

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 up to 31st October, 2020 and (ii) Customs law as amended by the Finance Act, 2020 and notifications/circulars issued till 31st October, 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. Ganesh Flour Mill Pvt Ltd., a registered supplier under GST having plant at Howrah, West Bengal, is engaged in the business of food processing. Within the plant premises, there is a stock yard, an office and a few residential quarters for employees of the company. After purchasing wheat from local market/ mandi, the company processes it and packs and sells the finished products such as atta, maida and suji in 1 Kg, 5 Kg & 10 Kg bags under the brand name "Ganesh Bhog". The aggregate turnover of the company during the preceding financial year was Rs. 7.50 crores.

Following details are provided by the company for the month of September:

Particulars	Amount (Rs.)
Sale of "Ganesh Bhog" atta, maida & suji	60,00,000
Purchase of wheat from mandi	14,00,000
Transportation charges paid to an unregistered goods transport operator for transportation of wheat from mandi to factory	40,000
Hiring charges paid to a local truck owner (not a GTA) for transportation of finished products from factory to distributors	50,000
Rent received from quarters allotted to employees	10,000
Electricity charges paid to West Bengal State Electricity Board	1,60,000
Bill raised by M/s BIS Security, Kolkata (a partnership firm registered under GST) for providing security service	1,18,000*

Interest on delayed payment collected from customers	3,500
Interest on fixed deposit in a bank	8,600
Payment to Indian Chamber of Commerce (registered under GST) towards sponsorship for Investor Summit at Kolkata	25,000
Legal fee paid to advocate, Mr. Ashok Ganguly	30,000
Licence fee paid to Food & Safety Standard Authority of India (FSSAI)	25,000

Following additional information has also been provided by the company:

- (1) The security service bill raised by M/s BIS Security* is inclusive of GST @ 18%.
- (2) Out of the total sales, "Ganesh Bhog" Atta worth Rs. 3,50,000 (10,000 Kg) was supplied to Department of School Education, Govt. of West Bengal for further supply to affected families during Covid-19. A subsidy of Rs.10/kg was received from Govt. of West Bengal for the said supply.
- (3) The company had given a contract to Starcon infra Pvt Ltd. for construction of a drying yard within the factory premises for Rs. 40 lakh in the month of April, with a completion schedule of 3 months. However, the contractor could not complete the work within the scheduled time. Therefore, a penalty @ 1% of contract value was recovered from the contractor during September.
- (4) The company had awarded a maintenance contract to Power Electromech Pvt Ltd., Delhi on 10th June, for repair of DG set installed in the factory, for Rs. 60,000 with a completion period of 30 days. The maintenance work was completed on 08th July. However, due to some dispute regarding quality of work, invoice was issued by Power Electromech Pvt Ltd. only on 5th September and payment was released on 15th September.
- (5) The company had delayed in making payment of GST amounting to Rs. 5,000 pertaining to the month of April by 4 months. The proper officer has imposed a penalty for failure to pay GST within the prescribed time limit.
- (6) The company had deposited the tax liability for the month of August amounting to Rs.3,30,730 on 28th September.

Note. All the above amounts are exclusive of GST, wherever applicable, unless specified otherwise.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (I) The value of taxable outward supply made by the company in the month of September is -
 - (a) Rs.61,48,100
 - (b) Rs.59,43,500
 - (c) Rs.61,39,500
 - (d) Rs.59,35,500
- (II) The value of taxable supply received by the company in the month of September on which GST is payable under reverse charge is-
 - (a) Rs.1,55,000
 - (b) Rs.1,73,000
 - (c) Rs.1,30,000

- (d) Rs.2,45,000
- (III) What is the time of supply of services provided by Power Electromech Pvt Ltd?
- (a) 10th June
 (b) 5th September
 (c) 15th September
 (d) 8th July
- (IV) The amount of interest payable by the company under section 50 of the CGST Act, 2017 for delay in payment of tax for the month of August?
- (a) Rs.4961
 (b) Rs.1305
 (c) Rs.4567
 (d) Rs.1142
- (V) In the context of the imposition of penalty on the company by the proper officer for failure to pay GST of Rs.5,000, which of the following statements is correct?
- (a) Penalty is leviable since the offence is not a “minor breach”.
 (b) Penalty is not leviable since the offence is a “minor breach”.
 (c) Penalty is leviable on failure to pay tax even if the offence is a minor breach.
 (d) No penalty is leviable for delay in payment of tax; only interest is payable for delay in payment of tax.
- (5 x 2 Marks each =10 Marks)**

2. Mr. Dinanath of Kolkata, a registered person under GST deals in sales & services of electronic goods such as TV, refrigerator, washing machine etc. His aggregate turnover during the preceding financial year was Rs. 6.2 crores. He furnishes following information for the month of December.

Outward supplies during the month of December are as under:

Particulars	Amount (Rs.)
Supply of goods to un-registered persons residing in & around Kolkata	Rs. 12 lakh
Supply of goods to a dealer of Bihar	Rs. 6 lakh
Supply of goods to registered dealers in West Bengal	Rs. 28 lakh
Repair & maintenance services provided to un-registered persons	Rs. 4 lakh

Inward supplies during the month of December are as under:

Particulars	Amount (Rs.)
Purchase of goods from registered dealers (Inter-State supply)	Rs. 30 lakh
Purchase of goods from registered dealers (Intra-State supply)	Rs. 4 lakh
Purchase of goods from un-registered dealers (Intra-State supply)	Rs. 2 lakh
Transportation charges paid to Om Logistics (GTA) (GST not charged by transporter on said bill)	Rs. 2 lakh
Payment made to Star Security Services Pvt Ltd (not registered under GST) for providing security services	Rs. 0.50 lakh
Loading & un-loading charges paid to labourer	Rs. 0.10 lakh
Shop rent paid to Kolkata Municipal Corporation	Rs. 0.30 lakh
Fee paid to Mr. Das, a Senior Advocate of Kolkata High court for legal service	Rs. 0.10 lakh

Following additional information is also provided:

- (a) During the course of un-loading TV sets, supplied by a registered person, one LED TV costing Rs. 25,000 was damaged & the supplier refused to replace the same.
- (b) The Assistant Commissioner of Commercial Tax, Kolkata has issued a show cause notice (SCN), to Mr. Dinanath due to non displaying of Registration Certificate & GSTIN at a prominent place of principal place of business. Mr Dinanath's plea is that the display GSTIN to general public is not mandatory as it is required for buyers only & the same is already mentioned in the tax invoice.
- (c) GST rate on all inward and outward supplies is 18% (CGST @ 9%, SGST @ 9%, IGST @ 18%), except transportation service which attracts GST @ 5%.
- (d) There is no opening ITC available in the relevant period in electronic credit ledger of Mr Dinanath.
- (e) All the goods purchased by Mr Dinanath is ex-shop and he arranges his own transportation through GTA.

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

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

- (I) The total value of inward supplies on which GST is payable by Mr Dinanath under reverse charge is-
 - (a) Rs.2.40 lakh
 - (b) Rs.2.10 lakh
 - (c) Rs.2.90 lakh
 - (d) Rs.3.00 lakh
- (II) The total value of inward supplies received during the month of December, not eligible for input tax credit (ITC) is -
 - (a) Rs.2,50,000
 - (b) Rs.2,85,000
 - (c) Rs.2,90,000
 - (d) Rs.3,25,000
- (III) The gross GST liability of Mr Dinanath for the month of December, assuming that no ITC is claimed/availed is -
 - (a) Rs.9,17,200
 - (b) Rs.9,43,200
 - (c) Rs.9,26,200
 - (d) Rs.9,20,800
- (IV) Which of the following statement is incorrect?
 - (i) Tax liability under reverse charge can be discharged through electronic credit ledger.
 - (ii) Transportation of goods by a registered person other than goods transport agency is not covered under reverse charge.
 - (iii) Inward supply of taxable goods which get damaged/destroyed is not eligible for ITC.

- (a) (i)
- (b) (ii)
- (c) (iii)
- (d) (i),(ii) and (iii)

(V) The penalty that may be leviable for failure to display Registration Certificate & GSTIN in a prominent location at principal place of business & at every additional place of business is:-

- (a) Rs.5000
- (b) Rs.10,000
- (c) Rs.25,000
- (d) Nil

(5 x 2 Marks each =10 Marks)

3. Being aggrieved by the order of proper officer, a tax payer filed an appeal for issue of pending refund amount. The Appellate authority ordered in favor of tax payer and granted refund of Rs.5,00,000/- and interest of Rs.80,000 on that refund amount totalling to Rs. 5,80,000 on 06.10.2020. In its order, Authority instead of adding the interest to the refund, mistakenly subtracted Rs. 80,000 and refund granted in the order totalled to Rs. 4,20,000.The taxpayer vexed up with the next process and accepted Rs. 4,20,000 as refund and did not apply for rectification. The authority, suo moto wants to rectify the mistake after 3 years. What is the time limit for rectification of mistake apparent from record?
- (a) 3 months from the date of issue of order i.e., 06.01.2021.
 - (b) 6 months from the date of issue of order i.e., 06.04.2021.
 - (c) No time limit for rectification of mistake.
 - (d) Since tax payer has not applied for rectification, mistake cannot be rectified. **(2 Marks)**
4. Mehta & Co. imported certain goods and cleared them for home consumption on 5th April, 2020 after paying import duty of Rs. 5,00,000. It used the imported goods and placed them under Customs control for export on 15th October, 2020. Which of the following statement(s) is correct in respect of duty drawback of imported goods under customs law?
- (a) Drawback amounting to Rs. 4,75,000 is allowed.
 - (b) Drawback amounting to Rs. 3,75,000 is allowed.
 - (c) Drawback amounting to Rs. 5,00,000 is allowed.
 - (d) No duty drawback is allowed where imported goods are used before re-exportation. **(2 Marks)**
5. Which of the following is not the function of GST Council?
- (a) To make recommendations on goods and services that may be exempted from GST.
 - (b) To make recommendations on the rates including floor rates with bands of GST.
 - (c) To determine tax not paid/short paid for any reason other than fraud.
 - (d) To establish a mechanism to adjudicate any dispute between the Government of India and one or more States. **(1 Mark)**
6. Which of the following statements is correct in case of pilfered goods under Customs?
- (a) Refund of duty can be claimed in case of pilfered goods
 - (b) Duty is not required to be paid in case of pilfered goods.

- (c) Duty drawback can be availed in case of pilfered goods.
- (d) Duty is payable at the reduced rates in case of pilfered goods. **(1 Mark)**
7. Which of the following statements is most appropriate in case of dutiable goods under customs law?
- (a) Dutiable goods means any goods which are chargeable to duty.
- (b) Dutiable goods means any goods on which duty has not been paid.
- (c) Dutiable goods means any goods which are chargeable to duty and on which duty has been paid.
- (d) Dutiable goods means any goods which are chargeable to duty and on which duty has not been paid. **(1 Mark)**
8. Goods other than restricted goods, including edible items, of ----- value in a licensing year, may be exported as a gift.
- (a) Rs. 1,00,000
- (b) Rs. 2,00,000
- (c) Rs. 5,00,000
- (d) Rs. 10,00,000 **(1 Mark)**
9. Rajkamal Cooperative Housing Society, registered under GST charges Rs. 21,000 as a general maintenance charge for the quarter April, 2020 to June, 2020 from Jaimin Sinha holding Flat No. 101. Jaimin Sinha forgot to pay the maintenance charges on time, resulting into levy of interest. The total amount charged from him was Rs.24,000 (Rs. 21,000+ Rs. 3,000 for interest).
Whether Jaimin Sinha is liable to pay GST, if yes on what amount?
- (a) Yes, Rs.21,000
- (b) Yes, Rs.24,000
- (c) Yes, Rs.1,500
- (d) No, not liable to pay GST. **(1 Mark)**
10. Whether Mr. X, a registered person, can issue single debit note or credit note for one or more invoices?
- (a) No, for every invoice, separate debit note or credit note is required to be issued.
- (b) Yes, one debit note or credit note can be issued for one or more invoices.
- (c) No, however, single invoice can have more than one debit note or credit note.
- (d) Debit note or credit note can be issued irrespective of issue of invoice. **(1 Mark)**

Division B: Descriptive Questions (70 Marks)

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

1. Sahu Parivar, pumps manufacturer in Vadodra (Gujarat) has provided following details for the month of May: -
1. As a staff welfare measure, Sahu Parivar has entered into an agreement with PNS Insurance Company to provide life insurance to its employees. PNS charged Rs. 35,00,000 for the same.
 2. It has entered into an agreement with a travel company to provide home travel facility to its employees when they are on leave. Travel company charged Rs. 1,00,000 for such facility.

3. It has entered into an agreement with a fitness center to provide wellness services to its employees after office hours for a consideration amounting to Rs.80,000.
4. It has availed services of the works contractor to erect foundation for fixing the machinery to earth, in the factory. It paid Rs. 50,000 for the same.
5. It laid pipelines (from the water source outside the factory) upto the gate of the factory for the purpose of production facility. The cost incurred for the same is Rs. 4,00,000.
6. For the purpose of smooth and convenient mobile communication in its factory, It has installed telecommunication tower of a mobile company (with due permission) by incurring Rs. 2,00,000.

Note: All the above transactions are intra-State in nature.

Sahu Parivar has also entered into a contract with AP Refinery, Sambhra (Rajasthan) on 1st May to supply and install 16 pumps on FOR basis. The following information is provided in this regard:

List price per pump is Rs. 1,60,000, exclusive of taxes. One of the conditions of the contract is that Sahu Parivar should ensure a two stage third party inspection for the pumps during the manufacturing process. Cost of inspection of Rs. 24,000 (for 16 pumps) is directly paid by AP Refinery to testing agency. AP Refinery requires a special packing for the pumps and the cost of such special packing is Rs. 86,000 (for 16 pumps). Sahu Parivar arranges for erection and testing of the pumps supplied by it at AP Refinery's site. Cost of erection etc. is Rs. 24,000 (for 16 pumps). Goods are dispatched with tax invoice on 20th May and they reach the destination at Sambhra on 21st May. Lorry freight (for 16 pumps) of Rs. 16,000 has been paid by AP Refinery directly to the lorry driver.

Assume CGST, SGST and IGST rates to be 9%, 9% and 18% respectively. For the relevant month, the opening balance of ITC of IGST is Nil, CGST is Rs. 32,500 and SGST is Rs. 32,500. All the given amounts are exclusive of GST, wherever applicable.

You are required to work out the net GST [CGST and SGST or IGST, as the case may be] payable from Electronic Cash Ledger of Sahu Parivar for the month of May after making suitable assumptions, if any. **(14 Marks)**

2. (a) Heron Manufacturers Ltd., registered in Mumbai (Maharashtra), is a manufacturer of cardboard box. It imports a cardboard box making machine from USA. Heron Manufacturers Ltd. enters into a contract with Garud Logistics, a licensed customs broker with its office at Ahmedabad (Gujarat), to meet all the legal formalities in getting the said machine cleared from the customs station.

Apart from this, Heron Manufacturers Ltd. authorises Garud Logistics to incur, on its behalf, the expenses in relation to clearance of the imported machine from the customs station and bringing the same to the warehouse of Heron Manufacturers Ltd. which shall be reimbursed by Heron Manufacturers Ltd. to Garud Logistics on the actual basis in addition to agency charges.

Garud Logistics provided following details:

S. No.	Particulars	Amount (Rs.)
(i)	Agency charges	6,00,000
(ii)	Unloading of machine at Kandla port, Gujarat	65,000
(iii)	Charges for transport of machine from Kandla port, Gujarat to its Garud Logistics' godown in Ahmedabad, Gujarat	30,000
(iv)	Charges for transport of machine from Garud Logistics' Ahmedabad godown to the warehouse of Heron Export Import House in Mumbai, Maharashtra	33,000
(v)	Prepared and submitted Bill of Entry and paid customs duty	6,75,000
(vi)	Dock dues paid	35,000

(vii)	Port charges paid	40,000
(viii)	Hotel expenses	60,000
(ix)	Travelling expenses	75,000
(x)	Telephone expenses	5,000

Compute the value of supply made by Garud Logistics with the help of given information.

Would your answer be different, if Garud Logistics has charged Rs. 25,00,000 as a lump sum consideration for getting the imported machine cleared from the customs station and bringing the same to the warehouse of Heron Manufacturers Ltd.?
(9 Marks)

- (b) Ramlal Charitable Trust imported 5,000 carpets for charitable distribution in India. The Trust did not pay either for the cost of goods or for the design and development charges, which was borne by the supplier. Customs officer computed its FOB value at USD 20,000 (including design and development charges), which was accepted by the Trust. Other details obtained were as follows:

Sl. No.	Particulars	Amount (Rs.)
1.	Freight paid (air) (in USD)	4,500
2.	Design & development charges paid in USA (in USD)	2,500
3.	Commission payable to an agent in India (in Rs.)	12,500
4.	Exchange rate notified by CBIC and rate of basic duty is as follows: Date of Bill of Entry BCD Exchange Rate 10.05.2020 15% Rs. 70 Date of arrival of aircraft BCD Exchange Rate 20.05.2020 10% Rs. 75 The inter-bank rate was 1 USD = Rs. 72	
5.	Integrated tax	12%
6.	Social Welfare surcharge as applicable	

Compute the amount of total customs duty and integrated tax payable on importation of carpets. Make suitable assumptions where required. Working notes should form part of your answer.

Note: Ignore GST Compensation Cess
(5 Marks)

3. (a) Mr. Sheru, an unregistered person and a resident of Pune, Maharashtra hires the services of Class Ltd. an event management company registered in Delhi, for organising the new product launch in Bengaluru, Karnataka.
- Determine the place of supply of services provided by Class Ltd.
 - What would be your answer if the product launch takes place in Bangkok?
 - What would be your answer if Mr. Sheru is a registered person and product launch takes place in-
 - Bengaluru
 - Bangkok?
- (5 Marks)**
- (b) Hodu Ltd., Mumbai, holds 51% of shares of Wanky Inc., a USA based company. Wanky Inc. provides business auxiliary services to Hodu Ltd. From the following details, determine the time of supply of service provided by Wanky Inc:

Agreed consideration	US \$1,00,000
Date on which services are provided by Wanky Inc.	16 th June
Date on which invoice is issued by Wanky Inc.	19 th August
Date of debit in the books of account of Hodu Ltd.	30 th September
Date on which payment is made by Hodu Ltd.	23 rd December

(4 Marks)

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

- (i) Both countervailing duty and anti-dumping duty have been imposed on an article to compensate for the same situation of dumping.
- (ii) 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.
- (iii) 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)

4. (a) SS Pvt. Ltd., Coimbatore exclusively manufactures and sells product 'P' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells product 'P' only within Tamil Nadu and is not registered under GST. Further, all the inward supply of the company are taxable under forward charge. The turnover of the company in the previous year was Rs. 45 lakh. The company expects the sales to grow by 30% in the current year. The company purchased additional machinery for manufacturing 'P' on 1st July. The purchase price of the capital goods was Rs. 30 lakh exclusive of GST @ 18%.

However, effective from 1st November, exemption available on 'P' was withdrawn by the Central Government and GST @ 12% was imposed thereon. The turnover of the company for the half year ended on 30th September was Rs. 45 lakh.

- (i) Examine the above scenario and advise SS Pvt Ltd. whether it needs to get registered under GST.
- (ii) If the answer to the above question is in affirmative, advise SS Pvt. Ltd. whether it can avail input tax credit on the additional machinery purchased exclusively for manufacturing "P"?

(5 Marks)

- (b) Orip Electricals Ltd., a registered supplier of air-conditioners, is required to send from Mumbai (Maharashtra), a consignment of parts of air-conditioner to be replaced under warranty at various client locations in Gujarat. The value of consignment declared in delivery challan accompanying the goods is Rs. 60,000. Orip Electricals Ltd. claims that since movement of goods to Gujarat is caused due to reasons other than supply, e-way bill is not mandatorily required to be generated in this case.

You are required to examine the technical veracity of the claim made by Orip Electricals Ltd.

(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) Jaiveer & Co. self-assessed its tax liability as Rs. 1,17,000 for the month of April, but failed to make the payment.

Subsequently the Department initiated penal proceedings against Jaiveer & Co. for recovery of penalty under section 73 of the CGST Act, 2017 for failure to pay GST and issued show cause notice on 10th August which was received by Jaiveer & Co. on 14th August.

Jaiveer & Co. deposited the tax along with interest on 25th August and informed the department on the same day.

Department is contending that he is liable to pay a penalty of Rs. 58,500 (i.e. 50% of Rs. 1,17,000).

Examine the correctness of the stand taken by the Department with reference to the provisions of the CGST Act. Explain the relevant provisions in brief.

(5 Marks)

- (b) Ms. Kiya had filed an appeal before the Appellate Tribunal against an order of the Appellate Authority where the issue involved relates to place of supply. The order of Appellate Tribunal is also in favour of the Department. Ms. Kiya now wants to file an appeal against the decision of the Appellate Authority as she feels the stand taken by her is correct.

You are required to advise her suitably with regard to filing of an appeal before the appellate forum higher than the Appellate Tribunal.

(4 Marks)

- (c) M/s. QTE imports copper concentrate from different suppliers. At the time of import, the seller issues a provisional invoice and the goods are provisionally assessed under section 18 of the Customs Act, 1962 based on the invoice. When the final invoice is raised, based on the price prevalent in the London Metal Exchange on a predetermined date as agreed in the contract between the buyer and seller, the assessments are finalized on the basis of the price in such invoices.

M/s QTE has filed a refund claim arising out of the finalization of the bill of entry by the authorities. The Department, however, has rejected the refund claim on the grounds of unjust enrichment. Discuss whether the action of the department is correct in law?

(5 Marks)

6. (a) Discuss briefly provisions of CGST Act, 2017 regarding questions for which advance ruling can be sought. **(5 Marks)**
- (b) State the circumstances when the proper officer can authorize 'arrest' of any person under the CGST Act, 2017. **(4 Marks)**
- (c) What do you understand by the term 'Foreign Trade Policy' (FTP)? Which is the governing legislation for FTP? Which Government authorities administer FTP in India? **(5 Marks)**