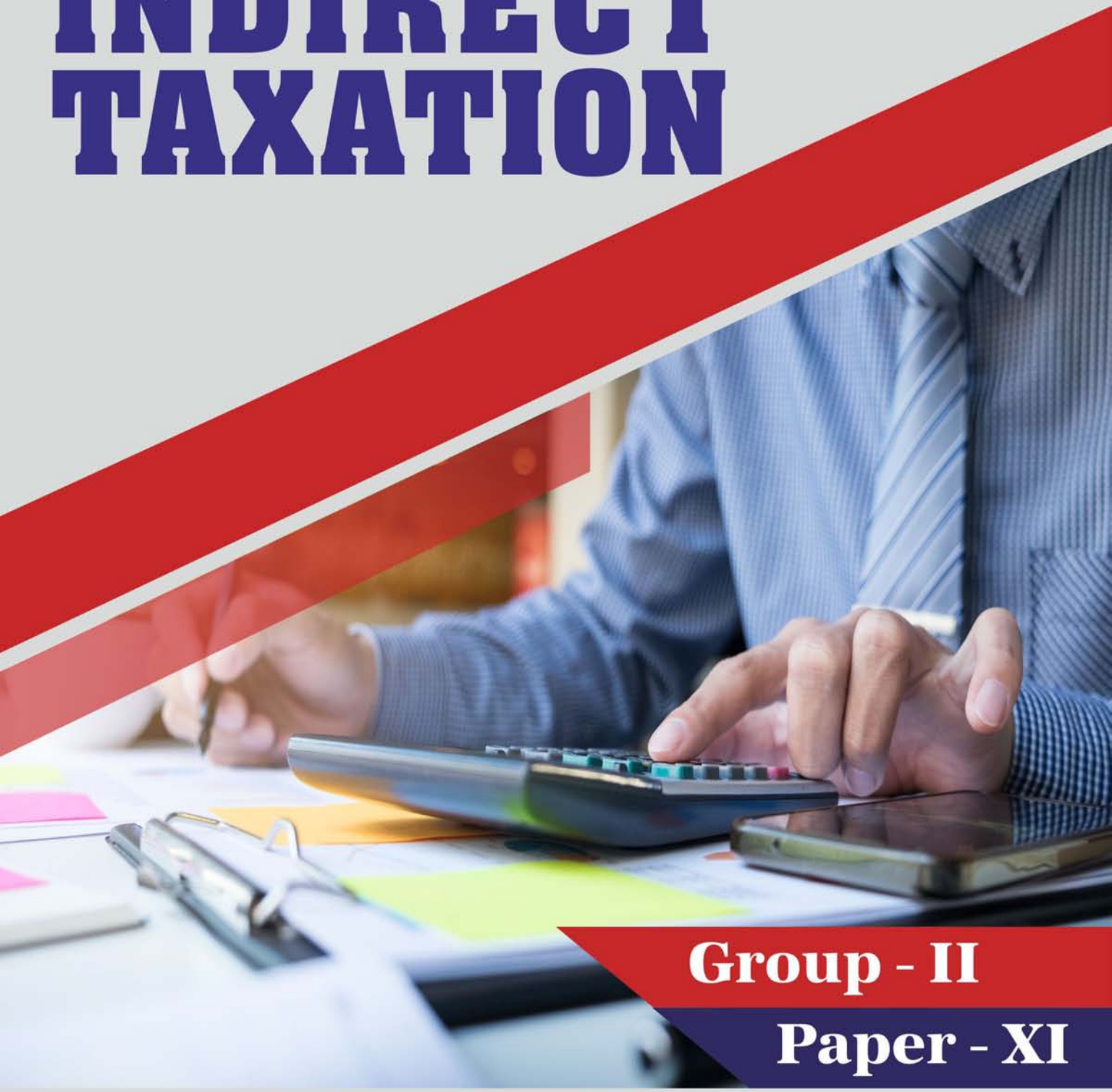
INDIRECT TAXATION



Group - II

Paper - XI

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
www.icmai.in

SYLLABUS - 2016

WORK BOOK

INDIRECT TAXATION

INTERMEDIATE

GROUP – II

PAPER – 11

The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)
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Preface

Professional education systems around the world are experiencing great change brought about by the global demand. Towards this end, we feel, it is our duty to make our students fully aware about their curriculum and to make them more efficient.

Although it might be easy to think of the habits as a set of behaviours that we want students to have so that we can get on with the curriculum that we need to cover. It becomes apparent that we need to provide specific opportunities for students to practice the habits. Habits are formed only through continuous practice. To practice the habits, our curriculum, instruction, and assessments must provide generative, rich, and provocative opportunities for using them.

The main purpose of this volume is to disseminate knowledge and motivate our students to perform better, as we are overwhelmed by their response after publication of the earlier editions. Thus, we are delighted to inform our students about the **e-distribution of the current edition of our 'Work book'.**

This book has been written to meet the needs of students as it offers the practicing format that will appeal to the students to read smoothly. Each chapter includes unique features to aid in developing a deeper under-standing of the chapter contents for the readers. The unique features provide a consistent reading path throughout the book, making readers more efficient to reach their goal.

Discussing each chapter with illustrations integrate the key components of the subjects. In the current edition, we have expanded the coverage in some areas and condensed others.

It is our hope and expectation that this revised edition of work book will provide further an effective learning experience to the students like the earlier editions.

The Directorate of Studies,

The Institute of Cost Accountants of India

INDIRECT TAXATION

INTERMEDIATE

GROUP – II

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Suggested Marks Distribution from Examination Point of View

Only for Practice Purpose

		Paper-5/6/7/8/11	Paper-9/10/12
Total 100 Marks [3 Hours]	Objective	= 25 Marks	= 28 Marks
	Others	= 75 Marks	= 72 Marks

Objective Question

25 Marks/28 Marks (1 Mark each questions)	MCQ	1 mark
	Match	1 mark
	True/False	1 mark
	Fill in the Blanks	1 mark

Short Notes/Case Study

Minimum Marks for each Questions	4 Marks
Maximum Marks for each Questions	10 Marks

Practical Problem

Minimum Marks for each Questions	4 Marks
Maximum Marks for each Questions	15 Marks

SECTION - A

GOODS & SERVICES TAX (GST)

SECTION – A : GOODS AND SERVICES TAX

Study Note – 1 & 2

INTRODUCTION & LEVY AND COLLECTION OF TAX

Learning Objective:

After studying this chapter, students should be able to understand that:

- ***The implications of Goods & Services Tax (GST) and also the levy and collection on it.***
- ***GST is being implemented from 1st July, 2017 and proposed to be a unified tax for the entire nation and ensuring that the cascading effect of tax on tax will be eliminated,***
- ***The intended objective of GST 2017 is to replace a lot of other indirect and direct taxes like the VAT, service tax, luxury tax etc.***
- ***GST improves the competitiveness of the original goods and services, thereby improves the GDP rate too,***
- ***GST also ensures the availability of input credit across the value chain and helps to reduce the complications in tax administration and compliance,***
- ***Taxable event under GST is supply of goods or services or both and which means no supply no GST.***

1. (a) Choose the correct option from the followings –

(i) Introduction of GST mainly replace the
(a) VAT Act
(b) Customs Act
(c) Minimum Wages Act
(d) Income Tax Act

(ii) GST came into effect from
(a) 16th June,2017
(b) 15th August,2017
(c) 1st April,2017
(d) 1st July,2017

(iii) One of the major advantage of introducing GST is:
(a) Pay tax on goods in very low rate
(b) GST payer can adjust the amount with Income Tax
(c) Removal of cascading effect of taxes i.e. remove tax on taxes
(d) Shift the burden of paying tax to others.

(iv) Present eligibility for Composition Scheme

(a) ₹ 75 lakhs

(b) ₹ 1 crores

(c) ₹ 1.5 crores

(d) ₹ 2 crores

(v) Introduction of GST abolished the followings

(a) Octroi

(b) Entry tax

(c) Entertainment Tax

(d) All the above

Answer:

(i) (a) VAT Act

(ii) (d) 1st July,2017

(iii) (c) Removal of cascading effect of taxes i.e. remove tax on taxes

(iv) (c) ₹ 1.5 crores

(v) (d) All the above

(b) Match the following:

	Column A		Column B
1	One of the main advantage of GST is	(a)	Nil rate of tax
2	GST will be extend to whole of India including the state of	(b)	Mizoram
3	Union Territories without legislature are	(c)	Exempted from GST
4	Any treatment or process which is applied to another person's goods	(d)	Business entity
5	Residue and waste from the food industries, prepared animal fodder	(e)	Supply of service
6	Distribution of Prasad supplied by religious institutions	(f)	Taxable services
7	Any person carrying any business known as	(g)	Increased ease of doing business
8		(h)	Jammu and Kashmir
9		(i)	Dadra and Nagar Haveli

Answer:

1. (g) Increased ease of doing business
2. (h) Jammu and Kashmir
3. (i) Dadra and Nagar Haveli
4. (e) Supply of service
5. (c) Exempted from GST
6. (a) Nil rate of tax
7. (d) Business entity

(c) State whether true or false

(i) Transfer of title of goods is supply of service.

(ii) Lease, tenancy, easement, license to occupy land is supply of service.

(iii) Works contract services is supply of goods.

(iv) GST offer comprehensive and continuous chain of tax credit.

(v) In case of mixed supply consisting of two or more supplies shall be treated as a supply of that item which has a highest rate of tax.

(vi) Service provided by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India exempted from GST.

(vii) Disposal / selling of assets not considered as supply.

(viii) Services of training centre for arts or culture is taxable.

(ix) Recipient of services provided by way of sponsorship to anybody corporate or partnership firm is liable to pay tax.

Answer:

(i) False
(ii) True
(iii) False
(iv) True
(v) True
(vi) True
(vii) False
(viii) False
(ix) True

(d) Fill in the blanks:

(i) Credit card transaction is exempted from GST up to_____.

(ii) Under CGST Act establishment of same person with distinct GST registration number will be treated as _____.

(iii) A supply of goods or services or both is not leviable to tax under the Central Goods and Services Tax Act or under the Integrated Goods and service Tax Act is_____.

(iv) GST will not be levied to mortgage, hypothecation, charge or pledge as these are not_____.

(v) The term 'transfer' means where the ownership may not be transferred but the_____in the goods is transferred.

(vi) Services by way of slaughtering of animals is_____service.

(vii) Gift not exceeding_____in value in a financial year by an employer to employee shall not constitute supply of goods or services or both.

(viii) GST rate on Service by way of renting of precincts of a_____place meant for general public is to be taken as____.

(ix) GST is_____for Bio Medical Wastage treatment facility.

Answer:

(i) ₹ 2000/-
(ii) Distinct Person
(iii) Non taxable supply
(iv) Supply
(v) Right
(vi) Exempted
(vii) ₹ 50000/-
(viii) Religious, Nil
(ix) Exempted

2. Answer the followings:

(a) Briefly state the function/role assigned to GSTN.
(b) State briefly the person not entitled to avail composition scheme.

Answer:

(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 and these are:

1. filing of registration application,
2. filing of return,
3. creation of challan for tax payment,
4. settlement of IGST payment (like a clearing house),
5. generation of business intelligence and analytics etc.

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.

(b) Persons not entitled to avail Composition Scheme:

The Section 10(2) of the CGST Act, 2017 specifies the benefit of composition scheme shall not be granted if a taxable person is:

(a) engaged in the supply of services (other than restaurant and outdoor catering service), except supply of services (other than those referred to in clause (b) of paragraph 6 of Schedule II), of value not exceeding 10% of turnover in a State or Union territory in the preceding financial year or ₹ 5,00,000, whichever ishigher;
(b) engaged in making any supply o f goods which are not leviable to tax under this Act;
(c) engaged in making any inter -state outward supplies of goods;
(d) engaged in making any supply of goods through an electronic commerce operator who is required to collect tax atsource under section 52; and
(e) a manufacturer of such goods as may be notified by the Government on the recommendations of the council.

3. Answer the followings:

(a) What are the activities will not be treated as supply as per Schedule III (Negative list) CGST Act of 2017?
(b) State the activities to be treated as supply even if made without consideration.

Answer:

(a) As per Section 7(2) Supply excludes
   a. activities or transactions specified in Schedule III; or
   b. such activities or transactions undertaken by the Central Government, a State Government or (Union territory w.e.f. 27th June 2018) any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council,

   Note: Activities specified in Schedule III (i.e. Negative list):
   1. Services by employee to employer in the course of or in relation to his employment.
   2. Services by court or Tribunal
   3. Services by Member of Parliament and others
   4. Services by funeral, burial etc.
   5. Sale of land/Building
   6. Actionable claim other than lottery, betting and gambling.

   w.e.f. 1 -2-2019:
   7. Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.
   8. (a) Supply of warehoused goods to any person before clearance for home consumption;
      (b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.";

   Explanation 1: For the purpose of paragraph 2, the term "court" includes District Court, High Court and Supreme Court.

   Explanation 2: For the purpose of this paragraph, the expression "warehoused goods" shall have the same meaning as assigned to it in the Customs Act, 1962

   As per Section 7(3) Subject to the provisions of sub-sections (1), (1A) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as —
   (a) a supply of goods and not as a supply of services; or a supply of services and not as a supply of goods.

(b) ACTIVITIES TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
2. Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business:

Provided that gifts not exceeding ₹50,000/- in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

3. Supply of goods —
   (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
   (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
4. Import of services by a (w.e.f. 1 -2-2019 the term 'taxable' omitted) person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

4. Silver Spoon is registered dealer based at Delhi deals with various food products supplied to M/s. Nanda at Kolkata furnishes the following details –

Sl. no	Particulars	₹
(i)	**Value of Goods sold**	**2,50,000**
(ii)	**Local Municipal tax**	**5,000**
(iii)	**Inspection of food item charges**	**30,000**
(iv)	**Subsidies received against the supplies made to deaf & dumb From Lokenath Trust**	**75,000**
(v)	**M/s. Nanda paid certain expenses to transporter on behalf of silver spoon**	**10,000**

Determine value of taxable supply and GST payable after considering tax rate of 18% IGST in the books of Silver Spoon.

Answer:

Silver Spoon

Value of Taxable Supply

Sl. no	Particulars	₹
(i)	Value of Goods sold	2,50,000
(ii)	Local Municipal tax	5,000
(iii)	Inspection of food item charges	30,000
(iv)	Subsidies received From Lokenath Trust	75,000
(v)	M/s. Nanda paid certain expenses to transporter	10,000
(vi)	**Total taxable value**	**3,70,000**
(vii)	GST pay able – 18% IGST	66,600

Notes:

(i) Assuming that municipal tax charged andrecovered from customer.

(ii) Assuming that inspection of food item charges has been charged and recovered fromcounter.

(iii) Subsidy received from Lokenath T rust to be included as private trust.

(iv) Payment to transporter by M/s. Nanda is included in total value of supply as consideration can be paid also by third person. (Ref. Section 2(31) of CGST Act)

5. **Mr. Sunil Dutta a registered dealer deals with various items. The details of his transactions took place between 1st April 2019 to 30th June 2019 as below –**

Sl. no	Particulars	₹
(i)	Sale of wooden furniture/shoes	2,00,000
(ii)	Sale of Fish	80,000
(iii)	Supply of sugar	1,00,000
(iv)	Supply of firewood	50,000
(v)	Supply of cotton shirts	1,20,000
(vi)	Sale of raw silk	1,40,000
(vii)	Supply of confectionery item	40,000
(viii)	Sale of ceramic products	60,000
(ix)	Supply of computer to Ramnath Institute for which 20% subsidy received from Government of India	6,00,000

Calculate the taxable supply and GST payable assuming GST rate is 12%

Answer:

Sunil Dutta

Statement showing taxable supply for the period 1st April 2019 to 30th June 2019

Sl No.	Particulars	Taxability	CGST – 6%	SGST – 6%
(i)	Wooden Furniture	2,00,000	12,000	12,000
(ii)	Fish	Exempted	Nil	Nil
(iii)	Sugar	Exempted	Nil	Nil
(iv)	Firewood	Exempted	Nil	Nil
(v)	Cotton shirt s	1,20,000	7,200	7,200
(vi)	Raw silk	Exempted	Nil	Nil
(vii)	Confectionary	Exempted	Nil	Nil
(viii)	Ceramic products	Exempted	Nil	Nil
(ix)	Computer 80%	4,80,000	28,800	28,800
Total		**8,00,000**	**48,000**	**48,000**

6. **Mr. DJ a registered dealer based at Chennai (Tamil Nadu) supplied various items to Md Rehaman a registered person at Sivakashi (Tamil Nadu). The details of Mr. DJ's sale to Mr. Rehaman are as below: -**

Sl. No.	Particulars	₹
(i)	Sale of tobacco l eaves	4,80,000
(ii)	Sale of Bidi wrapper leaves (tendul)	3,50,000
(iii)	Sale of cashew nuts (peeled)	5,00,000

Mr. DJ has Input tax credit CGST – ₹ 10,500 and SGST – ₹ 14,500
Consider applicable GST is 5%
Calculate net liability of Mr. DJ.

Answer:

In the books of Mr. DJ

SL. No.	Particulars	CGST (₹)	SGST – (₹)	Notes
(i)	Sale of Tobaco leave s	-	-	1
(ii)	Sale of Bidi wrapper leaves	-	-	2
(iii)	Sale of peeled cashew nuts	12,500	12,500	3
	Less: Input Tax credit (ITC) CGST SGST	 10,500	 14,500	
	Net liability of Mr. DJ.	**2,000**	**Nil**	
	Excess credit c/ d		2,000	

Notes:

(1) For supply of Tobacco leaves recipient Md. Rehaman i s liable to pay GST. (Ref. Sec 9(3) of CGST Act and Sec 5(3) of IGST Act reverse charge)

(2) For supply of Bidi wrapper leaves (tenduls) recipient i.e. Md. Rehaman is liable to pay GST. (Ref. Sec. 9(3) of CGST Act and Sec 5(3) of IGST Act reverse charge)

(3) For sale of cashew nuts (peeled) the supplier Mr. DJ. Is liable to pay GST

Excess credit of SGST is not allowed to adjust against CGST and viz a viz.

7. Mrs. Nandita a famous singer cum folk dancer provided the following details for the month of September 19.

SL. No.	Particulars	(₹)
(i)	**Received from performance of folk dance**	**2,30,000**
(ii)	**Received from talk show in television**	**40,000**
(iii)	**Received from performance in television serial**	**4,60,000**
(iv)	**Received from performing as singer**	**1,20,000**
(v)	**Training in recreational activities relating to art**	**2,70,000**
(vi)	**Received from promoting and branding of cultural events**	**2,50,000**
(vii)	**Received from Natural Cultural Trust as their brand ambassador related to folk dances**	**9,00,000**

Determine the taxable supply and GST payable by Mrs. Nandita considering rate of GST is 18%.

Answer:

Mrs. Nandita

For the month of September 2019

SL. No.	Particulars	Value (₹)	Notes
(i)	Performance of folk dances	80,000	1
(ii)	Talk show at television	40,000	
(iii)	Television serial	4,60,000	
(iv)	Performance an singer	Nil	2
(v)	Training in re creational activities in relation to Act.	Nil	3
(vi)	Promoting and branding of cultural events	2,50,000	

(vii)	Brand ambassador	9,00,000	
	Value of taxable services	**17,30,000**	
	GST @ 18%	3,11,400	
	SGST @ 9% CGST @ 9%	1,55,700 1,55,700	

Notes:

(i) Consideration charged related to performance of folk dance is exempted up to ₹1,50,000

(ii) Consideration receipt as for performance as singer is ex empted less than ₹ 1,50,000

(iii) Services by way of training in recreational activities relating to arts and culture in exempted

Exemption shall not be applicable to service provided by way of such artist as brand ambassador.

8. Write short notes on the followings –

a. Information Technology software

b. Business Incubator

c. Exception of Taxable Event

d. Reverse charge

e. Non taxable supply under CGST Act 2017

f. Agricultural activities exempted from GST

Answer:

(a) Information Technology software

Clause 5(d) Schedule II of the CGST Act provides that development, design, programming, customization, adaptation, up gradation, enhancement, implementation of Information Technology software shall be treated as service. This explanation removes the uncertainty as to whether such software is goods or service.

As Information Technology software has been declared as service, place of supply of IT software can easily be determined. Place of supply of software shall always be the location of the recipient.

(b) Business Incubator

A "business incubator" is a company that helps new and startup companies to develop by providing services such as management training or office space or equipment's or some time monitory assistance and capital.

Taxable services, provided or to be provided, by

- a Technology Business Incubator or
- a Science and Technology Entrepreneurship Park recognised by the National Science and Technology Entrepreneurship Development Board of the Department of Science and Technology, Government of India or
- bioincubators recognised by the Biotechnology Industry Research Assistance Council, under the Department of Biotechnology, Government of India, are exempted from GST.

(c) Exception of Taxable Event

Taxable event under GST law is supply of goods or services or both. It means no supply no GST.

Exceptions of Taxable Events are as below -

(1) Any transaction involving supply of goods or services without consideration is not a supply, barring few exceptions, in which a transaction is deemed to be a supply even without consideration.

(2) Further, import of services for a consideration, whether or not in the course or furtherance of business is treated as supply.

(d) Reverse charge

The liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub -section (3) or sub -section (4) of section 9, of Central Goods and Services Tax Act, or under sub -section (3) or sub -section (4) of section 5 of the Integrated Goods and Services Tax Act;

(e) Non taxable supply under CGST Act 2017

As per Section 7(2), Supply excludes:

- activities or transactions specified in Schedule III; or
- such activities or transactions undertaken by the Central Government, a State Government or any local authority in which the y are engaged as public authorities, as may be notified by the Government on the recommendations of the Council,

Note: Activities specified in Schedule III (i.e. Negative list):

- Services by employee to employer in the course of or in relation to his employment.
- Services by court or Tribunal
- Services by Member of Parliament and others
- Services by funeral, burial etc.
- Sale of land/Building
- Actionable claim other than lottery, betting and gambling.

(f) Agricultural activities exempted from GST

The following Agricultural Activities are exempted from GST:

- Cultivation, harvesting,
- Commission on sale of Agricultural Produce
- All types of testing activities which are directly related to production of any agricultural produce
- Supply of farm labour
- Trimming, sorting etc., thereby marketable in the primary market
- Renting of agro machinery
- Loading, unloading, packing, storage and warehousing of agricultural produce
- Agricultural extension services
- Services by any agricultural produce marketing committee

9. Hind Petromax having its office at Bhopal submitted the following details for the quarter ended September 2019

Sl No	Particulars	₹
(i)	Supply of Petrol at Bhopal	16,00,000
(ii)	Inward supply on which tax is payable on reverse charge basis	5,00,000
(iii)	Supply of other petroleum product at Bhopal	1,00,000
(iv)	Supply made to Raipur branch without payment of consideration	2,00,000
(v)	Taxable supply Made to Uttarakhand	7,50,000

Determine the aggregate turnover of Hind Petromax

Answer:

Hind Pertomax

Determination of aggregate turnover for the quarter ended September 2019

Sl No	Particulars	₹	Remarks
(i)	Supply of Petrol at Bhopal	16,00,000	Note - 1
(ii)	Inward supply on which tax is pay able on reverse charge basis		Note - 2
(iii)	Supply of other petroleum product at Bhopal	1,00,000	Note - 3
(iv)	Supply made to Raipur branch without payment of consideration	2,00,000	Note - 4
(v)	Taxable supply Made to Uttarakhand	7,50,000	Note - 5
	Aggregate Turnover	**26,50,000**	

10. Gopal Associates having its head office at Lucknow and branches at Delhi, Chandigarh and Jabalpur furnishes the following for the month of July 2019

Sl No	Particulars	₹
(i)	Supply of raw silk at Lucknow	11,00,000
(ii)	supply of electronics goods at Lucknow	4,00,000
(iii)	Taxable supply to C handigarh branch	2,00,000
(iv)	Supply of TV to Jabalpur branch	3,50,000
(v)	Value of goods & services exported	1,50,000
(vi)	Service provided by way of packing and storing of rice	1,00,000
(vii)	Sale of goods by acting as an agent on behalf of principal	8,00,000

Find out the aggregate turnover for July 2019

Answer:

Gopal Associates Determination of Aggregate Turnover

Sl No	Particulars	₹	Remarks
(i)	Supply of raw silk at Lucknow	11,00,000	Note - 1
(ii)	Supply of electronics goods at Lucknow	4,00,000	Note - 2
(iii)	Taxable supply to Chandi garh branch	2,00,000	Note - 3
(iv)	Supply of TV to Jabalpur branch	3,50,000	Note - 4
(v)	Value of goods & services exported	1,50,000	Note - 5

(vi)	Service provided by way of packing and storing of rice	1,00,000	Note - 6
(vii)	Sale of goods by acting as an agent on behalf of principal	8,00,000	Note - 7
	Aggregate turnover	**31,00,000**	

Notes:

1. Supply of raw silk is not a taxable item i.e. included in the definition of exempted supply, hence includable.
2. Supply of electronics goods to Lucknow is includable in aggregate turnover.
3. Value of taxable supply to Chandigarh branch is includable in aggregate turnover.
4. Supply of T.V i.e. taxable supply to Jabalpur branch is includable in aggregate turnover.
5. Export of goods and services is includable in aggregate turnover.
6. Service provided by way of packing and storing of rice is exempted service. Hence includable.
7. Sale of goods by acting as an agent on behalf of principal is includable in aggregate turnover.

Study Note – 3 & 4

TIME, VALUE AND PLACE OF SUPPLY UNDER GST & INPUT TAX CREDIT (ITC)

Learning Objective:

After studying this chapter, students should able to:

- ***Know that under GST, 'Place Of Supply' defines whether the transaction will be counted as intra - state or inter -state and accordingly, SGST, CGST & IGST are levied,***
- ***Learn that under GST, the point of taxation, i.e., the liability to pay GST will arise at the time of supply as determined for goods and services,***
- ***To know about certain conditions which needs to be met to be entitled to Input Tax Credit under the GST scheme, like-one must be a registered taxable person,***
- ***To learn that one can claim Input Tax Credit only if the goods and services received is used for business purposes,***
- ***Learn that Input Tax Credit can be claimed on exports/zero-rated supplies and are taxable.***

1. (a) Choose the correct option from the followings –

(i) Due date of payment of GST in case of Tax Deducted at Source (TDS) is:

(a) 5th of the following month

(b) 10th of the following month

(c) 15th of the following month

(d) 20th of the following month

(ii) Where the goods are assembled or installed at site, the place of supply of goods will be

(a) Office of the contractor

(b) Registered office of the person who place the order

(c) Place where actual delivery to be made

(d) Place of such installation or assembly

(iii) Service in relation to training and performance appraisals to a un registered person the place of supply will be –

(a) Place of supplier under reverse charge

(b) Location of recipient of service

(c) Location where the service are actually performed

(d) Registered office of the recipient of service

(iv) Service provided by way of electronics means in relation to tangible goods the place of supply will be –

(a) The actual location of the goods

(b) The actual location of service provider

(c) The actual location of service recipient

(d) The actual location where tangible goods will be supplied/delivered

(v) In case of tax paid on works contract services where supplied for construction of plant and machinery

(a) ITC can be availed

(b) ITC cannot be availed

(c) ITC can be available if the supply is more than ₹ 1.50 crores

(d) ITC can be available only on the hands of recipient

Answer:

(i) (b) 10th of the following month

(ii) (d) Place of such installation or assembly

(iii) (c) Location where the service are actually performed

(iv) (a) the actual location of goods

(v) (a) ITC can be availed

(b) Match the following:

	Column A		Column B
1	Due date of payment of GST for the assessee under Composite Scheme	(a)	20th of the following month
2	Place of supply for beauty treatment service will be	(b)	Transaction value
3	Service provide for digital data storage is	(c)	Input service
4	Service of recovery agent is	(d)	Location where the service are actually performed
5	Subsidy provided other than Govt. subsidies in any form or manner linked to the supply will be included in the	(e)	Intermediary service
6	Any service used or intended to be used by a supplier in the course of furtherance of business is	(f)	OIDAR service
		(g)	18th of the following month
		(h)	Intra trade service

Answer:

	Column A		Column B
1	Due date of payment of GST for the assessee under Composite Scheme	(g)	18th of the following month
2	Place of supply for beauty treatment service will be	(d)	Location where the service are actually performed
3	Service provide for digital data storage is	(f)	OIDAR service
4	Service of recovery agent is	(e)	Intermediary service
5	Subsidy provided other than Govt. subsidies in any form or manner linked to the supply will be included in the	(b)	Transaction value
6	Any service used or intended to be used by a supplier in the course of furtherance of business is	(c)	Input service

(c) Fill in the blanks:

(i) GST will be levied on remittance from abroad for _____services.

(ii) The basic concept of Input Tax Credit (ITC) is to avoid the_____of duty.

(iii) Time of supply of vouchers for Goods and Services if the supplies is not identifiable at that point is the date of_____of voucher.

(iv) Interest or late fee or penalty for delay in payment of any consideration for supply will form part of the_____.

(v) ____ will not be considered for the purpose of determining the cost of acquisition.

(vi) Input Tax Credit is eligible only when it is credited to_____ledger of taxable person.

(vii) Motor vehicles and other conveyance used for transportation of passenger are_____for ITC.

(viii) Non taxable supply means supply of any goods or services or both which is not leviable to tax under_____or_____.

Answer:

(i) Intermediary
(ii) Cascading effect
(iii) red emption
(iv) value of supply
(v) GST element
(vi) electronic credit
(vii) eligible
(viii) CGST Act or IGST Act

(d) State whether the followings are true or false.

(i) Return journey will be treated as a separate journey even if right of passage for onward and return journey is issued at the same time.

(ii) Tour operator in India providing service to Indian tourist outside India will not be liable to pay GST.

(iii) The place of supply in respect of a passenger transportation service shall be the place where the passenger embarks on the conveyance for a continuous journey.

(iv) Input tax credit is available in respect of goods sent for job work and brought back for further use.

(v) ITC can be levied against membership of a club, health and fitness centre.

(vi) ITC cannot be available in case of goods destroyed.

(vii) Services of lawyer and financial consultant who advise clients through email is OIDAR service.

(viii) Waste generated at the premises of job worker may be supplied directly by the registered job worker from the place of business on payment of tax or the principal may clear such waste, in case the job worker is not registered.

Answer:

(i) True

(ii) False

(iii) True

(iv) True

(v) False

(vi) True

(vii) False

(viii) True

2. M/s. X Ltd. of Chennai, engaged in various businesses has provided the following services, whose values are listed below. Compute its GST liability:

(1) Service of interior decoration in respect of immovable property located in Jammu: ₹ 5 lakh;

(2) Service of renting of commercial buildings in Delhi: ₹ 15 lakh;

(3) Architectural services to an Indian Hotel Chain which has business establishment in Mumbai for its newly acquired property in Sydney: ₹ 25 lakhs;

(4) Services provided as an Indian agent undertaking marketing in India of goods of a foreign seller: ₹ 51 lakhs;

(5) Services provided as travel agent undertaking marketing in India of services of a foreign seller: ₹ 1 lakhs.

Applicable rate of GST 18%.

Answer:

Particulars	Value ₹ (in lakhs)	Working note	
Interior decoration services	5	PoS = J & K (Sec 12(3)(a) of IGST) taxable territory. IGST will be levied	
Renting of commercial buildings	15	PoS = Delhi (Sec 12(3)(b) of IGST) Taxable territory IGST will be levied	
Architectural services	25	PoS = Mumbai (Sec 12(3)(a) of IGST). Taxable territory IGST will be levied	
Marketing of Goods	51	PoS = Chennai (sec 13(8) of IGST) Taxable territory CGST & SGST will be levied.	
Travel agent	1	PoS = Chennai (sec 13(8) of IGST) Taxable territory CGST & SGST will be levied.	
Taxable supply of services			97
Particulars	CGST	SGST	IGST
GST liability	4.68	4.68	8.10

3. (a) State briefly –

(i) Exempted supply

(ii) Non taxable supply

(iii) Works Contract

(b) State briefly which are the documents required by a registered person to avail the Input Tax Credit.

Answer:

(a) (i) Exempted supply (Sec. 2(47) of the CGST Act, 2017): It 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, or
- under section 6 of the Integrated Goods and Services Tax Act, and
- includes non -taxable supply;

(ii) Non-taxable supply (Sec 2(78) of the CGST Act, 2017): It means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act;

(iii) Works contract [Sec 2(119) of the CGST Act, 2017]: It means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract;

(b) The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the following documents (Rule 36(1) of the CGST Rules, 2017), namely, -

(i) an invoice issued by the supplier of goods or services or both in accordance with the provisions of section 31;

(ii) an invoice issued under reverse charge;

(iii) a debit note;

(iv) a bill of entry

(v) an Input Service Distributor invoice or Input Service Distributor creditnote

4. (a) Mr. Damani is a registered dealer of electronic goods furnishes the following details for August 2019 Sold electronics goods to Mr. Alex for ₹ 6,00,000 on the condition

(i) the materials to be delivered at Mr. Alex place and

(ii) Mr. Damani will lift old electronics goods of Mr. Alex from his premises by charging ₹ 15,000.

(iii) Transportation for delivery of the goods arranged by Mr. Damani but the freight paid by Mr. Alex for ₹10,000 / -

Find the value of supply.

Answer:

Mr. Damani

For the month of August 2019

Particulars	₹
Value of goods supplied	6,00,000
Add : Charges for materials lifting	15,000
Add : Freight / Transportation paid by Mr . Alex	10,000
Taxable value of supply	**6,25,000**

Notes:

Though Freight paid Mr. Alex as recipient of the goods but Mr. Damani as supplier liable to pay the transportation.

(b) Find the time of supply from the followings –

(i) Goods sold to Mr . Parekh for ₹ 8,00,000/ -. The invoice issued on 8th June, 2019. The goods supplied on 15th June, 2019 and the payment received on 25th June, 2019.

(ii) Mr. Z a supplier of stationery items received and advance of ₹5,600/- against an invoice of ₹4,800/- on 28.09.2019 from Mr. Y and the date of raising invoice for next supply to Mr. Y is 12.10.2019.

Find the following in regard to excess amount received over invoice value

(1) Time of supply of goods and

(2) Due date for payment of tax

Answer:

(i) Time of supply will be earlier of the followings –

Date if invoice	08.06.2019
Date of payment receipt	25.06.2019
The time of supply is	**08.06.2019**

(1) Time of supply of goods can be treated either 28.09.2019 or 12.10.2019 as per the option of Mr. Z(supplier) as the excess amount received over the Invoice does not exceeds ₹ 1,000/-

Note : As per Section 12(1) of CGST Act where supplier received the amount above Invoice value does not exceed ₹ 1,000/- at the time of supply to the extent of such excess shall be at the opt ion of the said supplier by the date of issue of invoice.

(2) Due date for payment of tax

(a) If the time of supply is 28.09.2019, then Due date of payment is 20.10.2019

(b) If he time of supply of goods is 12.10.2019 then due date for payment is 20.11.2019

Note: As per Sec 39(1) of the Act due date of payment of GSTis 20th of the following month.

5. Mr. Adil is a registered manufacturer of iron rods furnishes the following information for the month of May 2019

(a) Mr. Adil given a contract to Mr. Novojit Singh to construct the base for assembly line and installation of new machinery for ₹ 10,00,000/ - in the month of May 2019

(b) Mr. Adil completed the job within May 2019 by using various raw materials like cement, sand, bricks etc and received the payment within the moth.

(c) Purchased raw materials for ₹ 8,00,000 / - (Iron ore) – GST @ 18%.

(d) Purchased machinery – GST@28% ₹ 12,00,000 / -

(e) For works contract service – GST@18% ₹ 10,00,000 / -

(f) Sale of Iron rod (TMT bar) – GST@28% ₹ 30,00,000 / -

Note : Process loss to be considered 1% for converting which covering raw materials into finished products. Find the GST pay able by Mr. Adil.

Answer:

Mr. Adil

Statement showing GST payable for the month of May 2019

Sl No	Particulars	GST %	Value (₹)	GST	Remarks
(i)	Sale of iron rod (A)	28	30,00,000	8,40,000	Note - 1
(ii)	**Less : Input Credit**				
(iii)	Purchase of raw materials	18	8,00,000	1,44,000	Note - 2
(iv)	Machinery purchased	28	12,00,000	3,36,000	Note - 3
(v)	works contract	18	10,00,000	1,80,000	Note - 4
	Total Input Credit (B)			6,60,000	
	Net GST payable (A) - (B)			**1,80,000**	

Notes:

1. GST @ 28% on ₹ 30,00,000 = ₹ 8,40,000
2. GST @ 18% on ₹ 8,00,000 = ₹ 1,44,000
3. GST @ 28% on ₹ 12,00,000 = ₹ 3,36,000
4. GST @ 18% on ₹ 10,00,000 = ₹ 1,80,000
5. ITC allowed on machinery purchased as it is considered as Capital Goods.

6. Write short notes on the followings –

(i) Intermediary Service.

(ii) OIDAR Service

(iii) (a) Zero rated supply (b) Export of service

(iv) Continuous Journey

Answer:

(i) As per Section 2(13) of the Integrated Goods and Services Tax Act, 2017 intermediary means a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both

Intermediary services Includes the following -

- Travel agent (any mode of travel)
- Tour operator
- Commission agent for a service (including an agent for buying or selling of goods)
- Recovery agent etc.,

Remittances from abroad, GST will be levied.

(ii) Online information and database access or retrieval [OIDAR] services means services whose delivery is mediated by information technology over the internet or an electronic network and the nature of which renders their supply essentially automated and involving minimal human intervention, and impossible to ensure in the absence of information technology and includes electronic services [Sec 13(12) of IGST Act]. Place of Supply will be the location of the recipient of service.

Recipient of service deemed to be located in the taxable territory, if any two of the following conditions are satisfied:

(a) the location of address presented by the recipient of services through internet is in the taxable territory;

(b) the credit card or debit card or store value card or charge card or smart card or any other card by which the recipient of services settles payment has been issued in the taxable territory

(c) the billing address of the recipient of services is in the taxable territory;

(d) the internet protocol address of the device used by the recipient of services is in the taxable territory;

(e) the bank of the recipient of services in which the account used for payment is maintained is in the taxable territory;

(f) the country code of the subscriber identity module card used by the recipient of services is of taxable territory;

(g) the location of the fixed land line through which the service is received by the recipient is in the taxable territory.

(iii) (a) Zero rated supply means any of the following supplies of goods or services or both, namely: -

(i) export of goods or services or both; or

(ii) 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.

(b) Export of service means the supply of any services when **[(Sec. 2(6) of the IGST Act, 2017]**

(i) the supplier of service is located in India;

(ii) the recipient of service is located outside India;

(iii) the place of supply of service is outside India;

(iv) the payment for such service has been received by the supplier of service in convertible foreign exchange; and

(v) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8;

(iv) As per Sec 2(3) of IGST Act, 2017 'Continuous Journey' Means a journey for which a single or more than one ticket or invoice is issued at the same time, either by a single supplier of service or through an agent acting on behalf of more than one supplier of service, and which involves no stopover between any of the legs of the journey for which one or more separate tickets or invoices are issued.

7. M/ S Icon Pvt. Ltd. having its head office at Bhubaneswar is registered as Input Service Distributor (ISD). It has another two operational units in different state s namely Kolkata and Ranchi.

M/ s Icon Pvt. Ltd. furnishes the following information for the month of March 2019

		₹
(i)	**CGST and SGST paid on services used only in Bhubaneswar**	**6,00,000**
(ii)	**IGST, CGST & SGST paid on services used by three units**	**36,00,000**

Total turnover of the units for the financial year 2018 – 19 are as follows

Unit	₹
Bhubaneswar	**15,00,000**
Kolkata	**9,00,000**
Ranchi	**6,00,000**
Total Turnover	**30,00,000**

You are required to distribute the Input Credit from the above information.

Answer:

M/s Icon Pvt. Ltd.
Statement showing distribution of input Tax Credit

Sl No	Particulars	Total Credit available	Bhubaneswar	Kolkata	Ranchi
(i)	CGST & SGST paid on service used only by Bhubaneswar unit	6,00,000	6,00,000		
(ii)	IGST, CGST & SGST paid on services used in all unit distribution pro rata basis to all units which are operational in the current year	36,00,000	18,00,000	10,80,000	7,20,000
		42,00,000	**24,00,000**	**10,80,000**	**7,20,000**

Working Notes:

1. CGST & SGST paid on service used only for Bhubaneswar unit should be distributed only to that unit.

2. Credit distributed pro rata basis of the turnover of all the units as under –
   (a) Bhubaneswar – 15,00,000 /30,00,000 × 36,00,000 = ₹ 18,00,000/-
   (b) Kolkata – 9,00,000/3000000 × 36,00,000 = ₹ 10,80,000/-
   (c) Ranchi – 6,00,000 /30,00,000 × 36,00,000 = ₹ 7,20,000/-
   Total = ₹ 36,00,000/-

Study Note – 5 & 6

REGISTRATION UNDER GST & TAX INVOICE, CREDIT AND DEBIT NOTES

Learning Objective:

After studying this chapter, students should be able to learn the following:

- ***What is GST Registration.***
- ***In the GST Regime, businesses whose turnover exceeds a certain limit, is required to register as a normal taxable person.***
- ***This process of registration is called GST registration. For certain businesses, registration under GST is mandatory.***
- ***In this chapter you will also come to know what is Debit Note and Credit Note?***
- ***When goods supplied are returned or when there is a revision in the invoice value due to goods (or services) not being up to the mark or extra goods being issued a Debit Note or Credit Note is issued by the supplier and receiver of goods and services.***

1. (a) Choose the correct option amongst the four alternatives -

(i) Which of the following is a special category state?
- **(a) Daman**
- **(b) Kerala**
- **(c) Uttaranchal**
- **(d) Himachal Pradesh**

(ii) A Casual Taxable person before applying for registration required to declare
- **(a) Residential address**
- **(b) Mobile no**
- **(c) Aadhaar card**
- **(d) Income tax registration no**

(iii) Advance payment deposited by Casual Taxable Person shall be credited in –
- **(a) Electronic Cash Ledger**
- **(b) Electronic Credit Ledger**
- **(c) Electronic Debtor Ledger**
- **(d) Electronic Creditor Ledger**

(iv) An Input Service Distributor shall not be required to file
- **(a) Monthly Return**
- **(b) Quarterly Return**
- **(c) Half yearly Return**
- **(d) Annual Return**

(v) GST is chargeable at the
- **(a) Time of receiving order**
- **(b) Time of supply**
- **(c) Time of receiving the advance payment**
- **(d) Time of receiving the full and final payment**

(vi) Duplicate copy of the Invoice in case of supply of goods is for
- **(a) Recipient**
- **(b) Supplier**
- **(c) Transporter**
- **(d) Office copy**

(vii) As per CGST Act the "aggregate turnover" shall include all supplies is made by the taxable person
- **(a) Only on his own account**
- **(b) Only made on behalf of all his principal**
- **(c) On his own account or made on behalf of all his principals**
- **(d) Only acting as an agent**

(viii) The grant of application shall be deemed approved by proper officer if no action taken after submission of application
- **(a) Within 3 working days**
- **(b) Within 5 working days**
- **(c) Within 7 working days**
- **(d) Within 10 working days**

Answer:

(i) (d) Himachal Pradesh
(ii) (b) Mobile no
(iii) (a) Electronic Cash Ledger
(iv) (d) Annual Return
(v) (b) Time of supply
(vi) (c) Transporter
(vii) (c) On his own account or made on behalf of all his principals
(viii) (a) Within 3 working days

(b) Match the following:

	Column A		Column B
1	The details of Input Tax Credit available for distribution by ISD in a month to be shown in	(a)	credit notes
2	Refund of advance tax deposited by a non resident taxable person can be applied in the	(b)	Form GST REG - 30
3	Physical verification report with other documents and photographs of the place of a registered person shall be uploaded in	(c)	Form GSTR - 06
4	A registered taxable person supplying exempted goods or service or both shall issue	(d)	debit note
5	if prices are increased after renegotiation supplier should issue	(e)	Form GSTR - 05
6	When the taxable value or tax charged in tax invoice exceeds the taxable value or tax charged of such supply the registered supplier will issue	(f)	a bill of supply
7		(g)	Form GSTR - 07
8		(h)	Form GSTR REG - 20

Answer:

	Column A		Column B
1	The details of Input tax credit available for distribution by ISD in a month to be shown in	(c)	Form GSTR - 06
2	Refund of advance tax deposited by a non resident taxable person can be applied in the	(e)	Form GSTR - 05
3	Physical verification report with other documents and photographs of the place of a registered person shall be uploaded in	(b)	Form GST REG - 30
4	A registered taxable person supplying exempted goods or service or both shall issue	(f)	a bill of supply
5	if prices are increased afterrenegotiation the supplier should issue	(d)	debit note
6	When the taxable value or tax charged in tax invoice exceeds the taxable value or tax charged of such supply the registered supplier will issue	(a)	credit notes

(c) State whether true or false –

(i) Non-resident taxable person making non taxable supplies is required to take registration under GST Act.

(ii) A bill of supply is issued in case where tax cannot be charged.

(iii) A dealer may issue one Credit Note for multiple invoices.

(iv) ITC cannot be denied due to certain clerical mistake in the invoices by the Supplier.

(v) A registered taxable person is not required to file return in time if income is Nil.

(vi) An unregistered person should issue normal commercial invoice.

(vii) An unregistered taxable person shall not collect any amount by way of tax under CGST/SGST Act for any supply of goods or service s or both.

Answer:

(i) False
(ii) True
(iii) True
(iv) True
(v) False
(vi) True
(vii) True

(d) Fill in the blanks

(i) A non-resident taxable person _____ exercise the option to pay tax under composition scheme.
(ii) The _____ person can make taxable supplies only after the issuance of certificate of registration.
(iii) In case of the supp lies of services the invoice shall be prepared in _____ .
(iv) E – waybill is required to generate even if the value of consignment is below _____ .
(v) Every registered person shall display his certificate of registration in a prominent location at his _____ place of business and at every _____ places or place of business.
(vi) Multiple registration permitted for separate _____ in exception of one registration for one state.

Answer:

(i) can not
(ii) casual taxable
(iii) duplicate
(iv) ₹ 50,000/-
(v) principal, additional
(vi) business vertical

2. (a) State the declaration required by a casual taxable person before applying for registration.

(b) State the validity of registration.

Answer:

(a) Casual taxable per sons are required to obtain GST registration under a special category at least 5 days prior to the undertaking business.

There is no special form to register as a casual taxable person. Casual taxable person can use the normal form GST REG-01 which is used by other taxable persons for registration.

A casual taxable person, before applying for registration, declare his:

- Permanent Account Number,
- mobile number,
- e-mail address,
- State or Union territory

In Part A of FORM GST REG -01 on the common portal, either directly or through a Facilitation Centre notified by the Commissioner.

(b) Validity of Registration

The certificate of registration shall be valid for the period specified in the application for registration or ninety days from the effective d ate of registration, whichever is earlier.

In case the non-resident taxable person intends to extend the period of registration indicated in his application of registration, an application in FORM GSTREG-11 shall be submitted electronically through the Common Portal, either directly or through Facilitation Centre notified by the Commissioner, before the end of the validity of registration granted to him.

The validity period of 90 days can be extended by a further period not exceeding ninety days. The extension will be allowed only on payment of the amount of an additional amount of tax equivalent to the estimated tax liability for the period for which the extension is sought has to be deposited.

3. (a) (i) When a proper GST officer can cancel the GST registration of a person.

(ii) Enumerate the procedure for revocation of cancellation of registration.

(b) What is Bill of supply? State the contents of Bill of supply.

Answer:

(a) (i) GST registration of a person or business can be cancelled by a proper GST officer in one of the following cases:

- If the registered person has violated any of GST provisions or laws.
- A composition registered person has not filed tax returns for three consecutive quarters.
- A normal registered person who has not filed returns consecutively for six months.
- A voluntarily registered person who has not commenced any business in the six months from the registration date.
- If the registration is obtained by fraud methods, the proper officer has the right to cancel the registration with retrospective effect.

Provided that the proper officer shall not cancel the registration without giving the person an opportunity of being heard.

(ii) Revocation of cancellation of registration [Section 30 of the CGST Act, 2017]

As per sect ion 30(1) of the CGST Act, 2017, subject to such conditions as may be prescribed, any registered person, whose registration is cancelled by the proper officer on his own motion, may apply to such officer for revocation of cancellation of the registration in the prescribed manner within 30 days from the date of service of the cancellation order.

As per section 30(2) of the CGST Act, 2017, the proper officer may, in such manner and within such period as may be prescribed, by order, either revoke cancellation of the registration or reject the application:

Provided that the application for revocation of cancellation of registration shall not be rejected unless the applicant has been given an opportunity of being heard.

As per Section 30(3) of the CGST Act, 2017, the revocation of cancellation of registration under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, as the case may be, shall be deemed to be a revocation of cancellation of registration under this Act.

(b) **Section 31(3)(c) of the CGST Act, 2017 read with Rule 49 of the CGST Rules 2017 define Bill of supply**
A bill of supply is similar to a GST invoice except that bill of supply does not contain any tax amount as the seller cannot charge GST to the buyer.

A bill of supply is issued in cases where tax cannot be charged:

- Registered person is selling exempted goods/services,
- Registered person has opted for composition scheme

Contents of Bill of supply
A bill of supply shall be issued by the supplier containing the following details:

(a) Name, address and GSTIN of the supplier
(b) A consecutive serial number, in one or multiple series, 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 Date of its issue
(c) Name, address and GSTIN or UIN, if registered, of the recipient
(d) HSN Code of goods or Accounting Code for Services
(e) Description of goods or services or both
(f) Value of supply of goods or services or both taking into account discount or abatement, if any
(g) Signature or digital signature of the supplier or his authorized Representative.

4. Enumerate the cases when compulsory registration is required under GST.

Answer:

Sec. 24: the following categories of persons shall be required to be registered under GST:

(i) Person making any inter-state taxable supply;
(ii) Causal taxable persons making taxable supply;
(iii) Person who are required to pay tax under reverse charge;
(iv) Person who are required to pay tax under sec. 9(5) of CGST (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 person whether as an agent or otherwise;
(viii) Input Service 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 "who is required to collect tax at source under section 52" shall be inserted as per the Finance Act, 2018 w.e.f. 1-2-2019.;

(xi) 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

(xii) Such other person or class of persons as may be notified by the Govt. on the recommendation of the Council.

5. Mr. CMA Manish, an unregistered person under GST, has place of profession in Bhubaneswar, Odisha, supplies taxable services to Infosys Ltd, a registered person under GST in Bangalore.
Answer the following:
(a) Is it inter-State supply or intra-State supply.
(b) Who is liable to pay GST.

Note: Mr. CMA Manish turnover in the P.Y. is ₹ 18 lakhs.

Answer:

Any person making inter-state supply has to compulsorily obtain registration and therefore in such cases, section 5(4) of IGST will not come into play.

However, Services providers providing aggregate supplies including inter-state services up to ₹ 20 lakh will be exempted from GST.

(a) It is inter-State supply.

(b) Mr. CMA Manish is not liable to pay IGST. Since, registration is not made mandatory to him.

6. What is the manner of issuing invoice?

Answer:

Manner of Issuing Invoice [Rule 48 of the CGST Act, 2017]:

(1) The invoice shall be prepared in triplicate, in the case of supply of goods, in the following manner, namely,- by marking on face of the invoice
(a) Original for Recipient;
(b) Duplicate for Transporter; and
(c) Triplicate for Supplier.

(2) The invoice shall be prepared in duplicate, in the case of the supply of services, in the following manner, namely,-
(a) Original for recipient; and
(b) Duplicate for supplier.

(3) The serial number of invoices issued during a tax period shall be furnished electronically through the common portal in FORM GSTR-1.

7. What is the time limit to issue invoice in case of continuous supply of goods?

Answer:

Section 31(4) of the CGST Act, 2017: In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.

Section 31(5) of the CGST Act, 2017: Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services,—

(a) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment;

(b) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment;

(c) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.

8. Write short notes on the followings –

(a) Refund of advance payment made by a casual taxable person

(b) Deemed Registration

(c) Revised Invoice

(d) Debit Note

(e) Contents of a Revise d Tax Invoice and credit or debit note

Answer:

(a) 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.

"If the estimated tax is much more than what is payable, it would be a lengthy process to obtain a refund.

In the absence of output tax in the state where the goods or service has been supplied as a casual taxable person, input tax credit also cannot be claimed."

(b) Deemed registration

If the Proper Officer fails to take action in 3 working days from the date of submission, the registration is deemed to have been approved.

The Proper Officer is satisfied with the clarification; he may approve the grant of registration to the applicant within 7 working days on receipt of such clarification.

If no reply is furnished by applicant in response to notice issued or Proper Officer is not satisfied with the clarification, he shall reject such application with reasons in writing and inform the applicant in Form GST REG-05.

Where no action is taken in 7 working days on the clarification received from the applicant, the registration is deemed to have been granted.

(c) Revised Invoice [Section 31(3)(a) of the CGST Act, 2017]

A registered person may, within one month from the date of issuance of certificate of registration and in such manner as prescribed in the Invoice Rules, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him.

This provision is necessary, as a person who becomes liable for registration has to apply for registration within 30 days of becoming liable for registration. When such an application is made within the time period and registration is granted, the effective date of registration is the date on which the person became liable for registration. Thus there would be a time lag between the date of grant of certificate of registration and the effective date of registration.

For supplies made by such person during this intervening period, the law enables the issuance of a revised invoice, so that ITC can be availed by the recipient on such supplies.

(d) Debit Note (Sec 34 (3) & (4) of CGST Act)

In cases where tax invoice has been issued for a supply and subsequently it is found that the value or tax charged in that invoice is less than what is actually payable/ chargeable, the supplier can issue a debit note to the recipient. 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

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

(a) The word "Revised Invoice", wherever applicable, indicated prominently
(b) Name, address and GSTIN of the supplier
(c) Nature of the document
(d) 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.
(e) Date of issue of the document
(f) Name, address and GSTIN or UIN, if registered, of the recipient
(g) 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
(h) Serial number and date of the corresponding tax invoice or, as the case may be, bill of supply
(i) 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.
(j) Signature or digital signature of the supplier or his authorized representative

Study Note – 7 & 8

ACCOUNTS AND RECORDS UNDER GST & PAYMENT OF TAX

Learning Objective:

After studying this chapter, students should able to know that :

- ***In this chapter Accounts and Records under GST & Payments of Tax are discussed.***
- ***Every registered person shall keep and maintain an account, containing the details of tax payable including tax payable under reverse charge, tax collected and paid, input tax, input tax credit claimed, together with a register of Tax Invoice, Credit Notes , Debit Notes, Delivery Challan issued or received during any transactions made.***

1. (a) Choose the correct option from the followings –

(i) Every registered person is required to maintain the details of–
- **(a) Details of employee and labour**
- **(b) Details of tender and quotation**
- **(c) Advance received and paid**
- **(d) Future expansion plan**

(ii) Input Tax Credit as self assessed in the return of a registered person shall be reflected
- **(a) Electronics cash ledger**
- **(b) Electronics credit ledger**
- **(c) Electronic debtors ledger**
- **(d) Electronic creditors ledger**

(iii) IGST credit can be adjusted equally or any other proportion at the option of the assess between
- **(a) IGST and SGST**
- **(b) IGST and CGST**
- **(c) CGST and UGST**
- **(d) CGST and SGST**

(iv) Interest, penalty, fee or any other amount payable under GST Act
- **(a) Other dues**
- **(b) Tax dues**
- **(c) Normal dues**
- **(d) Further dues**

(v) Interest rate for delayed payment of tax is

(a) 5%
(b) 12%
(c) 18%
(d) 28%

(vi) Any person claiming refund as per Section 54(1) of the CGST Act may make an application before the expiry of

(a) 3 months
(b) 6 months
(c) 1 year
(d) 2 years

(vii) Payment of challan can be made over the counter with cash, cheque or demand draft through authorized bank up to

(a) ₹ 2000
(b) ₹ 5000
(c) ₹ 10000
(d) ₹ 15000

Answer:

(i) (c) Advance receipt and paid
(ii) (b) Electronics credit ledger
(iii) (d) CGST and SGST
(iv) (a) Other dues
(v) (c) 18%
(vi) (d) 2 years
(vii) (c) ₹ 10,000

(b) Match the following:

	Column A		Column B
1	Every registered person is required to maintain a true and correct account of	(a)	tax, interest, penalty fee and others
2	Every registered person shall maintain the accounts of stock in respect of (other than paying under section 10)	(b)	a godown
3	Place of business now also include	(c)	Residence
4	Every registered dealer required to deduct	(d)	Output tax payable and paid
5	Minor head refer to	(e)	TDS
		(f)	Opening balance
		(g)	TCS

Answer:

	Column A		Column B
1	Every registered person is required to maintain a true and correct account of	(d)	Output tax payable and paid
2	Every registered person shall maintain the accounts of stock in respect of (other than paying under section 10)	(f)	Opening balance
3	Place of business now also include	(b)	a godown
4	Every registered dealer required to deduct	(e)	TDS
5	Minor head refer to	(a)	tax, interest, penalty fee and others

(c) State whether true or false

Every registered person are not bound to produce the books of accounts which is required to be maintain under any law time being in force.

(a) The recipient will be required to maintain books of accounts in relation to the goods stored at the godown of the transporter.

(b) Al registered taxable person must maintain the accounts books and records at least for 60 months.

(c) As per the CGST Act 2017 the central tax can be utilized for payment of state tax or union territory tax.

(d) On line payment even made after 8 p.m. will be credited on the same day to the taxpayer's account.

(e) Interest is payable for actual period of delay in payment of tax not for the whole month.

Answer:

(a) False
(b) True
(c) False
(d) False
(e) True
(f) True

(d) Fill in the blanks:

(i) Every registered person is required to maintain …… and …… account of production or manufacturer of goods.

(ii) A registered transporter once received unique common enrolment number cannot use any …… for the purpose of any liability.

(iii) All liabilities of a taxable person under GST Act shall be recorded and maintained in an electronic …… register in such manner as may be prescribed.

(iv) The date of credit to the account of the Government in the authorized bank shall be…… to be the date of deposit in the electronics cash ledger.

(v) Integrated tax, Central tax, State / UTI tax and cess refer to ……. ……..

(vi) For delayed payment of tax interest payable for actual period not for ……. ……

Answer:

(a) true, correct
(b) GSTIN
(c) liability
(d) deemed
(e) major head
(f) whole month

2. **Which particulars of accounts of stock are required to be maintained by a registered person for receipt and supply goods?**

Answer:

Rule 56(2) of the CGST Rules, 2017, every registered person, other than a person paying tax under section 10, shall maintain the accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the

- opening balance,
- receipt,
- supply,
- goods lost, stolen, destroyed,
- written off or disposed of by way of gift or
- free sample and
- the balance of stock including raw materials, finished goods, scrap and wastage thereof.

3. Which details are to be maintained by a registered person executing works contract?

Answer:

Rule 56(14) of the CGST Rules, 2017, every registered person executing works contract shall keep separate accounts for works contra ct showing –

(a) the names and addresses of the persons on whose behalf the works contract is executed;
(b) description, value and quantity (wherever applicable) of goods or services received for the execution of works contract;
(c) description, value and quantity (wherever applicable) of goods or services utilized in the execution of works contract;
(d) the details of payment received in respect of each works contract; and
(e) the names and addresses of suppliers from whom he received goods or services.

4. **Mention the situations where the department is liable to pay interest on delayed payment to a tax payer.**

Answer:

The three scenarios where the Department is liable to pay interest on delayed payment to a tax payer are

1. Section 54(12) of the CGST Act, 2017: Refund of tax has been withheld from a person on account of an appeal or proceeding but which is later found to be eligible to be paid.

2. Section 56 of the CGST Act, 2017: Refund of tax has not been given to a person within 60 days from the date of receipt of application for refund
3. Provision to section 56 of the CGST Act, 2017: Refund ordered by an adjudicating authority or Appellate Authority or Appellate Tribunal or court has not been paid to a person within 60 days from the date of receipt of application for refund.

5. M/S Bareto Ltd a registered person based at Kochi (Kerala) made the following supply of taxable goods for the month of August 2019

	₹
Supply within Kerala	**27,00,000**
Supply to Bhubaneswar (Od isha)	**12,00,000**
Supply to Visakhapatnam (Andhra)	**10,00,000**
Purchase from Kerala	**22,00,000**
Purchase from Chennai (Tamilnadu)	**2,00,000**
ITC as at 1st August, 2019	
CGST	**2,00,000**
SGST	**2,00,000**
IGST	**2,40,000**

You are required to compute the net GST payable considering the followings –
(a) Rate of tax 18% i.e. SGST – 9% , CGST – 9% and IGST – 18%
(b) Inward and outward supplies are exclusive of taxes

All the condition necessary for availing the Input tax credit have been fulfilled.

Answer:

M/ S Bareto Ltd Statement showing Input Tax Credit

Particulars	CGST	SGST	IGST
Opening balance	2,00,000	2,00,000	2,40,000
Add: ITC for August '19	1,98,000	1,98,000	36,000
Total Credit	**3,98,000**	**3,98,000**	**2,76,000**

Statement showing Net GST payable for the month of August 2019

Particulars	CGST	SGST	IGST
Output Tax	2,43,000	2,43,000	3,96,000
Less : ITC allowed / adjusted	- 3,98,000	- 3,98,000	- 2,76,000
Sub total	**- 1,55,000**	**- 1,55,000**	**1,20,000**
Less : CGST Credit adjusted against IGST	1,20,000	NIL	- 1,20,000
Net GST liability	**NIL**	**NIL**	**NIL**
Excess ITC c/ f	35,000	1,55,000	NIL

Notes:

1. ITC for August '19 – CGST – 22,00,000 × 9% = 1,98,000
   SGST – 22,00,000 × 9% = 1,98,000
   IGST – 2,00,000 × 18% = 36,000

2. Output tax – CGST – 27,00,000 × 9% = 2,43,000
   SGST – 27,00,000 × 9% = 2,43,000
   IGST – 22,00,000 × 18% = 3,96,000

3. Excess ITC credit CGST set off with liability of IGST as per the amended CGST Rules.

6. PM & Associates is a firm of Cost Accountant registered in Patna and the head office is also located at Patna. The firm is registered under GST in Bihar only and does not have any branches in other states. The gross receipt of the firm for Financial Year 2018 – 19 is ₹ 20,00,000/-

PM & Associates furnishes the following information for the month of May 2019, which are exclusive of taxes–

	Particulars	₹
(i)	Bill raised against the professional services provided for GST and the other consultancy	60,000
(ii)	Internal Audit of PW Fabrication Ltd conducted in the office of client at Patna	30,000
(iii)	Cost Audit of Gopal Metalic Ltd. The service provided at the client office in Kolkata	40,000

Further the following information also provided for the month of May 2019

(a) Service availed from a courier service for ₹ 6,000/- with GST @ 18% i.e. CGST – ₹ 540 and SGST – ₹ 540.

(b) Travelling expenses by Railway AC 2 tier from Patna to Kolkata & back ₹ 16,000. IGST charge ₹ 800 /-

(c) Service availed from professional consultancy firm for ₹ 10,000/ - GST @ 18% i.e. CGST – ₹ 900 and SGST – ₹ 900.

(d) There is no opening balance of input Credit as on 1st August 2019.

(e) All the conditions necessary for availing the Input credit have been fulfilled.

(f) GST rate for outward supply is 18%.

Determine the net GST payable for the month of August 2019.

Answer:

PM & Associates

Tax Payable for the month of August 2019

Service Provided	Taxable Value (₹)	CGST	SGST	IGST
Professional Service for GST & other consultancy	60,000	5,400	5,400	
Internal Audit of PW Fabrication Ltd	30,000	2,700	2,700	
Cost Audit of Gopal Metalic Ltd (Inter State)	40,000			7,200
Total	**1,30,000**	**8,100**	**8,100**	**7,200**

Net Tax Payable for the month of August 2019

	Particulars	CGST	SGST	IGST
A	Tax Payable	8,100	8,100	7,200
B	Input Tax Credit available	1,440	1,440	800
C	**Net Tax Payable (A - B)**	**6,660**	**6,660**	**6,400**

Note / workings:

Input tax available on all input service

	CGST	SGST	IGST
On Courier Service	540	540	
Professional Consultancy firm	900	900	
Tax paid on train travel			800
	1,440	**1,440**	**800**

7. **M/S Shadow Ltd is operating in both Maharashtra and Rajasthan. The details of tax liabilities for the month of September 2019 is as below –**

Sl no	Tax Liability	Maharashtra (₹)	Rajasthan (₹)
1	**Output CGST payable**	**5,00,000**	**2,00,000**
2	**Output SGST payable**	**2,00,000**	**1,00,000**
3	**Output IGST payable**	**60,000**	**50,000**
4	**Input CGST**	**1,60,000**	**2,60,000**
5	**Input SGST**	**3,00,000**	**30,000**
6	**Input IGST**	**2,40,000**	**3,20,000**

Determine the tax payable for the month of September 2019

Answer:

Particulars	Maharashtra (₹)			Rajasthan (₹)		
	CGST	SGST	IGST	CGST	SGST	IGST
Output tax	5,00,000	2,00,000	60,000	2,00,000	1,00,000	50,000
Less : ITC of IGST	- 1,80,000	NIL	- 60,000	- 1,70,000	- 1,00,000	- 50,000
Output tax after adjustment of IGST ITC	**3,20,000**	**2,00,000**	**NIL**	**30,000**	**NIL**	**NIL**
LESS : ITC of CGST & SGST	- 1,60,000	- 3,00,000	NIL	- 2,60,000	- 30,000	
Net Tax Payable	**1,60,000**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**
Input Credit c/f		**1,00,000**		**2,30,000**	**30,000**	**NIL**

Notes:

1. IGST ITC should be adjusted against output tax liability of IGST. Any excess can be adjusted against payment of CGST or SGST / UTGST in any proportion as per the discretion of assessee.
2. SGST ITC cannot be adjusted against output CGST and vice versa
3. GST & SGST ITC of one state cannot be adjusted against output CGST & SGST of other state.

8. M/S Gore Ltd furnishes the following details for the month of June 2019

(i) Supplied Goods for ₹15,00,000 plus 18% GST to M/S Allie d Ltd.

(ii) M/ S Gore Ltd paid GST on 12th October, 2019

The amount of Input Tax Credit is ₹1,05,000 is available in the books Determine whether any interest is payable under Section 50 of the CGST Act 2017.

Answer:

	₹
Total tax	2,70,000
Less : ITC	1,05,000
Tax Payable	**1,65,000**

Due date of payment	20.07.2019
Interest due from next date of due date i.e.	21.07.2019
Actual date of payment	12.10.2019

Days delayed	
July 2019	11
August 2019	31
September 2019	30
October 2019	12
	84

Interest = 165000 × 18/100 × 84 /365 = ₹ 6,835.07. R/o ₹ 6,835/-

Note: Applicable rate of interest is 18% p.a.

9. M/S Tetra Ltd from their total output tax liability for the month of April 2019 reduced the amount of ₹ 3,50,000/- in contravention of the provisions of section 42(10) of the CGST Act 2017 vide invoice date 08.04.2019 which is ineligible credit at invoice level. Consequently a show cause notice issued by Central Tax Department under Section 74 of the CGST Act 2017 along with interest.

M/S Tetra Pvt. Ltd paid the tax and interest on 10th July 2019 Calculate the interest liability if any ignoring the penalty.

Answer:

Applicable rate of interest is 24% p.a.

Return due date for April 2019 is 20th May 2019

Date of payment of tax and interest is 10th July 2019

Days delayed	
May 2019	11
June 2019	30
July 2019	10
	51

Therefore interest is ₹ 3,50,000 × 24/100 × 51/365 = ₹ 11,736.99. R/o ₹ 11,737 /-

Note:
As per Section 42 (10) read with Section 50 (3) of the CGST Act 2017 amount reduced from the output tax liability in contravention of the provision of Section 42(7) shall be added to the output tax liability of the recipient in his return for the month in which such contravention takes place such recipient shall be liable to pay interest in Section 50 (3) of the CGST Act 2017.

10. **Neptune Ltd manufactured and cleared taxable goods on 4th October 2018 for ₹ 25,00,000 plus GST @ 18%.GST been paid before the due date & then it is noticed that these goods are exempted from GST. Neptune Ltd applied for refund of GST already paid on January 20th, 2019.Department acknowledge the receipt on 18th February 2019. Department granted the refund on 30th March, 2019**
Find the interest payable on delayed refund.

Answer:

From 21st January 2019 to 29th March 2019	= 68 days
Less : From 21st January 2019 to 21st March 2019	= 60 days
No of days delayed	= 8 days

Interest payable by department is ₹4,50,000/- × 6 /100 × 8/365 = ₹ 591.78
R/o ₹ 592/-

Notes:

1. Total No. of days from 21st January 2019 to 29th March 2019

January 2019	11
February 2019	28
March 2019	29
	68

2. Tax paid ₹ 25,00,000 × 18 /100 = ₹4,50,000/-

3. The applicable interest will be 6% p.a. as per Section 56 of the CGST Act 2017, if the refund of tax has not been given to a person within 60 days from the date of receipt of application for refund.

11. X Ltd. has following tax liabilities under the provisions of Act-

S. No	Particulars	Amount (₹)
1.	Tax liability of CGST, SGST/UGST, IGST for supplies made during August 2017	1,00,000
2.	Interest & Penalty on delayed payment and filing of returns belonging to August 2017	20,000
3.	Tax liability of CGST, SGST/UGST, IGST for supplies made during September 2017	1,20,000
4.	Interest & Penalty on delayed payment and filing of returns belonging to September 2017	20,000
5.	Demand raised as per section 73 or section 74 under CGST Act, 2017 belonging to July 2017	8,00,000
6.	Demand raised as per the old provisions of Indirect Taxes	1,00,000

X Ltd. has ₹ 5,00,000 in Electronic cash ledger. Suggest X Ltd. in discharging the tax liability.

Answer:

Balance in Electronic cash ledger can be used in the following manner to discharge tax liability by X Ltd.-	
Particulars	Amount (₹)
Balance available in Electronic cash ledger	5,00,000
Less-	
Tax liability of CGST, SGST/UGST, IGST for supplies made during August 2017	(1,00,000)
Interest & Penalty on delayed payment and filing of returns belonging to August 2017	(20,000)
Tax liability of CGST, SGST/UGST, IGST for supplies made during September 2017	(1,20,000)
Interest & Penalty on delayed payment and filing of returns belonging to September 2017	(20,000)
Demand raised as per section 73 or section 74 under CGST Act, 2017	(2,40,000)
Balance in electronic cash ledger	Nil
The balance amount of ₹ 5,60,000 towards demand raised under section 73 or section 74 under CGST Act, 2017 to be discharged before discharging liability of demand rose under old provisions of Indirect Taxes.	

12. Write short notes on the followings –

(i) A Registered person is required to make GST payment. – Discuss

(ii) Electronic Ledger in GST.

(iii) Compulsorily Audit under GST.

Answer:

(i) Under GST, the tax to be paid is mainly divided into 3 heads – IGST, CGST and SGST. A registered person is required to make GST payment –

- A Registered dealer is required to make GST payment if GST liability exists.
- Registered dealer required to pay tax under Reverse Charge Mechanism (RCM).
- E-commerce operator is required to collect and pay TCS
- Dealers required deducting TDS

The amount of tax, interest, penalty etc. payable by the person is required to be paid either by utilizing balance available in electronic cash ledger or electronic credit ledger. The amount utilized for payment from the balance in electronic credit or cash ledger will be shown in GST PMT-1.

(ii) There are three types of Ledgers maintained to discharge tax liability under CGST Act, 2017 which are as follows:

S. No.	Ledger name	Amount to be credited	Amount Utilization
(1)	Electronic cash ledger	Every deposit made towards • tax, • interest,	As per Section 49(3) of the CGST Act, 2017: The amount available in the electronic cash ledger may be used for making any payment towards
		• penalty,	• tax,
		• fee or any other amount	• interest,
		by a person by internet banking or by using credit or debit cards or National Electronic Fund Transfer or Real Time Gross Settlement or by such other mode and subject to such conditions and restrictions as may be prescribed, shall be credited to the electronic cash ledger of such person to be maintained in such manner as may be prescribed.	• penalty, • fees or any other amount payable under the provisions of this Act or the rules made there under in such manner and subject to such conditions and within such time as may be prescribed.
(2)	Electronic credit ledger	The input tax credit as self -assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41, to be maintained in such manner as may be prescribed.	As per Section 49(4) of the CGST Act, 2017: The amount available in the electronic credit ledger may be used for making any payment towards • output tax under this Act or • under the Integrated Goods and Services Tax Act in such manner and subject to such conditions and within such time as may be prescribed.
(3)	Electronic Liability ledger	All liabilities of a taxable person under this Act shall be recorded and maintained in an electronic liability register in such manner as may be prescribed.	

(iii) Compulsorily Audit [Section 35(5) of the CGST Act, 2017 read with rule 80(3) of the CGST Rules, 2017]:

Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a Chartered Accountant or a Cost Accountant.

As per Rule 80(3) of the CGST Rules, 2017 every registered person whose aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited as specified under sub-section (5) of section 35 and he shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR-9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

Note: Any department of the Central or State Government / local authority which is subject to audit by CAG need not get their books of account audited by a CA/ CMA. – CGST (AMENDMENT) ACT, 2018.

Notf no. 16/2020-CT dt. 23.03.2020: Provided that every registered person whose aggregate turnover during the financial year 2018-2019 exceeds five crore rupees shall get his accounts audited as specified under sub-section (5) of section 35 and he shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR-9C for the financial year 2018-2019, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

Study Note – 9, 10, 11, 12 & 13

TDS & TCS, RETURNS, MATCHING CONCEPT, AUDIT AND E-WAYBILLS UNDER GST

Learning Objective:

After studying this chapter, students should able to :

- ***One will come to know about Audit under GST which involves examination of records, returns and other documents maintained by a GST registered person.***
- ***It also ensures maintained by a GST registered person. It also ensures correctness of turnover declared, taxes paid, refund claimed, input tax credit availed and assess other such compliances under GST Act to be checked by an authorized expert.***

1. (a) Choose the correct option from amongst the four alternative given –

(i) Details of supplies effect through e-commerce operator and the amount of tax collected filled in form
(a) GSTR 5
(b) GSTR 6
(c) GSTR 7
(d) GSTR 8

(ii) Late fee for filing NIL return per day of delay by the taxpayer is
(a) ₹ 20 / -
(b) ₹ 30 / -
(c) ₹ 50 / -
(d) ₹ 100/ -

(iii) The proper officer shall inform the registered person whose records been audited about the findings and reason for such finding within –
(a) 7 days
(b) 10 days
(c) 20 days
(d) 30 days

(iv) The transporter of goods before movement of goods will generate e-waybill on the basis of information shared by the registered person in Part A of
(a) GSTR - 10
(b) GSTREG - 11
(c) GSTREBW – 01
(d) GSTEBW – 02

(v) Validity of E waybill for other than over dimensional cargo if the distance is

(a) less than 20 Kms

(b) less than 50 Kms

(c) less than 1oo Kms

(d) less than 200 Kms

(vi) The proper officer have to prepare and submit summary report of inspector in Part–B of form EBW – 03 after interception of the vehicle within

(a) 1 day

(b) 2 days

(c) 3 days

(d) 4 days

Answer:

(i) (d) GSTR 8

(ii) (a) ₹ 20/-

(iii) (d) 30 days

(iv) (c) GSTREBW – 01

(v) (c) less than 100 Kms

(vi) (c) 3 days

(b) Match the following:

	Column A		Column B
1	As per Rule 66 deductor of TDS shall furnishes a certificate to deductee in	(a)	Form GSTR - 5A
2	A composition taxpayer cannot make supplies through	(b)	electronically
3	It is mandatory to file all returns	(c)	Monthly
4	Returns for Input Service Distributor to be filed	(d)	Form GSTR - 7A
5	In case of OIDAR services return is to be filed	(e)	Form EBW - 03
6	Time limit for submission of special audit report is	(f)	120 days
7	The officer after interception of the vehicle prepare and submit summary report of inspection within 3 days in Part B of	(g)	E commerce operator
		(h)	90 days
		(i)	Form GSTR - 11

Answer:

	Column A		Column B
1	As per Rule 66 deductor of certificate to deductee in TDS shall Furnishes a	(d)	Form GSTR - 7A
2	A composition tax payer cannot make supplies through	(g)	E commerce operator
3	It is mandatory to file all returns	(b)	electronically
4	Returns for Input Service Distributor to be filed	(c)	Monthly
5	In case of OIDAR services return is to be filed	(a)	Form GSTR - 5A
6	Time limit for submission of special audit report is	(h)	90 days
7	The officer after interception of the vehicle prepare and submit summary report of inspection within 3 days in Part B of	(e)	Form EBW - 03

1. (c) State whether true or falls

(a) Authorities under Ministry of Defense exempted from TDS provision.

(b) TCS is also required to be collected on exempt supplies.

(c) In the GST regime any regular business has to file o ne monthly return and one annual return.

(d) The taxpayer can file the next quarter return even if the GSTR is not filed for a given month / quarter.

(e) Unregistered person is also required to generate e waybill.

(f) 'Tax period' means the period for which only the tax is required to pay.

Answer:

(a) True
(b) False
(c) False
(d) False
(e) True
(f) False

(d) Fill in the blanks:

(i) Every E – commerce operator other than an agent shall collect TCS on the net value of transaction in which he collect consideration of supply at a rate not exceeding …….

(ii) The monthly return of GSTR-2 is required to be filed by taxpayer giving details of ……..and …… …….. ……..

(iii) E – waybill will be generated when there is a movement of goods in a vehicle / conveyance of value more than ……..

(iv) Input Service Distributor has to file monthly return by thirteenth of the following month in form ……..

(v) Where the bill is generated in name of one person while goods are delivered to another person known as ..... transactions.

(vi) The claim of Input tax Credit shall be considered …….. where the amount of ITC claimed is equal to or less than output tax paid on such invoice or debit note by corresponding supplier.

Answer:

(i) 1%
(ii) Inward supplies, debit / credit notes
(iii) ₹ 50,000/-
(iv) GSTR – 6
(v) Bill to ship
(vi) Matched

2. (a) State the TDS related mandating by Central / State Government as per Section 51(1)

(b) State GSTR – 3B

Answer:

(a) Section 51 (1), refers to TDS related mandating by Central/State Government. Such mandating shall be for the following persons -
   a. Department or Establishment of Central Government or State Government
   b. Local Authority.
   c. Government Agencies.
   d. Persons or category of persons notified by the Central Government on recommendation of the Council. Notification No. 50/2018 – Central Tax dated 13.09.2018 notifies the following persons under Section 51(1)(d) as liable for TDS;
   (a) an authority or a board or any other body, -
      (i) set up by an Act of Parliament or a State Legislature; or
      (ii) established by any Government, with fifty-one percent or more participation by way of equity or control, to carry out any function; society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860 (21 of 1860) ;
   (b) Public sector undertakings

(b) GSTR - 3B
GSTR-3B is a monthly self -declaration that has to be filed by a registered dealer from July 2017 till March 2018. In this regards followings to be noted -
- Dealer must have to file a separate GSTR -3B for each GSTIN have
- Tax liability of GSTR -3B must be paid by the last date of filing GSTR -3B for that month
- GSTR-3B cannot be revised

Every person who has registered for GST must file the return GSTR-3B including nill returns. However, the following registrants do not have to file GSTR-3B
- Input Service Distributors & Composition Dealers
- Suppliers of OIDAR
- Non-resident taxable person

3. Enumerate the Matching of Input Tax Credit. What are the details required on inward supplies as per Rule 69 of CGST Act, 2017.

Answer:

Matching of input tax credit:

Section 42(1) of the CGST Act, 2017 the details of every inward supply furnished by a registered person (hereafter in this section referred to as the "recipient") for a tax period shall, in such manner and within such time as may be prescribed, be matched —

(a) with the corresponding details of outward supply furnished by the corresponding registered person (hereafter in this section referred to as the "supplier") in his valid return for the same tax period or any preceding tax period;

(b) with the integrated goods and services tax paid under section 3 of the Customs Tariff Act, 1975 in respect of goods imported by him; and

(c) for duplication of claims of input tax credit.

As per Rule 69 of the CGST Rules, 2017 the following details relating to the claim of input tax credit on inward supplies including imports, provisionally allowed under section 41, shall be matched under section 42 after the duedate for furnishing the return in FORM GSTR -3

(a) GSTIN of the supplier; (b) GSTIN of the recipient;

(c) invoice or debit note number;

(d) invoice or debit note date; and

(e) tax amount:

Provided that where the time limit for furnishing FORM GSTR -1 specified under section 37 and FORM GSTR -2 specified under section 38 has been extended, the date of matching relating to claim of input tax credit shall also be extended accordingly:

Provided further that the Commissioner may, on the recommendations of the Council, by order, extend the date of matching relating to claim of input tax credit to such date as may be specified therein.

4. What is meant by duplicate transactions? State the procedure when Input tax claim is higher than output tax for a tax period as declared.

Answer:

Duplicate Transactions

The duplication of claims of input tax credit shall be communicated to the recipient in such manner as stated below. Further, the amount claimed as input tax credit that is found to be in excess on account of such duplication of claims shall be added to the output tax liability of the recipient in his return for the month in which the duplication is communicated.

Input tax claim is higher than output tax for a tax period as declared

Where the credit claimed in respect of inward supplies is in excess when compared to the tax declared by the supplier or where the supplier has not at all declared the outward supply in his return, the discrepancies will be communicated to both parties When discrepancies communicated to the outward supplier are not rectified by supplier in a valid return for the month (not by revision of return for the month in which the discrepancy occurred within 17th), the tax amount involved will be added to the output liability of the recipient for the month succeeding the month in which the discrepancy is communicated

The recipient shall be eligible to reduce, from his output tax liability, the amount added under sub-section (5), if the supplier declares the details of the invoice or debit note in his valid return furnished for the month during which such omission or incorrect particulars are noticed and interest is paid as required under this Act

5. (a) What are the requirements of a n Authorized Officer during the course of audit from a registered person?

(b) What are the things the officer and his team will verify during the course of audit of a registered person under Section 65 of CGST Act?

Answer:

(a) During the course of audit, the Authorised Officer may require the registered person, —

- to provide him the necessary facility to verify the books of account or other documents as he may require
- to furnish such information as he may require and render assistance for timely completion of the audit

On conclusion of audit, the proper officer will inform, the registered person, within 30 days, about the findings, his rights and obligations and the reasons for such findings in Form ADT -02.

(b) The officer along with his team will verify:

- Documents on the basis of which the books of account are maintained and the returns and statements furnished under the provisions of the Act and the rules made there under
- Correctness of the turnover
- Exemptions and deductions claimed
- Rate of tax applied in respect of the supply of goods or services or both
- Input tax credit availed and utilised
- Refund claimed
- Other relevant issues.

6. Please note the following details –

(i) Mr. Socreties a registered supplier provided service to Mr. Monga valuing ₹ 15,00,000/ - plus GST @ 18% on 06.04.2018.

(ii) Mr. Socreties incorporated these supplies of ₹15,00,000/- in the details of outward supplies furnished for the month of April 2018 on 07.04.2018.

(iii) Mr. Monga recorded the supplies of services received as his inward supplies and claimed ITC on said inward supply accordingly and furnished his return.

(iv) Due to disagreement about the quality and extend of service provided between both the persons, Mr. Socreaties issued a credit note for ₹ 3,00,000/- on 2.06.2018 in favour of Mr. Monga.

(v) Mr. Socreties thus reduced his output tax liability for ₹ 54,000/- in the return furnished for the month of June 2018 on 20th July 2018.

(vi) Mr. Monga did not reverse his ITC amounting to ₹ 54,000/- in the return furnished for the month of June 2018.

During the carrying out of the matching the discrepancies was noticed the same was communicated to both Mr. Socreties and Mr. Monga on 31.07.2018.

Mr. Monga did not corrected the said discrepancies in the return furnished for the month of July 2018. State in whose liability this mismatch will be added.

Answer:

According to provision of Section 43(3) of CGST Act,2017 where the reduction of output tax liability in respect of outward supplies exceeds the corresponding reduction in the claim of ITC or the corresponding credit note is not declared by the recipient in his valid return, the discrepancy shall be communicated to both such parties up to the end of the month in which such matching is carried out i.e. 31st July,2018.

A recipient i.e. Mr. Monga to whom any discrepancy is communicated may make suitable rectifications in the statement of inward supplied to be furnished for the month in which discrepancy is made available i.e. up to 20th August, 2018.

Where the discrepancies is not rectified by the receipt an amount to the extend of discrepancy shall be added to the output tax liability of the supplier debited to the electronic liability register and also shown in his return in Form GSTR – 3 for the month succeeding the month in which the discrepancy is made available. Therefore in the present case as Mr. Monga did not rectify the discrepancy in the return filed for the month of July 2018 i.e. up to 20th August 2018, so the said amount of ₹ 2,70,000/- shall be added to the output tax liability of the supplier i.e. Mr. Socreties in the return for the month of August 2018 which filed on 20th September 2018.

Thus in the case Mr. Socreties will be liable to pay interest from 21st July 2018 to 20th September 2018 i.e. = ₹ 54,000 ×18 /100 × 62/365 = ₹ 1,651.07.
R/o ₹ 1,651.00.

7. Mr. Shiba a registered dealer of electronics goods provided the following details –

(a) On 06.04.2019 supplied goods for ₹ 20,00,000/ - plus GST @ 18% to Mr. Tarzan

(b) Mr. Shiba incorporating the above supplies in the details of outward supplies for the month of April 2019, furnished by him on 10.05.2019

Mr. Tarzan claimed the input tax credit @ 28% in respect of the supplies received from Mr. Shiba and furnished the return for April 2019.

In time of matching being carried out the discrepancy was noticed and the same was communicated to both Mr. Shiba and Mr. Tarzan on 24.05.2019.

Mr. Tarzan did not rectify the discrepancy in the return for the month of May 2019 i.e. up to 20.06.2019. Who is liable to bear the liability arises due to the mismatch?

Answer:

As per the provision of section 42(5) of CGST Act, 2017 the amount in respect of which any discrepancy is communicated under section 42(3) and which is not rectified by the supplier Mr. Shiba in his valid return for month of May 2019 in which discrepancy is communicated shall be added to the output tax liability of the recipient Mr. Tarzan in his return for the month succeeding the month in which discrepancy is communicated.

Calculation of tax liability

	₹	
Input tax credit claimed by Mr. Tarzan	5,60,000.00	Note - 1
Less : GST paid by Mr. Shiba	3,60,000.00	Note – 2
Tax liability	**2,00,000.00**	

Notes –

1. ₹ 20,00,000 / - * 28% = ₹ 5,60,000/-
2. ₹ 20,00,000 /- * 18% = ₹3,60,000/-

Thus ₹ 200000/- will be added to the output tax liability of Mr. Tarzan in the return for the month of June 2019.The return for the month of June 2019 is to be filed on 20.07.2019.

Therefore Mr. Tarzan will be liable to pay the amount of ₹ 2,00,000/- along with interest @ 18% p.a. for the period from the date of availing the input credit till the date of furnishing the return for the month of June 2019 i.e. 20.07.2019.

8. Mr. Anup Sharma a furniture dealer furnishes the following details –

(a) Supplied furniture to Ms. Fathema for ₹ 5,00,000 / - plus GST @ 12% vide invoice no 105/AS/ 18 -19 dated 12.06.2019

(b) Mr. Anup Sharma failed to incorporate the invoice no 105/AS/18 -19 dated 12.06.2019 while submitting the GSTR – 1

Ms. Fathema availed the ITC for ₹ 60,000/- and incorporate the same in GSTR – 2 Considering the above you are required to answer the followings –

(i) When matching will be taken through common portal of GSTN

(ii) To whom the discrepancy will be communicated.

(iii) What is the time limit for rectifying the discrepancy?

(iv) If Mr. A nup Sharma did not pay the tax till 20th August 2019 then can ITC be allowed to Ms. Fathema?

(v) Ms. Fathema informed the problem to MR. Anup Sharma who taken up the issue and rectified the discrepancy and included Invoice no 105/AS/18 -19 while submitting GSTR – 3 for August 2019 and paid tax accordingly on 20th September 2019.Can now Ms. Fathema reduces her liability?

Answer:

(i) For the month of June 2019 the matching will take place only after due date of GSTR –3. In the given case matching will take place after 20th July, 2019.

(ii) Discrepancy has to be informed by the common portal GSTN to Mr. Anup Sharma i.e. supplier in the Form GST MIS – 2

(iii) Time limit for rectification is due date of filing FORM GSTR – 3 for the month succeeding the month in which the discrepancy is made available i.e. in this case 20th August 2019. Mr. Anup Sharma should pay tax on it (as per Rule 71(4) of the CGST Rules, 2017)

(iv) Input Tax Credit of ₹ 60,000/ - shall be added to the output tax liability of Ms. Fathema in her return to be furnished in Form GSTR – 3 for the month succeeding the month in which the discrepancy is made available (i.e. 20th September 2019) with interest @ 18%.

As per section 42(7) of the CGST Act, 2017 Ms. Fathema can reduce the amount from her output tax liability and the interest paid will be refunded to her electronic cash ledger account under section 42(9) of the CGST Act, 2107.

9. Write short notes on the followings –

(a) Audit by Chartered Accountant or a Cost Accountant

(b) Annual Statement

(c) Special Audit

(d) E-way Bill

Answer:

(a) Audit by Chartered Accountant or a Cost Accountant

Every registered person, whose turnover during the financial year exceeds the prescribed "GST audit turnover limit" i.e., 2 crore rupees, shall get the accounts audited by a Chartered Accountant (CA) or a Cost and Management Accountant (CMA). Registered person who is required to get his accounts audited in accordance with section 35(5) shall submit electronically the Annual Return as per Section 44 along with a copy of the audited statement of accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year. He shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in Form GSTR-9C along with annual return.

Every registered person, for facilitating the audit, shall keep and maintain his accounts to show the correct value in regards to:

- Production or manufacture of goods
- Inward supply of goods or services or both
- Outward supply of goods or services or both
- Stock of goods
- Input tax credit availed
- Output tax payable and paid
- Books of accounts point can be added

(b) Annual Statement:

The operator who collects tax at source shall furnish an annual Statement, electronically, containing all the details, under sub- section (3) of Section 52 of the Act, regarding:

(a) Outward supplies of Goods and Services

(b) Return of goods and services during the Financial Year, Before 31st December following the end of such Financial Year. w.e.f. 1 -4-2019:

"Provided that the Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing the statement for such class of registered persons as may be specified therein:

Provided further that any ex tension of time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.";

the following provisos shall be inserted, namely: — "Provided that the Commissioner may, on the recommendations of the Council and for reasons to be recorded in writing, by notification, extend the time limit for furnishing the annual statement for such class of registered persons as may be specified therein:

" Provided further that any extension of time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.".

(c) Special Audit

Special Audit under section 66 of the CGST Act, 2017 is conducted by Chartered Accountant/Cost Accountant nominated by the commissioner. Prior notice /intimation is required. The conclusion of the audit is given in 90days, further extension of 90 days is allowed. Audit reports should be shown to deputy/assistant commissioner. The opportunity of being heard is given where material gathered during the audit is to be used in any proceedings against the auditee.

(d) E-way Bill

E-way bill will be generated when there is a movement of goods in a vehicle/conveyance of value more than ₹ 50,000 (either each Invoice or in (aggregate of all Invoices in a vehicle/Conveyance) –

- In relation to a 'supply'
- For reasons other than a 'supply' (say a return)
- Due to inward 'supply' from an unregistered person
- For this purpose, a supply may be either of the following:
- A supply made for a consideration (payment) in the course of business
- A supply made for a consideration (payment) which may not be in the course of business
- A supply without consideration (without payment)In simpler terms, the term 'supply' usually means a:
  1. Sale – sale of goods and payment made
  2. Transfer – branch transfers for instance
  3. Barter/Exchange – where the payment is by goods instead of in money

Therefore, e-Way Bills must be generated on the common portal for all these types of movements. For certain specified Goods, the e-way bill needs to be generated mandatorily even if the Value of the consignment of Goods is less than ₹ 50,000:

1. Inter-State movement of Goods by the Principal to the Job-worker by Principal/ registered Job-worker,
2. Inter-State Transport of Handicraft goods by a dealer exempted from GST registration.

10. Enumerate the cases when it is not necessary to generate e-way bill.

Answer:

In the following cases it is not necessary to generate e-Way Bill:

1. The mode of transport is non-motor vehicle
2. 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.
3. Goods transported under Customs supervision or under customs seal
4. Goods transported under Customs Bond from ICD to Customs port or from one custom station to another.
5. Transit cargo transported to or from Nepal or Bhutan
6. Movement of goods caused by defence formation under Ministry of defence as a consignor or consignee
7. Empty Cargo containers are being transported

8. Consignor transporting goods to or from between place of business and a weighbridge for weighment at a distance of 20 kms, accompanied by a Delivery challan.
9. Goods being transported by rail where the Consignor of goods is the Central Government, State Governments or a local authority.
10. Goods specified as exempt from E-Way bill requirements in the respective State/Union territory GST Rules.
11. 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 notifications.

SECTION - B

CUSTOMS LAWS

SECTION – B : CUSTOMS LAWS

Study Note – 1, 2 & 3

BASIC CONCEPTS, TYPES OF DUTIES AND VALUATION UNDER CUSTOMS

Learning Objective:

After studying this chapter, students should able to :

a. ***Learn how to restrict the imports to conserve foreign exchange.***

b. ***Learn to protect and regulate the imports, exports and revenue resources of goods and comply with the policy objectives of the Government.***

c. ***Learn how to co -ordinate legal provisions with other laws dealing with the import & export.***

1. **Choose the correct option among the four option given –**

   (i) **The Central Board of Excise and Customs (CBE&C) renamed to 'Central Board of Indirect Taxes and Customs (CBIC)' w.e.f.**
   - a. **1st March, 2018**
   - b. **15th March, 2018**
   - c. **29th March, 2018**
   - d. **1st April, 2018**

   (ii) **Exclusive Economic Zone extends from the base line to**
   - a. **20 nautical miles**
   - b. **50 nautical miles**
   - c. **100 nautical miles**
   - d. **200 nautical miles**

   (iii) **As per Indian Foreign Trade Policy all exports from India are measured in terms of**
   - a. **Free on Board (FOB) value**
   - b. **Cost Insurance and Freight (CIF) value.**
   - c. **Exchange Rate of Foreign Currency**
   - d. **Value as decided by Customs Official**

   (iv) **Social Welfare Surcharge on the aggregate duties of Customs Act at the time of import is**
   - a. **2%**
   - b. **3%**
   - c. **5%**
   - d. **10%**

(v) Value of export goods within the meaning of sub section (1) of Section 14 of Customs Act 1962 is

a. Transaction value
b. Computed value
c. Residual value
d. Declared value

(vi) Presently the export duty on Leather luggage is

a. 10%
b. 15%
c. 20%
d. 25%

Answer:

(i) c. 29th March, 2018
(ii) d. 200 nautical miles
(iii) a. Free on Board (FOB) value
(iv) d. 10%
(v) a. Transaction value
(vi) d. 25%

2. As per Customs Act what do you understand by
(a) Imported Goods
(b) Jetsam

Answer:

a. Imported Goods:
As per section 2(25) of the Customs Act, the term imported goods means any goods brought into India from a place outside India but does not include goods which have been cleared for home consumption.

b. Jetsam:
Jetsam means where goods are cast into sea to reduce weight of ship to prevent it from sinking and the thrown goods sink.

3. M/S Fabrication Ltd an Importer imported certain goods for subsequent sale in India at $ 15000 on assessable value basis. Relevant exchange rate and rate of duty are as below –

Particulars	Date	Exchange rate declared by CBIC	Rate of Basic Cutoms Duty
Date of submission of Bill of entry	12th April, 2019	₹ 62 / USD	10%
Date of entry granted to the vehicle	6th June, 2019	₹ 62.80 / USD	12%

Determine Assessable Value and Customs Duty in Indian rupee assuming IGST @ 1 8%.

Answer:

Relevant rate of duty for the imported goods is 12% (i.e. date of submission of bill of entry or date of entry inwards granted to the vessel whichever is later).

Exchange rate is ₹ 62 / USD (i.e. rate of CBIC as on the date of submission of Bill of Entry).

Particulars	₹	Remarks
Assessable Value	9,30,000	Note - 1
Basic Customs Duty	1,11,600	Note - 2
10% Social Welfare Surcharge	11,160	Note - 3
IGST	1,89,497	Note - 4
Total Customs Duty including IGST	**3,12,257**	Note - 5

Working Notes:

1. USD 15000 × ₹ 62/- = ₹ 9,30,000/-
2. 12% of ₹ 930000/- = ₹ 1,11,600/-
3. 10% of ₹ 111600/- = ₹ 11,160/-
4. IGST @ 18% on (9,30,000 + 1,11,600 + 11160) i.e. 18% on ₹ 10,52,760/-
   = ₹ 1,89,496.80 . R/O ₹ 1,89,497.00 /-
5. 1,11,600 + 11,160 + 1,89,497 = ₹ 3,12,257/-

4. State the consequences in the following cases –

(i) (a) If goods are pilferage before the goods cleared from customs
(b) How a importer will prove pilferage in reference to the above situation.
(c) Advise importer if he already paid the duty.

(ii) Is any duty will be leviable if goods are pilfered after the order for clearance is made but before the goods are actually cleared.

Answer:

(i) (a) As per the section 13 of the Customs Act 1962 no duty is payable if the pilferage found before goods cleared from customs.
(b) As per Section13 importer does not have to prove pilferage.
(c) As per Section 13 if the duty is paid before finding the pilferage refund can be claimed.

(ii) Yes. Importer has to pay duty.

Note : Refund can be claimed

5. M/ S Jio Beta Ltd imported certain commodities into India from a country covered by notification issued by the Central Government under Section 9A of the Customs Tariff Act 1975. Following details are made available –

(a) CIF value of the consignment US $ 30000

(b) Quantity imported : 600 pieces

(c) Exchange rate applicable : ₹ 65 = US $ 1

(d) Basic Customs Duty : 12%

(e) Social Welfare Surcharge applicable as per the Finance Act 2018

(f) As per the notification the anti dumping duty will be equal to the difference between the cost of commodity calculated @ US $ 75 per piece and the landed value of the commodity as imported.

Appraise the liability on account of normal duties, cess and the anti dumping duty.

Assume that only 'basic customs duty' (BCD) and Social Welfare Surcharge are payable. IGST @ 12% is also applicable.

Answer:

M/S Jio Beta Ltd

Statement showing Landed value of imported goods and Customs Duties

Particulars	US $	Remarks
CIF value	30,000	
	Value in ₹	
Assessable Value	19,50,000	Note - 1
Add : Customs Duty	2,34,000	Note - 2
Add : Social Welfare Surcharge	23,400	Note - 3
Value of imported goods / landed value	**22,07,400**	
Anti dumping duty	7,17,600	Note - 4
Open Market Value	29,25,000	
Add : IGST @ 12%	3,51,000	Note - 5
Total	**32,76,000**	
Total Customs Duty payable	**13,26,000**	Note - 6

<u>Working Notes</u>:

1. $ 30,000 × ₹ 65 = ₹ 19,50,000/-
2. 12% on ₹ 19,50,000/-
3. Social Welfare Surcharge @ 10% on ₹ 2,34,000/-
4. Market value of Imported Goods = 6oo nos × ₹ 65 /- X US $ 75 = ₹ 29,25,000. Anti Dumping Duty = ₹ 29,25,000 – ₹ 22,07,400 = ₹ 7,17,600 /-
5. IGST @12% on ₹ 29,25,000 = ₹ 3,51,000/-
6. Total Customs Duty payable = ₹ 2,34,000 + 23,400 + 7,17,600 + 3,51,000 = ₹ 13,26,000/-

6. State the duty liability in following circumstances:

(i) Imported goods have been originally exported to the overseas supplier for repairs.

(ii) Exported goods may come back for repairs and re-export.

Answer:

(i) Imported goods have been originally exported to the overseas supplier for repairs:

No duty at the time of re-import will be levied:

If re-imported within 3 years from the date of export (extended up to 5 years)

The exported and imported goods must be in the same form and ownership of the goods should also not have changed.

This concept is not applicable if the repairs amount to manufacture and exports from EPZ or EOUs.

(ii) Exported goods may come back for repairs and re-export:

No duty at the time of re-import will be levied:

1. The time limit for re-import should be within 3 years from the date of export. In case of export to Nepal, such time limit is 10 years.
2. The time limit for re-export is 6 months from the date of import (extended up to 12 months).
3. The importer at the time of importation executes a Bond.
4. The re-importation is for reprocessing, refining or re-making then the time limit for re-importation should be within 1 year from the date of exportation.

7. The details of import of certain types of steel from developing and developed countries from 15th May 2018 to 14th May 2019 (both days inclusive) are furnished as follows –

Importer	Country of Import	₹ in Crores
P Ltd	Developing Country	105
Q Ltd	Developing Country	123
R Ltd	Developing Country	78
S Ltd	Developing Country	75
Others	Developed Country	3,369
	Total	3,750

Determine the safeguard duty payable by P Ltd, Q Ltd, R Ltd and S Ltd under Section 8B of the Customs Tariff Act, 1975 from the above considering Safeguard Duty 30%.

Answer:

Importer	Country of Import	₹ in Crores	% of Import	
P Ltd	Developing Country	105	2.8	
Q Ltd	Developing Country	123		3.28
R Ltd	Developing Country	78	2.08	
S Ltd	Developing Country	75	2	
Others	Developed Country	3,369		
	Total	**3,750**	**6.88**	**3.28**

Determination of safeguard Duty

Importer	₹ in Crores	% of Import
P Ltd	NIL	105 × 30%
Q Ltd	36.90	123 × 30%
R Ltd	NIL	78 × 30%
S Ltd	NIL	75 × 30%

Note:

As the materials originating from more than one developing countries (each with less than 3% import share), then the aggregate of imports of all such countries taken together does not exceeds 9% (i.e. in the given case 6.88%) of the total imports of that materials into India. Therefore Safeguard duty is not applicable to P Ltd, R Ltd and S Ltd.

8. M/S Lion King Agency imported a machine from China, furnishes the following information for the month of July 2019

		Chinese Yuan
(i)	Cost of Machine at China (factory of exporter)	80,000
(ii)	Transport charges from the factory of exporter to the port of shipment	3,200
(iii)	Handling charges paid for loading the machine in the ship	200
(iv)	Buying commission paid by M/ s Lion King Agency	400
(v)	Lighterage charges paid by importer	800
(vi)	Freight incurred from port of entry to Inland Container Depot	4,000
(vii)	Ship demurrage charges	1,600
(viii)	freight charges from China to India	20,000
(ix)	Date of Bill of Entry is 28.07.2018 (rate of BCD is 20% and exchange rate as notified by CBIC is ₹ 10.10 per China Yuan)	
(x)	Date of Entry Inward is 22.07.2018 (rate of BCD is 12% and exchange rate as notified by CBIC is ₹ 10.50 per China Yuan)	
(xi)	IGST payable @12%	
(xii)	Social Welfare Charges at applicable rate	

From the above information compute the followings –

(a) Assessable Value

(b) Total Custom Duty

(c) Eligible Input Tax Credit to M/s Lion King Agency

Answer:

(a) M/ S Lion King Agency Calculation of Assessable Value

Particulars	**Chinese Yuan**
Cost of machine	80,000.00
Add : Transport charges from factory of exporter to the port for shipment	3,200.00
Add : Handling charges	200.00
FOB	**83,400.00**
Add : Buying commission (note 1)	-
FOB to the customer	**83,400.00**
Add : Insurance (note 2)	938.25
Add : Freight	20,000.00
Add : Lighterage charges	800.00
Add : Ship demurrage charges	1,600.00
Assessable Value / CIF Value	1,06,738.25

Notes:

1. Buying commission not addable into the assessable value because these are post shipment expenses.
2. Insurance is 1.125% of FOB i.e. 83400*1.125% = 938.25 Chinese Yuan.

(b) **Calculation of Custom Duty Payable**

Particulars	**Amount (₹)**
Assessable value (106738.25 Chinese Yuan * ₹ 10.10)	10,78,056.32
Add : BCD @ 20% on ₹ 10,78,056.32	2,15,611.26
Add : Social Welfare Surcharge (10% on ₹ 2,15,611.26)	21,561.13
Balance	**13,15,228.71**
Add : IGST (12% on ₹ 13,15,228.71)	1,57,827.44
Landed value of Imported goods	**14,73,056.15**
Total Custom Duty (BCD+SWS+IGST)	**3,94,999.83**
Custom Duty payable (r/o)	3,95,000.00

(c) M/s Lion King Agency is eligible to avail Input Tax Credit on IGST portion i.e. ₹1,57,827.44 under GST law, provided he is using the machine for his business.

9. M/S Expert Export Ltd imported 900 units of minerals from High Seas for sale in India has furnishes the following details –

Sale quantity (Units)	**Unit Price (₹)**
700	**400**
600	**360**
450	**400**
800	**380**
550	**420**
650	**360**
350	**400**

(i) The selling price exclusive of duties and freight from port to depot in India in ₹ 21,300 and Insurance ₹2,700

(ii) Basic Custom Duty is 12% and Social Welfare Surcharge as applicable.

Calculate total customs duty as per Rule 7 of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007. Assume there is no IGST applicable for the product.

Answer:

Total Quantity Sold	Unit Price (₹)
1250	360
800	380
1500	400
550	420

The highest number of units sold at a particular price is 1500 units Therefore the unit price in the greatest aggregate quantity is ₹ 400/-

Calculation of total Customs Duty

Particulars	₹	Workings
Sale Price	360,000	900 units × ₹ 400
Less : Freight (post shipment)	- 21,300	
Less : Insurance (post shipment)	- 2,700	
Assessable value	**3,36,000**	
Basic Customs Duty	40,320	12% on ₹ 3,36,000
Social Welfare Charges	4,032	10% on ₹ 40,320
Total Customs Duty	**44,352**	

Study Note – 4 & 5

IMPORT & EXPORT PROCEDURE AND CUSTOMS (IMPORT OF GOODS AT CONCESSIONAL RATE OF DUTY) RULE 2017

Learning Objective:

After studying this chapter, students should able to :

- ***Learn how to restrict the imports to conserve foreign exchange.***
- ***Learn to protect and regulate the imports, exports and revenue resources of goods and comply with the policy objectives of the Government.***
- ***Learn how to co-ordinate legal provisions with other laws dealing with the import & export.***
- ***Learn to protect the industries of the country from unfair competition.***
- ***Learn the unlawful trade & business practices, to promote export, safeguard domestic trade and to prevent the dumping of goods.***

1. (a) Choose the correct option among the four option given:

(i) A Warehouse In-charge shall file with the Bond officer a monthly return containing various details after close of the period within
(a) 7 days
(b) 10 days
(c) 14 days
(d) (d)20 days

(ii) Under Section 16 of IGST Act export would be considered
(a) NIL rated supply
(b) Exempted supply
(c) Zero rated supply
(d) Taxable supply

(iii) Any registered person availing the option to supply goods or services for export without payment of integrated tax shall furnish prior to export a bond or a letter of undertaking in Form
(a) GST–RFD 8
(b) GST–RFD 9
(c) GST–RFD 10
(d) GST–RFD 11

(iv) In the GST regime levying IGST on all imports under the project import scheme, duty shall be levied
(a) 5%
(b) 12%
(c) 18%
(d) 28%

(v) As per Rule 3 of Customs Rule 2017 supply of service with the use of the imported goods means
(a) Exempted service
(b) Zero rated service
(c) Input service
(d) Output service

(vi) Duty drawback will be in negative list for the export made by post if the amount is less than
(a) ₹ 50
(b) ₹ 100
(c) ₹ 150
(d) ₹ 200

Answer:

(i) (b) 10 days
(ii) (c) Zero rated supply
(iii) (d) GST–RFD 11
(iv) (c) 18%
(v) (d) Output service
(vi) (a) ₹ 50

2. When the licence for warehousing can be cancelled?

Answer:

As per the Section 58B w.e.f 14.05.2016 the Cancellation of Licence will be for

(1) Where a licensee contravenes any of the provisions of this Act or the rules or regulations made thereunder or breaches any of the conditions of the licence, the Principal Commissioner of Customs or Commissioner of Customs may cancel the licence granted under section 57 or section 58 or section 58A.

Provided that before any licence is cancelled, the licensee shall be given a reasonable opportunity of being heard.

(2) The Principal Commissioner of Customs or Commissioner of Customs may, without prejudice to any other action that may be taken against the licensee and the goods under this Act or any other law for the time being in force, suspend operation of the warehouse during the pendency of an enquiry under sub-section (1).

(3) Where the operation of a warehouse is suspended under sub- section (2), no goods shall be deposited in such warehouse during the period of suspension:

Provided that the provisions of this Chapter shall continue to apply to the goods already deposited in the warehouse.

(4) Where the licence issued under section 57 or section 58 or section 58A is cancelled, the goods warehoused shall, within seven days from the date on which order of such cancellation is served on the licensee or within such extended period as the proper officer may allow, be removed from such warehouse to another warehouse or be cleared for home consumption or export:

Provided that the provisions of this Chapter shall continue to apply to the goods already deposited in the warehouse till they are removed to another warehouse or cleared for home consumption or for export, during such period".

3. Owner's right to deal with the warehoused goods.

Answer:

Sec 64 of the Customs Act, 1962 state the Owner's Right to deal with Warehoused Goods w.e.f. 14-5-2016. The owner of any warehoused goods may, after warehousing the same:

(a) inspect the goods;
(b) deal with their containers in such manner as may be necessary to prevent loss or deterioration or damage to the goods;
(c) sort the goods; or
(d) show the goods for sale.

4. State the conditions should be satisfied for Duty Drawback on re-Export.

Answer:

The following conditions to be satisfied for Duty Drawback on Re-Export [Section 74]

1. Originally the goods should have been imported into India; Customs duty on import should have been paid.
2. The imported goods should be capable of being easily identifiable as the same goods which were originally imported.
3. The goods have been exported after proper examination of the goods and after ensuring that there is no prohibition or restriction on their export by the proper officer.
4. The goods should have been identified to the satisfaction of the Assistant or Deputy Commissioner of Customs as the goods, which were imported, and
5. The good s should have been entered for export within two years from the date of payment of duty on the importation thereof. This period can be extended up to two years by CBEC or by the Commissioner of Customs.
6. The market price of such goods must not be less th an the amount of drawback claimed.

5. What is Warehousing? State the features of warehousing.

Answer:

w.e.f. 14 -5-2016, As per Section 2(43) of the Customs Act, 1962, "warehouse" means a public warehouse licensed under section 57 or a private warehouse licensed under section 58 or Special Warehouse license u/s 58A.

Features 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 duty from the date he deposited the goods into warehouse.
4. This time period is extended to Three years for Export Oriented Units and the time period still be extended to Five years if the goods are capital goods.
5. The importer minimizes the charges by keeping in a warehouse, otherwise the demurrage charges at port is heavy.
6. Assistant Commissioner of Customs or Deputy Commissioner of Customs are competent to appoint a warehouse as public bonded warehouse.
7. The Assistant Commissioner of Customs or Deputy Commissioner of Customs may license private warehouse. The license to private warehouse can be cancelled by giving ONE month notice.
8. Only dutiable goods can be deposited in the warehouse.
9. Green Bill of Entry has to be submitted by the importer to clear goods from warehouse for home consumption.
10. Rate of duty is applicable as on the date of presentation of Bill of Entry (i.e. sub-bill of entry or ex-bond bill of entry) for home consumption.
11. Reassessment is not allowed after the imported goods originally assessed and warehoused.
12. The exchange rate is the rate at which the Bill of Entry (i.e. 'into bond') is presented for warehousing.
13. If the goods which are not removed from warehouse within the permissible period, then subsequent removal called as improper removal. The rate of BCD which is applicable as on the last date on which the goods should have been removed but not removed is applicable.

6. Write short notes on the followings -

(i) One time lock

(ii) Duty drawback

(iii) Special Warehouse

(iv) Deemed export

Answer:

(i) One Time Lock (OTL):

When the goods are removed from the customs station of import for warehousing, the proper officer affixes a one - time lock (OTL) on the container or means of transport (closed trucks). The serial number of OTL along with date and time of its affixation needs to be endorsed upon Bill of Entry for warehousing and transport document.

All customs stations are required to maintain records incorporating the number of the OTL, bill of entry, truck number, container number (if applicable), date & time of affixing the OTL and the name, designation & telephone number of the officer affixing the OTL.

A similar procedure has been provided under Warehoused Goods (Removal) Regulations, 2016 for removal of goods from one warehouse to another and from a warehouse to customs station for export. However, the Principal Commissioner of Customs/Commissioner of Customs may permit movement of goods without affixation of such OTLs, where the nature of goods or their manner of transport so warrant (e.g. Liquid Bulk Cargo transported through Pipe Line & Over Dimensional Cargo

(ii) Duty Drawback:

Duty drawback allowed for the following –

- Import duty paid on imported goods
- The excise duty and Service Tax

Duty Drawback is an export incentive scheme where the duties paid on any exported materials or excisable materials which are used in the manufacture/processing/carrying out any operations on the goods that are exported outside India is allowed as refund to the exporter.

Two categories of duty drawback:

1. Duty Drawback on Re-Export (Sec. 74)
2. Duty Drawback on Export (Sec. 75)

(iii) Special Warehouse:

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 no person shall enter the warehouse or remove any goods therefrom without the permission of the proper officer.

Sec. 58A (2) The Board may, by notification in the Official Gazette, specify the class of goods which shall be deposited in the special warehouse licensed under sub-section (1).

Consequently, **CBEC, vide Notification No. 66/2016 Cus (NT) dated 14.05.2016** has notified the following class of goods which shall be deposited in a special warehouse:

(i) gold, silver, other precious metals and semi-precious metals and articles thereof;

(ii) goods warehoused for the purpose of:

- supply to DFS (Duty Free Shops) in a customs area;
- supply as stores to vessels/aircrafts under Chapter XI of the Customs Act, 1962;
- supply to foreign privileged persons in terms of the Foreign Privileged Persons (Regulation of Customs Privileges) Rules, 1957.

Note:

(1) Privileged person means a person entitled to import/purchase locally from bond goods free of duty for his personal use/for the use of any member of his family/for official use in his Mission, Consular Post or Office or in Deputy High Commission/Assistant High Commission.

(2) A Duty-Free Shop (DFS) in the airport need not be a licensed as warehouse under section 58A.
   a. DFS located in customs area should not be treated as a warehouse.
   b. In fact, it is a point of sale for the goods which are to be ex-bonded and removed from a warehouse for being brought to a DFS in the customs area for sale to eligible persons, namely international passengers arriving or departing from India.

(iv) Deemed export:

The term Deemed Exports an export without actual export, it means goods and services are sold and provide respectively within India and payment also received in the Indian Rupees. As per the Foreign Trade Policy the following few transactions can be considered as deemed exports.

Sale of goods to units situated in Export Oriented Units, Software Technology Park, and Electronic Hardware Technology Park etc.

- Sale of capital goods to fertilizer plants
- Sale of goods to United Nations Agencies

Sale of goods to projects financed by bilateral Agencies, etc

7. M/S Paper Corn Associates an Importer furnishes the following details for the month of March 2019

(i) A bill of entry was presented on 1st March, 2019

(ii) The vessel carrying goods arrived on 9th March 2019

(iii) Entry inward was granted on 11th March, 2019 and the bill of entry was assessed on that date and was also returned to the importer for payment of duty on that date.

(iv) The duty for ₹ 7,00,000/- was paid by M/S Paper Corn Associates on 28th March, 2019.

Determine the amount of interest payable under Section 47(2) of the Customs Act 1962 considering that there were 5 holidays during the period from 11th March, 2019 to 28th March, 2019.

Answer:

M/ S Paper Corn Associates

No of days delay	18	(Note – 1)
Less : No of days holidays	5	
Net no of days delay for calculation of interest	13	

Rate of interest	=	15%	(Note – 2)
Interest = 7,00,000 × 15/100 × 13 /365	=	₹ 3,739.73	
Rounded off	=	₹ 3,740.00	

Notes:

1. Form 11th March,2019 to 28 th March,2019
2. Interest for late payment of duty @15% as per Section 47(2) of the Customs Act, 1962.

8. Mr. Eureka imported certain goods from UK has provided the following details for the month of April, 2019

(i) Certain goods were imported on 4th April, 2019

(ii) The goods were cleared from Mazgaon Port for warehousing on 12th April, 2019 by submitting Bill of entry. Exchange rate is ₹ 85 per UK £ (pound sterling). FOB value UK £15000

(iii) The rate of duty on 12th April, 2019 was 25%

(iv) The goods were warehoused at Nagpur and were cleared from Nagpur on 2nd September, 2019.

(v) The rate of Basic Customs Duty (BCD) was 12% and exchange rate was ₹ 90.50 per 1 UK £.

(vi) IGST @ 18% is applicable.

You are required to determine

(a) The total customs duty payable.

(b) The interest if any payable.

Answer:

Mr. Eureka Calculation of Assessable Value

Particulars	UK Pound (£)	Remarks
FOB	15,000.00	
Add : 2 0% Freight on FOB	3,000.00	
Add : 1.125% Insurance on FOB	168.75	
CIF / Assessable Value	**18,168.75**	
	₹	
Assessable Value	15,44,344.00	Note - 1
Add : BCD 12%	1,85,321.00	Note - 2
Add : 10% Social Welfare Surcharge	18,532.00	Note - 3
Transaction Value subject to GST	**17,48,197.00**	
Add : IGST	3,14,675.00	Note - 4
Value of Import	**20,62,872.00**	
Value of Customs Duty	**5,18,528.00**	Note - 5
Interest	**11,507.00**	Note - 6

<u>Working Notes</u>:

1. £ 18168.75 X ₹ 85 = ₹ 1544343.75 = R/O ₹ 1544344.00
2. ₹ 1544344 X 12% = 185321 (r/o)
3. ₹ 185321 X 10% = 18532 (r/o)
4. IGST - @ 18% ON ₹ 1748197 = ₹ 314675.46 = R/o ₹ 314675/-
5. Customs Duties = 185321+18532+314675 = ₹ 518528/-
6. From 12th April, 2019 to 2nd September, 2019

	Days
April 19	19
May 19	31
June 19	30
July 19	31
August 19	31
September 19	2
	144
Less : days allowed	90
	54

Interest – ₹ 5,18,528 × 15/100 × 54/365 = ₹ 11,507.05
R/o = ₹ 11,507/-

(a) As per Section 47(2) of the Customs Act,1962 interest for late payment of duty is 15%.
(b) As per clause (c) of Sub section (1) of Section 61 of the Customs Act 1962 interest on late payment is payable if goods remain in a warehouse beyond a period of 90 days.

9. What is the Import procedure under customs?

Answer:

Import procedure under custom are:

- Goods should arrive at customs port.
- Person in charge of conveyance is required to submit import general manifest/import report.
- Goods can be unloaded only after grant of entry inwards.
- Import has to submit bill of entry.
- Goods are assessed to duty.
- Goods can be cleared from port after payment of duty/cleared for warehousing.
- Out of customs charge order is issued by customs officer after payment of duty.

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