

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

Maximum Marks: 100 Marks

Time Allowed: 3 Hours

Notes:

- (i) Working Notes should form part of the answer. However, in answers to Question in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note.
- (iii) All questions should be answered on the basis of position of (i) GST law as amended upto 30th April, 2021 and (ii) Customs law as amended by the Finance Act, 2020 and notifications/circulars issued till 30th April, 2021.
- (iv) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. The rates of customs duty are also hypothetical and may not necessarily be the actual rates. Further, GST compensation cess should be ignored in all the questions, wherever applicable.

Division A: Multiple Choice Questions (30 Marks)

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

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

1. GQF Private Limited, registered under GST in the State of Maharashtra, is engaged in manufacturing of goods which are used for further production in automobile industry. The company sends some semi-finished inputs to job workers, M/s Yamuna Enterprises and M/s Jamuna Enterprises, for necessary processing. The processed goods are sent back by the job workers to the company where they are used for manufacturing the finished products.

M/s Yamuna Enterprises has its place of business in Maharashtra. M/s Jamuna Enterprises has its place of business in the State of Madhya Pradesh viz. 35 km away from the place of business of GQF Private Limited.

The company imports some raw material and stores the same for few months in the warehouse operated by M/s Gajanan Enterprises in the State of Tamil Nadu. Later on, it is transported to the company's factory in Maharashtra. M/s Gajanan Enterprises is not registered under GST. The aggregate turnover of M/s Gajanan Enterprises for the current financial year is ₹ 18,25,000.

The company maintains all the records, documents and books of accounts at its place of business in Maharashtra.

Following are the relevant details of GQF Private Limited for the month of August.

Particulars	Amount (₹)
Total turnover	36,00,000
Total inputs received during the month	21,12,000
Total input services received during the month	8,99,000
Goods sent to M/s Yamuna Enterprises during the month for job work purpose by motor vehicle	75,000
Goods sent to M/s Jamuna Enterprises during the month for job work purpose by motor vehicle	46,800

Note: All afore-mentioned amounts are exclusive of GST, wherever applicable.

GQF Private Limited procures the service of M/s Speedofast Enterprises, a goods transport agency, having its place of business in Maharashtra. GQF Private Limited transports its finished goods to different customers located in the State through M/s Speedofast Enterprises. M/s Speedofast Enterprises prepares a consignment note containing the details of consignor and consignee, value of consignment, vehicle number, details of party paying the taxes etc.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1.1. to 1.5.:-

- 1.1. M/s Gajanan Enterprises, owner of warehouse in Tamil Nadu, wishes to know as whether it is required to obtain registration under GST to conduct its business. Which of the following statements is true in this regard?
 - (a) Yes, being a warehouse operator, M/s Gajanan Enterprises has to compulsorily take GST registration to conduct the business irrespective of the quantum of aggregate turnover.
 - (b) No, M/s Gajanan Enterprises is not required to take registration under GST as its aggregate turnover is below the threshold limit for registration. However, it is required to obtain a unique enrolment number under GST.
 - (c) M/s Gajanan Enterprises is neither required to obtain registration nor unique enrolment number under GST to conduct business.
 - (d) Yes, M/s Gajanan Enterprises is required to take registration compulsorily under GST. Further, it is also required to obtain a unique enrolment number under GST as its aggregate turnover is more than ₹ 10 lakh.
- 1.2. GQF Private Limited is required to keep and maintain its books of accounts or other records:
 - (a) for 5 years from the due date of furnishing of Annual Return for the year pertaining to such accounts and records.
 - (b) for 72 months from the due date of furnishing of Annual Return for the year pertaining to such accounts and records.
 - (c) for 72 months from the end of respective financial year.
 - (d) for 8 years from the end of respective financial year.
- 1.3. Whether GQF Private Limited is required to generate e-way bill in case of transfer of goods to M/s Jamuna Enterprises?
 - (a) No, as the value of the consignment is within the prescribed limit of ₹ 50,000.
 - (b) No, as the movement of goods is within the prescribed distance limit of 50 Kms.
 - (c) Yes, e-way bill is required to be generated irrespective of the value of the consignment.
 - (d) Yes, a registered person has to generate e-way bill for every movement of goods.
- 1.4. M/s Speedofast Enterprises wants to transport multiple consignments in a single conveyance. These consignments are of different consignors and consignees and individual e-way bills (EWBs) with different validity periods have been generated for these consignments. Can M/s Speedofast Enterprises generate one consolidated e-way bill for such multiple consignments?
 - (a) No, M/s Speedofast Enterprises cannot generate a consolidated e-way bill containing the details of different EWBs since all the EWBs have different validity periods.
 - (b) Yes, M/s Speedofast Enterprises can generate a consolidated e-way bill containing the details of different EWBs even if all the EWBs have different validity periods and even if it is transporting consignments of different consignors and consignees in a single conveyance.

- (c) No, M/s Speedofast Enterprises cannot generate a consolidated e-way bill since it is transporting consignments of different consignors and consignees in a single conveyance.
- (d) There are no provisions to generate a consolidated e-way bill under the GST law.
- 1.5. M/s Speedofast Enterprises wants to update Part B of the e-way Bill. Can it update the same? If yes, then within what time span is it required to do so?
- (a) Yes, within 15 days from the generation of unique e-way bill number
- (b) Yes, within 24 hours from the generation of the unique e-way bill number
- (c) Yes, within 7 days from the generation of the unique e-way bill number
- (d) No, once unique e-way bill is generated, Part B of the same cannot be updated.
2. M/s Gopi Narayan & Company is a partnership firm of advocates, registered under GST in Mumbai, Maharashtra. In the month of April, the firm has supplied services amounting to ₹ 15 lakh. The following information is provided in relation to the some of the services provided:

S. No	Particulars	Value of service (₹)
1.	Herbal Power (P) Ltd. (Registered in Telangana in the preceding financial year under section 22 of the CGST Act, 2017) Provided consultation for preparation of an affidavit in relation to construction of a hotel building in the State of Maharashtra.	50,000
2.	Veranta India (P) Ltd. (Registered in Gujarat in the preceding financial year under section 22 of the CGST Act, 2017) Filed a suit in the Gujarat High Court on behalf of the company.	200,000
3.	Ms. Saloni (Registered under GST as a salon service provider in Maharashtra in the preceding financial year under section 22 of the CGST Act, 2017) Service amounting to ₹ 1 lakh was provided in the month of February for which invoice was issued on 15 th February. However, payment is made by the client on 5 th April. The firm has charged ₹ 10,000 as penalty for delayed payment of consideration. Said penalty is also paid by the client on 5 th April. Apart from this, the firm had paid ₹ 20,000 as attestation charges on behalf of the client which were reimbursed by the client in the month of February itself.	-

Note: The turnover of M/s Gopi Narayan & Company in the previous financial year was ₹ 50 lakh. The firm is engaged solely in providing legal services and it does not import/export any services from/to outside India.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 2.1 to 2.4 as follows:-

- 2.1. Whether the service provided to Veranta India (P) Ltd. is exempt under GST? If not, whether tax is payable under reverse charge?
- (a) Yes, all services provided by an advocate firm are exempt from GST.
- (b) No, since service is provided to a business entity that is registered under GST in the preceding financial year under section 22 of the CGST Act, 2017. However, tax shall be payable by M/s Gopi Narayan & Company under forward charge.
- (c) Yes, any service provided by an advocate firm to a business entity is exempt under GST.

- (d) No, since service is provided to a business entity that is registered under GST in the preceding financial year under section 22 of the CGST Act, 2017. Further, tax shall be payable by Veranta India (P) Ltd. under reverse charge.
- 2.2. What shall be the time of supply for supplies made to Ms. Saloni in respect of original amount ₹ 1 lakh and penalty amount of ₹ 10,000?
- (a) For whole amount of ₹ 1,10,000: 15th February
(b) For ₹ 1 lakh: 15th February and for ₹ 10,000: 5th April
(c) For whole amount of ₹ 1,10,000: 5th April
(d) For ₹ 1 lakh: 15th April and for ₹ 10,000: 5th April
- 2.3. What shall be the value of supply provided to Ms. Saloni in terms of section 15 of the CGST Act, 2017?
- (a) ₹ 110,000
(b) ₹ 100,000
(c) ₹130,000
(d) ₹ 120,000
- 2.4. Which of the following statements is/are correct in law?
- (i) M/s Gopi Narayan & Company is eligible to opt for composition levy under sub-sections (1) and (2) of section 10 of the CGST Act, 2017.
(ii) M/s Gopi Narayan & Company is not eligible to opt for composition levy under sub-sections (1) and (2) of section 10 of the CGST Act, 2017.
(iii) M/s Gopi Narayan & Company is eligible to opt for composition levy under sub-section (2A) of section 10 of the CGST Act, 2017.
(iv) M/s Gopi Narayan & Company is not eligible to opt for composition levy under sub-section (2A) of section 10 of the CGST Act, 2017.
- (a) (i)
(b) (i) and (iv)
(c) (ii) and (iv)
(d) (ii) and (iii)
3. Mr. Lal, a registered person under GST, was the proprietor of M/s. Spiceton Restaurant. He died and left behind his wife and son on 15th August. His son – Mr. Pal - wants to continue the business of the deceased father. The GST consultant of M/s. Spiceton Restaurant gives advice to Mr. Pal as to how he can continue the business of his deceased father. Which of the following options is correct in accordance with the provisions of GST law?
- (a) Mr. Pal should get himself registered under GST in the name and style M/s. Spiceton Restaurant under his own PAN and file Form GST ITC 02.
(b) Mr. Pal can get the authorized signatory changed by approaching to the Proper Officer and can continue the same business.
(c) Mr. Pal should close the old firm and start new business under different name.

- (d) Mr. Pal should do the business with his mother as the new proprietor of the M/s. Spiceton Restaurant, and Mr. Pal should act as a Manager. **(2 Marks)**
4. For which of the following acts done by a taxable person, inspection can be ordered under GST law?
- (i) Suppression of any transaction of supply of goods or services
 - (ii) Suppression of stock of goods in hand
 - (iii) Contravention of any of the provisions of the GST law to evade tax
- (a) (i), (ii)
 - (b) (i), (iii)
 - (c) (ii), (iii)
 - (d) (i), (ii), (iii) **(2 Marks)**
5. Mr. A, a sole proprietor, has to appear before the Appellate Authority. He decides to appear through an authorized representative. Which of the following persons can be appointed as 'authorized representative' of Mr. A under GST law?
- (i) Sohan, his son, who has been dismissed from a Government service lately.
 - (ii) Rohan, a Company Secretary, who has been adjudged insolvent.
 - (iii) Mukul, a practicing High Court advocate.
- (a) (i) and (ii)
 - (b) (ii) and (iii)
 - (c) (iii)
 - (d) (ii) **(2 Marks)**
6. What will be the rate of tax and nature of supply of a service if the same is not determinable at the time of receipt of advance?
- (a) 12%, inter-State supply
 - (b) 12%, intra-State supply
 - (c) 18%, inter-State supply
 - (b) 18%, intra-State supply **(1 Mark)**
7. Which of the following options is/are correct?
- (i) Indian customs waters extend up to 12 nautical miles.
 - (ii) Indian customs waters extend up to 24 nautical miles.
 - (iii) Indian customs waters extend up to exclusive economic zone of India.
 - (iv) Indian customs waters include territorial waters and extend up to 200 nautical miles.
- (a) Only (ii)
 - (b) (iii) and (iv)
 - (c) (ii) and (iv)
 - (d) Only (iv) **(2 Marks)**

8. Which of the following statements is/are correct?
- (i) Special exemption under section 25 of the Customs Act, 1962 is granted by issuing a notification.
 - (ii) General exemption under section 25 of the Customs Act, 1962 is granted by issuing an order.
 - (iii) Special exemption is required to be published in official gazette.
 - (iv) General exemption is not required to be published in official gazette.
- (a) (i), (ii), (iii) and (iv)
 - (b) None of above
 - (c) Both (i) and (ii)
 - (d) (ii) and (iv)
- (2 Marks)**
9. Which of the following is correct for destroyed goods under section 23 of the Customs Act, 1962?
- (a) It is applicable in case of total loss of goods even if same can be recovered.
 - (b) The provisions are not applicable if goods are destroyed at the warehouse.
 - (c) The provisions are also applicable even if goods are destroyed at the warehouse.
 - (d) The importer need not prove the loss to the proper officer.
- (1 Mark)**

Division B: Descriptive Questions (70 Marks)

Question no. 1 is compulsory. Attempt any four questions out of the remaining five questions.

1. Pari Ltd. of Jodhpur (Rajasthan) is a registered manufacturer of cosmetic products. Pari Ltd. has furnished following details for a tax period:

Particulars		(₹)
Details of Outward supplies		
(i)	Supplies in Rajasthan	8,75,000
(ii)	Supplies in States other than Rajasthan	3,75,000
(iii)	Export under LUT	6,25,000
Details of expenses		
(i)	Raw materials purchased from registered suppliers located in Rajasthan	1,06,250
(ii)	Raw materials purchased from unregistered suppliers located in Rajasthan	37,500
(iii)	Raw materials purchased from Punjab from registered supplier	1,00,000
(iv)	Integrated tax paid on raw materials imported from USA	22,732
(v)	Consumables purchased from registered suppliers located in Rajasthan including high speed diesel (Excise and VAT paid) valuing ₹ 31,250 for running the machinery in the factory	1,56,250
(vi)	Monthly rent for the factory building to the owner in Rajasthan	1,00,000
(vii)	Salary paid to employees on rolls	6,25,000
(viii)	Premium paid on life insurance policies taken for specified employees. Life insurance policies for specified employees have been taken by Pari Ltd. to fulfill a statutory obligation in this regard. The life insurance service provider is registered in Rajasthan.	2,00,000
All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by Pari Ltd.		

The opening balance of ITC with Pari Ltd. for the given tax period is-

CGST ₹ 20,000

SGST ₹ 15,000

IGST ₹ 15,000

Assume CGST, SGST and IGST rates to be 9%, 9% and 18% respectively, wherever applicable.

Assume that all the other necessary conditions to avail the ITC have been complied with by Pari Ltd., wherever applicable.

Compute (i) ITC available with Pari Ltd. for the tax period; and (ii) Net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by Pari Ltd. for the tax period. **(14 Marks)**

2. (a) Nandeeshwar Manufacturers sends certain category of yarn for processing to the job worker. The job worker undertakes the processing work on the yarn as per the requirement of Nandeeshwar Manufacturers. During the process, the job worker uses his own material also. The processed yarn is sold by Nandeeshwar Manufacturers directly from the job worker premises. Balance quantity of yarn and waste material is sent back by the job worker to Nandeeshwar Manufacturers. The job worker is of the opinion that he is using his own material also in the processing and hence the supply to Nandeeshwar Manufacturers is in the nature of supply of goods as well as services. Do you agree with the opinion of job worker? **(4 Marks)**
- (b) M/s Heeralal and Sons, registered in Karnataka, has opted to avail the benefit of composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act. It has furnished the following details for the quarter ended on 30th June.

S. No.	Items	₹
(i)	Taxable turnover of goods within the State	15,00,000
(ii)	Exempted turnover of goods within the State	<u>17,00,000</u>
	Total Turnover	<u>32,00,000</u>

Using the above information, calculate tax to be paid by the firm for quarter ended on 30th June in following independent situations:

- (i) M/s Heeralal and Sons is a manufacturer
- (ii) M/s Heeralal and Sons is a trader **(5 Marks)**
- (c) ABC Industries Ltd. imports an equipment by air. CIF price of the equipment is 6,000 US\$, freight paid is 1,200 US\$ and insurance cost is 1,800 US\$. The banker realizes the payment from importer at the exchange rate of ₹ 61 per US\$. Central Board of Indirect taxes and Customs notifies the exchange rate as ₹ 70 per US\$ while rate of exchange notified by RBI is ₹ 72 per US\$. ABC Industries Ltd. expends ₹ 56,000 in India for certain development activities with respect to the imported equipment.

Basic customs duty is 10%, Integrated tax is leviable @ 12% and social welfare surcharge is 10% on duty. Ignore GST Compensation Cess.

You are required to compute the amount of total duty and integrated tax payable by ABC Industries Ltd. under Customs law. **(5 Marks)**

3. (a) Mr. Murthy, an unregistered person and a resident of Pune, Maharashtra hires the services of Sun Ltd. an event management company registered in Delhi, for organising of the new product launch in Bengaluru, Karnataka.
- (i) Determine the place of supply of services provided by Sun Ltd.

- (ii) What would be your answer if the product launch takes place in Bangkok?
- (iii) What would be your answer if Mr. Murthy is a registered person and product launch takes place in-
- (a) Bengaluru
- (b) Bangkok? **(5 Marks)**

- (b) I buy a set of modular furniture from a retail store. Invoice is issued to me and I make the payment. The furniture is to be delivered to me later in the week when a technician is available to assemble and install it. The next day the rate of tax applicable to modular furniture is revised upward, and the store sends me a supplementary invoice with the delivery note accompanying the furniture to collect the differential amount of tax.

Is this correct on store's part? Explain. **(4 Marks)**

- (c) An importer imported certain inputs for manufacture of final product. A small portion of the imported inputs were damaged in transit and could not be used in the manufacture of the final product. An exemption notification was in force providing exemption in respect of specified raw materials imported into India for use in manufacture of specified goods, which was applicable to the imports made by the importer in the present case.

Briefly examine whether the importer could claim the benefit of the aforesaid notification in respect of the entire lot of the inputs imported including those that were damaged in transit.

(5 Marks)

4. (a) Sindhi Toys Manufacturers, registered in Punjab, sold electronic toys to a retail seller in Gujarat, at a value of ₹ 48,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of such toys to the retail seller in Gujarat.

You are required to advise Sindhi Toys Manufacturers whether e-way bill is mandatorily required to be generated in respect of such movement of goods? **(5 Marks)**

- (b) Pari & Sons is an unregistered dealer. On 10th August, aggregate turnover of Pari & Sons exceeded ₹ 20,00,000. The firm applied for registration on 27th August and was granted the registration certificate on 1st September.

Under CGST Rules, 2017, you are required to advise Pari & Sons as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of revised tax invoices. **(4 Marks)**

- (c) With reference to the Customs Tariff Act, 1975, discuss the validity of the imposition of customs duties in the following cases:-

- (a) Both countervailing duty and anti-dumping duty have been imposed on an article to compensate for the same situation of dumping.
- (b) Countervailing duty has been levied on an article for the reason that the same is exempt from duty borne by a like article when meant for consumption in the country of origin.
- (c) Definitive anti-dumping duty has been levied on articles imported from a member country of World Trade Organization as a determination has been made in the prescribed manner that import of such article into India threatens material injury to the indigenous industry.

(5 Marks)

5. (a) Rajul Associates has been issued a show cause notice (SCN) on 31.12.2021 under section 73(1) of CGST Act on account of short payment of tax during the period between 01.07.2017 and 31.12.2017. It has been given an opportunity of personal hearing on 15.01.2022.

Advice Rajul Associates as to what should be the written submissions in the reply to the show cause notice issued to it. **(5 Marks)**

- (b) XY Company received an adjudication order passed by the Assistant Commissioner of Central Tax on 1st November under section 73 of CGST Act wherein it was decided as follows:

CGST+SGST due	₹ 6,00,000
Interest	@ 18% p.a. for number of delayed days
Penalty	₹ 60,000

The taxpayer filed an appeal before the Appellate Authority on 26th November.

Determine the amount of pre-deposit to be made by the company for filing the appeal.

Whether your answer would be different if the taxpayer appeals only against part of the demanded amount say ₹ 4,00,000 and admits the balance liability of tax amounting to ₹ 2,00,000 and proportionate penalty arising from the said order? **(4 Marks)**

- (c) After visiting USA for a month, Mrs. and Mr. Iyer (Indian residents aged 35 and 40 years respectively) brought to India a laptop computer valued at ₹ 70,000, used personal effects valued ₹ 1,40,000 and a personal computer for ₹ 58,000.

Calculate the custom duty payable by Mrs. & Mr. Iyer, if any. **(5 Marks)**

6. (a) Discuss the liability to pay tax in case of an amalgamation/merger, under section 87 of the CGST Act. **(5 Marks)**
- (b) Explain in what cases, assessment order passed by proper officer may be withdrawn under CGST Act, 2017? **(4 Marks)**
- (c) Write a short note on "prohibition and regulation of drawback" with reference to the provisions of section 76 of the Customs Act, 1962. **(5 Marks)**