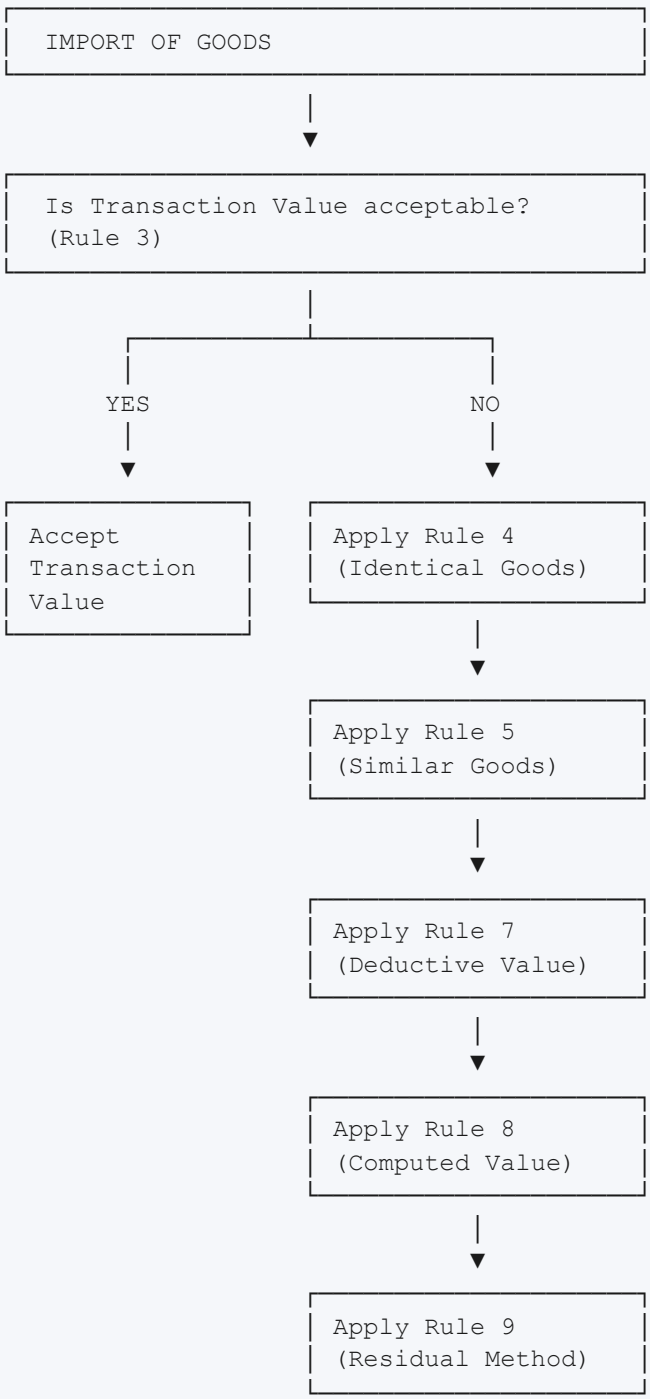
Insurance = Lower of (a) Actual insurance, OR (b) 1.125% of FOB

Chart 2: Sequential Order of Valuation Methods

```
Step 1: Transaction Value (Rule 3)
    ↓ (If not applicable)
Step 2: Identical Goods (Rule 4)
    ↓ (If not applicable)
Step 3: Similar Goods (Rule 5)
    ↓ (If not applicable)
Step 4: Deductive Value (Rule 7)
    ↓ (If not applicable)
Step 5: Computed Value (Rule 8)
    ↓ (If not applicable)
Step 6: Residual Method (Rule 9)
```

O. Flowcharts

Flowchart 1: Valuation of Imported Goods



P. Concept Mapping

```
CUSTOMS VALUATION
│
├── Section 14(1) – Transaction Value
│    ├── Price actually paid or payable
│    ├── Conditions for acceptance
│    └── Exchange rate
│
├── Imported Goods Rules
│    ├── Rule 3 – Transaction Value
│    ├── Rule 4 – Identical Goods
│    ├── Rule 5 – Similar Goods
│    ├── Rule 7 – Deductive Value
│    ├── Rule 8 – Computed Value
│    ├── Rule 9 – Residual Method
│    └── Rule 10 – Additions
│
├── Export Goods Rules
│    ├── Rule 3 – Transaction Value
│    ├── Rule 4 – Comparison
│    ├── Rule 5 – Computed Value
│    └── Rule 6 – Residual Method
│
└── Related Party Transactions
     ├── Definition
     ├── Impact on valuation
     └── Acceptable if relationship doesn't influence price
```

Q. Quick Revision Notes

Point	Key Takeaway
Primary basis	Transaction Value
Exchange rate	CBIC rate on date of Bill of Entry
Freight	Lower of actual or 20% of FOB
Insurance	Lower of actual or 1.125% of FOB
Buying commission	NOT added
Selling commission	Added
Post-shipment expenses	NOT added
Development charges in India	NOT added
Royalties	Added if condition of sale
Related party	Must not influence price
Rejection of value	Rule 12 – after hearing
Sequential order	Rules 3, 4, 5, 7, 8, 9

R. Last Day Revision Notes

Key Points to Remember

1. **Assessable Value = FOB + Freight + Insurance**
2. **Freight = Lower of actual or 20% of FOB**
3. **Insurance = Lower of actual or 1.125% of FOB**
4. **CBIC exchange rate is used, not RBI rate**
5. **Buying commission is NOT added**
6. **Post-shipment expenses are NOT added**
7. **Related party transactions require special scrutiny**
8. **Six sequential methods must be applied in order**
9. **Rule 10(1) additions: Commission, packing, royalties, engineering charges**
10. **Rule 10(2) additions: Freight, insurance, demurrage**

CHAPTER 18.2: VALUATION OF EXPORTED GOODS

A. Chapter Introduction

Valuation of export goods is essential even though many products are exempted from export duty. The importance lies in:

- Duty Drawback
- Export incentives
- Refund of CENVAT credit
- Payment of duty on export

The Customs Valuation (Determination of Value of Export Goods) Rules, 2007 apply only when the conditions for Transaction Value are not satisfied.

B. Important Definitions

Term	Definition
Goods of like kind and quality	Export goods identical or similar in physical characteristics, quality and reputation, and commercially interchangeable
Transaction Value	Value of export goods within the meaning of Section 14(1)

C. Important Legal Terms

Term	Meaning
FOB	Free on Board – Used for export valuation
Export Duty	Duty levied on export of specified goods

D. Concept Explanation

D1. Goods Subject to Export Duty

Commodity	Rate
Luggage leather	25%
Hides, Skins and leather	15%
Snake skins and lamb skins	10%
Steel product	15%
Iron ores	₹300 per MT
Chromium ores	₹2,000 per MT

D2. Refund of Export Duty

Refund is permissible if:

1. Goods are re-imported within one year from date of export
2. Goods are not for resale
3. Refund claim is lodged within six months from date of clearance for re-importation

E. Section-wise Analysis

Section 14(1) – Applicable to Export Goods

The transaction value for export goods is determined in the same manner as imports:

- Price at which goods are ordinarily sold
- For delivery at the time and place of exportation
- In the course of international trade
- Seller and buyer not related
- Price is the sole consideration

F. Rule-wise Analysis

Rule 3 – Determination of Method of Valuation

1. Subject to Rule 8, the value of export goods shall be the Transaction Value.
2. Transaction Value accepted even if buyer and seller are related, provided the relationship has not influenced the price.
3. If value cannot be determined under sub-rule (1) or (2), proceed sequentially through Rules 4 to 6.

Rule 4 – Determination of Export Value by Comparison

1. Value based on transaction value of goods of like kind and quality exported at or about the same time to other buyers in the same destination country.
2. Adjustments for:
    - Difference in dates of exportation
    - Difference in commercial levels and quantity levels
    - Difference in composition, quality and design
    - Difference in domestic freight and insurance charges

Rule 5 – Computed Value Method

Value based on:

- Cost of production, manufacture or processing
- Charges for design or brand
- Amount towards profit

Rule 6 – Residual Method

Value determined using reasonable means consistent with principles and general provisions.

G. Practical Implications

1. Export valuation is primarily for export incentives and duty drawback.
2. Transaction Value is the primary basis.
3. Related party transactions are acceptable if relationship doesn't influence price.
4. Sequential application of Rules 4 to 6 only if Rule 3 fails.

H. Examination Perspective

Aspect	Importance
Transaction Value for exports	Medium
Rule 4 – Comparison method	Low
Rule 5 – Computed value	Low
Rule 6 – Residual method	Low
Refund of export duty	Medium

I. Frequently Tested Areas

1. Transaction Value for exports
2. Refund of export duty
3. Comparison with import valuation

J. Examiner's Favourite Topics

1. Export valuation rules
2. Refund of export duty
3. Comparison between Section 26 and Section 27

K. Common Student Mistakes

Mistake	Correction
Applying import rules to exports	Use Export Valuation Rules, 2007
Ignoring the sequential order	Apply Rules 3, 4, 5, 6 in order
Forgetting refund conditions	Refund requires re-import within 1 year, no resale, and claim within 6 months

L. Important Limits and Time Periods

Particular	Limit/Period
Re-import for refund	Within 1 year from date of export
Claim for refund	Within 6 months from re-importation
Re-export under Section 74	Within 2 years from date of payment of import duty

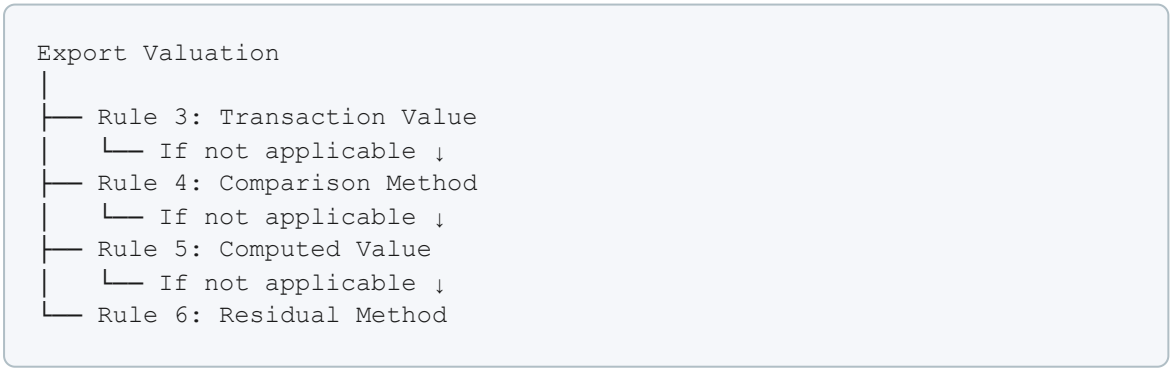
M. Important Tables

Table 1: Difference Between Section 26 and Section 27

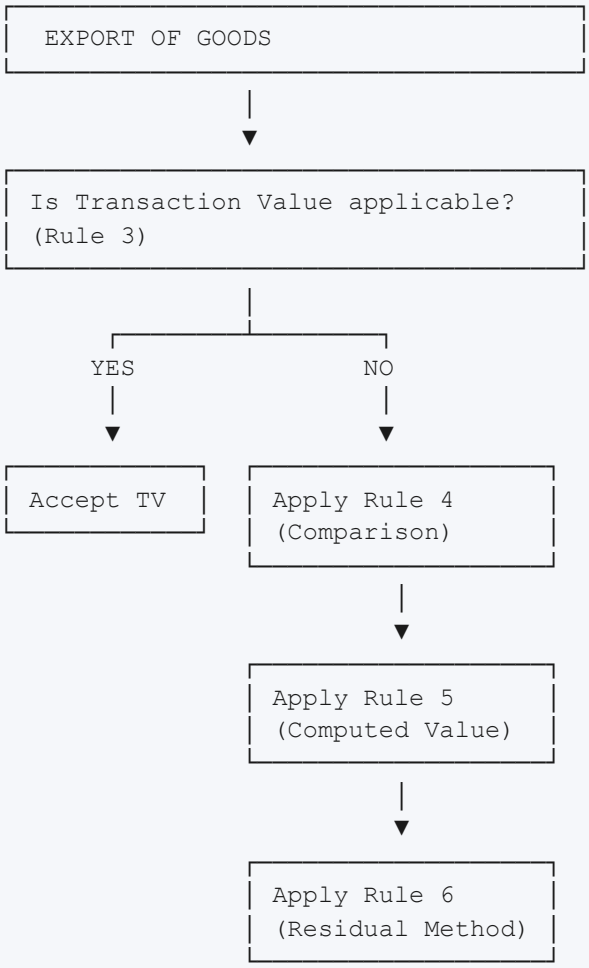
Basis	Section 26	Section 27
Applicability	Refund of export duty	Refund of any import/export duty
Condition	Re-import within 1 year, no resale	Duty paid in excess of normal duty
Payable to	Exporter	Importer or buyer

N. Summary Charts

Chart 1: Export Valuation Methods



O. Flowcharts



P. Concept Mapping

```
EXPORT VALUATION
│
├── Transaction Value (Rule 3)
│    ├── Price actually paid/payable
│    └── Related party acceptable if no influence
│
├── Comparison Method (Rule 4)
│    ├── Goods of like kind and quality
│    └── Adjustments for differences
│
├── Computed Value (Rule 5)
│    ├── Cost of production
│    ├── Design/brand charges
│    └── Profit
│
└── Residual Method (Rule 6)
     └── Reasonable means
```

Q. Quick Revision Notes

Point	Key Takeaway
Primary basis	Transaction Value
Related party	Acceptable if no influence on price
Sequential order	Rules 3, 4, 5, 6
Refund of export duty	Re-import within 1 year
Claim period	6 months from re-importation

R. Last Day Revision Notes

Key Points to Remember

1. Export valuation primarily for duty drawback and export incentives.
2. Transaction Value is the primary basis.
3. Related party transactions acceptable if relationship doesn't influence price.
4. Refund of export duty requires re-import within 1 year and no resale.
5. Claim must be lodged within 6 months from re-importation.

CHAPTER 18.3: VALUATION OF IMPORTED GOODS

A. Chapter Introduction

The valuation of imported goods is governed by the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007. These rules provide six sequential methods for determining the assessable value.

B. Important Definitions

Term	Definition
Computed Value	Value determined under Rule 8
Deductive Value	Value determined under Rule 7
Goods of the same class or kind	Imported goods within a group or range produced by a particular industry
Identical Goods	Goods same in all respects, produced in same country by same person
Similar Goods	Goods with like characteristics and components, commercially interchangeable
Transaction Value	Value referred to in Section 14(1) of Customs Act, 1962

C. Important Legal Terms

Term	Meaning
FOB	Free on Board
CIF	Cost, Insurance and Freight
Buying Commission	Fees paid by importer to his agent for representing him abroad in purchase of goods
Demurrage	Charges payable for delay in clearing goods

D. Concept Explanation

D1. Transaction Value Method (Rule 3)

Transaction Value is the primary basis for valuation. It is accepted only if the following conditions are satisfied:

1. No restrictions on disposition or use of goods by buyer
2. Sale or price not subject to conditions with undeterminable value
3. No part of proceeds of subsequent resale accrues to seller
4. Buyer and seller are not related, or if related, the relationship does not influence the price

D2. Related Party Definition (Rule 2(2))

Persons are deemed to be related if:

1. They are officers or directors of one another's businesses
2. They are legally recognized partners in business
3. They are employer and employee
4. Any person directly or indirectly owns, controls or holds 5% or more of outstanding voting stock or shares of both
5. One of them directly or indirectly controls the other
6. Both are directly or indirectly controlled by a third person
7. Together they directly or indirectly control a third person
8. They are members of the same family

D3. Sequential Methods of Valuation

Order	Method	Rule
1	Transaction Value	Rule 3
2	Identical Goods	Rule 4
3	Similar Goods	Rule 5
4	Deductive Value	Rule 7
5	Computed Value	Rule 8
6	Residual Method	Rule 9

⚠ **EXAM ALERT:** Rule 6 provides that if value cannot be determined under Rules 3, 4, and 5, it shall be determined under Rule 7 or, if not possible, under Rule 8.

D4. Rule 10 – Cost and Services (Additions)

Rule 10(1) – Additions to FOB	Rule 10(2) – Additions to FOB
Commission and brokerage (except buying commission)	Cost of freight
Packing cost (except durable/returnable packing)	Cost of insurance
Cost of engineering, development, plans, sketches (outside India)	Ship demurrage charges
Royalties and license fee	Lighterage or barge charges
Value of subsequent resale (if payable to foreign supplier)	
Value of material supplied by buyer free of cost	

E. Section-wise Analysis

Section 14(1) – Valuation of Imported Goods

Transaction Value means:

- Price at which such or like goods are ordinarily sold
- For delivery at the time and place of importation
- In the course of international trade
- Seller and buyer have no interest in the business of each other
- Price is the sole consideration for sale
- At rate of exchange as on date of presentation of Bill of Entry as fixed by CBIC

Section 14(2) – Tariff Value

The Central Board of Indirect Taxes and Customs (CBIC) is empowered to fix tariff values of imported goods by issuing notifications.

Section 14(3) – Exchange Rate

The rate of exchange for determination of value shall be the rate notified by the CBIC on the date of presentation of Bill of Entry.

F. Rule-wise Analysis

Rule 3 – Transaction Value

Value of imported goods shall be the transaction value adjusted in accordance with Rule 10.

Rule 4 – Transaction Value of Identical Goods

Value based on transaction value of identical goods sold for export to India at or about the same time.

Rule 5 – Transaction Value of Similar Goods

Value based on transaction value of similar goods sold for export to India at or about the same time.

Rule 6 – Determination of Value

If value cannot be determined under Rules 3, 4, and 5, it shall be determined under Rule 7 or, if not possible, under Rule 8.

Rule 7 – Deductive Value

Value based on selling price in India minus post-importation costs.

Rule 8 – Computed Value

Value based on cost of production + profit + expenses.

Rule 9 – Residual Method

Value determined using reasonable means consistent with principles and general provisions.

Rule 10 – Cost and Services

Additions to FOB to arrive at assessable value.

Rule 12 – Rejection of Declared Value

Proper officer may reject declared value if he has reason to doubt its truth or accuracy, after providing opportunity of being heard.

G. Practical Implications

1. Assessable value directly impacts duty liability.
2. Rule 10 additions must be carefully analyzed.
3. Freight and insurance have specific limitations.
4. Buying commission is not added.
5. Post-shipment expenses are not added.

H. Examination Perspective

Aspect	Importance
Basic computation	Very High
Rule 10 additions	Very High
Exchange rate	High
Related party	High
Case laws	Medium

I. Frequently Tested Areas

1. Computation of Assessable Value
2. Rule 10(2) – Freight and Insurance
3. Rule 10(1) – Commission and Packing
4. Related Party Transactions
5. Exchange Rate Provisions
6. Rejection of Declared Value
7. Deductive Value Method
8. Computed Value Method
9. Residual Method
10. Case Laws

J. Examiner's Favourite Topics

1. **Computation of Assessable Value with all additions and deductions**
2. **Treatment of buying commission vs. selling commission**
3. **Freight limitation – actual vs. 20% of FOB**
4. **Insurance limitation – actual vs. 1.125% of FOB**
5. **Related party definition and impact on valuation**
6. **Case laws: Aggarwal Industries, Gira Enterprises, Wep Peripherals**
7. **Exchange rate – CBIC vs. RBI**
8. **Deductive value – greatest aggregate quantity**

K. Common Student Mistakes

Mistake	Correction
Using RBI exchange rate instead of CBIC rate	Always use CBIC rate notified under Section 14(3)
Adding buying commission to assessable value	Buying commission is NOT added
Adding post-shipment expenses	Post-shipment expenses are NOT added
Adding local transportation in India	NOT added – only up to place of importation
Ignoring 20% freight limitation	Apply lower of actual or 20% of FOB
Ignoring 1.125% insurance limitation	Apply lower of actual or 1.125% of FOB
Including development charges in India	NOT added – only those undertaken outside India
Forgetting SWS @ 10% of BCD	Always add Social Welfare Surcharge

L. Important Limits and Time Periods

Particular	Limit/Period
Freight addition (Rule 10(2))	Lower of actual or 20% of FOB
Insurance addition (Rule 10(2))	Lower of actual or 1.125% of FOB
Air freight limitation	20% of FOB

M. Important Tables

Table 1: Summary of Assessable Value Computation

Particulars	Amount (₹)
Ex-factory price of exporter	XXX
Add: Carriage/freight/insurance up to port of shipment	XXX
Add: Charges for loading on to the ship	XXX
FOB Value	**XXX**
Add: Rule 10(1) additions	XXX
Add: Freight (Rule 10(2))	XXX
Add: Insurance (Rule 10(2))	XXX
Assessable Value (CIF)	**XXX**

Table 2: Items NOT Included in Assessable Value

Item	Reason
Buying commission	Not an addition under Rule 10(1)
Post-shipment expenses	Incurred after importation
Local transportation in India	Post-importation cost
Development charges in India	Post-importation cost
Duties and taxes in India	Paid after importation
Port demurrage charges in India	Post-importation cost

N. Summary Charts

Chart 1: Assessable Value Computation – Imported Goods

ASSESSABLE VALUE (CIF) = FOB + Freight + Insurance

FOB = Ex-factory price + Carriage to port + Loading charges

Freight = Lower of (a) Actual freight, OR (b) 20% of FOB

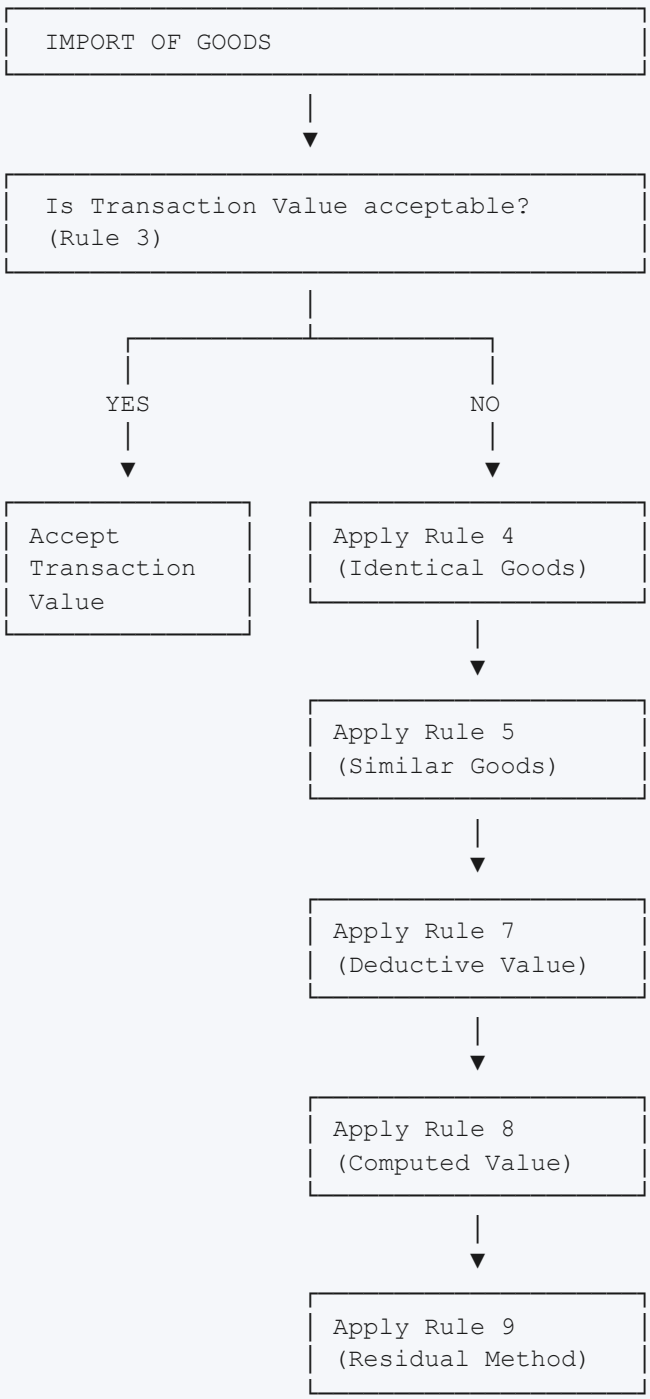
Insurance = Lower of (a) Actual insurance, OR (b) 1.125% of FOB

Chart 2: Sequential Order of Valuation Methods

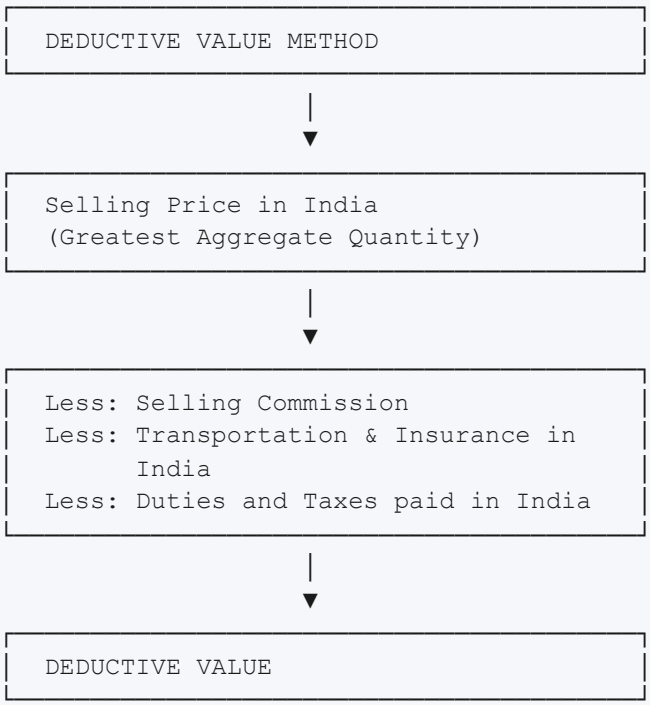
```
Step 1: Transaction Value (Rule 3)
    ↓
Step 2: Identical Goods (Rule 4)
    ↓
Step 3: Similar Goods (Rule 5)
    ↓
Step 4: Deductive Value (Rule 7)
    ↓
Step 5: Computed Value (Rule 8)
    ↓
Step 6: Residual Method (Rule 9)
```

O. Flowcharts

Flowchart 1: Valuation of Imported Goods



Flowchart 2: Deductive Value Method (Rule 7)



P. Concept Mapping

```
VALUATION OF IMPORTED GOODS
│
├── Transaction Value (Rule 3)
│    ├── Price actually paid or payable
│    └── Conditions for acceptance
│
├── Identical Goods (Rule 4)
│    ├── Same in all respects
│    ├── Same country of production
│    └── Same manufacturer
│
├── Similar Goods (Rule 5)
│    ├── Like characteristics
│    ├── Commercially interchangeable
│    └── Same country of production
│
├── Deductive Value (Rule 7)
│    ├── Selling price in India
│    └── Less: Post-importation costs
│
├── Computed Value (Rule 8)
│    ├── Cost of materials and fabrication
│    ├── Profit and general expenses
│    └── Other expenses under Rule 10(2)
│
├── Residual Method (Rule 9)
│    └── Reasonable means
│
└── Rule 10 – Additions
     ├── Rule 10(1) – Additions to FOB
     └── Rule 10(2) – Freight and Insurance
```

Q. Quick Revision Notes

Point	Key Takeaway
Primary basis	Transaction Value
Exchange rate	CBIC rate on date of Bill of Entry
Freight	Lower of actual or 20% of FOB
Insurance	Lower of actual or 1.125% of FOB
Buying commission	NOT added
Selling commission	Added
Post-shipment expenses	NOT added
Development charges in India	NOT added
Royalties	Added if condition of sale
Related party	Must not influence price
Rejection of value	Rule 12 – after hearing
Sequential order	Rules 3, 4, 5, 7, 8, 9

R. Last Day Revision Notes

Key Points to Remember

1. **Assessable Value = FOB + Freight + Insurance**
2. **Freight = Lower of actual or 20% of FOB**
3. **Insurance = Lower of actual or 1.125% of FOB**
4. **CBIC exchange rate is used, not RBI rate**
5. **Buying commission is NOT added**
6. **Post-shipment expenses are NOT added**
7. **Related party transactions require special scrutiny**
8. **Six sequential methods must be applied in order**
9. **Rule 10(1) additions: Commission, packing, royalties, engineering charges**
10. **Rule 10(2) additions: Freight, insurance, demurrage**

PRACTICAL ILLUSTRATIONS

Illustration 1: Basic Assessable Value Computation

✔ **PRACTICAL ALERT: Concept:** Computation of assessable value for imported goods.

Problem: From the particulars given below, find out the assessable value of the imported goods under the Customs Act, 1962.

Particulars	US $
Cost of the machine at the factory of the exporting country	10,000
Transport charges incurred by the exporter from his factory to the port for shipment	500
Handling charges paid for loading the machine in the ship	50
Buying commission paid by the importer	50
Freight charges from exporting country to India	1,000
Exchange Rate: 1$ = ₹75	

Solution:

Particulars	Value (US $)	Working
Cost of the machine at factory	10,000	
Transport charges to port	500	
Handling charges for loading	50	
FOB Value	**10,550**	
Buying commission paid by importer	—	NOT addable
Insurance @ 1.125% on FOB	118.6875	1.125% × 10,550
Freight charges	1,000	
CIF Value	**11,668.6875**	
Assessable Value (in ₹)	**₹8,75,152**	75 × 11,668.6875

⚠ **EXAM ALERT: Key Learning:** Buying commission is NOT added. Insurance @ 1.125% applied when actual not given.

Illustration 2: Multiple Additions and Deductions

✔ **PRACTICAL ALERT: Concept:** Advanced computation with engineering charges, development charges, and commissions.

Problem: ABC Technologies Ltd. has imported equipment from Japan at FOB cost of 2,00,000 Yen. The following details are provided:

- Freight from Japan to India Port: 20,000 Yen
- Insurance paid to Insurer in India: ₹10,000
- Designing charges paid to Consultancy firm in Japan: 30,000 Yen
- Expenditure in India for development: ₹1,00,000
- Road transport from Mumbai port to factory: ₹30,000
- CBIC exchange rate: 1 Yen = ₹0.3948
- Commission to agent in India: 5% of FOB cost in Indian Rupees

Solution:

Particulars	Amount (Yen)	Remarks
Free on Board (FOB)	2,00,000	
Designing charges	30,000	Addable
Development charges	—	NOT addable (post-shipment)
Road transport charges	—	NOT addable (post-shipment)
Commission (5% of FOB)	10,000	2,00,000 × 5%
FOB as per Customs	**2,40,000**	

Particulars	Amount (₹)	Working
FOB Value	94,752	2,40,000 × 0.3948
Insurance	10,000	Actual
Freight	7,896	20,000 × 0.3948
Assessable Value (CIF)	**₹1,12,648**	

⚠ **EXAM ALERT: Key Learning:** Only development charges undertaken OUTSIDE India are added. Post-shipment costs (Indian development, Indian transport) are NOT added.

Illustration 3: Air Freight and Limitations

✔ **PRACTICAL ALERT: Concept:** Application of 20% air freight limitation.

Problem: BSA & Company Ltd. imported a machine from U.K. Details:

- F.O.B. cost of the machine: 10,000 UK Pounds
- Freight (air): 3,000 UK Pounds
- Engineering and design charges paid to a firm in U.K.: 500 UK Pounds
- License fee relating to imported goods payable by the buyer as a condition of sale: 20% of F.O.B. Cost

- Materials and components supplied by the buyer free of cost: ₹20,000
- Insurance paid to the insurer in India: ₹6,000
- Buying commission paid by the buyer to his agent in U.K.: 100 UK Pounds
- CBIC notified exchange rate: ₹70.25 per UK Pound
- Importer paid ₹5,000 towards demurrage charges for delay in clearing the machine

Solution:

Particulars	UK Pounds	Working
FOB value	10,000	
Add: Engineering and Design charges	500	Paid in UK
Add: License fee	2,000	20% of 10,000
Sub-total	**12,500**	

Particulars	Amount (₹)	Working
Sub-total (12,500 × 70.25)	8,78,125	
Add: Material supplied free	20,000	
FOB as per Customs	**8,98,125**	
Add: Air freight (20% of FOB)	1,79,625	Lower of actual or 20%
Add: Insurance	6,000	Actual
Assessable Value (CIF)	**₹10,83,750**	

⚠ **EXAM ALERT: Key Learning:** Air freight is restricted to 20% of FOB. Buying commission is NOT added. Demurrage charges in India are NOT added.

Illustration 4: Deductive Value Method

✔ **PRACTICAL ALERT: Concept:** Deductive value computation using greatest aggregate quantity.

Problem: X Ltd. imported 500 units of minerals from High Seas for sale in India. Selling price exclusive of duties and taxes. Freight from port to depot in India is ₹10,150 and Insurance ₹1,250.

Sale Quantity	Unit Price (₹)
400 units	100
300 units	90
150 units	100
500 units	95
250 units	105
350 units	90
50 units	100

Basic Customs Duty 12% and SWS as applicable. Assume no IGST.

Solution:

Step 1: Determine Greatest Aggregate Quantity

Total Quantity Sold	Unit Price (₹)
650	90
500	95
600	100
250	105

Greatest number of units sold at a particular price is 650 units at ₹90.

Step 2: Compute Assessable Value

Particulars	Amount (₹)
Selling Price (500 units × ₹90)	45,000
Less: Freight (post-shipment)	(10,150)
Less: Insurance (post-shipment)	(1,250)
Assessable Value	**33,600**

Step 3: Compute Customs Duty

Particulars	Amount (₹)
Basic Customs Duty @ 12%	4,032
Social Welfare Surcharge @ 10% of BCD	403
Total Customs Duty	**4,435**

⚠ **EXAM ALERT: Key Learning:** Deductive value uses the greatest aggregate quantity method. Post-shipment costs are deducted.

CHAPTER 18.4: RELATED PARTY TRANSACTIONS

A. Chapter Introduction

Related party transactions require special scrutiny in customs valuation. The basic principle is that the relationship between the buyer and seller should not influence the price. If the relationship has influenced the price, the transaction value cannot be accepted.

B. Important Definitions

Term	Definition
Related Persons (Rule 2(2))	Persons deemed to be related as per the eight criteria listed in the rules
Control	Not defined in the rules; generally means holding 51% or more equity

C. Important Legal Terms

Term	Meaning
Arm's Length Price	Price at which unrelated parties would transact
Transfer Pricing	Pricing of transactions between related parties

D. Concept Explanation

D1. Definition of Related Persons (Rule 2(2))

Persons shall be deemed to be "related" only if:

Sl. No.	Criterion
1	They are officers or directors of one another's businesses
2	They are legally recognized partners in business
3	They are employer and employee
4	Any person directly or indirectly owns, controls or holds 5% or more of outstanding voting stock or shares of both
5	One of them directly or indirectly controls the other
6	Both are directly or indirectly controlled by a third person
7	Together they directly or indirectly control a third person
8	They are members of the same family

D2. Impact on Valuation

1. The transaction value method cannot be applied in cases where the buyer and seller are related and the relationship has influenced the price.
2. The scope of relationship is defined in Rule 2(2) of the Customs Valuation Rules.
3. In such cases, the burden of proof shifts to the importer, who should satisfy the Customs that the declared price closely approximates to the arm's length price.
4. If the importer fails to discharge this responsibility, the declared value could be rejected, and valuation done under any of the subsequent methods applied in hierarchical order.

D3. Transactions Involving Transfer Pricing

Sl. No.	Type of Import
1	Imports by wholly owned subsidiary from foreign holding company
2	Imports by a joint venture company from its foreign partners
3	Import by branches from their overseas principals
4	Import of new or used construction machinery by engineering companies
5	Goods imported under leasing contract from a related party
6	Goods imported on loan basis from a related party

D4. Circumstances Where Relationship Influences Price

1. Declaring higher value for goods exempted from duty or entitled to lower rate
2. Over-invoicing of imported capital goods to obtain higher loans or depreciation
3. Over-invoicing of exports from SEZ, 100% EOUs to avail higher income tax exemption
4. Over-invoicing of exports under export promotion schemes
5. Under-invoicing of imports and exports to settle differences
6. Declaring higher values for elements exempted from customs duty
7. Not declaring expenses like dismantling, packing, inland transportation for second-hand goods
8. Mis-declaring country of origin to claim exemptions under trade agreements

D5. Valuation Where Relationship Does Not Influence Price

Once it is established that buyer and seller are related, the importer must demonstrate that the relationship has not influenced the price and the price closely approximates to one of the following:

1. Transaction value of identical goods or similar goods in respect of sales to unrelated buyers in India
2. Deductive value for identical goods or similar goods
3. Computed value for identical or similar goods

If the importer is able to furnish evidence, the declared value is accepted. If not, valuation is done under subsequent methods.

E. Section-wise Analysis

Section 14(1) – Transaction Value is accepted only if seller and buyer have no interest in the business of each other and price is the sole consideration.

F. Rule-wise Analysis

Rule 2(2) – Definition of Related Persons

Provides eight criteria for determining whether persons are related.

Rule 3(3) – Acceptance of Transaction Value for Related Party

Transaction value is acceptable if the relationship has not influenced the price.

Rule 4 to Rule 9 – Sequential Methods

If the relationship has influenced the price, apply Rules 4 to 9 sequentially.

G. Practical Implications

1. Related party transactions require careful scrutiny.
2. Burden of proof is on the importer.
3. If the relationship has influenced the price, valuation is done under subsequent methods.
4. Importer must provide evidence of arm's length price.

H. Examination Perspective

Aspect	Importance
Definition of related persons	High
Impact on valuation	High
Burden of proof	Medium
Case laws	High

I. Frequently Tested Areas

1. Definition of related persons
2. Impact on valuation
3. Burden of proof
4. Case laws

J. Examiner's Favourite Topics

1. Whether the relationship has influenced the price
2. Burden of proof on importer
3. Comparison with identical/similar goods
4. Case laws: Aggarwal Industries, Wep Peripherals

K. Common Student Mistakes

Mistake	Correction
Assuming all related party transactions are rejected	Accepted if relationship doesn't influence price
Forgetting burden of proof on importer	Importer must provide evidence
Ignoring the sequential order	Apply Rules 4 to 9 in order
Confusing related party with distinct person	Different concepts under GST vs. Customs

L. Important Limits and Time Periods

Particular	Limit
Shareholding for related party	5% or more of outstanding voting stock

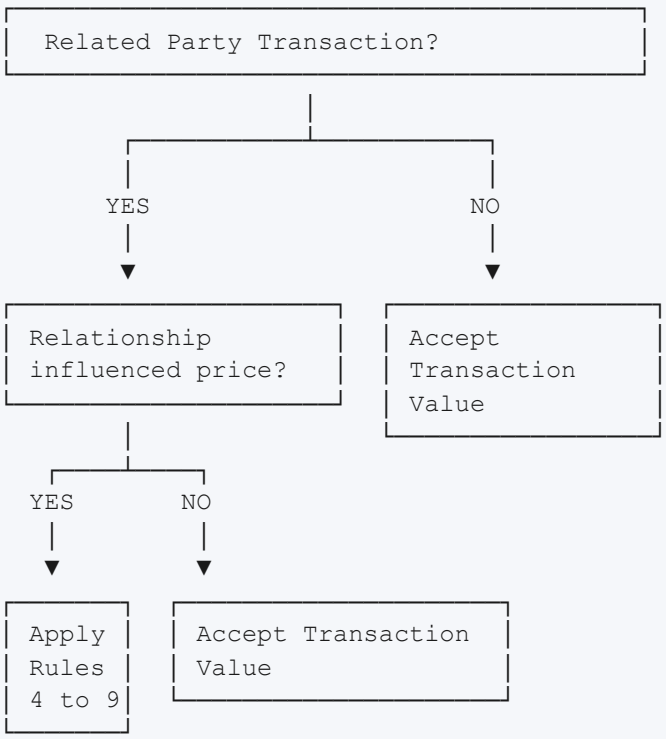
M. Important Tables

Table 1: Related Party Criteria

Sl. No.	Criterion
1	Officers or directors of one another's businesses
2	Legally recognized partners in business
3	Employer and employee
4	5% or more shareholding in both
5	One controls the other
6	Both controlled by a third person
7	Together control a third person
8	Members of the same family

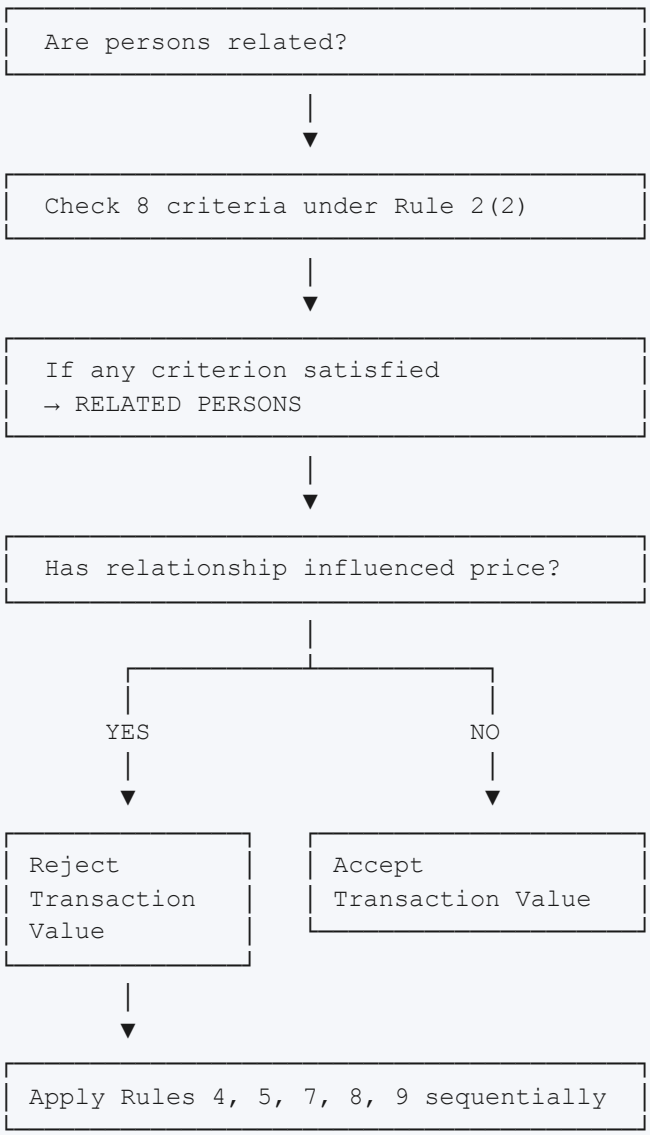
N. Summary Charts

Chart 1: Related Party Transaction Valuation



O. Flowcharts

Flowchart 1: Determination of Related Party Status



P. Concept Mapping

```
RELATED PARTY TRANSACTIONS
│
├── Definition (Rule 2(2))
│    ├── Officers/directors
│    ├── Partners
│    ├── Employer-employee
│    ├── 5% shareholding
│    ├── Control
│    └── Family members
│
├── Impact on Valuation
│    ├── Transaction value rejected if influenced
│    ├── Burden of proof on importer
│    └── Sequential methods applied
│
└── Acceptable If
     ├── Relationship doesn't influence price
     └── Price approximates arm's length
```

Q. Quick Revision Notes

Point	Key Takeaway
Definition	Rule 2(2) – 8 criteria
Shareholding threshold	5% or more
Impact	Transaction value rejected if relationship influences price
Burden of proof	On importer
Methods	Rules 4 to 9 sequentially

R. Last Day Revision Notes

Key Points to Remember

1. Related persons defined in Rule 2(2) – 8 criteria.
2. 5% or more shareholding makes persons related.
3. Transaction value accepted if relationship doesn't influence price.
4. Burden of proof on importer to show arm's length price.
5. If influenced, apply Rules 4 to 9 sequentially.

CHAPTER 18.5: SOLVED CASES AND CASE LAWS

A. Chapter Introduction

This chapter covers important case laws and solved cases related to customs valuation. Understanding these cases is essential for answering theory questions in the examination.

B. Important Case Laws

Case 1: Commissioner of Customs, Vishakhapatnam v. Aggarwal Industries Ltd. (2011 ELT 641 SC)

⚠ **EXAM ALERT: Facts:** Importer entered into contract for supply of crude sunflower seed oil at US $435 CIF/MT. Shipment was delayed but supplier did not increase price. Department sought to increase assessable value based on higher contemporaneous imports.

Decision: Department's view is not correct. Having delayed the shipment, the supplier did not increase the price. There was no allegation of collusion. Appeal allowed in favour of assessee.

Principle: Mere volatility in international prices cannot justify rejection of transaction value if the supplier has not increased the price and there is no evidence of collusion.

Case 2: Gira Enterprises v. CCus. (2014 (307) ELT 209 SC)

⚠ **EXAM ALERT: Facts:** Appellant imported goods from China. Department relied on computer printout showing higher prices of identical goods but did not provide the printout to the appellant.

Decision: Supreme Court held that mere existence of computer printout was not proof of existence of comparable imports. The printout should have been supplied to the appellant and reasonable opportunity given to establish that imports were not comparable.

Principle: Department must provide evidence of identical goods at higher prices to the importer and give reasonable opportunity before enhancing value.

Case 3: Wep Peripherals Ltd. v. CCus., Chennai (2008 (224) ELT 30 SC)

⚠ **EXAM ALERT: Facts:** Assessee imported shuttle, an integral part of a printer. Department sought to load royalty/license fee payment on the price of imported goods.

Decision: Any post-shipment expenses are includible in assessable value only when it is a pre-requisite to the sale or purchase. Royalty was not a pre-requisite condition for sale. Department's contention not tenable.

Principle: Royalty is includible only if it is a condition of sale of imported goods.

Case 4: CCus., Calcutta v. Indian Rayon & Industries Ltd. (2008 (229) ELT 3 SC)

⚠ **EXAM ALERT: Facts:** Assessee imported goods under Notification No. 158/95-Cus but could not re-export due to recession. Claimed benefit of another notification.

Decision: Once the assessee had claimed one notification, he has to fulfil all conditions of that notification. Cannot opt for another notification after failing to fulfil conditions of the earlier one.

Principle: Once an exemption notification is opted for, its conditions must be fulfilled. Cannot switch to another notification.

Case 5: CCus. v. Prodelin India (P) Ltd. (2006) 202 ELT 13 (SC)

⚠ **EXAM ALERT: Facts:** Assessee imported components from related foreign collaborator. Department sought to include technical fee paid for manufacture of antenna systems in assessable value.

Decision: Technical fee cannot be added simply because importer and exporter are related persons. It can be added only if it is related to the imported goods itself. Here, import was for components while technical fee was for manufacture of antenna systems. Not includible.

Principle: Technical fee is includible only if it relates to the imported goods.

C. Solved Cases

Solved Case 1: Undervaluation of Orange Shock Tube

✔ **PRACTICAL ALERT: Facts:** Assessee imported Orange Shock Tube at US $0.0150 per ft, later reduced to US $0.0141 per ft. In June 2001, declared at US $0.0100 per ft. Revenue contended undervaluation.

Decision: Reduction in price was subject to mutual agreement to purchase 100% of annual requirement from same exporter. No undervaluation. Transactional value accepted as assessable value. [CCus. v Initiating Explosives Systems (I) Ltd. 2008 (224) ELT 343 (SC)]

Solved Case 2: Technical Fee and Related Party

✔ **PRACTICAL ALERT: Facts:** X Ltd. entered into joint venture with foreign collaborator N. N owned majority equity in X Ltd. Technical services fee was paid by X Ltd. to N. Department included technical fee in assessable value of imported components.

Decision: Technical fee cannot be added simply because importer and exporter are related persons. It can be added only if it relates to the imported goods. Here, import was for components while technical fee was for manufacture of antenna systems. Not includible. [CCus. v Prodelin India (P) Ltd. (2006) 202 ELT 13 (SC)]

D. Examination Perspective

Case	Principle	Importance
Aggarwal Industries	Price volatility doesn't justify rejection	High
Gira Enterprises	Evidence must be provided to importer	High
Wep Peripherals	Royalty includible only if condition of sale	High
Indian Rayon	Cannot switch exemption notifications	Medium
Prodelin India	Technical fee includible only if related to goods	High

E. Frequently Tested Areas

1. Aggarwal Industries case
2. Gira Enterprises case
3. Wep Peripherals case
4. Prodelin India case
5. Indian Rayon case

F. Examiner's Favourite Topics

1. Principles from case laws
2. Application of case laws to practical scenarios
3. Distinction between includible and non-includible items

G. Common Student Mistakes

Mistake	Correction
Confusing case names	Remember key principles, not just names
Not applying case laws to practical problems	Integrate case laws with practical answers
Forgetting the principle from each case	Focus on the ratio decidendi

H. Quick Revision Notes

Case	Principle
Aggarwal Industries	Price volatility doesn't justify rejection
Gira Enterprises	Evidence must be provided to importer
Wep Peripherals	Royalty includible only if condition of sale
Prodelin India	Technical fee includible only if related to goods
Indian Rayon	Cannot switch exemption notifications

I. Last Day Revision Notes

Key Case Laws to Remember

1. **Aggarwal Industries:** Price volatility doesn't justify rejection of transaction value.
2. **Gira Enterprises:** Department must provide evidence to importer.
3. **Wep Peripherals:** Royalty includible only if condition of sale.
4. **Prodelin India:** Technical fee includible only if related to imported goods.
5. **Indian Rayon:** Cannot switch exemption notifications.

MODULE 18 – COMPLETE MODULE SUMMARY

A. Complete Module Summary

Module 18 covers the valuation of imported and exported goods under the Customs Act, 1962. The key aspects are:

1. **Transaction Value** is the primary basis of valuation.
2. **Section 14(1)** defines the conditions for Transaction Value.
3. **Section 14(2)** empowers CBIC to fix tariff values.
4. **Section 14(3)** provides for exchange rate.
5. **Six sequential methods** are provided for imported goods.
6. **Rule 10(1)** lists additions to FOB.
7. **Rule 10(2)** provides for freight and insurance additions.
8. **Related party transactions** require special scrutiny.
9. **Rule 12** provides for rejection of declared value.
10. **Case laws** provide important principles.

B. Top 100 Examination Points

1. Transaction Value is the primary basis.
2. Exchange rate – CBIC rate on date of Bill of Entry.
3. FOB = Ex-factory + Carriage + Loading.
4. Freight = Lower of actual or 20% of FOB.
5. Insurance = Lower of actual or 1.125% of FOB.
6. Buying commission NOT added.
7. Selling commission added.
8. Post-shipment expenses NOT added.
9. Development charges in India NOT added.
10. Royalties added if condition of sale.
11. Six sequential methods: Rules 3, 4, 5, 7, 8, 9.

12. Rule 4 – Identical Goods.
13. Rule 5 – Similar Goods.
14. Rule 7 – Deductive Value.
15. Rule 8 – Computed Value.
16. Rule 9 – Residual Method.
17. Rule 12 – Rejection of Declared Value.
18. Related party definition – Rule 2(2).
19. 5% shareholding threshold.
20. Burden of proof on importer.
21. Deductive value – greatest aggregate quantity.
22. Computed value = Cost + Profit + Expenses.
23. Residual method – reasonable means.
24. Air freight limited to 20% of FOB.
25. Insurance @ 1.125% if actual not known.
26. Buying commission – NOT added.
27. Commission and brokerage – added.
28. Packing cost – added.
29. Engineering charges outside India – added.
30. Demurrage – added.
31. Lighterage charges – added.
32. Post-shipment expenses – NOT added.
33. Indian transportation – NOT added.
34. Indian development charges – NOT added.
35. Aggarwal Industries case – price volatility.
36. Gira Enterprises case – evidence to importer.
37. Wep Peripherals case – royalty.
38. Prodelin India case – technical fee.
39. Indian Rayon case – exemption notification.
40. Export valuation – Rules 3, 4, 5, 6.
41. Refund of export duty – Section 26.
42. Re-import within 1 year.
43. Claim within 6 months.
44. Section 74 – re-export within 2 years.
45. 98% drawback if re-exported without use.
46. Depreciation rates for used goods.

47. Rule 10(1) additions.
48. Rule 10(2) additions.
49. SWS @ 10% of BCD.
50. AIDC on specified goods.
51. Compensation Cess on specified goods.
52. IGST on imports.
53. CBIC exchange rate.
54. RBI exchange rate NOT used.
55. Transaction value conditions.
56. No restriction on disposition.
57. No proceeds to seller.
58. Related party – 8 criteria.
59. Officers/directors – related.
60. Partners – related.
61. Employer-employee – related.
62. 5% shareholding – related.
63. Control – related.
64. Common control – related.
65. Family members – related.
66. Identical goods – same in all respects.
67. Similar goods – like characteristics.
68. Same country of production.
69. Same manufacturer preferred.
70. Greatest aggregate quantity.
71. Selling price minus post-importation costs.
72. Cost of materials + profit + expenses.
73. Reasonable means.
74. Minimum drawback rate 1%.
75. Maximum drawback rate 1/3rd market price.
76. Re-export time limit 2 years.
77. Refund claim 3 months.
78. Export duty rates.
79. Luggage leather 25%.
80. Hides and skins 15%.
81. Snake skins 10%.

82. Steel products 15%.
83. Iron ores ₹300/MT.
84. Chromium ores ₹2,000/MT.
85. Case laws – key principles.
86. Practical computation.
87. Working notes.
88. Presentation format.
89. Common errors.
90. Examination tips.
91. Quick revision.
92. Last day notes.
93. Formula sheet.
94. Summary tables.
95. Flowcharts.
96. Concept maps.
97. Final checklist.

C. Top 50 Practical Points

1. Compute FOB first.
2. Add Rule 10(1) items.
3. Add freight @ lower of actual or 20%.
4. Add insurance @ lower of actual or 1.125%.
5. Compute assessable value.
6. Apply BCD.
7. Add SWS @ 10% of BCD.
8. Add AIDC if applicable.
9. Add IGST if applicable.
10. Add Compensation Cess if applicable.
11. Total customs duty.
12. Buying commission NOT added.
13. Selling commission added.
14. Post-shipment NOT added.
15. Indian transport NOT added.
16. Indian development NOT added.

17. Royalties added if condition of sale.
18. Technical fee added if related to goods.
19. Engineering charges outside India added.
20. Packing cost added.
21. Demurrage added.
22. Lighterage added.
23. Free material added.
24. Identical goods – same in all respects.
25. Similar goods – like characteristics.
26. Greatest aggregate quantity.
27. Selling price minus post-importation.
28. Cost + profit + expenses.
29. Reasonable means.
30. Related party – 5% shareholding.
31. Burden of proof on importer.
32. Reject if influenced.
33. Rules 4 to 9 sequentially.
34. Exchange rate – CBIC.
35. Date of Bill of Entry.
36. Re-export 2 years.
37. Refund 3 months.
38. Drawback 98%.
39. Depreciation for used goods.
40. Export duty rates.
41. Refund of export duty.
42. Re-import within 1 year.
43. Claim within 6 months.
44. Section 26 vs. 27.
45. Rule 10(1) vs. 10(2).
46. Case laws.
47. Working notes.
48. Presentation.
49. Common errors.
50. Final answer.

D. Important Formula Sheet

ASSESSABLE VALUE (CIF) = FOB + Freight + Insurance

FOB = Ex-factory price + Carriage to port + Loading charges

Freight = Lower of (a) Actual freight, OR (b) 20% of FOB

Insurance = Lower of (a) Actual insurance, OR (b) 1.125% of FOB

Total Customs Duty = BCD + SWS (10% of BCD) + AIDC + IGST + Compensation Cess

E. Frequently Repeated Concepts

Concept	Frequency
Assessable Value Computation	Every exam
Rule 10(2) – Freight and Insurance	Every exam
Buying commission treatment	Very often
Related party definition	Often
Case laws	Often
Exchange rate	Often
Deductive value	Sometimes
Export valuation	Sometimes

F. Important Revision Tables

Table 1: Additions and Deductions

Additions	Deductions
Commission (selling)	Buying commission
Packing cost	Post-shipment expenses
Engineering charges (outside India)	Indian development charges
Royalties (if condition of sale)	Indian transportation
Freight (lower of actual or 20%)	Indian demurrage
Insurance (lower of actual or 1.125%)	Duties paid in India

Table 2: Six Sequential Methods

Order	Method	Rule
1	Transaction Value	Rule 3
2	Identical Goods	Rule 4
3	Similar Goods	Rule 5
4	Deductive Value	Rule 7
5	Computed Value	Rule 8
6	Residual Method	Rule 9

G. Fast Track Revision Notes

Fast Track Revision

1. **Assessable Value = FOB + Freight + Insurance**
2. **Freight = Lower of actual or 20% of FOB**
3. **Insurance = Lower of actual or 1.125% of FOB**
4. **Buying commission NOT added**
5. **Selling commission added**
6. **Post-shipment NOT added**
7. **Royalties added if condition of sale**
8. **Related party – 5% shareholding**
9. **Burden of proof on importer**
10. **Six sequential methods**
11. **Case laws – key principles**
12. **Exchange rate – CBIC**

H. One Night Before Exam Notes

📌 **MOST IMPORTANT REVISION POINT: ONE NIGHT BEFORE EXAM**

1. Read the formula sheet.
2. Review the six sequential methods.
3. Review Rule 10(1) and 10(2).
4. Review case laws.
5. Review common errors.
6. Practice one full computation.
7. Review the summary tables.
8. Review the flowcharts.
9. Stay calm and confident.

I. Expected Dec 2026 Examination Areas

1. Computation of Assessable Value (10 marks)
2. Rule 10(1) and 10(2) additions (5 marks)
3. Related party transactions (5 marks)
4. Case laws (5 marks)
5. Exchange rate (3 marks)
6. Deductive value method (5 marks)
7. Export valuation (3 marks)
8. Rejection of declared value (3 marks)
9. Re-export and refund (5 marks)
10. Drawback computation (5 marks)

J. Final Revision Checklist

✓	Topic
☐	Transaction Value – Section 14(1)
☐	Exchange Rate – Section 14(3)
☐	Tariff Value – Section 14(2)
☐	Six Sequential Methods
☐	Rule 10(1) – Additions
☐	Rule 10(2) – Freight and Insurance
☐	Related Party – Rule 2(2)
☐	Rule 12 – Rejection of Value
☐	Export Valuation Rules
☐	Case Laws
☐	Practical Computations
☐	Working Notes
☐	Presentation Format
☐	Common Errors
☐	Formula Sheet

END OF MODULE 18

MODULE 18 COMPLETE

Valuation and Related Party Transactions

Ready for Module 19

Customs Procedures – Baggage & Courier / Post

End of Module 18

CMA FINAL DECEMBER 2026

Paper 19 – Indirect Tax Laws & Practice

CUSTOMS MASTER REVISION NOTES

MODULE 19

CUSTOMS PROCEDURES – BAGGAGE & COURIER / POST

Complete Study Material | Theory + Practical | Case Laws | Revision Tables

Premium Faculty Revision Series

MODULE 19 – MODULE OVERVIEW

This module deals with the **special provisions relating to baggage, goods imported or exported by post, and stores** under the Customs Act, 1962. The module covers the baggage rules, duty-free allowances, clearance procedures for postal articles, and import of samples.

Coverage of the Module

- Provisions relating to Baggage (Sections 77 to 80 of Customs Act, 1962)
- Baggage Rules, 2016
- General Free Allowance (GFA) for passengers
- Duty-free jewellery allowance
- Transfer of Residence provisions
- Postal Articles (Sections 82 to 84 of Customs Act, 1962)
- Import of Samples
- Green Channel and Red Channel

- Practical computation of duty on baggage
- Case laws

> ⚠ **EXAM ALERT: Weightage in Examination:** 5–8 marks (Theory + Practical). This module is highly scoring if baggage rules and duty-free allowances are memorized.

LEARNING OBJECTIVES

After studying this module, the student will be able to:

1. Understand the meaning and scope of **Baggage** under the Customs Act, 1962.
2. Explain the provisions relating to **levy, exemption and non-levy of duty on baggage**.
3. Identify the **General Free Allowance (GFA)** for different categories of passengers.
4. Compute **customs duty on baggage** in practical scenarios.
5. Understand the **Green Channel** and **Red Channel** procedures.
6. Explain the provisions relating to **Postal Articles** (Sections 82 to 84).
7. Understand the procedure for **Import of Samples**.
8. Apply the provisions to practical problems.

SYLLABUS COVERAGE

Topic	Coverage
Meaning of Baggage	Section 2(3) of Customs Act, 1962
Declaration by Owner	Section 77 of Customs Act, 1962
Determination of Duty	Section 78 of Customs Act, 1962
Bona fide Baggage Exemption	Section 79 of Customs Act, 1962
Temporary Detention	Section 80 of Customs Act, 1962
Baggage Rules	Baggage Rules, 2016
Postal Articles	Sections 82 to 84 of Customs Act, 1962
Import of Samples	Notification No. 154/94-Customs
Green Channel / Red Channel	Customs Procedures
Duty-Free Allowances	Baggage Rules, 2016

CHAPTER INDEX

Chapter	Topic	Page Reference
19.1	Introduction to Baggage	1139
19.2	Provision Regarding Baggage	1140–1148
19.3	Postal Articles	1144
19.4	Import of Samples	1144–1145
19.5	Case Laws	1149

EXAMINATION FOCUS AREAS

1. **Computation of Customs Duty on Baggage** – Most important practical area
2. **General Free Allowance (GFA)** – Different categories
3. **Jewellery Allowance** – Gentleman and Lady passengers
4. **Transfer of Residence** – Time-based allowances
5. **Effective Rate of Duty** – 38.50% on baggage
6. **Green Channel vs. Red Channel** – Concept
7. **Annexure I Items** – Fully taxable items
8. **Postal Articles** – Clearance procedure
9. **Import of Samples** – Duty-free limit
10. **Case Laws** – Hemal K. Shah case

FREQUENTLY TESTED CONCEPTS

Concept	Frequency	Importance
Computation of Duty on Baggage	Every exam	Very High
General Free Allowance (GFA)	Every exam	Very High
Jewellery Allowance	Often	High
Transfer of Residence	Often	High
Effective Rate of Duty	Every exam	Very High
Annexure I Items	Often	High
Postal Articles	Sometimes	Medium
Import of Samples	Sometimes	Medium
Case Laws	Sometimes	Medium
Green/Red Channel	Sometimes	Low

MOST IMPORTANT PRACTICAL AREAS

1. **Basic Duty Computation** – GFA + Effective Rate
2. **Jewellery Allowance** – Gentleman and Lady passengers
3. **Transfer of Residence** – Time-based allowances
4. **Annexure I Items** – Fully taxable at 100%
5. **Mixed Baggage** – Combining GFA and taxable items
6. **Infant Passengers** – Only personal effects
7. **Postal Articles** – Rate of duty
8. **Import of Samples** – Duty-free limit

CHAPTER 19.1: INTRODUCTION TO BAGGAGE

A. Chapter Introduction

The term **Baggage** means the luggage of a passenger if they travel by Air or Sea from one country to another. Sometimes this baggage amounts to import, thereby import duty may be levied. It is essential to know the provisions relating to levy, exemption and non-levy of duty on baggage.

Provisions relating to levy and non-levy of duty on baggage are contained in **Chapter XI** [Special Provisions Regarding Baggage, Goods Imported or Exported by Post and Stores] of the Customs Act, 1962, and **Baggage Rules, 2016**.

B. Important Definitions

Term	Definition
Baggage (Section 2(3))	Includes unaccompanied baggage (sent before or after arrival) but does NOT include motor vehicles.
Unaccompanied Baggage	Baggage not carried by passenger at the time of arrival but sent before or after arrival.
Bona fide Baggage	Used personal effects, travel souvenirs and articles other than those mentioned in Annexure I.
General Free Allowance (GFA)	Duty-free allowance for passengers based on origin and status.
Green Channel	For passengers without any dutiable goods.
Red Channel	For passengers carrying dutiable goods.

C. Important Legal Terms

Term	Meaning
Annexure I	List of items not included in bona fide baggage (fully taxable)
Transfer of Residence	Passenger transferring residence to India
Tourist	Tourist of foreign origin
Indian Passenger	Passenger of Indian origin

D. Concept Explanation

D1. Classification of Baggage

```
BAGGAGE
│
├── Applicable Goods (Dutiable)
│    ├── All Dutiable Goods
│    └── Alcoholic Drinks
│
└── Not Applicable Goods
     ├── Motor Vehicles
     └── Goods imported through courier
```

D2. Green Channel vs. Red Channel

Channel	Applicability
Green Channel	If a person does not have any dutiable goods, he can go through green channel without undergoing any check.
Red Channel	If carrying dutiable goods, he should pass through red channel, submit declaration and baggage can be inspected by customs authorities.

D3. Effective Rate of Duty on Baggage

Full exemption from IGST on passenger baggage.

Basic Customs Duty (BCD) @ 35%
+ Social Welfare Surcharge (SWS) @ 10% of BCD
= Effective Rate of Customs Duty @ 38.50%
on the value over and above duty-free allowance (GFA)

⚠ **EXAM ALERT: Key Point:** Effective rate of customs duty on baggage = **38.50%** (35% BCD + 3.5% SWS). This is applied on the value exceeding the General Free Allowance.

E. Section-wise Analysis

Section 77 – Declaration by Owner of Baggage

The owner of any baggage shall make a declaration of its contents to the proper officer for the purpose of clearing it.

Important: International passengers, when coming to India, need not fill Customs Declaration Form if they are not carrying dutiable goods as part of their baggage (w.e.f. 1-4-2016).

Section 78 – Determination of Rate of Duty and Tariff Valuation

The rate of duty and tariff valuation applicable to baggage shall be the rate and valuation in force on the date on which a declaration is made in respect of such baggage under Section 77.

Section 79 – Bona fide Baggage Exempted from Duty

The proper officer may pass free of duty:

1. Any article in the baggage of a passenger or crew member which has been in use for the minimum period specified in the rules.
2. Any article in the baggage of a passenger which is for the use of the passenger or his family or is a bona fide gift or souvenir, provided the value of each such article and total value of all such articles does not exceed the limits specified in the rules.

Section 80 – Temporary Detention of Baggage

The proper officer may detain the baggage of a passenger which contains any article which is dutiable or the import of which is prohibited and in respect of which a true declaration has been made under Section 77.

The proper officer may do so, at the request of the passenger, for the purpose of being returned to the passenger either:

- At the time of his leaving India, or
- Through any other passenger authorized by him and leaving India, or
- As a cargo consigned in his name.

F. Rule-wise Analysis

Baggage Rules, 2016 – General Free Allowance

Eligible Passenger	Origin Country	Duty Free Allowance (₹)
Passengers of Indian origin and foreigners residing in India, excluding infants	Other than Nepal, Bhutan, Myanmar	50,000
Tourists of foreign origin, excluding infants	Other than Nepal, Bhutan, Myanmar	15,000
Passengers of Indian origin and foreigners residing in India AND Tourists of foreign origin (excluding infants)	Nepal, Bhutan and Myanmar	15,000 (by Air) NIL (By Land)
Indian passenger residing abroad for over one year	Anywhere	Gold Jewellery: Gentleman – 20 gms (value cap ₹50,000) Lady – 40 gms (value cap ₹1,00,000)
All passengers	Anywhere	Alcohol liquor or wine: 2 liters
All passengers	Anywhere	Cigarettes: 100 numbers OR Cigars: up to 25 OR Tobacco: 125 grams
Passenger of 18 years and above	Anywhere	One laptop computer (notebook computer) – in addition to GFA

Important Notes on GFA

1. For infant, only used personal effects shall be allowed duty free.
2. The free allowance cannot be pooled with the free allowance of any other passenger.

3. Bona fide baggage means used personal effects, travel souvenirs and articles other than those mentioned in Annexure I.
4. No restriction on age and minimum period of stay (w.e.f. 1-4-2016).
5. Free baggage allowances are same for all passengers irrespective of age and period of stay.

Annexure I – Items NOT Included in Bona fide Baggage (Fully Taxable)

1. Firearms.
2. Cartridges of firearms exceeding 50.
3. Cigarettes exceeding 100 sticks or cigars exceeding 25 or tobacco exceeding 125 gms.
4. Alcoholic liquor or wines in excess of two liters.
5. Gold or silver in any form other than ornaments.
6. Flat Panel (Liquid Crystal Display/Light-Emitting Diode/Plasma) television.

⚠ **EXAM ALERT: Key Point:** Items in Annexure I are **fully taxable at 100%** and are NOT eligible for GFA.

Transfer of Residence – Used Household Items

Passengers who have stayed abroad	GFA for personal household items up to (₹)
3–6 months	60,000
6–12 months	1,00,000
1–2 years	2,00,000
Above 2 years	5,00,000

G. Practical Implications

1. Effective rate of 38.50% applies on value exceeding GFA.
2. Annexure I items are fully taxable at 100%.
3. Jewellery allowance is separate from GFA for eligible passengers.
4. Transfer of residence allowances are time-based.
5. Infants are entitled only to used personal effects.

H. Examination Perspective

Aspect	Importance
Basic duty computation	Very High
GFA limits	Very High
Jewellery allowance	High
Transfer of residence	High
Annexure I items	High
Postal articles	Medium
Import of samples	Medium

I. Frequently Tested Areas

1. Computation of duty on baggage
2. GFA for Indian passengers and tourists
3. Jewellery allowance (Gentleman and Lady)
4. Transfer of residence allowances
5. Annexure I items
6. Effective rate of duty (38.50%)
7. Infant passengers
8. Postal articles
9. Import of samples

J. Examiner's Favourite Topics

1. **Computation of customs duty on baggage**
2. **GFA for different categories**
3. **Jewellery allowance**
4. **Transfer of residence**
5. **Annexure I items**

6. **Effective rate of duty**
7. **Case laws**

K. Common Student Mistakes

Mistake	Correction
Applying GFA to Annexure I items	Annexure I items are fully taxable
Forgetting SWS on BCD	Effective rate = 35% BCD + 3.5% SWS = 38.50%
Pooling GFA of two passengers	GFA cannot be pooled
Allowing GFA to infants	Infants only get used personal effects
Confusing jewellery allowance with GFA	Jewellery allowance is separate
Applying 38.50% on total value	Apply only on value exceeding GFA
Forgetting 100% tax on Annexure I	Annexure I items are 100% taxable

L. Important Limits and Time Periods

Particular	Limit/Period
GFA – Indian passenger (other than Nepal, Bhutan, Myanmar)	₹50,000
GFA – Tourist of foreign origin	₹15,000
GFA – Nepal, Bhutan, Myanmar (by Air)	₹15,000
GFA – Nepal, Bhutan, Myanmar (by Land)	NIL
Jewellery allowance – Gentleman	20 gms, value cap ₹50,000
Jewellery allowance – Lady	40 gms, value cap ₹1,00,000
Alcohol liquor or wine	2 liters
Cigarettes	100 numbers
Cigars	25
Tobacco	125 grams
Transfer of Residence – 3–6 months	₹60,000
Transfer of Residence – 6–12 months	₹1,00,000
Transfer of Residence – 1–2 years	₹2,00,000
Transfer of Residence – Above 2 years	₹5,00,000
Import of samples – duty-free limit	₹3,00,000 per annum
Effective rate of duty on baggage	38.50%

M. Important Tables

Table 1: General Free Allowance Summary

Passenger Category	Origin	GFA (₹)
Indian origin / Foreigners residing in India	Other than Nepal, Bhutan, Myanmar	50,000
Tourists of foreign origin	Other than Nepal, Bhutan, Myanmar	15,000
Indian origin / Foreigners residing in India	Nepal, Bhutan, Myanmar (by Air)	15,000
Indian origin / Foreigners residing in India	Nepal, Bhutan, Myanmar (by Land)	NIL
Tourists of foreign origin	Nepal, Bhutan, Myanmar (by Air)	15,000
Tourists of foreign origin	Nepal, Bhutan, Myanmar (by Land)	NIL

Table 2: Transfer of Residence Allowances

Stay Abroad	Allowance (₹)
3–6 months	60,000
6–12 months	1,00,000
1–2 years	2,00,000
Above 2 years	5,00,000

Table 3: Annexure I Items (Fully Taxable at 100%)

Sl. No.	Item
1	Firearms
2	Cartridges of firearms exceeding 50
3	Cigarettes exceeding 100 sticks or cigars exceeding 25 or tobacco exceeding 125 gms
4	Alcoholic liquor or wines in excess of two liters
5	Gold or silver in any form other than ornaments
6	Flat Panel (LCD/LED/Plasma) television

N. Summary Charts

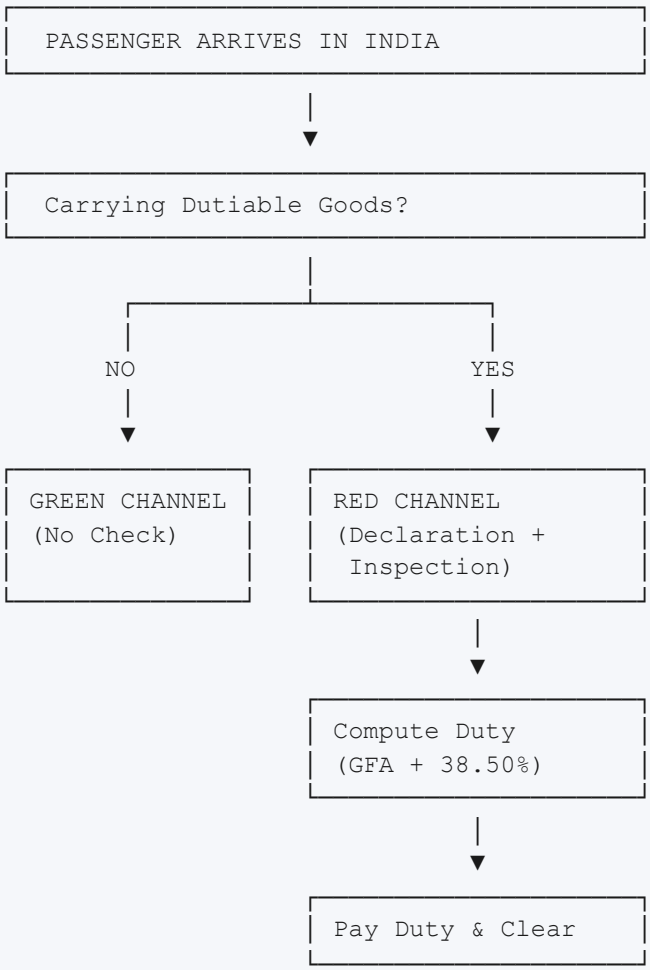
Chart 1: Baggage Duty Computation

Customs Duty on Baggage

Step 1: Total Value of Dutiable Goods
Step 2: Less: General Free Allowance (GFA)
Step 3: Taxable Value
Step 4: Customs Duty @ 38.50% on Taxable Value
(35% BCD + 3.5% SWS)

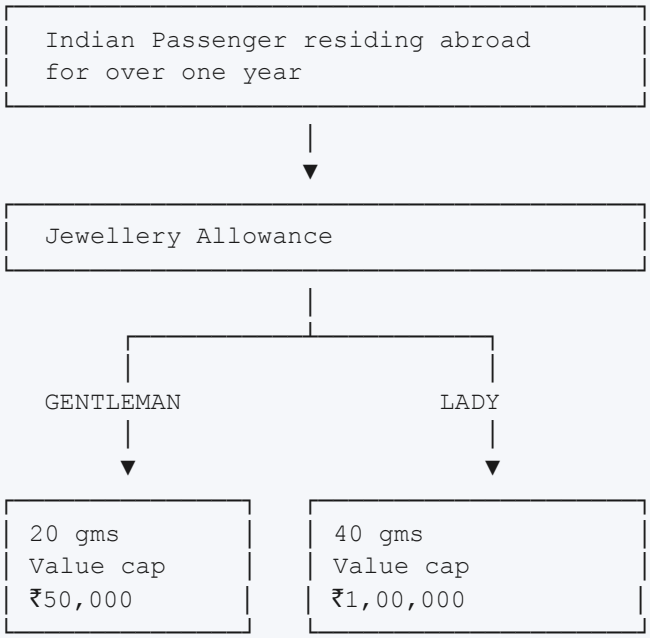
Note: Annexure I items are fully taxable at 100% and NOT eligible for GFA.

Chart 2: Baggage Clearance Process



O. Flowcharts

Flowchart 1: Jewellery Allowance



P. Concept Mapping

```
BAGGAGE
│
├── Meaning (Section 2(3))
│    ├── Includes unaccompanied baggage
│    └── Excludes motor vehicles
│
├── Duty-Free Allowances
│    ├── GFA (₹50,000 / ₹15,000)
│    ├── Jewellery Allowance
│    ├── Alcohol (2 liters)
│    ├── Cigarettes (100)
│    └── Laptop (1)
│
├── Effective Rate of Duty
│    └── 38.50% (35% BCD + 3.5% SWS)
│
├── Annexure I Items
│    └── Fully taxable at 100%
│
├── Transfer of Residence
│    └── Time-based allowances
│
└── Postal Articles
     ├── Sections 82 to 84
     └── Clearance procedure
```

Q. Quick Revision Notes

Point	Key Takeaway
Effective rate	38.50% (35% BCD + 3.5% SWS)
GFA – Indian passenger	₹50,000
GFA – Tourist	₹15,000
GFA – Nepal, Bhutan, Myanmar (Air)	₹15,000
GFA – Nepal, Bhutan, Myanmar (Land)	NIL
Jewellery – Gentleman	20 gms, ₹50,000
Jewellery – Lady	40 gms, ₹1,00,000
Alcohol	2 liters
Cigarettes	100
Annexure I items	100% taxable
Import of samples	₹3,00,000 per annum

R. Last Day Revision Notes

Key Points to Remember

1. **Effective rate = 38.50% (35% BCD + 3.5% SWS)**
2. **GFA – Indian = ₹50,000; Tourist = ₹15,000**
3. **Nepal, Bhutan, Myanmar by Land = NIL GFA**
4. **Jewellery – Gentleman: 20 gms, ₹50,000; Lady: 40 gms, ₹1,00,000**
5. **Annexure I items = 100% taxable**
6. **Infants only get used personal effects**
7. **GFA cannot be pooled**
8. **Transfer of Residence – Time-based**
9. **Import of samples – ₹3 lakh per annum**

CHAPTER 19.2: POSTAL ARTICLES

A. Chapter Introduction

As per Sections 82 to 84 of the Customs Act, 1962, goods can be cleared by post. Any label or declaration accompanying the goods showing the description, quantity and value thereof shall be treated as an **entry for import** under the Customs Act.

B. Important Definitions

Term	Definition
Postal Article	Goods imported or exported by post
Entry for Import	Label or declaration accompanying the goods showing description, quantity and value

C. Important Legal Terms

Term	Meaning
Rate of Duty	Rate in force on date postal authorities present list to proper officer
Tariff Value	Value in force on date postal authorities present list

D. Concept Explanation

D1. Rate of Duty and Tariff Value

The rate of duty and tariff value applicable to goods imported by post shall be the rate and valuation in force on the date on which the postal authorities present to the proper officer a list containing particulars of such goods for the purpose of assessment of duty.

D2. Procedure for Clearance

1. Post parcels are allowed to pass from port/airport to Foreign Parcel Department of Government Post Offices without payment of customs duty.
2. The Postmaster hands over to Principal Appraiser of Customs the memo showing total number of parcels, parcel bills, customs declaration, dispatch notes, and other information.
3. The mail bags are opened and scrutinized by Postmaster under supervision of Principal Postal Appraiser of Customs.
4. Packets suspected of containing dutiable goods are separated and presented to Customs Appraiser.
5. The Customs Appraiser marks the parcels required to be detained if necessary particulars are not available, or mis-declaration or undervaluation is suspected, or goods are prohibited for import.
6. Appraiser has power to examine any parcel. After inspection, parcels are sealed with a distinctive seal.
7. If everything is in order after verification, goods are handed over to Postmaster, who hands over to addressee on receipt of customs duty.

E. Section-wise Analysis

Section 82 – Label or Declaration Accompanying Goods to Be Treated as Entry

Any label or declaration accompanying the goods showing the description, quantity and value thereof shall be treated as an entry for import under the Customs Act.

Section 83 – Rate of Duty and Tariff Valuation

The rate of duty and tariff value applicable to goods imported by post shall be the rate and valuation in force on the date on which the postal authorities present to the proper officer a list containing the particulars of such goods for the purpose of assessment of duty.

Section 84 – Regulations Regarding Postal Articles

The Board may make regulations for the purpose of carrying out the provisions of this Chapter.

F. Rule-wise Analysis

Postal Articles – Clearance Procedure

1. Post parcels pass from port to Foreign Parcel Department without duty.
2. Postmaster hands over memo to Principal Appraiser.
3. Mail bags opened and scrutinized.
4. Dutiable packets separated and presented to Customs Appraiser.
5. Parcels detained if necessary particulars not available, mis-declaration suspected, or prohibited goods.
6. After inspection, parcels sealed.
7. Goods handed over to Postmaster on payment of duty.

G. Practical Implications

1. Rate of duty is determined on the date postal authorities present the list.
2. Postal articles are cleared through Foreign Parcel Department.
3. Customs Appraiser has power to examine any parcel.
4. Goods are released only after payment of duty.

H. Examination Perspective

Aspect	Importance
Rate of duty	Medium
Clearance procedure	Medium
Powers of Appraiser	Low

I. Frequently Tested Areas

1. Rate of duty for postal articles
2. Clearance procedure
3. Powers of Customs Appraiser

J. Examiner's Favourite Topics

1. Rate of duty determination
2. Clearance procedure

K. Common Student Mistakes

Mistake	Correction
Confusing postal articles with baggage	Different procedures apply
Forgetting the date for rate of duty	Date postal authorities present list

L. Important Limits and Time Periods

Particular	Limit/Period
Rate of duty	Date postal authorities present list

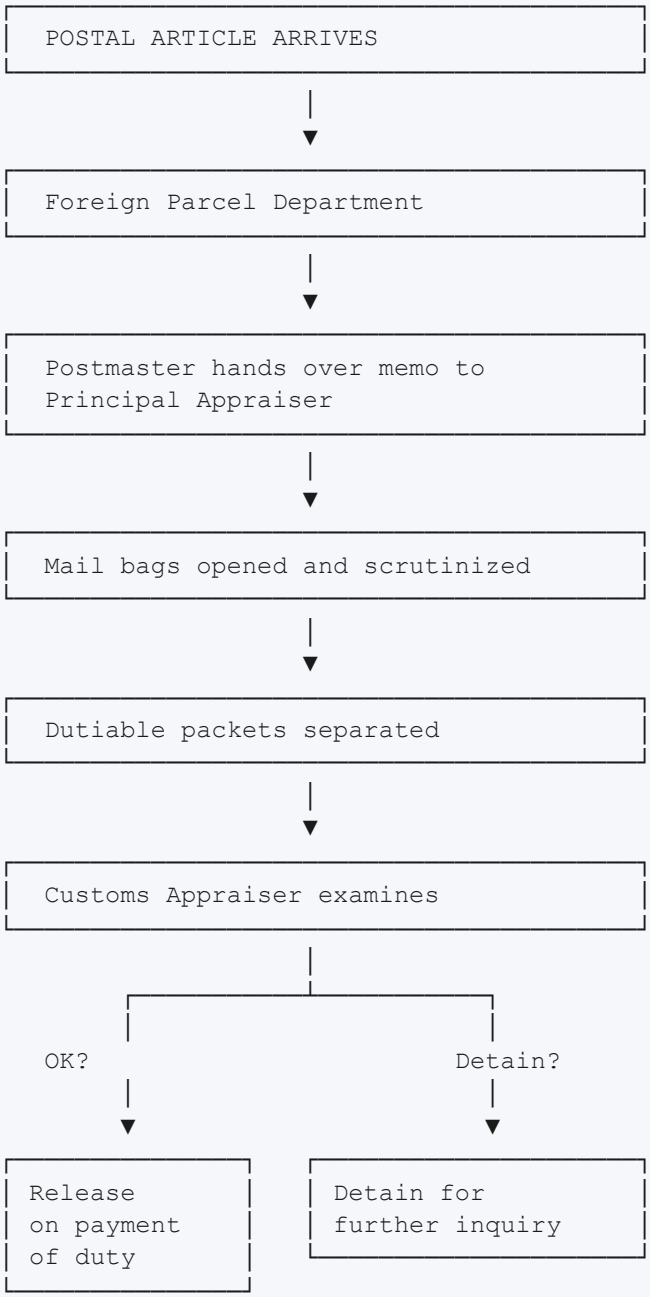
M. Important Tables

Section	Provision
Section 82	Label/declaration treated as entry for import
Section 83	Rate of duty and tariff value
Section 84	Regulations

N. Summary Charts

```
POSTAL ARTICLES CLEARANCE
│
├── Post parcels pass to Foreign Parcel Department
│
├── Postmaster hands over memo to Principal Appraiser
│
├── Mail bags opened and scrutinized
│
├── Dutiable packets separated
│
├── Customs Appraiser examines
│   ├── Necessary particulars available? → Yes → Release
│   └── Mis-declaration suspected? → Detain
│
├── Parcels sealed after inspection
│
└── Goods handed over to Postmaster on payment of duty
```

O. Flowcharts



P. Concept Mapping

```
POSTAL ARTICLES
│
├── Sections 82-84
│    ├── Label = Entry for import
│    ├── Rate of duty on presentation date
│    └── Regulations
│
├── Clearance Procedure
│    ├── Foreign Parcel Department
│    ├── Postmaster memo
│    ├── Scrutiny
│    ├── Separation of dutiable
│    ├── Appraiser examination
│    └── Release on duty payment
│
└── Powers of Appraiser
     ├── Examine any parcel
     ├── Detain suspicious parcels
     └── Seal after inspection
```

Q. Quick Revision Notes

Point	Key Takeaway
Rate of duty	Date postal authorities present list
Label/declaration	Treated as entry for import
Clearance	Through Foreign Parcel Department
Appraiser	Power to examine any parcel
Release	Only after payment of duty

R. Last Day Revision Notes

Key Points to Remember

1. Rate of duty = Date postal authorities present list.
2. Label/declaration = Entry for import.
3. Clearance through Foreign Parcel Department.
4. Customs Appraiser can examine any parcel.
5. Goods released only after duty payment.

CHAPTER 19.3: IMPORT OF SAMPLES

A. Chapter Introduction

In international trade, it is often necessary that samples of goods manufactured in one country be sent to another country for being shown or demonstrated for customer appreciation. There are duty-free imports of genuine commercial samples into the country for smooth flow of trade.

B. Important Definitions

Term	Definition
Commercial Samples	Specimens of goods imported by traders or representatives of manufacturers
Genuine Commercial Samples	Samples imported for trade purposes

C. Important Legal Terms

Term	Meaning
Foreign Trade (Development and Regulation) Act, 1992	Governs import/export of goods
Prohibited Goods	Goods not allowed to be imported as samples

D. Concept Explanation

D1. Import of Samples – Duty-Free Limit

Duty-Free Import of Samples

Current limit: ₹3,00,000 per annum

(Enhanced from ₹1,00,000 per annum w.e.f. 24-7-2024, vide Notification No. 29/2024-Customs dated 23-7-2024)

D2. Goods Not Allowed as Samples

Goods which are prohibited under Foreign Trade (Development and Regulation) Act, 1992 are not allowed to be imported as samples. These include:

- Wild animals
- Wild birds and parts of wild animals
- Arms and ammunitions

D3. Who Can Import Samples

- Traders
- Industry
- Individuals
- Research institutes

Samples can also be brought by persons as part of their personal baggage or through port or in courier.

E. Section-wise Analysis

Notification No. 154/94-Customs, dated 13.7.1994 – Provides for duty-free import of genuine commercial samples.

F. Rule-wise Analysis

Import of Samples – Key Provisions

1. Duty-free limit: ₹3,00,000 per annum (enhanced from ₹1,00,000 w.e.f. 24-7-2024).
2. Goods prohibited under FT (D&R) Act, 1992 cannot be imported as samples.
3. Samples can be imported by traders, industry, individuals, research institutes.
4. Samples can be brought as part of personal baggage or through port or courier.

G. Practical Implications

1. Duty-free import of samples up to ₹3 lakh per annum.
2. Prohibited goods cannot be imported as samples.
3. Samples can be imported through multiple channels.

H. Examination Perspective

Aspect	Importance
Duty-free limit	Medium
Prohibited goods	Low
Eligible importers	Low

I. Frequently Tested Areas

1. Duty-free limit for samples
2. Prohibited goods
3. Eligible importers

J. Examiner's Favourite Topics

1. Duty-free limit for samples
2. Prohibited goods

K. Common Student Mistakes

Mistake	Correction
Using old limit of ₹1 lakh	Current limit is ₹3 lakh per annum
Assuming all goods can be samples	Prohibited goods cannot be samples

L. Important Limits and Time Periods

Particular	Limit
Duty-free import of samples	₹3,00,000 per annum

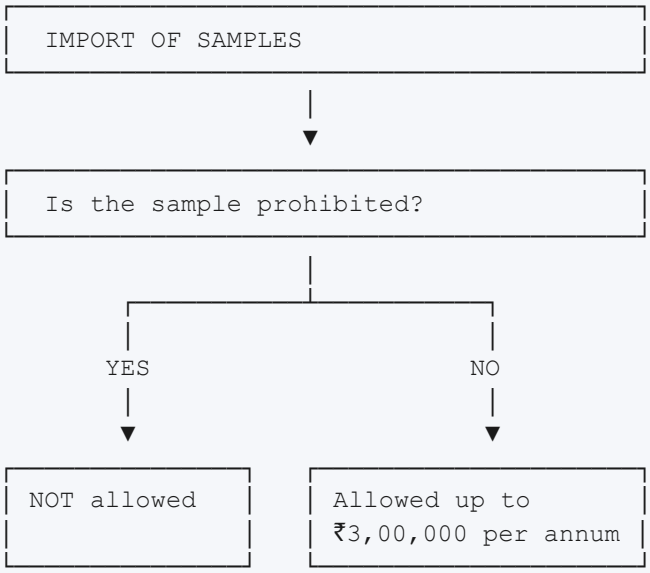
M. Important Tables

Particular	Details
Duty-free limit	₹3,00,000 per annum
Prohibited goods	Wild animals, wild birds, arms, ammunitions
Eligible importers	Traders, industry, individuals, research institutes
Channels	Personal baggage, port, courier

N. Summary Charts

```
IMPORT OF SAMPLES
│
├── Duty-Free Limit: ₹3,00,000 per annum
│
├── Prohibited Goods
│    ├── Wild animals
│    ├── Wild birds
│    ├── Arms and ammunitions
│    └── Parts of wild animals
│
├── Eligible Importers
│    ├── Traders
│    ├── Industry
│    ├── Individuals
│    └── Research institutes
│
└── Channels
     ├── Personal baggage
     ├── Port
     └── Courier
```

O. Flowcharts



P. Concept Mapping

```
IMPORT OF SAMPLES
│
├── Duty-Free Limit
│    └── ₹3,00,000 per annum
│
├── Prohibited Goods
│    ├── Wild animals
│    ├── Wild birds
│    └── Arms and ammunitions
│
├── Eligible Importers
│    ├── Traders
│    ├── Industry
│    ├── Individuals
│    └── Research institutes
│
└── Channels
     ├── Personal baggage
     ├── Port
     └── Courier
```

Q. Quick Revision Notes

Point	Key Takeaway
Duty-free limit	₹3,00,000 per annum
Prohibited goods	Wild animals, arms, ammunitions
Eligible importers	Traders, industry, individuals, research institutes
Channels	Personal baggage, port, courier

R. Last Day Revision Notes

Key Points to Remember

1. Duty-free limit = ₹3,00,000 per annum.
2. Prohibited goods cannot be imported as samples.
3. Eligible importers: Traders, industry, individuals, research institutes.
4. Channels: Personal baggage, port, courier.

PRACTICAL ILLUSTRATIONS

Illustration 1: Basic Duty on Baggage

✔ **PRACTICAL ALERT: Concept:** Computation of customs duty on baggage with GFA.

Problem: After visiting USA, Mrs. & Mr. X brought to India a laptop computer valued at ₹80,000, personal effects (cloths) valued at ₹90,000 and a personal computer for ₹52,000. What is the customs duty payable?

Solution:

Particulars	Amount (₹)	Remarks
Laptop computer	80,000	Exempt (1 laptop allowed)
Personal effects (cloths)	90,000	Exempt
Personal computer	52,000	Dutiable
Total Dutiable Value	**52,000**	
Less: General Free Allowance (GFA)	(50,000)	₹50,000 for Indian passenger
Taxable Value	**2,000**	
Customs Duty @ 38.50%	771	₹2,000 × 38.50%

⚠ **EXAM ALERT: Key Learning:** Effective rate of 38.50% applied on value exceeding GFA.

Illustration 2: Duty on Multiple Items

✔ **PRACTICAL ALERT: Concept:** Computation with multiple taxable items and GFA.

Problem: Mrs. & Mr. Kapoor visited Germany and brought the following goods while returning to India after 6 days stay abroad:

- Personal effects like clothes, etc., valued at ₹1,35,000
- A personal computer bought for ₹1,36,000
- A laptop computer bought for ₹95,000
- Two liters of liquor bought for ₹1,600
- A new camera bought for ₹87,400
- Plasma T.V. for ₹1,25,000

Solution:

Particulars	Amount (₹)
Personal effects (clothes, etc.)	Exempt
Personal computer	1,36,000
Laptop computer	Exempt
Two liters of liquor	1,600
New camera	87,400
Total (excluding Plasma TV)	**2,25,000**
Less: GFA (₹50,000 × 2)	(1,00,000)
Baggage Taxable	**1,25,000**
Plasma T.V. (fully taxable at 100%)	1,25,000
Total Taxable Value	**2,50,000**
Customs Duty @ 38.50% on ₹1,25,000	48,125
Customs Duty @ 100% on ₹1,25,000	1,25,000
Total Customs Duty	**1,73,125**

⚠ **EXAM ALERT: Key Learning:** Plasma TV is an Annexure I item, fully taxable at 100%. GFA can be availed by both Mr. and Mrs. Kapoor.

Illustration 3: Jewellery Allowance

✔ **PRACTICAL ALERT: Concept:** Jewellery allowance for Indian passenger residing abroad for over one year.

Problem: Mr. Gopal, an Indian entrepreneur, went to London on 01.04.2025. His wife joined him on 01.12.2025. They returned to India on 30th April 2026. Details:

- Used personal effects worth ₹95,000
- A music system worth ₹34,000
- Jewellery brought by Mr. Gopal for ₹44,000
- Jewellery brought by his wife worth ₹25,000

Solution:

Particulars	Mr. Gopal (₹)	Mrs. Gopal (₹)
Personal effects	Exempt	Exempt
Music system	34,000	—
GFA	(50,000)	—
Dutiable (Music System)	**Nil**	—
Jewellery	44,000	25,000
Jewellery Allowance	50,000 (eligible)	Not eligible (stay < 1 year)
Dutiable Jewellery	**Nil**	**25,000**
Customs Duty @ 38.50%	Nil	9,625

⚠ **EXAM ALERT: Key Learning:** Mr. Gopal stayed abroad for more than one year, so eligible for jewellery allowance. Mrs. Gopal stayed for less than a year, so not eligible. She can use GFA of ₹50,000, but jewellery is ₹25,000 only, so fully covered.

Illustration 4: Transfer of Residence

✔ **PRACTICAL ALERT: Concept:** Transfer of residence allowance for used household items.

Problem: Jagirdar, an IT professional and person of Indian origin, residing in Denmark for the last 14 months, wishes to bring a used microwave oven (costing ₹1,24,200) with him during his visit to India. He purchased the oven 6 months back.

Solution:

As per Transfer of Residence rules, a person who has stayed abroad for 1–2 years can bring used household items up to ₹2,00,000 without payment of duty.

Particulars	Amount (₹)
Used household article (microwave oven)	1,24,200
Allowance (1–2 years stay)	2,00,000
Dutiable Value	**Nil**
Customs Duty	Nil

⚠ **EXAM ALERT: Key Learning:** Jagirdar can bring up to ₹2,00,000 without payment of duty. Since the oven is valued at ₹1,24,200, no duty is payable.

Illustration 5: Annexure I Items and GFA

✔ **PRACTICAL ALERT: Concept:** Treatment of Annexure I items (fully taxable).

Problem: Mr. Technot of foreign origin has come on travel visa to tour India. He carries:

- 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 cartridges at ₹500 per cartridge): ₹1,00,000

Solution:

Particulars	Value (₹)	Remarks
Travel Souvenir	1,85,000	Bona fide baggage – Not taxable
Other articles carried on in person	1,50,000	Dutiable
100 cigarettes (out of 120)	10,000	Covered under GFA
20 cigarettes (excess)	2,000	100% Taxable
Firearm	50,000	100% Taxable
Cartridges (50 out of 100)	25,000	100% Taxable
Total Taxable Goods	**1,70,000**	
Less: GFA (Tourist)	(15,000)	
Net Taxable Value	**1,55,000**	
Customs Duty @ 38.50%	59,675	on ₹1,55,000
Duty on 20 cigarettes @ 100%	2,000	
Duty on Firearm @ 100%	50,000	
Duty on Cartridges @ 100%	25,000	
Total Customs Duty	**1,36,675**	

⚠ **EXAM ALERT: Key Learning:** Firearms, cartridges exceeding 50, cigarettes exceeding 100 are Annexure I items, fully taxable at 100%. GFA is ₹15,000 for tourists.

CHAPTER 19.4: CASE LAWS

A. Chapter Introduction

This chapter covers important case laws related to baggage and postal articles. Understanding these cases is essential for answering theory questions in the examination.

B. Important Case Laws

Case 1: Hemal K. Shah (2012 (275) ELT 266 (GOI))

⚠ **EXAM ALERT:** **Facts:** Shri Hemal K. Shah arrived at SVPI Airport, Ahmedabad, and declared total value of goods as ₹13,500 in the disembarkation slip. On detailed examination, baggage was found to contain Saffron, Umicore Rhodium Black, Titan Wrist watches, Mobile Phones, assorted perfumes, Imitation stones and bags.

Decision: The Government noted that the passenger had grossly mis-declared the goods with intention to evade duty and to smuggle goods into India. As per Section 80 of the Customs Act, 1962, when the baggage of the passenger contains article which is dutiable or prohibited and in respect of which the declaration is made under Section 77, the proper officer on request of passenger can detain such article for the purpose of being returned to him on his leaving India. Since passenger neither made true declaration nor requested for detention of goods for re-export before customs authorities at the time of his arrival at airport, the re-export of said goods could not be allowed under Section 80 of the Customs Act.

Principle: Re-export of confiscated goods is not allowed if the passenger did not make a true declaration or request detention at the time of arrival.

Case 2: CCus. v. Initiating Explosives Systems (I) Ltd. (2008 (224) ELT 343 (SC))

⚠ **EXAM ALERT:** **Facts:** Assessee imported Orange Shock Tube at US $0.0150 per ft, later reduced to US $0.0141 per ft. In June 2001, declared at US $0.0100 per ft. Revenue contended undervaluation.

Decision: Reduction in price was subject to mutual agreement to purchase 100% of annual requirement from same exporter. No undervaluation. Transactional value accepted as assessable value.

Principle: Price reduction due to commercial agreement (bulk purchase) does not amount to undervaluation.

Case 3: CCus. v. Prodelin India (P) Ltd. (2006) 202 ELT 13 (SC)

⚠ **EXAM ALERT: Facts:** Assessee imported components from related foreign collaborator. Department sought to include technical fee paid for manufacture of antenna systems in assessable value.

Decision: Technical fee cannot be added simply because importer and exporter are related persons. It can be added only if it relates to the imported goods itself. Here, import was for components while technical fee was for manufacture of antenna systems. Not includible.

Principle: Technical fee is includible only if it relates to the imported goods.

C. Examination Perspective

Case	Principle	Importance
Hemal K. Shah	Re-export not allowed without true declaration	High
Initiating Explosives	Price reduction due to bulk purchase not undervaluation	Medium
Prodelin India	Technical fee includible only if related to goods	High

D. Frequently Tested Areas

1. Hemal K. Shah case
2. Initiating Explosives case
3. Prodelin India case

E. Quick Revision Notes

Case	Principle
Hemal K. Shah	Re-export not allowed without true declaration
Initiating Explosives	Price reduction due to bulk purchase not undervaluation
Prodelin India	Technical fee includible only if related to goods

F. Last Day Revision Notes

Key Case Laws to Remember

1. **Hemal K. Shah:** Re-export not allowed without true declaration.
2. **Initiating Explosives:** Price reduction due to bulk purchase not undervaluation.
3. **Prodelin India:** Technical fee includible only if related to imported goods.

MODULE 19 – COMPLETE MODULE SUMMARY

A. Complete Module Summary

Module 19 covers the special provisions relating to baggage, postal articles, and import of samples under the Customs Act, 1962. The key aspects are:

1. **Baggage** includes unaccompanied baggage but excludes motor vehicles.
2. **Effective rate of duty** on baggage is 38.50% (35% BCD + 3.5% SWS).
3. **General Free Allowance (GFA)** is ₹50,000 for Indian passengers and ₹15,000 for tourists.
4. **Nepal, Bhutan, Myanmar** – GFA is ₹15,000 by Air and NIL by Land.
5. **Jewellery allowance** – Gentleman: 20 gms, ₹50,000; Lady: 40 gms, ₹1,00,000.
6. **Alcohol** – 2 liters; **Cigarettes** – 100 numbers.
7. **Laptop** – 1 laptop allowed in addition to GFA.
8. **Annexure I items** are fully taxable at 100%.
9. **Transfer of Residence** – Time-based allowances (₹60,000 to ₹5,00,000).
10. **Postal Articles** – Rate of duty on date postal authorities present list.
11. **Import of Samples** – Duty-free limit ₹3,00,000 per annum.
12. **Green Channel** – No dutiable goods; **Red Channel** – Dutiable goods.
13. **Section 80** – Temporary detention of baggage for re-export.
14. **Case Laws** – Hemal K. Shah, Initiating Explosives, Prodelin India.

B. Top 50 Examination Points

1. Baggage includes unaccompanied baggage.
2. Baggage excludes motor vehicles.
3. Effective rate of duty = 38.50%.
4. GFA – Indian passenger = ₹50,000.
5. GFA – Tourist = ₹15,000.
6. GFA – Nepal, Bhutan, Myanmar (Air) = ₹15,000.

7. GFA – Nepal, Bhutan, Myanmar (Land) = NIL.
8. Jewellery – Gentleman: 20 gms, ₹50,000.
9. Jewellery – Lady: 40 gms, ₹1,00,000.
10. Alcohol = 2 liters.
11. Cigarettes = 100 numbers.
12. Cigars = 25.
13. Tobacco = 125 grams.
14. Laptop = 1 allowed.
15. Annexure I items = 100% taxable.
16. Firearms = Annexure I.
17. Cartridges exceeding 50 = Annexure I.
18. Plasma TV = Annexure I.
19. Gold/silver other than ornaments = Annexure I.
20. Transfer of Residence – 3–6 months = ₹60,000.
21. Transfer of Residence – 6–12 months = ₹1,00,000.
22. Transfer of Residence – 1–2 years = ₹2,00,000.
23. Transfer of Residence – Above 2 years = ₹5,00,000.
24. Import of samples = ₹3,00,000 per annum.
25. Prohibited goods cannot be samples.
26. Rate of duty on postal articles = Date of presentation of list.
27. Section 77 – Declaration by owner.
28. Section 78 – Determination of rate of duty.
29. Section 79 – Bona fide baggage exempted.
30. Section 80 – Temporary detention.
31. Green Channel – No dutiable goods.
32. Red Channel – Dutiable goods.
33. GFA cannot be pooled.
34. Infants only get used personal effects.
35. No age restriction for GFA (w.e.f. 1-4-2016).
36. No minimum stay restriction for GFA (w.e.f. 1-4-2016).
37. Customs Declaration Form not required if no dutiable goods.
38. Postal articles clearance through Foreign Parcel Department.
39. Customs Appraiser can examine any parcel.
40. Goods released on payment of duty.
41. Hemal K. Shah case – Re-export not allowed.

42. Initiating Explosives case – Bulk purchase not undervaluation.
43. Prodelin India case – Technical fee includible only if related to goods.
44. Baggage Rules, 2016 govern baggage.
45. Sections 82 to 84 govern postal articles.
46. Notification No. 154/94-Customs governs samples.
47. Annexure I items are not part of bona fide baggage.
48. Bona fide baggage = used personal effects + travel souvenirs.
49. Effective rate = BCD 35% + SWS 3.5%.
50. IGST fully exempt on passenger baggage.

C. Top 25 Practical Points

1. Compute total value of dutiable goods.
2. Deduct GFA.
3. Apply 38.50% on taxable value.
4. Apply 100% on Annexure I items.
5. Check eligibility for jewellery allowance.
6. Check eligibility for transfer of residence.
7. Verify stay abroad duration.
8. Verify origin country.
9. Verify passenger category (Indian/tourist).
10. Pooling not allowed.
11. Infants only get personal effects.
12. Laptop – 1 allowed.
13. Alcohol – 2 liters.
14. Cigarettes – 100.
15. Cigars – 25.
16. Tobacco – 125 gms.
17. Excess cigarettes – 100% tax.
18. Firearms – 100% tax.
19. Cartridges exceeding 50 – 100% tax.
20. Plasma TV – 100% tax.
21. Gold/silver other than ornaments – 100% tax.
22. Postal articles – rate on presentation date.
23. Samples – ₹3 lakh per annum.

24. Prohibited goods – not allowed as samples.

25. Working notes.

D. Important Formula Sheet

CUSTOMS DUTY ON BAGGAGE

Step 1: Total Value of Dutiable Goods

Step 2: Less: GFA (₹50,000 / ₹15,000 / NIL)

Step 3: Taxable Value

Step 4: Customs Duty @ 38.50%

Annexure I Items: Duty @ 100% (No GFA)

E. Frequently Repeated Concepts

Concept	Frequency
Duty Computation on Baggage	Every exam
GFA limits	Every exam
Jewellery allowance	Often
Transfer of Residence	Often
Annexure I items	Often
Effective rate 38.50%	Every exam
Postal articles	Sometimes
Import of samples	Sometimes

F. Important Revision Tables

Table 1: GFA Summary

Passenger Category	Origin	GFA (₹)
Indian origin / Foreigners residing in India	Other than Nepal, Bhutan, Myanmar	50,000
Tourists of foreign origin	Other than Nepal, Bhutan, Myanmar	15,000
Indian origin / Foreigners residing in India	Nepal, Bhutan, Myanmar (Air)	15,000
Indian origin / Foreigners residing in India	Nepal, Bhutan, Myanmar (Land)	NIL

Table 2: Annexure I Items (100% Taxable)

Sl. No.	Item
1	Firearms
2	Cartridges exceeding 50
3	Cigarettes exceeding 100 / Cigars exceeding 25 / Tobacco exceeding 125 gms
4	Alcoholic liquor or wines exceeding 2 liters
5	Gold or silver in any form other than ornaments
6	Flat Panel (LCD/LED/Plasma) television

G. Fast Track Revision Notes

Fast Track Revision

1. **Effective rate = 38.50%**
2. **GFA – Indian = ₹50,000; Tourist = ₹15,000**
3. **Nepal, Bhutan, Myanmar by Land = NIL GFA**
4. **Jewellery – Gentleman: 20 gms, ₹50,000; Lady: 40 gms, ₹1,00,000**
5. **Annexure I items = 100% taxable**
6. **Infants only get used personal effects**
7. **GFA cannot be pooled**
8. **Transfer of Residence – Time-based**
9. **Import of samples – ₹3 lakh per annum**
10. **Postal articles – rate on presentation date**

H. One Night Before Exam Notes

📌 **MOST IMPORTANT REVISION POINT: ONE NIGHT BEFORE EXAM**

1. Read the formula sheet.
2. Review GFA limits.
3. Review jewellery allowance.
4. Review transfer of residence.
5. Review Annexure I items.
6. Review case laws.
7. Practice one full computation.
8. Review the summary tables.
9. Stay calm and confident.

I. Expected Dec 2026 Examination Areas

1. Computation of duty on baggage (5 marks)
2. GFA for different categories (3 marks)

3. Jewellery allowance (3 marks)
4. Transfer of residence (3 marks)
5. Annexure I items (3 marks)
6. Postal articles (3 marks)
7. Import of samples (3 marks)
8. Case laws (3 marks)

J. Final Revision Checklist

✓	Topic
☐	Meaning of Baggage
☐	Section 77 – Declaration
☐	Section 78 – Rate of Duty
☐	Section 79 – Bona fide Baggage
☐	Section 80 – Temporary Detention
☐	GFA Limits
☐	Jewellery Allowance
☐	Transfer of Residence
☐	Annexure I Items
☐	Effective Rate (38.50%)
☐	Postal Articles
☐	Import of Samples
☐	Case Laws
☐	Practical Computations
☐	Formula Sheet

END OF MODULE 19

MODULE 19 COMPLETE

Customs Procedures – Baggage & Courier / Post

Ready for Module 20

Manufacture in Bond

End of Module 19

CMA FINAL DECEMBER 2026

Paper 19 – Indirect Tax Laws & Practice

CUSTOMS MASTER REVISION NOTES

MODULES 20 to 24

MANUFACTURE IN BOND | DUTY DRAWBACK | IGCR | REMISSION | REFUND

Complete Study Material | Theory + Practical | Case Laws | Revision Tables

Premium Faculty Revision Series

MODULE 20: MANUFACTURE IN BOND

MODULE OVERVIEW

This module deals with the **Manufacture and Other Operations in Warehouse** under the Customs Act, 1962. It covers the scheme of manufacturing in a bonded warehouse where imported raw materials and capital goods are stored without payment of duty and used for manufacturing. The module covers the legislative framework, licensing, procedures, clearance, and compliance requirements.

Coverage of the Module

- Introduction to Manufacture in Bond
- Licensing of Public, Private and Special Warehousing
- Manufacture and Other Operations in Warehouse (MOOWR) Scheme
- Step-by-Step Approach to Start Manufacturing in Bond
- Clearance of Warehoused Goods
- Maintenance of Records and Monthly Returns
- Waste/Refused Goods disposal
- Warehousing Period and Interest

> ⚠ **EXAM ALERT: Weightage in Examination:** 5–8 marks (Theory). Mostly theory-based with occasional practical aspects on duty deferment.

LEARNING OBJECTIVES

1. Understand the concept of **Manufacture in Bond** and its benefits.
2. Explain the **licensing framework** for Public, Private and Special Warehouses.
3. Understand the **MOOWR Scheme** and its salient features.
4. Identify the **step-by-step approach** to start manufacturing in bond.
5. Explain the **clearance procedures** for warehoused goods.
6. Understand the **records and returns** requirements.
7. Apply the provisions relating to **warehousing period and interest**.

CHAPTER INDEX

Chapter	Topic
20.1	Introduction to Manufacture in Bond
20.2	Manufacture and Other Operations in Warehouse
20.3	Licensing of Public, Private and Special Warehousing
20.4	Step-by-Step Approach to Start Manufacturing in Bond
20.5	Clearance of Warehoused Goods
20.6	Maintenance of Records and Monthly Returns

EXAMINATION FOCUS AREAS

1. **MOOWR Scheme** – Salient features and benefits
2. **Licensing provisions** – Sections 57, 58, 58A
3. **Section 65** – Manufacture in warehouse
4. **Section 65A** – Payment of IGST and Compensation Cess
5. **Warehousing period** – Section 61
6. **Interest on warehoused goods**
7. **Clearance procedures**
8. **Records and returns**

CHAPTER 20.1: INTRODUCTION TO MANUFACTURE IN BOND

A. Chapter Introduction

The Central Board of Indirect Taxes and Customs (CBIC) has launched a revamped and streamlined program to attract investments into India and strengthen **Make in India** through the Manufacture and Other Operations in Warehouse (MOOWR) Scheme under the Customs

Act, 1962. **Section 65** of the Customs Act, 1962 enables conduct of manufacture and other operations in a customs bonded warehouse.

B. Important Definitions

Term	Definition
MOOWR	Manufacture and Other Operations in Warehouse Regulations
Bonded Warehouse	A warehouse licensed under Section 58 of the Customs Act, 1962
Duty Deferment	Postponement of payment of customs duty until clearance of goods
Ex-bonding	Clearance of goods from warehouse for home consumption

C. Concept Explanation

D1. What is Manufacture in Bond?

Manufacture in Bond allows import of raw materials and capital goods without payment of duty for manufacturing and other operations in a bonded manufacturing facility. The key features are:

- Import duty on raw materials and capital goods is **deferred** with no interest liability.
- If imported inputs are utilised for exports after manufacture, the deferred duty is **exempted**.
- Only when finished goods are cleared to the domestic market, import duty is to be paid on the imported raw materials used in production (ex-bonding).
- Import duty on capital goods is to be paid if and when the capital goods are cleared to the domestic market.
- When finished goods are exported, in addition to waiver of BCD + IGST on imported goods used, GST on finished goods can be zero-rated.

D2. Salient Features of MOOWR Scheme

1. **No geographical limitation** on where such units can be set up. New manufacturing facility can be set up or an existing facility can be converted into a bonded manufacturing

facility irrespective of its location in India.

2. **Single application cum approval form** for uniformity of practice with a single point of approval. Commissioner of Customs acts as the single point of contact for all approvals.
3. **Improved liquidity** with deferment of import duty and no interest liability.
4. **Allows procurement of GST compliant goods** from the domestic market for use in manufacture and other operations.
5. **Single digital account** for ease of doing business and easy compliance.
6. **Enables efficient capacity utilization** – no limit on quantum of clearances that can be exported or cleared to the domestic market.
7. **Duty free transfer of goods** allowed from one warehouse to another.
8. **Capital goods and non-capital goods** can remain warehoused until clearance or consumption.

D. Section-wise Analysis

Section 57 – Licensing of Public Warehouses

The Principal Commissioner of Customs or Commissioner of Customs may, subject to such conditions as may be prescribed, license a public warehouse wherein dutiable goods may be deposited.

Section 58 – Licensing of Private Warehouses

The Principal Commissioner of Customs or Commissioner of Customs may, subject to such conditions as may be prescribed, license a private warehouse wherein dutiable goods imported by or on behalf of the licensee may be deposited.

Section 58A – Licensing of Special Warehouses

The Principal Commissioner of Customs or Commissioner of Customs may, subject to such conditions as may be prescribed, license a special warehouse wherein dutiable goods may be deposited. Such warehouse shall be caused to be locked by the proper officer and no person shall enter the warehouse or remove any goods therefrom without the permission of the proper officer.

> ⚠ **EXAM ALERT: Key Point:** Manufacture and other operations in a bonded warehouse is allowed **only in a Private Bonded Warehouse** licensed under Section 58. It is NOT allowed in Public Bonded Warehouse (Section 57) or Special Warehouse (Section 58A).

Section 65 – Manufacture and Other Operations in Relation to Goods in a Warehouse

With the permission of the Principal Commissioner of Customs or Commissioner of Customs and subject to such conditions and on payment of such fees as may be prescribed, the **owner of any warehoused goods** may carry on any manufacturing process or other operations in the warehouse in relation to such goods.

Section 65A – Payment of IGST and Compensation Cess

Inserted w.e.f. 1st April 2023, Section 65A provides for payment of IGST and Compensation Cess while depositing the goods in warehouse for carrying out manufacturing and other operations as per Section 65. The importer will need to file a Bill of Entry for home consumption (instead of a Bill of Entry for warehousing) even for the purpose of depositing the goods in warehouse.

> ⚠ **EXAM ALERT: Note:** Section 65A has NOT become effective till 30th November 2023. It will be effective from a date to be notified.

E. Rule-wise Analysis

Warehousing Period – Section 61

Importer	Normal Warehousing Period
Other than EOU	One year from the date of issuing the order by Customs Officer permitting deposit of goods in a warehouse.
EOU	Till the consumption or clearance of such goods from warehouse – for inputs, spares and consumables; till the clearance of such goods from warehouse – for capital goods.

The period of 1 year can be extended by the Commissioner of Customs for a further 6 months. For extending it further, authorization of Chief Commissioner of Customs is required.

Applicability of Interest on Warehoused Goods

Assessee	Warehousing Period	Interest
Other than EOU/EHTP/STP	≤ 90 days	No interest
Other than EOU/EHTP/STP	> 90 days	Interest @ 15% p.a.
EOU/EHTP/STP (Inputs, spares, consumables)	Till clearance	No interest
EOU/EHTP/STP (Capital Goods)	Till clearance	No interest

Warehousing Bond – Section 59

An importer desirous of warehousing the goods without paying customs duty needs to execute an **indemnity bond** to cover the risk to Government revenue. The bond can be:

- **Consignment Bond** – for a particular consignment
- **General Bond** – to cover duty on goods to be imported during a specified period

As per Section 59(2), the importer shall execute a bond binding himself in a sum equal to **thrice the amount of duty** assessed on such goods.

Owner's Right to Deal with Warehoused Goods – Section 64

The owner of any warehoused goods may, after warehousing:

- Inspect the goods
- Deal with their containers to prevent loss, deterioration or damage
- Sort the goods
- Show the goods for sale

F. Practical Implications

1. Duty deferment provides working capital benefits.
2. No interest liability on deferred duty.
3. Export of finished goods results in duty exemption on inputs.
4. Domestic clearance triggers duty payment on imported inputs.
5. Capital goods duty is deferred until clearance.

G. Examination Perspective

Aspect	Importance
MOOWR Scheme features	High
Licensing provisions	High
Section 65 and 65A	High
Warehousing period	Medium
Interest provisions	Medium
Clearance procedures	Medium
Records and returns	Low

H. Frequently Tested Areas

1. MOOWR Scheme features
2. Licensing provisions (Sections 57, 58, 58A)
3. Section 65 – Manufacture in warehouse
4. Section 65A – IGST and Compensation Cess
5. Warehousing period
6. Interest on warehoused goods
7. Clearance procedures
8. Records and returns

I. Examiner's Favourite Topics

1. Salient features of MOOWR Scheme
2. Duty deferment benefits
3. Difference between Public, Private and Special Warehouses
4. Section 65 vs Section 65A
5. Warehousing period and interest
6. Clearance procedures

J. Common Student Mistakes

Mistake	Correction
Confusing MOOWR with EOU scheme	Different schemes with different provisions
Assuming all warehouses allow manufacturing	Only Private Bonded Warehouse under Section 58
Forgetting interest liability after 90 days	Interest @ 15% p.a. applies
Confusing Section 65 with Section 65A	Section 65A deals with IGST and Compensation Cess
Forgetting bond amount	Thrice the amount of duty assessed

K. Important Limits and Time Periods

Particular	Limit/Period
Normal warehousing period (non-EOU)	1 year
Extension by Commissioner	6 months
Interest-free period	90 days
Interest rate	15% p.a.
Bond amount	Thrice the duty assessed

L. Important Tables

Table 1: Licensing of Warehouses

Section	Type of Warehouse	Manufacturing Allowed?
Section 57	Public Warehouse	No
Section 58	Private Warehouse	Yes
Section 58A	Special Warehouse	No

Table 2: Warehousing Period and Interest

Importer	Warehousing Period	Interest Applicability
Non-EOU	1 year (extendable by 6 months)	No interest up to 90 days; @15% p.a. thereafter
EOU	Till clearance	No interest

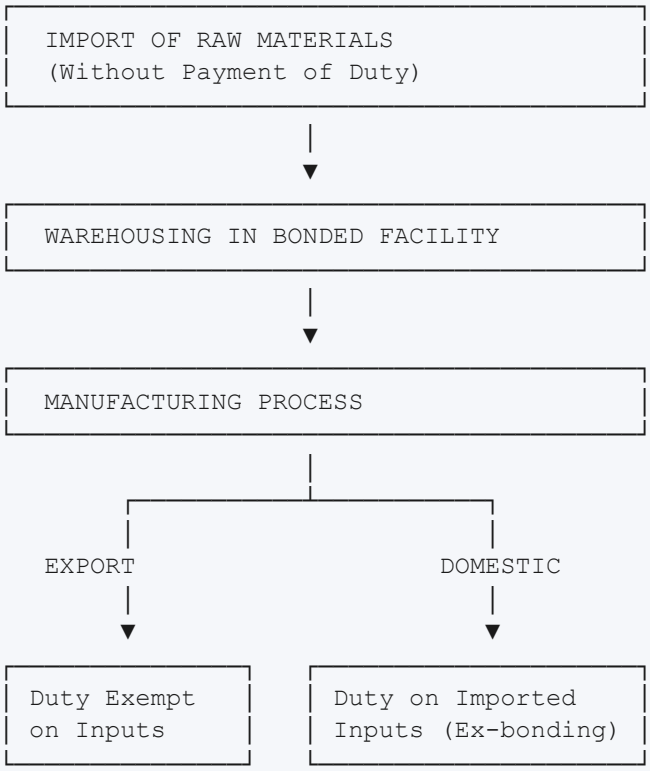
M. Summary Charts

Chart 1: MOOWR Scheme Benefits

```
MOOWR SCHEME
│
├── Duty Deferment
│    ├── No payment at import
│    └── No interest liability
│
├── Export Benefits
│    ├── Duty exemption on inputs
│    └── Zero-rated GST on finished goods
│
├── Domestic Clearance
│    ├── Duty on imported inputs
│    └── Duty on capital goods
│
└── Operational Benefits
     ├── No geographical limitation
     ├── Single application form
     ├── Single digital account
     └── Duty-free transfer between warehouses
```

N. Flowcharts

Flowchart 1: Manufacture in Bond – Process Flow



O. Concept Mapping

```
MANUFACTURE IN BOND
│
├── Legal Framework
│    ├── Section 57 – Public Warehouse
│    ├── Section 58 – Private Warehouse
│    ├── Section 58A – Special Warehouse
│    ├── Section 61 – Warehousing Period
│    ├── Section 65 – Manufacture
│    └── Section 65A – IGST and Cess
│
├── MOOWR Scheme
│    ├── Duty Deferment
│    ├── No Interest
│    ├── Export Exemption
│    └── Domestic Duty Payment
│
├── Licensing
│    ├── Private Warehouse (Section 58)
│    └── Application cum Approval Form
│
├── Procedures
│    ├── Application (Annexure A)
│    ├── Bond Execution (Annexure C)
│    ├── Records (Annexure B)
│    └── Monthly Returns
│
└── Clearance
     ├── Domestic (Home Consumption)
     ├── Export
     └── Transfer to Another Warehouse
```

P. Quick Revision Notes

Point	Key Takeaway
MOOWR	Manufacture and Other Operations in Warehouse Regulations
Licensing	Private Bonded Warehouse under Section 58
Section 65	Manufacture in warehouse
Section 65A	IGST and Compensation Cess
Warehousing period	1 year (extendable by 6 months)
Interest	15% p.a. after 90 days
Bond amount	Thrice the duty assessed
Duty deferment	No interest liability
Export	Duty exemption on inputs
Domestic	Duty on imported inputs

Q. Last Day Revision Notes

Key Points to Remember

1. MOOWR Scheme allows manufacture in bonded warehouse.
2. Only Private Bonded Warehouse under Section 58 allows manufacturing.
3. Duty deferment with no interest liability.
4. Export of finished goods – duty exemption on inputs.
5. Domestic clearance – duty on imported inputs.
6. Warehousing period – 1 year (extendable by 6 months).
7. Interest @ 15% p.a. after 90 days.
8. Bond amount – thrice the duty assessed.
9. Section 65A – IGST and Compensation Cess.
10. Records in Annexure B; Monthly returns by 10th of following month.

MODULE 21: DUTY DRAWBACK

MODULE OVERVIEW

This module deals with **Duty Drawback** under the Customs Act, 1962. Duty Drawback is the refund of customs duty paid on imported goods that are subsequently exported or used in the manufacture of export goods. The module covers the types of drawback, rates, procedures, and practical computations.

Coverage of the Module

- Introduction to Duty Drawback
- Types of Duty Drawbacks – All Industry Rate, Brand Rate, Special Brand Rate
- Duty Drawback on Re-Export (Section 74)
- Duty Drawback on Export of Manufactured Goods (Section 75)
- Payment of Erroneous or Excess Drawback
- Negative List of Duty Drawback
- Interest on Drawback
- Duty Deferment
- Customs and Central Excise Duties Drawback Rules, 2017

> ⚠ **EXAM ALERT: Weightage in Examination:** 8–12 marks (Theory + Practical). Computation of drawback is a very important practical area.

LEARNING OBJECTIVES

1. Understand the concept of **Duty Drawback** and its types.
2. Explain **All Industry Rate**, **Brand Rate**, and **Special Brand Rate**.
3. Compute duty drawback on **re-export** (Section 74).
4. Compute duty drawback on **export of manufactured goods** (Section 75).
5. Identify items in the **Negative List**.
6. Understand **interest on drawback**.
7. Apply the provisions to practical problems.

CHAPTER INDEX

Chapter	Topic
21.1	Introduction to Duty Drawback
21.2	Types of Duty Drawbacks
21.3	Duty Drawback on Re-Export (Section 74)
21.4	Duty Drawback on Export of Manufactured Goods (Section 75)
21.5	Negative List of Duty Drawback
21.6	Interest on Drawback
21.7	Duty Deferment
21.8	Drawback Rules, 2017

EXAMINATION FOCUS AREAS

1. **Computation of Drawback** – Most important practical area
2. **All Industry Rate vs. Brand Rate**
3. **Special Brand Rate** – Conditions
4. **Section 74 – Re-export** – Depreciation rates
5. **Section 75 – Export of Manufactured Goods**
6. **Negative List**
7. **Interest on Drawback**
8. **Time Limits** – Re-export, claim filing

CHAPTER 21.1: INTRODUCTION TO DUTY DRAWBACK

A. Chapter Introduction

The term **'duty drawback'** means drawing back of the duties paid. As per **Section 75** of the Customs Act, 1962, drawback is given as an amount to the exporter which represents:

- The duty paid on imported inputs which are used in the manufacture of export goods.
- The excise duty paid on indigenously produced inputs used in the manufacture of export goods (prior to GST).
- The service tax paid on input services (prior to GST).

Note: No drawback is allowed on GST.

The amount of drawback paid would not exactly relate to the actual import duty and excise duty components. It is determined by the government on the basis of an average amount of duty having regard to all the circumstances and facts of the manufacturing industry. Such a rate is called **'All Industry Rates'**.

B. Important Definitions

Term	Definition
Duty Drawback	Refund of customs/excise duty paid on imported/indigenous inputs used in the manufacture of export goods
All Industry Rate	Average rate of drawback fixed by the Drawback Directorate for a class of goods
Brand Rate	Rate fixed for specific products for which All Industry Rate is not available
Special Brand Rate	Rate fixed when All Industry Rate does not cover 80% of the duty paid
Re-export	Export of imported goods without use or after use

C. Concept Explanation

D1. Types of Duty Drawback

Type	Applicability	Key Features
All Industry Rate	Generally fixed by Drawback Directorate once a year on 1st June	Applies to most products; fixed on average basis
Brand Rate	When All Industry Rate is not applicable	Fixed by Central Government after verification
Special Brand Rate	When All Industry Rate does not cover 80% of duty paid	Applied within 30 days from export; rate not less than 1% of FOB

D2. Conditions for Special Brand Rate

1. Exporter has to apply within **30 days** from the date of export.
2. All Industry Rates do not cover **80%** of the duties paid by the exporter.
3. Rate of Duty Drawback should not be less than **1% of FOB**.
4. Amount of Drawback should not be less than **₹500 per shipment** (if rate < 1% of FOB).
5. Exported goods value is more than the value of imported goods.

D. Section-wise Analysis

Section 74 – Drawback on Re-export of Duty Paid Goods

Provides facility of claiming duty drawback on re-export of duty paid goods. Conditions:

1. Goods should have been originally imported into India.
2. Customs duty on import should have been paid.
3. Goods should be capable of being easily identifiable as the same goods originally imported.
4. Goods should have been entered for export within **2 years** from the date of payment of duty on importation.
5. Goods should be identified to the satisfaction of Assistant/Deputy Commissioner of Customs.

Section 75 – Drawback on Export of Manufactured Goods

Provides for drawback on imported inputs used in the manufacture of export goods.

E. Rule-wise Analysis

Drawback Rates on Re-export (Section 74(2)) – Notification No. 23/2008-Cus.

Length of Period between Clearance for Home Consumption and Placement under Customs Control for Export	% of Import Duty as Drawback
Not more than 3 months	95%
More than 3 months but not more than 6 months	85%
More than 6 months but not more than 9 months	75%
More than 9 months but not more than 12 months	70%
More than 12 months but not more than 15 months	65%
More than 15 months but not more than 18 months	60%
More than 18 months	NIL

⚠ **EXAM ALERT: Key Point:** 98% drawback is allowed only when goods are re-exported **without being used** in the industry. If goods are taken into use after importation, duty drawback is allowed based on the period of usage.

Duty Drawback Rates on Personal Goods (Used)

Year	Quarter	Rate of Reduction	Cumulative Reduction	Allowable Drawback
1	1st Quarter	4%	4%	96%
1	2nd Quarter	4%	8%	92%
1	3rd Quarter	4%	12%	88%
1	4th Quarter	4%	16%	84%
2	1st Quarter	3%	19%	81%
2	2nd Quarter	3%	22%	78%
2	3rd Quarter	3%	25%	75%
2	4th Quarter	3%	28%	72%
3	1st Quarter	2.50%	30.5%	69.5%
3	2nd Quarter	2.50%	33%	67%
3	3rd Quarter	2.50%	35.5%	64.5%
3	4th Quarter	2.50%	38%	62%
4	1st Quarter	2%	40%	60%
4	2nd Quarter	2%	42%	58%
4	3rd Quarter	2%	44%	56%
4	4th Quarter	2%	46%	54%

Note: Part of a quarter is considered as full quarter for allowing duty drawback rate.

Time Limits for Claiming Drawback

Particular	Time Limit
Filing claim for drawback (re-export)	3 months from let export order (extendable by 3 months + 6 months)
Re-export of duty paid goods (Section 74)	2 years from date of payment of duty
Application for Special Brand Rate	30 days from date of export
Supplementary Claim	3 months (extendable)
Recovery where export proceeds not realised	As per FEMA

F. Practical Implications

1. Drawback is available on both imported and indigenous inputs.
2. All Industry Rate is the most common method.
3. Brand Rate is used when All Industry Rate is not available.
4. Special Brand Rate is used when All Industry Rate covers less than 80% of duty.
5. Depreciation applies on re-export after use.

G. Examination Perspective

Aspect	Importance
Computation of drawback	Very High
Types of drawback	High
Special Brand Rate conditions	High
Section 74 depreciation	High
Negative list	Medium
Interest on drawback	Medium
Time limits	High

H. Frequently Tested Areas

1. Computation of duty drawback
2. All Industry Rate vs. Brand Rate
3. Special Brand Rate conditions
4. Section 74 – Depreciation rates
5. Negative list
6. Interest on drawback
7. Time limits

I. Examiner's Favourite Topics

1. Computation of duty drawback
2. Difference between All Industry Rate and Brand Rate
3. Special Brand Rate conditions
4. Section 74 depreciation rates
5. Negative list items
6. Interest on drawback

J. Common Student Mistakes

Mistake	Correction
Applying 98% always	98% only if re-exported without use
Forgetting depreciation on used goods	Apply depreciation rates
Confusing Section 74 and Section 75	Section 74 – Re-export; Section 75 – Manufactured goods
Forgetting minimum 1% FOB rule	Drawback must be ≥1% of FOB
Forgetting ₹500 minimum	If rate <1%, amount must be ≥₹500
Forgetting 1/3rd market value cap	Drawback cannot exceed 1/3rd of market value

K. Important Limits and Time Periods

Particular	Limit/Period
Re-export (Section 74)	2 years from payment of duty
Claim filing	3 months from let export order
Special Brand Rate application	30 days from export
Minimum drawback rate	1% of FOB
Maximum drawback rate	1/3rd of Market Price
Minimum amount	₹50
Minimum amount (if rate <1%)	₹500

L. Important Tables

Table 1: Duty Drawback Rates on Re-export (Section 74(2))

Period	Drawback %
≤ 3 months	95%
>3 ≤ 6 months	85%
>6 ≤ 9 months	75%
>9 ≤ 12 months	70%
>12 ≤ 15 months	65%
>15 ≤ 18 months	60%
>18 months	NIL

Table 2: Negative List of Duty Drawback

Sl. No.	Item
1	Wearing apparel (after being used)
2	Tea chests
3	Exposed cinematograph film passed by Board of Film Censors
4	Unexposed photographic films, paper and plates
5	X-Ray films
6	Iron and steel, cement and rice

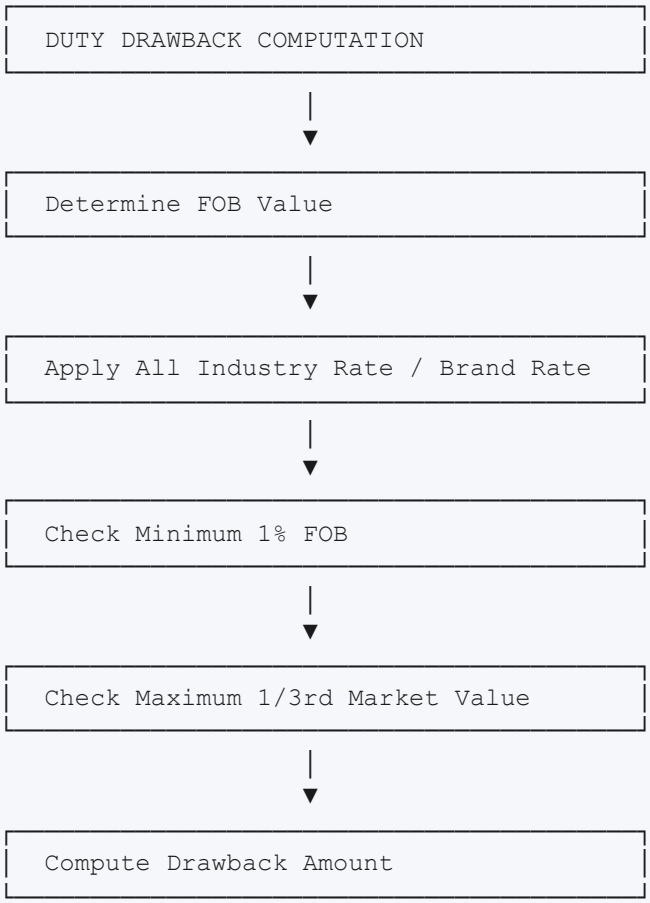
M. Summary Charts

Chart 1: Duty Drawback Types

```
DUTY DRAWBACK
│
├── All Industry Rate
│    ├── Fixed by Drawback Directorate
│    ├── Once a year (1st June)
│    └── Average basis
│
├── Brand Rate
│    ├── When All Industry Rate not available
│    └── Fixed after verification
│
└── Special Brand Rate
     ├── When All Industry Rate < 80% of duty
     ├── Application within 30 days
     └── Rate ≥ 1% of FOB
```

N. Flowcharts

Flowchart 1: Duty Drawback Computation



O. Concept Mapping

```
DUTY DRAWBACK
│
├── Types
│    ├── All Industry Rate
│    ├── Brand Rate
│    └── Special Brand Rate
│
├── Section 74
│    ├── Re-export
│    ├── Without use – 98%
│    └── After use – Depreciation
│
├── Section 75
│    ├── Export of Manufactured Goods
│    └── Imported inputs
│
├── Negative List
│    └── Wearing apparel, tea chests, etc.
│
├── Interest
│    ├── Delayed payment – 6% p.a.
│    └── Erroneous payment – 13% p.a.
│
└── Time Limits
     ├── Re-export – 2 years
     ├── Claim – 3 months
     └── Special Brand Rate – 30 days
```

P. Quick Revision Notes

Point	Key Takeaway
Duty Drawback	Refund of duty on exported goods
All Industry Rate	Average rate fixed annually
Brand Rate	When All Industry Rate not available
Special Brand Rate	When All Industry Rate < 80%
Section 74	Re-export – 98% if no use
Section 75	Export of manufactured goods
Negative List	Wearing apparel, tea chests, etc.
Interest	6% delayed; 13% erroneous
Minimum	1% of FOB or ₹500
Maximum	1/3rd of Market Value
Re-export time	2 years
Claim time	3 months

Q. Last Day Revision Notes

Key Points to Remember

1. Duty Drawback – refund of customs/excise duty on exports.
2. All Industry Rate – average rate fixed annually.
3. Special Brand Rate – when All Industry Rate < 80% of duty paid.
4. Section 74 – 98% if re-exported without use; depreciation if used.
5. Negative List – wearing apparel, tea chests, films, etc.
6. Interest – 6% for delayed payment; 13% for erroneous payment.
7. Minimum Drawback – 1% of FOB or ₹500.
8. Maximum Drawback – 1/3rd of Market Value.
9. Re-export time limit – 2 years.
10. Claim time limit – 3 months.
11. Special Brand Rate – apply within 30 days.
12. No drawback on GST.

PRACTICAL ILLUSTRATIONS – DUTY DRAWBACK

Illustration 1: Drawback on Re-export (Personal Use)

✔ **PRACTICAL ALERT: Concept:** Computation of duty drawback on re-export of personal goods after use.

Problem: Mr. Ram imported a motor car for his personal use and paid ₹2,50,000 as import duty. The car is re-exported after 3 months and 2 days. Compute the duty drawback.

Solution:

Particulars	Value (₹)
Import Duty Paid	2,50,000
Usage Period	3 months 2 days (2nd Quarter of Year 1)
Cumulative Reduction	8%
Allowable Drawback	92%
Drawback Amount	**₹2,30,000** (₹2,50,000 × 92%)

⚠ **EXAM ALERT: Key Learning:** For personal goods, depreciation is applied on a quarterly basis as per the table.

Illustration 2: Drawback on Re-export (Business Purpose)

✔ **PRACTICAL ALERT: Concept:** Computation of duty drawback on re-export of business goods after use.

Problem: Super Tech Ltd. imported 10 computer systems paying customs duty of ₹50 lakh. Due to technical problems, the computer systems were returned to foreign supplier after 2 months without using them at all. Compute the duty drawback.

Solution:

Particulars	Value (₹)
Import Duty Paid	50,00,000
Usage	Without use
Drawback Rate	98%
Drawback Amount	**₹49,00,000** (₹50,00,000 × 98%)

⚠ **EXAM ALERT: Key Learning:** 98% drawback if goods are re-exported without use.

Illustration 3: All Industry Rate with Cap

✔ **PRACTICAL ALERT: Concept:** Application of maximum cap on drawback.

Problem: An exporter exported 2,000 pairs of leather shoes @ ₹750 per pair. All Industry Rate is fixed at 11% of FOB subject to maximum of ₹80 per pair. Actual duty paid on inputs was ₹1,95,000. Advise whether Special Brand Rate can be applied.

Solution:

Particulars	Value (₹)
FOB Value (2,000 × ₹750)	15,00,000
Drawback @ 11% of FOB	1,65,000
Maximum per pair (₹80 × 2,000)	1,60,000
Drawback Allowed (lower)	**1,60,000**
Actual Duty Paid	1,95,000
All Industry Rate as % of Duty	82.05%
Eligible for Special Brand Rate?	No (82.05% > 80%)

⚠ **EXAM ALERT: Key Learning:** Special Brand Rate is only applicable when All Industry Rate covers less than 80% of duty paid.

Illustration 4: Multiple Products with Different Rates

✔ **PRACTICAL ALERT: Concept:** Computation with multiple products and different rates.

Problem: 'A' exported a consignment under drawback claim consisting of the following items:

Particulars	FOB Value (₹)	Drawback Rate
200 pieces of pressure stoves made of brass	16,000	4% of FOB
200 Kgs. Brass utensils	40,000	₹24/Kg
200 Kg. Artware of brass (actual weight 190 Kgs)	60,000	17.50% of FOB subject to max ₹38/Kg

Solution:

Particulars	FOB Value (₹)	Drawback Rate	Drawback Amount (₹)
Pressure stoves	16,000	4% of FOB	640
Brass utensils	40,000	₹24/Kg	4,800
Artware of brass (190 Kgs)	60,000 × 190/200 = 57,000	17.50% of FOB = 9,975 Max ₹38/Kg = 7,220 Lower = 7,220	7,220
Total Drawback			**12,660**

Illustration 5: Maximum Cap on Drawback

✔ **PRACTICAL ALERT: Concept:** Application of 1/3rd market value cap.

Problem: X Ltd. has exported following goods. Discuss whether duty drawback is admissible:

Product	FOB Value (₹)	Market Price (₹)	Drawback Rate
A	2,50,000	1,80,000	30% of FOB
B	1,00,000	50,000	0.75% of FOB
C	8,00,000	8,50,000	3.50% of FOB
D	2,000	2,100	1.50% of FOB

Note: Imported value of product C is ₹9,50,000.

Solution:

Product	Computation	Drawback
A	30% of ₹2,50,000 = ₹75,000 1/3rd of Market Value = ₹60,000 Lower = ₹60,000	₹60,000
B	0.75% of ₹1,00,000 = ₹750 Amount ≥ ₹500 → Allowed	₹750
C	Export value (₹8,00,000) < Import value (₹9,50,000) → Negative sale → No drawback	Nil
D	1.50% of ₹2,000 = ₹30 Amount < ₹50 → Not allowed	Nil

⚠ **EXAM ALERT: Key Learning:** Drawback cannot exceed 1/3rd of market value. Minimum amount ₹50. If rate <1%, amount must be ≥₹500.

Illustration 6: Erroneous Refund with Interest

✔ **PRACTICAL ALERT: Concept:** Interest on erroneous refund.

Problem: Abdul Overseas Pvt. Ltd. was erroneously refunded a sum of ₹30,000 in excess of actual drawback on 16-6-2025. A demand for recovery was issued on 24-08-2025. The company returned the erroneous refund on 16-10-2025. Calculate interest.

Solution:

Particulars	Value
Erroneous Refund Amount	₹30,000
Interest Rate	15% p.a.
Period	16-6-2025 to 16-10-2025 = 123 days
Interest	**₹1,516** (₹30,000 × 15% × 123/365)

MODULE 22: CUSTOMS (IMPORT OF GOODS AT CONCESSIONAL RATE OF DUTY) RULES, 2017

MODULE OVERVIEW

This module deals with the **Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017** (IGCR Rules). These rules are meant for importers who are desirous of availing the benefit of an exemption notification issued under Section 25(1) of the Customs Act, 1962. The benefit of such exemption hinges on the utilization of imported goods for the manufacture of any commodity or provision of output service.

Coverage of the Module

- Introduction to IGCR Rules, 2017
- Definitions
- Procedure for availing concessional rate
- Importer to give prior information (Form IGCR-1)
- Procedure to be followed
- Importer to maintain records (Form IGCR-2, IGCR-3)
- Job work and unit transfer
- Re-export or clearance of unutilised/defective goods
- Recovery of duty and penalty
- Amendments – IGCRS Rules, 2022

⚠ **EXAM ALERT: Weightage in Examination:** 5–8 marks (Theory + Practical). Mostly theory-based with occasional practical aspects on duty computation.

LEARNING OBJECTIVES

1. Understand the **IGCR Rules, 2017** and their applicability.
2. Explain the **procedure** for availing concessional rate of duty.

3. Understand the **forms** – IGCR-1, IGCR-2, IGCR-3.
4. Explain the provisions relating to **job work and unit transfer**.
5. Understand the **re-export or clearance** of unutilised goods.
6. Apply the provisions relating to **recovery and penalty**.

CHAPTER INDEX

Chapter	Topic
22.1	Introduction to IGCR Rules, 2017
22.2	Definitions and Procedure
22.3	Records, Returns and Job Work
22.4	Re-export, Recovery and Penalty

EXAMINATION FOCUS AREAS

1. **Applicability** of IGCR Rules
2. **Forms** – IGCR-1, IGCR-2, IGCR-3
3. **IIN** – Import of Goods at Concessional Rate Identification Number
4. **Bond** – Continuity bond requirements
5. **Job Work** – Conditions and time limits
6. **Re-export** – Procedure
7. **Recovery** – Provisions
8. **Penalty** – Under Section 158(2)(ii)

CHAPTER 22.1: INTRODUCTION TO IGCR RULES, 2017

A. Chapter Introduction

The Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 are meant for importers who are desirous of availing the benefit of an exemption notification issued under **Section 25(1)** of the Customs Act, 1962. The benefit of such exemption hinges on the utilization of imported goods covered in the notification for the manufacture of any commodity or provision of output service.

The Ministry of Finance on 1st February 2022 published the **Customs (Import of Goods at Concessional Rate of Duty) Amendment Rules, 2022** to simplify the procedures with focus on automation and faceless procedure. These changes came into effect from 1st March 2022.

B. Important Definitions

Term	Definition
Act	Customs Act, 1962
Capital Goods	Goods, the value of which is capitalised in the books of account of the importer
Common Portal	Common customs electronic portal as referred to in Section 154C of the Act
Customs Automated System	Indian Customs Electronic Data Interchange System
Date of Import	Date of the order made under Section 47 permitting clearance of such goods
Exemption Notification	Notification issued under Section 25(1) of the Act
Information	Information provided by the manufacturer who intends to avail the benefit of an exemption notification
Job Work	Any treatment, process or manufacture on goods belonging to the importer except gold, jewellery and articles thereof
Jurisdictional Custom Officer	Officer of Customs of rank equivalent to Superintendent or Appraiser exercising jurisdiction over the premises
Manufacture	Processing of raw materials or inputs resulting in emergence of a new product having distinct nature or character or use or name
Output Service	Supply of service excluding after-sales service, utilizing imported goods
IIN	Import of Goods at Concessional Rate Identification Number
Quarter	Period comprising any three consecutive calendar months ending on last day of March, June, September or December

C. Concept Explanation

D1. Applicability of IGCR Rules

These rules apply only in respect of such exemption notifications which provide for the observance of these rules.

D2. Key Features of IGCR Rules

1. Automation of the process with electronic submission of details through common portal.
2. Standardized forms for electronic submission.
3. Doing away with individual transaction based permissions and intimations.
4. Monthly/Quarterly statement to be submitted on common portal.
5. Procedure for inter-unit transfer of imported goods.
6. Electronic option for voluntary payment through common portal.

D. Section-wise Analysis

Rule 4 – Importer to Give Prior Information

The importer shall provide one-time information on the common portal in **Form IGCR-1** containing:

- Name and address of the importer and his job worker, if any
- Goods produced or process undertaken at the manufacturing facility
- Nature and description of goods imported used in the manufacture
- Particulars of the exemption notification applicable
- Nature of output service rendered utilizing the goods imported
- Intended port(s) of import

On acceptance of the above information, an **IIN** shall be generated against such information. The importer shall submit a **continuity bond** with such surety or security as deemed appropriate by the Deputy/Assistant Commissioner of Customs.

Rule 5 – Procedure to be Followed

1. The importer shall mention the IIN and continuity bond number while filing the Bill of Entry.

2. The Deputy/Assistant Commissioner of Customs at the Customs Station of importation shall allow the benefit of the exemption notification.
3. Once a Bill of Entry is cleared for home consumption, the bond gets debited automatically in the customs automated system.

Rule 6 – Importer to Maintain Records

The importer shall maintain an account clearly indicating:

- Quantity and value of goods imported
- Date of receipt of goods in relevant premises
- Quantity of goods consumed
- Quantity of goods sent for job work and nature of job work
- Quantity of goods received after job work
- Quantity of goods re-exported
- Quantity remaining in stock

The importer shall submit a **monthly statement** (or **quarterly statement** w.e.f. 2-2-2025) on the common portal in **Form IGCR-3** by the **10th day of the following month/quarter**.

Rule 6A – Procedure for Allowing Imported Goods for Job Work

1. The importer shall maintain a record of goods sent for job work.
2. Goods to be sent under an invoice or e-way bill mentioning description and quantity.
3. Maximum period for job work: **Six months** from the date of invoice or e-way bill. (w.e.f. 2-2-2025, **One year**)
4. Job worker shall maintain account of receipt, manufacturing process, and waste generated.
5. After completion, goods to be sent back to importer or another job worker.

Rule 6B – Procedure for Unit Transfer

Similar to job work, the importer may transfer goods to another unit. The maximum period for unit transfer is **six months** (w.e.f. 2-2-2025, **One year**).

Rule 7 – Re-export or Clearance of Unutilised or Defective Goods

1. Importer shall use goods within **six months** from date of import (w.e.f. 2-2-2025, **One year**).
2. Unutilised or defective goods can be re-exported or cleared for home consumption within the said period.

3. For re-export, value shall not be less than the value at the time of import.
4. For home consumption, duty along with interest must be paid on the common portal.
5. For capital goods, duty on depreciated value as per straight line method:
    - First year: @ 4% per quarter
    - Second year: @ 3% per quarter
    - Third year: @ 3% per quarter
    - Fourth and fifth year: @ 2.5% per quarter
    - Thereafter: @ 2% per quarter

Rule 8 – Recovery of Duty

In case of failure to comply with conditions, the Deputy/Assistant Commissioner of Customs shall take action by invoking the bond to initiate recovery proceedings of the difference between duty leviable but for exemption and duty already paid, along with interest @ 15% p.a.

Rule 8A – Penalty

The importer or job worker who contravenes any provisions shall be liable to a penalty to an extent of ₹2 lakh under Section 158(2)(ii) of the Customs Act, 1962.

E. Practical Implications

1. Automation simplifies the process.
2. IIN is a unique identifier for the importer.
3. Continuity bond is required.
4. Monthly/Quarterly statements keep track of utilization.
5. Job work and unit transfer have specific time limits.
6. Re-export or clearance requires payment of duty.

F. Examination Perspective

Aspect	Importance
Applicability	High
Forms (IGCR-1, IGCR-2, IGCR-3)	High
IIN	High
Continuity Bond	High
Job Work conditions	Medium
Re-export procedure	Medium
Recovery and Penalty	Medium
Depreciation rates	High

G. Frequently Tested Areas

1. Applicability of IGCR Rules
2. Forms – IGCR-1, IGCR-2, IGCR-3
3. IIN generation
4. Continuity Bond
5. Job Work time limits
6. Re-export procedure
7. Depreciation rates
8. Recovery and Penalty

H. Examiner's Favourite Topics

1. Procedure for availing concessional rate
2. Forms and their purposes
3. Job work provisions
4. Re-export or clearance of unutilised goods
5. Depreciation on capital goods

6. Penalty provisions

I. Common Student Mistakes

Mistake	Correction
Confusing IGCR with MOOWR	Different schemes with different provisions
Forgetting IIN	IIN is mandatory
Forgetting continuity bond	Continuity bond is required
Confusing IGCR-1, IGCR-2, IGCR-3	IGCR-1 = Prior Information; IGCR-2 = Non-receipt; IGCR-3 = Monthly/Quarterly Statement
Forgetting depreciation on capital goods	Apply depreciation as per Rule 7(4)

J. Important Limits and Time Periods

Particular	Limit/Period
Utilisation of goods	6 months (now 1 year w.e.f. 2-2-2025)
Job work	6 months (now 1 year w.e.f. 2-2-2025)
Unit transfer	6 months (now 1 year w.e.f. 2-2-2025)
Monthly/Quarterly statement	10th of following month/quarter
Interest rate	15% p.a.
Penalty	₹2 lakh

K. Important Tables

Table 1: Forms under IGCR Rules

Form	Purpose
Form IGCR-1	Prior information by importer
Form IGCR-2	Intimation regarding non-receipt of goods
Form IGCR-3	Monthly/Quarterly statement

Table 2: Depreciation on Capital Goods (Rule 7(4))

Period	Depreciation per Quarter
First Year	4%
Second Year	3%
Third Year	3%
Fourth and Fifth Year	2.5%
Thereafter	2%

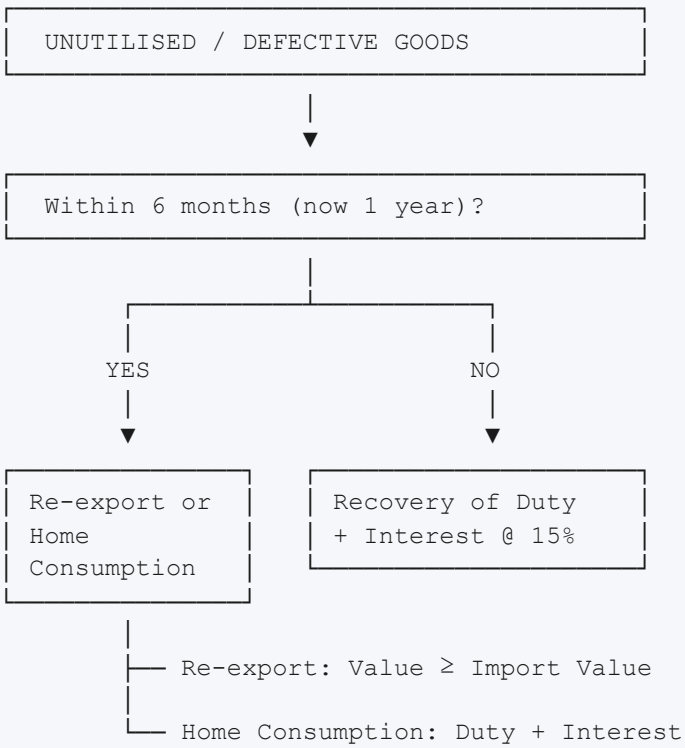
L. Summary Charts

Chart 1: IGCR Process Flow

```
IGCR PROCESS
│
├── Step 1: File Form IGCR-1 (Prior Information)
│    └── Get IIN
│
├── Step 2: Execute Continuity Bond
│
├── Step 3: File Bill of Entry with IIN
│
├── Step 4: Clear Goods at Concessional Rate
│
├── Step 5: Maintain Records
│
├── Step 6: File Monthly/Quarterly Statement (IGCR-3)
│
└── Step 7: Re-export or Clear Goods
     ├── Re-export (Value ≥ Import Value)
     └── Home Consumption (Duty + Interest)
```

M. Flowcharts

Flowchart 1: Re-export or Clearance of Unutilised Goods



N. Concept Mapping

```
IGCR RULES, 2017
│
├── Applicability
│   ├── Exemption under Section 25(1)
│   └── Manufacture of goods / Output service
│
├── Procedure
│   ├── Form IGCR-1 (Prior Information)
│   ├── IIN Generation
│   ├── Continuity Bond
│   └── Bill of Entry with IIN
│
├── Records
│   ├── Form IGCR-2 (Non-receipt)
│   └── Form IGCR-3 (Monthly/Quarterly Statement)
│
├── Job Work
│   ├── 6 months (now 1 year)
│   └── Records
│
├── Unit Transfer
│   ├── 6 months (now 1 year)
│   └── Records
│
├── Re-export / Clearance
│   ├── Within 6 months (now 1 year)
│   ├── Re-export: Value ≥ Import Value
│   └── Home Consumption: Duty + Interest
│
└── Recovery & Penalty
    ├── Recovery: Duty + Interest @ 15%
    └── Penalty: ₹2 lakh
```

O. Quick Revision Notes

Point	Key Takeaway
Applicability	Exemption under Section 25(1)
Prior Information	Form IGCR-1
IIN	Import of Goods at Concessional Rate Identification Number
Continuity Bond	Required
Non-receipt	Form IGCR-2
Monthly/Quarterly Statement	Form IGCR-3
Job Work	6 months (now 1 year)
Unit Transfer	6 months (now 1 year)
Re-export	Value ≥ Import Value
Home Consumption	Duty + Interest
Interest	15% p.a.
Penalty	₹2 lakh
Depreciation	4%, 3%, 3%, 2.5%, 2% per quarter

P. Last Day Revision Notes

Key Points to Remember

1. IGCR Rules apply to exemption under Section 25(1).
2. Form IGCR-1 – Prior Information.
3. Form IGCR-2 – Non-receipt intimation.
4. Form IGCR-3 – Monthly/Quarterly Statement.
5. IIN – unique identifier.
6. Continuity Bond – required.
7. Job Work – 6 months (now 1 year).
8. Unit Transfer – 6 months (now 1 year).
9. Re-export – Value ≥ Import Value.
10. Home Consumption – Duty + Interest.
11. Interest – 15% p.a.
12. Penalty – ₹2 lakh.
13. Depreciation – 4%, 3%, 3%, 2.5%, 2% per quarter.
14. Statement due – 10th of following month/quarter.

MODULE 23: REMISSION OF DUTIES

MODULE OVERVIEW

This module deals with the **Remission of Duties** under the Customs Act, 1962. Remission means waiver or cancellation/exemption of duty legally payable. The module covers the provisions relating to remission of duty on loss, destruction, or abandonment of goods, pilferage, and the power to grant exemption.

Coverage of the Module

- Introduction to Remission of Duties
- Remission of Duty on Loss, Destroyed or Abandoned Goods (Section 23)
- Cases where Importer may Relinquish Title to Goods
- Pilferage of Goods (Section 13)
- Difference between Refund, Rebate and Remission
- Power to Grant Exemption from Duty (Section 25)
- Inward and Outward Processing of Goods (Sections 25A, 25B)
- Duty Liability in Special Circumstances
- Case Laws

⚠ **EXAM ALERT: Weightage in Examination:** 5–8 marks (Theory + Practical). Mostly theory-based with occasional practical aspects on remission computation.

LEARNING OBJECTIVES

1. Understand the concept of **Remission of Duty**.
2. Explain the provisions of **Section 23** – Remission on loss, destruction, abandonment.
3. Distinguish between **Refund, Rebate and Remission**.
4. Understand **Pilferage** under Section 13.
5. Explain the **Power to Grant Exemption** under Section 25.
6. Understand **Inward and Outward Processing** (Sections 25A, 25B).
7. Apply the provisions to practical problems.

CHAPTER INDEX

Chapter	Topic
23.1	Introduction to Remission of Duties
23.2	Remission of Duty on Loss, Destroyed or Abandoned Goods
23.3	Cases where Importer may Relinquish Title
23.4	Pilferage of Goods
23.5	Difference between Refund, Rebate and Remission
23.6	Power to Grant Exemption from Duty
23.7	Inward and Outward Processing of Goods
23.8	Duty Liability in Special Circumstances

EXAMINATION FOCUS AREAS

1. **Section 23** – Remission on loss/destruction
2. **Section 13** – Pilferage
3. **Difference** – Refund, Rebate, Remission
4. **Section 25** – Power to grant exemption
5. **Section 25A** – Inward processing
6. **Section 25B** – Outward processing
7. **Duty liability in special circumstances**
8. **Case laws**

CHAPTER 23.1: INTRODUCTION TO REMISSION OF DUTIES

A. Chapter Introduction

Remission of duty in simple terms means **duty levied goods subsequently got exempted from payment of duty**. In other words, remission is waiver or cancellation/exemption of duty legally payable. Such remission of duty can be granted in case the goods are lost or destroyed by natural causes or unavoidable accident or become unfit for consumption or marketing, but only in situations where the loss or destruction occurs any time before removal of goods from customs area.

B. Important Definitions

Term	Definition
Remission	Waiver or cancellation/exemption of duty legally payable
Pilferage	Petty theft by human being
Loss	Loss due to fire, flood, etc. (Act of God)
Destruction	Complete damage making goods unusable

C. Concept Explanation

D1. Section 23 – Remission of Duty on Loss, Destroyed or Abandoned Goods

1. **Section 23(1)** provides for remission of duty on imported goods lost (other than pilferage) or destroyed, if such loss or destruction is at any time before clearance for home consumption.
2. Burden of proof is on importer to prove loss or destruction under Section 23.
3. Loss or destruction may be due to fire, accident, etc., but not pilferage.

4. **Section 23(2)** provides that at any time before an order for clearance of goods for home consumption or order for permitting warehousing has been made, the owner of the goods may **relinquish his title** to the goods and thereupon no duty shall be levied.
5. However, relinquishment of title of goods will not be permissible if offence appears to have been committed in respect of such goods under Customs Act or any other law.

D2. Section 13 – Pilferage

Remission of duty does not arise in case of pilferage under Section 13. Section 13 deals with only pilferage; it does not deal with loss/destruction of goods.

D3. Difference between Section 13 and Section 23

Pilferage (Section 13)	Loss/Destruction (Section 23)
No duty payable on such goods	Duty paid on such goods to be remitted
Department gets compensation from custodian (Section 45(3))	No such compensation
Petty theft by human being	Loss/destruction by fire, flood, etc. (Act of God)
Restoration possible	Restoration is not possible
Occurrence is after unloading and before Customs clearance order for home consumption or warehousing	Occurrence may be at any time before clearance for home consumption
Occurrence in warehouse not recognised	Occurrence in warehouse is recognised
Duty need not be calculated	Duty should be calculated for determining the remission amount
No need to prove pilferage	Should be proved and remission sought for

D. Section-wise Analysis

Section 23(2) – Relinquishment of Title

Importer may relinquish his title to the goods in the following cases:

1. The goods may not be according to the specifications.
2. The goods may have been damaged or deteriorated during voyage and as such may not be useful to the importer.
3. There might have been breach of contract and, therefore, the importer may be unwilling to take delivery of the goods.

In all the above cases, the goods having been imported, the liability to customs duty is imposed and, therefore, the importer may relinquish his title to the goods unconditionally and abandon them. If the importer does so, he will not be required to pay the duty amount.

Section 25 – Power to Grant Exemption from Duty

The Central Government of India has the power to issue Notification under Section 25 of the Customs Act, 1962 to exempt the excisable goods from the duty either by way of generally:

- Subject to such conditions
- Whole or any part of duty

Section 25(4A) – Validity of Exemption

Where any exemption is granted subject to any condition under Section 25(1), such exemption shall, unless otherwise specified or varied or rescinded, be valid up to **31st March falling immediately after two years** from the date of such grant or variation.

Section 25(6) – No Duty if Amount ≤ ₹100

No duty shall be collected if the amount of duty leviable is equal to, or less than, **₹100**.

Section 25A – Inward Processing of Goods

Where the Central Government is satisfied that it is necessary in the public interest so to do, it may, by notification, exempt such of the goods which are imported for the purposes of repair, further processing or manufacture, as may be specified therein, from the whole or any part of duty of customs leviable thereon, subject to the following conditions:

1. Goods shall be re-exported within a period of **one year** from the date on which the order for clearance of the imported goods is made.

2. Imported goods are identifiable in the export goods.
3. Such other conditions as may be specified in that notification.

Section 25B – Outward Processing of Goods

Where the Central Government is satisfied that it is necessary in the public interest so to do, it may, by notification, exempt such of the goods which are re-imported after being exported for the purposes of repair, further processing or manufacture, as may be specified therein, from the whole or any part of duty of customs leviable thereon, subject to the following conditions:

1. Goods shall be re-imported into India within a period of **one year** from the date on which the order permitting clearance for export is made.
2. Exported goods are identifiable in the re-imported goods.
3. Such other conditions as may be specified in that notification.

E. Practical Implications

1. Remission is available for loss/destruction before clearance.
2. Pilferage is dealt with under Section 13, not Section 23.
3. Relinquishment of title is possible before clearance order.
4. Exemption notifications under Section 25 have a validity period.
5. Inward/Outward processing has specific time limits.

F. Examination Perspective

Aspect	Importance
Section 23 – Remission	High
Section 13 – Pilferage	High
Difference – Refund, Rebate, Remission	High
Section 25 – Exemption	Medium
Section 25A/25B – Processing	Medium
Duty liability in special circumstances	Medium
Case laws	Medium

G. Frequently Tested Areas

1. Section 23 – Remission on loss/destruction
2. Section 13 – Pilferage
3. Difference between Refund, Rebate and Remission
4. Section 25 – Power to grant exemption
5. Section 25A – Inward processing
6. Section 25B – Outward processing
7. Relinquishment of title
8. Case laws

H. Examiner's Favourite Topics

1. Remission vs. Refund vs. Rebate
2. Section 23 – Loss/destruction
3. Section 13 – Pilferage
4. Relinquishment of title
5. Section 25 – Exemption
6. Inward/Outward processing

7. Duty liability in special circumstances
8. Case laws

I. Common Student Mistakes

Mistake	Correction
Confusing remission with refund	Remission = waiver of duty; Refund = return of duty paid
Applying Section 23 to pilferage	Pilferage is under Section 13
Forgetting burden of proof on importer	Importer must prove loss/destruction
Forgetting time limits for processing	1 year for both inward and outward
Confusing Section 25A and 25B	25A = Inward; 25B = Outward

J. Important Limits and Time Periods

Particular	Limit/Period
Section 23(2) – Relinquishment	Before clearance order
Section 25(4A) – Validity	2 years
Section 25(6) – Minimum duty	₹100
Section 25A – Re-export	1 year
Section 25B – Re-import	1 year

K. Important Tables

Table 1: Difference between Refund, Rebate and Remission

Refund	Rebate	Remission
Person paid tax/duty and subsequently noticed that not required to pay. Entitled to claim refund.	Duty/tax paid where required to pay, thereafter, on satisfying certain conditions qualify for rebate of duty paid earlier.	Duty/tax is levied but not paid, subsequently got exempted from payment of duty/tax.
Example: Duty paid on exempted goods	Example: Duty drawback	Example: Warehoused goods destroyed by fire

Table 2: Inward vs. Outward Processing

Basis	Inward Processing (Section 25A)	Outward Processing (Section 25B)
Import for	Repair, further processing or manufacture	Re-import after export for repair, further processing or manufacture
Time limit	Re-export within 1 year	Re-import within 1 year
Condition	Goods identifiable in export goods	Goods identifiable in re-imported goods

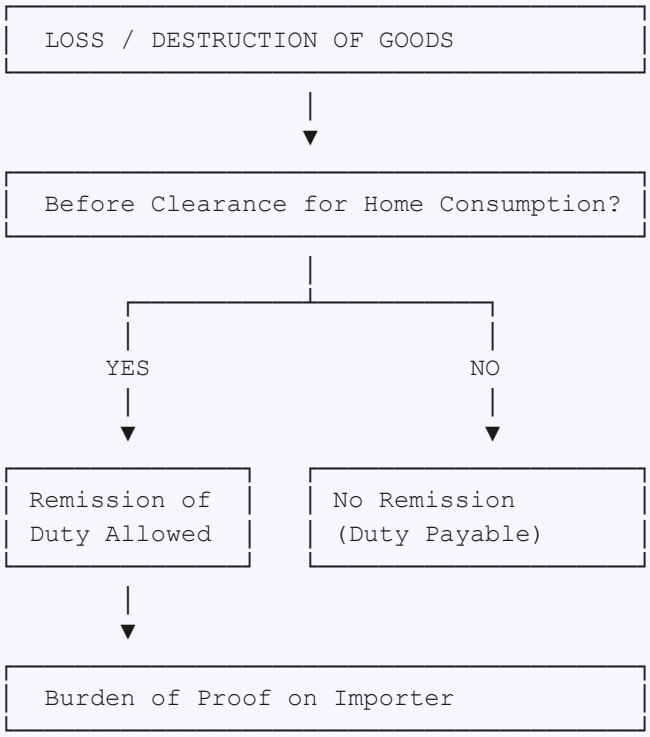
L. Summary Charts

Chart 1: Remission vs. Refund vs. Rebate

```
DUTY RELIEF
│
├── Refund
│    ├── Duty paid
│    ├── Not required to pay
│    └── Return of duty
│
├── Rebate
│    ├── Duty paid
│    ├── Required to pay
│    ├── Conditions satisfied
│    └── Return of duty
│
└── Remission
     ├── Duty levied
     ├── Not paid
     ├── Subsequently exempted
     └── No payment required
```

M. Flowcharts

Flowchart 1: Remission of Duty on Loss/Destruction



N. Concept Mapping

```
REMISSION OF DUTIES
│
├── Section 23 – Remission
│    ├── Loss/Destruction
│    ├── Before Clearance
│    ├── Burden of Proof on Importer
│    └── Relinquishment of Title
│
├── Section 13 – Pilferage
│    ├── Petty Theft
│    ├── No Duty Payable
│    └── Compensation from Custodian
│
├── Section 25 – Exemption
│    ├── Power to Grant Exemption
│    ├── Validity – 2 years
│    └── Minimum Duty – ₹100
│
├── Section 25A – Inward Processing
│    ├── Re-export within 1 year
│    └── Goods Identifiable
│
└── Section 25B – Outward Processing
     ├── Re-import within 1 year
     └── Goods Identifiable
```

O. Quick Revision Notes

Point	Key Takeaway
Remission	Waiver of duty legally payable
Section 23	Loss/Destruction before clearance
Section 13	Pilferage
Burden of Proof	On Importer
Relinquishment	Before clearance order
Section 25	Power to Grant Exemption
Section 25(4A)	Validity – 2 years
Section 25(6)	Minimum Duty – ₹100
Section 25A	Inward Processing – 1 year
Section 25B	Outward Processing – 1 year

P. Last Day Revision Notes

Key Points to Remember

1. Remission = Waiver of duty legally payable.
2. Section 23 – Loss/Destruction before clearance.
3. Section 13 – Pilferage (petty theft).
4. Burden of proof on importer.
5. Relinquishment of title before clearance order.
6. Section 25 – Power to grant exemption.
7. Section 25(4A) – Validity of exemption – 2 years.
8. Section 25(6) – No duty if ≤ ₹100.
9. Section 25A – Inward Processing – 1 year.
10. Section 25B – Outward Processing – 1 year.
11. Difference between Refund, Rebate and Remission.

MODULE 24: REFUND

MODULE OVERVIEW

This module deals with the **Refund** of customs duty under the Customs Act, 1962. On import or export of goods, at times, it is found that duty has been paid in excess of what was actually leviable on the goods. Such excess payment may be due to lack of information on the part of importer/exporter or non-submission of documents required for claim of lower value or rate of duty. In such cases, refund of excess amount of duty paid can be claimed by the importer or exporter.

Coverage of the Module

- Introduction to Refund
- Refund of Export Duty (Section 26)
- Refund of Import Duty (Section 26A)
- Claim for Refund of Duty (Section 27)
- Relevant Date for Refund
- Time Limit for Claiming Refund
- Interest on Delayed Refunds (Section 27A)
- Form and Manner of Filing Application
- Processing of Refund Claim
- Case Laws

⚠ **EXAM ALERT: Weightage in Examination:** 5–8 marks (Theory + Practical). Practical aspects on refund computation and interest are important.

LEARNING OBJECTIVES

1. Understand the concept of **Refund** of customs duty.
2. Explain the provisions of **Section 26** – Refund of Export Duty.
3. Explain the provisions of **Section 26A** – Refund of Import Duty.
4. Understand **Section 27** – Claim for Refund of Duty.

5. Determine the **Relevant Date** for refund.
6. Understand the **time limit** for claiming refund.
7. Compute **interest on delayed refunds**.
8. Apply the provisions to practical problems.

CHAPTER INDEX

Chapter	Topic
24.1	Introduction to Refund
24.2	Refund of Export Duty (Section 26)
24.3	Refund of Import Duty (Section 26A)
24.4	Claim for Refund of Duty (Section 27)
24.5	Time Limit and Interest
24.6	Procedure and Processing
24.7	Case Laws

EXAMINATION FOCUS AREAS

1. **Section 26** – Refund of Export Duty
2. **Section 26A** – Refund of Import Duty
3. **Section 27** – Claim for Refund
4. **Relevant Date** – Different scenarios
5. **Time Limit** – One year
6. **Interest** – 6% p.a. (delayed refunds); 9% p.a. (court orders)
7. **Unjust Enrichment** – Consumer Welfare Fund
8. **Case Laws** – BPL Ltd., Aman Medical Products

CHAPTER 24.1: INTRODUCTION TO REFUND

A. Chapter Introduction

On import or export of goods, at times, it is found that duty has been paid in excess of what was actually leviable on the goods. Such excess payment may be due to lack of information on the part of importer/exporter or non-submission of documents required for claim of lower value or rate of duty. Sometimes, such excess payment of duty may be due to shortage/short landing, pilferage of goods or even incorrect assessment of duty by Customs. In such cases, refund of excess amount of duty paid can be claimed by the importer or exporter.

If any excess interest has been paid by the importer/exporter on the amount of duty paid in excess, its refund can also be claimed. Importer or Exporter who has actually paid the duty on import or export, which is not required to be paid alone, is eligible to claim refund.

B. Important Definitions

Term	Definition
Refund	Return of duty paid in excess of what was actually leviable
Relevant Date	Date from which the limitation period of one year is computed
Unjust Enrichment	Doctrine that prevents unjust enrichment of the importer at the expense of the consumer
Consumer Welfare Fund	Fund to which refund amount is credited when the incidence of duty has been passed on

C. Concept Explanation

D1. Refund of Export Duty (Section 26)

As per Section 26 of the Customs Act, 1962, duty paid on exported goods can be claimed for refund in the following circumstances:

1. The goods are returned to such person otherwise than by way of re-sale.
2. The goods are re-imported within **one year** from the date of exportation.

3. An application for refund of such duty is made before the expiry of **six months** from the date on which the Customs officer makes an order for importation.

> ⚠ **EXAM ALERT: Key Point:** Nothing contained in Section 26A shall apply to goods regarding which an offence appears to have been committed under the Customs Act or any other law.

D2. Refund of Import Duty (Section 26A)

As per Section 26A, duty paid on imported goods can be claimed for refund on satisfying the following conditions:

1. **Goods are found defective:** Goods are found to be defective or otherwise not in conformity with the specifications agreed upon. However, goods should not have been worked, repaired or used after importation except where such use was indispensable to discover the defects.
2. **Goods are easily identifiable:** Goods are identified to the satisfaction of Assistant/Deputy Commissioner of Customs as the goods which were imported.
3. **No drawback claim:** The importer does not claim drawback under any other provisions of this Act.
4. **Activities carried out after importation:**
    - Goods are exported; or
    - Importer relinquishes his title to the goods and abandons them to customs; or
    - Goods are destroyed or rendered commercially valueless in the presence of the proper officer within a period not exceeding **30 days** from the date of clearance order. The period can be extended by the Commissioner for a period not exceeding three months.

Application for refund of duty shall be made before the expiry of **6 months** from the relevant date.

D3. Claim for Refund of Duty (Section 27)

Section 27 of the Customs Act, 1962 deals with refund of duty paid on imported or exported goods in excess of what was actually payable. Such excess payment may be due to shortage/short landing, pilferage of goods or even incorrect assessment of duty by Customs. In such cases, any excess interest paid by the importer or exporter can also be claimed for refund.

D4. No Refund if Duty ≤ ₹100

Third proviso to Section 27(1) provides that where the amount of refund claimed is less than **₹100**, the same shall not be refunded.

D5. Time Limit for Claiming Refund

Person claiming refund	Time limit
Individual – imported goods for personal use, Government, educational institutions, research institutions, charitable institutions, hospitals	One year from the date of payment of duty and interest
Individual – for business use, Companies, Firms	One year from the date of payment of duty and interest

D6. Interest on Delayed Refunds (Section 27A)

If the refund ordered is not paid within **3 months** from the date of receipt of refund application by the Assistant/Deputy Commissioner of Customs, then the department is liable to pay interest at the rate of **6% p.a.** from the date immediately after the expiry of three months from the date of receipt of the application till the date of refund.

D7. Relevant Date for Refund

Scenario	Relevant Date
Goods exempt from payment of duty by special order under Section 25(2)	Date of issue of such order
Duty becomes refundable as a consequence of any judgment	Date of such judgment
Duty paid provisionally under Section 18	Date of adjustment of duty after final assessment or re-assessment

D. Section-wise Analysis

Section 26 – Refund of Export Duty

Duty paid on exported goods can be claimed for refund if:

- Goods are returned otherwise than by way of re-sale
- Goods are re-imported within one year from date of exportation
- Application is made before expiry of six months from date of order for importation

Section 26A – Refund of Import Duty

Duty paid on imported goods can be claimed for refund if:

- Goods are found defective or not in conformity with specifications
- Goods are easily identifiable as imported goods
- No drawback claim is made
- Goods are exported or abandoned or destroyed

Section 27 – Claim for Refund of Duty

Refund of duty paid in excess of what was actually payable. Application to be made within one year from relevant date.

Section 27A – Interest on Delayed Refunds

Interest @ 6% p.a. if refund not paid within 3 months from date of application.

E. Practical Implications

1. Refund claims must be filed within the time limit.
2. Unjust enrichment doctrine applies.
3. Consumer Welfare Fund receives refund if incidence passed on.
4. Interest is payable on delayed refunds.
5. No refund if amount is less than ₹100.

F. Examination Perspective

Aspect	Importance
Section 26 – Refund of Export Duty	High
Section 26A – Refund of Import Duty	High
Section 27 – Claim for Refund	High
Relevant Date	High
Time Limit – One Year	High
Interest – 6% / 9%	Medium
Unjust Enrichment	High
Case Laws	Medium

G. Frequently Tested Areas

1. Section 26 – Refund of Export Duty
2. Section 26A – Refund of Import Duty
3. Section 27 – Claim for Refund
4. Relevant Date
5. Time Limit – One Year
6. Interest – 6% / 9%
7. Unjust Enrichment
8. Case Laws

H. Examiner's Favourite Topics

1. Difference between Section 26 and Section 27
2. Relevant Date for Refund
3. Time limit for claiming refund
4. Interest on delayed refunds
5. Unjust enrichment and Consumer Welfare Fund

6. Case Laws – BPL Ltd., Aman Medical Products

I. Common Student Mistakes

Mistake	Correction
Confusing Section 26 and Section 27	Section 26 = Export Duty; Section 27 = Import/Export Duty
Forgetting time limit	One year from relevant date
Forgetting unjust enrichment	Refund credited to Consumer Welfare Fund if incidence passed on
Forgetting interest rate	6% p.a. for delayed refunds; 9% for court orders
Forgetting ₹100 minimum	No refund if amount < ₹100

J. Important Limits and Time Periods

Particular	Limit/Period
Refund claim time limit	1 year from relevant date
Interest on delayed refund	3 months from application; 6% p.a.
Interest on court-ordered refund	9% p.a.
Minimum refund amount	₹100
Re-import for export duty refund	1 year
Claim for export duty refund	6 months from order for importation

K. Important Tables

Table 1: Difference between Section 26 and Section 27

Basis	Section 26	Section 27
Applicability	Refund of export duty	Refund of any import/export duty
Condition	Re-import within 1 year, no resale	Duty paid in excess of normal duty
Payable to	Exporter	Importer or buyer

Table 2: Relevant Date for Refund

Scenario	Relevant Date
Special order under Section 25(2)	Date of issue of order
Judgment	Date of judgment
Provisional assessment	Date of adjustment after final assessment

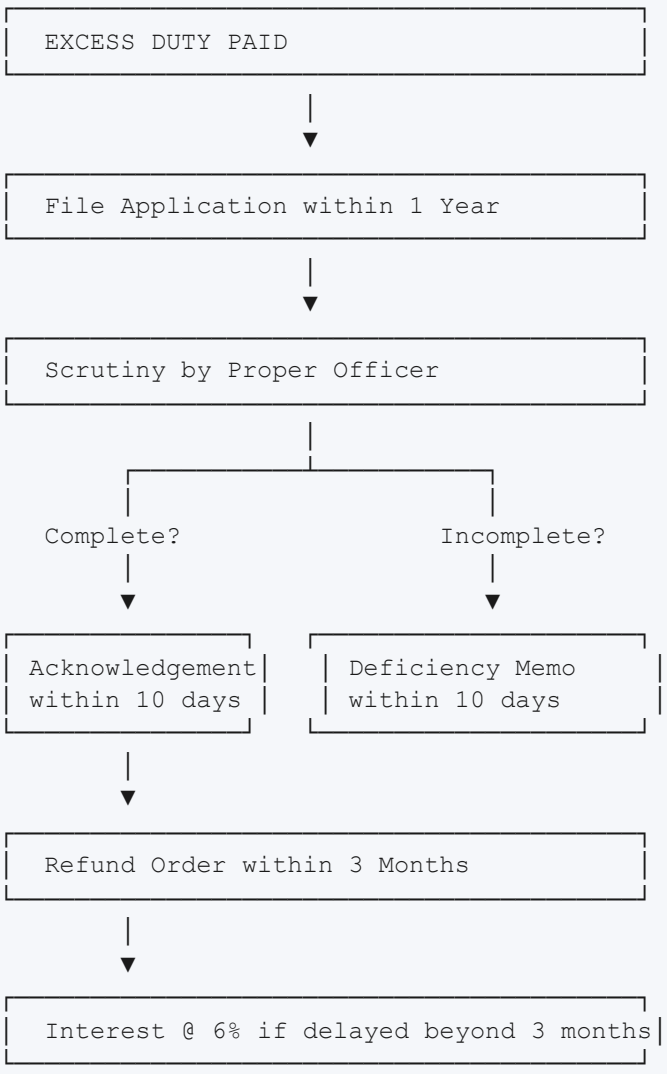
L. Summary Charts

Chart 1: Refund Process

```
REFUND PROCESS
│
├── Step 1: Identify excess duty paid
│
├── Step 2: Determine relevant date
│
├── Step 3: File application within 1 year
│
├── Step 4: Processing by Customs
│
├── Step 5: Order for refund
│
└── Step 6: Payment
    ├── If incidence not passed on → Refund to applicant
    └── If incidence passed on → Consumer Welfare Fund
```

M. Flowcharts

Flowchart 1: Refund Claim Process



N. Concept Mapping

```
REFUND
│
├── Section 26 – Refund of Export Duty
│    ├── Re-import within 1 year
│    ├── No resale
│    └── Claim within 6 months
│
├── Section 26A – Refund of Import Duty
│    ├── Defective goods
│    ├── Identifiable
│    ├── No drawback
│    └── Exported/Abandoned/Destroyed
│
├── Section 27 – Claim for Refund
│    ├── Excess duty paid
│    ├── One year time limit
│    └── Unjust Enrichment
│
├── Section 27A – Interest
│    ├── 6% p.a. for delayed refunds
│    └── 9% p.a. for court orders
│
└── Relevant Date
     ├── Special order
     ├── Judgment
     └── Provisional assessment
```

O. Quick Revision Notes

Point	Key Takeaway
Refund of Export Duty	Section 26 – Re-import within 1 year
Refund of Import Duty	Section 26A – Defective goods
Claim for Refund	Section 27 – Excess duty paid
Time Limit	1 year from relevant date
Minimum Refund	₹100
Interest – Delayed	6% p.a. after 3 months
Interest – Court Order	9% p.a.
Unjust Enrichment	Refund to Consumer Welfare Fund
Relevant Date	Special order / Judgment / Provisional assessment

P. Last Day Revision Notes

Key Points to Remember

1. Section 26 – Refund of Export Duty.
2. Section 26A – Refund of Import Duty.
3. Section 27 – Claim for Refund of Duty.
4. Time limit – 1 year from relevant date.
5. Minimum refund – ₹100.
6. Interest – 6% p.a. for delayed refunds.
7. Interest – 9% p.a. for court orders.
8. Unjust Enrichment – Consumer Welfare Fund.
9. Relevant Date – Special order / Judgment / Provisional assessment.
10. Section 26 vs. Section 27 – Export Duty vs. Import/Export Duty.

CASE LAWS – MODULES 20 to 24

Case 1: CCus. v. Decorative Laminates (I) Pvt. Ltd. (2010 (257) ELT 61 (Kar))

⚠ **EXAM ALERT: Facts:** Assessee imported resin and impregnated paper and bonded the same in warehouse. Extended warehousing period was granted. Later, goods lost shelf life and became unfit for use. Application for remission of duty was made.

Decision: High Court held that circumstances made out under Section 23 of the Customs Act, 1962 were not applicable since destruction or loss had not occurred before clearance for home consumption. No remission if goods become unfit for use on account of non-availability of orders for clearance within the period.

Principle: Remission under Section 23 is available only if loss/destruction occurs before clearance for home consumption.

Case 2: Aidek Tourism Services Pvt. Ltd. v. CCus. (2015 (318) ELT 3 (SC))

⚠ **EXAM ALERT: Facts:** Whether CVD (now IGST) on imported product can be exempted if indirect taxes on like article produced in India is exempt?

Decision: Supreme Court held that rate of additional duty leviable under Section 3(1) of Customs Tariff Act, 1975 would be only that which is payable under Central Excise Act, 1944 on a like article. Importer entitled to concessional/reduced or nil rate of countervailing duty if any notification is issued providing exemption/remission of excise duty with respect to a like article if produced/manufactured in India.

Principle: CVD/IGST on imported goods can be exempted if like article produced in India is exempt.

Case 3: KSJ Metal Impex (P) Ltd. v. Under Secretary (Cus.) M.F. (D.R.) (2013 (294) ELT 211 (Mad))

⚠ **EXAM ALERT: Facts:** Assessee paid special CVD and applied for refund under Section 27 along with interest. Department rejected interest claim citing CBIC Circular.

Decision: High Court held that when Section 27 provides for refund of duty and Section 27A provides for interest on delayed refunds, Department cannot override these provisions by a Circular and deny the right granted by the Act. Paragraph 4.3 of Circular No. 6/2008-Cus. struck down as bad.

Principle: Circulars contrary to statutory provisions are invalid.

Case 4: Aman Medical Products Ltd. v. CCus., Delhi (2010 (250) ELT 30 (Del.))

⚠ **EXAM ALERT: Facts:** Refund claim filed under Section 27 without assessment order.

Decision: A refund claim can be filed under Section 27 of the Customs Act, 1962 even if payment of duty has not been made pursuant to an assessment order. Section 27(ii) covers those classes of cases where duty is paid by a person without an order of assessment.

Principle: Refund claim can be filed even without assessment order.

Case 5: CCus., Chennai v. BPL Ltd. (2010 (259) ELT 526 (Mad))

⚠ **EXAM ALERT: Facts:** Importer sought refund based on Chartered Accountant's certificate only.

Decision: High Court held that the certificate issued by the Chartered Accountant was merely a piece of evidence acknowledging certain facts. It would not automatically entitle a person to refund in the absence of any other evidence. Importer could not be granted refund merely on the basis of the said certificate.

Principle: CA certificate alone is not sufficient to claim refund; other evidence required.

Case 6: Parimal Ray v. CCus. (2015 (318) ELT 379 (Cal))

⚠ **EXAM ALERT: Facts:** Petitioners imported tunnel boring machines which were fully exempt from customs duty. Due to erroneous classification, they paid large amount of customs duty. After 3 years, filed writ petition claiming refund. Refund rejected for failure to file application within 1 year.

Decision: High Court held that law of limitation under Section 27 is applicable to duty or interest paid under the Act. However, any sum paid into the exchequer by the assessee is not duty or excess duty but is simply money paid into the account of Government. Assessee is entitled to refund of the sum paid.

Principle: Money paid under mistake of law is refundable even beyond limitation period.

Case 7: Union of India v. Solar Pesticide Pvt. Ltd. (2000) (SC)

⚠ **EXAM ALERT: Facts:** Doctrine of unjust enrichment in case of captive consumption of imported material.

Decision: Supreme Court held that doctrine of unjust enrichment is attracted even if incidence of duty is passed on to another person indirectly as in the case of captive consumption of imported materials.

Principle: Unjust enrichment doctrine applies to captive consumption also.

MODULES 20-24: COMPLETE MODULE SUMMARY

A. Complete Module Summary

Modules 20 to 24 cover the following key aspects of Customs Law:

1. **Module 20 – Manufacture in Bond:** MOOWR Scheme, licensing of warehouses, duty deferment, clearance procedures.
2. **Module 21 – Duty Drawback:** Types of drawback, All Industry Rate, Brand Rate, Special Brand Rate, re-export, negative list, interest.
3. **Module 22 – IGCR Rules, 2017:** Concessional rate of duty, IIN, continuity bond, job work, re-export, recovery.
4. **Module 23 – Remission of Duties:** Section 23 (loss/destruction), Section 13 (pilferage), Section 25 (exemption), inward/outward processing.
5. **Module 24 – Refund:** Section 26 (export duty), Section 26A (import duty), Section 27 (claim), interest, relevant date, unjust enrichment.

B. Top 100 Examination Points

1. MOOWR – Manufacture and Other Operations in Warehouse Regulations.
2. Only Private Bonded Warehouse under Section 58 allows manufacturing.
3. Duty deferment with no interest liability.
4. Export of finished goods – duty exemption on inputs.
5. Domestic clearance – duty on imported inputs.
6. Warehousing period – 1 year (extendable by 6 months).
7. Interest @ 15% p.a. after 90 days.
8. Bond amount – thrice the duty assessed.
9. Section 65A – IGST and Compensation Cess.
10. Records in Annexure B; Monthly returns by 10th.
11. Duty Drawback – refund of customs/excise duty on exports.
12. All Industry Rate – average rate fixed annually.
13. Brand Rate – when All Industry Rate not available.

14. Special Brand Rate – when All Industry Rate < 80% of duty paid.
15. Section 74 – 98% if re-exported without use.
16. Depreciation on used goods – quarterly rates.
17. Negative List – wearing apparel, tea chests, films, etc.
18. Interest – 6% for delayed payment; 13% for erroneous payment.
19. Minimum Drawback – 1% of FOB or ₹500.
20. Maximum Drawback – 1/3rd of Market Value.
21. Re-export time limit – 2 years.
22. Claim time limit – 3 months.
23. Special Brand Rate – apply within 30 days.
24. No drawback on GST.
25. IGCR – Import of Goods at Concessional Rate.
26. Form IGCR-1 – Prior Information.
27. Form IGCR-2 – Non-receipt intimation.
28. Form IGCR-3 – Monthly/Quarterly Statement.
29. IIN – unique identifier.
30. Continuity Bond – required.
31. Job Work – 6 months (now 1 year).
32. Unit Transfer – 6 months (now 1 year).
33. Re-export – Value ≥ Import Value.
34. Home Consumption – Duty + Interest.
35. Interest – 15% p.a.
36. Penalty – ₹2 lakh.
37. Depreciation – 4%, 3%, 3%, 2.5%, 2% per quarter.
38. Statement due – 10th of following month/quarter.
39. Remission – waiver of duty legally payable.
40. Section 23 – Loss/Destruction before clearance.
41. Section 13 – Pilferage.
42. Burden of proof on importer.
43. Relinquishment of title before clearance order.
44. Section 25 – Power to grant exemption.
45. Section 25(4A) – Validity – 2 years.
46. Section 25(6) – Minimum Duty – ₹100.
47. Section 25A – Inward Processing – 1 year.
48. Section 25B – Outward Processing – 1 year.

49. Difference between Refund, Rebate and Remission.
50. Refund – return of duty paid.
51. Section 26 – Refund of Export Duty.
52. Section 26A – Refund of Import Duty.
53. Section 27 – Claim for Refund of Duty.
54. Time limit – 1 year from relevant date.
55. Minimum refund – ₹100.
56. Interest – 6% p.a. for delayed refunds.
57. Interest – 9% p.a. for court orders.
58. Unjust Enrichment – Consumer Welfare Fund.
59. Relevant Date – Special order / Judgment / Provisional assessment.
60. Section 26 vs. Section 27 – Export Duty vs. Import/Export Duty.
61. Case Laws – Decorative Laminates, Aidek Tourism, KSJ Metal, Aman Medical, BPL Ltd., Parimal Ray, Solar Pesticide.
62. MOOWR vs. IGCR – Different schemes.
63. Duty deferment benefits.
64. No geographical limitation for MOOWR.
65. Single application cum approval form.
66. Improved liquidity with duty deferment.
67. GST compliant goods procurement.
68. Single digital account.
69. Efficient capacity utilization.
70. Duty free transfer between warehouses.
71. Capital goods and non-capital goods.
72. Private Warehouse Licensing Regulations, 2016.
73. Public Warehouse – Section 57.
74. Private Warehouse – Section 58.
75. Special Warehouse – Section 58A.
76. Manufacture in warehouse – Section 65.
77. IGST and Compensation Cess – Section 65A.
78. Warehousing period – Section 61.
79. Interest on warehoused goods.
80. Consignment Bond vs. General Bond.
81. Owner's right to deal with goods – Section 64.
82. Waste/Refused goods disposal.

83. Clearance to domestic market.
84. Clearance for export.
85. Transfer to another bonded facility.
86. Records maintenance – 5 years.
87. Monthly returns – 10th of following month.
88. Duty Drawback – Section 74 and Section 75.
89. All Industry Rate – fixed annually.
90. Brand Rate – fixed on application.
91. Special Brand Rate – conditions.
92. Time limits for drawback.
93. Negative list of drawback.
94. Interest on drawback.
95. Duty Deferment – Section 143A (omitted).
96. Drawback Rules, 2017.
97. Refund of export duty – Section 26.
98. Refund of import duty – Section 26A.
99. Claim for refund – Section 27.
100. Interest on delayed refunds – Section 27A.
101. Unjust enrichment – Section 27(2).
102. Consumer Welfare Fund.
103. Relevant date for refund.
104. Time limit for refund – 1 year.

C. Top 50 Practical Points

1. Compute duty drawback on re-export.
2. Apply depreciation on used goods.
3. Check minimum 1% FOB rule.
4. Check maximum 1/3rd market value.
5. Compute Special Brand Rate eligibility.
6. Compute interest on erroneous refund.
7. Compute duty on re-export.
8. Compute depreciation on capital goods under IGCR.
9. Compute interest on delayed refund.
10. Determine relevant date for refund.

11. Check time limits for re-export.
12. Check time limits for refund claim.
13. Verify MOOWR scheme eligibility.
14. Verify IGCR scheme eligibility.
15. Compute warehousing period.
16. Compute interest on warehoused goods.
17. Check negative list items.
18. Check unjust enrichment.
19. Check Consumer Welfare Fund applicability.
20. Compute re-export value.
21. Compute home consumption duty.
22. Verify job work time limits.
23. Verify unit transfer time limits.
24. Compute penalty under IGCR.
25. Check remission eligibility.
26. Check pilferage vs. loss/destruction.
27. Check relinquishment of title.
28. Check exemption validity.
29. Check minimum duty threshold.
30. Check inward/outward processing time limits.
31. Check interest rates.
32. Check time limits for processing.
33. Verify forms IGCR-1, IGCR-2, IGCR-3.
34. Verify IIN generation.
35. Verify continuity bond.
36. Check bond amount.
37. Check records maintenance.
38. Check monthly/quarterly statement.
39. Check recovery provisions.
40. Check penalty provisions.
41. Check case laws.
42. Check MOOWR vs. IGCR differences.
43. Check Section 26 vs. Section 27 differences.
44. Check Section 13 vs. Section 23 differences.
45. Check Refund vs. Rebate vs. Remission differences.

46. Check Section 25A vs. Section 25B differences.
47. Check Section 74 vs. Section 75 differences.
48. Check Public vs. Private vs. Special Warehouse.
49. Check All Industry Rate vs. Brand Rate vs. Special Brand Rate.
50. Check Inward vs. Outward Processing.

D. Important Formula Sheet

DUTY DRAWBACK

Drawback = FOB × All Industry Rate / Brand Rate

Minimum: 1% of FOB or ₹500

Maximum: 1/3rd of Market Value

RE-EXPORT DEPRECIATION

≤3 months: 95% | >3≤6 months: 85% | >6≤9 months: 75%

>9≤12 months: 70% | >12≤15 months: 65% | >15≤18 months: 60% | >18 months: NIL

INTEREST

Delayed Refund: 6% p.a.

Court Order Refund: 9% p.a.

Erroneous Drawback: 13% p.a.

Delayed Drawback: 6% p.a.

IGCR Recovery: 15% p.a.

Warehoused Goods: 15% p.a.

IGCR DEPRECIATION

1st Year: 4% per quarter | 2nd Year: 3% per quarter | 3rd Year: 3% per quarter

4th-5th Year: 2.5% per quarter | Thereafter: 2% per quarter

E. Frequently Repeated Concepts

Concept	Frequency
Duty Drawback Computation	Every exam
All Industry Rate vs. Brand Rate	Very often
Special Brand Rate Conditions	Often
Section 74 Depreciation	Often
MOOWR Scheme Features	Often
IGCR Forms and Procedure	Often
Remission vs. Refund vs. Rebate	Often
Section 26 vs. Section 27	Often
Unjust Enrichment	Often
Case Laws	Often

F. Important Revision Tables

Table 1: Key Sections and Provisions

Section	Provision
Section 13	Pilferage
Section 23	Remission on loss/destruction
Section 25	Power to grant exemption
Section 25A	Inward processing
Section 25B	Outward processing
Section 26	Refund of export duty
Section 26A	Refund of import duty
Section 27	Claim for refund
Section 27A	Interest on delayed refunds
Section 57	Public warehouse
Section 58	Private warehouse
Section 58A	Special warehouse
Section 61	Warehousing period
Section 65	Manufacture in warehouse
Section 65A	IGST and Compensation Cess
Section 74	Drawback on re-export
Section 75	Drawback on manufactured goods

Table 2: Important Time Limits

Particular	Time Limit
Re-export (Section 74)	2 years
Drawback claim	3 months
Special Brand Rate application	30 days
Refund claim	1 year
Interest on delayed refund	3 months
IGCR utilisation	6 months (now 1 year)
IGCR job work	6 months (now 1 year)
IGCR unit transfer	6 months (now 1 year)
IGCR statement	10th of following month/quarter
Warehousing period	1 year (extendable by 6 months)

G. Fast Track Revision Notes

Fast Track Revision – Modules 20 to 24

1. **MOOWR:** Duty deferment, no interest, export exemption, domestic duty.
2. **Duty Drawback:** All Industry Rate, Brand Rate, Special Brand Rate.
3. **Section 74:** 98% if no use; depreciation if used.
4. **Negative List:** Wearing apparel, tea chests, films, etc.
5. **IGCR:** IGCR-1, IGCR-2, IGCR-3; IIN; Continuity Bond.
6. **Remission:** Section 23; Section 13 (Pilferage); Section 25 (Exemption).
7. **Refund:** Section 26 (Export Duty); Section 26A (Import Duty); Section 27 (Claim).
8. **Interest:** 6% (delayed refund); 9% (court order); 13% (erroneous drawback); 15% (IGCR recovery).
9. **Unjust Enrichment:** Consumer Welfare Fund.
10. **Case Laws:** Decorative Laminates, Aidek Tourism, KSJ Metal, Aman Medical, BPL Ltd., Parimal Ray, Solar Pesticide.

H. One Night Before Exam Notes

📌 **MOST IMPORTANT REVISION POINT: ONE NIGHT BEFORE EXAM – MODULES 20 TO 24**

1. Read the formula sheet.
2. Review MOOWR Scheme features.
3. Review Duty Drawback types and rates.
4. Review Section 74 depreciation rates.
5. Review Negative List.
6. Review IGCR forms and time limits.
7. Review Remission vs. Refund vs. Rebate.
8. Review Section 26 vs. Section 27.
9. Review Unjust Enrichment and Consumer Welfare Fund.
10. Review case laws.
11. Practice one full computation.
12. Stay calm and confident.

I. Expected Dec 2026 Examination Areas

1. MOOWR Scheme – Features and Benefits (5 marks)
2. Duty Drawback Computation (10 marks)
3. Special Brand Rate Conditions (5 marks)
4. Section 74 – Depreciation Rates (5 marks)
5. Negative List (3 marks)
6. IGCR – Forms and Procedure (5 marks)
7. IGCR – Job Work and Unit Transfer (3 marks)
8. Remission – Section 23 vs. Section 13 (5 marks)
9. Refund – Section 26 vs. Section 27 (5 marks)
10. Unjust Enrichment (3 marks)
11. Interest on Delayed Refund (3 marks)
12. Case Laws (5 marks)

J. Final Revision Checklist

✓	Topic
☐	MOOWR Scheme – Features
☐	Licensing – Sections 57, 58, 58A
☐	Section 65 – Manufacture in Warehouse
☐	Section 65A – IGST and Cess
☐	Warehousing Period – Section 61
☐	Interest on Warehoused Goods
☐	Duty Drawback – Types
☐	All Industry Rate
☐	Brand Rate
☐	Special Brand Rate
☐	Section 74 – Re-export
☐	Section 75 – Manufactured Goods
☐	Negative List
☐	Interest on Drawback
☐	IGCR Rules, 2017
☐	IGCR-1, IGCR-2, IGCR-3
☐	IIN and Continuity Bond
☐	Job Work and Unit Transfer
☐	Re-export and Recovery
☐	Remission – Section 23
☐	Pilferage – Section 13
☐	Exemption – Section 25

✓	Topic
☐	Inward Processing – Section 25A
☐	Outward Processing – Section 25B
☐	Refund – Section 26
☐	Refund – Section 26A
☐	Claim for Refund – Section 27
☐	Interest on Delayed Refunds – Section 27A
☐	Unjust Enrichment
☐	Consumer Welfare Fund
☐	Relevant Date for Refund
☐	Case Laws

END OF MODULES 20 to 24

MODULES 20-24 COMPLETE

Manufacture in Bond | Duty Drawback | IGCR | Remission | Refund

Ready for Modules 25 to 27

Trade Facilitation Measures | Export Promotion Schemes | SEZ Scheme

End of Modules 20 to 24

CMA FINAL DECEMBER 2026

Paper 19 – Indirect Tax Laws & Practice

CUSTOMS MASTER REVISION NOTES

MODULES 25 to 27

TRADE FACILITATION | EXPORT PROMOTION SCHEMES | SEZ SCHEME

Complete Study Material | Theory + Practical | Case Laws | Revision Tables

Premium Faculty Revision Series

MODULE 25: TRADE FACILITATION MEASURES

MODULE OVERVIEW

This module deals with the **Trade Facilitation Measures** adopted by Indian Customs. Trade facilitation helps lower overall trade costs and increase economic welfare by simplifying required paperwork, modernizing procedures, and harmonizing customs requirements. The module covers the WTO Trade Facilitation Agreement (TFA), National Committee on Trade Facilitation (NCTF), and various initiatives taken by Indian Customs for "Ease of Doing Business."

Coverage of the Module

- Introduction to Trade Facilitation
- WTO Trade Facilitation Agreement (TFA)
- National Committee on Trade Facilitation (NCTF)
- Facility of Deferred Payment
- Authorised Economic Operator (AEO) Programme
- Relaxation in Insurance Cover/Bond/BG
- Customs Clearance Facilitation Committee (CCFC)
- Amendments in Warehousing Provisions
- Indian Customs Single Window Project
- Reduction in Mandatory Documents
- Digital Signature, 24×7 Customs Clearance
- Abolition of Mate Receipt, Paperless Clearance
- Import Data Processing and Management System (IDPMS)
- Express Cargo Clearance System (ECCS)
- Bill of Entry presentation timelines

⚠ **EXAM ALERT: Weightage in Examination:** 5–8 marks (Theory). Mostly theory-based with occasional practical aspects on Deferred Payment and AEO.

LEARNING OBJECTIVES

1. Understand the concept and importance of **Trade Facilitation**.
2. Explain the **WTO Trade Facilitation Agreement (TFA)** and its pillars.
3. Understand the role of **National Committee on Trade Facilitation (NCTF)**.
4. Explain the **Facility of Deferred Payment** and its eligibility.
5. Understand the **Authorised Economic Operator (AEO) Programme** and its tiers.
6. Explain the **Indian Customs Single Window Project**.
7. Understand the various **Trade Facilitation Measures** implemented by Indian Customs.
8. Apply the provisions to practical problems.

CHAPTER INDEX

Chapter	Topic
25.1	Introduction to Trade Facilitation
25.2	Facility of Deferred Payment
25.3	Authorised Economic Operator (AEO) Programme
25.4	Other Trade Facilitation Measures
25.5	Indian Customs Single Window Project

EXAMINATION FOCUS AREAS

1. **Facility of Deferred Payment** – Due dates and eligibility
2. **AEO Programme** – Tiers and benefits
3. **Single Window Project** – Features and benefits
4. **NCTF** – Role and objectives
5. **24×7 Customs Clearance** – Coverage
6. **Reduction in Mandatory Documents**
7. **Bill of Entry** – Time limit for presentation
8. **Electronic Cash Ledger (ECL)** – Phased implementation

FREQUENTLY TESTED CONCEPTS

Concept	Frequency	Importance
Facility of Deferred Payment	Every exam	Very High
AEO Programme	Often	High
Single Window Project	Often	High
NCTF	Sometimes	Medium
24×7 Customs Clearance	Sometimes	Medium
Bill of Entry timelines	Often	High
Electronic Cash Ledger	Sometimes	Medium
Reduction in Documents	Sometimes	Medium

CHAPTER 25.1: INTRODUCTION TO TRADE FACILITATION

A. Chapter Introduction

In a globalized world where goods often cross borders many times as both intermediate and final products, **trade facilitation** helps lower overall trade costs and increase economic welfare, for developing and emerging economies. Trade facilitation efforts, such as simplifying required paperwork, modernizing procedures, and harmonizing customs requirements, can slash the costs and time needed to export and import goods.

In 2013, members of the **World Trade Organization (WTO)** finalized negotiations of the **WTO Trade Facilitation Agreement (TFA)**, which set multilateral rules that seek to address specific procedural hurdles in order to facilitate trade procedures. The TFA entered into force in 2017.

B. Important Definitions

Term	Definition
Trade Facilitation	Simplification, modernization, and harmonization of export and import processes
TFA	WTO Trade Facilitation Agreement
NCTF	National Committee on Trade Facilitation
AEO	Authorised Economic Operator
CCFC	Customs Clearance Facilitation Committee
SWIFT	Single Window Interface for Facilitating Trade

C. Concept Explanation

D1. WTO Trade Facilitation Agreement (TFA)

TFA emanates from the following four pillars:

1. **Transparency** – Publication of laws, regulations, and procedures
2. **Procedural Simplification** – Simplification of documentation and procedures
3. **Harmonization** – Harmonization of standards with international norms
4. **Standardization** – Standardization of customs procedures

D2. National Committee on Trade Facilitation (NCTF)

India has ratified the WTO's Trade Facilitation Agreement (TFA) in April 2016. To facilitate coordination and implementation of the TFA provisions, an inter-ministerial body i.e. **National Committee on Trade Facilitation (NCTF)** has been constituted.

D3. National Trade Facilitation Action Plan

The National Trade Facilitation Action Plan aims to achieve:

- Improvement in Ease of Doing Business through reduction in transaction cost and time
- Reduction in cargo release time
- A paperless regulatory environment

- A transparent and predictable legal regime
- Improved investment climate through better infrastructure

D. Section-wise Analysis

Trade Facilitation Measures are administrative and procedural initiatives, not statutory provisions. However, they are supported by the following:

- **Section 46(3)** – Bill of Entry presentation timelines
- **Section 51A** – Electronic Cash Ledger (ECL)
- **Customs (Deferred Payment of Import Duty) Rules, 2016**
- **AEO Programme** – Guidelines under Customs Act, 1962

E. Rule-wise Analysis

Section 51A – Electronic Cash Ledger (ECL)

Section 51A provides enabling provisions whereby the importer, exporter or any person liable to pay duty, fees etc., under the Customs Act, 1962 has to make a non-interest-bearing deposit with the Government for the purpose of payment.

Phased Implementation of Electronic Cash Ledger (ECL)

Phase	Period	Exemptions
Phase 1	01.04.2023 to 30.04.2023	Goods imported/exported at customs stations where customs automated system is not in place; accompanied baggage; international courier terminals
Phase 2	From 01.05.2023	Goods imported/exported at international courier terminals would be required to be done through ECL from 01.03.2024 onwards

F. Practical Implications

1. Trade Facilitation reduces time and cost of trade.
2. NCTF coordinates implementation of TFA.

3. ECL simplifies payment processes.
4. Phased implementation ensures smooth transition.

G. Examination Perspective

Aspect	Importance
TFA Pillars	High
NCTF	High
National Trade Facilitation Action Plan	Medium
ECL Phased Implementation	Medium

H. Frequently Tested Areas

1. WTO TFA and its pillars
2. NCTF and its objectives
3. National Trade Facilitation Action Plan
4. ECL phased implementation

I. Examiner's Favourite Topics

1. TFA Pillars
2. NCTF Role
3. ECL Phased Implementation

J. Common Student Mistakes

Mistake	Correction
Confusing TFA with NCTF	TFA = WTO Agreement; NCTF = Indian Committee
Forgetting the four pillars	Transparency, Procedural Simplification, Harmonization, Standardization
Forgetting phased implementation dates	Phase 1: 01.04.2023 to 30.04.2023; Phase 2: from 01.05.2023

K. Important Limits and Time Periods

Particular	Limit/Period
TFA Ratification by India	April 2016
TFA Entry into Force	2017
ECL Phase 1	01.04.2023 to 30.04.2023
ECL Phase 2	From 01.05.2023

L. Important Tables

Table 1: TFA Pillars

Pillar	Description
Transparency	Publication of laws, regulations, procedures
Procedural Simplification	Simplification of documentation and procedures
Harmonization	Harmonization of standards with international norms
Standardization	Standardization of customs procedures

M. Summary Charts

```
TRADE FACILITATION
│
├── WTO TFA (2013/2017)
│    ├── Transparency
│    ├── Procedural Simplification
│    ├── Harmonization
│    └── Standardization
│
├── NCTF (India)
│    └── National Trade Facilitation Action Plan
│
├── ECL (Section 51A)
│    ├── Phase 1: 01.04.2023 – 30.04.2023
│    └── Phase 2: From 01.05.2023
│
└── Other Measures
     ├── Deferred Payment
     ├── AEO
     ├── Single Window
     └── 24×7 Clearance
```

N. Quick Revision Notes

Point	Key Takeaway
TFA	WTO Trade Facilitation Agreement
Pillars	Transparency, Simplification, Harmonization, Standardization
NCTF	National Committee on Trade Facilitation
ECL	Electronic Cash Ledger (Section 51A)
Phase 1	01.04.2023 to 30.04.2023
Phase 2	From 01.05.2023

O. Last Day Revision Notes

Key Points to Remember

1. TFA – WTO Trade Facilitation Agreement.
2. Four Pillars – Transparency, Simplification, Harmonization, Standardization.
3. NCTF – National Committee on Trade Facilitation.
4. ECL – Electronic Cash Ledger under Section 51A.
5. Phased implementation of ECL – Phase 1 (01.04.2023–30.04.2023), Phase 2 (from 01.05.2023).

CHAPTER 25.2: FACILITY OF DEFERRED PAYMENT

A. Chapter Introduction

Customs (Deferred Payment of Import Duty) Rules, 2016 have been notified to come into effect from 16.11.2016. Importers certified under **Authorised Economic Operator (AEO) Programme (Tier-Two) and (Tier-Three)** respectively have been notified for availing the benefit of these Rules. It is based on the principle **'Clear first–Pay later'**.

B. Important Definitions

Term	Definition
AEO	Authorised Economic Operator certified by Directorate General of Performance Management under CBIC
AEO-T2	AEO Tier-2 certificate
AEO-T3	AEO Tier-3 certificate
AEO-LO	AEO-Logistics Operator
Deferred Payment	Facility to clear goods first and pay duty later

C. Concept Explanation

D1. Eligible Importers

This benefit is currently being extended to importers holding **AEO T-2 or T-3** status.

D2. AEO Tiers

Tier	Eligibility
AEO-T1	Importer or Exporter fulfilling criteria set by the Board
AEO-T2	Importer or Exporter fulfilling criteria set by the Board
AEO-T3	Continuously enjoyed AEO-T2 for at least 2 years or AEO-T2 holder with other business partners as AEO-T2 or AEO-LO
AEO-LO	Logistics Operators, Custodians/Terminal Operators, Customs Brokers, Warehouse Operators

D3. Due Dates for Payment of Duty

Bill of Entry Date	Due Date for Payment
1st to 15th day of any month	16th day of that month
16th day till last day of any month other than March	1st day of the following month
16th day till 31st day of March	31st March

D4. Conditions for Deferred Payment

1. Importer must be AEO-T2 or AEO-T3 certified.
2. Importer must obtain ICEGATE Login.
3. Duty must be paid electronically (unless otherwise allowed).
4. Deferred payment not allowed if in default more than once in three consecutive months.
5. Benefit not available for goods not assessed or not declared in the Bill of Entry.

D. Practical Implications

1. Deferred payment provides working capital benefits.
2. Only AEO-T2 and AEO-T3 holders are eligible.
3. Due dates are fixed based on Bill of Entry date.
4. Electronic payment is mandatory.
5. Defaulters lose the facility.

E. Examination Perspective

Aspect	Importance
Eligibility	High
Due Dates	Very High
AEO Tiers	High
Conditions	Medium
Default Provisions	Medium

F. Frequently Tested Areas

1. Eligibility for Deferred Payment
2. Due Dates for Payment
3. AEO Tiers
4. Conditions for Deferred Payment
5. Default Provisions

G. Examiner's Favourite Topics

1. Due Dates for Deferred Payment
2. AEO Tiers and Benefits
3. Eligibility Criteria
4. Default Provisions

H. Common Student Mistakes

Mistake	Correction
Assuming all importers are eligible	Only AEO-T2 and AEO-T3 holders
Forgetting due dates	Based on Bill of Entry date
Forgetting electronic payment	Electronic payment is mandatory
Forgetting default provisions	Default more than once in 3 months → lose facility

I. Important Limits and Time Periods

Particular	Limit/Period
AEO-T3 eligibility	2 years of AEO-T2 status
Default threshold	More than once in 3 consecutive months
Bill of Entry 1st–15th	Payment by 16th
Bill of Entry 16th–month end (non-March)	Payment by 1st of next month
Bill of Entry 16th–31st March	Payment by 31st March

J. Important Tables

Table 1: AEO Tiers and Eligibility

Tier	Eligibility
AEO-T1	Importer/Exporter fulfilling Board criteria
AEO-T2	Importer/Exporter fulfilling Board criteria
AEO-T3	AEO-T2 for at least 2 years OR AEO-T2 with AEO-T2/LO partners
AEO-LO	Logistics Operators, Customs Brokers, Warehouse Operators, etc.

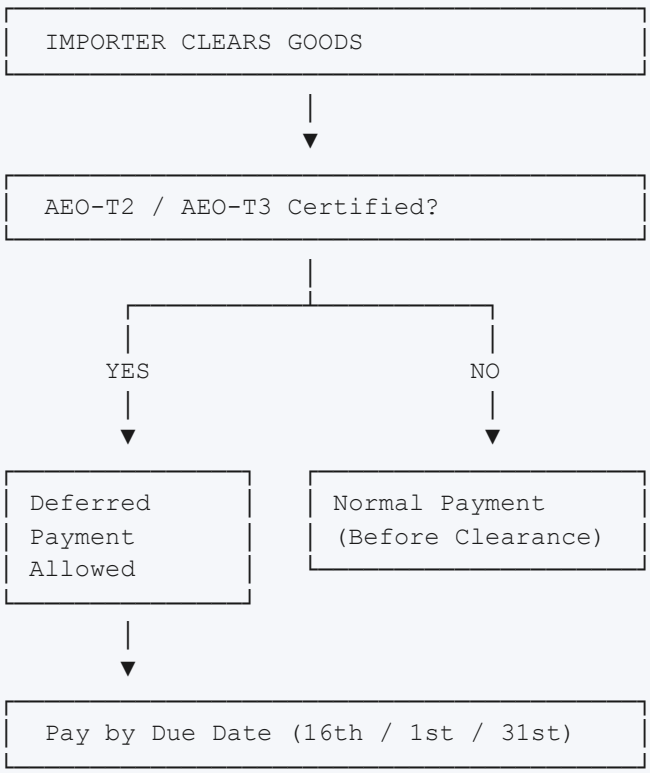
Table 2: Due Dates for Deferred Payment

Bill of Entry Date	Due Date for Payment
1st – 15th of any month	16th of that month
16th – last day (non-March)	1st of following month
16th – 31st March	31st March

K. Summary Charts

```
DEFERRED PAYMENT
│
├── Eligibility
│    └── AEO-T2 / AEO-T3
│
├── Requirements
│    ├── ICEGATE Login
│    └── Electronic Payment
│
├── Due Dates
│    ├── 1st–15th → 16th
│    ├── 16th–month end → 1st of next month
│    └── 16th–31st March → 31st March
│
└── Default
     └── More than once in 3 months → Facility withdrawn
```

L. Flowcharts



M. Quick Revision Notes

Point	Key Takeaway
Eligibility	AEO-T2 / AEO-T3
Principle	Clear first – Pay later
Due Date 1st–15th	16th
Due Date 16th–month end	1st of next month
Due Date 16th–31st March	31st March
Default	Facility withdrawn

N. Last Day Revision Notes

Key Points to Remember

1. Deferred Payment – Clear first, Pay later.
2. Only AEO-T2 and AEO-T3 eligible.
3. Due dates based on Bill of Entry date.
4. Electronic payment mandatory.
5. Default more than once in 3 months → facility withdrawn.

CHAPTER 25.3: AUTHORISED ECONOMIC OPERATOR (AEO) PROGRAMME

A. Chapter Introduction

As a further step towards trust-based compliance, Indian Customs has introduced the new **Authorised Economic Operator (AEO) Programme** wherein extensive benefits, including greater facilitation and self-certification, have been provided to those entities who have demonstrated strong internal control system and compliance with CBIC.

B. Important Definitions

Term	Definition
AEO	Authorised Economic Operator certified by DGPM under CBIC
AEO-T1	AEO Tier-1 certificate
AEO-T2	AEO Tier-2 certificate
AEO-T3	AEO Tier-3 certificate
AEO-LO	AEO-Logistics Operator certificate

C. Concept Explanation

D1. AEO Programme Benefits

1. Secure supply chain from point of export to import
2. Ability to demonstrate compliance with security standards
3. Enhanced border clearance privileges in Mutual Recognition Agreement (MRA) partner countries
4. Minimal disruption to flow of cargo after security-related disruption
5. Reduction in dwell time and related costs
6. Customs advice/assistance if trade faces unexpected issues with Customs of countries with which India has MRA

D2. AEO Tiers and Eligibility

Tier	Eligibility
AEO-T1	Importer or Exporter fulfilling criteria set by the Board
AEO-T2	Importer or Exporter fulfilling criteria set by the Board
AEO-T3	Continuously enjoyed AEO-T2 for at least 2 years OR AEO-T2 holder with business partners as AEO-T2 or AEO-LO
AEO-LO	Logistics Operators, Custodians/Terminal Operators, Customs Brokers, Warehouse Operators

D. Practical Implications

1. AEO certification provides trade facilitation benefits.
2. AEO-T3 requires 2 years of AEO-T2 status.
3. AEO-LO is for logistics operators.
4. MRA partner countries provide additional benefits.

E. Examination Perspective

Aspect	Importance
AEO Tiers	High
Benefits	High
Eligibility	Medium
MRA	Medium

F. Frequently Tested Areas

1. AEO Tiers

2. Benefits of AEO
3. Eligibility for AEO-T3
4. MRA partner countries

G. Examiner's Favourite Topics

1. AEO Tiers and Eligibility
2. Benefits of AEO
3. AEO-LO
4. MRA

H. Common Student Mistakes

Mistake	Correction
Confusing AEO tiers	T1, T2, T3 for importers/exporters; LO for logistics operators
Forgetting AEO-T3 eligibility	2 years of AEO-T2 status
Forgetting MRA benefits	Enhanced border clearance in partner countries

I. Important Limits and Time Periods

Particular	Limit/Period
AEO-T3 eligibility	2 years of AEO-T2 status

J. Important Tables

Table 1: AEO Tiers and Benefits

Tier	Eligibility	Benefits
AEO-T1	Importer/Exporter	Basic facilitation
AEO-T2	Importer/Exporter	Deferred Payment, Enhanced facilitation
AEO-T3	AEO-T2 for 2 years	Highest facilitation, MRA benefits
AEO-LO	Logistics Operators	Facilitation for logistics services

K. Summary Charts

```
AEO PROGRAMME
│
├── Tiers
│    ├── AEO-T1 (Importer/Exporter)
│    ├── AEO-T2 (Importer/Exporter)
│    ├── AEO-T3 (AEO-T2 for 2 years)
│    └── AEO-LO (Logistics Operators)
│
├── Benefits
│    ├── Secure supply chain
│    ├── MRA benefits
│    ├── Reduced dwell time
│    └── Customs assistance
│
└── Deferred Payment
     └── AEO-T2 / AEO-T3 eligible
```

L. Quick Revision Notes

Point	Key Takeaway
AEO	Authorised Economic Operator
T1	Importer/Exporter
T2	Importer/Exporter
T3	AEO-T2 for 2 years
LO	Logistics Operators
Deferred Payment	AEO-T2 / AEO-T3

M. Last Day Revision Notes

Key Points to Remember

1. AEO – Authorised Economic Operator.
2. T1, T2, T3 for importers/exporters; LO for logistics operators.
3. AEO-T3 requires 2 years of AEO-T2 status.
4. Deferred Payment – AEO-T2 / AEO-T3.
5. Benefits – MRA, reduced dwell time, customs assistance.

CHAPTER 25.4: OTHER TRADE FACILITATION MEASURES

A. Chapter Introduction

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

B. List of Trade Facilitation Measures

1. **Relaxation in Insurance Cover/Bond/BG** – Requirement of Insurance cover to be taken by Customs Cargo Service Providers (CCSP) reduced from 30 days to 10 days. BG amount also reduced.
2. **Setting Up of Customs Clearance Facilitation Committee (CCFC)** – High-level administrative committee at every major Customs seaport and airport.
3. **Amendments in Warehousing Provisions** – Record-based controls, single point for extension, online payment.
4. **Indian Customs Single Window Project** – SWIFT for ensuring ease of doing business.
5. **Reduction in Mandatory Documents** – Only three mandatory documents for general import/export. Packing list and commercial invoice merged.
6. **Adoption of Digital Signature** – Paperless working.
7. **24×7 Customs Clearance** – Extended to all Bills of Entry at 19 seaports and 17 Air Cargo Complexes. No MOT charges.
8. **Abolition of Mate Receipt** – Manual issuance dispensed with.
9. **Reducing/Eliminating Printouts** – GAR 7 Forms, TR 6 Challans, TP copy, etc.
10. **Courier Imports and Exports (Clearance) Amendment Regulations, 2016** – Liberalization of norms.
11. **Import Data Processing and Management System (IDPMS)** – Jointly launched with RBI.
12. **Email Notification Service** – For import clearances.
13. **Express Cargo Clearance System (ECCS)** – Automation for courier parcels.
14. **Ease of Doing Business** – Bill of Entry presentation timelines.
15. **Streamlining of Arrival Manifest Amendment** – Fresh guidelines.

C. Concept Explanation

D1. 24×7 Customs Clearance

CBIC introduced the facility of 24×7 Customs clearance in the year 2012 for 'facilitated' Bills of Entry and factory stuffed containers and goods exported under free Shipping Bills at 19 sea ports and 17 air cargo complexes. The 24×7 Customs clearances have now been extended to all Bills of Entry at 19 seaports and 17 Air Cargo Complexes. Further, no Merchant Overtime (MOT) charges are required to be collected in respect of the services provided by the Customs officers at 24×7 Customs Ports and Airports.

D2. Bill of Entry Presentation Timeline

As per Finance Act, 2021, Section 46(3), the importer shall have to present the Bill of Entry before the end of the day (including holidays) preceding the day on which the aircraft or vessel or vehicle carrying the goods arrives at a customs station. The existing provision that a BE may be presented up to 30 days prior to the expected arrival continues.

D. Practical Implications

1. Reduced compliance burden.
2. Faster clearance of goods.
3. Reduced transaction costs.
4. Paperless environment.
5. Improved ease of doing business.

E. Examination Perspective

Aspect	Importance
24×7 Customs Clearance	High
Bill of Entry Timeline	High
Reduction in Documents	Medium
IDPMS	Medium
CCFC	Medium

F. Frequently Tested Areas

1. 24×7 Customs Clearance
2. Bill of Entry Presentation Timeline
3. Reduction in Mandatory Documents
4. CCFC
5. IDPMS

G. Examiner's Favourite Topics

1. 24×7 Customs Clearance coverage
2. Bill of Entry Timeline
3. CCFC
4. IDPMS

H. Common Student Mistakes

Mistake	Correction
Forgetting 24×7 coverage	19 seaports and 17 Air Cargo Complexes
Forgetting no MOT charges	No MOT charges at 24×7 ports/airports
Forgetting BE timeline	End of day preceding arrival; up to 30 days prior

I. Important Limits and Time Periods

Particular	Limit/Period
Bill of Entry prior presentation	Up to 30 days
Bill of Entry latest presentation	End of day preceding arrival
24×7 Customs Clearance	19 seaports, 17 Air Cargo Complexes
CCSP Insurance Cover	Reduced from 30 days to 10 days

J. Quick Revision Notes

Point	Key Takeaway
24×7 Clearance	19 seaports, 17 Air Cargo Complexes
MOT Charges	Not collected at 24×7 ports/airports
Bill of Entry	Up to 30 days prior; end of day preceding arrival
CCSP Insurance	10 days (reduced from 30 days)
IDPMS	Jointly with RBI

K. Last Day Revision Notes

Key Points to Remember

1. 24×7 Customs Clearance – 19 seaports, 17 Air Cargo Complexes.
2. No MOT charges at 24×7 ports/airports.
3. Bill of Entry – up to 30 days prior; end of day preceding arrival.
4. CCSP Insurance – 10 days.
5. IDPMS – Jointly with RBI.

CHAPTER 25.5: INDIAN CUSTOMS SINGLE WINDOW PROJECT

A. Chapter Introduction

Indian Customs has introduced **SWIFT (Single Window Interface for Facilitating Trade)** for ensuring ease of doing business. Under Indian Customs Single Window Project, the importers electronically lodge their Customs clearance documents at a single point only with the Customs. The required permission, if any, from other regulatory agencies (such as Animal Quarantine, Plant Quarantine, Drug Controller, Textile Committee etc.) is obtained online without the importer/exporter having to separately approach these agencies.

B. Important Definitions

Term	Definition
SWIFT	Single Window Interface for Facilitating Trade
PGA	Partner Government Agencies
Integrated Declaration	All information required for import clearance incorporated into electronic format of Bill of Entry
ICEGATE	Indian Customs Electronic Data Interchange System

C. Concept Explanation

D1. Benefits of Single Window Scheme

1. Reduced cost of doing business
2. Enhances transparency
3. Integration of regulatory requirements at one common platform reduces duplicity and cost of compliance
4. Optimal utilization of manpower

D2. Integrated Declaration under Indian Customs Single Window Project (w.e.f. 1-4-2016)

1. Importers and exporters electronically lodge Customs clearance documents at a single point with Customs.
2. Required permission from Partner Government Agencies (PGAs) such as Animal Quarantine, Plant Quarantine, Drug Controller, FSSAI, Textile Committee etc. obtained online.
3. Common, seamlessly integrated IT systems utilized by all regulatory agencies, logistics service providers and importers/exporters.
4. Online clearance rolled out at main ports and airports in Delhi, Mumbai, Kolkata and Chennai.
5. CBIC developed the **'Integrated Declaration'** – all information required for import clearance incorporated into electronic format of Bill of Entry.

6. Customs Broker or Importer submits Integrated Declaration electronically to a single-entry point (ICEGATE).
7. Separate application forms required by different PGAs dispensed with.
8. Integrated Declaration includes undertakings, declarations, and letters of guarantee.
9. Upon filing, Bill of Entry automatically referred to concerned agency based on risk.
10. System modified to enable simultaneous processing by PGA and Customs.

D. Practical Implications

1. Single point interface for importers/exporters.
2. Reduced dwell time.
3. Reduced cost of doing business.
4. Enhanced transparency.

E. Examination Perspective

Aspect	Importance
SWIFT	High
Benefits	High
Integrated Declaration	High
PGAs	Medium

F. Frequently Tested Areas

1. SWIFT
2. Benefits of Single Window
3. Integrated Declaration
4. PGAs

G. Examiner's Favourite Topics

1. SWIFT and its benefits

2. Integrated Declaration
3. PGAs

H. Common Student Mistakes

Mistake	Correction
Forgetting SWIFT full form	Single Window Interface for Facilitating Trade
Forgetting PGAs	Animal Quarantine, Plant Quarantine, Drug Controller, FSSAI, Textile Committee
Forgetting Integrated Declaration	Single electronic format of Bill of Entry

I. Important Limits and Time Periods

Particular	Limit/Period
Integrated Declaration	Effective from 1-4-2016

J. Important Tables

Table 1: Single Window Benefits

Benefit	Description
Reduced cost	Lower cost of doing business
Transparency	Enhanced transparency
Integration	Regulatory requirements at one platform
Optimal utilization	Optimal utilization of manpower

K. Summary Charts

```
SINGLE WINDOW PROJECT (SWIFT)
│
├── Single Point Filing
│    └── Customs Clearance Documents
│
├── PGAs
│    ├── Animal Quarantine
│    ├── Plant Quarantine
│    ├── Drug Controller
│    ├── FSSAI
│    └── Textile Committee
│
├── Integrated Declaration
│    └── Single Electronic Format (Bill of Entry)
│
├── ICEGATE
│    └── Single-entry Point
│
└── Benefits
     ├── Reduced Cost
     ├── Transparency
     ├── Integration
     └── Optimal Utilization
```

L. Quick Revision Notes

Point	Key Takeaway
SWIFT	Single Window Interface for Facilitating Trade
Single Point	Customs Clearance Documents
PGAs	Animal Quarantine, Plant Quarantine, Drug Controller, FSSAI, Textile Committee
Integrated Declaration	Single Electronic Format of Bill of Entry
ICEGATE	Single-entry Point

M. Last Day Revision Notes

Key Points to Remember

1. SWIFT – Single Window Interface for Facilitating Trade.
2. Single point filing of Customs clearance documents.
3. PGAs – Animal Quarantine, Plant Quarantine, Drug Controller, FSSAI, Textile Committee.
4. Integrated Declaration – Single electronic format of Bill of Entry.
5. ICEGATE – Single-entry point.
6. Benefits – Reduced cost, transparency, integration, optimal utilization.

MODULE 25 – COMPLETE MODULE SUMMARY

A. Complete Module Summary

Module 25 covers the Trade Facilitation Measures adopted by Indian Customs. The key aspects are:

1. **WTO TFA** – Four pillars: Transparency, Procedural Simplification, Harmonization, Standardization.
2. **NCTF** – National Committee on Trade Facilitation.
3. **Facility of Deferred Payment** – Clear first, Pay later; AEO-T2/T3 eligible.
4. **AEO Programme** – T1, T2, T3, LO; benefits include MRA, reduced dwell time.
5. **Single Window Project (SWIFT)** – Single point filing; Integrated Declaration.
6. **24×7 Customs Clearance** – 19 seaports, 17 Air Cargo Complexes.
7. **Bill of Entry Timeline** – Up to 30 days prior; end of day preceding arrival.
8. **Reduction in Mandatory Documents** – Only 3 documents for import/export.
9. **Electronic Cash Ledger (ECL)** – Phased implementation.
10. **Other Measures** – Digital Signature, Abolition of Mate Receipt, IDPMS, ECCS, Email Notification.

B. Top 50 Examination Points

1. TFA – WTO Trade Facilitation Agreement.
2. TFA Pillars – Transparency, Simplification, Harmonization, Standardization.
3. NCTF – National Committee on Trade Facilitation.
4. Deferred Payment – Clear first, Pay later.
5. Deferred Payment – AEO-T2/T3 eligible.
6. Due Date 1st–15th – 16th.
7. Due Date 16th–month end – 1st of next month.
8. Due Date 16th–31st March – 31st March.
9. Default – More than once in 3 months.

10. AEO-T3 – 2 years of AEO-T2.
11. AEO-LO – Logistics Operators.
12. AEO Benefits – MRA, reduced dwell time.
13. SWIFT – Single Window Interface for Facilitating Trade.
14. Single Window – Single point filing.
15. PGAs – Animal Quarantine, Plant Quarantine, Drug Controller, FSSAI, Textile Committee.
16. Integrated Declaration – Single electronic format.
17. ICEGATE – Single-entry point.
18. 24×7 Clearance – 19 seaports, 17 Air Cargo Complexes.
19. No MOT charges at 24×7 ports/airports.
20. Bill of Entry – Up to 30 days prior.
21. Bill of Entry – End of day preceding arrival.
22. CCSP Insurance – 10 days.
23. IDPMS – Jointly with RBI.
24. ECCS – Express Cargo Clearance System.
25. ECL – Electronic Cash Ledger.
26. ECL Phase 1 – 01.04.2023 to 30.04.2023.
27. ECL Phase 2 – From 01.05.2023.
28. Digital Signature – Paperless working.
29. Mate Receipt – Abolished.
30. Printouts – Reduced/eliminated.
31. Reduction in Documents – 3 mandatory documents.
32. Packing list and commercial invoice merged.
33. Self Declaration Form – No longer required.
34. CCFC – Customs Clearance Facilitation Committee.
35. CCFC – At every major seaport/airport.
36. Warehousing – Record-based controls.
37. Warehousing – Online payment.
38. Email Notification – For import clearances.
39. Arrival Manifest – Streamlined.
40. TFA Ratification by India – April 2016.
41. TFA Entry into Force – 2017.
42. National Trade Facilitation Action Plan – Ease of Doing Business.
43. Reduced cargo release time.
44. Paperless regulatory environment.

45. Transparent and predictable legal regime.
46. Improved investment climate.
47. Deferred Payment – ICEGATE Login required.
48. Deferred Payment – Electronic payment mandatory.
49. Deferred Payment – Not for goods not assessed.
50. Integrated Declaration – w.e.f. 1-4-2016.

C. Top 25 Practical Points

1. Compute due date for Deferred Payment.
2. Check AEO eligibility for Deferred Payment.
3. Check default provisions.
4. Verify AEO tier.
5. Check 24×7 clearance coverage.
6. Check MOT charges.
7. Verify Bill of Entry timeline.
8. Check CCSP insurance period.
9. Verify IDPMS applicability.
10. Check ECL phase.
11. Verify SWIFT applicability.
12. Check PGA requirements.
13. Verify Integrated Declaration.
14. Check ICEGATE usage.
15. Check ECCS applicability.
16. Verify Digital Signature.
17. Check Mate Receipt abolition.
18. Verify Printout reduction.
19. Check document reduction.
20. Verify CCFC formation.
21. Check warehousing amendments.
22. Verify email notification.
23. Check Arrival Manifest streamlining.
24. Verify NTFAP objectives.
25. Check TFA pillars.

D. Important Formula Sheet

DEFERRED PAYMENT DUE DATES

Bill of Entry 1st–15th → Payment by 16th

Bill of Entry 16th–month end → Payment by 1st of next month

Bill of Entry 16th–31st March → Payment by 31st March

BILL OF ENTRY TIMELINE

Earliest: Up to 30 days prior

Latest: End of day preceding arrival

ECL PHASES

Phase 1: 01.04.2023 – 30.04.2023

Phase 2: From 01.05.2023

E. Fast Track Revision Notes

Fast Track Revision – Module 25

1. **TFA:** Transparency, Simplification, Harmonization, Standardization.
2. **NCTF:** National Committee on Trade Facilitation.
3. **Deferred Payment:** Clear first, Pay later; AEO-T2/T3.
4. **Due Dates:** 16th / 1st / 31st March.
5. **AEO:** T1, T2, T3, LO.
6. **SWIFT:** Single Window Interface for Facilitating Trade.
7. **24×7:** 19 seaports, 17 Air Cargo Complexes.
8. **Bill of Entry:** Up to 30 days prior; end of day preceding arrival.
9. **ECL:** Phased implementation.

F. One Night Before Exam Notes

📌 **MOST IMPORTANT REVISION POINT: ONE NIGHT BEFORE EXAM – MODULE 25**

1. Read the formula sheet.
2. Review TFA pillars.
3. Review Deferred Payment due dates.
4. Review AEO tiers.
5. Review SWIFT benefits.
6. Review 24×7 clearance coverage.
7. Review Bill of Entry timelines.
8. Review ECL phases.
9. Stay calm and confident.

MODULE 26: EXPORT PROMOTION SCHEMES UNDER FOREIGN TRADE POLICY

MODULE OVERVIEW

This module deals with the **Export Promotion Schemes** under the Foreign Trade Policy (FTP). The Foreign Trade Policy (FTP) 2023 is notified by Central Government, in exercise of powers conferred under Section 5 of the Foreign Trade (Development & Regulation) Act, 1992. The module covers various schemes such as Advance Authorization, DFIA, Duty Remission Schemes, EPCG, RoDTEP, EOU/EHTP/STP/BTP Schemes, and Deemed Exports.

Coverage of the Module

- Introduction to Foreign Trade Policy (FTP) 2023
- Director General of Foreign Trade (DGFT)
- Hand Book of Procedures (HBP) and Appendices & Aayat Niryat Forms (ANF)
- Trade Facilitation and Ease of Doing Business
- Advance Authorization Scheme
- Duty Free Import Authorization (DFIA) Scheme
- Duty Remission Schemes
- Export Promotion Capital Goods (EPCG) Scheme
- RoDTEP Scheme
- EOU, EHTP, STP & BTP Schemes
- Deemed Exports

⚠ **EXAM ALERT: Weightage in Examination:** 8–12 marks (Theory + Practical). This module is highly scoring if schemes and their conditions are memorized.

LEARNING OBJECTIVES

1. Understand the **Foreign Trade Policy (FTP) 2023** and its key features.
2. Explain the role of **DGFT** and **HBP/ANF**.
3. Understand the **Advance Authorization Scheme** and its conditions.

4. Explain the **DFIA Scheme** and its requirements.
5. Understand the **EPCG Scheme** and its export obligation.
6. Explain the **RoDTEP Scheme** and its benefits.
7. Understand the **EOU/EHTP/STP/BTP Schemes**.
8. Apply the provisions relating to **Deemed Exports**.

CHAPTER INDEX

Chapter	Topic
26.1	Introduction to Foreign Trade Policy
26.2	Advance Authorization Scheme
26.3	Duty Free Import Authorization (DFIA) Scheme
26.4	Duty Remission Schemes
26.5	Export Promotion Capital Goods (EPCG) Scheme
26.6	RoDTEP Scheme
26.7	EOU, EHTP, STP & BTP Schemes
26.8	Deemed Exports

EXAMINATION FOCUS AREAS

1. **Advance Authorization Scheme** – Conditions and Value Addition
2. **DFIA Scheme** – Minimum Value Addition
3. **EPCG Scheme** – Export Obligation
4. **RoDTEP Scheme** – Benefits and Eligibility
5. **EOU Scheme** – Minimum Investment, NFE
6. **Deemed Exports** – Benefits
7. **FTP 2023** – Key Features
8. **DGFT** – Role and Functions

FREQUENTLY TESTED CONCEPTS

Concept	Frequency	Importance
Advance Authorization	Every exam	Very High
DFIA	Often	High
EPCG	Often	High
RoDTEP	Often	High
EOU Scheme	Often	High
Deemed Exports	Often	High
Value Addition	Every exam	Very High
Export Obligation	Every exam	Very High

CHAPTER 26.1: INTRODUCTION TO FOREIGN TRADE POLICY

A. Chapter Introduction

The **Foreign Trade Policy (FTP) 2023** is notified by Central Government, in exercise of powers conferred under **Section 5** of the Foreign Trade (Development & Regulation) Act, 1992. FTP 2023 came into force with effect from 1st April, 2023 and shall continue to be in operation unless otherwise specified or amended.

B. Important Definitions

Term	Definition
FTP	Foreign Trade Policy
DGFT	Director General of Foreign Trade
HBP	Hand Book of Procedures
ANF	Aayat Niryat Forms
IEC	Importer Exporter Code
RCMC	Registration-cum-Membership Certificate
EPC	Export Promotion Council
TEE	Towns of Export Excellence
Status Holder	Exporter recognized for excellence in international trade
SCOMET	Special Chemicals, Organisms, Materials, Equipment and Technologies

C. Concept Explanation

D1. Salient Features of FTP 2023

- No end date to the new policy (unlike earlier FTPs).
- Any License/Authorisation/Certificate/Scrip/Instrument issued before commencement of FTP 2023 shall continue to be valid.
- FTP is closely knit with Customs, GST Laws and Excise/State laws.
- Policy provisions do not override tax laws.

D2. Role of DGFT

- Advises Central Government in formulating policy.
- Exercises specified powers under FT (D&R) Act, 1992.
- Issues Public Notices, Policy Circulars, Notifications or Decisions.
- Consults Export Promotion Councils and Trade/Industry bodies.
- Works in close coordination with CBIC, RBI, etc.

- Issues authorisation for import/export.
- Grants IEC Number to importers and exporters.
- Decision of DGFT is final and binding on all matters relating to interpretation of Policy.

D3. Committees under DGFT

Committee	Purpose
Norms Committee	Fixation/modification of product norms under all schemes
EPCG Committee	Nexus with Capital Goods (CG) and benefits under EPCG Schemes
Policy Relaxation Committee (PRC)	All other issues

D4. Trade Facilitation and Ease of Doing Business

1. **National Committee on Trade Facilitation (NCTF)** – Inter-ministerial body.
2. **Free passage of Export Consignment** – Consignments not withheld/delayed.
3. **Niryat Bandhu** – Hand Holding Scheme for new export/import entrepreneurs.
4. **DGFT Online Customer Portal** – Acts, Rules, Policy, Procedures available online.
5. **e-IEC** – Electronic Importer Exporter Code.
6. **e-RCMC/RC** – Online facility for Registration Cum Membership Certificate.
7. **e-Certificate of Origin (e-CoO)** – Online facility.
8. **QCTD** – Quality Control and Trade Disputes.
9. **eBRC & EDPMS** – Electronic Bank Realisation Certificate and Export Data Processing and Monitoring System.
10. **24×7 Helpdesk Facility**.
11. **Authorised Economic Operator (AEO) Programme**.
12. **Towns of Export Excellence (TEE)**.
13. **Status Holder Certification**.
14. **Grant of Double Weightage**.

D5. Status Holder Categories

Status Category	Export Performance FOB/FOR (US $ Million)
One Star Export House	3
Two Star Export House	15
Three Star Export House	50
Four Star Export House	200
Five Star Export House	800

D6. Privileges of Status Holders

1. Authorisation and Customs Clearances on self-declaration basis.
2. Input-Output norms fixed on priority within 60 days.
3. Exemption from furnishing Bank Guarantee.
4. Exemption from compulsory negotiation of documents through banks.
5. Two Star and above can establish Export Warehouses.
6. Preferential treatment in handling of consignments.
7. Self-certification of manufactured goods (Three Star and above).
8. Export freely exportable items on free of cost basis for export promotion subject to annual limit.

D. Practical Implications

1. FTP 2023 provides a stable policy framework.
2. DGFT plays a central role in trade regulation.
3. Status Holders get additional benefits.
4. Trade facilitation reduces compliance burden.

E. Examination Perspective

Aspect	Importance
FTP 2023 Features	High
DGFT Role	High
Status Holder Categories	High
Privileges of Status Holders	Medium
Trade Facilitation Measures	Medium

F. Frequently Tested Areas

1. FTP 2023 Features
2. DGFT Role
3. Status Holder Categories
4. Privileges of Status Holders
5. Committees under DGFT

G. Examiner's Favourite Topics

1. FTP 2023 Features
2. DGFT Role
3. Status Holder Categories
4. Privileges of Status Holders
5. Committees under DGFT

H. Common Student Mistakes

Mistake	Correction
Forgetting FTP 2023 has no end date	No end date to the new policy
Confusing DGFT with CBIC	DGFT – Foreign Trade; CBIC – Customs
Forgetting Status Holder categories	1 Star (3), 2 Star (15), 3 Star (50), 4 Star (200), 5 Star (800)
Forgetting Privileges	Self-declaration, BG exemption, etc.

I. Important Limits and Time Periods

Particular	Limit/Period
FTP 2023 commencement	1st April, 2023
One Star Export House	3 US $ Million
Two Star Export House	15 US $ Million
Three Star Export House	50 US $ Million
Four Star Export House	200 US $ Million
Five Star Export House	800 US $ Million

J. Important Tables

Table 1: Status Holder Categories

Status Category	Export Performance (US $ Million)
One Star Export House	3
Two Star Export House	15
Three Star Export House	50
Four Star Export House	200
Five Star Export House	800

Table 2: Committees under DGFT

Committee	Purpose
Norms Committee	Fixation/modification of product norms
EPCG Committee	Nexus with Capital Goods and EPCG benefits
Policy Relaxation Committee	All other issues

K. Summary Charts

```
FOREIGN TRADE POLICY 2023
│
├── Legal Framework
│    ├── Section 5 of FT (D&R) Act, 1992
│    └── No end date
│
├── DGFT
│    ├── Policy Formulation
│    ├── IEC Issuance
│    ├── Authorisations
│    └── Committees
│
├── Trade Facilitation
│    ├── NCTF
│    ├── Niryat Bandhu
│    ├── e-IEC
│    ├── e-RCMC
│    └── eBRC & EDPMS
│
└── Status Holders
     ├── 1 Star (3)
     ├── 2 Star (15)
     ├── 3 Star (50)
     ├── 4 Star (200)
     └── 5 Star (800)
```

L. Quick Revision Notes

Point	Key Takeaway
FTP 2023	Effective 1st April, 2023
No End Date	Unlike earlier FTPs
DGFT	Director General of Foreign Trade
IEC	Importer Exporter Code
Status Holder	1 Star (3), 2 Star (15), 3 Star (50), 4 Star (200), 5 Star (800)
Committees	Norms, EPCG, Policy Relaxation

M. Last Day Revision Notes

Key Points to Remember

1. FTP 2023 – Effective 1st April, 2023.
2. No end date to the new policy.
3. DGFT – Director General of Foreign Trade.
4. Committees – Norms, EPCG, Policy Relaxation.
5. Status Holders – 1 Star (3), 2 Star (15), 3 Star (50), 4 Star (200), 5 Star (800).

CHAPTER 26.2: ADVANCE AUTHORIZATION SCHEME

A. Chapter Introduction

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.

B. Important Definitions

Term	Definition
Advance Authorisation	Authorisation issued by DGFT under Chapter 4 of FTP 2015-20 for import or domestic procurement of inputs for physical exports
SION	Standard Input Output Norms
Value Addition	(A - B) / B × 100
ARO	Advance Release Order
Invalidation Letter	Letter issued when domestic supplier intends to obtain duty free material

C. Concept Explanation

D1. Eligible Applicant/Export

- 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**.

D2. Eligible Supply

- Physical export (including export to SEZ)
- Intermediate supply
- Deemed exports
- Supply of 'stores' on board of foreign going vessel/aircraft

D3. Basis of Issuance

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

D4. Value Addition

Value Addition = (A - B) / B × 100

A = FOB value of export realised / FOR value of Supply received

B = CIF value of inputs covered by Authorisation, plus value of any other input used on which benefit of Duty Drawback is claimed

D5. Minimum Value Addition

- General: **15%**
- Tea: **50%**
- Spices: **25%**
- Gems & Jewellery: As per HBP
- Export Products with less than 15%: As per Appendix 4D

D6. Import of Mandatory Spares

Spares required to be supplied with the export product can be imported duty-free up to a value of **10% of the CIF value** of the authorisation.

D7. Duties Exempted

- Basic Customs Duty
- Additional Customs Duty
- Education Cess
- Anti-dumping Duty
- Countervailing Duty
- Safeguard Duty
- Transition Product Specific Safeguard Duty
- Integrated Tax u/s 3(7)
- Compensation Cess u/s 3(9)

D8. Validity Period for Import

- Import must be made within **12 months** from date of issue of Authorisation.
- Re-validation for another **12 months** can be allowed once only.

- For deemed exports: co-terminus with contracted duration of project execution or 12 months, whichever is later.

D9. Export Obligation Period and Extension

- Export Obligation Period (EOP) of Advance Authorisations: **90 days** from date of clearance of import consignment (for specified items).
- No extension in EOP for such items.
- Import subject to actual user condition.
- No transfer of imported raw material, for any purpose, including job work.

D10. Advance Authorisation for Annual Requirement

- Issued only for items notified in SION.
- Not available for ad hoc norms under self-declaration.
- Not available where any item of input appears in Appendix 4-J.
- Exporters having past export performance (in at least preceding two financial years) are entitled.

D11. Actual User Condition

Advance Authorisation and/or material imported under Advance Authorisation shall be subject to **'Actual User' condition**. The same shall not be transferable even after completion of export obligation. However, Authorisation holder will have option to dispose of product manufactured out of duty free input once export obligation is completed.

D12. Free of Cost Supply by Foreign Buyer

Advance Authorisation shall also be available where some or all inputs are supplied free of cost to exporter by foreign buyer. In such cases, notional value of free of cost input shall be added in the CIF value of import and FOB value of export for the purpose of computation of value addition.

D. Practical Implications

1. Duty-free import of inputs for export production.
2. Minimum value addition required.
3. Actual User condition applies.
4. Free of cost supply by foreign buyer allowed.

5. Mandatory spares up to 10% of CIF.

E. Examination Perspective

Aspect	Importance
Eligibility	High
Value Addition	Very High
Minimum Value Addition	Very High
Duties Exempted	High
Validity	High
Actual User Condition	High
Free of Cost Supply	Medium

F. Frequently Tested Areas

1. Value Addition Computation
2. Minimum Value Addition
3. Duties Exempted
4. Validity Period
5. Actual User Condition
6. Free of Cost Supply
7. Advance Authorisation for Annual Requirement

G. Examiner's Favourite Topics

1. Value Addition Formula and Computation
2. Minimum Value Addition (15%, 50%, 25%)
3. Duties Exempted
4. Actual User Condition
5. Free of Cost Supply

H. Common Student Mistakes

Mistake	Correction
Forgetting minimum value addition	General: 15%; Tea: 50%; Spices: 25%
Forgetting free of cost supply inclusion	Notional value added to CIF and FOB
Forgetting Actual User condition	Applies to Advance Authorisation
Forgetting mandatory spares limit	10% of CIF value
Forgetting validity	12 months for import; re-validation 12 months once

I. Important Limits and Time Periods

Particular	Limit/Period
Validity for import	12 months
Re-validation	12 months (once)
Minimum Value Addition (General)	15%
Minimum Value Addition (Tea)	50%
Minimum Value Addition (Spices)	25%
Mandatory Spares	10% of CIF value
Export Obligation (specified items)	90 days

J. Important Tables

Table 1: Minimum Value Addition

Product	Minimum Value Addition
General	15%
Tea	50%
Spices	25%
Gems & Jewellery	As per HBP
Products with less than 15%	As per Appendix 4D

Table 2: Duties Exempted under Advance Authorisation

Duty	Exempted?
Basic Customs Duty	Yes
Additional Customs Duty	Yes
Education Cess	Yes
Anti-dumping Duty	Yes
Countervailing Duty	Yes
Safeguard Duty	Yes
Integrated Tax u/s 3(7)	Yes
Compensation Cess u/s 3(9)	Yes

K. Summary Charts

```
ADVANCE AUTHORISATION
│
├── Eligibility
│    ├── Manufacturer Exporter
│    └── Merchant Exporter tied to Supporting Manufacturer
│
├── Eligible Supply
│    ├── Physical Export
│    ├── Intermediate Supply
│    ├── Deemed Exports
│    └── Stores on Board
│
├── Basis
│    ├── SION
│    ├── Self Declaration
│    ├── Norms Committee
│    └── Self Ratification
│
├── Value Addition
│    ├── General: 15%
│    ├── Tea: 50%
│    └── Spices: 25%
│
├── Duties Exempted
│    ├── BCD
│    ├── CVD
│    ├── Anti-dumping
│    ├── Safeguard
│    ├── IGST
│    └── Compensation Cess
│
└── Conditions
     ├── Actual User
     ├── 12 months validity
     └── Free of Cost Supply allowed
```

L. Quick Revision Notes

Point	Key Takeaway
Purpose	Duty free import of inputs
Eligibility	Manufacturer Exporter / Merchant Exporter
Value Addition	(A-B)/B × 100
Minimum VA (General)	15%
Minimum VA (Tea)	50%
Minimum VA (Spices)	25%
Validity	12 months
Actual User	Applies
Mandatory Spares	10% of CIF
Free of Cost Supply	Notional value added

M. Last Day Revision Notes

Key Points to Remember

1. Advance Authorisation – Duty free import of inputs.
2. Value Addition Formula – (A-B)/B × 100.
3. Minimum VA – General 15%, Tea 50%, Spices 25%.
4. Validity – 12 months; Re-validation – 12 months once.
5. Actual User Condition – Applies.
6. Mandatory Spares – 10% of CIF.
7. Free of Cost Supply – Notional value added.

CHAPTER 26.3: DUTY FREE IMPORT

AUTHORIZATION (DFIA) SCHEME

A. Chapter Introduction

Duty Free Import Authorisation is issued to allow **duty free import of inputs**. In addition, import of oil and catalyst which is consumed/utilised in the process of production of export product, may also be allowed. **Import of Tyre under DFIA scheme is not allowed.**

B. Important Definitions

Term	Definition
DFIA	Duty Free Import Authorisation
Value Addition	Minimum 20%
Transferability	DFIA is transferable after completion of export obligation

C. Concept Explanation

D1. Key Features of DFIA

- Issued on **post export basis**.
- Only for products for which **SION** has been notified.
- Exempted only from payment of **Basic Customs Duty (BCD)**.
- Drawback available for duty paid inputs.
- Minimum Value Addition: **20%**.
- Export completed within **12 months** from date of online filing.
- DFIA valid for **12 months** from date of issue.
- No further revalidation.
- Separate DFIA for each SION.
- DFIA is **transferable** after completion of export obligation.
- No DFIA for input subject to pre-import condition or SION prescribing 'Actual User' condition.

D2. Comparison – Advance Authorisation vs. DFIA

Basis	Advance Authorisation	DFIA
Issuance	Pre-export basis	Post-export basis
SION	Available/Not available	Only if SION notified
Duties Exempted	BCD + CVD + IGST + Cess	Only BCD
Minimum VA	15% (General)	20%
Transferability	Not transferable (Actual User)	Transferable

D. Practical Implications

1. DFIA is available only for products with SION.
2. Only BCD is exempted.
3. Minimum value addition 20%.
4. Transferable after export obligation.
5. No revalidation.

E. Examination Perspective

Aspect	Importance
Eligibility	High
Minimum VA	Very High
Duties Exempted	High
Transferability	High
Comparison with AA	High

F. Frequently Tested Areas

1. Minimum Value Addition

2. Duties Exempted
3. Transferability
4. Comparison with Advance Authorisation
5. Prohibited Items (Tyre)

G. Examiner's Favourite Topics

1. Minimum VA (20%)
2. Only BCD Exempted
3. Transferability
4. Comparison with AA
5. Tyre Prohibited

H. Common Student Mistakes

Mistake	Correction
Confusing DFIA with AA	DFIA – Post-export; AA – Pre-export
Forgetting only BCD is exempted	IGST not exempted under DFIA
Forgetting minimum VA	20%
Forgetting Tyre is prohibited	Import of Tyre under DFIA is not allowed
Forgetting transferability	DFIA is transferable

I. Important Limits and Time Periods

Particular	Limit/Period
Minimum Value Addition	20%
Export Completion	12 months
DFIA Validity	12 months
Revalidation	Not allowed

J. Important Tables

Table 1: DFIA vs. Advance Authorisation

Basis	Advance Authorisation	DFIA
Issuance	Pre-export	Post-export
SION	Available/Not available	Only if SION notified
Duties Exempted	BCD + CVD + IGST + Cess	Only BCD
Minimum VA	15%	20%
Transferability	Not transferable	Transferable
Actual User	Applies	Not applicable

K. Summary Charts

```
DFIA SCHEME
│
├── Issuance
│    └── Post-export basis
│
├── Eligibility
│    └── Only if SION notified
│
├── Duties Exempted
│    └── Only BCD
│
├── Minimum VA
│    └── 20%
│
├── Validity
│    ├── Export: 12 months
│    └── DFIA: 12 months
│
├── Transferability
│    └── Transferable
│
└── Prohibited
     └── Tyre
```

L. Quick Revision Notes

Point	Key Takeaway
DFIA	Duty Free Import Authorisation
Issuance	Post-export basis
Duties Exempted	Only BCD
Minimum VA	20%
Validity	12 months
Transferability	Transferable
Prohibited	Tyre

M. Last Day Revision Notes

Key Points to Remember

1. DFIA – Post-export basis.
2. Only BCD exempted.
3. Minimum VA – 20%.
4. Validity – 12 months.
5. Transferable.
6. Tyre – Prohibited.

CHAPTER 26.4: DUTY REMISSION SCHEMES

A. Chapter Introduction

Duty Remission Schemes include **Duty Drawback** and **RoDTEP**. Duty Drawback has been explained under Module 21. RoDTEP is explained in Chapter 26.6.

B. Concept Explanation

D1. Duty Drawback

Duty Drawback is the refund of customs/excise duty paid on imported/indigenous inputs used in the manufacture of export goods. Refer to Module 21 for detailed coverage.

D2. RoDTEP

Remission of Duties and Taxes on Exported Products (RoDTEP) is a scheme to refund currently un-refunded duties and taxes. Refer to Chapter 26.6 for detailed coverage.

C. Quick Revision Notes

Scheme	Purpose
Duty Drawback	Refund of customs/excise duty on exports
RoDTEP	Refund of un-refunded duties and taxes

CHAPTER 26.5: EXPORT PROMOTION CAPITAL GOODS (EPCG) SCHEME

A. Chapter Introduction

The objective of the EPCG Scheme is to facilitate import of capital goods for producing quality goods and services and enhance India's manufacturing competitiveness. EPCG permits exporters to import capital goods (except specified goods) for pre-production, production and post-production at **zero customs duty** or procure them indigenously without paying duty. In return, exporter is under an obligation to fulfill the export obligation.

B. Important Definitions

Term	Definition
EPCG	Export Promotion Capital Goods Scheme
Export Obligation	Obligation to export 6 times the duty saved in 6 years
Duty Saved	Effective duty under Project Imports less Concessional duty under EPCG
EODC	Export Obligation Discharge Certificate

C. Concept Explanation

D1. Key Features of EPCG

- Import capital goods at **zero customs duty**.
- IGST and Compensation Cess exempted for physical exports.
- Actual User condition till export obligation completed.
- Validity: **24 months** from date of issue.
- No revalidation permitted.
- Indigenous sourcing allowed through Invalidation Letter or ARO.
- Export Obligation: **6 times of duties saved** in **6 years**.
- Exports under Advance Authorisation, DFIA, Duty Drawback, RoSCTL, RoDTEP eligible for EO fulfilment.
- Both physical exports and specified deemed exports counted.
- Incentive: 75% of specific EO and 100% of Average EO → remaining EO condoned.

D2. Duty Saved Computation

Duty Saved = Effective Duty under Project Imports - Concessional Duty under EPCG Scheme

For direct imports: EO reckoned with reference to actual duty saved

For domestic sourcing: EO reckoned with reference to notional Customs duty saved on FOR value

D3. Export Obligation

Basis	EO
Direct Imports	6 times of actual duty saved
Domestic Sourcing	6 times of notional duty saved on FOR value
Period	6 years from date of issue of Authorisation

D. Practical Implications

1. Import capital goods at zero duty.
2. Export obligation must be fulfilled.
3. Actual User condition applies.
4. Indigenous sourcing benefits.
5. EO fulfilment through various schemes.

E. Examination Perspective

Aspect	Importance
Duty Saved	Very High
Export Obligation	Very High
Validity	High
Actual User	High
Indigenous Sourcing	Medium

F. Frequently Tested Areas

1. Duty Saved Computation
2. Export Obligation (6 times, 6 years)
3. Validity (24 months)
4. Actual User Condition
5. Indigenous Sourcing
6. Incentive for EO Fulfilment

G. Examiner's Favourite Topics

1. Duty Saved Computation
2. Export Obligation
3. Incentive for Early EO Fulfilment
4. Indigenous Sourcing

H. Common Student Mistakes

Mistake	Correction
Forgetting EO multiple	6 times of duty saved
Forgetting EO period	6 years
Forgetting validity	24 months
Forgetting Actual User	Applies till EODC
Confusing direct vs. domestic sourcing	Actual vs. notional duty saved

I. Important Limits and Time Periods

Particular	Limit/Period
Validity	24 months
Export Obligation Period	6 years
EO Multiple	6 times of duty saved
Incentive – 75% specific EO	Remaining EO condoned

J. Important Tables

Table 1: EPCG Scheme Features

Feature	Details
Duty Rate	Zero Customs Duty
Validity	24 months
EO Multiple	6 times of duty saved
EO Period	6 years
Actual User	Till EODC
Indigenous Sourcing	Invalidation Letter / ARO
EO Fulfilment	Physical + Deemed Exports

K. Summary Charts

```
EPCG SCHEME
│
├── Zero Customs Duty on Capital Goods
│
├── Validity: 24 months
│
├── Export Obligation
│   ├── 6 times of duty saved
│   └── 6 years
│
├── Actual User Condition
│   └── Till EODC
│
├── Indigenous Sourcing
│   ├── Invalidation Letter
│   └── ARO
│
├── EO Fulfilment
│   ├── Physical Exports
│   └── Specified Deemed Exports
│
└── Incentive
    └── 75% specific EO + 100% average EO → remaining condoned
```

L. Quick Revision Notes

Point	Key Takeaway
EPCG	Export Promotion Capital Goods Scheme
Duty Rate	Zero Customs Duty
Validity	24 months
EO Multiple	6 times of duty saved
EO Period	6 years
Actual User	Till EODC
Indigenous Sourcing	Invalidation Letter / ARO
Incentive	75% specific EO + 100% average EO

M. Last Day Revision Notes

Key Points to Remember

1. EPCG – Zero Customs Duty on Capital Goods.
2. Validity – 24 months.
3. EO – 6 times of duty saved.
4. EO Period – 6 years.
5. Actual User – Till EODC.
6. Indigenous Sourcing – Invalidation Letter / ARO.
7. Incentive – 75% specific EO + 100% average EO.

CHAPTER 26.6: RODTEP SCHEME

A. Chapter Introduction

The Government announced the introduction of a new scheme **"Remission of Duties and Taxes on Exported Products" (RoDTEP)** to replace the Merchandise Exports from India Scheme (MEIS) available to exporters of goods. RoDTEP has been made effective for exports from **1st January 2021**. RoDTEP is going to give a boost to Indian exports by providing a level playing field to domestic industry abroad.

B. Important Definitions

Term	Definition
RoDTEP	Remission of Duties and Taxes on Exported Products
MEIS	Merchandise Exports from India Scheme
RoSCTL	Rebate of State and Central Taxes and Levies
e-scrip	Electronic scrip (transferable duty credit)

C. Concept Explanation

D1. RoDTEP Benefits

1. WTO-compliant scheme.
2. More exhaustive – includes education cess, state taxes on oil, power, and water.
3. Adds competitiveness in foreign markets.
4. Helps exporters meet international standards.
5. Benefit available for exports from Advance Authorisation units, SEZs, and EOUs w.e.f. 1-6-2025.

D2. Objective of RoDTEP Scheme

The scheme's objective is to refund currently un-refunded duties and taxes. The scheme provides for rebate of all hidden Central, State, and Local duties/taxes/levies on the goods exported which have not been refunded under any other existing scheme namely:

- Mandi Tax
- Municipal Taxes
- Property Taxes
- VAT
- Coal Cess
- Central Excise Duty on fuel
- Electricity Duty on purchase of electricity
- Stamp Duty on export documents

D3. RoDTEP Scheme Operating Principles

1. Support available at notified rate as percentage of FOB value.
2. Rebate subject to value cap per unit.
3. Value of exported goods = least of FOB value or 1.5 times market price.
4. Identified export sectors and rates cover 8555 tariff lines.
5. Employment-oriented sectors covered (Marine, Agriculture, Leather, Gems & Jewellery).
6. Other sectors – Automobile, Plastics, Electrical/Electronics, Machinery.
7. Rebate not available where duties/taxes already exempted or remitted or credited.
8. No provision for remission of arrears or contingent liabilities.
9. Rebate subject to receipt of sale proceeds within time allowed under FEMA.

D4. Mechanism of Issuance

1. End-to-end digitalization.
2. Issued as transferable duty credit/electronic scrip (e-scrip).
3. Maintained in electronic ledger by CBIC.
4. Rules and procedures notified by CBIC.
5. Provisions for recovery, suspension/withholding, and penalty.

D5. Eligible Sectors

- All sectors covered – labour-intensive sectors prioritized.
- Both manufacturer exporters and merchant exporters eligible.

- No turnover threshold.
- Re-exported products NOT eligible.
- Country of origin should be India.
- SEZ Units and EOUs eligible (from 1-6-2025).
- Exports via courier through e-commerce platforms eligible.

D6. Ineligible Categories

1. Exports of imported goods as per para 2.46 of FTP (Import for Export).
2. Exports through trans-shipments (third country origin).
3. Export products subject to minimum export price or export duty.
4. Products restricted for exports under Schedule-2 of Export Policy in ITC (HS).
5. Products prohibited for exports under Schedule-2 of Export Policy in ITC (HS).
6. Deemed Exports.
7. Supplies of products manufactured by DTA units to SEZ/FTWZ units.
8. Products manufactured in EHTP and BTP (Omitted w.e.f. 8-3-2024).
9. Products manufactured partly or wholly in a warehouse under Section 65 of Customs Act, 1962.
10. Products manufactured/exported against Advance Authorization/DFIA (extended from 11-3-2024 to 30-9-2024).
11. Products manufactured/exported by 100% EOU (extended from 11-3-2024 to 30-9-2024).
12. Products manufactured/exported by FTZ/EPZ/SEZ units.
13. Products manufactured/exported availing Notification No. 32/1997-Customs (jobbing transactions).
14. Exports without electronic documentation in ICEGATE EDI or from Non-EDI port.
15. Goods taken into use after manufacture (second-hand goods).

D7. RoDTEP vs. MEIS

Feature	RoDTEP	MEIS
Incentive Scheme	Refund of indirect taxes on inputs	Incentive on exports
Mode of Issue	Electronic Scrip	Physical Scrip
WTO Compliant	Yes	No
Incentive	Notified rate × FOB	% of realised FOB
Transferable	Yes	Yes

D8. Validity Period

Validity of RoDTEP's duty credit scrip is **24 months** from the date of issue.

D. Practical Implications

1. RoDTEP is WTO-compliant.
2. Rebate on hidden taxes.
3. Electronic scrip issuance.
4. FEMA compliance required.
5. SEZ and EOU eligible from 1-6-2025.

E. Examination Perspective

Aspect	Importance
Benefits	High
Operating Principles	High
Eligible Sectors	High
Ineligible Categories	High
RoDTEP vs. MEIS	High
Validity	Medium

F. Frequently Tested Areas

1. RoDTEP Benefits
2. Operating Principles
3. Eligible Sectors
4. Ineligible Categories
5. RoDTEP vs. MEIS
6. Validity Period

G. Examiner's Favourite Topics

1. RoDTEP vs. MEIS
2. Eligible and Ineligible Categories
3. Operating Principles
4. Validity Period

H. Common Student Mistakes

Mistake	Correction
Forgetting RoDTEP validity	24 months
Forgetting ineligible categories	Deemed Exports, Re-exports, SEZ supplies, etc.
Forgetting FEMA compliance	Sale proceeds must be received within FEMA time
Confusing with MEIS	RoDTEP is WTO-compliant; MEIS was not

I. Important Limits and Time Periods

Particular	Limit/Period
RoDTEP Effective	1st January 2021
Validity of e-scrip	24 months
SEZ/EOU eligible	w.e.f. 1-6-2025

J. Important Tables

Table 1: RoDTEP – Eligible vs. Ineligible

Eligible	Ineligible
All sectors (labour-intensive prioritized)	Import for Export
Manufacturer Exporters	Trans-shipments
Merchant Exporters	Products with minimum export price/export duty
SEZ Units (from 1-6-2025)	Restricted/Prohibited products
EOUs (from 1-6-2025)	Deemed Exports
E-commerce exports via courier	DTA to SEZ/FTWZ supplies
	Second-hand goods

K. Summary Charts

```
RODTEP SCHEME
│
├── Objective
│   └── Refund un-refunded duties and taxes
│
├── Benefits
│   ├── WTO-compliant
│   ├── Hidden taxes covered
│   └── Competitiveness
│
├── Operating Principles
│   ├── Notified rate × FOB
│   ├── Value cap per unit
│   └── FEMA compliance
│
├── Eligible Sectors
│   ├── All sectors
│   ├── Manufacturer/Merchant Exporters
│   └── SEZ/EOU (from 1-6-2025)
│
├── Ineligible
│   ├── Import for Export
│   ├── Deemed Exports
│   └── Second-hand goods
│
└── Validity
    └── 24 months
```

L. Quick Revision Notes

Point	Key Takeaway
RoDTEP	Remission of Duties and Taxes on Exported Products
Effective	1st January 2021
WTO Compliant	Yes
Mode	Electronic Scrip
Validity	24 months
SEZ/EOU	w.e.f. 1-6-2025
FEMA	Compliance required

M. Last Day Revision Notes

Key Points to Remember

1. RoDTEP – Remission of Duties and Taxes on Exported Products.
2. Effective – 1st January 2021.
3. WTO-compliant; replaces MEIS.
4. Electronic Scrip; validity 24 months.
5. SEZ/EOU eligible from 1-6-2025.
6. FEMA compliance required.
7. Ineligible – Deemed Exports, Re-exports, Second-hand goods, etc.

CHAPTER 26.7: EOU, EHTP, STP & BTP SCHEMES

A. Chapter Introduction

EOU scheme is administered by Ministry of Commerce and Industry, while EHTP, STP & BTP schemes are administered by their respective administrative ministries. STP/EHTP Scheme is administered by Ministry of Information Technology. Bio Technology Park (BTP) is established on the recommendation of Department of Biotechnology.

B. Important Definitions

Term	Definition
EOU	Export Oriented Unit
EHTP	Electronic Hardware Technology Park
STP	Software Technology Park
BTP	Bio Technology Park
NFE	Net Foreign Exchange
LoP	Letter of Permission
LoI	Letter of Intent
BoA	Board of Approval

C. Concept Explanation

D1. Key Features of EOU Scheme

- Trading units are not covered.
- Minimum investment: **₹1 crore** in plant & machinery (BoA may allow lower).
- Approval by Unit Approval Committee within 15 days.

- Letter of Permission (LoP)/Letter of Intent (LoI) with initial validity of **2 years** (extendable by 2 years).
- Export proceeds realized within **9 months**.
- 100% export earnings retention in EEFC account.
- No bank guarantee at time of import or job work in DTA.
- 100% FDI permitted through automatic route.

D2. Positive Net Foreign Exchange (NFE) Earnings

Positive NFE = A - B > 0

A = FOB value of exports

B = CIF value of imported inputs, capital goods, and value of all payments made in foreign exchange by way of commission/royalty etc.

NFE Earnings calculated cumulatively in blocks of **5 years** starting from commencement of production. In case of adverse market conditions, 5 years period extendable up to 1 year.

D3. Sales to DTA Units

- Up to **50% of FOB value** of exports (including sales to SEZ from Foreign Exchange Account), subject to fulfillment of positive NFE, on payment of concessional duties.
- In case of units manufacturing and exporting more than one product: sale of any product into DTA up to **90% of FOB value** of export of specific products permitted, provided total DTA sales does not exceed overall entitlement of 50% of FOB value of exports.
- For new EOUs, advance DTA sale allowed not exceeding 50% of estimated exports for first year (2 years for pharmaceutical units).

D4. Comparison – SEZ vs. EOU

Basis	SEZ	EOU
Supply to	Export	Deemed Export
DTA Supply	IGST at zero rate	GST at applicable rate
Refund	No tax suffered	Refund of GST allowed
Customs Clearance	Within zone	Fast Track Clearance Scheme
Location	Designated sites	Anywhere in India
Minimum Investment	No specific minimum	₹1 crore in plant & machinery

D. Practical Implications

1. EOU scheme promotes exports.
2. Minimum investment requirement.
3. Positive NFE requirement.
4. DTA sales limited.
5. Various incentives and exemptions.

E. Examination Perspective

Aspect	Importance
Eligibility	High
Minimum Investment	Very High
NFE Requirement	Very High
DTA Sales	High
LoP/LoI Validity	High
Comparison with SEZ	High

F. Frequently Tested Areas

1. Minimum Investment (₹1 crore)
2. NFE Requirement
3. DTA Sales (50%, 90%)
4. LoP/LoI Validity (2 years)
5. Export Proceeds (9 months)
6. Comparison with SEZ

G. Examiner's Favourite Topics

1. Minimum Investment
2. NFE Computation
3. DTA Sales
4. LoP/LoI Validity
5. Comparison with SEZ

H. Common Student Mistakes

Mistake	Correction
Forgetting minimum investment	₹1 crore in plant & machinery
Forgetting NFE	Positive NFE required
Forgetting DTA limits	50% (general), 90% (multiple products)
Forgetting LoP validity	2 years (extendable by 2 years)
Confusing EOU with SEZ	Different schemes with different provisions

I. Important Limits and Time Periods

Particular	Limit/Period
Minimum Investment	₹1 crore
LoP/LoI Validity	2 years
Extension of LoP/LoI	2 years
Export Proceeds Realization	9 months
NFE Block	5 years
NFE Extension	1 year
DTA Sales (General)	50% of FOB
DTA Sales (Multiple Products)	90% of FOB for specific product

J. Important Tables

Table 1: EOU Scheme Features

Feature	Details
Minimum Investment	₹1 crore
LoP/LoI Validity	2 years
Export Proceeds	9 months
NFE Block	5 years
DTA Sales	50% (general); 90% (multiple products)

Table 2: SEZ vs. EOU

Basis	SEZ	EOU
Supply to	Export	Deemed Export
DTA Supply	IGST at zero rate	GST at applicable rate
Customs Clearance	Within zone	Fast Track Clearance Scheme
Location	Designated sites	Anywhere in India
Minimum Investment	No specific minimum	₹1 crore

K. Summary Charts

```
EOU SCHEME
│
├── Minimum Investment
│   └── ₹1 crore
│
├── Approval
│   ├── Unit Approval Committee (15 days)
│   └── LoP/LoI (2 years)
│
├── Export Proceeds
│   └── 9 months
│
├── NFE Requirement
│   ├── Positive NFE
│   └── 5-year block
│
├── DTA Sales
│   ├── 50% (general)
│   └── 90% (multiple products)
│
└── Incentives
    ├── EEFC Account
    ├── No Bank Guarantee
    └── 100% FDI
```

L. Quick Revision Notes

Point	Key Takeaway
EOU	Export Oriented Unit
Minimum Investment	₹1 crore
LoP/LoI Validity	2 years
Export Proceeds	9 months
NFE Block	5 years
DTA Sales	50% / 90%
Trading Units	Not covered

M. Last Day Revision Notes

Key Points to Remember

1. EOU – Export Oriented Unit.
2. Minimum Investment – ₹1 crore.
3. LoP/LoI Validity – 2 years.
4. Export Proceeds – 9 months.
5. NFE Block – 5 years.
6. DTA Sales – 50% (general), 90% (multiple products).
7. Trading Units – Not covered.

CHAPTER 26.8: DEEMED EXPORTS

A. Chapter Introduction

Goods manufactured in India and supplies from DTA to EOU, EHTP, STP & BTP units will be regarded as **deemed exports** and DTA supplier shall be eligible for export incentives.

B. Important Definitions

Term	Definition
Deemed Exports	Supplies of goods manufactured in India which are notified as deemed exports under Section 147 of CGST/SGST Act, 2017
DTA	Domestic Tariff Area
EOU	Export Oriented Unit

C. Concept Explanation

D1. Supplies Considered as Deemed Exports

A. Goods supplied by a manufacturer:

1. Supply of goods against Advance Authorization/Advance Authorization for Annual Requirement/DFIA.
2. Supply of goods to units located in EOU/STP/BTP/EHTP.
3. Supply of capital goods against EPCG authorization.
4. Supply of marine freight containers by 100% EOU provided containers are exported within 6 months by another 100% EOU.

B. Goods supplied by a Main contractor/sub-contractor:

1. Supply of goods to projects or turnkey contracts financed by multilateral or bilateral agencies/Funds notified by DEA, under International Competitive Bidding.
2. Supply of goods to any project where import is permitted at zero customs duty.
3. Supply of goods to mega power projects against International Competitive Bidding.
4. Supply of goods to UN or international organisations.
5. Supply of goods to nuclear projects through competitive bidding (need not be international competitive bidding).

D2. Benefits for Deemed Exports

Deemed exports shall be eligible for any/all of the following benefits:

1. Advance Authorization/Advance Authorization for Annual Requirement/DFIA
2. Deemed Export Drawback

3. Domestic supplies to EOUs treated as deemed exports under Section 147 of CGST/SGST Act and refund of tax paid on such supplies given to the supplier or recipient as the case may be.

⚠ **EXAM ALERT: Key Point:** All supplies notified as supply for deemed exports are subject to levy of taxes. However, the refund of tax paid on the supply regarded as deemed export is admissible to either the supplier or the recipient.

D. Practical Implications

1. Deemed exports eligible for export incentives.
2. Refund of tax paid on deemed exports.
3. Advance Authorization/DFIA available.
4. Deemed Export Drawback available.

E. Examination Perspective

Aspect	Importance
Eligible Supplies	High
Benefits	High
Refund of Tax	High
Advance Authorization	High

F. Frequently Tested Areas

1. Eligible Supplies
2. Benefits
3. Refund of Tax
4. Advance Authorization/DFIA

G. Examiner's Favourite Topics

1. Eligible Supplies
2. Benefits
3. Refund of Tax

H. Common Student Mistakes

Mistake	Correction
Forgetting deemed exports are taxable	Subject to levy of taxes; refund available
Forgetting eligible supplies	EOU/STP/BTP/EHTP, AA/DFIA, EPCG, etc.
Forgetting refund	Refund available to supplier or recipient

I. Important Limits and Time Periods

Particular	Limit/Period
Marine freight containers export	6 months

J. Important Tables

Table 1: Deemed Exports – Eligible Supplies

Category	Supplies
By Manufacturer	AA/DFIA, EOU/STP/BTP/EHTP, EPCG, Marine Containers
By Main Contractor/Sub-contractor	Multilateral/Bilateral Projects, Zero Duty Projects, Mega Power, UN, Nuclear

Table 2: Benefits for Deemed Exports

Benefit	Details
Advance Authorization	Available
DFIA	Available
Deemed Export Drawback	Available
Refund of Tax	To supplier or recipient

K. Summary Charts

```
DEEMED EXPORTS
│
├── Eligible Supplies
│    ├── AA/DFIA
│    ├── EOU/STP/BTP/EHTP
│    ├── EPCG
│    ├── Multilateral/Bilateral Projects
│    ├── Zero Duty Projects
│    ├── Mega Power Projects
│    ├── UN Organizations
│    └── Nuclear Projects
│
├── Benefits
│    ├── Advance Authorization
│    ├── DFIA
│    ├── Deemed Export Drawback
│    └── Refund of Tax
│
└── Conditions
     ├── Subject to Levy of Taxes
     └── Refund to Supplier or Recipient
```

L. Quick Revision Notes

Point	Key Takeaway
Deemed Exports	Supplies to EOU/STP/BTP/EHTP, AA/DFIA, EPCG, etc.
Benefits	AA, DFIA, Drawback, Refund
Taxability	Subject to Levy of Taxes
Refund	To Supplier or Recipient
Marine Containers	6 months

M. Last Day Revision Notes

Key Points to Remember

1. Deemed Exports – Supplies to EOU/STP/BTP/EHTP, AA/DFIA, EPCG, etc.
2. Benefits – AA, DFIA, Drawback, Refund.
3. Subject to Levy of Taxes.
4. Refund to Supplier or Recipient.
5. Marine Containers – 6 months.

MODULE 26 – COMPLETE MODULE SUMMARY

A. Complete Module Summary

Module 26 covers the Export Promotion Schemes under the Foreign Trade Policy. The key aspects are:

1. **FTP 2023** – Effective 1st April, 2023; no end date.
2. **DGFT** – Director General of Foreign Trade; issues IEC, authorisations.
3. **Status Holders** – 1 Star (3), 2 Star (15), 3 Star (50), 4 Star (200), 5 Star (800).
4. **Advance Authorisation** – Duty-free import of inputs; minimum VA 15% (General), 50% (Tea), 25% (Spices).
5. **DFIA** – Post-export basis; only BCD exempted; minimum VA 20%; transferable.
6. **EPCG** – Zero customs duty; EO 6 times in 6 years; validity 24 months.
7. **RoDTEP** – Refund of un-refunded duties/taxes; electronic scrip; validity 24 months; WTO-compliant.
8. **EOU Scheme** – Minimum investment ₹1 crore; NFE positive; DTA sales 50%/90%.
9. **Deemed Exports** – Supplies to EOU/STP/BTP/EHTP, AA/DFIA, EPCG; benefits include AA, DFIA, Drawback, Refund.

B. Top 50 Examination Points

1. FTP 2023 – Effective 1st April, 2023.
2. FTP 2023 – No end date.
3. DGFT – Director General of Foreign Trade.
4. Status Holders – 1 Star (3), 2 Star (15), 3 Star (50), 4 Star (200), 5 Star (800).
5. Advance Authorisation – Duty-free import of inputs.
6. Advance Authorisation – Minimum VA 15% (General).
7. Advance Authorisation – Minimum VA 50% (Tea).
8. Advance Authorisation – Minimum VA 25% (Spices).
9. Advance Authorisation – Validity 12 months.

10. Advance Authorisation – Actual User condition.
11. Advance Authorisation – Mandatory spares 10% of CIF.
12. DFIA – Post-export basis.
13. DFIA – Only BCD exempted.
14. DFIA – Minimum VA 20%.
15. DFIA – Transferable.
16. DFIA – Tyre prohibited.
17. EPCG – Zero customs duty.
18. EPCG – EO 6 times of duty saved.
19. EPCG – EO Period 6 years.
20. EPCG – Validity 24 months.
21. EPCG – Actual User till EODC.
22. EPCG – Indigenous sourcing through Invalidation Letter/ARO.
23. EPCG – Incentive 75% specific EO + 100% average EO.
24. RoDTEP – Effective 1st January 2021.
25. RoDTEP – WTO-compliant.
26. RoDTEP – Electronic Scrip.
27. RoDTEP – Validity 24 months.
28. RoDTEP – SEZ/EOU eligible from 1-6-2025.
29. RoDTEP – FEMA compliance required.
30. RoDTEP – Ineligible: Deemed Exports, Re-exports, etc.
31. EOU – Minimum Investment ₹1 crore.
32. EOU – LoP/LoI Validity 2 years.
33. EOU – Export Proceeds 9 months.
34. EOU – NFE Block 5 years.
35. EOU – DTA Sales 50% (general).
36. EOU – DTA Sales 90% (multiple products).
37. EOU – Trading Units not covered.
38. Deemed Exports – Supplies to EOU/STP/BTP/EHTP.
39. Deemed Exports – Supplies against AA/DFIA/EPCG.
40. Deemed Exports – Benefits include AA, DFIA, Drawback, Refund.
41. Deemed Exports – Subject to Levy of Taxes.
42. Deemed Exports – Refund to Supplier or Recipient.
43. Marine Freight Containers – 6 months.
44. Advance Authorisation – Free of Cost Supply allowed.

45. Advance Authorisation – Notional value added for VA.
46. DFIA – No revalidation.
47. EPCG – No revalidation.
48. RoDTEP – Notified rate × FOB.
49. RoDTEP – Value cap per unit.
50. EOU – 100% FDI through automatic route.

C. Top 25 Practical Points

1. Compute Value Addition for Advance Authorisation.
2. Compute Value Addition for DFIA.
3. Compute Duty Saved for EPCG.
4. Compute Export Obligation for EPCG.
5. Compute NFE for EOU.
6. Check Minimum VA applicability.
7. Check Actual User condition.
8. Check Transferability.
9. Check Validity periods.
10. Check DTA sales limits.
11. Check Export Obligation fulfilment.
12. Check RoDTEP eligibility.
13. Check RoDTEP ineligibility.
14. Check FEMA compliance.
15. Check Deemed Exports eligibility.
16. Check Refund eligibility.
17. Check Status Holder eligibility.
18. Check Privileges of Status Holders.
19. Check IEC requirement.
20. Check RCMC requirement.
21. Check SION availability.
22. Check Pre-import condition.
23. Check Free of Cost Supply.
24. Check Mandatory Spares.
25. Check Marine Container time limit.

D. Important Formula Sheet

VALUE ADDITION

VA = (A - B) / B × 100

A = FOB value of export realised / FOR value of Supply received

B = CIF value of inputs covered by Authorisation + value of any other input

MINIMUM VA

Advance Authorisation: 15% (General), 50% (Tea), 25% (Spices)

DFIA: 20%

EPCG DUTY SAVED

Duty Saved = Effective Duty under Project Imports - Concessional Duty under EPCG

EPCG EXPORT OBLIGATION

EO = 6 × Duty Saved

EO Period = 6 years

EOU NFE

Positive NFE = A - B > 0

A = FOB value of exports

B = CIF value of imported inputs + capital goods + foreign exchange payments

RoDTEP

Value = Least of FOB or 1.5 × Market Price

E. Fast Track Revision Notes

Fast Track Revision – Module 26

1. **FTP 2023:** Effective 1st April, 2023; no end date.
2. **DGFT:** Director General of Foreign Trade.
3. **Status Holders:** 1 Star (3), 2 Star (15), 3 Star (50), 4 Star (200), 5 Star (800).
4. **Advance Authorisation:** Duty-free inputs; VA 15%/50%/25%; validity 12 months.
5. **DFIA:** Post-export; only BCD; VA 20%; transferable.
6. **EPCG:** Zero duty; EO 6× in 6 years; validity 24 months.
7. **RoDTEP:** Refund of un-refunded taxes; e-scrip; validity 24 months.
8. **EOU:** Min. investment ₹1 crore; NFE positive; DTA 50%/90%.
9. **Deemed Exports:** Supplies to EOU/STP/BTP/EHTP; benefits AA/DFIA/Drawback/Refund.

F. One Night Before Exam Notes

📌 **MOST IMPORTANT REVISION POINT: ONE NIGHT BEFORE EXAM – MODULE 26**

1. Read the formula sheet.
2. Review FTP 2023 features.
3. Review Status Holder categories.
4. Review Advance Authorisation conditions.
5. Review DFIA features.
6. Review EPCG features.
7. Review RoDTEP benefits and eligibility.
8. Review EOU features.
9. Review Deemed Exports benefits.
10. Stay calm and confident.

MODULE 27: SPECIAL ECONOMIC ZONE SCHEME (WITH AMENDED SEZ RULES)

MODULE OVERVIEW

This module deals with the **Special Economic Zone (SEZ) Scheme** under the SEZ Act, 2005 and SEZ Rules, 2006. An SEZ is a specially dedicated zone built by a nation for businesses. SEZs are projected as duty-free areas for the purpose of trade, operation, duty and tariffs. Goods and services coming to SEZ units from Domestic Tariff Area (DTA) are treated as exports from India, and goods and services rendered from SEZ to DTA are treated as imports into India.

Coverage of the Module

- Introduction to SEZ Scheme
- Applicability of Taxes and Duties to SEZ Units
- Incentives to SEZ Units
- Benefits of SEZ
- Types of SEZs in India
- SEZ Act, 2005
- SEZ Approval Mechanism
- SEZ Rules, 2006
- Key Amendments to SEZ Rules
- SEZ vs. EOU
- Case Laws

⚠ **EXAM ALERT: Weightage in Examination:** 5–8 marks (Theory). Mostly theory-based with occasional practical aspects on SEZ benefits.

LEARNING OBJECTIVES

1. Understand the concept of **Special Economic Zone (SEZ)**.
2. Explain the **applicability of taxes and duties** to SEZ units.

3. Understand the **incentives and benefits** available to SEZ units.
4. Identify the **types of SEZs** in India.
5. Explain the **SEZ Approval Mechanism**.
6. Understand the **SEZ Rules, 2006** and key amendments.
7. Distinguish between **SEZ and EOU**.
8. Apply the provisions to practical problems.

CHAPTER INDEX

Chapter	Topic
27.1	Introduction to SEZ Scheme
27.2	Incentives and Benefits
27.3	SEZ Act and Approval Mechanism
27.4	SEZ Rules and Amendments
27.5	SEZ vs. EOU
27.6	Case Laws

EXAMINATION FOCUS AREAS

1. **SEZ Concept** – Duty-free area, separate island
2. **Incentives** – Duty-free imports, Income tax exemption, FDI
3. **SEZ Approval Mechanism** – BoA, State Government
4. **SEZ Rules** – Minimum land requirements
5. **SEZ vs. EOU** – Key differences
6. **Amendments** – GST alignment, Work from Home
7. **Case Laws** – Britannia Industries, Platinum Holdings

FREQUENTLY TESTED CONCEPTS

Concept	Frequency	Importance
SEZ Concept	Every exam	Very High
Incentives	Every exam	Very High
SEZ Approval Mechanism	Often	High
SEZ Rules	Often	High
SEZ vs. EOU	Often	High
Amendments	Sometimes	Medium
Case Laws	Sometimes	Medium

CHAPTER 27.1: INTRODUCTION TO SEZ SCHEME

A. Chapter Introduction

A **Special Economic Zone (SEZ)** is a specially dedicated zone built by a nation for businesses. An SEZ is developed by a nation to promote the economic growth of the country. The **Kandla SEZ** was the first Special Economic Zone set up in India in **1965** near Kandla port, Gujarat. Approximately there are **265 operational SEZs** in India. Interestingly highest number of SEZs are in Tamil Nadu.

B. Important Definitions

Term	Definition
SEZ	Special Economic Zone
SEZ Act, 2005	Act to provide for establishment, development and management of SEZs
SEZ Rules, 2006	Rules for SEZ operations
DTA	Domestic Tariff Area
FTWZ	Free Trade and Warehousing Zone
IFSC	International Financial Services Centre
BoA	Board of Approval

C. Concept Explanation

D1. Key Features of SEZ

- SEZs are like a **separate island** within territory of India.
- SEZs are projected as **duty-free area** for the purpose of trade, operation, duty and tariffs.
- Goods and services coming to SEZ units from DTA are treated as **exports from India**.
- Goods and services rendered from SEZ to DTA are treated as **imports into India**.
- Any proposal for setting up of SEZ unit in Private/Joint/State Sector is routed through concerned State Government to Department of Commerce.
- SEZs are treated as **foreign territory for tax purposes** even though they are located within a country's borders.
- Supplies into SEZs are exempt from paying GST because they are considered as exports.
- When an SEZ supplies goods/services to DTA, it is exempt from paying taxes, although the receiver in DTA has to pay IGST under reverse charge mechanism (RCM).

D. Section-wise Analysis

SEZ Act, 2005 – Section 2(za)

"Special Economic Zone" means each Special Economic Zone notified under the proviso to sub-section (4) of Section 3 (set up and notify the SEZ) and sub-section (1) of Section 4 (provisions relating Developer of SEZ) including Free Trade and Warehousing Zone and an existing Special Economic Zone.

Main Objectives of SEZ Act

1. To create additional economic activity.
2. To boost the export of goods and services.
3. To generate employment.
4. To boost domestic and foreign investments.
5. To develop infrastructure facilities.

E. Practical Implications

1. SEZs provide a duty-free environment.
2. SEZs are treated as foreign territory for tax purposes.
3. Supplies to SEZs are zero-rated.
4. Supplies from SEZs to DTA attract IGST under RCM.

F. Examination Perspective

Aspect	Importance
SEZ Concept	Very High
First SEZ	High
Tax Treatment	High
Objectives	Medium

G. Frequently Tested Areas

1. SEZ Concept
2. First SEZ (Kandla, 1965)
3. Tax Treatment (Foreign Territory)
4. Objectives of SEZ Act

H. Examiner's Favourite Topics

1. SEZ Concept
2. First SEZ
3. Tax Treatment

I. Common Student Mistakes

Mistake	Correction
Forgetting first SEZ	Kandla SEZ, 1965
Forgetting tax treatment	SEZs treated as foreign territory
Forgetting RCM	SEZ to DTA supplies attract IGST under RCM

J. Important Limits and Time Periods

Particular	Limit/Period
First SEZ Setup	1965 (Kandla)
Operational SEZs	Approximately 265

K. Important Tables

Table 1: SEZ – Key Features

Feature	Details
First SEZ	Kandla SEZ, 1965
Operational SEZs	Approximately 265
Highest SEZs	Tamil Nadu
Tax Treatment	Foreign Territory
Supplies to SEZ	Exports (Zero-rated)
Supplies from SEZ to DTA	Imports (IGST under RCM)

L. Summary Charts

```
SEZ SCHEME
│
├── Concept
│    ├── Separate Island
│    ├── Duty-Free Area
│    └── Foreign Territory for Tax
│
├── First SEZ
│    └── Kandla (1965)
│
├── Tax Treatment
│    ├── DTA to SEZ → Exports
│    └── SEZ to DTA → Imports
│
└── Objectives
     ├── Economic Activity
     ├── Export Boost
     ├── Employment
     ├── Investment
     └── Infrastructure
```

M. Quick Revision Notes

Point	Key Takeaway
SEZ	Special Economic Zone
First SEZ	Kandla, 1965
Tax Treatment	Foreign Territory
Supplies to SEZ	Exports (Zero-rated)
Supplies from SEZ to DTA	Imports (IGST under RCM)
Highest SEZs	Tamil Nadu

N. Last Day Revision Notes

Key Points to Remember

1. SEZ – Special Economic Zone.
2. First SEZ – Kandla, 1965.
3. SEZs treated as Foreign Territory for Tax purposes.
4. Supplies to SEZ – Exports (Zero-rated).
5. Supplies from SEZ to DTA – Imports (IGST under RCM).
6. Highest SEZs – Tamil Nadu.

CHAPTER 27.2: INCENTIVES AND BENEFITS

A. Chapter Introduction

The government offers many incentives for companies and businesses established in SEZs. Apart from the firms operating in SEZs, developers of SEZs also receive many benefits and incentives from the government.

B. Concept Explanation

D1. Incentives to SEZ Units

1. Duty-free import or domestic procurement of goods for developing, operating and maintaining SEZ units.
2. **100% Income tax exemption** on export income for SEZ units under the Income Tax Act, 1961 for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
3. Units are exempted from **Minimum Alternate Tax (MAT)**.
4. They were exempted from GST. Supplies to SEZs are **zero-rated** under the IGST Act, 2017.
5. **Single window clearance** for Central and State level approvals.
6. There is no need for a license for import.
7. In the manufacturing sector, barring a few segments, **100% Foreign Direct Investment (FDI)** is allowed.
8. Profits earned are permitted to be repatriated freely with no need for any dividend balancing.
9. There is no need for separate documentation for customs and export-import policy.
10. Many SEZs offer developed plots and ready-to-use space.
11. SEZ units are eligible for MEIS, SEIS and **RoDTEP** duty credit scripts.

D2. Benefits of SEZ

1. SEZ units are permitted to import or get duty-free goods/materials etc. from domestic sources.
2. SEZ units import capital goods, raw materials, consumables, spares, packing materials, office equipment, etc. for operating their business in the SEZ, without the need for a license or other specific sanction.
3. Products imported or bought locally duty-free could be used for **five years** after approval.
4. After paying the necessary customs duties, finished goods and by-products may be sold domestically.
5. Domestic sales of waste, scrap, and rejected goods are permitted with payment of any applicable customs taxes.

D3. RoDTEP for SEZ

Notification No. 50/2024-Customs (N.T.), dated 19th July 2024, extends the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme to include exports by units located in Special Economic Zones (SEZs).

- **Before Amendment:** An SEZ unit exporting goods was not eligible for RoDTEP benefits.
- **After Amendment:** The same SEZ unit, exporting goods with shipping bills presented on or after **1st July 2024**, can now claim RoDTEP benefits, reducing their overall tax burden and enhancing export profitability.

C. Practical Implications

1. SEZ units receive significant tax benefits.
2. 100% income tax exemption for first 5 years.
3. MAT exemption.
4. Zero-rated GST supplies.
5. 100% FDI allowed.
6. RoDTEP benefits available from 1st July 2024.

D. Examination Perspective

Aspect	Importance
Income Tax Exemption	Very High
MAT Exemption	High
Zero-rated GST	High
FDI	High
RoDTEP	High
Other Benefits	Medium

E. Frequently Tested Areas

1. Income Tax Exemption (100% for 5 years)

2. MAT Exemption
3. Zero-rated GST
4. 100% FDI
5. RoDTEP Benefits
6. Single Window Clearance

F. Examiner's Favourite Topics

1. Income Tax Exemption
2. MAT Exemption
3. RoDTEP Benefits
4. FDI

G. Common Student Mistakes

Mistake	Correction
Forgetting income tax exemption	100% for 5 years, 50% for next 5 years
Forgetting MAT exemption	Units exempted from MAT
Forgetting RoDTEP	SEZ units eligible from 1-7-2024
Forgetting FDI	100% FDI allowed

H. Important Limits and Time Periods

Particular	Limit/Period
Income Tax Exemption	100% for 5 years; 50% for next 5 years
Duty-Free Use	5 years after approval
RoDTEP Eligibility	From 1st July 2024

I. Important Tables

Table 1: Incentives to SEZ Units

Incentive	Details
Duty-Free Import	Available
Income Tax Exemption	100% for 5 years; 50% for next 5 years
MAT Exemption	Available
GST	Zero-rated
Single Window Clearance	Available
FDI	100% allowed
RoDTEP	Available from 1-7-2024

J. Summary Charts

```
SEZ INCENTIVES
│
├── Duty-Free Import
│
├── Income Tax Exemption
│   ├── 100% for 5 years
│   └── 50% for next 5 years
│
├── MAT Exemption
│
├── GST
│   └── Zero-rated
│
├── Single Window Clearance
│
├── FDI
│   └── 100% allowed
│
├── RoDTEP
│   └── From 1-7-2024
│
└── Other Benefits
    ├── Repatriation of Profits
    ├── No Import License
    └── Developed Plots
```

K. Quick Revision Notes

Point	Key Takeaway
Duty-Free Import	Available
Income Tax	100% for 5 years; 50% for next 5 years
MAT	Exempted
GST	Zero-rated
FDI	100%
RoDTEP	From 1-7-2024

L. Last Day Revision Notes

Key Points to Remember

1. SEZ Units – Duty-Free Import.
2. Income Tax – 100% for 5 years; 50% for next 5 years.
3. MAT – Exempted.
4. GST – Zero-rated.
5. FDI – 100% allowed.
6. RoDTEP – From 1-7-2024.

CHAPTER 27.3: SEZ ACT AND APPROVAL MECHANISM

A. Chapter Introduction

The SEZ Act, 2005 provides for the establishment, development and management of Special Economic Zones for the promotion of exports. The SEZ approval mechanism is a **single-window process** provided by a **19-member inter-ministerial SEZ Board of Approval (BoA)**.

B. Important Definitions

Term	Definition
BoA	Board of Approval
SEZ Act, 2005	Act to provide for establishment, development and management of SEZs
Section 2(za)	Definition of Special Economic Zone

C. Concept Explanation

D1. SEZ Approval Mechanism

1. The developer has to submit the proposal to the state government.
2. The state government forwards this proposal to the BoA along with its recommendation within **forty-five days**.
3. The developer or applicant can also directly submit the proposal to the BoA.
4. The Board, which has been constituted by the Central Government, is a **19-member Board** and takes decisions considering the merits of the proposal.
5. All decisions taken by the Board are by **consensus**.
6. The Board is chaired by the **Secretary of the Dept. of Commerce, Ministry of Commerce and Industry**.
7. Other members are from various bodies and ministries such as CBIC, CBDT, Department of Economic Affairs, Dept. of Commerce, Ministry of Science and Technology, Ministry of Home Affairs, Ministry of Law and Justice, Ministry of Urban Development, etc.
8. Once the BoA gives its approval, and the central government notifies the area of the SEZ, units are allowed to be established inside the SEZ.

D2. Types of SEZs in India

- Multi-sector SEZ
- Sector-specific SEZ
- Free Trade and Warehousing Zone (FTWZ)
- IT/ITeS/handicrafts/bio-technology/non-conventional energy/gems and jewellery SEZ
- International Financial Services Centre (IFSC)

D. Practical Implications

1. Single-window clearance for SEZ setup.
2. 19-member BoA takes decisions by consensus.
3. State Government forwards proposal within 45 days.
4. Various types of SEZs available.

E. Examination Perspective

Aspect	Importance
BoA	Very High
Approval Mechanism	High
Types of SEZs	High
State Government Role	Medium

F. Frequently Tested Areas

1. BoA Composition (19 members)
2. Approval Mechanism (45 days)
3. Types of SEZs
4. Consensus Decision

G. Examiner's Favourite Topics

1. BoA Composition
2. Approval Mechanism
3. Types of SEZs

H. Common Student Mistakes

Mistake	Correction
Forgetting BoA members	19 members
Forgetting State Government timeline	45 days
Forgetting decision mode	Consensus

I. Important Limits and Time Periods

Particular	Limit/Period
State Government forwarding	45 days
BoA Members	19

J. Important Tables

Table 1: Types of SEZs

Type	Description
Multi-sector SEZ	Multiple sectors
Sector-specific SEZ	Specific sector
FTWZ	Free Trade and Warehousing Zone
IT/ITeS SEZ	Information Technology
IFSC	International Financial Services Centre

K. Summary Charts

```
SEZ APPROVAL MECHANISM
│
├── Developer Submits Proposal
│    ├── To State Government
│    └── Directly to BoA
│
├── State Government
│    └── Forwards to BoA within 45 days
│
├── BoA (19 Members)
│    ├── Chaired by Secretary, Dept. of Commerce
│    ├── Members from CBIC, CBDT, etc.
│    └── Decisions by Consensus
│
└── Central Government Notification
     └── Units allowed to be established
```

L. Quick Revision Notes

Point	Key Takeaway
BoA Members	19
BoA Chairman	Secretary, Dept. of Commerce
Decision Mode	Consensus
State Govt Forwarding	45 days
Types of SEZs	Multi-sector, Sector-specific, FTWZ, IFSC

M. Last Day Revision Notes

Key Points to Remember

1. BoA – 19 members.
2. BoA Chairman – Secretary, Dept. of Commerce.
3. Decisions by Consensus.
4. State Government forwards within 45 days.
5. Types of SEZs – Multi-sector, Sector-specific, FTWZ, IFSC.

CHAPTER 27.4: SEZ RULES AND AMENDMENTS

A. Chapter Introduction

The SEZ Rules, 2006 provide for simplified procedures to develop, operate and maintain SEZs, single-window clearance, and simplified compliance procedures with a focus on self-certification. The Ministry of Commerce and Industry has announced significant amendments to the SEZ Rules, 2006.

B. Concept Explanation

D1. SEZ Rules, 2006 – Key Provisions

1. Simplified procedures to develop, operate and maintain SEZs.
2. Single-window clearance to set up a Special Economic Zone and a unit in an SEZ.
3. Single-window clearance for matters connected to Central and State governments.
4. Simplified compliance procedures and documentation with focus on self-certification.
5. Different minimum land requirements for different classes of SEZs.

D2. Key Amendments to SEZ Rules, 2006

1. Alignment of existing SEZ law with GST.

2. No minimum area required for setting up SEZs in Biotechnology & Health Sector.
3. Merger of two or more units in the same SEZ of the same legal entity permitted.
4. Specified categories of supplies to DTA not considered for computation of Net Foreign Exchange (NFE) Earnings.
5. New Rule 21A inserted – Setting up of unit by Multilateral or Unilateral or International agencies in International Financial Services Centre.
6. Gems and jewellery unit – semi-finished goods, precious metals and any other raw material (excluding diamonds or precious and semi-precious stones or lab grown diamonds) taken outside SEZ for sub-contracting of studding shall be brought back within **45 days**.
7. **Work from Home** – As per SEZ (Third Amendment) Rules, 2022, insertion of new Rule 43A provides flexibility to allow a maximum **50% of employees** to work from home and temporarily remove goods such as laptops, computers, electronic equipment, etc., from SEZ unit to DTA without payment of duty.

C. Practical Implications

1. Simplified procedures for SEZ operations.
2. Work from Home allowed up to 50% of employees.
3. Gems and jewellery sub-contracting time limit 45 days.
4. Alignment with GST.

D. Examination Perspective

Aspect	Importance
SEZ Rules Key Provisions	High
Amendments	High
Work from Home	Very High
Gems and Jewellery	Medium

E. Frequently Tested Areas

1. SEZ Rules Key Provisions

2. Amendments – GST Alignment
3. Work from Home (50%)
4. Gems and Jewellery (45 days)
5. Rule 21A

F. Examiner's Favourite Topics

1. Work from Home
2. Amendments
3. Rule 21A
4. Gems and Jewellery

G. Common Student Mistakes

Mistake	Correction
Forgetting Work from Home limit	50% of employees
Forgetting gems time limit	45 days
Forgetting Rule 21A	IFSC units by Multilateral agencies

H. Important Limits and Time Periods

Particular	Limit/Period
Work from Home	50% of employees
Gems and Jewellery Sub-contracting	45 days

I. Important Tables

Table 1: SEZ Rules – Key Provisions

Provision	Details
Simplified Procedures	Develop, operate, maintain SEZs
Single Window Clearance	Central and State approvals
Self-Certification	Compliance focus
Minimum Land Requirements	Different for different classes

Table 2: Key Amendments

Amendment	Details
GST Alignment	SEZ law aligned with GST
Biotechnology & Health	No minimum area
Merger of Units	Permitted
Work from Home	50% of employees
Gems and Jewellery	45 days for sub-contracting

J. Summary Charts

```
SEZ RULES, 2006
│
├── Key Provisions
│    ├── Simplified Procedures
│    ├── Single Window Clearance
│    ├── Self-Certification
│    └── Minimum Land Requirements
│
├── Amendments
│    ├── GST Alignment
│    ├── No Minimum Area (Biotech)
│    ├── Merger of Units
│    ├── Work from Home (50%)
│    ├── Gems and Jewellery (45 days)
│    └── Rule 21A (IFSC)
│
└── Benefits
     ├── Simplified Compliance
     └── Self-Certification
```

K. Quick Revision Notes

Point	Key Takeaway
SEZ Rules, 2006	Simplified procedures
Single Window	Central and State approvals
Self-Certification	Compliance focus
Work from Home	50% of employees
Gems and Jewellery	45 days
Rule 21A	IFSC units

L. Last Day Revision Notes

Key Points to Remember

1. SEZ Rules, 2006 – Simplified procedures.
2. Single Window Clearance for Central and State approvals.
3. Self-Certification focus.
4. Work from Home – 50% of employees.
5. Gems and Jewellery – 45 days.
6. Rule 21A – IFSC units.

CHAPTER 27.5: SEZ vs. EOU

A. Chapter Introduction

Special Economic Zone (SEZ) and Export Oriented Unit (EOU) are two different schemes for promoting exports. Both have different provisions, benefits, and requirements.

B. Concept Explanation

D1. Key Differences between SEZ and EOU

Basis	SEZ	EOU
Supply to	Called as Export	Called as Deemed Export
DTA Supply	IGST at zero rate	GST at applicable rate
Refund	No tax suffered; refund does not arise	Refund of GST allowed to supplier or receiver
Customs Clearance	Within the zone itself	Fast Track Clearance Scheme (FTCS)
Location	Designated sites only	Anywhere in India; not bound by boundaries
Minimum Investment	No specific minimum	₹1 crore in plant & machinery (BoA may allow lower)

C. Practical Implications

1. SEZ – Supply to SEZ is Export.
2. EOU – Supply to EOU is Deemed Export.
3. SEZ – IGST at zero rate.
4. EOU – GST at applicable rate.
5. SEZ – No minimum investment.
6. EOU – Minimum investment ₹1 crore.

D. Examination Perspective

Aspect	Importance
Supply to SEZ vs. EOU	Very High
DTA Supply	High
Refund	High
Customs Clearance	Medium
Minimum Investment	High

E. Frequently Tested Areas

1. Supply to SEZ vs. EOU
2. DTA Supply Treatment
3. Refund Provisions
4. Minimum Investment

F. Examiner's Favourite Topics

1. Supply to SEZ vs. EOU
2. DTA Supply
3. Refund
4. Minimum Investment

G. Common Student Mistakes

Mistake	Correction
Confusing SEZ with EOU	Different schemes
Forgetting Supply classification	SEZ – Export; EOU – Deemed Export
Forgetting DTA treatment	SEZ – IGST zero; EOU – GST applicable
Forgetting Minimum Investment	SEZ – None; EOU – ₹1 crore

H. Important Limits and Time Periods

Particular	SEZ	EOU
Minimum Investment	No specific minimum	₹1 crore
DTA Supply	IGST at zero rate	GST at applicable rate
Refund	No tax suffered	Refund allowed

I. Important Tables

Table 1: SEZ vs. EOU

Basis	SEZ	EOU
Supply to	Export	Deemed Export
DTA Supply	IGST at zero rate	GST at applicable rate
Refund	No tax suffered	Refund allowed
Customs Clearance	Within Zone	Fast Track Clearance Scheme
Location	Designated sites	Anywhere in India
Minimum Investment	No specific minimum	₹1 crore

J. Summary Charts

```
SEZ vs. EOU
│
├── Supply to
│    ├── SEZ: Export
│    └── EOU: Deemed Export
│
├── DTA Supply
│    ├── SEZ: IGST at Zero
│    └── EOU: GST at Applicable Rate
│
├── Refund
│    ├── SEZ: No tax suffered
│    └── EOU: Refund allowed
│
├── Customs Clearance
│    ├── SEZ: Within Zone
│    └── EOU: Fast Track Clearance Scheme
│
├── Location
│    ├── SEZ: Designated sites
│    └── EOU: Anywhere in India
│
└── Minimum Investment
     ├── SEZ: None
     └── EOU: ₹1 crore
```

K. Quick Revision Notes

Point	SEZ	EOU
Supply to	Export	Deemed Export
DTA Supply	IGST at Zero	GST at Applicable Rate
Refund	No tax suffered	Refund allowed
Customs Clearance	Within Zone	FTCS
Location	Designated sites	Anywhere in India
Minimum Investment	None	₹1 crore

L. Last Day Revision Notes

Key Points to Remember

1. SEZ – Supply is Export; EOU – Supply is Deemed Export.
2. SEZ – DTA Supply IGST at Zero; EOU – GST at Applicable Rate.
3. SEZ – No tax suffered; EOU – Refund allowed.
4. SEZ – Within Zone; EOU – Fast Track Clearance Scheme.
5. SEZ – Designated sites; EOU – Anywhere in India.
6. SEZ – No minimum investment; EOU – ₹1 crore.

CHAPTER 27.6: CASE LAWS

A. Chapter Introduction

This chapter covers important case laws related to SEZ and EOU schemes. Understanding these cases is essential for answering theory questions in the examination.

B. Important Case Laws

Case 1: Platinum Holdings (P.) Ltd. v. Additional Commissioner of GST & Central Excise, Chennai (2021) 131 taxmann.com 142 (Madras)

⚠ **EXAM ALERT: Facts:** Petitioner was a Special Economic Zone (SEZ) and made purchases from several suppliers/vendors for development of the SEZ. Petitioner filed applications for refund of taxes. Refund was rejected on the ground that only a supplier of services would be entitled to claim the refund and not the SEZ itself.

Decision: High Court observed that Section 54 of CGST Act read with Rule 89 of CGST Rules permits any entity to seek refund of taxes or other amounts paid under provisions of the Act. The only exclusion is for person covered under a notification issued under Section 55, inapplicable to petitioner. Application filed for refund of taxes paid under the Act would

be maintainable if it would be established that no such claim has been made by supplier, and tax has been remitted to treasury.

Principle: SEZ unit is eligible to claim refund of unutilized Input Tax Credit.

Case 2: M/s Britannia Industries v. UOI (2020-TIOL-1495-HC-AHM-GST)

⚠ **EXAM ALERT: Facts:** Department rejected refund of unutilized ITC filed by Petitioner operating as SEZ unit. Department contended that Rule 89 of CGST Rules allows refund of ITC only to supplier of goods or services for supplies made to SEZ unit, however Petitioner is not supplier but SEZ unit itself. Department further contended that Petitioner received ITC on services from Input Service Distributor (ISD) which is not supplier of services.

Decision: High Court observed that outward supplies made by SEZ unit is zero-rated supply and there is no statutory provision barring refund of accumulated ITC to SEZ unit relatable to zero-rated supplies. Petitioner is entitled to claim refund of ITC of GST distributed by ISD and there is no specific supplier who can claim refund under GST laws.

Principle: Refund of accumulated ITC received from ISD to SEZ unit in relation to zero-rated supplies cannot be barred.

Case 3: CCus. v. Decorative Laminates (I) Pvt. Ltd. (2010 (257) ELT 61 (Kar))

⚠ **EXAM ALERT: Facts:** Assessee imported resin and impregnated paper and bonded the same in warehouse. Extended warehousing period was granted. Later, goods lost shelf life and became unfit for use. Application for remission of duty was made.

Decision: High Court held that circumstances made out under Section 23 of Customs Act, 1962 were not applicable since destruction or loss had not occurred before clearance for home consumption. No remission if goods become unfit for use on account of non-availability of orders for clearance within the period.

Principle: Remission under Section 23 available only if loss/destruction occurs before clearance for home consumption.

C. Examination Perspective

Case	Principle	Importance
Platinum Holdings	SEZ eligible for ITC refund	High
Britannia Industries	ISD ITC refund to SEZ allowed	High
Decorative Laminates	Remission only before clearance	Medium

D. Frequently Tested Areas

1. Platinum Holdings case
2. Britannia Industries case
3. Decorative Laminates case

E. Quick Revision Notes

Case	Principle
Platinum Holdings	SEZ eligible for ITC refund
Britannia Industries	ISD ITC refund to SEZ allowed
Decorative Laminates	Remission only before clearance

F. Last Day Revision Notes

Key Case Laws to Remember

1. **Platinum Holdings:** SEZ eligible for ITC refund.
2. **Britannia Industries:** ISD ITC refund to SEZ allowed.
3. **Decorative Laminates:** Remission only before clearance.

MODULE 27 – COMPLETE MODULE SUMMARY

A. Complete Module Summary

Module 27 covers the Special Economic Zone (SEZ) Scheme. The key aspects are:

1. **SEZ Concept** – Separate island, duty-free area, foreign territory for tax purposes.
2. **First SEZ** – Kandla, 1965.
3. **Tax Treatment** – DTA to SEZ = Exports; SEZ to DTA = Imports (IGST under RCM).
4. **Incentives** – 100% Income Tax exemption for 5 years, MAT exemption, zero-rated GST, 100% FDI.
5. **RoDTEP** – SEZ units eligible from 1-7-2024.
6. **SEZ Act, 2005** – Objectives: economic activity, export boost, employment, investment, infrastructure.
7. **BoA** – 19 members, chaired by Secretary, Dept. of Commerce; decisions by consensus.
8. **SEZ Rules, 2006** – Simplified procedures, single-window clearance, self-certification.
9. **Amendments** – Work from Home (50%), Gems and Jewellery (45 days), Rule 21A (IFSC).
10. **SEZ vs. EOU** – Supply to SEZ = Export; EOU = Deemed Export.
11. **Case Laws** – Platinum Holdings, Britannia Industries, Decorative Laminates.

B. Top 50 Examination Points

1. SEZ – Special Economic Zone.
2. First SEZ – Kandla, 1965.
3. Approximately 265 operational SEZs.
4. Highest SEZs – Tamil Nadu.
5. SEZs – Separate island.
6. SEZs – Duty-free area.
7. SEZs – Foreign territory for tax.
8. DTA to SEZ – Exports.
9. SEZ to DTA – Imports.

10. SEZ to DTA – IGST under RCM.
11. Duty-Free Import – Available.
12. Income Tax Exemption – 100% for 5 years.
13. Income Tax Exemption – 50% for next 5 years.
14. MAT Exemption – Available.
15. GST – Zero-rated.
16. Single Window Clearance – Available.
17. FDI – 100% allowed.
18. RoDTEP – From 1-7-2024.
19. Profit Repatriation – Allowed.
20. No Import License – Required.
21. Duty-Free Use – 5 years.
22. SEZ Act, 2005 – Objectives.
23. SEZ Approval – Single Window.
24. BoA – 19 members.
25. BoA Chairman – Secretary, Dept. of Commerce.
26. BoA Decisions – Consensus.
27. State Govt Forwarding – 45 days.
28. Types of SEZs – Multi-sector, Sector-specific, FTWZ, IFSC.
29. SEZ Rules, 2006 – Simplified procedures.
30. Self-Certification – Focus.
31. Minimum Land Requirements – Different for different classes.
32. GST Alignment – SEZ law.
33. Biotech – No minimum area.
34. Merger of Units – Permitted.
35. Work from Home – 50% of employees.
36. Gems and Jewellery – 45 days.
37. Rule 21A – IFSC units.
38. SEZ vs. EOU – Supply classification.
39. SEZ – Supply to SEZ is Export.
40. EOU – Supply to EOU is Deemed Export.
41. SEZ – DTA Supply IGST at Zero.
42. EOU – DTA Supply GST at Applicable Rate.
43. SEZ – No tax suffered.
44. EOU – Refund allowed.

45. SEZ – Within Zone.
46. EOU – Fast Track Clearance Scheme.
47. SEZ – Designated sites.
48. EOU – Anywhere in India.
49. SEZ – No minimum investment.
50. EOU – ₹1 crore minimum investment.
51. Case Laws – Platinum Holdings, Britannia Industries.

C. Top 25 Practical Points

1. Compute Income Tax Exemption benefits.
2. Check MAT exemption applicability.
3. Check RoDTEP eligibility.
4. Check FDI limits.
5. Check duty-free use period (5 years).
6. Check SEZ Approval Mechanism.
7. Check BoA composition.
8. Check State Government timeline (45 days).
9. Check Types of SEZs.
10. Check SEZ Rules provisions.
11. Check Work from Home limit (50%).
12. Check Gems and Jewellery time limit (45 days).
13. Check Rule 21A applicability.
14. Compare SEZ vs. EOU.
15. Check Supply classification.
16. Check DTA Supply treatment.
17. Check Refund provisions.
18. Check Customs Clearance procedure.
19. Check Location requirements.
20. Check Minimum Investment for EOU.
21. Check Case Laws.
22. Check SEZ Act objectives.
23. Check Tax Treatment.
24. Check IGST under RCM.
25. Check SEZ operational count.

D. Important Formula Sheet

SEZ INCENTIVES

Income Tax: 100% for 5 years; 50% for next 5 years

MAT: Exempted

GST: Zero-rated

FDI: 100% allowed

RoDTEP: From 1-7-2024

Duty-Free Use: 5 years

WORK FROM HOME

Maximum: 50% of employees

GEMS AND JEWELLERY

Sub-contracting: 45 days

E. Fast Track Revision Notes

Fast Track Revision – Module 27

1. **SEZ:** Separate island, duty-free area, foreign territory.
2. **First SEZ:** Kandla, 1965.
3. **Tax Treatment:** DTA to SEZ = Exports; SEZ to DTA = Imports.
4. **Incentives:** 100% Income Tax for 5 years, MAT exemption, zero-rated GST, 100% FDI.
5. **RoDTEP:** SEZ units eligible from 1-7-2024.
6. **BoA:** 19 members, consensus decisions.
7. **SEZ Rules:** Simplified procedures, self-certification.
8. **Amendments:** Work from Home (50%), Gems (45 days), Rule 21A (IFSC).
9. **SEZ vs. EOU:** Export vs. Deemed Export.

F. One Night Before Exam Notes

📌 **MOST IMPORTANT REVISION POINT: ONE NIGHT BEFORE EXAM – MODULE 27**

1. Read the formula sheet.
2. Review SEZ Concept.
3. Review Tax Treatment.
4. Review Incentives.
5. Review RoDTEP.
6. Review BoA.
7. Review SEZ Rules.
8. Review Amendments.
9. Review SEZ vs. EOU.
10. Review Case Laws.
11. Stay calm and confident.

G. Expected Dec 2026 Examination Areas

1. SEZ Concept and Tax Treatment (5 marks)
2. Incentives to SEZ Units (5 marks)
3. SEZ Approval Mechanism (5 marks)
4. SEZ Rules and Amendments (5 marks)
5. SEZ vs. EOU (5 marks)
6. Case Laws (3 marks)

H. Final Revision Checklist

✓	Topic
☐	SEZ Concept
☐	First SEZ
☐	Tax Treatment
☐	Incentives
☐	Income Tax Exemption
☐	MAT Exemption
☐	Zero-rated GST
☐	FDI
☐	RoDTEP
☐	SEZ Act, 2005
☐	BoA
☐	Approval Mechanism
☐	Types of SEZs
☐	SEZ Rules, 2006
☐	Amendments
☐	Work from Home
☐	Gems and Jewellery
☐	Rule 21A
☐	SEZ vs. EOU
☐	Case Laws

END OF MODULES 25 to 27

MODULES 25-27 COMPLETE

Trade Facilitation | Export Promotion | SEZ Scheme

Customs Master Revision Notes – Complete

Modules 18 to 27 Covered

End of Customs Module Series