

Paper 11- Indirect Taxation

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Full Marks: 100

Time allowed: 3 hours

**The figures in the margin on the right side indicate full marks.
Working notes should form part of the answer.**

Section – A

Answer question No. 1 which is compulsory and any four from rest of this section.

1. Answer the following questions:

(A) Multiple choice questions: [5×1=5]

- (i) In the common portal, every claim of input tax credit of a registered person shall be credited to :
 - (a) Electronic cash ledger**
 - (b) Electronic credit ledger**
 - (c) Electronic liabilities register**
 - (d) Electronic credit register****
- (ii) Which of the following shall not be included in value of supply?:
 - (a) Commission**
 - (b) Late fee or penalty**
 - (c) GST**
 - (d) Interest****
- (iii) List – 1 of the Constitution contains matters in respect of which _____ has the exclusive right to make laws.
 - (a) Central Government**
 - (b) State Government**
 - (c) Both Centre and State Governments**
 - (d) None of the above****
- (iv) Renting of a marriage hall owned by a Trust registered under section 12AA of the Income-tax Act, 1961 is not exempt from GST where:
 - (a) Charges are more than Rs. 5,000 per day**
 - (b) Charges are more than Rs.1,000 per day**
 - (c) Charges are more than Rs.10,000 per day**
 - (d) None of the above****
- (v) The Chairperson of GST Council is:
 - (a) Prime Minister of India**
 - (b) Finance Minister of India**
 - (c) Minister of State for Finance**
 - (d) None of the above****

Answer:

- (i) (b)**
- (ii) (c)**
- (iii) (a)**
- (iv) (c)**
- (v) (b)**

(B) Say True or False for the following question:

[5×1=5]

- (i) GST is payable once registered even if the turnover is less than the prescribed limit.
- (ii) Under GST law, every registered person whose aggregate turnover during a financial year exceeds Rs. 5 crore has to get his accounts audited by a chartered accountant or a cost accountant.
- (iii) Goods sent for a demonstration on returnable basis. It is a supply.
- (iv) Goods are classified in the GST regime in India using SAC code.
- (v) Amount paid on alimony for divorce is not considered as consideration.

Answer:

- (i) True
- (ii) False
- (iii) False
- (iv) False
- (v) True.

(C) Match the following:

[5×1=5]

	Column 'A'		Column 'B'
1.	Zero Rated supply	A.	Eliminates cascading effect of tax
2.	Form GST Reg – 1	B.	Input tax credit not available
3.	Goods & Services Tax	C.	Export of goods or services or both
4.	Composition Tax Payers	D.	Final Return
5.	GSTR - 10	E.	Application for registration

Answer:

- 1. C.
- 2. E.
- 3. A.
- 4. B.
- 5. D.

(D) Fill in the blanks:

[5×1=5]

- (i) Certificate of registration for GST shall be granted in Form _____.
- (ii) GST Council has been created as per Article _____ of the amended Constitution.
- (iii) In case of death of a tax payer _____ can request for cancellation of registration.
- (iv) In case of supply of goods by a composite dealer, the registered person shall issue _____.
- (v) License to occupy land is treated as _____ (supply of services/non-supply of services).

Answer:

- (i) GST REG-06
- (ii) 279A
- (iii) Legal heir
- (iv) Bill of Supply

(v) Supply of services

2. (a) Write short note on 'Business' under GST Law.

[8]

Answer:

Business includes:

- A. Any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;
- B. Any activity or transaction in connection with or incidental or ancillary to sub-clause (A);
- C. Any activity or transaction in the nature of sub-clause (A), whether or not there is volume, frequency, continuity or regularity of such transaction;
- D. Supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
- E. Provisions by a club, association, society, or any such body of the facilities or benefits to its members;
- F. Admission, for a consideration, of persons to any premises;
- G. Services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;
- H. Services provided by a race club by way of totalisator or a license to book maker in such club; and
- I. Any activity or transaction undertaken by Central Government, a State Government or any local authority in which they are engaged as public authorities.

(b) M/s Y Ltd. being a trader of laptops has two units in Chennai and in Mumbai.

Place	P.Y. Turnover Rs. in lakhs (Excluding taxes)
Chennai	52
Mumbai	12

You are required to answer the following:

(i) M/s Y Ltd. is eligible for composition levy in the current year.

(ii) If so, M/s Y Ltd. can opt composition scheme for Chennai location and normal scheme for Mumbai.

(iii) Need to give separate intimations for opting composition scheme in each state.

[7]

Answer:

- (i) Yes, M/s Y Ltd. is eligible to avail the composition scheme in both the States namely Tamil Nadu and Maharashtra.
Since, M/s Y Ltd. has same PAN, and his aggregate turnover does not exceed Rs. 1.50 crore is eligible for composition levy, even though the company has multiple registrations under GST.
- (ii) No, M/s Y Ltd. cannot opt composition scheme for one location and normal scheme for another location.

Where more than one registered person are having the same PAN, the registered person shall not be eligible to opt for the scheme unless all such registered persons opt to pay tax.

- (iii) Intimation to opt composition scheme in respect of any place of business in any State or Union Territory shall be deemed to be intimation in respect of all other places of business registered on the same PAN.

3. (a) **Bharat Printing conceptualized and designed the advertising campaign for a new product launched by Marker Pvt. Ltd. for a consideration of Rs.5,00,000. Bharat Printing owed Rs.20,000 to one of its vendors in relation to the advertising service provided by it to Marker Pvt. Ltd. Such liability of Bharat Printing was discharged by Marker Pvt. Ltd. Marker Pvt. Ltd. delayed the payment of consideration and thus paid Rs.15,000 as interest.**

Determine the value of taxable supply made by Bharat Printing.

[7]

Answer:

Computation of value of taxable supply

Particulars	Value in Rs.
Service charges	5,00,000
Payment made by Marker Pvt. Ltd. to vendor of Bharat Printing [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15(2)(b)]	20,000
Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d)]	15,000
Value of taxable supply	5,35,000

- (b) **What is the time of supply with respect to escalation in price after the issuance of invoice**

(E.g.: Invoice is issued for Rs.5,000 on June 22, 2020 by the supplier. Subsequently, due to variation in price the recipient pays-

Scenario 1: Rs.5,500

Scenario 2: Rs.8,000)

Date of entry of payment in books of account – 30th July, 2020

Date of credit of payment in bank – 28th July, 2020

[8]

Answer:

In terms of the proviso to section 12(2)(b) of the CGST Act, 2017, the time of supply with respect to the amount received in excess upto Rs.1,000 of the amount indicated in tax invoice, the time of supply shall be the date of issue of invoice. Where the amount is received exceeds Rs.1,000, the time of supply of goods shall be the earliest of the following:

(a) Date on which payment is entered in books of accounts of the supplier; or

(b) Date on which payment is credited to the bank account.

Accordingly, the time of supply in each of the scenarios given in the example would be as follows:

Scenario 1: The time of supply of goods with respect to the amount of Rs.500 received in excess shall be the date of invoice.

Scenario 2: The time of supply would be as follows:

Date on which payment is entered in books of accounts	30 th July, 2020	Time of supply shall be 28 th July, 2020
Date on which payment is credited to the bank account	28 th July, 2020	

4. (a) What are the provisions relating to issuance of invoice in case of “continuous supply of goods” and “continuous supply of services”? [2+3=5]

Answer:

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.

In case of continuous supply of services, invoice will be issued as follows:

- 1) Where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment;
- 2) 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;
- 3) 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.

- (b) The goods manufactured by Royal Ltd. have been exempted from GST w.e.f. 15th November 2019. Earlier these goods were liable to tax @18%. Its inputs were liable to GST @12%. Following information is supplied on 15th November 2019:

- (i) The inputs costing Rs.1,44,720 are lying in stock.
- (ii) The inputs costing Rs.77,184 are in process
- (iii) The finished goods valuing Rs.4,82,400 are in stock, the input cost is 50% of the value.
- (iv) The balance in electronic credit ledger account shows credit balance of Rs.2,79,104.
- (v) Royal Ltd. also purchased capital goods for Rs.2,00,000 by paying GST 28% (invoice dated 10th July 2019)

The department has asked Royal Ltd. to reverse the credit taken on inputs referred above. However, Royal Ltd. contends that credit once validly is taken is indefeasible and not required to be reversed. Decide.

What would be your answer if the balance in electronic credit ledger receivable account as on 15th November 2019 were Rs.29,104? [10]

Answer:Statement showing amount to be paid by Royal Ltd. as on 15th November 2019

S. No.	Particulars	Amount to be paid Rs.	Workings
(i)	Inputs lying in stock	17,366	Rs.1,44,720 x 12/100 = Rs.17,366
(ii)	Inputs in process (i.e. work in progress)	9,262	Rs.77, 184 x 12/100 = Rs.9,262
(iii)	Inputs contained in finished goods lying in stock	28,944	Rs.4,82,400 x 50% x 12/100 = Rs.28,944
(iv)	Capital goods	51,333	Useful life as per rule 44(1)(b)= 5 years (i.e. 60 months). No. of months capital goods have been in use = 4 months 5 days (i.e. 5 months) The useful remaining life in months = 55 months Rs.2,00,000x28%x55/60= Rs.51,333
	Amount to be paid by Royal Ltd.	1,06,906	

Amount payable by Royal Ltd. = Rs.1, 06,906
 Less: ITC Receivable = Rs.(2, 79,104)
 Excess ITC = Rs. (1, 72,198)

Excess ITC in electronic credit ledger of Rs.1, 72,198 shall lapse as 15th November 2019.If the balance in electronic credit ledger as on 15th November 2019 is Rs.29,104, then amount payable is as follows:

Amount payable by Royal Ltd. = Rs. 1, 06,906
 Less: ITC Receivable = Rs. (29,104)
 Excess ITC = Rs. 77,802

5. (a) Mrs. Lakshmi, intending to start a new business in January 2020, furnishes the following information pertaining to the period upto 31.03.2020

Estimated supplies	Rs.
Intra-State supplies of taxable goods	14,00,000
Intra-state supplies of exempt services	4,00,000
Export sales	3,20,000
Supplies made as agent of a principal	2,40,000

Ascertain the aggregate turnover. She wants to know whether she should get herself registered for GST purposes. You are required to help her. Further, what will be the GST payable by her, if the GST rate for taxable goods supplied is 18%? [8]

Answer:

Computation of aggregate turnover

Estimated supplies	Amount in (Rs.)
Intra-State supplies of taxable goods	14,00,000
Intra-state supplies of exempt services	4,00,000
Export sales	3,20,000
Supplies made as agent of a principal	2,40,000
Aggregate turnover	23,60,000

Since the aggregate turnover exceeds Rs. 20 lakhs, Mrs. Lakshmi has to get her registered.

Computation of taxable supplies and GST

Estimated supplies	Amount in (Rs.)
Intra-State supplies of taxable goods	14,00,000
Intra-state supplies of exempt services	Nil
Export sales	Nil
Supplies made as agent of a principal	Nil
Aggregate taxable supplies	14,00,000
Estimated GST payable:	
CGST @9%	1,26,000
SGST @9%	1,26,000

- (b) A contract awarded by Bombay Municipal Corporation (BMC) for repair of a particular road to M/s B. Ltd. Of Mumbai with terms and conditions that the entire work should be completed within 30 days. However, there is a delay of 10 days to complete the work. BMC charged liquidated damages of Rs.1, 20,000 and the same recovered from M/s B. Ltd.**

Applicable rate of GST 18%

Find the following:

(1) Who is liable to pay GST and on what amount?

(2) Total GST liability if any.

Note: previous year turnover of M/s B Ltd. Was Rs.88 lakh.

[7]

Answer:

(1) It is supply of service.

M/s B Ltd being recipient of service is liable to pay GST on Rs.1, 20,000 (Reverse Charge applicable). Since, the contractor has performed the contract, but there is a delay of 10 days.

(2) GST liability = Rs. 21,600

Note:

- (i) It appears the liquidated damages recovered by local authority for delay in performance in contract will not be covered under exemption list of GST. The contract has been performed in such cases, GST will be payable on the same.

- (ii) Services provided by Government or a local authority by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the government or the local authority under such contract is exempted from GST.

6. (a) Mr. Harsha, a event organizer located in Malaysia, undertake to organize a comedy show of Mr. Bhrami of Hyderabad and Mr. Vadivelu of Chennai in India. The comedy shows are hosted in Telangana, Andhra Pradesh, Tamil Nadu and Pondicherry. Gross value of contract is Rs. 60 crores.

State	No. of Days	Recipient of Service
Telangana	20	Mr. Bhrami
Andhra Pradesh	15	Mr. Bhrami
Tamil Nadu	14	Mr. Vadivelu
Pondicherry	01	Mr. Vadivelu
Total	50	

Find the place of supply of services, value of service and person liable to pay tax. [8]

Answer:

Place of supply of service	Value Rs. in crores	Who is liable to pay GST	Nature of GST
Telangana	24	Mr. Harsha being a non-resident	IGST
Andhra Pradesh	18	Mr. Harsha being a non-resident	IGST
Tamil Nadu	16.80	Mr. Harsha being a non-resident	IGST
Pondicherry	1.20	Mr. Harsha being a non-resident	IGST
Total	60		

- (b) Queen Hotel Ltd., provider of rooms, charged rent per day per room as follows:

Particulars	Rs.
Room rent	550
Furniture rent	400
Air-conditioner rent	150
Refrigerator rent	50
Less: discount	(50)
Net amount charged	1,100

During the month of Oct 20XX, 20 rooms are let out throughout the month, and balance 35 rooms are let out only for 15 days.

ITC available Rs.7,500.

The following GST rates are applicable for the hotel industry:

CGST 6% and SGST 6%.

Find the GST liability if any for the month of Oct 20XX.

[7]

Answer:

Working note:

(1) Since, value is Rs.1,100, Hotel Queen Ltd., is liable to pay GST:

Room rent	550
Furniture rent	400
Air-conditioner rent	150
Refrigerator rent	50
Less: discount	(50)
Declared tariff	1,100

(2) Taxable services

(20 rooms x 31 days x Rs.1,100) = Rs.6,82,000

(35 rooms x 15 days x Rs.1,100) = Rs.5,77,500

Total taxable services = Rs.12,59,500

Statement showing GST liability of Queen Hotel Ltd

Particulars	Value in Rs.	
Taxable supply of services	12,59,500	
GST liability:		
	6% CGST	6% SGST
Output tax	75,570	75,570
Less: ITC	-3,750	-3,750
Total tax	71,820	71,820

7. Short note (Answer any three questions)**(a) Difference between Special Audit and Audit by Tax Authorities.****(b) List out any 5 cases where generation of E-Way Bill is not necessary.****(c) Items for which true and correct accounts are to be maintained.****(d) Advantages of GST****[3x5=15]****Answer:****(a) Difference between Special Audit and Audit by Tax Authorities:**

Components	Audit by tax authorities (Sec 65)	Special audit (Sec 66)
Conducted by	Conducted by officers of the department authorized by the commissioner.	Conducted by Chartered Accountant / Cost Accountant nominated by the commissioner.
Prior notice	Prior notice of 15 days is required.	No such notice/intimation is required.
Time for conclusion of the audit	The conclusion of the audit is given in 3 months, further extension of 6 months is allowed.	The conclusion of the audit is given in 90 days, further extension of 90 days is allowed.
Audit findings / report	Audit reports should be intimated soon upon completion of the audit.	Audit reports should be shown to deputy/ assistant commissioner.

Opportunity of being heard	No specific provision.	Yes, where material gathered during the audit is to be used in any proceeding against the auditee.
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(b) Cases where generation of E-Way Bill is not necessary are:

- (i) The mode of transport is non-motor vehicle
- (ii) Goods transported under customs supervision or under custom seal
- (iii) Transit cargo transported to or from Nepal or Bhutan
- (iv) Empty cargo containers are being transported
- (v) Consignor transporting goods to or from between place of business and a weighbridge for weighment at a distance of 20kms, accompanied by a delivery challan.

(c) Every registered person is required to maintain a true and correct account of the following:

- (i) Production or manufacture of goods
- (ii) Inward and outward supply of goods or services, or both
- (iii) Stock of goods
- (iv) Input tax credit availed
- (v) Output tax payable and paid
- (vi) Any other particulars deemed necessary

The above records must be maintained at each place of business registered under GST.

(d) Advantages of GST are as follows:

- (i) One Nation One Tax.
- (ii) Removal of bundled indirect taxes such as VAT, CST, CAD, SAD, Service Tax, and Excise.
- (iii) Removal of cascading effect of taxes i.e. removes tax on tax.
- (iv) Increased eases of doing business.
- (v) Lower cost of production, increase in demand will lead to increase in supply. Hence, this will ultimately lead to rise in the production of goods. Resultantly boost to make in India initiative.
- (vi) It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth.

Section – B

Answer question No. 8 which is compulsory and any one from rest of this section.

8. Answer the following questions: [5×1=5]

- (i) Which of the following is a taxable event for imported goods?
- (a) Unloading of imported goods at the customs port
 - (b) Date of entry into Indian Territorial waters
 - (c) Date of presentation of bill of entry
 - (d) Date on which the goods cross the custom barrier
- (ii) The bill of entry which is used for clearance of goods from warehouse for home consumption, is:
- (a) White bill of entry
 - (b) Yellow bill of entry
 - (c) Green bill of entry
 - (d) None of the above
- (iii) As per section 2(24) of the Customs Act, 1962, the person-in-charge of a vehicle carrying imported goods; deliver to the proper officer an import report within _____ after its arrival in the customs station, in the prescribes form
- (a) 12 hours
 - (b) 18 hours
 - (c) 24 hours
 - (d) None of the above.
- (iv) When the goods are sent from customs station for warehousing, proper officer shall affix _____ on the customer
- (a) Permanent lock
 - (b) One time lock
 - (c) Special mark
 - (d) One time mark
- (v) The safeguard duty imposed shall be in force for a period of ____ from the date of its imposition an can be extended with the total period levy not exceeding _____.
- (a) 4 years, 10 years
 - (b) 3 years, 5 years
 - (c) 1 years, 5 years
 - (d) 5 years, 10 years

Answer:

- (i) (d)
- (ii) (c)
- (iii) (a)
- (iv) (b)
- (v) (a)

9. (a) In case of pilferage, state the conditions which are to be satisfied for exemption from duty.

[3]

Answer:

In case of pilferage, Conditions to be satisfied for exemption from duty:

- (i) The imported goods should have been pilfered.
- (ii) The pilferage should have occurred after the goods are unloaded, but before the proper officer makes the order of clearance for home consumption or for deposit into warehouse.
- (iii) The pilfered goods should not have been restored back to the importer.

- (b) Compute the assessable value under the Customs Act, 1962 for an imported machine, based on the following information:

Particulars	US \$
(i) cost of the machine at the factory of the exporter	20,000
(ii) transport charges from the factory of exporter to port for shipment	800
(iii) handling charges paid for loading the machine in the ship	50
(iv) buying commission paid by the importer	100
(v) lighterage charges paid by the importer	200
(vi) freight and insurance (900+100) incurred from port of entry to inland container depot	1,000
(vii) ship demurrage charges	400
(viii) freight charges from exporting country to India (Insurance upto India is unascertainable)	4,000
(ix) loading, unloading and handling charges (includes \$100 incurred "at Indian port")	1,100
Date of bill of entry 20.3.2019: Exchange rate as notified by CBIC	Rs.68 per \$
Date of entry inward 25.3.2019: Exchange rate as notified by CBIC	Rs.65 per \$

[12]

Answer:

Computation of assessable value

FOB Price [Item (i) + (ii) + (iii)]	\$20,850
Add: Rule 10(1)(a) [Item (iv) is not includible]	Not included
Customs FOB	\$20,850
Add: Cost of transport and loading, unloading and handling charges under Rule 10(2)(a)	\$5,600
Item (v) included as per Expl. To Rule 10(2)	200
Item (vi) Cost of transshipment not included as per 5 th proviso to Rule 10(2)	-

Item (vii) included as per Expl. To Rule 10(2)	400	
Item (viii) General freight charges upto India	4,000	
Item (ix) included on actual basis only "upto place of importation". Hence, charges incurred at place of Indian port not included in customs value	1,000	
Add: insurance under Rule 10(2)(b) [not given, assumed 1.125% of customs FOB]		\$234.5625
CIF or Assessable Value		26,684.5625
Exchange Rate		Rs. 68 per \$
CIF or Assessable Value In Rs.		18,14,550.25

10. (a) Determine the safeguard duty payable by X Ltd., Y Ltd., Z Ltd., and A Ltd. under Section 8B of the Customs Tariff Act, 1975 from the following:

Import of Sodium Nitrite from developing and developed countries from 26th February, 2019 to 25th February, 2020 (both days inclusive) are as follows:

Importer	Country of Import	Rs. in crores
X Ltd.	Developing Country	70
Y Ltd.	Developing Country	72
Z Ltd.	Developing Country	52
A Ltd.	Developing Country	50
Others	Developed Country	2,256
	Total	2,500

Note: Safeguard duty is 30%.

[7]

Answer:

Importer	Country of Import	Rs. in crores	% of imports
X Ltd.	Developing Country	70	2.8%
Y Ltd.	Developing Country	72	2.88%
Z Ltd.	Developing Country	52	2.08%
A Ltd.	Developing Country	50	2%
Others	Developed Country	2,246	
	Total	2,500	9.76%

Safeguard duty is as follows:

Importer	Rs. in crores	% of imports
X Ltd.	21	70 x 30%
Y Ltd.	21.60	72 x 30%
Z Ltd.	15.60	52 x 30%
A Ltd.	15	50 x 30%

Articles originating from more than one developing countries and imports from each developing country is less than 3%, safeguard duty can be imposed if imports from all such developing countries taken together exceed 9% of total imports of that article in

India.

(b) Following particulars are available in respect of certain goods imported into India:

CIF value: US\$ 10,000

Exchange rate:

Notified by RBI Rs.60 = 1 US\$

Notified by CBIC Rs.58 = 1 US\$

Compute the following:

(i) FOB Value

(ii) Cost of insurance

(iii) Cost of freight and

(iv) Assessable value in rupees as per the Customs Act, 1962 and the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007. [8]

Answer:

As per Rule 10(2) proviso 3 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, where FOB value of goods and Cost of Insurance and Freight are not ascertainable, then the cost of insurance and transport shall be computed as follows:

Particulars	As per Rule 10(2) proviso 3	Working
Cost of transport (i.e. freight not known)	$20\% \times (\text{FOB value} + \text{Cost of Insurance})$	$\text{CIF value} \times 20/120$
Insurance (i.e. not known)	$1.125\% \times (\text{FOB value} + \text{Cost of transport})$	$\text{CIF value} \times 1.125/101.125$
FOB Value	$\text{CIF value} - \text{cost of transport} - \text{cost of insurance}$	

CIF value in Rs.5,80,000 (i.e. US\$ 10,000 x Rs.58)

S. No.	Particulars	Rs.	Working
i	FOB Value	4,76,881	$\text{Rs.5,80,000} - 96,667 - 6,452$
ii	Cost of insurance	6,452	$\text{Rs.5,80,000} \times 1.125/101.125$
iii	Cost of transport	96,667	$\text{Rs.5,80,000} \times 20/120$
iv	Assessable value	5,80,000	(CIF value = Assessable value)