

MOCK TEST PAPER 1
FINAL COURSE: GROUP – II
PAPER 8: INDIRECT TAX LAWS

Maximum Marks: 100 Marks

Time Allowed: 3 Hours

Notes:

- (i) Working Notes should form part of the answer. However, in answers to Question in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note.
- (iii) All questions should be answered on the basis of position of (i) GST law as amended by the Finance Act, 2022 including significant notifications and circulars and other legislative amendments made, up to 31st October, 2022 and (ii) customs law as amended by the Finance Act, 2022 including significant notifications and circulars and other legislative amendments made, up to 31st October, 2022.

Division A: Multiple Choice Questions (30 marks)

Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.

Each MCQ under Question No. 1 & 2 carries 2 Marks each

1. Scoobie Inc. is an entity incorporated in USA and is engaged in provision of various information technology related services directly as well as through its subsidiaries located across the world. In India, Scoobie India, a subsidiary of Scoobie Inc., is registered under GST in the State of Karnataka under GST and is providing services to various customers in India.

Scoobie Inc. provides cloud-based storage services to its customers (business entities and non-business entities) in India. The customers can subscribe to the services by making online payment directly to Scoobie Inc.'s bank account through internet banking and other modes. The terms and conditions for such services are entered between Scoobie Inc. and the customer directly without involvement of any third party.

In case of any issue, the customers can call and log the issue at the customer help centre which is operated by Scoobie India on principal to principal basis. For operation of such customer help centre, Scoobie India is paid on cost plus 10% basis by Scoobie Inc. on monthly basis.

Further, Scoobie India is engaged in promotion and marketing of cloud-based storage services on principal to principal basis in India for Scoobie Inc. The payment for such services is made by Scoobie Inc. to Scoobie India on monthly basis at cost plus 20%. The promotional and marketing activities are carried out in the name of Scoobie Inc., without any reference to operations of Scoobie India.

Scoobie Inc. owns online space for advertisement on internet. Scoobie Inc. has agreed to sell such online advertising space to Scoobie India for an amount of ₹ 5,00,00,000 per month. Scoobie India sells such advertising space to its customers in India on its own account. The contractual arrangement for sale of such advertising space is between the customer and Scoobie India.

Scoobie Inc. provides technology support to Scoobie India and charges royalty from Scoobie India for such technology support at a fixed charge of ₹ 25,00,000 per month. The royalty paid is exclusively related to the business of advertising space of Scoobie India.

In addition to above information, during the month of January:

- (I) Scoobie India has incurred following expenses:
1. Expenses exclusively related to operation of call centre – ₹ 75,00,000
 2. Expenses exclusively related to promotion and marketing services for Scoobie Inc. – ₹ 50,00,000
- (II) Scoobie India earned an income of ₹ 8,00,00,000 from sale of online advertising space in India.
- (III) Scoobie Inc. earned an income of ₹ 10,00,00,000 from non-taxable online recipient customers, from cloud-based storage services in India.

The opening balance of input tax credit for the relevant tax period for Scoobie India and Scoobie Inc. is nil.

Note: In the aforesaid case scenario,

- (i) GST is applicable on all inward and outward supplies unless otherwise specified:
- A. Intra-State supply – 9% CGST and 9% SGST
 - B. Inter-State supply – 18% IGST
- (ii) Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.
- (iii) All the amounts are exclusive of GST, wherever applicable, unless otherwise provided.
- (iv) Exports made by Scoobie India, if any, are through furnishing of LUT without payment of IGST.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1.1 to 1.4 below:

- 1.1 What shall be the output tax liability, without any adjustment of input tax credit, if any, by Scoobie India for the month of January?
- (a) ₹ 1,44,00,000
 - (b) ₹ 2,38,50,000
 - (c) ₹ 1,69,65,000
 - (d) ₹ 1,66,50,000
- 1.2 What shall be the net GST liability of Scoobie Inc. for the month of January?
- (a) Nil
 - (b) ₹ 1,80,00,000
 - (c) ₹ 1,84,50,000
 - (d) ₹ 2,74,50,000
- 1.3 What shall be the total input tax credit that can be availed by Scoobie India from the transactions undertaken in the month of January?
- (a) ₹ 90,00,000
 - (b) ₹ 1,12,50,000
 - (c) ₹ 1,17,00,000
 - (d) ₹ 27,00,000

1.4 Please select the correct statement specifically in relation to sale of online advertisement space service provided by Scoobie Inc. to Scoobie India:

- (a) Scoobie Inc is providing online information and database access or retrieval service and is thus, required to register in India under GST and discharge GST on forward charge basis.
 - (b) Scoobie Inc is providing online information and database access or retrieval service electronically and place of supply in such case is the location of supplier which is outside taxable territory in present scenario. Therefore, no GST is payable on such services.
 - (c) Scoobie Inc. is providing online information and database access or retrieval service and tax on the same is to be paid by Scoobie India on reverse charge basis.
 - (d) Scoobie Inc. is providing online information and database access or retrieval service and tax on the same is to be paid by Scoobie India in capacity of an agent of Scoobie Inc.
2. Shiva Flour Mill Pvt Ltd., a registered supplier under GST and a monthly return filer, having plant at Howrah, West Bengal, is engaged in the business of food processing. Within the plant premises, there is a stock yard, an office and a few residential quarters for employees of the company. After purchasing wheat from local market/ mandi, the company processes it and packs and sells the finished products such as atta, maida and suji in 1 kg, 5 kg & 10 kg bags under the brand name "Shiva Bhog". The aggregate turnover of the company during the preceding financial year was ₹ 7.50 crore.

Following details are provided by the company for the month of September:

Particulars	Amount (₹)
Sale of "Shiva Bhog" atta, maida & suji (Note 2)	60,00,000
Purchase of wheat from mandi	14,00,000
Transportation charges paid to an unregistered goods transport operator for transportation of wheat from mandi to factory	40,000
Hiring charges paid to a local truck owner (not a GTA) for transportation of finished products from factory to distributors	50,000
Rent received from residential quarters allotted to employees	10,000
Electricity charges paid to West Bengal State Electricity Board	1,60,000
Bill raised by M/s BIS Security, Kolkata (a partnership firm registered under GST) for providing security service (Note 1)	1,18,000
Interest on delayed payment collected from customers	3,500
Interest on fixed deposit in a bank	8,600
Payment to Indian Chamber of Commerce (registered under GST) towards sponsorship for Investor Summit at Kolkata	25,000
Legal fee paid to advocate, Mr. Ashok Ganguly	30,000
Licence fee paid to Food & Safety Standard Authority of India (FSSAI)	25,000

Following additional information has also been provided by the company:

- (1) The security service bill raised by M/s BIS Security is inclusive of GST @ 18%.
- (2) Out of the total sales, "Shiva Bhog" Atta worth ₹ 3,50,000 (10,000 kg) was supplied to Department of School Education, Govt. of West Bengal for further supply to affected families during Covid-19. A subsidy of ₹10 per kg was received from Govt. of West Bengal for the said supply which has not been considered in the total sales of ₹ 60,0000.

- (3) The company had awarded a maintenance contract to Power Electromech Pvt Ltd., Delhi on 10th June, for repair of DG set installed in the factory, for ₹ 60,000 with a completion period of 30 days. The maintenance work was completed on 8th July. However, due to some dispute regarding quality of work, invoice was issued by Power Electromech Pvt Ltd. only on 5th September and payment was released on 15th September.
- (5) The company had been levied a penalty of ₹ 5,000 for wrong utilization of ITC by the proper officer.
- (6) The company had deposited the tax liability for the month of August amounting to ₹ 3,30,730 on 28th September.

Note. All the above amounts are exclusive of GST, wherever applicable, unless specified otherwise.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 2.1 to 2.5 below:

- 2.1 The value of taxable outward supply made by the company in the month of September is -
- (a) ₹ 61,48,100
 - (b) ₹ 59,03,500
 - (c) ₹ 61,39,500
 - (d) ₹ 59,35,500
- 2.2 The value of taxable supply received by the company in the month of September on which GST is payable under reverse charge is-
- (a) ₹ 1,55,000
 - (b) ₹ 1,73,000
 - (c) ₹ 1,30,000
 - (d) ₹ 2,45,000
- 2.3 What is the time of supply of services provided by Power Electromech Pvt Ltd?
- (a) 10th June
 - (b) 5th September
 - (c) 15th September
 - (d) 8th July
- 2.4 The amount of interest payable by the company under section 50 of the CGST Act, 2017 for delay in payment of tax for the month of August?
- (a) ₹ 4,961
 - (b) ₹ 1,305
 - (c) ₹ 4,567
 - (d) ₹ 1,142
- 2.5 In the context of the imposition of penalty on the company by the proper officer of ₹ 5,000, which of the following statements is correct?
- (a) Penalty is leviable since the offence is not a "minor breach".
 - (b) Penalty is not leviable since the offence is a "minor breach".

- (c) Penalty is leviable even if the offence is a minor breach.
- (d) No penalty is leviable for such offence; only interest is payable by adding the ITC amount wrongfully utilized to the output liability.
3. 'X' collects ₹ 245 lakh as tax from its clients and deposits ₹ 241 lakh with the Central Government. It is found that he has falsified financial records with an intention to evade payment of tax due and has not maintained proper records. In this regard, which of the following statements is true? Choose the most correct option.
- (a) 'X' is punishable with imprisonment up to 6 months or with fine or both and the said offence is bailable.
- (b) 'X' is punishable with imprisonment up to 1 year or with fine or both and the said offence is bailable.
- (c) 'X' is punishable with imprisonment up to 1 year or with fine or both and the said offence is not bailable.
- (d) 'X' is punishable with imprisonment up to 6 months or with fine or both and the said offence is not bailable. **(2 Marks)**
4. The adjudicating authority passed the order on 23rd January 2022 and it was communicated to the taxpayer on the same day. The taxpayer filed the appeal against the order with the Appellate Authority (hereinafter referred as AA) on 16th February 2022. The appeal proceedings before the AA are stayed by an order of a Court for the period between 1st May 2022 and 30th June 2022. Which of the following statements is true in this regard?
- (a) AA can pass the order by 16th February 2023.
- (b) AA can pass the order by 18th April 2023.
- (c) AA can pass the order by 16th August, 2022.
- (d) AA can pass the order by 18th October, 2022. **(2 Marks)**
5. Tobacco is:
- (a) exempt from GST.
- (b) subject to both GST and central excise duty.
- (c) outside the realm of GST.
- (d) subject to GST only. **(1 Mark)**
6. Which of the following transactions does not qualify as supply under GST law?
- (a) Disposal of car without consideration and the supplier has not claimed input tax credit on such car.
- (b) A principal makes supplies to his agent who is also registered under GST and is situated within the same State and the invoice for further supply is issued by the agent in his name.
- (c) Head Office makes a supply of services to its own branch outside the State.
- (d) A person imports services without consideration for the purposes of his business from his elder son living outside India. **(2 Marks)**
7. Sapphire Enterprises imported some goods through vessel from USA in the month of April. The value of goods imported was ₹ 6,50,000.
- The date of entry inwards was 21st April (basic customs duty on said date was 10%). Further, Sapphire Enterprises filed bill of entry for home consumption on 25th April (basic customs duty on said date was 20%). Applicable rate of integrated tax was 12% and social welfare surcharge was 10%. Ignore GST compensation cess and agriculture infrastructure and development cess.

However, before inspection and clearance for home consumption, Sapphire Enterprises found that the goods had been damaged owing to negligence on part of proper officer of customs. The proper officer accepted that due to said damage, the value of the goods has come down to ₹ 4,00,000.

Compute the total customs duty payable in the given case.

- (a) ₹ 97,280
- (b) ₹ 2,38,160
- (c) ₹ 1,58,080
- (d) ₹ 1,46,560

(2 Marks)

8. As per Foreign Trade Policy 2015-2020, goods, including edible items, of value not exceeding _____ in a licensing year, may be exported as a gift, except items mentioned as restricted for exports in ITC(HS).

- (a) ₹ 5,00,000
- (b) ₹ 50,000
- (c) ₹ 25,00,000
- (d) ₹ 10,00,000

(2 Marks)

9. Which of the following is not includible in the transaction value of goods as per rule 10(1) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007?

- (a) Buying Commission
- (b) Royalties
- (c) License fees
- (d) Cost of packing

(1 Mark)

Division B: Descriptive Questions (70 marks)

Question paper comprises of 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.

1. Bhama Ltd. is registered under GST in the State of Maharashtra. It has its registered office at Mumbai. It is engaged in the business of production, manufacture and supply of fresh fruits, vegetables, fresh juices and fruit pulp etc. It has made the following intra-State supplies during the month of April:

S. No.	Particular	Amount in lakh (₹)
1.	Fresh fruits	1,100
2.	Vegetables	1,100
3.	Fresh juices	2,000
4.	Carbonated fruit drink	200

In respect of the above supply, the company has received the following inward supplies:

S. No.	Particular	Amount of purchase (₹ in lakh)	Amount of input tax credit thereon (₹ in lakh)		
			CGST	SGST	IGST
1.	Fresh fruits for further supply	800	Nil	Nil	Nil

2.	Vegetables for further supply	1,200	Nil	Nil	Nil
3.	Fruit pulp used for fruit juice and carbonated drink	200	20	20	Nil
4.	Sugar used for fruit juice and carbonated drink	100	6	6	Nil
5.	Preservatives for fruit juice and carbonated drink	100	Nil	Nil	12
6.	Water for fruit juice and carbonated drink	20	Nil	Nil	Nil
7.	Administrative expenses (common)	40	2	2	Nil
8.	Marketing expenses (common)	50	Nil	Nil	10
9.	Purchase of machinery (capital goods) for fruit drink manufacture	40	Nil	Nil	8
10.	Motor vehicle for director official use	100	14	14	Nil

Further, for making the supplies of fruit juices, it has used the services of a Goods Transport Agency ("GTA") based in Ahmedabad which have charged ₹ 20 lakh as charges for its services. Such GTA did not exercise the option to itself pay GST on the services supplied by it and thus, did not charge any tax on its invoices. Rate of tax on GTA under reverse charge is 5%.

GST rate as applicable on outward supplies is as follows:

S. No.	Particular	CGST	SGST	IGST
1.	Fresh fruits	Nil	Nil	Nil
2.	Vegetables	Nil	Nil	Nil
3.	Fresh juices	6%	6%	12%
4.	Carbonated fruit drink	14%	14%	28%

Compute the output GST liability, available ITC and payment to be made from Electronic Cash and Credit Ledger by Bhama Ltd. for the month of April ignoring the provisions of rule 86B of the CGST Rules, 2017. Assume all the above amounts are exclusive of GST. **(14 Marks)**

2. (a) Determine place of supply along with reasons in the following cases:

- Subroto, registered in Guwahati, has availed land-line services from BSNL. The telephone is installed in residential premises in Kolkata and the billing address is office of Subroto in Guwahati. **(2 Marks)**
- Pilgaonkar, residing in Maharashtra, is travelling with Flyhigh Airlines' aircraft and is provided with movie-on-demand service for ₹ 100 as on-board entertainment during Delhi- Maharashtra leg of a Bangkok-Delhi- Maharashtra flight. **(2 Marks)**
- Surpriya of Delhi purchased online tickets for Wonderland water park in Mumbai. **(1 Mark)**
- Dushyant, an unregistered person of Orissa, sends a courier from New Delhi to his friend in Ahmedabad, Gujarat while he was on trip to New Delhi. **(2 Marks)**
- Sudhakar, a registered person in Ranchi, Jharkhand, buys shares from a broker in Patna on NSE, Mumbai. Determine the place of supply of brokerage service assuming that the location of the recipient of service is available in the records of the supplier of service. **(2 Marks)**

- (b) Arihant Industries has imported a machine from U.K. From the following particulars furnished by it, arrive at the assessable value for the purpose of customs duty payable.

	Particulars	Amount
(i)	Price 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 Price of machine
(v)	Materials and components supplied in UK by the buyer free of cost valued at ₹ 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:

- Inter-bank exchange rate: ₹ 98 per U.K. Pound.
- CBIC had notified for purpose of section 14 of the Customs Act, 1962, exchange rate of ₹ 100 per U.K. Pound.
- Importer paid ₹ 5,000 towards demurrage charges for delay in clearing the machine from the Airport.

(5 Marks)

3. (a) Shakuntla Associates is the supplier of water coolers. Shakuntla Associates supplied water coolers to an unrelated party, Binaca Traders for consideration of ₹ 2,95,000 (inclusive of GST @ 18%). Binaca Traders also gave some materials to Shakuntla Associates [valuing ₹ 10,000 (exclusive of GST)] as an additional consideration for such supply.

At the same time, Shakuntla Associates has supplied the same goods to another unrelated person at price of ₹ 2,97,360 (inclusive of GST@18%).

You are required to:

- Determine the value of goods supplied by Shakuntla Associates to Binaca Traders.
- What would your answer be if price of ₹ 2,97,360 is not available at the time of supply of goods to Binaca Traders? Explain briefly.

(5 Marks)

- (b) Jeevan Life Insurance Company Limited (JLICL) has collected premium from policy subscribers. It does not intimate the amount allocated for investment to subscribers of the policy at the time of supply of insurance services. The company has provided the following details in relation to its receipts:

Sl. No.	Particulars	Amount
1.	Premium for only risk cover	25,00,000
2.	Premium from new policy subscribers	40,00,000
3.	Renewal premium	80,00,000
4.	Single premium on annuity policy	1,00,00,000

All amounts are exclusive of tax. You are required to compute the value of supply by JLICL in terms of rule 32(4) of the CGST Rules, 2017.

(4 Marks)

- (c) Royal Park Limited has imported Product 'A' for sale in India from Country Alpha, which are liable for anti-dumping duty. You are provided with the following details.

- (i) Country Alpha does not sell Product 'A' in its domestic market.

However, it exports the same Product 'A' at USD 200 per piece to another third country.

- (ii) The Product 'A' is sold in domestic industry @ USD 175 per piece.

- (iii) Royal Park Limited has imported Product 'A' at USD 100 per piece.

- (iv) Landed value of Product 'A' is USD 125 per piece.

Compute the anti-dumping duty payable by Royal Park Limited for 1,000 pieces of Product 'A' it has imported during the year assuming conversion rate @ ₹ 75 per USD. **(5 Marks)**

4. (a) M/s. Drithi Manufacturers, registered in West Bengal, sold air-conditioner to a retail seller in Bhubaneswar, at a value of ₹ 49,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of air-conditioning machine to the retail seller in Bhubaneswar. You are required to advise M/s. Drithi Manufacturers on the following issues along with suitable explanations:

- (i) Whether e-way bill is mandatorily required to be generated?

- (ii) What will be the consequence for non-issuance of e-way bill? **(5 Marks)**

- (b) Ragini Traders, a registered supplier of Jaipur, is engaged in supply of various goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017.

You are required to briefly explain the provisions relating to tax deduction at source under section 51 and also determine the amount of tax, if any, to be deducted from each of the receivables given below (independent cases) assuming that the payments as per the contract values are made on 31st October. The rates of CGST, SGST and IGST may be assumed to be 6%, 6% and 12% respectively.

- (1) Supply of computer stationery to Public Sector Undertaking (PSU) located & registered in Mumbai. Total contract value is ₹ 2,72,000 (inclusive of GST)

- (2) Supply of air conditioner to GST department located & registered in Delhi. Total contract value is ₹ 2,55,000 (exclusive of GST)

- (3) Supply of generator renting service to Municipal Corporation of Jaipur (not exempt under GST law). Total contract value is ₹ 3,50,000 (inclusive of GST) **(4 Marks)**

- (c) Shloka Industries Ltd. has imported a machine from its holding company in Japan on 12th January after paying customs duty of ₹ 15,00,000 for use in its factory and is re-exported on 10th October. You are required to advise Shloka Industries Ltd. regarding duty drawback that will be available to the company, when it sends back the machinery to its holding company after completion of the project. **(5 Marks)**

5. (a) A show cause notice was issued to Shubhgrah Furnishers, Surat, a registered supplier, pursuant to an audit conducted by the tax authorities under section 65 of the CGST Act, 2017, alleging that it had wrongly availed the input tax credit without actual receipt of goods for the month of July. In the absence of a satisfactory reply from Shubhgrah Furnishers, Joint Commissioner of Central Tax passed an adjudication order dated 20th August (received by Shubhgrah Furnishers on 22nd August) confirming a tax demand of ₹ 50,00,000 (i.e., CGST 25,00,000 and SGST 25,00,000) and imposing a penalty of equal amount under section 122 of the CGST Act.

Shubhgrah Furnishers does not agree with the order passed by the Joint Commissioner. It decides to file an appeal with the Appellate Authority against the said adjudication order. It has approached you for seeking advice on the following issues in this regard:

- (1) Can Shubhgrah Furnishers file an appeal to Appellate Authority against the adjudication order passed by the Joint Commissioner of Central Tax? If yes, till what date can the appeal be filed?
- (2) Does Shubhgrah Furnishers need to approach both the Central and State Appellate Authorities for exercising its right of appeal? **(5 Marks)**

- (b) Lunia & Co. self-assessed its tax liability as ₹ 90,000 for the month of April, but failed to make the payment.

Subsequently the Department initiated penal proceedings against Lunia & Co. for recovery of penalty under section 73 of the CGST Act for failure to pay GST and issued show cause notice on 10th August which was received by Lunia & Co. on 14th August.

Lunia & Co. deposited the tax along with interest on 25th August and informed the department on the same day.

Department is contending that he is liable to pay a penalty of ₹ 45,000 (i.e. 50% of ₹ 90000).

Examine the correctness of the stand taken by the Department with reference to the provisions of the CGST Act. Explain the relevant provisions in brief. **(4 Marks)**

- (c) Padmavati, an Indian resident (36 years old) who was on a visit to China, returned after 6 months. She was carrying with her the personal effects and jewellery 25 grams (purchased in China) worth ₹ 75,000 each. Further, she was carrying a laptop computer worth ₹ 60,000 and a music system worth ₹ 50,000 with her. Compute the customs duty payable by Padmavati with reference to the Baggage Rules, 2016. Ignore Agriculture infrastructure and development cess. **(5 Marks)**

6. (a) Enumerate any four orders against which appeal cannot be filed under the CGST Act 2017.

(5 Marks)

- (b) Briefly answer the following questions with reference to the provisions of rectification of mistakes/errors apparent on the face of record by any authority, under section 161 of the CGST Act?

- (i) Which documents are covered under section 161?

- (ii) Who can rectify the errors apparent on the face of record?

(4 Marks)

- (c) Explain the relevant dates as provided in section 26A(2) of the Customs Act, 1962 for purpose of refund of duty under specified circumstances, namely:

- (i) goods exported out of India

- (ii) relinquishment of title to goods

- (iii) goods destroyed or rendered valueless.

(5 Marks)