

MOCK TEST PAPER
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 up to 30th April, 2020 and (ii) Customs law as amended by the Finance Act, 2019 and notifications/circulars issued till 30th April, 2020.
- (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. William & Sons (WS) is a registered partnership firm engaged in manufacturing activity in the state of Rajasthan under GST. In the month of July, following transactions were undertaken by WS:
 - (a) Intra-state sale of goods worth ₹ 10,00,000. Out of such sale, ₹ 5,00,000 worth of goods were liable to GST at 28% and balance were liable to GST at 18%.
 - (b) Intra-state purchase of goods worth ₹ 10,00,000 which is liable to GST at 28%.
 - (c) WS intended to transfer the business as going concern to Morgan & Sons (MS) on 31st July. As per the terms of transfer, WS will transfer all the business assets worth ₹ 50,00,000 and all the liabilities valued at ₹ 60,00,000.
 - (d) WS, on account of such transfer, paid gift worth ₹ 50,000 to its 3 employees as a reward towards their services to the firm.

During the month of September, MS received the notice from the authorities for outstanding liability of GST for ₹ 5,00,000 pertaining to the period before transfer of business by WS. Such liability was determined after the transfer of business. For this purpose, assume that all the assets and liabilities were transferred by WS to MS.

The balance of input tax credit as on 1st July for the WS is Nil.

GST is applicable in the aforesaid case scenario at the following rates unless otherwise specified:

CGST - 9%, SGST - 9%, IGST - 18%.

All the amounts given above are exclusive of GST, wherever applicable.

Basis the aforesaid case scenario, please answer the following questions:

- (I) The gross GST liability (without set off of input tax credit) of WS for the month of July is-
- (a) 2,32,000
 - (b) 2,80,000
 - (c) 25,000
 - (d) 2,30,000
- (II) In case of transfer of business to MS, what is the amount of input tax credit which shall stand transferred to MS?
- (a) ₹ 25,000
 - (b) ₹ 50,000
 - (c) Nil. In case of partnership firm input tax credit cannot be transferred on account of transfer of business.
 - (d) Nil as the value of liabilities is more than the value of assets.
- (III) Suppose there is no transfer of business to MS, what is the amount of input tax credit lying in input tax credit ledger, *if any*, which can be claimed as refund by WS for the month of July?
- (a) ₹ 50,000 under inverted duty structure
 - (b) Nil. Since WS is making outward supply of 28% also, the balance credit shall be carried forward.
 - (c) ₹ 23,000 under inverted duty structure
 - (d) ₹ 25,000 under inverted duty structure
- (IV) Who is liable to discharge the liability of ₹ 5,00,000 on account of notice received by MS in the month of September?
- (a) MS as the business is transferred by WS in July and notice was received in September
 - (b) WS as the notice pertains to liability before transfer of business
 - (c) Liability on MS only up to the amount of input tax credit transferred by WS
 - (d) MS and WS jointly and severally liable
- (V) Suppose WS transfers the business as a going concern and transfers all the assets and liabilities of such business for a lumpsum amount to MS, the transaction shall be:
- (a) treated as taxable supply liable to GST under forward charge as WS is a registered person
 - (b) liable to GST in the hands of MS under reverse charge basis
 - (c) exempted from GST
 - (d) liable to GST only for assets on which input tax credit is availed **(5 x 2 Marks=10 Marks)**
2. M/s KLM Ltd is a large publishing and printing house registered in Maharashtra having Single GSTIN, engaged in supply of books, letter cards, envelopes, guides and reference materials. KLM Ltd. has front offices in Mumbai & Nagpur for receiving the orders; orders are supplied to front office or supplied to recipient directly depending on order from the workshop located at Nagpur.

During March, 2020, KLM Ltd. received a proposal for printing of 5,000 copies of Taxation book from a renowned author where only content will be supplied by the author. KLM Ltd. agreed to supply the books. As per requirement of the author, 2500 copies were supplied from workshop to Nagpur front office and 2500 copies to Mumbai front office from where the author collected books.

Satisfied with quality of books, author placed order of 10,000 pieces of letterhead during April, 2020, the design and logo was supplied by the author for printing. Due to these orders KLM Ltd earned a handsome amount of profit and decided to gift employees for their performance, accordingly KLM Ltd gifted android mobile phone worth ₹ 36,500 each to all its 45 employees.

In relation to the above, answer the following questions:

- I. Supply of taxation books by KLM Ltd is:
 - (a) Composite supply, principal supply being “supply of service”
 - (b) Composite supply, principal supply being “supply of goods”
 - (c) Mixed supply
 - (d) At the choice of the KLM Ltd (I.e. KLM Ltd may treat it as a supply of goods or service or mixed supply) and pay tax accordingly.
- II. Supply of Letterheads by KLM Ltd will be treated as:
 - (a) Composite supply, principal supply being “supply of service”
 - (b) Composite supply, principal supply being “supply of goods”
 - (c) Mixed supply
 - (d) At the choice of the KLM Ltd (I.e. KLM Ltd may treat it as a supply of goods or supply of service or mixed supply) and pay tax accordingly.
- III. Distribution of mobiles to employees by KLM Ltd will be:
 - (a) Treated as deemed supply as per Para –2 of Schedule –I, because the aggregate value of mobile phones is more than Rs 50,000.
 - (b) Not to be treated as deemed supply as per para 2 of schedule-I, because value of the mobile phone is less than ₹ 50,000 per employee.
 - (c) Treated as deemed supply as per Para –2 of Schedule –I, because the value of mobile phone is more than Rs 25,000 per employee.
 - (d) Treated as deemed supply as per Para –2 of Schedule –I, because the value of mobile phone is more than Rs 35,000 per employee.
- IV. In relation to taxability of supplies of copies from workshop to front office:
 - (a) Transfer from workshop to Nagpur front office will be treated as stock transfer not liable to GST; however transfer from workshop to the Mumbai front office will be treated as branch transfer between distinct persons liable to GST.
 - (b) Transfer from the workshop to Nagpur front office and Mumbai Front office will be treated as stock transfer between distinct persons liable to GST.
 - (c) Transfer from the workshop to Nagpur front office and Mumbai Front office will be treated as stock transfer not liable to GST.

- (d) Transfer from workshop to the Mumbai front office will be treated as stock transfer not liable to GST, however transfer from workshop to the Nagpur front office will be treated as branch transfer between distinct persons liable to GST. **(4 x 2 Marks=8 Marks)**
3. Byomkesh Mukherjee & Sons, a registered person located in the state of West Bengal, is engaged in the supply of taxable goods. He desires to take part in a trade fair to be held in State of Gujarat for supply of such goods. He does not have fixed place of business in Gujarat. Which of the following statement(s) is correct in the context of obtaining registration in Gujarat?
- (a) He has to obtain registration as regular tax payer under section 22 of the CGST Act
- (b) He has to obtain registration as composition tax payer under section 10 of the CGST Act
- (c) He has to obtain registration as casual taxable person as defined under section 2(20) of the CGST Act
- (d) He is not required to obtain registration if his aggregate turnover does not exceed ₹ 40 lakh. **(2 Marks)**
4. A person purchases new battery in exchange of old battery and balance payment of ₹ 3500 in money. The price of the new battery without exchange is ₹ 15,000. Which one is correct regarding GST liability on the transaction?
- (a) GST is payable on ₹ 3500 + open market value of old battery.
- (b) GST is payable on ₹ 3500
- (c) GST is payable on open market value of new battery, i.e. ₹ 15,000
- (d) GST is payable on value of battery of like kind or quality **(2 Marks)**
5. Countervailing duty under section 9 of the Customs Tariff Act shall not be levied unless it is determined that:
- (i) Subsidy relates to export performance;
- (ii) Subsidy relates to use of domestic goods over imported goods in export article;
- (iii) Subsidy is conferred on all persons engaged in the manufacture of export article.
- (a) All of above
- (b) Only (iii)
- (c) (ii) and (iii)
- (d) (i) and (ii) **(2 Marks)**
6. Anti-Dumping duty is calculated as
- (a) Higher of margin of dumping or injury margin
- (b) Lower of margin of dumping or injury margin
- (c) Higher of export price or normal value
- (d) Lower of export price or normal value **(2 Marks)**
7. Which of the following is not considered as a supply under the CGST Act, 2017?
- (a) Importation of architectural services for ₹1,00,000/- for construction of residential property used for personal purposes from unrelated person.

- (b) Importation of architectural services free of cost for construction of office used for business purposes from related person.
- (c) Importation of architectural services free of cost for construction of office used for business purposes from unrelated person.
- (d) Both (a) and (c) (2 Marks)
8. If a taxable person has done the following act, inspection can be ordered:
- (i) Suppression of any transaction of supply of goods or services
- (ii) Suppression of stock of goods in hand
- (iii) Contravention of any provision of the GST law to evade tax
- (a) (i) and (ii)
- (b) (ii) and (iii)
- (c) (i) and (iii)
- (d) (i), (ii) and (iii) (1 Mark)
9. The taxable event under the Customs Act, 1962 is:
- (a) Import of goods into India/ export of goods from India;
- (b) Supply of goods into India/ Supply of goods from India to outside India;
- (c) Sale of goods into India/ Sale of goods outside India;
- (d) Manufacture of goods into India for supply outside India. (1 Mark)

Division B: Descriptive Questions (70 Marks)

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

1. ABC Company Ltd. of Bengaluru is a manufacturer and registered supplier of machine. It has provided the following details for the month of November, 2019.

Details of GST paid on inward supplies during the month:

Items	GST paid (₹)
Health insurance of factory employees as required by Factory Act	20,000
Raw materials for which invoice has been received and GST has also been paid for full amount but only 50% of material has been received, remaining 50% will be received in next month.	18,000
Work contractor's service used for installation of plant and machinery.	12,000
Purchase of manufacturing machine directly sent to job worker's premises under challan.	50,000
Purchase of car used by director for the business meetings only.	25,000
Outdoor catering service availed for business meetings.	8,000

ABC Company Ltd. also provides service of hiring of machines along with man power for operation. As per trade practice machines are always hired out along with operators and also operators are supplied only when machines are hired out.

Receipts on outward supply (exclusive of GST) for the month of November, 2019 are as follows:

Items	Outward Supply (₹)
Hiring receipts for machine	5,25,000
Service charges for supply of man power operators	2,35,000

Assume all the transactions are inter State and the rates of IGST to be as under:

- (i) Service of hiring of machine 12%
- (ii) Supply of man power operator service 18%

Compute the amount of input tax credit available and also the net GST payable for the month of November, 2019 by giving necessary explanations for treatment of various items.

Note: Opening balance of input tax credit is Nil.

(14 Marks)

2. (a) Mr. Nagarjun, a registered supplier of Chennai, has received the following amounts in respect of the activities undertaken by him during the month ended on 30th September, 2019:

S. No.	Particulars	Amount (₹)
(i)	Amount charged for service provided to recognized sports body as selector of national team.	50,000
(ii)	Commission received as an insurance agent from insurance company.	65,000
(iii)	Amount charged as business correspondent for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts.	15,000
(iv)	Service to foreign diplomatic mission located in India.	28,000
(v)	Funeral services.	30,000

He received the services from unregistered goods transport agency for his business activities and paid freight of ₹ 45,000 (his aggregate turnover of previous year was ₹ 9,90,000).

Note: All the transactions stated above are intra-State transactions and also are exclusive of GST.

You are required to calculate gross value of taxable supply on which GST is to be paid by Mr. Nagarjun for the month of September, 2019. Working notes should form part of your answer.

(9 Marks)

- (b) Compute the total duty and integrated tax payable under the Customs Law on an imported equipment based on the following information:

- (i) Assessable value of the imported equipment US \$ 10,100
- (ii) Date of bill of entry is 25.4.2019. Basic customs duty on this date is 10% and exchange rate notified by the Central Board of Indirect taxes and Customs is US \$ 1 = ₹ 72.
- (iii) Date of entry inwards is 21.4.2019. Basic customs duty on this date is 20% and exchange rate notified by the Central Board of Indirect taxes and Customs is US \$ 1 = ₹ 70.
- (iv) Integrated tax: 12%
- (v) Social Welfare surcharge 10%

Make suitable assumptions where required and show the relevant workings and round off your answer to the nearest rupee.

Note: Ignore GST Compensation Cess.

(5 Marks)

3. (a) Raman Row, a registered supplier under GST in Mumbai, Maharashtra is directed by Nero Enterprises, Kolkata, West Bengal to deliver goods valued at ₹ 12,00,000 to Fabricana of Aurangabad in Maharashtra. Raman Row makes out an invoice at 9% tax rate under CGST and SGST respectively (scheduled rate) and delivers it locally in Maharashtra.

Discuss and comment on the above levy of tax and determine the tax liability of goods in the above circumstances. **(5 Marks)**

- (b) Determine taxable value of supply under the GST law with respect to each of the following independent services provided by the registered persons:

- (1) Fees charged from office staff for in-house personality development course conducted by M.V. College - ₹ 10,000. M. V. College provides education as a part of a curriculum for obtaining a qualification recognised by a law
- (2) Bus fees collected from students by M.V. College - ₹ 2,500 per month.
- (3) Housekeeping service provided by M/s. Clean well to Himavarsha Montessori school in its premises, a play school - ₹ 25,000 per month.
- (4) Info link supplied "Tracing Alphabets", an online educational journal, to students of UKG class of Sydney Montessori School - ₹ 2,000. **(4 Marks)**

- (c) Determine the customs duty payable under the Customs Tariff Act, 1975 including the safeguard duty of 30% under section 8B of the said Act with the following details available on hand:

Assessable value of Sodium Nitrite imported from a developing country from 26th February, 2019 to 25th February, 20209 (both days inclusive)	₹ 30,00,000
Share of imports of Sodium Nitrite from the developing country against total imports of Sodium Nitrite to India	4%
Basic custom duty	10%
Integrated tax	12%
Social welfare surcharge	10%

Note: Ignore GST compensation cess. **(5 Marks)**

4. (a) Pari & Sons is an unregistered dealer. On 10th August, 2019 aggregate turnover of Pari & Sons exceeded ₹ 20,00,000. The firm applied for registration on 27th August, 2019 and was granted the registration certificate on 1st September, 2019.

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. **(5 Marks)**

- (b) Bedi Manufacturers, a registered person, instructs its supplier to send the capital goods directly to Rajesh Enterprises, who is a job worker, outside its factory premises for carrying out certain operations on the goods. The goods were sent by the supplier on 10-04-2019 and were received by the job worker on 15-04-2019. Rajesh Enterprises carried out the job work, but did not return the capital goods to their principal - Bedi Manufacturers. Discuss whether Bedi Manufacturers are eligible to retain the input tax credit availed by them on the capital goods. What action under the GST is required to be taken by Bedi Manufacturers.

What would be your answer if in place of capital goods, jigs and fixtures are supplied to the job worker and the same has not been returned to the principal? **(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)

5. (a) On 05.07.2019, a show cause notice for ₹ 5,00,000 was issued to Mr. Vijay Kumar Sharma demanding short payment of GST of ₹ 4,50,000 for the month of January, 2019 and also interest of ₹ 50,000.

Mr. Sharma raised objections and after personal hearing on 30.08.2019, adjudicating authority passed the final order for ₹ 3,50,000 for GST, without any reference with regard to payment of interest.

Mr. Sharma deposited the tax of ₹ 3,50,000 on 02.09.2019 and informed the department on the same day. Subsequently, on 15.09.2019, department demanded payment of interest of ₹ 60,000 on GST of ₹ 3,50,000.

Mr. Vijay Kumar Sharma is not ready to pay any interest. His contention is that he is not liable for interest because he deposited all the amount specified in the final adjudication order.

Examine with a brief note the validity of the action taken by the Department with reference to provisions of the CGST Act, 2017.

(5 Marks)

- (b) Shagun started supply of services in Vasai, Maharashtra from 01.01.2020. Her turnover exceeded ₹ 20 lakh on 25.01.2020. However, she didn't apply for registration. Determine the amount of penalty, if any, that may be imposed on Shagun on 31.03.2020, if the tax evaded by her, as on said date, on account of failure to obtain registration is ₹ 1,26,000. **(4 Marks)**

- (c) Mr. N has, over three consignments of 200, 400 and 400 units, imported a total of 1,000 units of an article "ZEP", which has been valued at ₹ 1,150 per unit. The customs duty on this article has been assessed ₹ 250 per unit. He adds his profit margin ₹ 350 per unit and sells the article for ₹ 1,750 per unit.

After one month of selling the entire consignment of article "ZEP", Mr. N found that there had been an error in payment of amount of duty, in which duty for the consignment of 200 units was paid as if it was 400 units, resulting in excess payment of duty. Mr. N files an application for refund for ₹ 50,000 (200 X 250). Is the bar of unjust enrichment attracted? **(5 Marks)**

6. (a) With reference to section 54(3) of the CGST Act, 2017, mention the cases where refund of unutilised input tax credit is allowed. **(5 Marks)**
- (b) Explain the safeguards provided under section 69 of CGST Act, 2017, to a person who is placed under arrest? **(4 Marks)**
- (c) What are the salient features of Duty-Free Import Authorization Scheme (DFIA)? Which duties are exempted under this scheme? **(5 Marks)**