Skillshort

Self-Study Preparation Pack

CMA INTERMEDIATE

Paper 7: Direct and Indirect Taxation (DITX)

Mock Test 1 – Full Paper with Model Answers

ICMAI Syllabus 2022 pattern: 100 marks · 3 hours · Section A – 15 MCQs × 2 (compulsory) · Section B – any 5 of Q2–Q8 (14 marks each) · Income tax A.Y. 2026-27; GST and Customs as amended to 31 May 2026 · Original Skillshort questions, figures verified in Python

Time: 3 hours | Max marks: 100 | No negative marking | Model answers follow the paper

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This subject pack has 6 parts

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Prepared by Skillshort for self-study. Original explanations and questions; not an official ICAI/ICMAI/ICSI publication. Items marked VERIFY should be checked against the latest official material.

Section A – Multiple Choice Questions (30 marks)

Q1. Choose the correct option (2 × 15 = 30). Unless stated, individuals are resident, below 60 years, and pay tax under the default regime u/s 115BAC.

1. Ms. Riya's total income for A.Y. 2026-27 is ₹12,00,000 (salary and interest only). Her tax liability under the default regime is

(a) ₹60,000 (b) ₹62,400
(c) Nil (d) ₹80,000

2. Standard deduction from salary under the default regime for A.Y. 2026-27 is

(a) ₹50,000 (b) ₹75,000
(c) ₹1,00,000 (d) ₹25,000

3. Income from saplings or seedlings grown in a nursery is

(a) Business income (b) Agricultural income
(c) Income from other sources (d) Partly agricultural

4. Under the old regime, the maximum deduction u/s 80D for health insurance of **senior-citizen parents** is

(a) ₹25,000 (b) ₹50,000
(c) ₹75,000 (d) ₹1,00,000

5. Listed equity shares are long-term capital assets if held for more than

(a) 12 months (b) 24 months
(c) 36 months (d) 6 months

6. The rate of Alternate Minimum Tax for an individual (not in an IFSC) is

(a) 15% (b) 18.5% of adjusted total income
(c) 9% (d) 22%

7. The GST Council is constituted under

(a) Article 246A (b) Article 269A
(c) Article 279A (d) Article 366(12A)

8. A supplier of services (other than restaurant services) can opt for the composition scheme u/s 10(2A) if aggregate turnover in the preceding year does not exceed

(a) ₹20 lakh (b) ₹50 lakh
(c) ₹75 lakh (d) ₹1.5 crore

9. Supply of goods by a supplier in Maharashtra to an SEZ unit in Maharashtra is

(a) Intra-State and exempt
(b) Inter-State supply and zero-rated
(c) Intra-State and taxable
(d) Not a supply

10. A recipient who does not pay the supplier the value and tax within the specified period must reverse the ITC. The period is

(a) 90 days
(b) 120 days
(c) 180 days from the date of invoice
(d) 1 year

11. The validity of an e-way bill for normal cargo moving 450 km is

(a) 1 day (b) 2 days
(c) 3 days (d) 5 days

12. The electronic cash ledger is maintained in Form

(a) GST PMT-01 (b) GST PMT-02
(c) GST PMT-05 (d) GST PMT-09

13. Under the Customs Valuation Rules, where the cost of insurance is not ascertainable, it is taken at

(a) 1% of FOB (b) 1.125% of FOB
(c) 2% of CIF (d) 20% of FOB

14. Duty imposed where goods are exported to India at less than their normal value is

(a) Safeguard duty (s. 8B) (b) Countervailing duty (s. 9)
(c) Anti-dumping duty (s. 9A) (d) Protective duty (s. 6)

15. "Indian customs waters" extend into the sea up to the limit of the

(a) Territorial waters – 12 nautical miles
(b) Contiguous zone – 24 nautical miles
(c) Exclusive economic zone – 200 nautical miles
(d) Continental shelf

Section A – Answer key with reasons

Q	Ans	Explanation / working
1	(c)	Tax on ₹12 lakh = ₹60,000; rebate u/s 87A up to **₹60,000** for total income ≤ ₹12 lakh → **Nil**.
2	(b)	s. 16(ia) – **₹75,000** under s. 115BAC (₹50,000 under the old regime).
3	(b)	Explanation 3 to s. 2(1A) – **agricultural income**, whether or not basic operations are performed on land.
4	(b)	**₹50,000** for senior-citizen parents (in addition to ₹25,000 for self and family if below 60).
5	(a)	For transfers on or after 23-7-2024, **listed securities** – more than **12 months**; other assets – 24 months.
6	(b)	s. 115JC – **18.5% of ATI** (+ surcharge and cess).
7	(c)	**Art. 279A**.
8	(b)	**₹50 lakh**, at 6% (CGST 3% + SGST 3%).
9	(b)	s. 7(5)(b) IGST Act – supply to an SEZ unit is **inter-State**; s. 16 – **zero-rated**.
10	(c)	Second proviso to s. 16(2) – **180 days**; ITC is re-availed on payment.
11	(c)	1 day for every 200 km or part: 450 km → **3 days**.
12	(c)	**PMT-05** (PMT-01 – liability register; PMT-02 – credit ledger; PMT-09 – transfer within cash ledger).
13	(b)	Rule 10(2) – **1.125% of FOB value**.
14	(c)	**s. 9A** of the Customs Tariff Act – up to the margin of dumping.
15	(b)	s. 2(28) – up to the **contiguous zone** (24 nautical miles from the baseline).

Section B – Descriptive Questions (70 marks)

Answer any FIVE questions from Q2 to Q8. Each question carries 14 marks. Income tax: A.Y. 2026-27. GST rates are as given; where details of place of supply are not given, treat the supply as intra-State.

Q2 (a) (7 marks). Ms. Ritu, aged 38, is employed with a private company in Bengaluru. For P.Y. 2025-26: basic salary ₹1,00,000 p.m.; DA 20% of basic (forms part of salary for retirement benefits); children education allowance ₹3,000 p.m. for her two children; rent-free unfurnished accommodation owned by the employer in Bengaluru; a 2.0-litre car owned by the employer with a chauffeur, used for official and private purposes, all expenses borne by the employer; a gift voucher of ₹6,000 on her birthday; employer's contribution to NPS at 10% of basic + DA. Compute her income chargeable under "Salaries" under both regimes.

(b) (7 marks). Mr. John, a foreign national, came to India for the first time on 10 October 2022. His stay in India: P.Y. 2022-23 – 173 days; 2023-24 – 100 days; 2024-25 – 200 days; 2025-26 – 150 days. For P.Y. 2025-26 his incomes are: salary for services rendered in India, received in India, ₹12,00,000; interest on a savings-cum-FD account with an Indian bank ₹40,000; profit from a business in London controlled from London ₹3,00,000; rent from a house in Paris received in Paris ₹2,00,000. Determine his residential status and his tax liability for A.Y. 2026-27 under the default regime.

Q3 (a) (7 marks). Mrs. Meera (resident, default regime) acquired a residential house on 1-4-2000 for ₹10,00,000; its FMV on 1-4-2001 was ₹15,00,000 and SDV on that date ₹13,00,000. She spent ₹4,00,000 on improvement in P.Y. 2012-13 (CII 200). She sold it on 15-11-2025 for ₹1,20,00,000 (SDV ₹1,30,00,000), paying 1% brokerage. She bought another residential house for ₹40,00,000 in March 2026 and invested ₹10,00,000 in NHAI bonds in January 2026. Compute the capital gains chargeable and the tax on them under the beneficial option (ignore surcharge and cess). CII 2001-02: 100; 2025-26: 376.

(b) (7 marks). Mr. Arjun (resident, aged 45, default regime) furnishes: income from salary (computed) ₹9,00,000; house A (let out) – income ₹1,20,000; house B (let out) – loss ₹3,00,000; business income ₹2,50,000; loss from speculation business ₹60,000; STCG on listed shares (s. 111A) ₹1,00,000; LTCL on unlisted shares ₹80,000; LTCG on land ₹50,000; lottery winnings ₹40,000; brought-forward business loss of A.Y. 2020-21 ₹1,00,000 and STCL of A.Y. 2024-25 ₹30,000. Compute his gross total income and the losses to be carried forward.

Q4 (14 marks). Mr. Nikhil Bansal (aged 50, resident) runs a manufacturing proprietorship (turnover ₹4.5 crore; accounts audited). His Statement of Profit and Loss for P.Y. 2025-26 shows a net profit of **₹12,00,000** after the following items:

#	Item	₹
1	Depreciation as per books (debited)	4,00,000
2	Cash paid to a supplier of raw materials in a single day (debited in purchases)	60,000
3	Employees' contribution to PF deducted from salaries, deposited after the due date under the PF Act but before the due date of return (debited)	80,000
4	Bonus to employees – provision; ₹1,00,000 paid on 25-10-2026 and ₹50,000 on 10-12-2026 (debited)	1,50,000
5	Income-tax paid (debited)	1,20,000
6	Salary drawn by Mr. Nikhil himself (debited)	6,00,000
7	Donation to the PM CARES Fund by cheque (debited)	50,000
8	Payment to a resident contractor for repairs; no tax was deducted at source (debited)	2,50,000
9	Dividend from an Indian company (credited)	40,000
10	Interest on fixed deposits (credited)	60,000

Q5 (a) (7 marks). Ms. Kavita (aged 48), who has opted out of s. 115BAC, furnishes for P.Y. 2025-26: business income from her SEZ unit ₹34,00,000 **after** a deduction u/s 10AA of ₹10,00,000; income from other sources ₹2,00,000; deductions: s. 80C ₹1,50,000, s. 80JJAA ₹4,00,000, s. 80D ₹25,000. Compute her tax liability considering the provisions of Alternate Minimum Tax, and the AMT credit, if any.

(b) (7 marks). Mr. Sandeep (aged 45, old regime) has non-agricultural income of ₹6,40,000. He also earns ₹5,00,000 from growing and manufacturing tea in India. Compute his tax liability for A.Y. 2026-27. Also state which

of these are agricultural income: (i) income from a poultry farm; (ii) rent from agricultural land in Nepal; (iii) income from sale of seedlings grown in a nursery.

Q6 (a) (7 marks). Explain the concept and features of indirect taxes and state any five differences between direct and indirect taxes.

(b) (7 marks). Discuss the composition of the GST Council under Article 279A, the manner in which it takes decisions, and any five matters on which it makes recommendations.

Q7 (a) (10 marks). Pratham Industries Ltd., registered in Pune (Maharashtra), manufactures machine parts (GST @ 18%). Details for September 2026:

#	Transaction	₹
1	Intra-State supply of goods (net of discount shown on invoices)	20,00,000
2	Inter-State supply of goods to Gujarat	15,00,000
3	Export of goods under LUT	10,00,000
4	Advance received for goods to be supplied in October 2026	3,00,000
5	Free samples distributed to dealers (cost)	50,000
6	Gift of goods to an employee	40,000
7	Goods sent to its Bengaluru branch (separately registered, eligible for full ITC) – invoice value	5,00,000
8	Legal services received from a senior advocate	1,00,000
9	Transport of goods by a GTA (GTA has not opted for forward charge; RCM @ 5%)	50,000

Input tax on purchases: inputs – CGST ₹1,00,000 and SGST ₹1,00,000 (including CGST ₹5,000 and SGST ₹5,000 on inputs used in the free samples); inputs from other States – IGST ₹90,000; machinery – IGST ₹54,000; motor car for directors – CGST ₹70,000 and SGST ₹70,000; outdoor catering for the annual function – CGST ₹6,000 and SGST ₹6,000; works contract for the factory building – CGST ₹20,000 and SGST ₹20,000. Opening ITC balance – nil; all conditions of ITC are satisfied. Compute the minimum GST payable in cash.

(b) (4 marks). Mr. Vikas of Haryana (opted for the ₹40 lakh limit for goods) gives the following for 2026-27 till date: intra-State taxable goods ₹28 lakh; exempt goods ₹8 lakh; consultancy services (intra-State) ₹3 lakh; GST charged on the taxable supplies ₹4 lakh; inward supplies taxed under reverse charge ₹2 lakh. Is he liable to registration? Would your answer change if he did not supply any services?

Q8 (a) (7 marks). Raj Machines Ltd. (Delhi) sells a machine to Sita Ltd. (Delhi) at ₹6,00,000. Also: (i) installation charges ₹20,000 billed separately; (ii) interest of ₹5,000 for late payment recovered; (iii) the price is reduced by ₹30,000 because an NGO paid that amount to Raj Machines as a price-linked subsidy; (iv) a Central Government subsidy of ₹40,000 was received for the machine; (v) a 2% discount recorded on the invoice; (vi) design charges of ₹25,000 that Raj Machines was liable to pay were paid by Sita directly to the designer; (vii) municipal fee ₹2,000 charged. Compute the value of supply and GST @ 18%.

(b) (7 marks). Tara Electronics Ltd. imported a machine **by air** from Japan. FOB price USD 25,000; air freight USD 6,000; insurance USD 300; buying commission paid to its own agent USD 200; design and engineering work done abroad and supplied free of cost by the buyer to the seller USD 1,000; loading and unloading charges at the airport ₹5,000. CBIC exchange rate ₹85 per USD (RBI rate ₹85.50). BCD 7.5%, SWS 10%, IGST 18%. Compute the assessable value and the total customs duty.

Model Answers – Section B

SOLUTION Q2(a) Income from salary – Ms. Ritu

Particulars	Default (₹)	Optional (₹)
Basic salary (1,00,000 × 12)	12,00,000	12,00,000
DA (20%)	2,40,000	2,40,000
Children education allowance 72,000 – exempt ₹100 p.m. per child (2,400) only under optional regime	72,000	69,600
Rent-free accommodation – 10% of salary (Bengaluru population > 40 lakh): 10% × 15,12,000 / 15,09,600	1,51,200	1,50,960
Motor car > 1.6 litres with chauffeur – (2,400 + 900) × 12	39,600	39,600
Gift voucher (₹5,000 or more – fully taxable)	6,000	6,000
Employer's NPS contribution (10% of basic + DA) – s. 17(1)(viii)	1,44,000	1,44,000
Gross salary	18,52,800	18,50,160
Less: standard deduction	(75,000)	(50,000)
Income from salary	**17,77,800**	**18,00,160**

She is a specified employee (salary > ₹4,00,000), so the car perquisite is taxable. The NPS contribution of ₹1,44,000 is deductible u/s **80CCD(2)** under both regimes (within 14% / 10% of salary).

SOLUTION Q2(b) Residential status and tax – Mr. John

Basic conditions (s. 6(1)) for P.Y. 2025-26: 150 days in India (< 182), but ≥ 60 days in the year **and** 173 + 100 + 200 = **473 days** in the 4 preceding years (≥ 365) → **resident**.

Additional conditions (s. 6(6)): (i) resident in at least 2 of the 10 preceding years – 2022-23: NR (173 days but only 0 days in the 4 preceding years); 2023-24: NR (100 days; 173 in preceding 4 years); 2024-25: resident (200 days) → only **1** year; (ii) 730 days in the 7 preceding years – only 473. → **Resident but not ordinarily resident (RNOR)**.

Income	Taxable for RNOR?	₹
Salary for services in India (accrues in India)	Yes	12,00,000
Less: standard deduction (default regime)		(75,000)
Interest from an Indian bank	Yes	40,000
Business in London controlled from London	No – foreign income of a business **not controlled from India**	–
Rent from Paris received in Paris	No – accrues and received outside India	–
Total income		**11,65,000**

Tax under s. 115BAC = 20,000 + 10% × 3,65,000 = ₹56,500; **rebate u/s 87A** (an RNOR is a resident; total income ≤ ₹12 lakh) ₹56,500 → **tax liability Nil**.

SOLUTION Q3(a) Capital gains – Mrs. Meera

Cost of acquisition: asset acquired before 1-4-2001 – FMV on 1-4-2001, **not exceeding SDV** on that date = **₹13,00,000** (higher than actual cost ₹10,00,000). Full value of consideration: SDV ₹1,30,00,000 is within **110%** of ₹1,20,00,000 (108.3%) – actual consideration taken.

Particulars	Without indexation (₹)	With indexation (₹)
Sale consideration	1,20,00,000	1,20,00,000
Less: brokerage 1%	(1,20,000)	(1,20,000)
Less: cost (13,00,000 / × 376 ÷ 100)	(13,00,000)	(48,88,000)
Less: improvement (4,00,000 / × 376 ÷ 200)	(4,00,000)	(7,52,000)
LTCG	1,01,80,000	62,40,000
Less: s. 54 – new house	(40,00,000)	(40,00,000)
Less: s. 54EC – NHAI bonds within 6 months	(10,00,000)	(10,00,000)
Taxable LTCG	**51,80,000**	**12,40,000**
Tax @ 12.5% / 20%	6,47,500	**2,48,000**

Total income includes LTCG of **₹51,80,000** (without indexation), but tax on it is the **lower** amount, **₹2,48,000** (proviso to s. 112(1)), as she is a resident individual and the house was acquired before 23-7-2024.

SOLUTION Q3(b) Gross total income – Mr. Arjun

Head	₹
Salaries	9,00,000
House property: 1,20,000 − 3,00,000 = loss 1,80,000 – cannot be set off against other heads under the default regime (s. 115BAC(2)); carried forward	Nil
PGBP: 2,50,000 − b/f loss 1,00,000 (A.Y. 2020-21 – within 8 years)	1,50,000
Speculation loss 60,000 – only against speculation income; carried forward	Nil
STCG 1,00,000 − b/f STCL 30,000	70,000
LTCG on land 50,000 − LTCL 80,000 (LTCL only against LTCG)	Nil
Lottery winnings (no set-off allowed – s. 58(4))	40,000
Gross total income	**11,60,000**

Losses carried forward: HP loss ₹1,80,000 (8 A.Y.s, against HP income) VERIFY; speculation loss ₹60,000 (4 A.Y.s); LTCL ₹30,000 (8 A.Y.s, only against LTCG).

SOLUTION **Q4 Computation of total income of Mr. Nikhil Bansal – A.Y. 2026-27**

Particulars	Default (₹)	Optional (₹)
Net profit as per P&L	12,00,000	12,00,000
Add: book depreciation	4,00,000	4,00,000
Add: cash payment > ₹10,000 in a day – s. 40A(3) (100%)	60,000	60,000
Add: employees' PF contribution deposited after due date – s. 36(1)(va)	80,000	80,000
Add: bonus paid after due date of return (31-10-2026) – s. 43B	50,000	50,000
Add: income-tax – s. 40(a)(ii)	1,20,000	1,20,000
Add: proprietor's own salary (not an expense)	6,00,000	6,00,000
Add: donation (not a business expense)	50,000	50,000
Add: 30% of contractor payment without TDS – s. 40(a)(ia)	75,000	75,000
Less: dividend and FD interest (taxed under IFOS)	(1,00,000)	(1,00,000)
Less: normal depreciation – 15% × 20,00,000 + 7.5% × 6,00,000 (used < 180 days)	(3,45,000)	(3,45,000)
Less: additional depreciation 10% × 6,00,000 (half of 20%) – not allowed in default regime	–	(60,000)
PGBP	**21,90,000**	**21,30,000**
Income from other sources (40,000 + 60,000)	1,00,000	1,00,000
LTCG on land – without indexation (30,00,000 − 50,000 − 8,00,000); SDV within 110% so actual price is taken (s. 50C)	21,50,000	21,50,000
Gross total income	**44,40,000**	**43,80,000**
Less: 80C 1,50,000; 80D 25,000 + 50,000; 80G (PM CARES – 100%) 50,000	–	(2,70,000)
Total income	**44,40,000**	**41,10,000**
Tax on income other than LTCG (22,90,000 / 19,60,000) at slab rates	2,72,500	4,00,500
Tax on LTCG – lower of 12.5% × 21,50,000 = 2,68,750 and 20% × indexed LTCG 11,48,802 = 2,29,760	2,29,760	2,29,760
Total (no surcharge – total income ≤ ₹50 lakh)	5,02,260	6,30,260
Add: cess @ 4%	20,090	25,210
Tax liability (rounded)	**5,22,350**	**6,55,470**

Indexed cost = 8,00,000 × 376 ÷ 167 = 18,01,198; indexed LTCG = 30,00,000 − 50,000 − 18,01,198 = 11,48,802. **Advice:** the default regime saves **₹1,33,120** – Mr. Nikhil should not exercise the option (Form 10-IEA) for A.Y. 2026-27. Normal slab tax under default regime: 20,000 + 40,000 + 60,000 + 80,000 + 25% × 2,90,000 = 2,72,500.

SOLUTION Q5(a) AMT – Ms. Kavita

Particulars	₹
Business income (after s. 10AA)	34,00,000
Income from other sources	2,00,000
Gross total income	36,00,000
Less: s. 80C 1,50,000 + s. 80JJAA 4,00,000 + s. 80D 25,000	(5,75,000)
Total income	**30,25,000**
Regular tax: 1,12,500 + 30% × 20,25,000	7,20,000
Add: cess 4%	28,800
Regular tax liability	**7,48,800**

Adjusted total income = 30,25,000 + s. 80JJAA 4,00,000 (Part C deduction) + s. 10AA 10,00,000 = **₹44,25,000** (> ₹20 lakh, so AMT applies; ss. 80C and 80D are not added back). AMT = 18.5% × 44,25,000 = 8,18,625 + cess 32,745 = **₹8,51,370** (no surcharge – ATI below ₹50 lakh).

Since regular tax (₹7,48,800) < AMT, **tax payable = ₹8,51,370**. **AMT credit** u/s 115JD = 8,51,370 − 7,48,800 = **₹1,02,570**, available for 15 assessment years.

SOLUTION Q5(b) Partial integration – Mr. Sandeep

Tea grown and manufactured – Rule 8: **60% agricultural** = ₹3,00,000; **40% business** = ₹2,00,000. Non-agricultural income = 6,40,000 + 2,00,000 = **₹8,40,000**; net agricultural income ₹3,00,000 (> ₹5,000) and non-agricultural income > ₹2,50,000 → aggregation applies.

Step	Computation	₹
1	Tax on 8,40,000 + 3,00,000 = 11,40,000: 12,500 + 1,00,000 + 30% × 1,40,000	1,54,500
2	Tax on 3,00,000 + 2,50,000 = 5,50,000: 12,500 + 20% × 50,000	22,500
3	Tax payable (1 − 2)	1,32,000
	Add: cess 4%	5,280
	Tax liability	**1,37,280**

(i) Poultry farming – **not** agricultural (no basic operations on land). (ii) Land in Nepal – **not** agricultural income (land must be in India); taxable as other income. (iii) Nursery seedlings – **agricultural income** (Explanation 3 to s. 2(1A)).

SOLUTION Q6(a) Indirect taxes

An **indirect tax** is levied on goods and services; the supplier pays it to the government but recovers it from the buyer, so the **impact** (on the supplier) and **incidence** (on the consumer) fall on different persons. **Features:** (1) burden can be shifted; (2) levied on transactions – supply, import, export; (3) regressive – same rate for all consumers; (4) wide base and convenient collection with the price; (5) difficult to evade at the point of sale; (6) inflationary; (7) a tool of social and economic policy (higher rates on sin and luxury goods).

Basis	Direct tax	Indirect tax
Incidence and impact	On the same person	On different persons
Shifting	Not possible	Possible
Base	Income or wealth	Consumption of goods and services
Nature	Progressive	Regressive
Evasion	Easier	Harder
Inflation	Can reduce demand	Raises prices

SOLUTION Q6(b) GST Council – Article 279A

Composition: (1) Union Finance Minister – **Chairperson**; (2) Union Minister of State in charge of Revenue or Finance; (3) the Minister in charge of Finance or Taxation (or any other Minister nominated) of **each State** – one is chosen Vice-Chairperson. **Decisions:** quorum is **one-half** of the members; every decision needs a majority of **not less than three-fourths** of the weighted votes of members present and voting – the Centre's vote has a weight of **one-third**, all States together **two-thirds**. **Recommendations (any five):** (i) taxes, cesses and surcharges to be subsumed in GST; (ii) goods and services to be **taxed or exempted**; (iii) model GST laws, principles of levy, apportionment of IGST and place of supply; (iv) **threshold limits** of turnover for exemption; (v) **rates**, including floor rates with bands; (vi) special rates for a period to raise additional resources during a natural calamity; (vii) special provisions for the special category States; (viii) the date from which GST is levied on petroleum crude, HSD, petrol, natural gas and ATF.

SOLUTION Q7(a) Pratham Industries Ltd. – GST payable for September 2026

#	Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
1	Intra-State supply	20,00,000	1,80,000	1,80,000	–
2	Inter-State supply	15,00,000	–	–	2,70,000
3	Export under LUT – zero-rated (s. 16 IGST)	10,00,000	–	–	–
4	Advance for goods – no tax at the time of advance (Notification 66/2017)	–	–	–	–
5	Free samples – not a supply (no consideration, not in Schedule I)	–	–	–	–
6	Gift to employee ≤ ₹50,000 – not a supply (Schedule I para 2)	–	–	–	–
7	Branch transfer to distinct person – Schedule I; invoice value is OMV (Rule 28)	5,00,000	–	–	90,000
	Forward-charge tax		**1,80,000**	**1,80,000**	**3,60,000**
8	Legal services – RCM (CGST 9% + SGST 9%)	1,00,000	9,000	9,000	–
9	GTA – RCM @ 5%	50,000	1,250	1,250	–
	RCM tax (payable only in cash)		**10,250**	**10,250**	–

Eligible ITC: CGST 1,00,000 − 5,000 (free samples – s. 17(5)(h)) + RCM 10,250 = **1,05,250**; SGST **1,05,250**; IGST 90,000 + 54,000 (machinery) = **1,44,000**. Motor car (s. 17(5)(a)), outdoor catering (s. 17(5)(b)) and works contract for a building (s. 17(5)(c)) are **blocked**. No reversal is required for exports (zero-rated).

Utilisation	CGST (₹)	SGST (₹)	IGST (₹)
Forward-charge liability	1,80,000	1,80,000	3,60,000
Less: IGST credit (used fully against IGST first)	–	–	(1,44,000)
Less: CGST / SGST credit	(1,05,250)	(1,05,250)	–
Balance payable in cash	74,750	74,750	2,16,000
Add: RCM tax (cash)	10,250	10,250	–
Cash payable	**85,000**	**85,000**	**2,16,000**

Minimum GST payable in cash = ₹3,86,000.

SOLUTION Q7(b) Registration – Mr. Vikas

Aggregate turnover (s. 2(6)) = taxable goods 28 + exempt goods 8 + services 3 = **₹39 lakh** (GST charged and RCM inward supplies are **excluded**). The higher limit of ₹40 lakh is only for persons **exclusively** supplying goods; as he also supplies services, the limit is **₹20 lakh** – he is **liable** to register (within 30 days of crossing ₹20 lakh). If he supplied no services, turnover would be ₹36 lakh, below **₹40 lakh** – **not liable** (unless he makes inter-State supplies or falls under s. 24).

SOLUTION Q8(a) Value of supply – Raj Machines Ltd.

Particulars	₹
Price of the machine	6,00,000
Add: installation charges (incidental – s. 15(2)(c))	20,000
Add: interest for delayed payment (s. 15(2)(d))	5,000
Add: subsidy from NGO linked to price (s. 15(2)(e) – only Government subsidies are excluded)	30,000
Central Government subsidy – excluded	–
Less: discount 2% recorded on the invoice (s. 15(3)(a))	(12,000)
Add: design charges – supplier's liability paid by the recipient (s. 15(2)(b))	25,000
Add: municipal fee – tax/fee under another law (s. 15(2)(a))	2,000
Value of supply	**6,70,000**
CGST @ 9% / SGST @ 9%	**60,300 each** (total ₹1,20,600)

SOLUTION Q8(b) Assessable value – Tara Electronics Ltd.

Item	USD
FOB price	25,000
Add: assist – design and engineering done abroad (Rule 10(1)(b)(iv))	1,000
Add: air freight – actual 6,000, limited to 20% of FOB (25,000)	5,000
Add: insurance	300
Buying commission – not added	–
CIF value	**31,300**

Item	₹
Assessable value (31,300 × ₹85, the CBIC rate)	**26,60,500**
BCD 7.5%	1,99,538
SWS 10% of BCD	19,954
Value for IGST (26,60,500 + 1,99,538 + 19,954)	28,79,992
IGST 18%	5,18,399
Total customs duty	**7,37,891**

Loading and unloading charges at the airport are **not** added (omitted from Rule 10(2) in 2017). The RBI rate is irrelevant – the CBIC notified rate applies.