Indirect Taxation

Suggested Answers

Compilation

By

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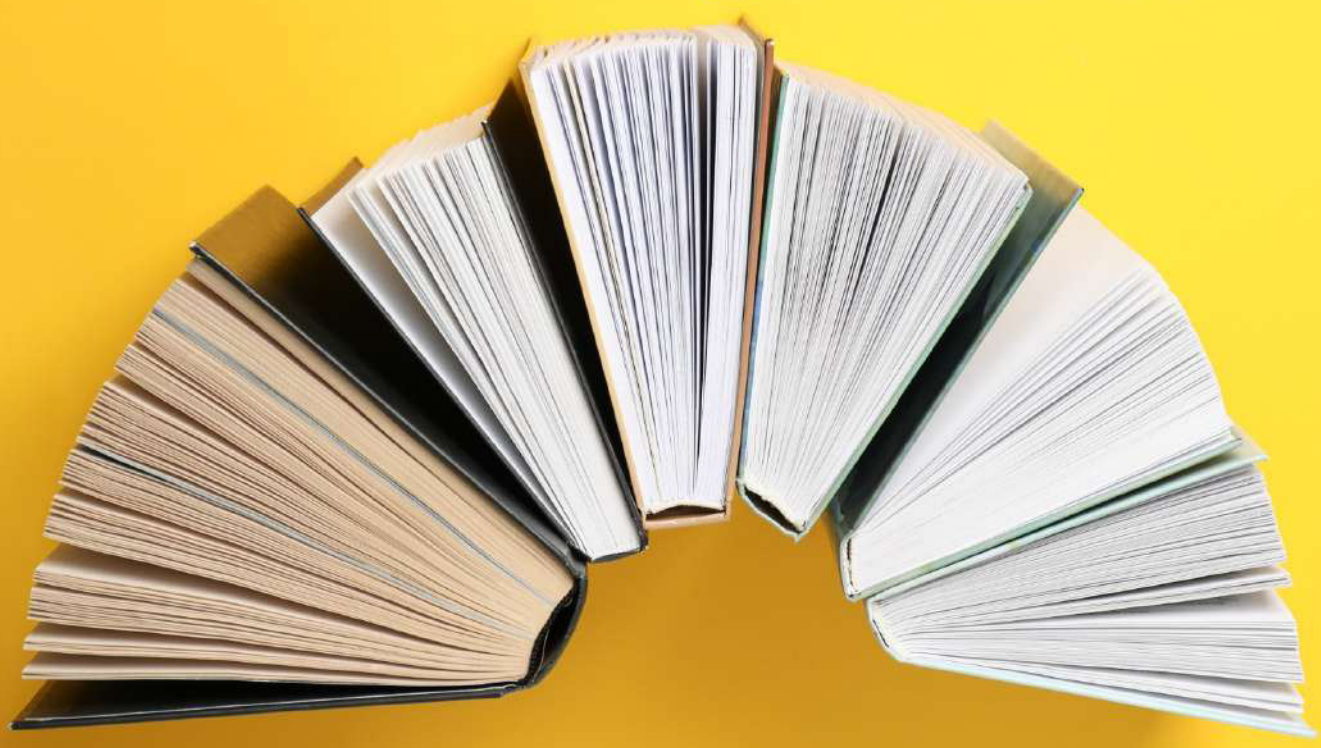

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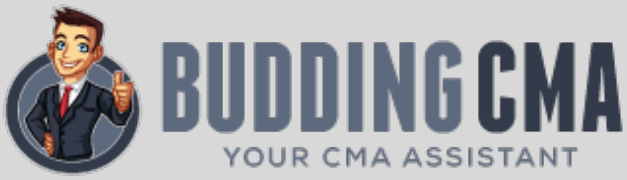

INTERMEDIATE EXAMINATION
GROUP - II
(SYLLABUS 2016)

SUGGESTED ANSWERS TO QUESTIONS

JUNE - 2017

Paper-11 : INDIRECT TAXATION

Time Allowed : 3 Hours **Full Marks : 100**

The figures in the margin on the right side indicate full marks.
Question No. 1, including all its sub-questions is compulsory.
Answer any five questions from the rest.
Wherever necessary, you may make suitable assumptions and state them clearly in your answer.
Working notes should form part of the answer.

Part – I
(All questions are compulsory.)

1. (A) Answer the following: **1×10=10**

(i) Which of the following is not a consumption based tax?
- **(a) Value Added Tax (VAT)**
- **(b) Central Excise**
- **(c) Service Tax**
- **(d) Central Sales Tax**

(ii) Who is not empowered to perform Special Audit u/s. 14A of the Central Excise Act?
- **(a) Cost Accountant**
- **(b) Chartered Accountant**
- **(c) Assistant Commissioner of Central Excise (Audits)**
- **(d) None of the above**

(iii) The selling price of a motor cycle is ₹ 65,000. The product attracts Basic Excise Duty @ 12.5% and CST @ 2%. What would be the assessable value of the product under the Central Excise Act?
- **(a) 56644.88**
- **(b) 74587.50**
- **(c) 56277.06**
- **(d) None of the above**

(iv) What is the frequency of filing returns under Central Excise by a Small Scale Industry?
- **(a) Bi-monthly**
- **(b) Monthly**
- **(c) Quarterly**
- **(d) Half-yearly**

(v) Name the product which is not eligible for CENVAT Credit.
- **(a) Raw material**
- **(b) Furnace oil**
- **(c) Diesel for generation of electricity**
- **(d) None of the above**

(vi) Which of the following is levied in lieu of Central Excise Duty on import of goods?
- **(a) Safeguard Duty**

(b) Counter Veiling Duty (CVD)
(c) Special Additional Duty
(d) Anti-dumping Duty

(vii) What would be the value of household article a person can bring without payment of customs duty, when he has stayed abroad for 18 months and shifting his residence to India?
(a) ₹60,000
(b) ₹ 1,00,000
(c) ₹ 2,00,000
(d) ₹ 5,00,000

(viii) Which of the following services is covered under Reverse Charge Mechanism?
(a) Chartered Accountants Service
(b) Cost Accountant Service
(c) Legal Service
(d) Information Technology Software Service

(ix) Which of the following persons can pay service tax on Receipts Basis, if the value of taxable services is ₹ 50 lakhs or less in the previous financial year?
(a) Company
(b) Hindu Undivided Family
(c) Limited Liability Partnership (LLP)
(d) None of the above

(x) VAT Rate of Computer, if sold within Tamil Nadu, is 5%. If the product is sold to an unregistered buyer in Kerala, the CST rate will be
(a) Nil
(b) 2%
(c) 5%
(d) 10%

(B) Match the following: 5

(a) Central Excise	(i) State Levy
(b) Export of Goods	(ii) Manufacture
(c) Insurance Service	(iii) Zero Rated
(d) Value Added Tax	(iv) Inter-state Sales
(e) Central Sales Tax	(v) Reverse Charge

(C) State whether each of the following statement is correct or incorrect: 5
(a) Goods are classified under Central Excise Tariff Act based on 'Historic System of Nomenclature (HSN)'.
(b) Free samples are exempt from Central Excise Duty.
(c) Cenvat Credit on input services can be used for payment of service tax by a person engaged in construction of complex service claiming abatement.
(d) Goods Transport Agencies (GTA) shall neither register under service tax rules nor pay service tax as the services provided by them are covered under Reverse Charge.
(e) Service Tax and VAT are mutually exclusive.

(D) Fill in the blanks: 5
(a) Turnover Threshold limit for composition scheme under State VAT as per White Paper was _____.
(b) Central Sales Tax applies to the whole of India ____ the State of Jammu & Kashmir.
(c) The place of provision of service in case of intermediary services is the location of _____ .
(d) EOU can sell a portion of their production in Domestic Tariff Area (DTA) up to _____ of their FOB value of exports.
(e) An assessee claim refund of excise duty within _____ from relevant date u/s. 11B of Central Excise Act, 1994.

Suggested Answer_Syl2016_Jun2017_Paper 11

Answer:

1. (A) (i) (b)
(ii) (c)
(iii) (a)
(iv) (c)
(v) (c)
(vi) (b)
(vii) (c)
(viii) (c)
(ix) (c)
(x) (c)

(B) (a) (ii)
(b) (iii)
(c) (v)
(d) (i)
(e) (iv)

(C) (a) Incorrect;
(b) Incorrect;
(c) Correct;
(d) Incorrect;
(e) Correct.

(D) (a) ₹ 50 Lakhs;
(b) Including;
(c) Service Provider;
(d) 50%;
(e) One Year.

Part - II
(Answer any five questions.)

2. (a) (i) Why direct taxes are called progressive and indirect taxes are regressive?
(ii) Explain 'canon of certainty' and 'canon of economy'. 4+4=8

(b) Supreme Industries Ltd., manufacturer of specialized wet grinding machines having its factories at Hosur and Coimbator. Hosur Unit of the company manufactures the motors that are sent to the unit at Coimbatore to be fitted in the wet grinders manufactured there. Determine the excise duty liability of the captively consumed motor from the following information:

	₹
(i) Direct Material Cost (including Excise Duty ₹ 188)	**1,688**
(ii) Direct Labour	**300**
(iii) Direct Expenses	**150**
(iv) Indirect Labour and Expenses	**250**
(v) Quality Control Cost	**100**
(vi) Administrative Overheads	**150**

Additional Information:

- **Hosur Unit realized ₹ 450 on sale of scrap.**
- **Profit margin as per company's annual report is 15% before Income-tax.**
- **Applicable Excise Duty Rate is 12.5%. 7**

Answer:

Suggested Answer_Syl2016_Jun2017_Paper 11

2. (a) (i) Direct taxes are "progressive" as they depend on the paying capacity of the assessees. Person who earns more is taxed at maximum rates compared to person who earn less.
Whereas, Indirect taxes do not depend on the paying capacity of the assessees and taxes are levied without any discrimination. Since the indirect tax rate is uniform for a commodity, the tax payable on the commodity is same irrespective of the person who purchases it. Hence, indirect taxes are termed as "regressive".

(ii) **Canon of Certainty:** The Canon of certainty implies that there should be certainty with regard to the amount which taxpayer is called upon to pay during the financial year. If the taxpayer is definite and certain about the amount of the tax and its time of payment, he can adjust his income to his expenditure. The state also benefits from this principle, because it will be able to know roughly in advance the total amount which it is going to obtain and the time when it will be at its disposal. If there is an element of arbitrariness in a tax, it will then encourage misuse of power and corruption.

Canon of Economy: The canon of economy implies that the expenses of collection of taxes should not be excessive. They should be kept as little as possible, consistent with administration efficiency. If the government appoints highly salaried staff and absorbs major portion of the yield, the tax will be considered uneconomical.

(b) Computation of Excise Duty Liability of Supreme Industries Ltd.,

Sl. No.	Particulars	Total Cost (₹)
1	Direct Materials (excluding excise duty)₹ 1688-₹ 188	1,500
2	Direct Labour	300
3	Direct Expenses	150
4	Indirect Labour & Expenses	250
5	Quality Control Cost	100
6	Administrative Overheads	150
7	Total Cost (1 to 6)	2,450
8	Less: Sale of Scrap	450
9	Cost of Production (7-8)	2,000
10	Add: 10% as per Rule 8	200
11	Assessable Value	2,200
12	Excise Duty @ 12.5%	275

Note 1: As per rule 8 of Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000, in case of captive consumption, valuation shall be done on the basis of cost of production plus 10%. Cost of production is required to be calculated as per Cost Accounting Standard 4 (CAS-4).

Note 2: Actual Profit margin is irrelevant for excise valuation.

Note 3: Here it is assumed that administrative overheads are related to production activity.

3. **(a) (i) KRC Pipes Ltd., engaged in the manufacture of PVC pipes claimed ₹ 2,50,000 as input credit in respect of excise duty paid on purchase of steel, cement and other materials used for construction of the factory building. State with reasons whether the action of the company is tenable in law?**
In the above if the amount spent was towards service tax in respect of services used in relation to modernization/renovation or repair of the factory building, whether Cenvat Credit will be available? Give reasons.

(ii) MR & Co. incurred various expenses during the month of March 2017. The nature of expenses and the amount of excise duty/service tax element included in the expenses are given hereunder:

Sl. No	Description	Excise Duty/ Service Tax (₹)
1	Purchase of Raw Materials	10,000
2	Inward Freight Charges (service tax paid on reverse charge basis)	1,500
3	Advertisement Expenses	2,500
4	Motor Cab Rental	3,000
5	Outdoor Catering (food supplied by outdoor caterers to the employees)	1,500
6	Audit Fees	5,000
7	Computer Networking	1,500
8	Sales Commission	500

You are required to state whether the amount of duty/tax as listed above are CENVATABLE inputs or input services. Also state the amount of CENVAT credit.

3+4=7

(b) (i) Chota & Sons manufacturer of matches has cleared goods of the value of ₹ 90 Lakhs during the Financial Year 2016-17 exclusive of duties and taxes. The goods attract 12.5% ad valorem excise duty (The value of clearance of the assessee during the year 2015-16 was ₹ 40 Lakhs). Determine the duty liability otherwise.

(ii) SSI Ltd., located in rural area has made a clearance of goods of the value of ₹ 550 Lakhs during the Financial Year 2016-17. The said value of clearance consists of the following:

Sl. No	Description	₹ in Lakhs
1	Clearance of goods with own brand name within India	250.00
2	Clearance of goods bearing the brand name of others	75.00
3	Export to Nepal	20.00
4	Clearances to 100% EOU	130.00
5	Value of goods manufactured on job work basis in terms of Notification No. 214/86-CE	75.00
	Total	550.00

Examine with reference to the notification governing SSI whether the benefit of exemption would be available to SSI Ltd., for the Financial Year 2017-18. 4+4=8

Answer:

3. (a) (i) Rule 2(k) of Cenvat Credit Rules defines the term "Input". As per the definition any goods used for construction or execution of works contract of a building or a civil structure or a part thereof is excluded from the purview of "Input". In other words, such goods are considered as inputs ineligible for cenvat credit. Hence, in the given case, KRC Pipes Ltd., cannot take ₹ 2,50,000/- as input credit as the goods purchased do not fall under the eligible '"input" as defined in rule 2(k).

Rule 2(1) of Cenvat Credit Rules defines the term "Input Service" which provides inter alia that input service includes services used in relation to modernization, renovation or repairs of a factory premises of provider of output service or an office relating to such factory or premises. Thus KRC Pipes Ltd can take credit of service tax paid on expenses incurred in relation to modernization/renovation or repair of the factory building.

(ii) Computation of CENVAT credit:

Sl.	Description	Excise Duty/	Eligibility	CENVAT

No.		Service Tax (₹)		Credit (₹)
1	Purchase of Raw materials	10,000	Yes	10,000
2	Inward Freight Charges (service tax paid on reverse charge basis)	1,500	Yes	1,500
3	Advertisement Expenses	2,500	Yes	2,500
4	Motor Cab Rental (Note 1)	3,000	No	—
5	Outdoor Catering (Food supplied by outdoor caterers to the employees) (Note 2)	1,500	No	—
6	Audit Fees	5,000	Yes	5,000
7	Computer Networking	1,500	Yes	1,500
8	Sales Commission (Note 3)	500	Yes	500
Eligible CENVAT Credit				21,000

Note 1: Rule 2(l) of CENVAT Credit Rules excludes from the purview of the term "input service" services provided by way of renting of a motor vehicle in so far as they relate to a motor vehicle which is not a capital goods. (Vide Clause B of Exclusion Part of rule 2(l))

Note 2: Clause C of Exclusion part of Rule 2(l) of CENVAT Credit Rules provides that input services such as those provided in relation to outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, membership of a club, health and fitness centre, life insurance, health insurance and travel benefits extended to employees on vacation such as Leave or Home Travel Concession, when such services are used primarily for personal use or consumption of any employee.

Note 3: There was a controversy on the issue whether credit would be allowed on sales commission and courts have given verdicts in favour of assessee (Refer CCE v. Ambica Overseas 2012 (25) STR 348 (P&H); CCE v. Cadila Healthcare Ltd 2013 (4) STR 3 (Guj)). The controversy has been put at rest by the Government of India and an explanation has been added in the definition of input services in rule 2(l) vide Notification No. 2/2016-CE (NT) dated 3-2-2016 to clarify that sales promotion includes services by way of sale of dutiable goods on commission basis.

(b) (i) Items generally manufactured by SSI are eligible for SSI exemption. However, Notification No.8/2003-CE dated 1-3-2003 excludes certain goods from the list of goods eligible for SSI exemption viz., pan masala, matches, watches, tobacco products, power driven pumps for water not confirming to BIS, products covered under compounded levy scheme etc.

As per the Notification, Matches are not eligible for SSI exemption. Hence the assessee has to pay excise duty on entire turnover of ₹ 90 Lakhs @ 12.5%. Thus total duty liability is ₹ 11.25 Lakhs.

(ii) Calculation of value of clearance during the FY 2016-17

Sl. No.	Description	₹ in Lakhs	Note No.
1	Clearance of goods with own brand name within India	250.00	
2	Clearance of goods bearing the brand name of others	75.00	1
3	Export to Nepal	--	2
4	Clearances to 100% EOU	--	3
5	Value of goods manufactured on job work basis in terms of Notification No. 214/86-CE	--	4
Total		325.00	

Note 1: Clearance of goods bearing the brand name of others shall be included for computing the limit of ₹ 400 Lakhs since the unit is situated in rural area.

Note 2: w.e.f. 01.03.2016, Nepal has been excluded from definition of 'clearance for home consumption'.

Note 3: Clearance to 100% EOU shall be excluded for the purpose of computing the limit of ₹400 Lakhs.

Note 4: Clearance under Notification No.214/86-CE shall be excluded for the purpose of computing the limit of ₹400 Lakhs.

Finding & Conclusion: As the value of clearance for home consumption in financial year 2016-17 is ₹ 325 Lakhs, which is below ₹ 400 Lakhs, the limit prescribed under Notification 8/2003-CE, the benefit of exemption shall be available to SSI Ltd., for the financial year 2017-18.

4. (a) (i) Explain in brief the rationale of charging Additional Duty of Customs u/s. 3(1)(CVD) and u/s. 3(5) of the Customs Act (Special CVD).

(ii) What is meant by 'Marging of Dumping' and 'Injury Margin'? How Anti Dumping Duty is quantified? Narrate with suitable examples. 3+4=7

(b) Informatics Ltd., imported a photography printer by air from Best Inc., of USA, as per following details.

Particulars	USD$
CIF Value	4,500
Air Freight Paid	1,000
Insurance Cost	250

- **The rate of exchange notified by CBEC is ₹ 64.50 per USD and Inter Bank Selling Rate is ₹ 65 per USD.**
- **Basic Customs Duty @ 10% ad valorem. There is no CVD and Special CVD.**

You are required to compute the Assessable Value and Import Duty payable by Informatics Ltd. 8

Answer:

4. (a) (i) Additional Duty of Custom u/s.3(1) of the Customs Tariff Act is also called Countervailing Duty (CVD), This duty is charged on imported goods to counter balance impact of excise duty on indigenous manufacturer, to ensure level playing field. CVD is payable equal to excise duty payable on like articles if produced in India.

Whereas Special CVD is charged under section 3(5) of Customs Tariff Act. Provision for this duty has been made w.e.f. 1-3-2005. Purpose of this additional duty is to counter balance Sales Tax/VAT/other local taxes leviable on like articles on its sale or purchase transactions in India.

(ii) "Margin of Dumping" means the difference between normal value of goods prevailing in a country and its export price (i.e., the price at which the goods are exported). It is generally expressed as a % of export price. For example, a textile machinery is sold at USD 11000 in local market of USA and if the same machinery is priced at USD 10000 for export, there is a dumping in this case as export price is lower than normal value and dumping margin in this case is 10%.

"Injury Margin" means difference between fair selling price (Non Injurious Price) and the landed value of imported product. The fair selling price (Non injurious

price) is that level of price which the industry is expected to have charged under normal circumstances in the Indian market. Landed value is the assessable value for customs purposes. In the above example, if the similar textile machinery manufactured in India is sold at ₹ 8,12,500 (equivalent USD 12,500) and landed cost of the imported machinery inclusive of landed cost and basic customs duty is ₹ 7,38,400 (equivalent USD 11360), there is an injury to local industry of ₹ 74,100 (₹ 8,12,500 - ₹ 7,38,400) and injury margin is 10.04%.

The anti-dumping duty will be lower of "dumping margin" and "injury margin". In the above two examples, dumping margin is slightly lower than the injury margin. Hence, the anti-dumping duty would be 10%.

(b) Computation of Assessable Value & Total Customs Duty

Particulars	USD $
CIF Value	4,500
Less: Air Freight Paid	1,000
Less: Insurance	250
FOB Value	3,250
Add: Air Freight @ 20% of FOB	650
Add: Insurance	250
CIF Value	4,150
Add: Landing Charges @ 1% of CIF Value	41.50
Assessable Value in USD	4,191.50
Assessable Value in INR @ ₹ 64.50	2,70,352
Customs Duty @ 10%	27,035
Add: Education Cess & SHEC @ 3%	811
Total Customs Duty Payable	27,846

5. (a) (i) Whether service tax will be attracted on services provided free of cost? Give your answer with reasoning.

(ii) Name three activities that would be regarded as transaction only in money, thus are outside the scope of service tax.

(iii) Explain in brief provisions relating to centralized registration in service tax.

(b) (i) State whether the following services are taxable or not? 3+3+3=9

(A) Warehousing Rent towards storage of

(a) Tomato and

(b) Tomato Ketchup;

(B) Renting of building for residential usage;

(C) Non air-conditioned restaurants.

(ii) Rajula Builders P Ltd., a newly started company ventured in construction of buildings seeks your advice on the service tax implications relating to their residential apartment project to be undertaken at New Delhi. What would be your advice to them? 3+3=6

Answer:

5. (a) (i) Service tax will not attract on services provided free of cost. Because, one of the important ingredients for charging service tax is the service should be provided for a consideration. Consideration means everything received or recoverable in return for a provision of service which includes monetary as well as non-monetary consideration. However, activities carried out without any consideration are outside the scope of service tax.

(ii) Activities regarded as transaction only in money:

1) Principal amount of deposits in a bank or withdrawn from a bank;
2) Advancing or repayment of principal sum of loan;

3) Conversion of currency notes into coins;
4) Actionable claims like transfer of unsecured debts.

(iii) A person having business premises at multiple locations in different States can take single registration for service tax purposes. It is called centralized registration.

As per the service tax rules, a person liable to pay service tax, provide or receive services more than one premises or offices and has centralized billing system or centralized accounting system, he may at his option apply for centralized registration for the premises or offices where the centralized billing or accounting system located.

A person seeking Centralized registration under service tax, need to submit the duly filled ST-1 application form along with the complete list of documents to the Jurisdictional Deputy Commissioner/Assistant Commissioner in whose charge the premises/offices to be centrally registered falls.

A person registered under Centralized registration scheme, can make the service tax payment and file the service tax return centrally in the premises/office granted for centralized registration by the Department.

(b) (i)

Sl. No.	Particulars	Taxability	Remarks
1	Warehousing Rent towards storage of - a) Tomato	No	Tomato is an agricultural produce. Negative List Item
	b) Tomato Ketchup	Yes	Tomato Ketchup is not an Agricultural produce.
2	Renting of building for residential usage	No	Negative List item
3	Non air-conditioned restaurants	No	Mega Exemption Notification

(ii) **Construction of residential complex:** Construction of residential complex is an activity subjected to service tax when the residential complex consists of more than one residential unit. It is a declared service u/s.66E, of the Finance Act. The activity shall not be taxable when the entire consideration is received after issuance of completion certificate by the competent authority.

As per Notification No. 26/2012-ST dated 20.06.2012 (as amended vide Notification No. 8/2016-ST dated 01.03.2016 w.e.f. 01.04.2016), an abatement of 70% is provided for these services subject to the following conditions:
a) CENVAT credit on inputs used for providing the taxable service has not been taken;
b) The value of land is included in the amount charged from the service receiver.

When service recipient supplies some materials to the service provider, the fair market value of such materials used in the construction activity should be included in the amount charged. If any amount is charged for such supply, the said amount including taxes and duties, if any, shall be deducted from the fair market value.

6. (a) M/s. Ashok Builders, engaged in construction works, has given the following information in respect of its receipts from various services provided in the month of April, 2017:

(i) Construction of new commercial building – ₹ 55 lakhs

(ii) Construction of additional floors in an existing building – ₹ 10 lakhs
(iii) Renovation of a damaged building not in use – ₹ 15 Lakhs
(iv) Replacement of floor tiles in a residential building – ₹ 2.50 Lakhs
(v) Maintenance charges for upkeep of an office building – ₹ 1.50 Lakhs
You are required to calculate the value of taxable service in each of the above case and state the total service tax liability of M/s. Ashok Builders. 7

(b) (i) ABC Ltd., furnishes the following information such as Date of Completion of Service, Date of Invoice, Date of Receipt of Payment and Rate of Tax in force on the respective dates. You are required to find out the Point of Taxation, Rate of Tax and Due Date of payment of tax in each situation:

Sl. No.	Completion of Service		Invoice		Receipt	
	Date	Rate in force	Date	Rate in force	Date	Rate in force
1	10-05-16	14.5%	05-06-16	15%	25-05-16	14.5%
2	20-05-16	14.5%	26-05-16	14.5%	02-06-16	15%
3	05-06-16	15%	31-05-16	14.5%	30-05-16	14.5%
4	07-06-16	15%	31-05-16	14.5%	02-06-16	15%
5	06-06-16	15%	10-06-16	15%	25-05-16	14.5%

(ii) What are the conditions stipulated in Rule 6(4A) of the Service Tax Rules, 1994 relating to self-adjustment of excess paid service tax? 5+3=8

Answer:

6. (a) CALCULATION OF VALUE OF TAXABLE SERVICES

Sl. No.	Particulars	Gross Receipts	Taxable Service in %	Taxable Value (₹)
1	Construction of new commercial building	55,00,000	40%	22,00,000
2	Construction of additional floors in an existing building	10,00,000	40%	4,00,000
3	Renovation of a damaged building not in use	15,00,000	40%	6,00,000
4	Replacement of floor tiles in a residential building	2,50,000	70%	1,75,000
5	Maintenance charges for upkeep of an office building	1,50,000	70%	1,05,000
Value of Taxable Services				34,80,000
Service Tax @ 14%				4,87,200
Swachh Bharat Cess @ 0.5%				17,400
Krishi Kalyan Cess @ 0.5%				17,400
Total Service Tax Liability				5,22,000

Note: Where the value has not been determined, the person liable to pay tax on the service portion involved in the execution of the works contract shall determine the service tax payable in the following manner, namely:—

(A) in case of works contracts entered into for execution of original works, service tax shall be payable on forty per cent of the total amount charged for the works contract;

(B) in case of works contract, not covered under sub-clause (A), including works contract entered into for,—
(i) maintenance or repair or reconditioning or restoration or servicing of any goods; or

(ii) maintenance or repair or completion and finishing services such as glazing or plastering or floor and wall tiling or installation of electrical fittings of immovable property,

service tax shall be payable on **seventy per cent** of the total amount charged for the works contract.

(b) (i)

Sl. No.	Point of Taxation	Rate of Tax	Due Date of Payment
1	25.05.2016	14.5%	06.06.2016
2	26.05.2016	14.5%	06.06.2016
3	30.05.2016	14.5%	06.06.2016
4	02.06.2016	15%	06.07.2016
5	25.05.2016	14.5%	06.06.2016

(ii) Conditions stipulated in Rule 6(4A) of the Service Tax Rules, 1994 relating to self-adjustment of excess paid service tax:
a) Excess payment since exact amount to be paid could not be calculated:
b) When tax is to be paid on 31st March and calculation of exact amount of service tax is different;
c) Any calculation mistakes.

7. (a) (i) State the instances when movement of goods from one State to another would not be considered as Inter-state Sales under CST Act.

(ii) What is meant by 'Penultimate Sale'? Explain the provisions of Section 5(3) of CST Act?

(iii) Lokesh Traders, a firm situated in Tamilnadu sold goods worth ₹ 2,55,000 (inclusive of CST 2%) to Rajesh Enterprises, a firm situated in Karnataka. Local VAT rate of the said goods in Tamilnadu is 12.5%. What would be CST payable by Lokesh Traders
(a) if Rajesh Enterprise is a Registered Dealer and C Form given;
(b) if Rajesh Enterprises is a Registered Dealer and C Form not given; and
(c) if Rajesh Enterprises is an unregistered dealer? 2+2+3=7

(b) (i) VAT payable on product 'Limcy' is 10% if the product is sold within the State of Andhra Pradesh. If the product is sold to Maharastra, what will be CST payable if
(i) Buyer furnishes Form "H";
(ii) Buyer furnishes Form "C";
(iii) Buyer furnishes Form "F"; and
(iv) Buyer furnishes Form "J"?

(ii) Mr. Abdul Raheem, a dealer registered under VAT, purchased goods worth ₹ 5,00,000 including VAT. He intends to earn a gross margin of 10% on his net purchase cost. The VAT rate is 12.5% on both purchases and sales. You are required to
(a) Find his selling price and the net VAT payable.
(b) How would you demonstrate to him that the VAT payable by him is only on the value addition? 2+6=8

Answer:

7. (a) (i) If sale is complete within the State, the sale will not be inter-state if after such sale, goods are taken outside the State by buyer. Further, if goods are sent on stock transfer basis, it will not be an inter state sale.

(ii) Penultimate sale is the last sale immediately prior to the original export. According to section 5(3) of the CST Act, the last sale or purchase of any goods, preceding the sale or purchase occasioning the export of those goods out of the territory of India shall also be deemed to be in the course of such export. Form H is required

to be issued by buyer to seller.

(iii) (a) 2,50,000 × 2% = 5,000
(b) 2,50,000 × 12.5% = 31,250
(c) 2,50,000 × 12.5% = 31,250

(b) (i) (i) NIL
(ii) 2%
(iii) NIL
(iv) NIL

(ii)

Particulars	Amount in ₹
Purchase Value (excluding VAT)	4,44,444
Add: Value Addition @ 10%	44,444
	4,88,888
Add: VAT @ 12.5%	61,111
Invoice Value	5,49,999
Computation of VAT Pavable	
Output VAT	61,111
Less: Input VAT Credit	55,556
VAT Payable	5,555
Check	
Profit Addition	44,444
VAT @ 12.5% on above	5,555

8. Answer any three questions: 5×3=15

(a) State the situations where a manufacturer can claim remission of excise duty on manufactured goods. Whether such remission is admissible in case of theft of goods?

(b) Write short notes on 'Transit' and 'Transhipment' of goods under Customs Act.

(c) Explain in brief provisions relating to service tax on 'Service provided by the Government'.

(d) Explain role of a Cost Accountant under VAT.

Answer:

8. (a) Remission of Excise Duty:

Rule 21 of the Central Excise Rules, 2002 provides for remission of duty if the assessee can prove to the satisfaction of the relevant authority that:

- The goods have been lost or destroyed by natural cause or by unavoidable accident; or
- The manufacturer claims them as unfit for consumption or for marketing, before their clearance.

Depending upon the amount of duty, the competent authority may be Inspector, Superintendent, Assistant/ Deputy Commissioner, Joint/ Additional Commissioner, Commissioner/ Principal Commissioner, empowered to remit the duty payable on goods, subject to such conditions as may be imposed by him or ordered in writing. But no remission of duty shall be granted for any loss or destruction or deterioration of any goods taking place after the goods have been cleared for home consumption on payment of duly or in cases of theft.

(b) Transit of goods occur when any goods imported in any conveyance is allowed to remain on the conveyance and to be transited without payment of duty to any place outside India or any customs station. (Sec. 53 of Customs Act).

Transshipment means transfer from one conveyance to another with or without payment of duty. It means to say that goods brought originally imported from outside India into India, then transshipped to another vessel or vessels to a place within India or outside India.

(c) All services provided by Government are not exempt from service tax. Sovereign activities of Government are not taxable.

Services provided by the Government are taxable when the recipient of service is a business entity.

Any service provided by the Government or a local authority to a business entity has been made taxable with effect from 1st April 2016.

However, in certain cases, exemptions are available.

(d) Cost Accountants have the following key roles to play in proper implementation of VAT:
(A) Record Keeping;
(B) Tax Planning;
(C) Negotiation with suppliers to reduce price;
(D) Helping departmental officers;
(E) External audit of VAT records.
(F) Internal audit of Vat compliances.

INTERMEDIATE EXAMINATION
GROUP - II
(SYLLABUS 2016)

SUGGESTED ANSWERS TO QUESTIONS

DECEMBER - 2017

Paper-11 : INDIRECT TAXATION

Time Allowed : 3 Hours **Full Marks : 100**

The figures in the margin on the right side indicate full marks.
Question No. 1, including all its sub-questions is compulsory.
Answer any five questions from the rest.
Wherever necessary, you may make suitable assumptions and state them clearly in your answers.
Working notes should form part of the relevant answer.

Part – I
(All questions are compulsory.)

1. (a) Answer the following: **1×10=10**

(i) Sale under CST Act includes a transaction in the nature of/a delivery of goods on _____ .
- **(A) job work**
- **(B) hypothecation**
- **(C) hire purchase**
- **(D) pledge**

(ii) MRP of ₹ 80 is printed on an excisable product sold in the State of West Bengal and ₹ 84 for rest of India. The assessable value adopted for the purposes of central excise will be
- **(A) As per MRP for the sales in respective States.**
- **(B) ₹ 84**
- **(C) ₹ 82**
- **(D) ₹ 80**

(iii) The selling price of a machinery is ₹ 10,000. The product attracts Basic Excise Duty @ 12.5% and CST @2%. What would be the CST payable?
- **(A) 225**
- **(B) 200**
- **(C) 196**
- **(D) 221**

(iv) Central Excise Revenue Audit conducted by the _____ .
- **(A) C & AG**
- **(B) Excise department**
- **(C) Cost Accountant**
- **(D) Chartered Accountant**

(v) Name the product not eligible for SSI exemption under Central Excise:
- **(A) Sugar**
- **(B) Computer**
- **(C) Watches**
- **(D) Bicycle**

(vi) Sources of Service tax are
- **(A) Finance Act, 1994**
- **(B) CBEC Circulars**

(C) Notifications issued by the CBEC
(D) All three above, besides others

(vii) The inter-state turnover as per books of Achaya is ₹ 12 lakhs. The same includes freight charges of ₹ 1.2 lakhs, not shown separately in the invoices. The total turnover of the assessee as per the CST Act is (₹ Lakhs):
(A) 10.2
(B) 10.8
(C) 12
(D) None of the above

(viii) Assessable value of goods for customs purposes is
(A) Actual Value
(B) Deemed Value
(C) Standard Value
(D) None of the above

(ix) Which of the following is covered under Reverse Charge mechanism?
(A) Motor-cab hire charges
(B) Directors remuneration
(C) Commission
(D) Telephone Charges

(x) When the actual date of service was on 31st March, 2017 and invoice was raised on 10th April, 2017, what would be the point of taxation when the payment for the said service was received on 15th March, 2017?
(A) 31st March, 2017
(B) 6th April, 2017
(C) 15th March, 2017
(D) 10th April, 2017

(b) Match the following: 5

	Column A		Column B
1.	Packing charges	A	Exempted service
2.	Yellow Bill	B	Included in value
3.	Trading of goods	C	Warehousing
4.	SEZ	D	B1 Bond
5.	Goods removed without payment of duty	E	I Form

(c) State whether each of the following is correct or incorrect: 1x5=5
(i) Service provider providing services under the brand name of other can claim Small Service Provider Exemption.
(ii) MRP valuation shall apply to goods covered under MRP valuation scheme even if they are supplied in bulk quantity not intended for retail sale.
(iii) Outsourced manufacturing unit can act as an Input Service Distributor.
(iv) Taxable event in case of import of goods, under customs, is the date of entry into Indian Territorial Waters.
(v) A dealer dealing with works contract is liable to pay VAT on the value of materials transferred while executing the contract.

(d) Fill up the blanks: 1x5=5
(i) As per Article 246(3), State Government has exclusive powers to make laws for State with respect to any matter enumerated in List II of _____ Schedule to Constitution.
(ii) The first two digits in the Tax Payers Identification Number (TIN) represent ___ code.
(iii) A product is exempt from levy of VAT in a State. When that product is sold from that State in inter-State sale, the CST is leviable at _____ %.
(iv) When a product is not sold in outside market but is used captively, where the cost of production of such product is ₹ 10 lakhs, the assessable value is ₹ _____. The product is sold by others in the market for ₹ 12 lakhs.
(v) Service tax paid on assignment charges of a natural resource to be allowed as CENVAT credit spread evenly over a period of _____ years.

Answer:

1. (a) (i) (C)
(ii) (B)
(iii) (C)
(iv) (A)
(v) (C)
(vi) (D)
(vii) (C)
(viii) (C)
(ix) (B)
(x) (C)

(b)

	Column A		Column B
1.	Packing charges	B	Included in value
2.	Yellow Bill	C	Warehousing
3.	Trading of goods	A	Exempted service
4.	SEZ	E	I Form
5.	Goods removed without payment of duty	D	B1 Bond

(c) (i) Incorrect;
(ii) Correct;
(iii) Correct;
(iv) Incorrect;
(v) Correct

(d) (i) Seventh
(ii) State
(iii) Nil/Zero
(iv) ₹ 11 lakhs
(v) 3

Part - II
(Answer any five questions.)

2. (a) (i) Why the Seventh Schedule of the Constitution of India is important from taxation perspective? Discuss.
(ii) An important disadvantage of the indirect tax regime is its cascading effect. Do you agree? Explain shortly. 5+3=8

(b) Nirmal Industries Ltd., furnish the following information relevant for the month of May 2017. You are required to find the assessable value for the purpose of paying excise duty, on captive consumption with reference to rule 8 of Central Excise Valuation (Determination of price of excisable goods) Rules, 2000 and as per CAS-4.
(1) Cost of Raw Materials (inclusive of Excise Duty @ 12.5%) — ₹ 13,200.
(2) Factory Wages — ₹ 2,500
(3) Manufacturing Expenses — ₹ 1,000
(4) Other Direct Expenses — ₹ 2,750
(5) Research & Development Cost — ₹ 250
(6) Administrative Overheads (including expenses relating to Marketing Office ₹ 100) — ₹ 350
(7) Sale of scrap realized — ₹ 200
(8) Interest on delayed payments by customers — ₹ 500
(9) Profit Margin — 20%
Computation of Excise Duty Liability of Nirmal Industries Ltd., 7

Answer:

2. (a) (i) Seventh Schedule to Constitution (referred to in Article 246) indicates bifurcation of powers to make laws, between Union Government and State Governments. Parliament has exclusive powers to make laws in respect of matters given in List I (called Union List) of the Seventh Schedule. List II(State List) contains entries under jurisdiction of States. List III (Concurrent List) contains entries where both Union and State Governments can exercise power.

List I - Union List: Entries in this list relevant to taxation provisions are as follows -
(1) Tax on income other than agricultural income (Entry No.82)
(2) Customs Duty (including export duties) (Entry No.83)
(3) Excise Duty excluding duty on alcoholic liquors for human consumption, opium, narcotic drugs, but including medicinal and toilet preparations containing alcoholic liquors, opium or narcotics. (Entry No.84)
(4) Corporation Tax (Entry No.85)
(5) Taxes on inter-state sale or purchase of goods other than sale of newspapers (Entry No.92A)
(6) Taxes on inter-state consignment of goods (Entry No.92B)
(7) Service Tax (Entry No.92C)
(8) Any other matters not included in List II or List III.

List II - State List: Entries in this list relevant to taxation provisions are as follows -
(1) Tax on agricultural income (Entry No.46);
(2) Excise duty on alcoholic liquors, opium and narcotics (Entry No.51);
(3) Tax on entry of goods into a local area for consumption, use or sale therein (usually called "Octroi") (Entry No.52);
(4) Taxes on sale or purchase of goods other than sale of newspapers except inter-state sale of purchase (Entry No.54)

List III - Concurrent List: (Concurrent List contains the areas in which both the centre and state governments can make laws concurrently.) This list does not specify any law relating to taxation. In other words, there is no head of taxation under the concurrent list and hence Union and the States have no concurrent power of taxation. The following are some items listed in the concurrent list, such as:
Entry No. 17A – Forest income
Entry No. 25 – Education income

(ii) Cascading Effect: Cascading effect of taxes is one of the major distortions of the Indian taxation regime. Federal structure of our democracy, allows both states and center to levy taxes separately and this has caused this cascading. While Income tax, Excise duty, Service tax and Central Sales tax (CST), Securities Transaction tax is levied by the center; VAT/sales tax, Entry tax, State excise, Property tax, Agriculture tax and octroi is charged by the State governments. There are many possible transactions which come under the ambit of two or more of these taxes and the value of the second tax is calculated on the value arrived at by adding the value of first tax to the value of transaction. For example, manufacturing and sell would be liable to VAT/CST over and above central excise duty.

(b)

Sl. No	Particulars	Total Cost (₹)
1	Raw materials (excluding excise duty) ₹ 13,200 × 100/112.50	11,733.33
2	Factory Wages	2,500.00
3	Manufacturing Expenses	1,000.00

4	Other Direct Expenses	2,750.00
5	Research & Development Cost	250.00
6	Administrative Overheads (less expenses relating Marketing Office)	250.00
7	Total Cost (1 to 6)	18,483.33
8	Less: Sale of Scrap	200.00
9	Cost of Production (7-8)	18,283.33
10	Add: 10% as per Rule 8	1,828.33
11	Assessable Value	20,111.66

3. (a) State with brief reason, whether the following statements are true or false: 4

(i) The provisions of the CCR, 2004 in relating to availment and utilization of credit of service tax apply to whole of India including Jammu and Kashmir.

(ii) Dumpers used in the factory of a manufacturer for carrying bulk raw material, are eligible capital goods for the purposes of claiming the CENVAT credit.

(b) Calculate the CENVAT credit available with M/S Jupiter & Co., in respect of the following transactions, for the month of December, 2016: 6

Sl. No.	Item	Excise duty paid (₹)
(i)	Raw materials used in the factory of Jupiter & Co.	80,000
(ii)	Goods used in the guest house primarily for the temporary of the newly recruited employee.	30,000
(iii)	Inputs used for making structures for support of capital	1,45,000
(iv)	Capital goods used as parts and components in manufacture of final product	50,000

You are further required to append note on the treatment of each item above.

(c) A Ltd. is having a manufacturing unit at Faridabad. In the financial year 2016-17 the value of total clearances from the unit was ₹ 750 lakhs as per the following details:

(i) Exports to USA – ₹ 100 lakhs; to Nepal – ₹ 50 lakhs

(ii) Clearances to a 100% export oriented unit – ₹ 75 lakhs

(iii) Clearances as loan licensee of goods carrying the brand name of another upon full payment of duty - ₹ 200 lakhs

(iv) Clearances exempted vide Notification No. 214/86 - C.E. dated 25.03.86 – ₹ 125 lakhs.

(v) Balance clearances of goods in the normal course: ₹ 200 lakhs. You are required to state with reasons whether the unit is entitled to the benefit of exemption under Notification No. 8/2003 - C.E. dated 01.03.2003 as amended in the financial year 2009-10. 5

Answer:

3. (a) (i) The statement is not true.
The provisions of the CCR, 2004 in relation to availment and utilization of credit of service tax apply to whole of India except Jammu and Kashmir. The said provisions do not apply to Jammu and Kashmir as service tax law is not applicable to the State of Jammu & Kashmir.

(ii) The statement is true.
As per the definition of the capital goods, dumpers used in the factory of the manufacturer of the final product are eligible as capital goods for the purposes of claiming the CENVAT credit.

(b) Computation of CENVAT credit

Particulars	₹
Raw materials used in the factory of the assessee	80,000
Goods used in the guest house primarily for the temporary stay of the recruited employees. [Note 1]	Nil

Inputs used for making structures for support of capital goods [Note 1]	Nil
Capital goods used as parts and components in the manufacture of final product [Note 2]	50,000
Total CENVAT credit available	1,30,000

Notes:

(i) As per the definition of inputs, there is specific exclusion with regard to the following:

(1) goods used in a guest house when the same are used primarily for personal
   (i) use or consumption of any employee.
   (ii) goods used for making of structures for support of capital goods. Thus, CENVAT credit cannot be claimed in respect of the above goods.

2. Though definition of inputs specifically excludes capital goods, capital goods used as parts or component in the manufacture of a final product are included therein. Thus, CENVAT credit will be available on the same.

(c) Only the normal clearance of ₹ 200 lakhs is to be considered for calculating the limit of ₹ 400 lakhs.

Since the turnover is less than ₹ 400 lakhs, A Ltd. is entitled to SSI concession in the assessment year 2017-18.

Note: Export to Nepal / (except Bhutan) is like export to any other country.

4. (a) (i) Whether goods cleared from Domestic Tariff Area (DTA) to Special Economic Zones (SEZ) attract export duty? Explain.

(ii) Do the provisions of the Customs Act permit manufacture of goods in a warehouse? If so, discuss the provisions in brief. 4+4=8

(b) Compute the Assessable Value of a machine imported from Germany by RLI Ltd., under Customs Act, 1962. Also determine the duty liability of RLI Ltd. 7

Particulars	USD$
FOB Value	**30,000**
Air Freight Paid	**7,250**
Insurance & Transit Cost	**Not Known**
Designing Charges incurred in India	**₹ 15,000**
Indian Agent's Commission	**₹ 20,000**
Transport Charges from port to factory in India	**₹ 15,000**
Rate of duty	**10%**
If the machinery is manufactured in India Excise duty payable as per Tariff	**12.5%**

The rate of exchange notified by CBEC is ₹ 65 per USD.

Answer:

4. (a) (i) Madras High Court in Advait Steel Rolling Mills P Ltd., v UOI 286 ELT 535 has held that the clearance of goods from DTA to SEZ are not chargeable to export duty either under the SEZ Act, 2005 or under the Customs Act, 1962. Court observed the following:

(a) The charging section needs to be construed strictly. If a person is not brought within the scope of the charging section, he cannot be taxed at all.

(b) SEZ Act does not contain any provision for the levy and collection of export duty.

(c) Section 12(1) of Customs Act makes it apparent that customs duty can be levied only on goods imported into or exported beyond territorial waters of India.

Since both the SEZ unit and DTA unit are located within the territorial waters of India, supplies from DTA to SEZ would not attract section 12(1).

(ii) Manufacture of goods in a warehouse:

Section 65 of the Customs Act deals with it. As per the said section, manufacturing or other operations can be carried out in the warehouse with the sanction of Principal Commissioner of Customs or Commissioner of Customs. The facility is useful when the final products are to be exported after manufacture. After manufacture, the goods may either be exported without payment of customs duty or cleared for home consumption on payment of duty.

Any waste or refuse arisen in the above manufacturing process shall be dealt with as follows:

(i) if the whole or any part of the goods resulting from such operations are exported, import duty shall be remitted on the quantity of the warehoused goods contained in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods exported
Provided that such waste or refuse is either destroyed or duty is paid on such waste or refuse as if it had been imported into India in that form;

(ii) if the whole or any part of the goods resulting from such operations are cleared from the warehouse for home consumption, import duty shall be charged on the quantity of the warehoused goods contained in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods cleared for home consumption.

(b) Computation of Assessable Value for Customs:

Particulars	Amount
FOB Value	$30,000.00
Add: Insurance @ 1.125% of FOB Value	$337.50
Add: Air Freight (restricted to 20% of FOB)	$6,000.00
	$36,337.50
Value in INR @ ₹ 65	₹ 23,61,938.00
Add: Local Agent's Commission	₹ 20,000.00
CIF Value	₹ 23,81,938.00
Add: Landing Charges @ 1%	₹23,819.00
Assessable Value for Customs	₹ 24,05,757

The total duty liability should be calculated as follows:

Particulars	Amount (₹)
Assessable Value	24,05,757
Add: Basic Customs Duty @ 10%	2,40,576
Balance	26,46,333
Add: CVD @ 12.5% on ₹ 26,46,333	3,30,792
Add: Education Cess @ 2% on ₹ 5,71,368	11,427
Add: SAH @ 1% on ₹ 5,71,368	5,714
Total Value of Import	29,94,266
Total Duty Liability	5,88,509

5. (a) Paul Ltd. filed its service tax returns for the half years ending on September, 2015 and March, 2016 on 25.11.2015 and 31.07.2016. The two half yearly returns show a service tax liability of ₹ 4,00,000 and ₹ 2,00,000 respectively. Is any late fee/fine payable by Paul Ltd.? If yes, what is the quantum of such fee in both fee cases?
Will your answer be different if Paul Ltd. files a nil return for the half year ending on September, 2015? 5

(b) Ms. Padmapriya provided sponsored services for a cinema dance competition titled "Who is the next Michael Jackson" for Ajantha Arts Academy, run by Easygoing Arts Pvt. Ltd., on 19.02.2017. Who will be liable to pay service tax in this case?
Will your answer be different, if the above Academy is owned by an individual? 4

(c) A service provider has received an advance of ₹ 5 lakhs from the service receiver on 14.06.2016. No invoice was raised by him for this purpose. No service was provided during the half year ended 30.06.2016. In February, 2017, the above sum was agreed to be returned and a credit note was raised. When advance was received, is any service tax payable? What is the point of taxation? 3

(d) Vaibhav, an authorised Money Changer, exchanged $ 2,00,000 on 15th March, 2017 at ₹ 66 per $. You are required to compute the value of taxable service as per Rule 2B of the Service Tax (Determination of Value) Rules, 2006, in the under-mentioned situations:

(i) Where the RBI reference rate for $ is not available;

(ii) When the RBI reference rate was ₹ 66.25 per $.

(iii) Where the $ 2,00,000 had been converted into € 1,30,000; the RBI reference rate for $ being as above and ₹ 101 for €. 3

Answer:

5. (a) As per Rule 7C of Service Tax Rules:

(1) Where the return prescribed under rule 7 is furnished after the date prescribed for submission of such return, the person liable to furnish the said return shall pay to the credit of the Central Government, for the period of delay of-

(i) fifteen days from the date prescribed for submission of such return, an amount of five hundred rupees;

(ii) beyond fifteen days but not later than thirty days from the date prescribed for submission of such return, an amount of one thousand rupees; and

(iii) beyond thirty days from the date prescribed for submission of such return an amount of one thousand rupees plus one hundred rupees for every day from the thirty first day till the date of furnishing the said return:

(2) Where the annual return referred to in sub-rule (3A) of rule 7 is filed by the assessee after the due date, the assessee shall pay to the credit of the Central Government, an amount calculated at the rate of one hundred rupees per day for the period of delay in filing of such return, subject to a maximum of twenty thousand rupees. Inserted vide Notification 19/2016-Service Tax.

Accordingly,

Penalty will be ₹ 1,100 for the first half year ending on 30th September, as the no. of days delay is 31 days.

Penalty will be ₹ 7,700 for the second half year ending on 30th March, as the no. of days delay is 97 days.

Therefore, total penalty is ₹ 8,800.

Penalty can be reduced or waived if the ST-3 return belongs to nil return.

(b) Person liable to pay service tax in given situations:

In case of taxable service provided or agreed to be provided by way of sponsorship to any body corporate or partnership firm located in the taxable territory, person liable to pay service tax is the person receiving such service.

Reverse charge Mechanism will apply to sponsorship events services.

The status of the service receiver will determine who has to pay the service tax. Where the service receiver is a company, the service receiver will be liable to pay service tax. Thus in the first situation, Easygoing Arts Pvt. Ltd. will be liable.

In the second situation, the answer will be different.

Where the service receiver is an individual, Reverse Charge Mechanism will not apply. The service provider Ms. Padmapriya will be liable to pay service tax.

(c) As per rule 3 of Point of Taxation Rules, the point of taxation is the date of receipt of advance, i.e.14-6-2016.
The advance amount is deemed to be inclusive of service tax.
Thus, the service tax liability will be 5,00,000 x 15/115 = ₹ 65,217.

(d) As per rule 2B of the Service Tax (Determination of Value) Rules, 2006, the value of taxable services is computed as under:-

(i) If the RBI reference rate for a currency is not available:
Value of taxable service = 1% of the gross amount of Indian Rupees provided/ received
= 1% of ₹ (66 x 2,00,000)
= ₹ 1,32,000

(ii) Value of taxable service = (RBI reference rate for $ - Selling rate for $) x Total units of US $
= ₹ (66.25-66) x 2,00,000
= ₹ 50,000

(iii) In case neither of the currencies exchanged is Indian Rupee:
Value of taxable service = 1% of the lesser of the two amounts the person changing money would have received by converting any of the two currencies into Indian Rupee at that time at the reference rate provided by RBI
Hence, in the given case, value of taxable service would be 1% of the lower of the following:-
(a) US Dollar 2,00,000 x ₹ 66.25 = ₹ 132,50,000
(b) Euro € 1,30,000 x ₹ 101 = ₹ 131,30,000

Value of taxable service = 1% of ₹ 131,30,000 = ₹ 1,31,300

6. (a) What do you mean by service under Service Tax Act? 5

(b) Mr. X Practicing Cost Accountant received ₹ 20,00,000 (exclusive of service tax) in the June, 2016. He paid service tax on 26th July, 2016. Gross receipt in the year 2015-16 is ₹ 25 lakhs.
You are required to calculate Interest on delay payment of service tax. 5

(c) A consulting engineer provided following services in a month:
(i) Free Professional advice to his friend (normal charges for such service would be ₹ 10,000).
(ii) Computer software services ₹ 10 lakhs.
(iii) Consultancy Services to Government of Gujarat ₹ 8 lakhs. Service Tax was charged separately, wherever applicable. He has paid ₹ 50,000 as cess under Section 3 of the Research and Development Cess Act, 1986. What is the amount of service tax payable by him? Service tax rate of 15%. 5

Answer:

6. (a) Service [Section 65B(44)]: "Service" means:
- any activity carried out by a person for another for consideration, and
- includes a declared service,
- but shall not include, -
  (1) An activity which constitutes merely, -
    (i) A transfer of title in goods or immovable property, by way of sale, gift or in any other manner; or
    (ii) Such transfer, delivery or supply of any goods which is deemed to be a sale within the meaning of Article 366 (29A) of the Constitution; or

(iii) A transaction in money or actionable claim;

(2) A provision of service by an employee to the employer in the course of or in relation to his employment;

(3) Fees taken in any Court or tribunal established under any law for the time being in force.

(b) Service tax @15% on ₹ 20,00,000 = ₹ 3,00,000.
Due date of payment of service tax = 6th July, 2016.
No. of days delay = 20 days
Interest = ₹ 2465.75 (i.e. ₹ 3,00,000 × 15/100 × 20/365) say ₹ 2466.00

(c) Computation of Service Tax

Particulars	Amount (₹)
Free professional advice	Not taxable
Computer software service	10,00,000
Consultancy service	8,00,000
Value of taxable services	18,00,000
Tax on above @ 15%	2,70,000
Less: R&D Cess	50,000
Service Tax payable	2,20,000

7. (a) (i) Mr. X of Delhi sold Mobile sets to Mr. Y of West Bengal. The goods are dispatched by Lorry and the Lorry Receipt (LR) is sent by X to Y by courier. In the mean time, Y decides to sell the goods to Z of U.P. Is there any legally permitted way to not charge CST by Y on the sales effected to Z? Explain the provisions with reference to CST Act.

(ii) Define 'Works Contract' as per CST Act. Can sales tax be levied on activity of construction of building? 4+4=8

(b) (i) State various purposes for which goods can be purchased at concessional rate under CST Act by issuing C Form.

(ii) Mr. Abraham is a manufacturer of plastic chairs situated in Bengaluru. He seeks you advice while calculating the VAT on sales as well as net VAT liability from the following information;

(I) Plastic granules purchased from local market (inclusive of VAT @5%) - ₹ 3,67,500;
(II) Manufacturing Expenses — ₹ 1,25,000;
(III) Profit on cost @ 30%;
(IV) Excise Duty @ 12.5%;
(V) Output VAT @ 14.5%. 3+4=7

Answer:

7. (a) (i) According to Section 6(2) of the Central Sales Tax Act, 1956, any sale effected during the movement of goods from one State to another by transfer of document of title is known as subsequent sale. Such, subsequent sale shall be exempt from CST when the following conditions are satisfied:

(1) The first sale should be an interstate sale;

(2) A sale subsequent to the sale mentioned herein above should take place;

(3) The subsequent sale should be during the course of movement of goods from one State to another;

(4) Such subsequent sale shall be effected by transfer of documents of title to such goods;

(5) the subsequent sale shall be made to a registered dealer or to a government;

(6) the goods are to be of the description referred to in Section 8(3) (i.e., goods specified in the registration certificate) if the subsequent sale are to registered dealer;
(7) the dealer effecting the subsequent sale should furnish prescribed certificate or declaration to the appropriate authority.

In the case before us, Mr. X of Delhi sold goods to Mr. Y of West Bengal. Hence, the first sale is an interstate sale. Mr. Y intends to sell the goods to Mr. Z of U.P. Hence, the subsequent sale if executed would be an interstate sale. Mr. Y can avoid paying CST on the sale transaction between Y and Z if the following conditions are fulfilled:

(A) The sale should be by way of transfer of documents of title. So, Y can transfer the LR in favour of Z by way of an endorsement;
(B) Mr. Z should be a registered dealer in U.P;
(C) Mr. Y should ensure that the mobile sets are mentioned in his registration certificate.
(D) Mr. Y should issue Form C to Mr. X on the first sale;
(E) Mr. X should issue Form E-I to Mr. Y on the first sale;
(F) Mr. Z should issue Form C to Mr. Y on the subsequent sale;
(G) Mr. Y should issue Form E-II to Mr. Z on the subsequent sale.

(ii) As per CST Act, works contract means a contract for carrying out any work which, includes assembling, construction, building, altering, manufacturing, processing, fabricating, erection, installation, fitting out, improvement, repair or commissioning of any movable or immovable property.

A dealer dealing with works contract is liable to pay VAT on value of material transferred while executing works contract and service tax on value of services.

As the definition provides inter alia that the construction of immovable property is a works contract, sales tax shall be payable on the said activity.

Note: Works contract dealer can also opt for composition scheme (i.e., reduced rate of VAT) on the entire value of contract inclusive of value of service where bifurcation of value of materials and value of services not possible. Dealers who opts composition scheme not eligible to avail the input tax credit.

(b) (i) Purposes for which goods can be purchased under concessional rate:
(1) Goods as being intended for re-sale
(2) For use in the manufacture or processing of goods for sale,
(3) For use in telecommunication network or in mining
(4) For use in generation or distribution of electricity or any other form of power
(5) Container or other materials intended for the packing of goods for sale (i.e. primary packing materials)
(6) Container or other materials used for packing of any goods mentioned in para (1) or (4) above (i.e. secondary packing materials)

(ii)

Particulars	Amount in ₹
Purchase Value (excluding VAT)	3,50,000
Add: Manufacturing Expenses	1,25,000
Total Cost	4,75,000
Add: Profit @ 30%	1,42,500
Assessable Value	6,17,500
Add: Excise Duty @ 12.5%	77,188
Taxable Turnover	6,94,688
Add: VAT	1,00,730

Aggregate Turnover	7,95,418
VAT PAYABLE	
VAT collected on bill	1,00,730
Less: Input Credit on purchases	17,500
Net VAT payable	83,230

8. Answer any three questions: 5×3=15

(a) What do you mean by First Stage Dealer and Second Stage Dealer as per Central Excise Act?

(b) What do you mean by the term "Goods" as per Customs Act?

(c) List out the examples for Continuous supply of Services under the Service Tax Act.

(d) What are the advantages of VAT?

Answer:

8. (a) First Stage Dealer: A Dealer, who purchases goods directly from manufacturer or importer or from the depot or an importer or from the premises of the consignment agent of importer, under cover of an invoice. He can pass the Cenvat credit if goods sold to a manufacturer or second stage dealer.

Example: Mr. D purchased dutiable goods from M/s X Ltd by paying excise duty and the same is sold to M/s Y Ltd. In the given case Mr. D (registered under Central Excise as registered dealer) is competent to pass the excise duty as CENVAT Credit from M/s X Ltd to M/s Y Ltd.

Second Stage Dealer: A registered dealer who purchases goods from the First Stage Dealer is called a Second Stage Dealer. He can pass the Cenvat credit if goods are sold to a manufacturer.

(b) As per Section 2(22) of the Customs Act, the term goods include:

- Vessels, Aircrafts and vehicles
- Stores
- Baggage
- Currency and Negotiable Instruments and
- Any other kind of movable property.

If the vessel enters the territorial water merely as a conveyance (i.e. as carrier of the goods), then it cannot be said that the vessel was imported. The reason being that if the vessel enters the territorial water for the purpose of unloading the cargo then the import is of cargo and not of the vessel. (5 Marks)

(c) Examples for continuous supply of services under the Service Tax Act are as follows:

(a) Telecommunication service
(b) Commercial or Industrial Construction
(c) Construction of residential complex
(d) Internet Telecommunication Service
(e) Works Contract service
(f) Renting
(g) Insurance
(h) Security

(d) The advantages of VAT are as follows:

(a) Eliminates cascading effect of Taxation
(b) Simple System
(c) Transparent System
(d) Eliminates avenues of Tax Evasion
(e) Provides neutrality as to selection of seller or form of business organization

(f) Certainty
(g) Reduction in Prices
(h) It has rationalized the Tax Structure.

INTERMEDIATE EXAMINATION
GROUP - II
(SYLLABUS 2016)

SUGGESTED ANSWERS TO QUESTIONS

JUNE - 2018

Paper-11: INDIRECT TAXATION

Time Allowed : 3 Hours **Full Marks : 100**

The figures in the margin on the right side indicate full marks.
Wherever required, the candidate may make suitable assumptions and state them clearly in the answer.
Working notes should form part of the relevant answers.

GST (Section – A)

Part – I
(All questions are compulsory in Part - I)

1. (a) Choose the correct option from amongst the four alternatives given: 1×5=5

(i) GST has replaced the following law(s):
(A) Customs
(B) VAT
(C) Central excise
(D) Both (B) and (C)

(ii) GST is a _____ based tax.
(A) origin
(B) destination
(C) territory
(D) None of the above

(iii) In IGST, I stands for
(A) Integrated
(B) International
(C) Inter-State
(D) Indian

(iv) The Chairperson of GST Council is
(A) Prime Minister of India
(B) Finance Minister of India
(C) Minister of State for Finance
(D) None of the above

(v) Under GST law the phrase 'Goods' does not include
(A) Actionable claim
(B) Growing crops on the land agreed to be severed before supply
(C) Money and Securities
(D) None of the above

(b) Match the following: **1x5=5**

	Column A		Column B
1.	Agricultural Activities	A.	Compulsory registration
2.	Casual Taxable Person making taxable supplies	B.	Collected by Central Government
3.	Integrated Goods and Services Tax	C.	72 Months
4.	Transaction Value	D.	Exempt from GST
5.	Retention of Accounts	E.	When price is sole consideration

(c) State whether true or false: **1x5=5**

(i) When goods are imported into India, CGST is levied.
(ii) The highest rate of tax levied under IGST is 28%.
(iii) GST will not abolish all the indirect taxes levied in India.
(iv) GST threshold limit for North-Eastern and hilly states is ₹ 25 lakhs.
(v) Goods are classified in the GST regime in India using SAC code.

(d) Fill in the blanks: **1x5=5**

(i) Indirect taxes are _____ based taxes.
(ii) Direct taxes are _____ in nature.
(iii) Indian GST Model is chosen from _____ (country) model.
(iv) GST Council has been created as per Article _____ of the amended Constitution.
(v) In HSN, N stands for _____.

Answer:

1. (a) (i) (D)
(ii) (B)
(iii) (A)
(iv) (B)
(v) (C)

(b)

	Column A		Column B
1.	Agricultural Activities	D.	Exempt from GST
2.	Casual Taxable Person making taxable supplies	A.	Compulsory registration
3.	Integrated Goods and Services Tax	B.	Collected by Central Government
4.	Transaction Value	E.	When price is sole consideration
5.	Retention of Accounts	C.	Exempt from GST

(c) (i) False;
(ii) True;
(iii) True;
(iv) False;
(v) False;

(d) (i) Supply
(ii) Progressive
(iii) Canadian
(iv) 279A
(v) Nomenclature

Part - II
(Answer any four questions in Part - II)

2. (a) (i) What do you mean by GST Council? What is its guiding principle? What are its functions?

(ii) State the advantages of GST. **5+5=10**

(b) Mr. Ijas, a performing artist, provides the following information relating to October, 2017:

Receipts from:	Amount (₹)
Performing classical dance	1,49,000
Performing in television serial	2,80,000
Services as brand ambassador	12,00,000
Coaching in recreational activities relating to arts	2,10,000
Activities in sculpture making	3,10,000
Performing western dance	90,000

Determine the value of taxable supply of services and GST payable by Mr. Ijas for October, 2017, GST @ 18%. 5

Answer:

2. (a) (i) As per Article 279A of the Constitution of India, the President of India is empowered to constitute Goods and Services Tax Council. The President of India constituted the GST Council on 15th September, 2016. The GST Council shall consist of Union Finance Minster as a Chairperson, Union Minister of State in charge of Finance as a member, the State Finance Minister or State Revenue Minister or any other Minister nominated by each State as a member of the Council. The GST Council shall select one of them as Vice Chairperson of Council.

Guiding principle of the GST Council:
The mechanism of GST Council would ensure harmonization on different aspects of GST between the Centre and the States as well as among States. It has been provided in the Constitution (101st Amendment) Act, 2016 that the GST Council, in its discharge of various functions, shall be guided by the need for a harmonized structure of GST and for the development of a harmonized national market for goods and services.

Functions of the GST Council:
GST Council is to make recommendations to the Central Government and the State Governments on

- tax rates,
- exemptions,
- threshold limits,
- dispute resolution,
- GST legislations including rules and notifications etc.

(ii) Advantages of GST

(a) One Nation One Tax.
(b) Removal of bundled indirect taxes such as VAT, CST, Service tax, CAD, SAD, and Excise.
(c) Removal of cascading effect of taxes i.e. removes tax on tax.
(d) Increased ease of doing business;
(e) Lower cost of production, increases demand will lead to increase supply. Hence, this will ultimately lead to rise in the production of goods. Resultantly boost to make in India initiative.
(f) It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth.

(b) Calculation of value of Taxable Supply and GST Payable by Mr. Ijas for October 2017

Particulars	Amount (in ₹)
Classical dance (Exempt as receipt is less than or equal to ₹ 1,50,000)	Nil
Performing in television serial	2,80,000
Brand ambassador	12,00,000
Coaching in recreational activities in relation to arts	Nil
Sculpture making	3,10,000
Western dance	90,000
Value of taxable supply of service	18,80,000
GST 18%	3,38,400

3. (a) (i) R, a manufacturer of machines (having a turnover of more than ₹ 1.5 crore) received an advance of ₹ 1,20,000 along with the purchase order on 15.10.2017 for supply of machine X for ₹ 20,00,000 to be manufactured according to the specifications. Advance payment was entered in the books of account on 16.10.2017 and credited in his bank account 18.10.2017. The machine is manufactured and after approval has been delivered to the buyer on 25.10.2017 and the invoice was raised at the time of removal. The balance payment of ₹18,80,000 was received on 15.11.2017 which was recorded in the books of accounts of R on the same date and was credited in his bank on 17.11.2017. Determine the time of Supply. 4

(ii) R issues an invoice of ₹ 64,100 for supply of goods 10.10.2017 and received ₹ 65,000 in his bank through RTGS on the same date which was credited in his books of account on 11.10.2017 on receipt of intimation from the bank.
Determine the time of supply of goods and the time of supply of excess payment. 4

(b) RG Pvt. Ltd. provides the following particulars relating to goods sold by it to GK Pvt. Ltd.:

Particulars	Amount in (₹)
List price of the goods (exclusive of taxes and discounts)	10,00,000
Tax levied by Municipal Authority in the sale of such goods	1,00,000
CGST and SGST chargeable on the goods	2,00,880
Packing charges (not included in price above)	20,000

RG Pvt. Ltd. received ₹ 40,000 as a subsidy from a NGO on sale of such goods. The price of ₹ 10,00,000 of the goods is after considering such subsidy.
RG Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods.
Determine the value of the taxable supply made by RG Pvt. Ltd. 7

Answer:

3. (a) (i) The time of supply of machine to the extent of ₹ 1,20,000 is 16.10.2017 as this payment was received before the date of invoice and entered in the books of account on 16.10.2017.

The time of supply of machine to the extent of the balance amount of ₹ 18,80,000 is 25.10.2017 when the invoice was raised which is earlier than the payment received.

(ii)

Particulars	
1) Time of supply of goods	
It will be determined as under:	
(i) Date of issue of actual invoice	10.10.2017

	(ii) Amount credited in his bank account	10.10.2017
	(iii) Payment entered in the books of account	11.10.2017
	Whichever is earlier	
	Thus time of supply of goods shall be 10.10.2017	
2)	Time of supply of excess payment of ₹ 900	
	R has received ₹ 900 in excess which cannot be taken as payment for invoice issued on 10.10.2017.	
	Hence, in this case R will adjust the excess amount against the next supply.	
	Consequently, the time of supply for ₹ 900 can be taken as the date of issue of next invoice if the supplier so chooses, though he has received the payment earlier.	

(b)

Particulars	Amount in ₹
List price of the goods (exclusive of taxes and discounts)	10,00,000
Add:	
(i) Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15(2)(a)]	1,00,000
(ii) CGST and SGST chargeable on the goods [Not includible in the value as per section 15(2)(a)]	-
(iii) Packing charges [Includible in the value as per section 15(2)(c)]	20,000
(iv) Subsidy received from a non - Government body [Since subsidy is received from a non - Government body, the same is included in the value in terms of section 15(2)(e)]	40,000
Total	11,60,000
Less: Discount @ 2% on ₹ 10,00,000	20,000
Value of taxable supply	11,40,000

4. (a) Mrs. Lakshmi, intending to start a new business in January, 2018, furnishes the following information pertaining to the period upto 31.03.2018:

Estimated supplies	(₹)
Intra-State supplies of taxable goods	**14,00,000**
Intra-State supplies of exempt services	**4,00,000**
Export sales	**3,20,000**
Supplies made as agent of a principal	**2,40,000**

Ascertain the aggregate turnover. She wants to know whether she should get herself registered for GST purposes. You are required to help her. Further, what will be the GST payable by her, if the GST rate for taxable goods supplied is 18%? 7

(b) M/s. XYZ Ltd., having its Head Office at Mumbai, is registered as ISD. It has three units in different states namely 'Mumbai', 'Chennai' and 'Delhi' which are operational in the current year. M/s. XYZ Ltd. furnishes the following information for the month of December 2017. You are required to distribute the below input tax credit (i) CGST and SGST paid on services used only for Mumbai Unit: ₹ 3,00,000 (ii) IGST, CGST and SGST paid on services used for all units: ₹ 12,00,000. Total Turnover of the units for the Financial Year 2016-17 are as follows: 8

Unit	Turnover in (₹)
Turnover of Mumbai unit	**5,00,00,000**
Turnover of Chennai	**3,00,00,000**
Turnover Delhi	**2,00,00,000**
Total turnover	**10,00,00,000**

Answer:

4. (a)

Computation of aggregate turnover

Estimated supplies	Amount (₹)
Intra-State supplies of taxable goods	14,00,000
Intra-State supplies of exempt services	4,00,000
Export sales	3,20,000
Supplies made as agent of a principal	2,40,000
Aggregate turnover	23,60,000

Since the aggregate turnover exceeds ₹20 lakhs, Mrs. Lakshmi has to get her registered.

Computation of taxable supplies and GST

Estimated supplies	Amount
Intra-State supplies of taxable goods	14,00,000
Intra-State supplies of exempt services	Nil
Export sales	Nil
Supplies made as agent of a principal	Nil
Aggregate taxable supplies	14,00,000
Estimated GST payable:	
SGST at 9%	1,26,000
CGST at 9%	1,26,000

Alternative answer: As per sec. 24(vii) of the CGST Act it is states that persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise, have to mandatorily take registration irrespective of their amount of turnover. As per this provision, threshold limit of ₹ 20 lakhs (₹ 10 lakhs in special category of states) is not applicable for intermediaries.

(b) Statement showing distribution of input tax credit:

Particulars	Credit distributed to all the units			
	Total credit available (₹)	Mumbai	Chennai	Delhi
CGST & SGST paid on services used only for Mumbai Unit.	3,00,000	3,00,000	0	0
IGST, CGST & SGST paid on services used in all units Distribution on pro-rata basis to all the units which are operational in the current year	12,00,000	6,00,000	3,60,000	2,40,000
Total	15,00,000	9,00,000	3,60,000	2,40,000

Particulars

Working note:

(1) CGST & SGST paid on services used only for Mumbai Unit should be distributed only to that unit.

(2) Credit distributed pro rata basis on the basis of the turnover of all the units is as under: -

Particulars	₹
(a) Unit Mumbai: (5,00,00,000/10,00,00,000) × 12,00,000	6,00,000
(b) Unit Chennai: (3,00,00,000/10,00,00,000) × 12,00,000	3,60,000
(c) Unit Delhi: (2,00,00,000/10,00,00,000) × 12,00,000	2,40,000

5. (a) List out the category of persons who are not liable for registration under GST. State at least four category of persons who are required to compulsorily register under GST law. 7

(b) State with reasons whether the following transactions attract GST or not: 2x4=8

(i) Services provided by a private school bus operator to a school in relation to transportation of students to and from the school.

(ii) Campus interview conducted by M/s. Sona College of Engineering, Mumbai by collecting entry fee from the corporate houses.

(iii) Ms. Geethanjali, a classical dancer receives ₹ 1,00,000 from an event management company for performing in a stage programme.

(iv) Madras Music Academy charged ₹ 500 per ticket for a music concert of Mr. Srinivas, an Indian Classical Singer. But charged ₹ 1,000 per ticket for a music concert of another Indian classical singer Mr. K.J. Jesudas.

Answer:

5. (a) Persons not liable for registration:

(i) Sec. 23(1)(a): Any person engaged exclusively in the business of supplying of goods or services or both they are not liable to tax or wholly exempt from tax under CGST or IGST.

(ii) Sec. 23(1)(b): An agriculturist ,to the extent of supply of produce out of cultivation of land.

(iii) Sec. 23(2): The government may, on the recommendation of the GST Council exempt any person/class of persons.

Compulsory registration in certain cases:

Sec 24 of the CGST Act: The following categories of persons shall be required to be registered under GST:

(i) Persons making any inter - state taxable supply;
(ii) Casual taxable persons making taxable supply;
(iii) Persons who are required to pay tax under reverse charge u/s 9(3) of CGST Act.
(iv) Persons who are required to pay tax under sec.9(5) of CGST Act (i.e., Electronic Commerce Operator);
(v) Non - resident taxable person making taxable supply;
(vi) Persons who are required to deduct tax under sec 51, whether or not separately registered under this act;
(vii) Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise;
(viii) Input services distributor, whether or not separately registered under CGST;
(ix) Persons who supply of goods or services or both, other than supplies specified under sec 9(5), through such electronic commerce operator who is required to collect tax at source under sec 52;
(x) Every electronic commerce operator;
(xi) Every persons supplying online information and database access or retrieval services from place outside India to a person in India , other than a registered person; and
(xii) Such other person or class of persons as may be notified by the Govt. on the recommendation of the council.

(b) (i) Exempted Supply of Service as per Entry No.66 of Notification No.12/2017-Central Tax (Rate) dated 28.06.2017.

(ii) Not in the nature of exempted education services as provided in Entry No. 66 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017. Hence, it is taxable.

(iii) Since the amount received is not more than ₹ 1.50 Lakhs, as per Entry No. 78 of Notification No.12/2017-Central Tax (Rate) dated 28.06.2017 the given service is exempt from tax.

(iv) As per Entry No.81 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 as amended on 25.01.2018 [Vide Notification No.2/2018-Central Tax (Rate) dated 25.01.2018] services by way of right to admission to musical performance, inter - alia, is exempt up to ₹ 500 per person. Hence, in the former case where the ticket cost is ₹ 500/- is exempt and in the later case it is taxable. (The exemption limit till 24.01.2018 was ₹ 250/- per person. The exemption limit till 24.01.2018 was ₹ 250 per person.

6. (a) (i) Mr. Velmuragan of Panruti (Tamil Nadu), a farmer, sold raw cashew nuts produced in his farm land to M/s. Rajesh International of Chennai, a company registered under GST. Applicable rate of GST is 5%. Value of Goods is ₹ 1,00,000. M/s. Rajesh International has input credit of IGST ₹ 4,000. You are required to answer the following:

(a) Who is liable to pay GST?

(b) Net Liability of GST? 4

(ii) M/s. Alpha Limited Ahmadabad receives the input services from M/s. Beta Limited of Mumbai who raises the invoice for supply of services on 25th November, 2017 and availed the credit on the same date. Find the time limit within which M/s. Alpha Limited is required to pay the bill amount to M/s. Beta Limited. Also explain the consequences if payment is not made within the stipulated period as mentioned in Section 16(2) of CGST Act. 4

(b) State whether input tax credit is available in the following cases: 3+2+2=7

(i) Motor car purchased by driving school for imparting training to the customers. Whether your answer would be different if the motor car is purchased by a manufacturing company to be used by its Managing Director for official purposes.

(ii) Amount spent for construction of factory building.

(iii) Gift articles purchased on the occasion of Diwali to be distributed among the employees.

Answer:

6. (a) (i) (a) As per Notification No.4/2017-Integrated Tax (Rate) dated 28.06.2017, in the case of supply of cashew nuts, not shelled or peeled, by an agriculturist to a registered person, the registered person who purchases the goods is liable to pay the tax under reverse charge mechanism. Hence, in the given case, M/s. Rajesh International is liable to pay GST.

(b) The GST liability in the given case is ₹ 5,000/- i.e., 5% on ₹ 1,00,000/-. Since, both the supplier and recipient are situated in Tamilnadu, the taxes to be paid are CGST ₹ 2,500/- and SGST ₹ 2,500/-. However, M/s. Rajesh International has input credit of IGST ₹ 4,000/-, which shall be adjusted first with the CGST liability and the balance remaining after adjustment shall be adjusted with SGST liability. Hence, the net tax liability of M/s. Rajesh International is SGST ₹1,000/-.

(ii) As per second proviso to Section 16(2) of the CGST Act, 2017, where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in such manner as may be prescribed.

As per the above provision M/s. Alpha Ltd., is required to pay the bill amount including tax to M/s. Beta Ltd., on or before 23rd May 2018 [i.e., 180 days from 25th November 2017]. 6 days for November, 31 days for December, 31 days for

January, 28 days for February, 31 days for March, 30 days for April and 23 days for May. If the payment is not made within the stipulated date, an amount equal to the input tax credit availed by M/s. Alpha Ltd shall be added to its output tax liability along with the interest thereon. The interest rate stipulated for this purpose is 18% p.a.

(b) (i) Motor car purchased by driving school for imparting training to the customers is an exception to the blocked credit item as per Section 17(5)(a)(i)(C) of CGST Act, 2017. Hence, ITC is available.

Yes, motor car purchased by a manufacturing company to be used by its managing director is a blocked credit item as per Section 17(5)(a) of CGST Act, 2017. Hence, ITC is not available.

(ii) As per Section 17(5)(c) and (d) of CGST Act, 2017, amount spent for construction of factory building is an item for which input tax credit is not available.

(iii) As per Section 17(5)(h) of CGST Act, 2017, input tax credit shall not be available for goods disposed of by way of gift or free samples.

7. Write short notes on any three of the following: 5x3=15
(a) Advance payment of GST and refund claim by casual trading person
(b) Distribution of input tax credit by ISD and manner of such distribution
(c) Contents of a revised tax invoice and credit or debit note
(d) Export of Service.

Answer:

7. (a) Advance payment of GST:

The Common Portal, after making the mandatory advance deposit of tax for an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought will give the applicant a temporary reference number. The registration certificate shall be issued electronically only after the said deposit appears in his electronic cash ledger.

The amount deposited shall be credited to the electronic cash ledger of casual taxable person. On depositing the amount, an acknowledgement shall be issued electronically to the applicant in FORM GST REG-02.

The casual taxable person can make taxable supplies only after the issuance of the certificate of registration.

Refund by Casual taxable person:
The casual taxable person is eligible for the refund of any balance of the advance tax deposited by him after adjusting his tax liability. The balance advance tax deposit can be refunded only after all the returns have been furnished, in respect of the entire period for which the certificate of registration was granted to him had remained in force.

The refund relating to balance in the electronic cash ledger has to be made in serial no. 14 of the last FORM GSTR-3 return required to be furnished by him.

(b) Distribution of input tax credit by ISD:
The Head Office would be procuring certain services which would be for common utilization of all units across the country. The bills for such expenses would be raised on the Head Office. But the Head Office itself would not be providing any output supply so as to utilize the credit which gets accumulated on account of such input services.

ISD mechanism enables such proportionate distribution of credit of input services amongst all the consuming units.

For the purposes of distributing the input tax credit, an ISD has to issue an ISD invoice, as prescribed in rule 54(1) of the CGST Rules, 2017, clearly indicating in such invoice that it is issued only for distribution of input tax credit.

The input tax credit available for distribution in a month shall be distributed in the same month and details furnished in FORM GSTR-6. Further, an ISD shall separately distribute both the amount of ineligible and eligible input tax credit.

Manner of Distribution of ITC by ISD:

(i) The credit has to be distributed only to the unit to which the supply is directly attributable to. For example, an ISD has 4 units across the country. However, if a particular input service pertains exclusively to only one unit and the bill is raised in the name of ISD, the ISD can distribute the credit only to that unit and not to other units.

(ii) If input services are attributable to more than one recipient of credit, the distribution shall be in the pro-rata basis of turnover in the State/Union Territory. For example, an ISD has 4 units across the country. If the input services are common for all units, then it will be distributed according to the ratio of turnover of all the units.

(c) Contents of a revised tax invoice and credit or debit note:

1. The word "Revised Invoice", wherever applicable, indicated prominently
2. Name, address and GSTIN of the supplier
3. Nature of the document
4. A consecutive serial number containing alphabets or numerals or special characters like hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year
5. Date of issue of the document
6. Name, address and GSTIN or UIN, if registered, of the recipient
7. Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered
8. Serial number and date of the corresponding tax invoice or, as the case may be, bill of supply
9. Value of taxable supply of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient.
10. Signature or digital signature of the supplier or his authorized representative.

(d) As per Section 2(6) of the IGST Act, 2017, export of service means the supply of any services when:

- The supplier of the service is located in India;
- The recipient of service is located outside India;
- The place of supply of service is outside India;
- The payment for such service has been received by the supplier of service in convertible foreign exchange; and
- The supplier of service and the recipient of service are not merely establishments of distinct persons in accordance with explanation 1 to section 8 of the IGST Act, 2017.

Customs (Section – B)

Part – III
(All questions are compulsory in Part - III)

8. Choose the correct option from amongst the four alternatives given: 1×5=5

(i) The limit of exclusive economic zone of India, is _____ from the nearest point of the baseline.
(A) 200 nautical miles
(B) 12 nautical miles
(C) 24 nautical miles
(D) 100 nautical miles

(ii) The Safeguard duty imposed shall be in force for a period of _____ from the date of its imposition and can be extended with the total period of levy not exceeding _____.
(A) 4 years, 10 years
(B) 3 years, 5 years
(C) 1 year, 5 years
(D) 5 years, 10 years

(iii) Which of the following is a taxable event for imported goods?
(A) Unloading of imported goods at the customs port
(B) Date of entry into Indian territorial waters
(C) Date of presentation of bill of entry
(D) Date on which the goods cross the customs barrier

(iv) Where the insurance amount is not available, for ascertaining the assessable value for customs duty, the percentage of FOB value to be taken is:
(A) 1
(B) 1.125
(C) 1.5
(D) 2

(v) Goods which are same in all respects, including physical quantity is known as
(A) Similar Goods
(B) Identical Goods
(C) Alike Goods
(D) Indistinguishable Goods

Answer:

8. (i) (A)
(ii) (A)
(iii) (D)
(iv) (B)
(v) (B)

Part – IV
(Answer any one question in Part-IV)

9. (a) (i) "The duty drawback granted under customs law will be recovered where sale proceeds are not realized by an exporter within the period allowed under FEMA". Explain the exception(s), if any, to this rule.

(ii) When a vessel caught up in the rough waters and sank in the territorial waters, can the duty drawback be claimed? 4+3=7

(b) (i) Calculate the amount of duty drawback allowable under section 74 of the Customs Act, 1962 in the following cases:

(a) Infopro Ltd., imported 50 computers paying customs duty of ₹ 30,000 per computer. Due to some technical problems, of the 50 computers imported, 25 computers were re-exported to the foreign supplier after 1 month without

using them at all.

(b) M/s. RKM Films P. Ltd., imported wearing apparels from USA paying duty of ₹ 5,00,000 and were used in their upcoming movie. The apparels were re-exported to USA after use after 3 months.

(ii) Explain the rights of the owner to deal with waterhoused goods under section 64 of the Customs Act, 1962. 2+2+4=8

Answer:

9. (a) (i) As per Rule 16A(5) of the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995, as amended by the Customs, Central Excise Duties and Service Tax Drawback (Second Amendment) Rules, 2011 in the notification no. 30/2011 Customs (N.T.), dt. 11.04.2011 where sale proceeds are not realized by an exporter within the period allowed under the FEMA, the amount of drawback paid to the exporter or the claimant shall not be recovered if:
(i) Such non-realization of sale proceeds is compensated by the Export Credit Guarantee Corporation of India Ltd., (ECGC) under an insurance cover; and
(ii) The RBI writes off the requirement of realization of sale proceed on merits; and
(iii) The exporter produces a certificate from the concerned Foreign Mission of India about the fact of the non-recovery of sale proceeds from the buyer.

(ii) In Union of India v. Rajindra Dyeing & Printing Mills Ltd., 2005 (180) ELT 433 (SC):
The vessel sunk within territorial waters of India and therefore there is no export. Accordingly, no duty drawback shall be available in this case. The territorial waters extend to 12 nautical miles into the sea from the base line.

(b) (i) (a) Duty Drawback is ₹ 7,35,000/- [₹30000 × 25 × 98%], since the computers are re-exported without being used.
(b) Duty drawback on wearing apparel is not allowed as they were re-exported after being used.

(ii) As per Section 64 of the Customs Act, 1962 (as amended w.e.f. 14.05.2016), the owner of any warehoused goods may, after warehousing the same:
(A) Inspect the goods;
(B) Deal with the containers in such manner as may be necessary to prevent loss or deterioration or damage to the goods;
(C) Sort the goods;
(D) Show the goods for sale.

10. (a) From the undermentioned relating to import made on 12.10.2017 of product 'Minic' from New York, USA, to the Kochi Airport, by Mr. Prahalad, the importer:

FOB value of the product	**$ 10,000**
Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	**$3,500**
Insurance	**$ 1,000**
Unloading charges at Kochi Airport	**₹ 24,800**
Basic customs duty	**10%**
Exchange rate notified by RBI	**1$ = ₹ 64.50**
Exchange rate notified by CBEC	**1$ = ₹ 64**

Ascertain the assessable value and total tax and duty payable by Mr. Prahalad. 9

(b) What do you mean by the term 'GST Compensation Cess'? Can Input tax credit be availed on GST Compensation Cess paid on inward supplies? List out some of the

Notified Goods on which GST Compensation Cess is applicable. **6**

Answer:

10. (a)

Calculation of assessable value and total tax & customs duty payable

FOB value of the product	$10,000
Cost of transport, loading, unloading and handling charges connected with the delivery of the imported goods to the place of importation, restricted to 20% of FOB	$ 2,000
Insurance (Actual) [if actual amount of insurance is known, the same is to be taken]	$ 1,000
CIF Value	$ 13,000
Unloading charges at Kochi airport (Not includible) No landing charges are to be added to the CIF value in view of the amendment in rule 10(2) of the CVR vide Notification No. 91/2017 - Cus. (NT) dated 26.09.2017.	Nil
Exchange rate notified by CBEC 1$ = ₹ 64 is to be considered.	
Assessable value (13,000 × 64)	₹ 8,32,000
Basic customs duty at 10%	83,200
Add: Education cess @ 2% & Secondary & Higher Education Cess @ 1% of custom duty	2,496
Value for the purpose of levying integrated tax	9,17,696
Add: Integrated tax leviable under section 3(7) @ 12%	1,10,124
Total duty & tax payable	1,95,820

Note: Here, it is assumed that the product attracts IGST and the rate of IGST is 12%.

(b) Under GST regime, Compensation Cess will be charged on luxury products like high-end cars and demerit commodities like pan masala, tobacco and aerated drinks for the period of 5 years in order to compensate states for loss of revenue.

GST Compensation cess, wherever applicable, would be levied on cargo that would arrive on or after 1st July, 2017. Similarly ex-bond bill of entry filed on or after 1st July 2017 would attract GST Compensation cess, as applicable. In the case where cargo arrival is after 1st July and an advance bill of entry was filed before 1st July along with the payment of duty, the bill of entry may be recalled and reassessed by the proper officer for levy of GST compensation Cess, as applicable.

The value of the imported article for the purpose of levying GST Compensation cess shall be, assessable value plus Basic Customs Duty levied under the Act, and any sum chargeable on the goods under any law for the time being in force , as an addition to, and in the same manner as, a duty of customs. These would include education cess or higher education cess as well as anti - dumping and safeguard duties.

Yes, input tax credit can be availed on GST Compensation Cess paid on inward supplies of the above mentioned notified goods. However, the credit of GST Compensation Cess paid can be utilized only towards payment of the GST Compensation Cess liability.

GST Cess will be levied on supply of certain notified goods - mostly belonging to the luxury and demerit category. Coal, Pan Masala, Tobacco, Motor Vehicles, Aerated Drinks.

Suggested Answer_Syl16_Dec2018_Paper_11

INTERMEDIATE EXAMINATION
GROUP II
(SYLLABUS 2016)

SUGGESTED ANSWERS TO QUESTIONS
DECEMBER 2018

Paper-11: INDIRECT TAXATION

Time Allowed: 3 Hours **Full Marks : 100**

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

Wherever required, the candidate may make suitable assumptions and State them clearly in your answer.

Working Notes should form part of the answer.

GST (Section – A)

Part – I

(All questions are compulsory in Part- I.)

1. (a) Choose the correct option from amongst the four alternative given: 1×5=5

(i) Which of the following manufacturer cannot opt for composition levy?
- **(A) Manufacturer of pan masala**
- **(B) Manufacturer of ice–cream**
- **(C) Manufacturer of tobacco substitutes**
- **(D) All of the above**

(ii) GST is payable in respect of services rendered to an employer by an employee on
- **(A) regular basis in the course of employment**
- **(B) contract basis not in the course of employment**
- **(C) Neither (A) nor (B)**
- **(D) Both (A) and (B)**

(iii) Which of the following shall not be included in value of supply?
- **(A) Commission**
- **(B) Late fee or penalty for delay**
- **(C) GST**
- **(D) Interest**

(iv) Where a person becomes liable to get registered under GS T law, he should furnish application for registration within ---------- days
- **(A) 15**
- **(B) 30**
- **(C) 60**
- **(D) 90**

Suggested Answer_Syl16_Dec2018_Paper_11

(v) Following taxes are levied in interstate supply of goods under GST law:

(A) CGST only

(B) SGST and IGST

(C) IGST and CGST

(D) IGST only

(b) Match the following: 1×5=5

	Column A		Column B
1.	Head–quarters of GST council is at	A.	GSTN
2.	SPV to cater to the needs of GST	B.	Form of supply of goods
3.	Breeding of fish	C.	India
4.	Barter	D.	Exempted from GST
5.	Highest GST rate is found in	E.	Mumbai
	----------	F.	New Delhi
	----------	G.	China

(c) State whether true or false: 1× 5=5

(i) The scope of supply of goods or services or both includes, *inter alia*, sale, exchange and lease.

(ii) A person of Tripura is eligible to opt for composition levy provided his previous year turnover (aggregate) exceeds Rs.75 lakh.

(iii) A registered person under GST law gives a free spoon along with every soap purchased. This is a case of composite supply under GST law.

(iv) Under GST law, every registered person whose aggregate turnover during a financial year exceeds Rs.2crore has to get his accounts audited by a chartered accountant or a cost accountant.

(v) Input credit can be claimed for machinery purchased and sent directly to a job worker registered under the tax payer.

(d) Fill in the blanks: 1×5=5

(i) Every person who is liable to be registered under GST shall apply for registration in form ----------

(ii) License to occupy land is treated as ---------- (supply of services/not supply of services).

(iii) In GST, details of inward supplies of taxable goods or services for claiming input credit are to be furnished in form no. --------

(iv) For delayed payment of GST, interest is payable at ---------- % per annum

(v) As per the GST law, every registered taxable person must maintain account books and records for at least -------- from the due date of furnishing of annual return for the year pertaining to such return.

Answer: 1 (a)

(i) (D) all of the above

(ii) (B) Contract Basis

(iii) (C) GST

(iv) (B) 30

(v) (D) IGST only

Suggested Answer_Syl16_Dec2018_Paper_11

Answer: 1 (b)

	Column A		Column B
1.	Head–quarters of GST council is at	F.	New Delhi
2.	SPV to cater to the needs of GST	A.	GSTN
3.	Breeding of fish	D.	Exempted from GST
4.	Barter	B.	Form of supply of goods
5.	Highest GST rate is found in	C.	India

Answer: 1 (c)

(i) True

(ii) False

(iii) False

(iv) True

(v) True

Answer: 1 (d)

(i) GST REG 01

(ii) Supply of services

(iii) GSTR 2 (As GSTR 2 is currently suspended credit of ITC is taken directly in Form GSTR 3B). (Alternate Answer)

(iv) 18

(v) 72 months

PART–II

(*Answer* any four *questions* in *Part–II*)

2. (a) State briefly the features of the GSTN, i.e., the role assigned to GSTN in India. 7

(b) (i) Which are the commodities proposed to be kept outside the purview of GST?

(ii) What are the salient features of Integrated Goods and Services Tax (IGST)? 2+6

Answer: 2 (a)

Functions of the GSTN (i.e. Role assigned to GSTN):

Creation of common and shared IT infrastructure for functions facing taxpayers has been assigned to GSTN. These functions and areas are:

- filing of registration application
- filing of return,
- creation of challan for a tax payment
- settlement of IGST payment (like a clearing house),
- Generation of business intelligence and analytics etc. for the use of the Department

All statutory functions to be performed by tax officials under GST like approval of registration, assessment, audit, appeal, enforcement etc. will remain with the respective tax departments.

Answer: 2 (b) (i)

Article 366 (12A) of the Constitution as amended by 101st Constitutional Amendment Act, 2016 defines the Goods and Service Tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. So alcohol for human consumption is kept out of GST by way of definition of GST in constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out and GST Council shall decide the date from which they shall be included in GST. Furthermore, supply of electricity has been kept out of GST.

Answer: 2 (b) (ii)

The following are some of the salient features of IGST:

- The Central Government would administer and levy taxes on IGST
- Seller/service provider in the origin state is to charge IGST on interstate supply of goods and/or services. IGST=CGST+SGST/UTGST
- Interstate Seller/Service provider shall use his input CGST and input SGST for payment of IGST, i.e. he shall pay net IGST.
- Inter-state Buyer/Service recipient shall avail input tax credit on the basis of tax invoice for payment of his own IGST, CGST or SGST/UTGST
- Both, the seller/service provider and the buyer/service recipient shall report these transactions in the respective e-returns
- The exporting state/U.T. will transfer the SGST/UTGST portion to Central Government and Central Government will transfer that SGST/UTGST to importing State/U.T.
- Stock transfer to branch/depot in other state/U.T. will also attract IGST. Where the stock transfer is from branch in one city to a branch in another city but within the same State/U.T. it does not attract any IGST or CGST and SGST unless the each branch is separately registered and it has separate verticals.
- IGST will be levied on Import of Goods and/or Services. Therefore, import will attract basic custom duty plus IGST.

3. (a) CMA Anushtup Chandra of Kerala (resident in India), rendered taxable professional services to M/s Mythili & Co., of Mumbai. He raised a proper tax invoice on 01–02–2018, charging applicable GST and showing the same separately in the invoice.

After deduction of tax under section 194–J of the Income–tax Act, 1961, a net amount of Rs.3,24,000 was paid by Mythili & Co., on 12–02–2018.

You are required to ascertain the tax invoice amount raised by CMA Anushtup Chandra, the registered supplier, showing clearly the value of supply and GST charged by him and the amount of TDS deducted by Mythili & Co., u/s 194–J of the Income–tax Act, 1961. 5

(b) (i) Virat Raina imported on 12–09–2018, certain goods from Colombo, on which he paid ocean freight of Rs.2,34,000. He has received a notice from the Department,

asking him to pay the GST on the ocean freight. It is stated in the notice that he is liable to pay GST on Ocean Freight. Since, place of supply of service is destination of goods as per Sec. 13(9) of IGST Act, 2017

You are required to help the importer in rebutting the Department's view. 4

(ii) With reference to the position of Goods and Services Tax law as applicable on or after 01.07.2017, what would be the place of supply of service in the following independent cases?

(I) MN Trade Links of New Delhi are appointed as commission agent by a foreign company for sale of its goods to Indian customers. In lieu of their services, MN Trade Links receive a fixed percentage of commission from the concerned foreign company.

(II) OP Fabricators of Mumbai has temporarily imported certain goods from its customer located in Hongkong for repairs. The said goods have been re–exported Hongkong after carrying out the necessary repairs without being put to any use in Mumbai.

(III) UV Airlines, an airlines located in New Delhi, has hired aircrafts from a foreign Airlines for a period of 15 days. 6

Answer: 3 (a)

GST and TDS u/s 194J of the IT Act, 1961

CBDT has clarified through Circular No.23/2017 Dated 19th July 2017 that if GST on services has been indicated separately in the invoice, then no tax would be deducted on GST component. In the light of the fact that even under the new GST regime, the rationale of excluding the tax component from the purview of TDS remains valid, the Board thereby clarified that wherever in terms of the agreement or contract between the payer and the payee, the component of 'GST on services' comprised in the amount payable is indicated separately, tax shall be deducted at source under Chapter XV II-B of the Income-tax Act, 1961on the amount paid or payable without including such 'GST on services' component.

	Rs.
Let the gross value of taxable services be	100
Add: IGST charged at 18%	18
Less: TDS at 10% on 100	10
Payment received from recipient of supply	108

Particulars	**Amount (Rs.)**
Net amount received after TDS	3,24,000
Gross value of services will be [324000 × 100/108]	3,00,000
Add: IGST at 18%	54,000
Value of taxable service as per Tax Invoice	3,54,000
TDS u/s 194-J of the Income-tax Act, 1961 (10% of 3,00,000)	30,000

Answer: 3 (b)(i)

Facts of the Case:

Import of goods into India is completed when goods are landed on land mass of India (as per the decision in **Garden Silk Mills Ltd.** of the Hon'ble Supreme Court)

Ocean freight on import of goods into India is subject to customs duty. As per the Department contention Ocean Freight is subject to GST again.

Ground on rebuttal:

In the case of **United Shippers Ltd.** 2015 (37) STR 1043 (Tri-Mumbai), it has been held that when the value of transportation charges have been added in CIF value on which customs duty is paid. GST again cannot be recovered on the same value. The department's appeal against the order of Tribunal to the Hon'ble Supreme Court of India has been dismissed, as reported in 2015(39) STR J369 (S.C.). It means the judgment of Hon'ble Tribunal-Mumbai has been approved by the Supreme Court.

The ratio of this judgment is equally applicable to Gods and Services Tax Law also. Therefore, question of payment of GST on ocean freight does not arise.

Note: After issue of notification No.10/2017–Integrated Tax Rate dated 28.06.2017 vide entry No.10–IGST is payable on such ocean freight by the importer under RCM. As regards the transaction in question of 12th September, 2018. RCM stands suspended upto 30-09-2019 and hence it will not be payable in any case.

Answer: 3 (b)(ii)

PARTICULARS
(a) Place of supply of service = New Delhi (i.e. location of supplier of service section 13(8)(b) of the IGST Act, 2017). GST will be levied
(b) Place of supply of service = Hongkong (i.e. location of recipient of service as per Section 13(2) of the IGST Act, 2017). No GST will be levied.
(c) Place of supply of service = New Delhi (i.e. location of recipient of service as per Section 13(2) of the IGST Act, 2017). IGST will levied.

4. (a) Mr. C a registered taxable person, was paying tax at composition scheme upto 30th July. However, w.e.f. 31st July, Mr. C becomes liable to pay tax under regular scheme. Other information:

(i) Unutilized inputs at day end on 30th July for Rs.3,54,000 (inclusive of GST paid @18%)

(ii) Capital goods purchased for Rs.5,00,000 (invoice date 22nd April, 2017, GST charged separately @18%)

Find the eligible ITC to Mr. C **5**

Note: Mr. C has not availed depreciation on the GST paid on capital goods.

(b) Alisha Hotel Ltd. is a hotel provider of rooms. Rent charged per day per room is as follows:

Particulars	Amount (Rs.)
Room Rent	**550**
Furniture Rent	**400**
Air–conditioner Rent	**150**
Refrigerator Rent	**50**
***Less:* Discount**	**(250)**
Net Amount Charged	**900**

During the month of Oct. 2017, 20 rooms are let out throughout the month and balance 35 rooms are let out only for 15 days.

Input Tax Credit available Rs.7500.

The following GST rates are applicable for the hotel industry: 12%, 18% and 28%.

Find the GST liability if any for the month of Oct. 2017. **10**

Suggested Answer_Syl16_Dec2018_Paper_11

Answer: 4 (a)

PARTICULARS	AMOUTN (Rs.)
ITC allowed on inputs	54,000
ITC allowed on capital goods	
ITC on capital goods	90,000
Less: 5% p.a.	4,500
	85,500
Total ITC allowed to Mr. C as on 31st July = Rs.54,000	

Answer: 4 (b)

PARTICULARS		
Working Note:		
(1) Since, Declared Tariff is Rs.1,150, Alisha Hotel Ltd., is liable to pay GST@12% *		
Room rent		550
Furniture rent		400
Air–conditioner rent		150
Refrigerator rent		50
Declared Tariff		1,150
(2) Taxable Services		
(20 rooms*31 days * Rs.900)		Rs.5,58,000
(35 rooms * 15 days * Rs.900)		Rs.4,72,500
Total taxable services		**Rs.10,30,500**
Statement showing GST liability of Alisha Hotel Ltd		
Particulars		**Value in Rs.**
Taxable supply of services		**10,30,500**
GST liability:		
	6% CGST	**6% SGST**
Output tax	61,830	61,830
Less: ITC	3,750	3,750
Total Tax	58,080	58,080

Note: The principal supply is renting of hotel room service. The other services are incidental and naturally bundled. Hence GST rate applicable to renting of hotel room services of 12% is applicable.

5. (a) Mr. Vishnu, who has started a business for supply of goods and services in Tamil Nadu, furnishes the following information pertaining to the period commencing on 01–07–2017 and ended on 31–03–2018:

Sl No.	Particulars	Amount (Rs.)
(i)	**Sale of diesel on which Sale Tax (VAT) is levied by Tamil Nadu Government**	**7,00,000**
(ii)	**Supply of goods, after completion of job work, from the place of Mr. Vishnu, directly by his principal under whom he is registered as job worker**	**4,20,000**
(iii)	**Export supply to Dubai**	**6,00,00**
(iv)	**Supply to its own additional place of business in Tamil Nadu, under same registration**	**5,00,000**
(v)	**Supply of goods exempt from GST**	**8,20,000**

Your are required to help him in deciding whether he has to go for registration under CGST law. 7

Suggested Answer_Syl16_Dec2018_Paper_11

(b) Mr. M of Maharashtra supplied goods/services for Rs.35,000 to Mr. P of Pune. Mr. M purchased goods/services for Rs.23,600 (inclusive of IGST 18%) from Mr. C of Tamil Nadu. SGST and CGST rate on supply of goods and services is 9% each. Find the following:

(i) Total price charged by Mr. M for supply of goods/services and

(ii) Who is liable to pay GST?

(iii) Net liability of GST. 8

Answer: 5 (a)

Computation of aggregate turnover for CGST registration

S. No.	Particulars	Amount (Rs.)
(i)	Sale of diesel on which Sale Tax (VAT) is levied by Tamil Nadu Government. As per section 2(47) of the CGST Act, 2017, non–taxable supply of goods like diesel, to be also included	7,00,000
(ii)	Supply of goods, after completion of job work, from the place of Vishnu, directly by his principal. This will be treated as the supply of goods by the principal in terms of explanation (ii) to section 22 of the CGST Act, 2017.	Nil
(iii)	Export supply to Dubai Specifically includible in the aggregate turnover in terms of section 2(6) of the CGST Act, 2017.	6,00,000
(iv)	Supply to its own additional place of business in Tamil Nadu Supply made without consideration to units within the same State (under same registration) is a not a supply and hence not includible in aggregate turnover.	Nil
(v)	Supply of goods exempt from GST As per section 2(47) of the CGST Act, 2017, supply of exempt goods like diesel, to be also included	8,20,000
	Aggregate turnover for CGST registration purposes	21,20,000

Since the aggregate turnover exceeds Rs.20 laksh, Vishnu has to get himself registered. He should be advised accordingly.

Note: as Mr. Vishnu makes export supply, he is a person making interstate taxable supply and is liable for compulsory registration under Section 24 of CGST Act, irrespective of whether his turnover exceeds the threshold limit of Rs.20 lakhs or not.

Answer: 5 (b)

PARTICULARS	Rs.
Value Charged for Supply of Goods/Services	35,000
Add: CGST@9%	3,150
Add: SGST @9%	3,150
(a) Total price charged by Mr. M from Mr. P for local supply of goods/services	41,300
(b) Mr. M is Liable to pay tax	

Particulars	CGST (Rs.)	SGST (Rs.)	
Output tax	3,150	3,150	IGST Credit 1st Adjust against CGST and next SGST
Less: ITC	(3,150)	(450)	
(c) Net Tax Liability	**NIL**	**2,700**	

Note: ITC being IGST included in Rs.23,600 inputs used is 23,600 × 18/118 = Rs.3600

6. (a) (i) The ADINA GROUP being an event organizer located at New Delhi organized MISS INDIA 2017 beauty pageant in India in the following cities for M/s. PC MISS INDIA, who is a registered person located in Kolkata after 1st July, 2017:

City	No. of days	Fee in Rs.
New Delhi	15	15 Crores
Chennai	20	20 Crores
Kolkata	25	25 Crores
Total	60	60 Crores

Required:

(A) Find the place of supply of service if contract specifies clear details.

(B) Find the place of supply of service if contract specified lump–sum amount of Rs.50Crores. 3+3=6

(ii) MS. ANTIRA, a registered person, supplied certain goods to Mr. G also a registered person. The tax in respect of the said goods is liable to be paid on Reverse Charges basis. Other details of the transaction are as under:

(a)	Date of receipt of goods by Mr. G	26.11.2017
(b)	Date on which the payment is made and entered in the books of accounts by Mr. G	22.12.2017
(c)	Date when the payment is debited in bank account of Mr. G	24.12.2017
(d)	Date of issue of invoice by Ms. Antira, the supplier	20.11.2017
(e)	Date immediately following 30 days from the date of issue of invoice by the supplier	21.12.2017

You are required to determine the time of supply of goods under reverse charge basis. 4

(b) Following is the GST tax invoice issued by a registered supplier:

M/S ABC Pvt. Ltd Chennai		
Date: 12–01–2018		GST no: 33AXCCA1234MZU
Purchaser: John Britto, Kochi	GST no. Of purchaser: 31AAVPR6745J1ZU	
	Quantity (Nos.)	Value (Rs.)
Ready–made shirts	10,000	12,00,000
IGST		2,16,000
Total amount		14,16,000
		Being computer printout, no signature is required

Identify any five mistakes or errors found in the above GST tax invoice. 5

Answer: 6(a)(i)

(A) The place of supply of service if contract specifies clear details:

City	No. of days	Rs. in crore	Location of supplier of service	Place of supply of service = where the respective event is held	GST
New Delhi	15	15	New Delhi	New Delhi	CGST & SGST/UTGST
Chennai	20	20	New Delhi	Chennai	IGST
Kolkata	25	25	New Delhi	Kolkata	IGST
Total	60	60			

(B) The place of supply of service if contract specifies lump sum amount of Rs.50 crore.

City	No. of days	Rs. in crore	Location of supplier of service	Place of supply of service=where the respective event is held	GST
New Delhi	15	12.50	New Delhi	New Delhi	CGST & SGST/UTGST
Chennai	20	16.67	New Delhi	Chennai	IGST
Kolkata	25	20.83	New Delhi	Kolkata	IGST
Total	60	50.00			

Answer: 6(a)(ii)

Time of supply of Goods in the given case, shall be earlier of the following dates

(a)	Date of the recipient of goods by Mr. G	26.11.2017
(b)	Date on which the payment is made and entered in the books of Account by Mr. G.	22.12.2017
(c)	Date when the payment is debited in the bank account of Mr. G	24.12.2017
(d)	Date immediately following 30 days from the date of issue of invoice by the Supplier (MS Antira)	21.12.2017

Thus, the time of supply of goods shall be 26.11.2017 being the earliest of four stipulated dates specified above.

Answer: 6(b)

Mistakes in Tax Invoice issued

(i) Tax invoice does not contain the serial number

(ii) Address of the supplier is missing

(iii) GST number of the supplier is incorrect

(iv) Address of the purchaser is missing

(v) Rate per unit of the goods supplied is not given

(vi) HSN/SAC of goods supplied not given

(vii) Rate of GST not given

(viii) Signature is required of authorised person of supplier

7. Write short notes on any three out of the following: 5×3=15

(a) Procedure for Registration under GST

(b) List of persons not eligible for composition scheme

(c) Composite supply

(d) Contents of receipt voucher

Answer: 7(a)

Under section 25 of GST, every person who is liable to be registered shall apply for registration within 30 days from the date on which he becomes liable to registration, before applying for registration declare his

1. Legal name of business
2. PAN

3. Mobile number
4. E–mail address
5. State or union territory

in Part A of Form GST REG–01on common portal

On successful verification of these numbers, a reference number will be generated.

Applicant shall submit Part B of Form GST REG–01, duly signed, along with documents specified in the said Form at the common portal.

Form GST REG–02: Acknowledgement of Application

If these documents are found to be in order, the proper office shall approve the registration within 3 working days from the date of submission.

Certification of Registration shall be granted in Form GST-REG-06. Certification of Registration contains Goods and Services Tax Identification number (GSTIN), two characters for the state code, ten characters for the PAN, two characters for the entity code and one checksum character.

Answer: 7(b)

The following persons though registered under GST law are not eligible for composition scheme even if their aggregate turnover in the preceding financial year did not exceed Rs.1.5crore:

(i) Supplier of **services**. However, supplier of restaurant service, mandap keeper and outdoor catering service shall be eligible for composition scheme.

(ii) Supplier of goods which are **not leviable to tax under this Act. At present the following goods are not leviable to tax under this Act**.
   (i) Alcoholic liquor for human consumption (ii) Petroleum crude (iii) High speed diesel (iv) Motor spirit (v) Natural gas, and (v) Aviation Turbine Fuel

(iii) Supplier of inter-State outward supplies of goods

(iv) Supplier of goods **through an electronic commerce operator.**

(v) **Manufacturers** of (a) ice–cream and other edible ice, whether or not containing cocoa: (b) Pan Masala; (c) Tobacco and (d) Manufactured tobacco substitutes

(vi) A casual taxable person or a non–resident taxable person;

(vii) Supplier who has purchased by goods or services from unregistered supplier unless he has paid GST on such goods or services on reverse charge basis. (This condition is deferred till 31.03.2018);

Answer: 7(c)

Under section 8 of CGST Act, composite supply is when two or more goods are sold in a combination, it becomes difficult to identify the rate of tax to be levied.

Composite supply is similar to the concept of 'bundled service' as under service tax laws in the existing regime. Composite supply is naturally bundled i.e. goods or services are usually provided together in normal course of business and cannot be separated.

Composite supply consists of two or more goods/services, which is naturally supplied with each other in the ordinary course of business and one of them is a principal supply. The items cannot be supplied separately.

Principal supply means the supply of goods or services, which constitute the predominant element of a composite supply and to which another supply is ancillary/secondary.

Following two conditions are necessary for composite supply: –

(a) Supply of two or more goods or services together, AND

(b) It should be a natural bundle and they cannot be separated.

Answer: 7(d)

A registered person shall, on receipt of advance payment with respect to any supply of

goods/services, issue a receipt voucher or any other document, evidencing receipt of such payment. A receipt voucher shall contain the following particulars –

(A) Name, address and GSTIN of the supplier.
(B) A consecutive serial number (not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters–hyphen or dash and slash symbolised as Rs.Rs.-Rs.Rs.and Rs.Rs./ Rs.Rs.respectively, and any combination thereof, unique for a financial year).
(C) Date of its issue.
(D) Name, address and GSTIN or UIN, if registered, of the recipient
(E) Description of goods or services.
(F) Amount of advance taken.
(G) Rate of tax (CGST, SGST, IGST, UTGST or GST cess).
(H) Amount of tax charged in respect of taxable goods or services (CGST, SGST, IGST, UTGST or GST cess)
(I) Place of supply along with the name of State and its code, in case of a supply in the course of inter–state trade or commerce.
(J) Whether the tax is payable on reverse charge basis.
(K) Signature or digital signature of the supplier or his authorized representative.

Customs (Section–B)
Part–III
(All questions are compulsory in Part–III)

8. Choose the correct option from amongst the four alternatives given: 1×5=5

(i) ---------- means where goods are cast into sea to reduce weight of ship to prevent it from sinking and the thrown goods sink

(A) Jettison

(B) Overload

(C) Underload

(D) None of the above

(ii) Basic custom duty on imported goods is levied at the rates specified in the
(A) First Schedule of the Customs Tariff Act, 1975.
(B) Second Schedule of the Customs Tariff Act, 1975.
(C) Customs Act, 1962.
(D) Customs Manual, 2001

(iii) A ship carries some goods K, L, M and N from Singapore to Dubai, via Chennai. L and M are moved at Chennai in another vessel. L being meant for Kochi and M to Dubai. As per customs law, the transhipped good(s) is/are:
(A) All four
(B) L only
(C) L and M
(D) None of the goods

(iv) In the GST regime, for the purpose of levying IGST for all the imports duty shall be levied at the rate of
(A) 25%
(B) 18%

(C) 15%

(D) 10%

(v) As per Section 2(24) of the Customs Act, 1962, the person–in–charge of a vehicle carrying imported goods; deliver to the proper officer an import report within ---------- after its arrival in the customs station, in the prescribed form

(A) 12 hours

(B) 18 hours

(C) 24 hours

(D) None of the above

Answer: 8

(i) (A)

(ii) (A)

(iii) (C)

(iv) (B)

(v) (A)

Part–IV

(Answer any one question in Part–IV)

9. (a) (i) When shall the safeguard duty under section 8 of the Customs Tariff Act, 1975 be not imposed? Discuss briefly.

(ii) A bill of entry was presented by Zeelsin Ltd., an importer on 16th September, 2017. The vessel carrying goods arrived on 23rd September, 2017. Entry inwards was granted on 25th September, 2017 and the bill of entry was assessed on that date and was also returned to the importer for payment of duty on that date. The duty amounting to Rs.4,00,000 was paid by the importer on 4th October, 2017. There were four holidays during the period from 26th September to 4th October, 2017.

Calculate the amount of interest payable under section 47(2) of the Customs Act, 1962. 4+3

(b) (i) Explain the validity of the following statements with reference to Chapter IX of the Customs Act, 1962 containing the provisions relating to the warehousing:

(A) The proper officer is not authorized to lock any warehouse with the lock of the Customs Department.

(B) The Commissioner of Customs (Appeals) may appoint public warehouses wherein dutiable goods may be deposited.

(C) The Commissioner of Customs or Principal Commissioner of Customs is not required to give a notice to the licensee while cancelling the license of a private warehouse if he has contravened any provision of the said Act. 4

(ii) RPG Ltd. imported 125 units of minerals from High Seas for sale in India. Selling price is exclusive of duties and taxes. Freight from port to depot in India is Rs.2,530 and insurance Rs.310.

Sale quantity	Unit price (Rs.)
80	105
60	90
30	105

100	**100**
50	**95**
70	**90**
10	**105**

Basic Customs Duty–12%. Assume there is no IGST applicable for the product.

You are required to calculate total customs duty as per Rule 7 of customs valuation (Determination of value of imported goods) Rules 20017. 4

Answer: 9(a)(i)

The safeguard duty under section 8B of the Customs Tariff Act, 1975 is not imposed on the import of the following types of articles:

(i) Articles originating from a developing country, so long as the share of imports of that article from that country does not exceed 3% of the total imports of that article into India;

(ii) Articles originating from more than one developing country, so long as the aggregate of imports from developing countries each with less than 3% import share taken together does not exceed 9% of the total imports of that article into India;

(iii) Articles imported by a 100% EOU or units in a Free Trade Zone or Special Economic Zone unless the duty is specifically made applicable on them.

Note: "developing country" means a country notified by the Central Government in the Official Gazette for the purposes of this section.

Answer 9 (a) (ii):

Interest rate: 15% p.a.:

No. of days delay: (From 25th Sept'17 to 4th Oct'17):	10 days
Less: No. of Holidays	4 days
Net, No. of days delay for Interest	6 days
Interest: (Rs. 400000 × 0.15 × (6/365)	Rs.986.30

(a) The given statement is invalid: Under Sec. 58A(1) 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 and such warehouse shall be caused to be locked by the proper officer and not person shall enter the warehouse or remove any goods there from without the permission of the proper office.

(b) The given statement is invalid: The Commissioner of Customs or the Principal Commissioner of Customs can appoint public warehouse, wherein dutiable goods can be deposited under Section 57 of the Customs Act, 1962.

(c) The given statement is valid: The Commissioner of Customs or Principal Commissioner of Customs is not required to give a notice to the licensee while cancelling the license of a private warehouse if he has contravened any provision of the said Act, as per section 58(2)(b) of the Customs Act, 1962.

Answer 9 (b) (ii):

Total quantity (Unit)	Unit price (Rs.)
130	90
50	95
100	100
120	105

The greatest number of units sold at a particular price is 130 units. Therefore, the unit price in the greatest aggregate quantity is Rs.90.

	Rs.
Selling price (125 × 90)	1,1250
Less: Freight (post shipment)	(2,530)
Less: Insurance (Post shipment)	(310)
Assessable value	8,410
Custom duty [(12% + 3% E. Cess of BCD)=12.36%]	1,039

10. (a) How is the expression "foreign going vessel or aircraft" defined under Customs Act,1962? 5

(b) (i) What is the taxable event for exported goods? Also state the relevant rate of Foreign exchange in case of exports. 4

(ii) Ms. Vani Ganapathy, shifted her residence to India, after stay in Dubai for 18 months. She brought the following assets to India, landing at Salem (Tamil Nadu) airport on 21–01–2018:

Sl. No.	Particulars	Amount (Rs.)
1	Gold jewellery 50 grams valued at	1,50,000
2	Alcoholic liquor 3 litres valued at	9,000
3	10 boxes of cigarettes, each box containing 20 nos., valued at	3,000
4	Two notebook computers (one for personal use and one for her business use: 1,10,000+90,000)	2,00,000
5	Used household articles	2,23,500

Ascertain the customs duty payable by her if the customs duty is payable @36.05% inclusive of edu. cess. 6

Answer 10 (a)

Foreign going vessel or aircraft

As per section 2 (21) of the Customs Act, the foreign going vessel or aircraft means a vessel or aircraft

- from any port or airport in India
- to any port or airport outside India

The following are also included in the definition:

(i) A foreign naval vessel going naval exercises in Indian waters;

(ii) A vessel engaged in fishing or any other operation (like oil drilling by domestic vessel or foreign vessel) outside territorial waters.

(iii) A vessel going to a place outside India for any purpose whatsoever.

Answer 10 (b) (i)

Taxable event for exports

As per section 16(1) of the Customs Act, 1962, taxable event arises only when proper officer makes an order permitting clearance (i.e. entry outwards) granted and loading of the goods for exportation took place under Section 51 of the Customs Act, 1962.

Relevant rate of foreign exchange in case of exports:

In case of exports, rate of exchange of the CBEC as in force on the date on which a

shipping bill or bill of export, as the case may be, is presented under Sec.50 of the Customs Act, 1962 is applicable.

Answer 10 (b) (ii)

Sl No.	Particulars	Amount Rs.	Amount Rs.
1	Gold jewellery 50 grams valued at Less: Duty free allowance (DFA) 40 grams with cap of	1,50,000 1,00,000	
			50,000
2	Alcoholic liquor 3 litres valued at Less: DFA for 2 litres	9,000 6,000	
			3,000
3	10 boxes of cigarettes, each box containing 20 nos. Less: DFA for 100 cigarettes	3,000 1,500	
			1,500
4	Two notebook computers (one for personal use and one for her business use: 1,10,000+90,000) Less: DFA for one notebook computer	2,00,000 1,10,000	
			90,000
5	Used household articles Less: GFA for personal household items, where the passenger had stayed abroad for 1–2 years	2,23,5000 2,00,000	
			23,500
	Value of baggage to be considered for duty purposes		1,68,000
	Customs duty payable at 36.05%		60,564

INTERMEDIATE EXAMINATION
GROUP - II
(SYLLABUS 2016)

SUGGESTED ANSWERS TO QUESTIONS

JUNE - 2019

Paper-11: INDIRECT TAXATION

Time Allowed : 3 Hours **Full Marks : 100**

The figures in the margin on the right side indicate full marks.
Wherever required, the candidate may make suitable assumptions and state them clearly in the answer.
Working notes should form part of the relevant answers.

GST (Section – A)

Part – I

(All questions are compulsory in Part - I)

1. (a) Choose the correct option from amongst the four alternatives given: 1×5=5

(i) Renting of a marriage hall owned by a Trust registered under section 12AA of the Income-tax Act, 1961 is not exempt from GST where
- **(A) charges are more than ₹ 5,000 per day.**
- **(B) charges are more than ₹ 1,000 per day.**
- **(C) charges are more than ₹ 10,000 per day.**
- **(D) None of the above**

(ii) 'Zero rated Supply' means
- **(A) export of goods or services or both.**
- **(B) import of goods or services or both.**
- **(C) supply of goods or services or both to a Special Economic Zone Developer or a Special Economic Zone Unit.**
- **(D) export of goods or services or both and supply of goods or services or both to a Special Economic Zone Developer or a Special Economic Zone Unit.**

(iii) The period prescribed for issuance of tax invoice in the case of provision of services is
- **(A) generally 45 days from the date of the supply of service (in case of Banking companies- 30 days from the date of supply).**
- **(B) generally 30 days from the date of the supply of service (in case of Banking companies- 60 days from the date of supply).**
- **(C) generally 30 days from the supply of service (in case of Banking companies - 45 days from the date of supply).**
- **(D) 30 days from the date of supply of service in all cases.**

(iv) Annual Return shall be filed by
- **(A) every registered person.**
- **(B) registered person having annual turnover of ₹ 2 crores and above.**
- **(C) registered person having annual turnover of ₹ 1.5 crores and above.**
- **(D) None of the above**

(v) In the common portal, every claim of input tax credit of a registered person shall be credited to

(A) Electronic Cash Ledger
(B) Electronic Credit Ledger
(C) Electronic Liabilities Register
(D) Electronic Credit Register

(b) Match the following: 1x5=5

	Column - A		Column - B
1.	Casual Taxable Person	A.	Different GSTINs but one PAN
2.	Distinct Persons	B.	Non-taxable Supply
3.	Taxable person under composition scheme	C.	Exempt Supply
4.	Sale of Building	D.	No fixed place of business in a State or Union Territory
5.	Interest on loans and advances	E.	Quarterly Return

(c) State whether true or false: 1x5=5

(i) Under GST the phrase "Aggregate Turnover" includes exempt supplies also.
(ii) A person can issue normal tax invoice in respect of supplies which were suppressed by him and are detected by the GST officers subsequently.
(iii) GST is payable once registered even if the turnover is less than the prescribed limit.
(iv) A registered person under GST law gives a free spoon along with every soap purchased. This is a case of composite supply under GST law.
(v) Buying and selling of second hand goods is not subject to GST.

(d) Fill in the blanks: 1x5=5

(i) In case of death of a tax payer _____ can request for cancellation of registration.
(ii) Gifts exceeding _____ in value in a financial year by an employer to employee shall constitute supply of goods or services or both.
(iii) Toll receipts from highway of Coimbatore to Palghat is ₹ 60,00,000 and commission earned on toll receipts is ₹ 6,00,000. The value of taxable supply will be ₹ _____.
(iv) In case of supply of goods by a composite dealer, the registered person shall issue _____.
(v) R has started business of supplying toys in J&K. He is required to obtain registration if his aggregate turnover during a financial year exceeds _____.

Answer:

1. (a) (i) (C) charges are more than ₹ 10,000 per day.

(ii) (A) export of goods or services or both and
(C) supply of goods or services or both to a Special Economic Zone Developer or a Special Economic Zone Unit.

Note: Zero rated supply means any of the following supplies of goods or services or both, namely:-
(1) export of goods or services or both; or
(2) supply of goods or services or both to a Special Economic Zone (SEZ), developer of SEZ unit (As referred under Section 16(1) of the IGST Act, 2017.

(iii) (C)generally 30 days from the supply of service (in case of Banking companies - 45 days from the date of supply).

(iv) (A) every registered person.

(v) (B) Electronic Credit Ledger

(b)

	Column A		Column B
1.	Casual Taxable Person	D.	No fixed place of business in a State or Union Territory
2.	Distinct Persons	A.	Different GSTINs but one PAN
3.	Taxable person under composition scheme	E.	Quarterly Return
4.	Sale of Building	B./C.	Non-taxable Supply Note: Exempt supply means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11 of the CGST/SGST Acts or under section 6 of the IGST Act, and includes non-taxable supply.
5.	Interest on loans and advances	C./B.	Exempt Supply Note: Exempt supply means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11 of the CGST/SGST Acts or under section 6 of the IGST Act, and includes non-taxable supply.

(c) (i) True;
(ii) False;
(iii) True;
(iv) False;
(v) False;

(d) (i) Legal Heir
(ii) ₹ 50,000/-
(iii) ₹ 6,00,000/-
(iv) Bill of Supply
(v) ₹ 20,00,000/- (in case of special category states Rs 10.00.000/-, except J&K)

Part - II
(Answer any four questions in Part - II)

2. (a) Explain the concepts "Composite Supply" and "Mixed Supply" with reference to the provisions of CGST Act. Give at least one example in each case. 7

(b) M/s. Pioneer Agro Ltd., has provided the following information and asking you to compute the value of exempt and taxable supplies for the month of March 2019: 8

Sl. No.	Particulars	₹ in Lakhs
1	Sale of Rice (Unbranded)- On own account	18.00
2	Sale of Branded Rice- On own account	5.00
3	Commission Received (for dealing in unbranded rice)	2.50
4	Commission Received (for dealing in branded rice)	1.00
5	Commission Received (for dealing in tobacco leaves)	5.00

6	**Sale of Egg**	**25.00**
7	**Sale of dried coconut**	**5.00**
8	**Sale of desiccated coconut**	**3.00**

Answer:

2. (a) Composite supply: Composite supply consist of two or more goods/services, which is naturally supplied with each other in the ordinary course of business and one of them is a principal supply. The items cannot be supplies separately.

Note: Principal Supply means the supply of goods or services, which constitute the predominant element of a composite supply and to which another supply is ancillary/secondary.

Following two conditions are necessary for composite supply:

1. Supply of two or more goods or services together, and
2. It should a natural bundle and they cannot be separated

Example: Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply.

Mixed supply: In mixed supply two or more individual supplies combination of goods or services with each other for a single price. Each of these items can be supplied separately and is not dependent on each other. In other words, the combination of goods or services is not bundled due to natural necessities, and they can be supplied individually in the ordinary course of business.

For tax liability purpose, mixed supply consisting of two or more supplies shall be treated as a supply of that item which has the highest tax rate.

Example: A Mixed Supply example could be a kit - which contains a tie, a watch, a wallet and a pen - which could be bundled and priced together. However, each of these items can always be supplied individually, and hence this supply will be a Mixed Supply.

(b)

Sl. No	Particulars	Exempt Value (₹ In Lakhs)	Taxable Value (₹ In Lakhs)	Remarks
1	Sale of Rice (Unbranded) - On own account	18.00	-	Notification No. 28/2017 CT(R), dt. 22.09.17
2	Sale of Branded Rice - On own account	-	5.00	Notification No. 27/2017 CT(R), dated:22/09/2017
3	Commission Received (for dealing in unbranded rice)	-	2.50	Rice is not an agricultural produce
4	Commission Received (for	-	1.00	Rice is not an

	dealing in branded rice)			agricultural produce
5	Commission Received (for dealing in raw tobacco leaves)	5.00	-	Raw Tobacco leaves is an agricultural produce
6	Sale of Egg	25.00	-	Egg is an agricultural produce
7	Sale of dried coconut	5.00	-	
8	Sale of desiccated coconut	-	3.00	
	Total	53.00	11.50	

3. (a) Ms. Poorvisha got registered under the GST law on 12-02-2019. Since she is new to the GST regime, she seeks you advice on the following:

(i) Whether IGST payments can be made online only or can be made offline also;

(ii) Whether manual challans are permitted under GST;

(iii) Validity period of e-challans, and

(iv) Whether cross utilization among Major and Minor heads of the electronic cash ledger permitted. 5

(b) Chanakya Agencies is a registered supplier of household products under regular scheme. Its aggregate annual turnover was ₹ 30 lakh in the financial year 2017-18. It is of the view that in the current financial year, it is allowed to file its monthly statement of outward supplies- GSTR-1- on a quarterly basis. However, a fellow trader advises that it can file the same only on a monthly basis.

You are required to advise Chanakya Agencies on the same.

During a given tax period in the current financial year, owing to an off-season, Chanakya Agencies has not made any taxable supply. Therefore, Chanakya Agencies is of the view that no return under GST is required to be filed for the said period.

You are required to examine the correctness of the opinion of Chanakya Agencies. 5

(c) Determine the time of supply of goods in the following independent situations, as per the GST law, giving brief reason for your conclusion (Answer without reasoning will not deserve any credit): 5

Sl. No.	Date of removal of goods	Date of receipt of goods by buyer	Date of issue of tax invoice	Date of credit of payment in supplier's books of account	Date of credit of payment in supplier's bank account
1	04-01-2019	05-01-2019	04-01-2019	05-01-2019	06-01-2019
2	04-01-2019	03-01-2019	05-01-2019	03-01-2019	02-01-2019
3	04-01-2019	05-01-2019	04-01-2019	07-01-2019	08-01-2019

Answer:

3. (a) Advice to supplier who has newly taken registration:

(i) Section 49(1) of CGST Act, 2017 read with rule 87 of CGST Rules, 2017 provides that the deposit in electronic cash ledger can be made through any of the following modes, namely:-

- Internet Banking through authorised banks;
- Credit card or Debit card through the authorised bank;
- National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- Over the Counter payment through authorised banks.

Thus, offline mode is also permitted under GST.

As per Rule 87 of CGST Rules, Over the Counter payment through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft:

Provided that the restriction for deposit up to ten thousand rupees per challan in case of an Over the Counter payment shall not apply to deposit to be made by –
(1) Government Departments or any other deposit to be made by persons as may be notified by the Commissioner in this behalf;
(2) Proper officer or any other officer authorised to recover outstanding dues from any person, whether registered or not, including recovery made through attachment or sale of movable or immovable properties;
(3) Proper officer or any other officer authorised for the amounts collected by way of cash, cheque or demand draft during any investigation or enforcement activity or any *ad hoc* deposit.

(ii) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.

(iii) E-challan is valid for a period of 15 days.

(iv) Amount entered under any Minor head (Tax, Interest, Penalty, etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be utilized only for that liability.

Cross-utilization among Major and Minor heads is not possible.

(b) Filing of GST returns:

Section 37 of the CGST Act, 2017 stipulates that GSTR-1 for a particular month is required to be filed on or before the 10 day of the immediately succeeding month, i.e. on a monthly basis.

However, presently, as a measure of easing the compliance requirement for small tax payers, GSTR-1 has been allowed to be filed quarterly by small tax payers with aggregate annual turnover up to ₹ 1 crore in the preceding financial year or the current financial year. Tax payers with annual aggregate turnover above ₹ 1 crore will however continue to file GSTR-1 on a monthly basis.

In view of the same, Chanakya Agencies can file its GSTR-1 on quarterly basis as its

aggregate turnover does not exceed ₹ 1 crore in the preceding financial year.

Further, GSTR-1 needs to be filed even if there is no business activity in a tax period.

Thus, in the given situation, even if no supply has been made by Chanakya Agencies, a nil return is required to be filed for the relevant tax period.

Note: The aggregate turnover limit for small taxpayers is considered here ₹ 100 lakhs instead of ₹ 150 lakhs, as the amendment notification no. 14/2019 CT, dt. 07.03.2019 (increasing limit to ₹ 150 lakhs), has come into force on the 1st day of April, 2019, hence not to be considered here.

(c)

Sl. No	Date of supply	Brief reason
1	4-1-2019	Date of issue of tax invoice
2	2-1-2019	Date of credit of payment in supplier's bank account (being the earliest)
3	4-1-2019	Date of issue of tax invoice

4. (a) R Ltd. provides the following information:

Date of invoice in respect of purchase of Plant and Machinery	**01.11.2018**
(Life of Plant and Machinery is five years)	₹
Value of Plant and Machinery excluding GST	**20,00,000**
GST charged in respect of Plant and Machinery @ 18%	**3,60,000**
Date of supply of Plant and Machinery owing to obsolescence	**10.01.2020**
Value of outward supply of Plant and Machinery	**12,00,000**

Determine how much amount of GST to be paid on the supply of such machine. 8

(b) From the following information provided to you, determine, how would you utilize ITC on account of SGST available in the Electronic Credit Ledger: 7

Particulars	Amount
Amount of ITC on account of SGST available in the Electronic Credit Ledger for the month of June, 2019	**2,00,000**
CGST payable for the month of June, 2019	**73,000**
IGST payable for the month of June, 2019	**96,000**
SGST payable for the month of June, 2019	**30,000**

Answer:

4. (a)

Particulars	
In the light of above information, the amount to be paid by R Ltd. shall be computed as under:	
A. Input tax credit taken on purchase of Plant and Machinery	₹ 3,60,000

B. Time gap in quarters between date of purchase and supply of plant and machinery	1 year 2 months and 10 days i.e. 5 quarters (including part of the month)
C. Rate of Reduction in tax paid	Five percentage points per quarter of a year or part thereof (as the total life is taken as 5 years amounting to 20 quarters)
D. Total reduction in tax paid for five quarters or part thereof	Five percentage point x 5 quarters = Twenty-five percentage points
E. Amount of Reduction in tax paid	25% x of ₹ 3,60,000 = ₹ 90,000
F. Amount of GST to be paid on the basis of reduction in input tax credit taken [A-E]	₹ 2,70,000
G. Transaction Value of the Plant and Machinery	₹ 12,00,000
H. Tax on the transaction value of Plant and Machinery	₹ 2,16,000 [₹ 12,00,000 x 18%]
I. In terms of Section 18(6) amount to be paid- Higher of the amount given at Sl. No. F and Sl. No. H	₹ 2,70,000

(b)

Particulars	Amount (₹)
Amount of ITC on account of SGST available in the Electronic Credit Ledger for the month of June, 2019	2,00,000
Less: SGST payable for the month of June, 2019 debited in the electronic ledger	30,000
Balanced amount of ITC on account of SGST for the month of June, 2019	1,70,000
Less: IGST payable for the month of June, 2019 debited in the electronic ledger	96,000
Balance of ITC on account of SGST available in the Electronic Credit Ledger	74,000
CGST payable for the month of June, 2019 ₹ 73,000 (cannot be adjusted against input tax credit on account of SGST)	Nil
Balance input tax credit on account of SGST carried forward	74,000

5. (a) M/s. A.R.K. Express Services P Ltd., Chennai is a Goods Transport Agency. You have been given with the following information of the company for the financial year 2018-19.

Expenses	**₹**
Diesel Expenses	**11,00,000**
Repairs and Maintenance (includes CGST ₹ 27,000 and SGST ₹ 27,000)	**3,54,000**
Salary Paid	**5,00,000**
Whole-time Directors Remuneration.	**5,00,000**

Income	**₹**
Receipts from GTA services	**35,00,000**
Toll Charges Received	**2,50,000**

Non whole-time Directors Remuneration	**5,00,000**
Vehicle Hire Charges	**1,20,000**
Rent (includes CGST ₹ 5,400 and SGST ₹ 5,400)	**70,800**
Legal Fees paid to advocates	**1,50,000**
Toll Charges Paid	**2,50,000**
Other Administrative Expenses (includes CGST ₹ 15,000 and SGST ₹ 15,000)	**2,00,000**

During the FY 2018 -19, the company was raising tax invoices on RCM basis i.e., tax amount was mentioned on the invoices @ 5% of the taxable value, but the said tax amounts were not collected by the company, instead paid by the customers on reverse charge basis. The company did not avail ITC on the inputs as stipulated in the relevant notification. However for the FY 2019-20, the company is planning to change the existing system and would like to opt for the alternate system of taxing as permitted by the law i.e., to charge GST @ 12% on the services and to avail ITC. Now, by presuming that the financial information given here above for the FY 2018-19 would be the same for FY 2019-20 also, the company seeks your help to arrive at the estimated net GST liability due to the change in system.

Notes:

(1) Entire Receipts from GTA services are from the customers who are registered under GST and there are no exempted outward services.

(2) Toll Charges are received from the customers as reimbursements on actuals basis by producing the vouchers.

Now, you are required to calculate the estimates of the following:

(a) GST on outward supply;

(b) GST on inward supply eligible for ITC;

(c) GST payable by cash on reverse charge basis; and

(d) Net GST Liability. 8

(b) Discuss the correctness of this statement. State with reasons whether input tax credit is available in respect of the following inward supplies:

(i) Life Insurance Premium paid for the benefit of the employees working in granite mines, which is obligatory on the part of the company to provide this benefit under the State law. 2

(ii) Membership fee paid to a fitness centre by a film stunt artist. 2

(iii) Outdoor catering services paid towards supply of some special foods to a Restaurant, which has taken a contract for supply of food in a birthday party. 2

(iv) Motor truck purchased by a timber dealer for transportation of timber. 1

Answer:

5. (a) Computation of Probable Net GST Liability of A. R. K. Express Services P Ltd., for the FY 2019-20 —

On Income Side:

(1) GST on Receipts from GTA Services:
CGST = ₹ 35,00,000 × 6% = ₹ 2,10,000
SGST = ₹ 35,00,000 × 6% = ₹ 2,10,000.

(2) GST on Toll Charges Received:
Since toll charges are received as reimbursements on actuals basis, it is presumed that the company is acting as pure agent for its customers as regard to the given activity is concerned. Hence, GST liability would not arise on toll charges.

On Expenses Side:

(1) Diesel: Non-GST supply. Hence, not liable for reverse charge.
(2) Repairs & Maintenance: Already suffered GST. Hence not liable for reverse charge
(3) Salary Paid: Non-GST supply
(4) Whole-time Directors Remuneration: It is presumed that the whole time directors are the employees of the company. Hence, considered as Non-GST supply.
(5) Non whole-time directors remuneration: Liable for reverse charge as follows:
CGST = ₹ 5,00,000 X 9% = ₹ 45,000
SGST = ₹ 5,00,000 X 9% = ₹ 45,000
(6) Vehicle Hire Charges: Exempt supply. Does not attract reverse charge
(7) Rent: Already suffered GST
(8) Legal Fee paid to advocates: Liable for reverse charge as follows:
CGST = ₹ 1,50,000 X 9% = ₹ 13,500
SGST = ₹ 1,50,000 X 9% = ₹ 13,500
(9) Toll charges paid: Exempt supply. Does not attract reverse charge.
(10) Other Administrative Expenses: Already suffered GST

(1) GST on outward supply:

S. No.	Particulars	CGST (₹)	SGST (₹)	Total (₹)
1	On Receipts from GTA Services (as per note 1)	2,10,000	2,10,000	4,20,000

(2) GST on inward supply eligible for ITC:

Sl. No	Particulars	CGST (₹)	SGST (₹)	Total (₹)
1	Repairs & Maintenance	27,000	27,000	54,000
2	Rent	5,400	5,400	10,800
3	Other Administrative Expenses	15,000	15,000	30,000
	Total	47,400	47,400	94,800

(3) GST payable by cash on reverse charge basis:

Sl. No	Particulars	CGST (₹)	SGST (₹)	Total (₹)
1	Non whole-time directors remuneration (as per note 5)	45,000	45,000	90,000

2	Legal Fees (as per note 8)	13,500	13,500	27,000
	Total	58,500	58,500	1,17,000

(4) Computation of Net GST Liability:

Sl. No	Particulars	CGST (₹)	SGST (₹)	Total (₹)
1	GST on outward supply	2,10,000	2,10,000	4,20,000
2	Less: ITC			
	(A) On inward supplies paid to the suppliers on forward charge basis	47,400	47,400	94,800
	(B) On inward supplies paid by the company on reverse charge basis	58,500	58,500	1,17,000
	Sub-Total	1,05,900	1,05,900	2,11,800
	Net GST Liability [(1)-(2)]	1,04,100	1,04,100	2,08,200

(b) (i) Generally, GST on Life Insurance Premium paid for the benefit of the employees is not available as ITC. However, law provides that where it is obligatory for an employer to provide the same to its employees under any law for the time being in force, then the same may be available as ITC. In the given case, since the State law makes it obligatory to provide this benefit, ITC is available.

(ii) ITC is not available in respect of GST paid on the membership fee paid to a fitness centre, even though the given expenditure is directly attributable to his profession. It is in the blocked credit as provided in section 17 of CGST Act, 2017.

(iii) Generally, GST paid on outdoor catering service is not available as ITC as it an item of blocked credit. However, in the given case, the said service is used by the Restaurant for making an outward supply of the same category of service. Hence, the same is available as ITC by virtue of proviso to sub-clause (i) to clause (b) of sub-section 5 of section 17 of CGST Act, 2017.

(iv) GST on Motor truck used for transportation of goods is available as ITC.

6. (a) What are the advantages of taking registration in GST? 5

(b) Discuss the circumstances where registration is liable to be cancelled. 3

(c) Pure Oils, Delhi has started the supply of machine oils and high-speed diesel in the month of April, 20XX. The following details have been furnished by it for the said month:

Sl. No.	Particulars	₹ *
(i)	Supply of machine oils in Delhi	2,00,000
(ii)	Supply of high-speed diesel in Delhi	4,00,000
(iii)	Supply made through Fortis Lubricants- an agent of Pure Oils in Delhi	3,75,000
(iv)	Supply made by Pure Oils from its branch located in Punjab	1,80,000

*** excluding GST**

Determine whether Pure Oils is liable for registration. Will your Answer change, if Pure Oils supplies machine oils amounting to ₹ 2,50,000 from its branch located in

Himachal Pradesh in addition to the above-mentioned supplies? 7

Answer:

6. (a) Registration will confer following advantages to the business:
   i) Legally recognized as supplier of goods or services.
   ii) Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
   iii) Legally authorized to collect tax from his purchasers and pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.
   iv) Become eligible to avail various other benefits and privileges rendered under the GST laws.

   (b) Section 29(1) of the CGST Act, 2017 provides that the proper officer may, either on his own motion or on an application filed by the registered person or by his legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed, having regard to the circumstances where:
   1. the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of; or
   2. there is any change in the constitution of the business; or
   3. the taxable person, other than the person registered under sub-section (3) of section 25, is no longer liable to be registered under section 22 or section 24

   Further, section 29(2) of the CGST Act, 2017 provides that the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where, —
   A. a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or
   B. person paying tax under section 10 has not furnished returns for three consecutive tax periods; or
   C. any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months; or
   D. any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or
   E. Registration has been obtained by means of fraud, wilful misstatement or suppression of facts further, the proper officer shall not cancel the registration without giving the person an opportunity of being heard.

   (c) As per section 22 of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds ₹20 lakhs.

   However, if such taxable supplies are made from any of the specified special category States, namely, States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand, he shall be

liable to be registered if his aggregate turnover in a financial year exceeds ₹10 lakhs. As per section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of:

i) All taxable supplies,
ii) All exempt supplies,
iii) Exports of goods and/ or services and
iv) All inter-state supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, state tax, union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

Further, the explanation to section 22 provides that the expression "aggregate turnover" shall include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

Section 9 of the CGST Act, 2017 provides that CGST is not leviable on five petroleum products i.e. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. As per section 2(47) of the CGST Act, 2017, exempt supply includes non-taxable supply. Thus, supply of high-speed diesel in Delhi, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.

In the backdrop of the above-mentioned discussion, the aggregate turnover for the month of April, 20XX is computed as under:

S. No.	Particulars	Amount (in ₹)
(i)	Supply of machine oils in Delhi	2,00,000
(ii)	Add: Supply of high-speed diesel in Delhi	4,00,000
(iii)	Add: Supply made through Fortis Lubricants - an agent of Pure Oils in Delhi	-
(iv)	Add: Supply made by Pure Oils from its branch located in Punjab	1,80,000
	Aggregate Turnover	7,80,000

Since the aggregate turnover does not exceed ₹20 Lakhs, Pure Oils is not liable to be registered.

If Pure Oils made supply of machine oils amounting to ₹2,50,000 from its branch in Himachal Pradesh in addition to the above supply, then threshold limit of registration will be reduced to ₹10 lakhs as Himachal Pradesh is one of the specified special Category States.

Aggregate Turnover in that case would be ₹ 7,80,000 + ₹ 2,50,000 = ₹ 10,30,000. So, if Pure Oils supplies machine oils amounting to ₹ 2,50,000 from its branch in Himachal Pradesh, then it is liable to be registered.

7. Write short notes on any three of the following: 5x3=15

(a) Works Contract

(b) Final Return under GST

(c) Debit Note

(d) In order to be eligible for grant of registration, a person must have a Permanent Account Number issued under the Income-tax Act, 1961. State one exception to it.

Answer:

7. (a) Works Contract:

Section 2(119) of CGST Act, 2017 defines "works contract" means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable properly wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract;

As per section 17(5) of the CGST Act, 2017, Input Tax Credit shall not allowed on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;

(b) Final Return under GST:

As per Section 45 of CGST Act, 2017, every registered person who is required to furnish a return under sub-section (1) of section 39 and whose registration has been cancelled shall furnish a final return within three months of the date of cancellation or date of order of cancellation, whichever is later, in such form and manner as may be prescribed.

Rule 81 of CGST Rules, 2017, provides that every registered person required to furnish a final return under section 45, shall furnish such return electronically in FORM GSTR-10 through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

(c) Debit Note

Where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply, the registered person, who has supplied such goods or services or both, shall issue to the recipient a debit note containing such particulars as may be prescribed. (Section 34(3) of CGST Act)

Any registered person who issues a debit note in relation to a supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued and the tax liability shall be adjusted in such manner as may be prescribed. (Section 34(4) of CGST Act).

(d) A Permanent Account Number is mandatory to be eligible for grant of registration.

One exception to this is a non-resident taxable person. A non-resident taxable person may be granted registration on the basis of other prescribed documents instead of PAN. He has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory who is an Indian Resident having valid PAN and application will be submitted in a different prescribed form [Section 25(6) & (7)].

Customs (Section – B)
Part – III
(All questions are compulsory in Part - III)

1×5=5

8. (i) When the goods are sent from customs station for warehousing, proper officer shall affix _____ on the container.

(A) Permanent Lock
(B) One Time Lock
(C) Special Mark
(D) One Time Mark

(ii) In case actual insurance charges are not known, insurance charges to be added with FOB value to arrive at the assessable value is

(A) 1.525%
(B) 1.215%
(C) 1.125%
(D) 1.025%

(iii) Under section 46(1) of Customs Act, 1962, an importer shall present the bill of entry before the end of _____ following the day on which the aircraft/vessel/vehicle carrying the goods arrives at the customs station.

(A) 1 day
(B) 2 days
(C) 3 days
(D) 4 days

(iv) All goods, derelict, Jetsam, flotsam and wreck brought (or) coming into India, shall be dealt with as if they were into India.

(A) Exported
(B) Imported
(C) No duty
(D) Exempted from tax

(v) As per Section 2(31) person in charge means

(A) Vessel - Master
(B) Train - Conductor (or) Guard
(C) Vehicle – Driver
(D) All of the above

Answer:

8. (i) (B) One Time Lock
(ii) (C) 1.125%
(iii) (A) 1 day
(iv) (B) Imported
(v) (D) All of the above.

Part – IV
(Answer any one question in Part-IV)

9. (a) BSA and Company Ltd. have imported a machine from U.K. from the following particulars furnished by them, arrive at the assessable value for the purpose of customs duty payable: 7

(i)	**F.O.B. cost of the machine**	**10,000 U.K. Pounds**
(ii)	**Freight (air)**	**3,000 U.K. Pounds**
(iii)	**Engineering and design charges paid to a firm in U.K.**	**500 U.K. Pounds**
(iv)	**License fee relating to imported goods payable by the buyer as a condition of sale**	**20% of F.O.B. Cost**
(v)	**Materials and components supplied by the buyer free of cost valued**	**₹ 20,000**
(vi)	**Insurance paid to the insurer in India**	**₹ 6,000**
(vii)	**Buying commission paid by the buyer to his agent in U.K.**	**100 U.K. Pounds**

Other Particulars:

(i) Inter-bank exchange rate as arrived at by the authorized dealer: ₹ 72.50 per U.K. Pound.

(ii) CBIC had notified for purpose of Section 14 of the Customs Act, 1944, exchange rate of ₹ 70.25 per U.K. Pound.

(iii) Importer paid ₹ 5,000 towards demurrage charges for delay in clearing the machine from the Airport. (Make suitable assumptions wherever required and show workings with explanations.)

(b) Who are the persons not eligible for compounding of offences as per section 137(3) of the Customs Act, 1962? 8

Answer:

9. (a)

Particulars	
	UK Pounds
FOB Value	10,000
Add: Engineering and Design charges (Paid in (UK)	500
Add: License fee (20% on 10,000 UKP)	2,000
Sub-total	12,500
	Value in ₹
Sub-total (12,500 UKP x ₹ 70.25)	8,78,125
Add: Material supplied by the buyer freely	20,000
FOB Value as per customs	8,98,125

Add: Air freight (₹ 8,98,125 × 20%)	1,79,625
Add: Insurance	6,000
CIF Value / Assessable value	10,83,750

(b) Ineligibility criteria for compounding of offence under customs:

The following persons shall not be eligible for compounding of offences as per sec. 137(3) of the Customs Act, 1962:

1) Offences already compounded u/s 135 and 135A of the Customs Act (i.e. second time compounding not allowed)
2) a person who has been accused of committing an offence under this Act which is also an offence under any of the following Acts, namely:-
   (i) the Narcotic Drugs and Psychotropic Substances Act, 1985 (61 of 1985);
   (ii) the Chemical Weapons Convention Act, 2000 (34 of 2000);
   (iii) the Arms Act, 1959 (54 of 1959);
   (iv) the Wild Life (Protection) Act, 1972 (53 of 1972);
3) a person involved in smuggling of goods falling under any of the following, namely:-
   (i) goods specified in the list of Special Chemicals, Organisms, Materials, Equipment and Technology
   (ii) goods which are specified as prohibited items for import and export
   (iii) any other goods or documents, which are likely to affect friendly relations with a foreign State or are derogatory to national honour.
4) a person who has been allowed to compound once in respect of any offence under this provision for goods of value exceeding rupees one crore;
5) a person who has been convicted under this Act on or after the 30th day of December, 2005.

10. (a) Briefly narrate the features and advantages of warehousing. 7

(b) Malya Internationals Ltd., has imported a machinery by air from Germany. Bill of Entry is presented on 20.01.2019. However, entry inwards is granted on 25.01.2019.

Relevant information of the transaction are provided hereunder:

(i)	**CIF Value of Machine**	**5,000 USD**
(ii)	**Air Freight Paid**	**750 USD**
(iii)	**Insurance Charges Paid**	**100 USD**
(iv)	**Rate of Exchange on 20.01.2019**	**As per RBI 1 USD = ₹ 65.50** **As per CBIC 1 USD = ₹ 66**
(v)	**Rate of Exchange on 25.01.2019**	**As per RBI 1 USD = ₹ 66.50** **As per CBIC 1 USD = ₹ 67**
(vi)	**Basic Customs Duty Rate**	**10%**
(vii)	**IGST Rate**	**18%**

Calculate the assessable value in INR for the purposes of levy of customs duty as well as total customs duty. You can make suitable assumptions wherever necessary. 8

Answer:

10. (a) Features and Advantages of Warehousing:

1. Importer can defer payment of import duties by storing the goods in a safe place;
2. Importer allowed doing manufacturing in bonded warehouse and then re-exporting from it;
3. The importer can be allowed to keep the goods up to one year without payment of duly from the date he deposited the goods in a warehouse;
4. This time period is extended up to 3 years for EOUs and in case of capital goods it can be still extended to 5 years;
5. The importer minimizes the charges by keeping in a warehouse, otherwise the demurrage charges at port is heavy;
6. Only dutiable goods can be deposited in the warehouse;
7. Green Bill of Entry has to be submitted by the importer to clear goods from the warehouse for home consumption.

(b)

Particulars	Amount in USD	Remarks	Workings
CIF Value	5,000		
Less: Air Freight	750	Air freight should not be more than 20% of FOB	
Less: Insurance	100		
FOB Value	4,150		
Add: Air Freight	750	Since actual air freight is less than 20% of FOB, actual freight is considered	4150X20% = 830
Add: Insurance	100		
Assessable Value	5,000		

Particulars	Amount in INR	Remarks	Workings
Assessable Value	3,30,000	CBIC exchange rate on the date of submission of bill of entry is relevant	5,000 USD × ₹ 66 = ₹ 3,30,000
Add: BCD @ 10%	33,000		₹ 3,30,000 × 10% = ₹ 33,000
Add: Social Welfare Surcharge @ 10% on BCD	3,300		₹ 33,000 × 10% = ₹ 3,300
Balance	3,66,300		
Add: IGST@ 18%	65,934		₹ 3,66,300 × 18% = ₹ 65,934
Total Value	4,32,234		

INTERMEDIATE EXAMINATION
GROUP - II
(SYLLABUS 2016)

SUGGESTED ANSWERS TO QUESTIONS

DECEMBER - 2019

Paper-11: INDIRECT TAXATION

Time Allowed : 3 Hours **Full Marks : 100**

The figures in the margin on the right side indicate full marks.
Wherever required, the candidate may make suitable assumptions and state them clearly in the answer.
Working notes should form part of the relevant answer.

GST (Section – A)

Part – I
(All questions are compulsory in Part - I)

1. (a) Choose the correct option from amongst the four alternatives given: 1×5=5

(i) Supply of goods or services or both to a Special Economic Zone unit is a
- **(A) Intrastate supply**
- **(B) Export Supply**
- **(C) Non-GST Supply**
- **(D) None of the above**

(ii) Reverse Charge Mechanism shall apply
- **(A) only in respect of service.**
- **(B) only in respect of goods.**
- **(C) both in respect of goods and services.**
- **(D) only in respect of inward supplies from unregistered persons.**

(iii) Healthcare Service is taxable where services are provided in the field of
- **(A) Siddha, Ayurveda and Homeopathy**
- **(B) Yoga, Unani and Naturopathy**
- **(C) Acupuncture, Acupressure and Pranic Healing**
- **(D) Allopathy**

(iv) Where a desk-top printer is sold for Rs. 10,000 along with the exchange of an old printer and if the price of the new desk-top printer without exchange is Rs. 12,500, the taxable value for GST purpose would be
- **(A) Rs. 10,000**
- **(B) Rs. 12,500**
- **(C) Either (A) or (B)**
- **(D) Rs.10,000 for the supplier and Rs. 2,500 for the customer**

(v) The Sale document to be generated by a supplier in case of exempted supply is called

(A) Tax Invoice

(B) Delivery Challan

(C) Bill of Supply

(D) Commercial Invoice

(b) Match the following: 1x5=5

	Column A		Column B
1.	GST Return of inward supplies	A	Form 2A
2.	Read only document	B	18
3.	Rate of interest (%) for delayed payment of GST	C	20
4.	Due date for filing of Form GSTR1 (_th of succeeding month)	D	Form 2
5.	Due date for filing, of Form GSTR 3B(_th of succeeding month)	E	10

(c) State whether True or False: 1x5=5

(i) The first type of Audit under GST is to be done by Chartered Accountant only.

(ii) Interest is payable even if duty is paid before the showcause notice.

(iii) ITC is allowed if the goods are destroyed by fire.

(iv) In case of export of goods, it is compulsory that the receipts of payment should be in foreign exchange.

(v) A Registered person may transfer any amount of tax, interest, penalty or any other amount available in Electronic Cash Ledger to Electronic Cash Ledger for IGST, CGST or UTGST or cess.

(d) Fill in the blanks: 1x5=5

(i) If the ECO (e-commerce operator) is located in taxable territory, then person liable to pay tax is _____.

(ii) The time limit beyond which if goods are not returned the capital goods sent for job work shall be treated as supply _____.

(iii) Transport of Milk is _____ supply.

(iv) Registration certificate granted to casual taxable person or non-resident taxable person will be valid for _____ days from the effective date of registration.

(v) A registered supplier has claimed depreciation as per Income Tax Act, 1961 on the total cost of a machinery including IGST component of Rs. 36,000. He can avail ITC to the tune of Rs. _____ .

Answer:

1. (A) (i) (B) Export Supply
(ii) (C) both in respect of goods and services;
(iii) (C) Acupuncture, Acupressure, and Pranic Healing;
(iv) (B) Rs. 12,500
(v) (C) Bill of Supply

(B)

	Column A		Column B
1.	GST Return of inward supplies	D.	Form 2
2.	Read only document	A.	Form 2A
3.	Rate of interest (%) for delayed payment of GST	B.	18
4.	Due date for filing of Form GSTR1 (_th of succeeding month)	E.	10
5.	Due date for filing, of Form GSTR 3B(_th of succeeding month)	C.	20

(C) (i) False: The first type of Audit under GST is to be done by either Chartered Accountant or Cost Accountant.
(ii) True: Interest is payable, even if duty is paid before the show cause notice.
(iii) False: ITC is not allowed, if the goods are destroyed by fire.
(iv) False: [Refer Circular No. 37/11/2018-GST dated 15.03.2018]
(v) True: [New Rule 87(13)]

(D) (i) ECO - e-commerce operator
(ii) 3 years
(iii) Exempted
(iv) 90
(v) Nil

Part - II

(Answer any four questions in Part - II)

2. (a) What is GST? What are its advantages? 3 + 4 = 7

(b) From the following cases, you are required to suggest if the registered person can opt for composition scheme as per SeCtion 10 of CGST Act for the Financial Year 2019-20. You are required to narrate relevant provision of the law with applicable composition tax rate, in each case, if the registered person can opt for the composition scheme. 2 × 4 = 8

(i) M/s. Rajesh Khanna Enterprises, Nagpur (Maharashtra), engaged in the business of manufacture of Tobacco products has shown an aggregate turnover of Rs. 90 Lakhs during the Financial year 2018-19.

(ii) M/s. Pramod & Co., Imphal (Manipur), engaged in the business of manufacture of textile carpets has shown an aggregate turnover of Rs. 85 Lakhs during the Financial year 2018-19.

(iii) M/s. Kwality Ice Cream Parlour, Bangalore (Karnataka), engaged in the business of trading of ice cream has shown an aggregate turnover of Rs. 60 Lakhs during the Financial year 2018-19.

(iv) M/s. British Bakeries, Coimbatore (Tamilnadu) is engaged in the business of supply of bakery products, both in take away packs and/served in ready to eat containers in order to cater the needs of the customers who consume the products on the spot, has shown an aggregate turnover of Rs. 1.26 Crores during the Financial year 2018-19.

Answer:

2. (a) (i) Goods and Services tax means a tax on supply of goods or services, or both, except taxes on supply of alcoholic liquour for human consumption (Article 366[12A] of Constitution of India).
(ii) GST is a value added tax levy on sale of goods or provision of services or both.
(iii) GST is a destination based consumption tax.

The advantages of GST are as under:
(i) GST has brought about uniform tax structure all over Indian – one nation – one tax.
(ii) GST has simplified taxation and eliminated multiple taxes, removing of bundled indirect taxes such as VAT, CST, Service Tax, CAD, SAD and Excise.
(iii) GST has increase ease of doing business in India.
(iv) The lower cost of production due to elimination of cascading effect of tax, has resulted in reduction in prices, increasing demand, ultimately leading to rise in the production and supply of goods, boosting make in India initiative, boosting exports, generating more employment and increase in GDP leading to substantive economic growth.

(b) (i) As per Notification No. 8/2017 Central Tax dated 27.06.2017, a taxable person engaged in the manufacture of Tobacco (Tariff Heading 24) is not eligible to opt for composition scheme. Since, M/s. Rajesh Khanna Enterprises is engaged in manufacture of Tobacco products they cannot opt for the Scheme.

(ii) As per Notification No. 8/2017 Central Tax dated 27.06.2017, a taxable person situated in Manipur cannot opt for composition scheme if the aggregate turnover during the preceding financial year has exceeded Rs. 75 Lakhs. Since, the aggregate annual turnover of M/s. Pramod & Co., has exceeded the threshold limit of Rs. 75 Lakhs, they cannot opt for the Scheme.

(iii) As per Notification No. 8/2017 Central Tax dated 27.06.2017, a taxable person engaged in the manufacture of ice cream is not eligible to opt for composition scheme. Since M/s. Kwality Ice Cream is engaged only in trading of ice cream and since the aggregate annual turnover during the preceding financial year is below Rs.1.50 Crores, the threshold prescribed in the recent notification effective from 01.04.2019 (Refer Notification No.14/2019-Central Tax dated 07.03.2019), they can avail the composition scheme provided other conditions stipulated in the law are satisfied. The rate of tax applicable in the given case would be 5% (CGST 2.5%+ SGST 2.5%) considering the provisions of Clause (b) of Paragraph 6 of Schedule II of CGST Act, 2017. However, in the case of In re Arihant Enterprises, AAR Maharashtra has held that if the business model of the trader is such that the ice creams are sold in a take away pack on "as it is" basis or by way of scoops as prescribed in the franchisee model which is applicable to all retail outlets, the supply would be considered as "Sale of goods". In such case, the applicable tax rate under composition scheme would be 1% (CGST 0.5% + SGST 0.5%).

(iv) As per Notification No. 8/2017 Central Tax dated 27.06.2017 M/s. British Bakeries is eligible for composition scheme levy in the current year as the aggregate turnover during the preceding financial year is below Rs.1.50 Crores (the revised threshold prescribed replacing the earlier limit of Rs.1.00 Crores effective from 01.04.2019—vide Notification No.14/2019 — Central Tax dated 07.03.2019). As regard to the rate of tax is concerned, the applicable rate would be 5% (CGST 2.5% + SGST 2.5%) inasmuch as rule 7 of CGST Rules, 2017 provides that the rate of tax is 2.5% (with a similar provision in State GST Rules) in case of suppliers making supplies referred to in Clause (b) of paragraph 6 of Schedule II of CGST Act, 2017. The said clause (b) of paragraph 6 of Schedule II provides as follows:-

"Supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration".

It can be seen from the above discussion that there is no mention in the law that there need to be an element of service visible in such supply of food or any other article for human consumption. Since, in the given case supplies are made both in the form of take away packs and ready to eat containers, it would be considered as composite supply of service as per clause (b) of Paragraph 6 of Schedule II and hence attract GST @ 5%.

3. (a) Find out the place of supply and the tax to be levied (i.e., IGST or CGST & SGST) in the following cases: 2 × 4 = 8

(i) Mr. Sathianarayan, an Architect situated at Kochi is engaged by M/s. ABC Builders, Kochi to draw building plan for a proposed building to be situated at Dubai to be owned by the overseas client of M/s. ABC Builders.

(ii) M/s. Adhithya Spinners Ltd., having its registered office at Bangalore (Karnataka) has engaged M/s. Texmac P. Ltd., Coimbatore (Tamilnadu), a company dealing in textile machineries, to supply blowroom machineries for the former's spinning unit to be set-up at Hosur (Tamilnadu). Machineries are supplied in completely knocked down condition at the Hosur unit and assembled by the technicians of M/s. Texmac P. Ltd. The Hosur unit is not yet registered under GST.

(iii) M/s. Kirlo India Ltd., Mumbai (Registered under GST) appointed M/s. Cunix Infotech P. Ltd., Delhi for conducting training to its employees in the Marketing Department and to appraise their performance on periodic basis. During the month of March 2019, Cunix conducted a training programme at the campus of Cunix at New Delhi.

(iv) Mr. Arnab, Calcutta (not registered under GST) booked air ticket in Jet Airways Ltd., Calcutta for travel to Mumbai. He embarks on the flight at New Delhi Airport.

(b) (i) Determine the value of supply in the following cases:

M/s. Prithvi Starch Products, Mumbai supplied 100 tonnes of Maize Starch to its agent M/s. Ramco Agency, Ahmedabad on 10th October, 2019. In the delivery challan, the taxable value of the product was mentioned as Rs. 2,300 per tonne. On the same day M/s. Ramco Agency supplied 60 kgs of Maize Starch of same kind and quality of M/s. Prithvi Starch Products at a price of Rs. 2,900 per tonne. Further, on the same day M/s Ramco Agency has purchased on his own account 125 tonnes of Maize Starch from another independent supplier which is of the same kind and quality of M/s. Prithvi Starch Products and the value was shown as Rs. 2,700 in the Tax Invoice issued by the said independent supplier. What is the value of taxable supply in the hands of M/s. Prithvi Starch products as per Rule 29(a) of CGST Rules, 2017? 2

(ii) R, a trader dealing in Solar Cooker charged Rs. 40,000 for supply of cooker to G. He has received following subsidies:

A. Subsidy directly linked to the supply and received from a Charitable Trust engaged in promotion of solar cookers.	Rs. 16,000
B. Subsidy from the Central Government as it also wants to promote solar products in the country.	Rs. 24,000

Determine the value of supply of solar cooker. 5

Answer:

3. (a)

Sl. No.	Place of Supply	Tax to be levied	Remarks
(i)	Kochi (Kerala)	CGST + SGST	As per Clause (a) of sub-section 3 of Section 12 of IGST Act, 2017, place of supply of services directly in relation to immovable 'property, including services provided by architects …… shall be the location at which the immovable property is located or intended to be located. However, proviso to sub-section 3 provides that if the location of the immovable property is located or intended to be located outside India, the place of supply shall be the location of the recipient. In the given case, though the property is located at Dubai (outside india), place of supply shall be at Kochi (Kerala)being the location of the recipient.
(ii)	Hosur (Tamilnadu)	CGST + SGST	As per clause (d) of sub-section 1 of section 10 of IGST Act, 2017, Where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly. In the given case, since the machineries are supplied in completely knocked down condition at Hosur to be assembl,ed at the site, place of supply is Hosur.
(iii)	Mumbai (Maharshtra)	IGST	As per Section 12(5) of IGST Act, 2017, the place of supply of services in relation of training and performance appraisal to (a) a registered person, shall be the location of such person; (b) a person other than a registered person, shall be the location where the services are actually performed. In the given case, since the service recipient is a registered person situated at Mumbai, the place of supply for GST levy is Mumbai even though the actual place of supply is New Delhi.
(iv)	New Delhi	IGST	As per Section 12(9) of IGST Act, 2017, the place of supply of passenger transportation service to (a) a registered person, shall be the location of such person; (b) a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey. In the given case, since the service recipient Mr. Arnab is an un-registered person, the place of supply for GST levy is New Delhi where he embarked on the flight.

(b) (i) The value of taxable supply made by M/s. Prithvi Starch Products shall be Rs. 2,70,000 (Rs. 2,700 per tonne × 100 tonnes) or where they exercise the option as given in rule 29(a), the value shall be Rs. 2,61,000 (Rs. 2,610 i.e., 90% of Rs. 2,900 per tonne × 100 tonnes).

(ii) Value of supply shall be determined as under:

Particulars	Amount (Rs.)
Amount charged by the trader for supplying the solar cooker	40,000
Add: (a) Subsidy received from Charitable Trust	16,000
(b) Subsidy received from Government of India (Not to be included in terms of section 15(2)(e)	---
Value of supply/Transaction Value subject to GST	56,000

4. (a) Mr. Kamal Tripati, a supplier who has recently taken registration under the GST law, wants to keep the rates for goods supplied confidential. He wants to know whether he can raise the tax invoices showing consolidated value of the goods supplied and the GST together. He will be making Inter-State supplies also. Advise Kamal Tripati suitably, having regard to the provisions of the CGST Act, 2017. 5

(b) M/s. Abishek Industries Ltd., has given the following information pertaining to the month of October, 2019:

Sl. No.	Particulars	Amount
1.	**Total Input Tax Credit (ITC) on inputs and input services**	**18,00,000**
2.	**ITC attributable exclusively for non-business purposes (included in S.No. 1 above)**	**1,50,000**
3.	**ITC attributable exclusively for effecting exempt supplies (included in S. No. 1 above)**	**6,50,000**
4.	**ITC in respect of inputs on which credit is not available u/s.17(5) (included in S.No. 1 above)**	**50,000**
5.	**ITC attributable exclusively for effecting taxable supplies (included in S.No. 1 above)**	**5,50,000**
6.	**Total turnover**	**1,12,65,000**
7.	**Total value of exempt supplies**	**54,16,000**

You are required to calculate the amount of common input tax credit to be reversed in respect of exempt supplies as per rule 42 of CGST Rules, 2017. 10

Answer:

4. (a) Essentials of tax invoice under GST

Section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, inter alia, provides that tax invoice shall contain the following particulars -

(a) Total value of supply of goods or services or both;

(b) Rate of tax (here SGST and CGST);

(c) Amount of tax charged in respect of taxable goods or services (here SGST and CGST)

Therefore, the supplier is bound to show all the above separately in the tax invoice.

His proposed action is incorrect and not tenable in law.
Advice should be given on the above lines.

(b)

Sl. No.	Particulars	Amount	Denotes
1	Total Input Tax Credit (ITC) on inputs and input services	18,00,000	T
2	ITC attributable exclusively for non-business purposes (included in S. No. 1 above)	1,50,000	T1
3	ITC attributable exclusively for effecting exempt supplies (included in S. No. 1 above)	6,50,000	T2
4	ITC in respect of inputs on which credit is not available u/s. 17(5) (included in S. No. 1 above)	50,000	T3
5	ITC attributable exclusively for effecting taxable supplies (included in S. No. 1 above)	5,50,000	T4
6	Total value of exempt supplies	54,16,000	E
7	Total Turnover	1,12,65,000	F
8	Total ITC credited to Electronic Credit Ledger C1 = 18,00,000 – (1,50,000 + 6,50,000 + 50,000)	9,50,000	C1 = T – (T1+T2+T3)
9	Common Credit C2 = 9,50,000 – 5,50,000	4,00,000	C2 = C1 – T4
10	ITC attributable towards exempt supplies D1 = (54,16,000 ÷ 1,12,65,000) × 4,00,000	1,92,312	D1 = (E÷F)×C2
11	ITC attributable to non-business purposes presumed to be included in common credit D2 = 4,00,000 × 5%	20,000	D2 = 5% of C2
12	ITC attributable to the purposes of effecting taxable supplies C3 = 4,00,000 – (1,92,312 + 20,000)	1,87,688	C3 = C2 – (D1 + D2)
13	ITC to be reversed as per rule 42	2,12,312	D1 + D2

5. (a) Discuss the following with reference to the provisions of CGST Act:

(i) Persons who are not liable for registration; and

(ii) Persons who are compulsorily required to be registered. 4×2=8

(b) What are the primary conditions to be fulfilled by a person who wish to opt for the concessional rate of tax @ 6% as provided in Notification No. 02/2019 Central Tax (Rate) dated 07.03.2019? 7

Answer:

5. (a) (i) **Persons not liable for registration:**
   a. **Sec 23(1)(a):** Any person engaged exclusively in the business of supplying of goods or services or both they are not liable to tax or wholly exempt from tax under CGST or IGST.
   b. **Sec 23(1)(b):** An agriculturist, to the extent of supply of produce out of cultivation of land.
   c. **Sec 23(2):** The government may, on the recommendation of the GST Council. Specify/notify such persons/class of persons.

   (ii) **Compulsory registration in certain cases:**

   Sec 24: The following categories of persons shall be required to be registered under GST:
   1) Persons making any inter - state taxable supply;
   2) Casual taxable person making taxable supply;
   3) Person who are required to pay tax under reverse charge;
   4) Persons who are required to pay tax under sec. 9(5) of CGST (i.e., Electronic commerce operator);
   5) Non - resident taxable person making taxable supply;
   6) Person who are required to deduct tax under sec 51, whether or not separately registered under this act;
   7) Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise;
   8) Input services distributor, whether or not separately registered under CGST;
   9) Persons who supply of goods or services or both, other than supplies specified under Sec 9(5), through such electronic commerce operator who is required to collect tax at source under Sec 52;
   10) Every electronic commerce operator;
   11) Every person supplying online information and database access or retrieval services from place outside India to a person in India, other than a registered person; and
   12) Such other person or class of person as may be notified by the Govt. on the recommendation of the council.

(b) With effect from 01.04.2019, an option has been given to registered person, whose aggregate turnover in the preceding financial year is up to Rs. 50 Lakhs and who is not eligible to pay tax under composition scheme, to pay tax @ 6% (CGST 3% + SGST 3%) on first supplies of goods and /or services up to an aggregate turnover of Rs. 50 Lakhs made on or after 1st April in any financial year.

Primary Conditions to be satisfied:

(1) Supplies are made by a registered person:
   a. Whose aggregate turnover in the preceding financial year was Rs. 50 Lakhs or below:

b. Who is not eligible to pay tax u/s 10(1)(i.e., composition levy);
c. Who is not engaged in making any supply which is not leviable to tax under the said Act;
d. Who is not engaged in making any inter-state outward supply;
e. Who is neither a casual taxable person nor non-resident taxable person;
f. Who is not engaged in making any supplies through an e-commerce operator who is required to collect tax at source u/s. 52; and
g. Who is not engaged in making supplies of the goods being (i) Ice Cream and other edible ice, whether or not containing cocoa; (ii) Pan Masala; and (iii) Tobacco and manufactured tobacco substitutes.

(2) The registered person shall not collect any tax from the recipient on supplies made by him not shall he be entitled to any credit of input tax.
(3) The registered person shall issue, instead of tax invoice, a bill of supply.
(4) The registered person shall mention the following words at the top of the bill of supply, namely:
"Taxable Person paying tax in terms of Notification No. 02/2019 – Central Tax (Rate) dated 07.03.2019, not eligible to collect tax on supplies".

6. (a) (i) Raja Raja Chola Sales, air-conditioner dealer in Thanjavur, Tamilnadu, needs 4 air-conditioners for his newly constructed house in Gangaikondai Cholapuram Enclave. Therefore, he transfers 4 air-conditioners [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply under section 7 of the CGST Act, 2017. 2

Further, a Thanjavur resident, Vikrama Pandiya, approached Raja Raja Chola Sales. He sold an air-conditioner to Raja Raja Chola Sales for Rs. 5,000. Vikrama Pandiya had bought the said air-conditioner six months before, for his residence. Does sale of the air-conditioner by Vikrama Pandiya to Raja Raja chola Sales amount to supply under Section 7 of the CGST Act, 2017? 2

(ii) The Sterling Group of hotels introduces a holiday package for 5 Days in Pondicherry and Mahabhalipuram (Tamilnadu). The stay includes both staying and complementary breakfast. Where the stay in Pondicherry is for 3 Nights and the stay in Mahabhalipuram for 2 Nights. For the above services The Sterling charges total of Rs. 15,000.

Explain the place of supply in the above scenario. 4

(b) Kirti Coolers, a wholesaler of refrigerators items, registered in Pune, Maharashtra, received order for supply of refrigerators worth Rs. 3,00,000 on 12th December, 2018 from a registered dealer in Surat, Gujarat. The tax invoice was issued on 14/12/2018.

Kirti Coolers charged the following additional expenses from the buyer:-

	Particulars	Amount (Rs.)
(i)	Packing charges	15,000
(ii)	Freight & Cartage	12,000
(iii)	Transit insurance for transportation	11,500
(iv)	Extra designing charges	16,000
(v)	Taxes by Municipal Authority	1,500

The goods were delivered to the buyer on 15th December, 2018. The buyer paid the amount on 21/12/2018 and simultaneously placed another order with Kirti Coolers of refrigerator items amounting to Rs. 8,00,000 to be delivered in the next month.

On receipt of second order, Kirti Coolers allowed a discount of Rs. 30,000 on the first order placed by the buyer.

Compute the GST liability of Kirti Coolers for the month of December, 2018 assuming the rates of GST on the goods supplied to be as under:

CGST 9%
SGST 9%
IGST 18%

Brief note on treatment of each item is required. 7

Answer:

6. (a) (i)

Section 7 of the CGST Act, 2017 stipulates that in order to qualify as supply: (a) Supply should be of goods and / or services. (b) Supply should be made for a consideration. (c) Supply should be made in the course of furtherance of business.
Further, Schedule I of the CGST Act, 2017 illustrates the activities to be treated as supply even if made without consideration. One such activity is permanent transfer or disposal of business assets where input tax credit has been availed on such assets, i.e., said activity is to be treated as supply even if made without consideration.
In vive of the said provisions, permanent transfer of air conditioners by Raja Raja Chola Sales from its stock for personal use at its residence, though without consideration, would amount to supply.
However, sale of air-conditioner by Vikrama Pandiya to Raja Raja Chola Sales will not qualify as supply under section 7 of the CSGST Act, 2017 as although it is made for a consideration, but its not in the course or furtherance of business.

(ii)

Rule 4: The supply of Services attributable to different states or union territory U/s. 12(3) of The Integrated Goods and Services Tax Act, 2017.
In case of services provided by way of lodging accommodation by a hotel, inn, guest house, club or campsite, by whatever name called (except cases where such property is a single property located in two or more contiguous States or union territories or both) and services ancillary to such services, the supply of such services, the supply of services shall be treated as made in each of the respective states or union territories, in proportion to be number of nights stayed in such property.
The Place of supply in this case is both Union territory of Pondicherry and in the state of Tamilnadu.
The services shall be deemed to have been provided in the Union territory or Pondicherry and in the state of Tamilnadu in the ratio of 3 : 2 respectively.
The Value of services will thus be apportioned as Rs. 9,000 in the Union territory of Pondicherry and Rs. 6,000 in the State of Tamilnadu.

(b) Computation of value of taxable supply and tax liability

Sl. No.	Particulars	Amount (Rs.)
	Price of the goods [Note – 1]	3,00,000
(i)	Packing charges [Note – 2]	15,000
(ii)	Freight & Cartage [Note – 3]	12,000
(iii)	Transit Insurance [Note – 3]	11,500
(iv)	Extra Designing charges [Note – 4]	16,000
(v)	Taxes by Municipal Authority [Note –]	1,500
	Value of taxable supply	3,56,000
	IGST @ 18%	64,080

Notes:

1. As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e., the price actually paid or payable for the said supply.
2. All incidental expenses including packing charged by the supplier to the recipient are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
3. The given supply is a composite supply involving supply of goods (given items) and services (transit insurance and freight) where the principal supply is the supply of goods.

   As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.
4. Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; is includible in the value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.

5. The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
6. In the give case, the buyer is allowed a discount of Rs. 30,000 on the goods supplied to him in the month of December 2018. Since the said goods have already been delivered by Kirti Coolers this discount will be a post-supply discount.
7. Further, value of supply shall not include any discount which is given after the supply has been effected, if –
   (i) Such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
   (ii) Input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017].

7. Write short notes on any three out of following: 5×3=15

(a) Explain when tax payer can be levied with Interest on late payment of tax.
(b) List out any five cases where generation of E-Way Bill is not necessary.
(c) First GST return and subsequent rectification of errors in GST returns
(d) Items for which true and correct accounts are to be maintained

Answer:

7. (a) The two scenarios where a tax payer will be liable to pay interest are:
   (i) Delayed payment of tax
   (ii) Input tax credit has been claimed in excess or where it was not eligible to be claimed/Tax liability has been shown to be less than the actual

   (b) Generation of E-way Bill is not necessary in the following cases:
   (i) The mode of transport is non-motor vehicle.
   (ii) Goods transported from Customs Port, airport, air cargo complex or land customs station to Inland Container Depot (ICD) or Container Freight Station (CFS) for clearance by Customs.
   (iii) Goods transported under customs supervision or under customs seal.
   (iv) Goods transported under Customs Bond from ICD to customs port or from one customs station to another.
   (v) Transit cargo transported to or from Nepal or Bhutan
   (vi) Movement of goods caused by defence formation under Ministry of Defence as a consignor or consignee.
   (vii) Empty cargo containers are being transported
   (viii) Consignor transporting goods to or from between place of business and a weighbridge for weighment at a distance of 20 Km s. accompanying by a Delivery Challan.
   (ix) Goods being transported by rail where the consignor of goods is the Central Government, State Governments or a local authority.
   (x) Goods specified as exempt from E-way Bill requirements in the respective State/Union Territory GST Rules.

(xi) Transport of certain specified goods – includes the 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 notification.

(c) First return and rectification of errors in returns under GST

First Return:
As per section 40 of the CGST Act, 2017 every registered person who has made outward supplies in the period between the dates on which he became liable to registration till the date on which registration had been granted shall declare the same in the first return furnished by him after grant of registration.

Rectification of errors in Returns:
The mechanism of filing revised returns for any correction of errors/omissions has been done away with. The rectification of errors/ omissions is allowed in the subsequent returns.

However, no rectification is allowed.

- after furnishing the return for the month of September following the end of the financial year to which, such details pertain,
- or furnishing of the relevant annual return,
- whichever is earlier.

(d) True and correct maintenance of accounts under section 35(1) of the CGST Act, 2017
As per section 35(1) of the CGST Act, 2017, every registered person is required to maintain a true and correct account of the following:

a. Production or manufacture of goods.
b. Inward and outward supply of goods or services, or both
c. Stock of goods
d. Input tax credit availed
e. Output tax payable and paid
f. Any other particulars deemed necessary

Customs (Section – B)

Part – III
(All questions are compulsory in Part - III)

8. Choose the correct answer: 1×5=5

(i) Exclusive Economic Zone extends to_____nautical miles from the base line.
(A) 12NM
(B) 24 NM
(C) 100 NM
(D) 200 NM

(ii) As per Sec 2(1) of the Customs Act, 1962, adjudicating authority means any authority competent to pass any order or decision under this Act, but does not include:

(A) CBEC

(B) Commissioner of (Appeals)

(C) CESTAT

(D) All of the above

(iii) Supplies made to SEZ (or) developer of SEZ is

(A) Zero rated

(B) Exempted

(C) Nil rate

(D) No duty

(iv) Assessment means process of determining the tax liability in accordance with the provisions of the Act, which includes

(A) Provisional Assessment

(B) Self-assessment

(C) Reassessment

(D) All of the above

(v) _____ will be charged on luxury products like high-end cars and demerit commodities like Pan Masala, tobacco and aerated drinks.

(A) Anti Dumping duty

(B) Safeguard duty

(C) GST Compensationcess

(D) IGST

Answer:

8. (i) 200NM
   (ii) All of the above
   (iii) Zero rated
   (iv) All of the above
   (v) GST Compensation Cess

Part – IV

(Answer any one question in Part-IV)

9. (a) What is GST Compensation Cess? 5

(b) (i) Where an eligible exporter finds that he is entitled to an amount of refund of drawback which is higher than the one granted to him, in terms of the rates of drawback announced by the Central Government, can he make a supplementary claim? If yes, within what time and state the procedure to be followed in this regard by the exporter. 4

(ii) The following details of import of a product made by Sikandi Machine Works Ltd., on 19/11/2018 are furnished to you:

Situation-1

Particulars	USD
FOB value	3,000
Freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	Not known
Insurance charges paid for the shipment	40

Situation-2

Particulars	USD
FOB value	3,000
Sea freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	480
Insurance charges paid for the shipment	Not known
Purchase commission	50

Compute the assessable value of an imported product in each situation, which are independent of each other. 6

Answer:

9. (a) GST compensation cess

Under GST regime, Compensation Cess will be charged on luxury products like high-end cars and demerit commodities like pan masala, tobacco and aerated drinks for the period of 5 years in order to compensate States for loss of revenue.

In the GST regime, IGST will be levied on imports by virtue of sub-section (9) of Section 3 of the Customs Tariff Act, 1975.

GST Compensation Cess, wherever applicable, would be levied on cargo that would arrive on or after 1st July, 2017.

Similarly ex-bond bill of entry field on or after 1st July 2017 would attract GST Compensation cess, as applicable. In the case where cargo arrival is after 1st July and an advance bill of entry was filed before 1st July along with the payment of duty, the bill of entry may be recalled and reassessed by the proper officer for levy of GST compensation Cess, as applicable.

The value of the imported article for the purpose of levying GST Compensation cess shall be, assessable value plus Basic Customs Duty levied under the Act, and any sum chargeable on the goods under any law for the time being in force, as an addition to, and in the same manner as, a duty of customs. These would include education cess as well as anti-dumping and safeguard duties.

Input tax credit can be availed on GST Compensation Cess paid on inward supplies of the notified goods. However, the credit of GST Compensation Cess paid can be utilized only towards payment of the GST Compensation Cess liability.

(b) (i) Supplementary claim for refund of drawback

Yes, the exporter is eligible for claiming the difference of the drawback on the basis of the amount of rate of drawback determined by the Central Government of India for claiming the difference.

It can do so by filing a supplementary claim in the prescribed Form under rule 15 of the Customs Act and Central Excise Duties Drawback Rules, 1995 within a period of 3 months.

The said 3 months period may be further extended for a period of nine months for filing a supplementary claim under rule 15, by making an application accompanied with a fees of 1% of the FOB value of exports or Rs. 1,000 whichever is less.

Further, the said period may be extended by six months by Commissioner of Customs/Commissioner of Customs and Central Excise on an application accompanied with a fees of 2% of the FOB value or Rs. 2,000 whichever is less.

(ii) Situation 1

Particulars	USD
FOB Value	3,000
Add: Cost of transport, loading, unloading and handling charges connected with the delivery of the imported goods to the place of importation [20% of FOB Value in terms of first proviso to rule 10(2) of CVR]	600
Cost of insurance [Includible in terms of rule 10(2)(b) of CVR] Where actual figure is know, the same is to be taken	40
Assessable value [CIF value]	3,640

Situation 2

Particulars	USD
FOB Value	3,000
Add: Cost of sea transport, loading, unloading and handling charges connected with the delivery of the imported goods to the place of importation [includible in terms of rule 10(2)(a) of CVR]	480
Insurance [1.125% of sum of FOB value of the goods in terms of third proviso to rule 10(2) of CVR]	33.75
Purchase Commission is not includible	Nil
Assessable value [CIF value]	3,513.75
Assessable value rounded off	3,514

10. (a) M/s. X Ltd. (a unit of 100% EOU located in Chennai) sold goods to M/s. A Ltd. (located in Mumbai) for Rs. 20 lakh. If M/s. X Ltd. being EOU imported these goods exempted from BCD @ 10% IGST 12% is applicable.
Find the total GST is liable to pay by X Ltd.
How much input tax credit M/s. A Ltd. can avail? 6

(b) Ms. Pavitra, an importer has furnished the following information relating to goods imported by her in March, 2019:
(i) Goods cleared from the Chennai port on 22/03/2019.
(ii) Goods sent for warehousing by submitting bill of entry and other documents
(iii) FOB value of goods € (Euro) 20,000
(iv) Rate of exchange was 1 € = Rs. 70
(v) Rate of Customs Duty on this date was 12%
(vi) Goods were cleared from the warehouse for home consumption on 20/04/2019.
(vii)Rate of exchange on this date was 1 € = Rs. 71 and BCD was 10%.
(viii) IGST at 12% is applicable
(ix) Social Welfare surcharge may be taken at 10%

You are required to determine:
(i) The transaction value on which IGST is payable,
(ii) The value of import, and
(iii) The total Customs Duties payable by the importer. 9

Answer:

10. (a)

Particulars (w.e.f. 1-7-2017)	Value in Rs.	Workings
Assessable value	20,00,000	
Add : Basic Customs Duty 10%	2,00,000	20,00,000 × 10%
Add: Social Welfare Surcharge 10% on BCD	20,000	2,00,000 × 10%
Sub-total	22,20,000	
Add: IGST @ 12%	2,66,400	22,20,000 × 12%
Sub-total	24,86,400	
Total Duty Payable	4,86,400	

ITC allowed to M/s A Ltd. (Buyer):

Particulars	Value in Rs.
BCD	Nil
IGST	2,66,400
Total	2,66,400

(b) Computation of value of import and customs duty

FOB Value of import	€ 20,000
Add: 20% Freight on FOB	€ 4,000
Add: 1.125% Insurance on FOB	€ 225
CIF/Assessable Value	€ 24,225
	Rs.
Assessable value (i.e., 24225 × Rs. 70)	16,95,750
Add: BCD 10% (i.e., 16,95,750 × 10%)	1,69,575
Add: Social Welfare Surcharge @ 10% (i.e. 169575 @ 10%)	16,958
Transaction value subject to GST	18,82,283
Add: IGST (i.e., 18,82,283 @ 12%)	2,25,874
Value of import	21,08,157
Value of Customs duties	4,12,407

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