

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

Division A

Answer Key

Question No.	Answer
1.1	(a) ₹ 1,44,00,000
1.2	(b) ₹ 1,80,00,000
1.3	(c) ₹ 1,17,00,000
1.4	(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.
2.1	(b) ₹ 59,03,500
2.2	(a) ₹ 1,55,000
2.3	(d) 8 th July
2.4	(b) ₹ 1,305
2.5	(a) Penalty is leviable since the offence is not a “minor breach”.
3	(a) ‘X’ is punishable with imprisonment up to 6 months or with fine or both and the said offence is bailable.
4	(b) AA can pass the order by 18th April 2023.
5	(b) subject to both GST and central excise duty.
6	(a) Disposal of car without consideration and the supplier has not claimed input tax credit on such car.
7	(d) ₹ 1,46,560
8	(a) ₹ 5,00,000
9	(a) Buying Commission

Division B

1. Computation of ITC available with Bhama Ltd. for April

Particulars		ITC (₹ in lakh)		
		CGST	SGST	IGST
I. Input tax credit on inputs, input services and capital goods				
Fruit pulp	Input tax (CGST & SGST/IGST) paid on inputs, input services and capital goods used in the manufacture of taxable products viz., fresh juices & carbonated fruit drinks is available as input tax credit	20	20	
Sugar		6	6	
Preservatives				12
Administrative expenses		2	2	
Marketing expenses				10
Transportation charges for supply of fruit juices [Tax is payable by Bhama Ltd. @ 5% under reverse charge. Further, it is				1

an inter-State supply since supplier is located in Ahmedabad and place of supply is Maharashtra (location of registered recipient).]				
Machinery				8
Motor vehicle [ITC on motor vehicle for transportation of persons with seating capacity of up to 13 persons is blocked for a supplier who is not engaged in further supply of such vehicles, transportation of passengers or imparting training on driving such vehicles.]	-	-		
Total	28	28		31
II. Input tax credit to be reversed on inputs and input services				
Common credit of CGST on administrative expenses being used commonly for taxable and exempt products = ₹ 2 lakh Exempt turnover = ₹ 2,200 lakh; Total turnover = ₹ 4,400 lakh Common credit attributable to exempt supply ₹ in lakh $[2 \times 2,200/4,400] = ₹ 1$ lakh Similar reversal for SGST credit	(1)	(1)		
Common credit of IGST on marketing expenses being used commonly for taxable and exempt products = ₹ 10 lakh; Common credit attributable to exempt supply ₹ in lakh $[10 \times 2,200/4,400] = ₹ 5$ lakh				(5)
Total ITC available for set off	27	27		26

Computation of net GST payable for the month of April

Particulars	Value ₹ [in lakh]	CGST ₹ [in lakh]	SGST ₹ [in lakh]	IGST ₹ [in lakh]
Intra-State sale of fresh fruits	1100	Nil	Nil	Nil
Intra-State sale of vegetables	1100	Nil	Nil	Nil
Intra-State sale of fresh juices	2000	120	120	
Intra-State sale of carbonated fruit drinks	200	28	28	
Total output tax liability		148	148	
Less: Payment from Electronic Credit Ledger				
IGST credit being set off against SGST liability as it can be set off against CGST and SGST liability in any order and in any proportion			(26)	
CGST and SGST credit set off against CGST and SGST liability respectively		(27)	(27)	
Net GST payable from Electronic Cash Ledger [A]		121	95	
GST payable on inward supply of GTA services under reverse charge through Electronic Cash Ledger [B]				1

[Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]				
Net GST payable through Electronic Cash Ledger [A] + [B]		121	95	1
Total GST payable by cash		217		

Note: In the above answer, tax payable from Electronic Cash Ledger has been computed by setting off the IGST credit against SGST liability. However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in different ways as well. In all such cases, net CGST and net SGST payable from Electronic Cash Ledger will differ though the total amount of net GST payable (₹ 217 lakh) in cash will remain the same.

2. (a) (i) Kolkata. The place of supply of services by way of fixed telecommunication line is the location where the telecommunication line is installed for receipt of services.
- (ii) Bangkok. The place of supply of services on board an aircraft is the location of the first scheduled point of departure of that aircraft or flight for the journey
- (iii) Mumbai. The place of supply of services provided by way of admission to an amusement park is the place where the park is located.
- (iv) New Delhi. The place of supply of services by way of transportation of goods by courier to a person other than a registered person is the location at which such goods are handed over for their transportation.
- (v) Ranchi, (Jharkhand). The place of supply of stock broking services to any person shall be the location of the recipient of services on the records of the supplier of services.

(c) Computation of assessable value of machine imported by Arihant Industries

Particulars	Amount (£)
Price of the machine	10,000
Add: Engineering and design charges paid in UK [Note 1]	500
Licence fee relating to imported goods payable by the buyer as a condition of sale (20% of Price of machine) [Note 1]	<u>2,000</u>
Total	<u>12,500</u>
	Amount (₹)
Value in Indian currency [£12,500 x ₹100] [Note 2]	12,50,000
Add: Materials and components supplied by the buyer free of cost [Note 1]	<u>20,000</u>
FOB	12,70,000
Add: Freight [Note 3]	2,54,000
Insurance paid to the insurer in India [Note 1]	<u>6,000</u>
CIF value	15,30,000
Assessable value	<u>15,30,000</u>

Notes:

- Engineering and design charges paid in UK, licence fee relating to imported goods payable by the buyer as a condition of sale, materials and components supplied by the buyer free of cost and actual insurance charges paid are all includible in the assessable value.
- As per Explanation to section 14(1) of the Customs Act, 1962, assessable value should be

calculated with reference to the rate of exchange notified by the CBIC.

3. If the goods are imported by air, the freight cannot exceed 20% of FOB price.
 4. Buying commission is not included in the assessable value.
 5. Only ship demurrage charges on chartered vessels are included in the cost of transport of the imported goods. Thus, demurrage charges for delay in clearing the machine from the Airport will not be includible in the assessable value.
3. (a) (1) In the given case, price is not the sole consideration for the supply. Apart from monetary consideration, the buyer has given some material to the supplier as consideration for such supply. Hence, the value of the supply cannot be determined on the basis of the transaction value in terms of section 15(1) of the CGST Act, 2017.

Here, the value will be determined with the help of rule 27 of the CGST Rules, 2017 which specifies that where the consideration for a supply is not wholly in money, the value will be the open market value.

Open market value of a supply means the full value in money, excluding the applicable GST, where the supplier and the recipient of the supply are not related and the price is the sole consideration, to obtain such supply at the same time when the supply being valued is made.

Therefore, in the given case, the open market value of the goods supplied is ₹ 2,52,000 (₹ 2,97,360 x 100/118) and is therefore, the value of such goods.

- (2) Rule 27 further provides that if open market value of the supply is not known, the value of the supply will be the consideration in money plus the money equivalent to the non-monetary consideration, if such amount is known at the time of supply.

Therefore, the value in the given case will be (₹ 2,95,000 x 100/118) + ₹ 10,000, which is ₹ 2,60,000.

- (b) As per rule 32(4) of the CGST Rules, 2017, the value of supply of services in relation to life insurance business, when the amount allocated for investment/ savings on behalf of the policy holder is not intimated to the policy holder at the time of supply of service, is -

- (i) in case of single premium annuity policies, 10% of single premium charged from the policy holder;
- (ii) in all other cases, 25% of the premium charged from the policy holder in the first year and 12.5% of the premium charged from the policy holder in subsequent years;
- (iii) in case the entire premium paid by the policy holder is only towards the risk cover in life insurance, the premium so paid.

Therefore, in the given case, the value of the services provided by JLICL will be computed as under:

Computation of value of supply for JLICL

Particulars	Amount (₹)
Premium for only risk cover	25,00,000
Premium from new policy subscribers 25% of ₹ 40,00,000	10,00,000
Renewal premium 12.5% of ₹ 80,00,000	10,00,000
Single premium on annuity policy 10% of ₹ 1,00,00,000	<u>10,00,000</u>
Total value of supply	<u>55,00,000</u>

(c) The quantum of anti-dumping duty is:

- (i) margin of dumping or
- (ii) injury margin, whichever is lower.

Margin of dumping is the difference between export price and normal value of the imported article and injury margin is the difference between the fair selling price [non-injurious price (NIP)] due to the domestic industry and the landed value of the dumped imports.

In the given case, anti-dumping duty per piece is:

- (i) Margin of dumping is USD 100 [USD 200¹ - USD 100²]

or

- (ii) Injury margin is USD 50 [USD 175³ - USD 125⁴]

whichever is lower i.e. USD 50

Anti-dumping duty for 1,000 pieces (in rupees) = USD 50 × 1,000 pieces × ₹ 75 = ₹ 37,50,000.

4. (a) (i) E-way bill is mandatorily required to be generated whenever there is a movement of goods of consignment value exceeding ₹ 50,000, *inter alia*, in relation to a supply.

Consignment value of goods includes the central tax, State/Union territory tax, integrated tax and cess charged, if any.

Thus, the consignment value of goods, in the given case, will be ₹ 57,820 [₹ 49,000 + (₹ 49,000 × 18%)].

Since in the given case the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, e-way bill is mandatorily required to be generated in respect of movement of goods from West Bengal to Bhubaneswar.

- (ii) Non-issuance of e-way bill may result in the following consequences:

- (a) imposition of penalty of ₹ 10,000/- or tax sought to be evaded (wherever applicable), whichever is greater
- (b) detention and seizure of goods and the conveyance used to transport the said goods and the same will be released only on payment of appropriate tax and penalty.
- (c) confiscation of goods and the conveyance used to transport the said goods if the tax and penalty is not paid within 14 days of detention or seizure.

- (b) As per section 51 of the CGST Act, 2017, Government departments, agencies, local authority and notified persons are required to deduct tax @ 2% (1% CGST + 1% SGST/UTGST) or IGST @ 2% from payment made to the supplier of taxable goods and/ or services where the total value of such supply [excluding tax and compensation cess indicated in the invoice], under a contract, exceeds ₹ 2,50,000.

¹ When there are no sales of the like article in the domestic market of the exporting country, normal value is taken as the comparable representative price of the like article when exported from the exporting country to an appropriate third country.

² Export price is price of the article exported from the exporting country.

³ 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. It has been most logically assumed that the "domestic industry" referred to in point (ii) of the question refers to the domestic Indian market.

⁴Landed value

Since in the given case, Ragini Traders is supplying goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017, applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

S. No.	Particulars	Total contract value due to be received [excluding GST] (₹)	Tax to be deducted		
			CGST @ 1% (₹)	SGST @ 1% (₹)	IGST @ 2% (₹)
(1)	Supply of computer stationery to PSU in Mumbai [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] does not exceed ₹ 2,50,000, tax is not required to be deducted.]	2,42,857 [2,72,000 × 100 / 112]	--	--	
(2)	Supply of air conditioner to GST Department in Delhi [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] exceeds ₹ 2,50,000, tax is required to be deducted.]	2,55,000	--		5,100
(3)	Supply of a generator renting service to Municipal Corporation of Jaipur [Since the total value of supply under the contract [excluding CGST and SGST (being intra-State supply)] exceeds ₹ 2,50,000, tax is required to be deducted.]	3,12,500 [3,50,000 × 100 / 112]	3,125	3,125	
	Total		3,125	3,125	5,100

- (c) Since in the given case, the imported goods have been used for more than 6 months but not more than 9 months before re-exportation, 75% of the import duty paid shall be allowed as duty drawback to Shloka Industries Ltd. Thus, amount of duty drawback available to Shloka Industries Ltd. is:

$$= ₹ 15,00,000 \times 75\%$$

$$= ₹ 11,25,000$$

5. (a) (1) An appeal against a decision/order passed by any adjudicating authority under the CGST Act or SGST Act/ UTGST Act is appealable before the Appellate Authority. Thus, Shubhgrah Furnishers can file an appeal to Appellate Authority against the adjudication order passed by the Joint Commissioner of Central Tax.

Further, such appeal can be filed within 3 months from the date of communication of such decision/order. Thus, Shubhgrah Furnishers can file the appeal to Appellate Authority on or before 22nd November. Further, the Appellate Authority can also condone the delay in filing of appeal by 1 month if it is satisfied that there was sufficient cause for such delay.

- (2) GST law makes provisions for cross empowerment between CGST and SGST/UTGST officers to ensure that a proper officer under the CGST Act is also treated as the proper officer under

the SGST/UTGST Act and *vice versa*. Thus, a proper officer can issue orders with respect to both, the CGST as well as the SGST/UTGST laws.

GST law also provides that where a proper officer under one Act (say CGST) has passed an order, any appeal/review/ revision/rectification against the said order will lie only with the proper officers of that Act (CGST Act). Accordingly, if any order is passed by the proper officer under a SGST Act, any appeal/ review/ revision/ rectification against the said order will lie only with the proper officer under that SGST Act. Thus, Shubhgrah Furnishers is required to file an appeal only with the Central Tax Appellate Authority.

- (b) Due date for payment of tax for the month of April is 20th May.

As per section 73 of the CGST Act, 2017, where self-assessed tax is not paid within 30 days from due date of payment of such tax, penalty equivalent to 10% of tax or ₹ 10,000, whichever is higher, is payable. Thus, option to pay tax within 30 days of issuance of SCN to avoid penalty, is not available in case of self-assessed tax.

Since in the given case, Lunia & Co. has not paid the self-assessed tax within 30 days of due date [i.e. 20th May], penalty equivalent to:

- (i) 10% of tax, viz., ₹ 9,000 (10% of ₹ 90,000) or
- (ii) ₹ 10,000,

whichever is higher, is payable by him. Thus, penalty payable is ₹ 10,000.

Hence, the stand taken by the Department that penalty will be levied on Lunia & Co. is correct, but the amount of penalty of ₹ 45,000 is not correct.

- (c) **Computation of customs duty payable by Padmavati**

Particulars	₹
Personal effects [Duty free clearance is allowed]	Nil
Laptop computer [One laptop computer is exempt when imported into India by a passenger ≥ 18 years of age]	Nil
Jewellery [Duty free jewellery allowance is not available to Padmavati since she did not reside abroad for more than 1 year]	75,000
Music system	<u>50,000</u>
Total value	1,25,000
Less: General duty free baggage allowance of ₹ 50,000	<u>50,000</u>
Value of baggage liable to customs duty	75,000
Rate of Duty	38.50%
Customs duty @ 38.50% (including social welfare surcharge)	28,875

6. (a) As per section 121 of the CGST Act, 2017, no appeal shall lie against any decision taken or order passed by a CGST officer if such decision taken or order passed relates to any one or more of the following matters, namely:
- (i) an order of the Commissioner or other authority empowered to direct transfer of proceedings from one officer to another officer; or
 - (ii) an order pertaining to the seizure or retention of books of account, register and other

documents; or

(iii) an order sanctioning prosecution under CGST Act; or

(iv) an order passed under section 80 of the CGST Act (payment of tax in instalments).

(b) (i) Following documents are covered under section 161 of the CGST Act, 2017:

- Decision
- Order
- Any notice
- Certificate
- Any other document

(ii) Any authority who has passed or issued any decision or order or notice or certificate or any other document may rectify any error which is apparent on the face of record in such documents.

(c) The relevant dates provided under explanation to section 26A(2) of the Customs Act, 1962 for purpose of refund of duty under specified circumstances are as follows:-

	Case	Relevant date
(i)	Goods exported out of India	Date on which the proper officer makes an order permitting clearance and loading of goods for exportation
(ii)	Relinquishment of title to the goods	Date of such relinquishment
(iii)	Goods being destroyed or rendered valueless	Date of such destruction or rendering of goods commercially valueless