

**MOCK TEST PAPER 2**  
**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 30<sup>th</sup> April, 2021 and (ii) Customs law as amended by the Finance Act, 2020 and notifications/circulars issued till 30<sup>th</sup> 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. Jain Bhagwan (P) Ltd. deals in supply of air conditioners (ACs). It also undertakes installation of ACs at the premises of the client. The company has provided the following details for the month of February:

Date	Transaction
2 <sup>nd</sup> February	Supply and installation of 10 ACs at the newly established office of M/s Ram Mohan & Associates, a CA firm, registered under GST in New Delhi. The company charged ₹ 21,000 per AC from the CA firm.
15 <sup>th</sup> February	Service of installation of 15 ACs at Mr. Varun's Mansion in Chandigarh. Mr. Varun is an individual and is unregistered. The company has charged ₹ 2,000 per installation. The company forgot to issue the invoice for the service. However, payment was received in advance on 13 <sup>th</sup> February.
20 <sup>th</sup> February	Received advance of ₹ 2,00,000 from Sunshine Ltd. for installation of AC at its factory in Bawana, Delhi on 28 <sup>th</sup> February. The invoice is issued on the date of provision of service, i.e., on 28 <sup>th</sup> February. The client is registered under GST in New Delhi.

Other relevant information:

1. Standard price charged:  
 Air Conditioner: ₹ 20,000 per piece  
 Service of installation of air conditioner: ₹ 2,000 per installation  
 AC + Installation: ₹ 21,000 per piece

2. Applicable rate of taxes:

Date of transaction	Applicable rate of GST on supply of air conditioner	Applicable rate of GST on supply of service of installation of air conditioner
Before 22 <sup>nd</sup> February	18%	5%
On or after 22 <sup>nd</sup> February	12%	12%

3. Jain Bhagwan (P) Ltd. is registered under GST in Delhi.

4. One order for supply of 100 ACs in Hongkong has been received by the company. The company is unable to determine the time and value of supply for this supply.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1.1. to 1.4. as follows:-

1.1. What rate of tax should the company charge on supply made to M/s Ram Mohan & Associates?

- (a) 18%
- (b) 5%
- (c) 18% on AC value and 5% on installation value
- (d) 12%

1.2. What is the time of supply of service provided to Mr. Varun?

- (a) 15<sup>th</sup> February
- (b) 16<sup>th</sup> February
- (c) 13<sup>th</sup> February
- (d) 14<sup>th</sup> February

1.3. Sunshine Ltd. contended that GST should be charged @ 12% since supply is made after change in rate of tax. Advise whether the contention of Sunshine Ltd. is valid as per GST law.

- (a) No. Since payment has been received before the change in rate of tax, old rate shall be applicable.
- (b) Yes. Since provision of service and issue of invoice is after the change in rate of tax, new rate shall be applicable.
- (c) No. Since time of supply shall be earlier of date of receipt of payment and date of issue of invoice, old rate shall be applicable.
- (d) Yes. Since provision of service is after change in rate of tax, new rate shall be applicable. Date of invoice is not relevant.

1.4. Since Jain Bhagwan (P) Ltd. is unable to determine the time and value of supply of air conditioners to be supplied in Hongkong, it decides to seek the advance ruling in the given case. Which of the following statements are true in this regard?

- (a) Jain Bhagwan (P) Ltd. can seek advance ruling to determine the time and value of supply of air conditioners. After seeking advance ruling, if it is aggrieved with the finding of the Authority for Advance Ruling (AAR), it can also file an appeal with Appellate Authority for Advance Ruling (AAAR).
- (b) Jain Bhagwan (P) Ltd. can seek advance ruling to determine the time of supply of air conditioners, but advance ruling cannot be sought for determining the value of supply of air conditioners. Order of AAR is final and cannot be appealed against.

- (c) Jain Bhagwan (P) Ltd. cannot seek advance ruling to determine the time and value of supply of air conditioners.
  - (d) Jain Bhagwan (P) Ltd. can seek advance ruling to determine the time and value of supply of air conditioners. Order of AAR is final and cannot be appealed against.
2. XYZ Logistics Limited (XLL) is into warehousing and logistics business. It has two Container Freight Stations (CFS): one at Inland Container Depot (ICD) Dadri, Uttar Pradesh and other at ICD Tughlakabad, Delhi. XLL is also engaged in the business of freight forwarding and multimodal transportation. Intermittently, XLL also deals in trading of goods, primarily in export to countries outside India.

XLL started its operations on 30<sup>th</sup> June by setting up head/ corporate office in Gurgaon, Haryana for trading of goods and two CFS at U.P. and Delhi. Services as well as invoicing to customers was done from Delhi and U.P. unit only. Top management was placed at the head office for the management of the company.

The aggregate turnover of the XLL's Delhi unit crossed ₹ 20 lakh on 31<sup>st</sup> October. It applied for GST registration for Delhi on 25<sup>th</sup> November. Registration was granted on 7<sup>th</sup> December. GST in respect of stock of goods at Delhi as on 30<sup>th</sup> October was ₹ 50 lakh, on 25<sup>th</sup> November was ₹ 40 lakh and on 7<sup>th</sup> December was ₹ 20 lakh.

The primary business of XLL is container handling service of import/export containers. In July next year, a shipper placed a work order on XLL for handling of an export container from ICD Tughlakabad to Dubai UAE, through Nhava Sheva seaport in Mumbai. XLL was responsible for stuffing goods in containers at ICD, assisting in obtaining customs clearance, and transportation of goods from ICD to seaport. XLL requested the customer to issue e-way bill for the movement of customs sealed containers from ICD to seaport as the value of goods in container exceeded ₹ 50,000. However, the customer denied issuing e-way bill stating that the responsibility to issue the same is on the person who arranges the transport of goods. Consequently, the management of XLL issued e-way bill with the assistance of a consultant.

There is a green cess that is applicable on the goods handled through CFS for exports outside India. XLL as a policy deposits green cess with the Government in the name of the customer and recovers such cess at actuals from the customer.

Few customers of XLL are based out of Nepal & Bhutan. It provides container handling services for their containers/ cargo which are in transit to Nepal or Bhutan. It receives consideration from Nepal/ Bhutan customers in INR (₹).

All the above amounts are exclusive of GST, wherever applicable. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 2.1. to 2.5.:-

- 2.1. Which of the following statements is correct regarding eligibility of ITC on opening stock at the time of new registration?
- (a) XLL can avail credit of ₹ 50 lakh.
  - (b) XLL can avail credit of ₹ 40 lakh.
  - (c) XLL can avail credit of ₹ 20 lakh.
  - (d) XLL cannot avail credit on opening stock.
- 2.2. Which of the following statements is correct regarding GST registration by XLL?
- (a) XLL was liable for registration of only Delhi unit.
  - (b) XLL was liable for registration of Delhi and UP units.

- (c) XLL was liable for registration of Delhi, UP and Haryana units.
  - (d) XLL was liable for normal registration at Delhi and UP unit, and ISD registration at Haryana unit.
- 2.3. Which of the following statements is correct regarding generation of e-way bill for movement from ICD Tughlakabad to Nhava Sheva seaport in Mumbai?
- (a) E-way bill was not required to be generated since goods were being transported from ICD to seaport.
  - (b) E-way bill was mandatorily required to be generated irrespective of the value of the goods being transported as such goods were being transported from ICD to seaport.
  - (c) E-way bill was required to be generated since the value of goods being transported exceeded ₹ 50,000.
  - (d) E-way bill was rightfully issued by XYZ Logistics Limited being the transporter of goods.
- 2.4. Which of the following statements is correct regarding value of container handling services provided by the company?
- (a) Value of the taxable container handling services should exclude transportation cost and green cess.
  - (b) Value of the taxable container handling services should exclude green cess but include transportation cost.
  - (c) Value of the taxable container handling services should exclude transportation cost but include green cess.
  - (d) Value of the taxable container handling services should include transportation cost and green cess.
- 2.5. Which of the following statements is correct regarding invoicing to Nepal/ Bhutan customers?
- (a) GST is not chargeable on container handling services provided to Nepal/ Bhutan customers as the place of supply of such services is outside India.
  - (b) GST is not chargeable on container handling services provided to Nepal/ Bhutan customers as the same qualifies as export of service.
  - (c) GST is not payable on container handling services provided to Nepal/ Bhutan customers as the supply of services associated with transit cargo to Nepal and Bhutan are exempt services.
  - (d) GST is chargeable on container handling services provided to Nepal/ Bhutan customers.
3. Minimum and maximum limit for amount for compounding of offences under section 138 of the CGST Act, 2017 are:
- (a) Minimum: Higher of 50% of tax involved, or ₹ 10,000; Maximum: Higher of 150% of tax involved, or ₹ 30,000
  - (b) Minimum: Lower of 50% of tax involved, or ₹ 10,000; Maximum: Higher of 150% of tax involved, or ₹ 30,000
  - (c) Minimum: Higher of 50% of tax involved, or ₹ 10,000; Maximum: Lower of 150% of tax involved, or ₹ 30,000
  - (d) Minimum: Lower of 50% of tax involved, or ₹ 10,000; Maximum: Lower of 150% of tax involved, or ₹ 30,000
- (2 Marks)**

4. Mr. Happy Singh is a resident of Chandigarh. The marriage of his daughter, Khushi Kaur, has been finalized with Mr. Lovely Singh, a NRI settled in Canada. The marriage is scheduled on 14<sup>th</sup> February in Chandigarh. Mr. Happy Singh wants to send 5,000 marriage invitation cards to all his relatives and friends to attend the marriage. He has to send the invitation by speed post. He is not sure about the taxability of speed post services under GST regime. He seeks your help in determining the applicability of GST on speed post. Choose the correct option.
- (a) GST payable
  - (b) Non-taxable
  - (c) Exempt
  - (d) None of the above
- (2 Marks)**
5. The time-limit for issuance of order of best judgment assessment is:
- (a) 5 years from the date specified for furnishing of the annual return for the financial year to which the tax not paid relates.
  - (b) 4 years from the date specified for furnishing of the annual return for the financial year to which the tax not paid relates.
  - (c) 3 years from the date specified for furnishing of the annual return for the financial year to which the tax not paid relates.
  - (d) None of the above
- (2 Marks)**
6. GST compliance rating shall be assigned to:
- (a) only a person who is liable to deduct TDS/ collect TCS.
  - (b) only a composition dealer.
  - (c) only an input service distributor.
  - (d) every registered person.
- (1 Mark)**
7. In which of the following cases, can an importer claim abatement of duty under section 22 of the Customs Act, 1962?
- (i) Goods pilfered during unloading
  - (ii) Goods damaged by accident (due to negligence of the importer) after unloading but before examination for assessment by customs authorities
  - (iii) Goods destroyed by accident while being removed from the warehouse after clearance for home consumption
  - (iv) Goods damaged by accident (not due to negligence of the importer) after unloading but before examination for assessment by customs authorities
- (a) Only (iv)
  - (b) Only (iii)
  - (c) Both (i) and (iii)
  - (d) (i), (ii), (iii) and (iv)
- (2 Marks)**
8. Which of the following are levied as additional duties of customs under section 3 of the Customs Act, 1962?
- (i) Duty equal to excise duty leviable on like product manufactured in India

- (ii) Countervailing duty as special additional duty
- (iii) Special additional duty to counterbalance sales tax
- (iv) Anti-dumping duty to protect domestic industry

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

**(2 Marks)**

9. Anti-dumping duty is calculated as follows:

- (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

**(1 Mark)**

### **Division B: Descriptive Questions (70 Marks)**

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

1. Flowchem Palanpur (Gujarat) has entered into a contract with R Refinery, Abu Road (Rajasthan) on 1<sup>st</sup> July to supply 10 valves on FOR basis. The following information is provided in this regard:

- (1) List price per valve is ₹ 1,00,000, exclusive of taxes.
- (2) One of the conditions of the contract is that Flowchem should ensure a two stage third party inspection for the valves during the manufacturing process. Cost of inspection of ₹ 15,000 (for 10 valves) is directly paid by R Refinery to testing agency.
- (3) R Refinery requires a special packing for the valves. Cost of special packing is ₹ 10,000 (for 10 valves).
- (4) Flowchem arranges for erection and testing of the valves supplied by it at R Refinery's site. Cost of erection etc. is ₹ 15,000 (for 10 valves).
- (5) Goods are dispatched with tax invoice on 20<sup>th</sup> July and they reach the destination at Abu-Road on 21<sup>st</sup> July. Lorry freight of ₹ 5,000 has been paid by R Refinery directly to the lorry driver.

Assume CGST and SGST rates to be 9% each and IGST rate to be 18%. Opening balance of ITC of IGST is Nil, CGST is ₹ 20,000 and SGST is ₹ 20,000. All the given amounts are exclusive of GST, wherever applicable.

Flowchem has also undertaken following local transactions during the month of July on which it has paid CGST and SGST as under:

S. No.	Particulars	Amount paid CGST (₹)	Amount paid SGST (₹)
1.	Availed services of works contractor to erect foundation for fixing the machinery to earth, in the factory.	5,000	5,000
2.	Laid pipelines (from the water source outside the factory) upto the gate of the factory for the purpose of production facility.	10,000	10,000

3.	For the purpose of smooth and convenient mobile communication in its factory, it has installed telecommunication tower of a mobile company (with due permission)	5,000	5,000
4.	It has entered into an agreement with a travel company to provide home travel facility to its employees when they are on leave.	2,500	2,500
5.	It has entered into an agreement with a fitness center to provide wellness services to its employees after office hours	2,000	2,000

Work out the net GST [CGST, SGST or IGST, as the case may be] payable from Electronic Cash Ledger of Flowchem, Palanpur (Gujarat) for the month of July after making suitable assumptions, if any. **(14 Marks)**

2. (a) Mohandas International entered into a transaction for import of goods from a vendor located in Italy. Due to financial issues, Mohandas International was not in a situation to clear the goods upon payment of import duty. Mohandas International sold the goods to Radhakrishnan Export House by endorsement of title to the goods, while the goods were in high seas. The agreement further provided that Mohandas International shall purchase back the goods in future from Radhakrishnan Export House. Discuss the taxability of transaction(s) involved, under the GST law. **(4 Marks)**

- (b) Harishchandra of New Delhi makes a request for a motor cab to "Super ride" for travelling from New Delhi to Gurgaon (Haryana). After Harishchandra pays the cab charges using his debit card, he gets details of the driver - Jorawar Singh and the cab's registration number.

"Super ride" is a mobile application owned and managed by Perry India Ltd. located in India. The application "Super ride" facilitates a potential customer to connect with the persons providing cab service under the brand name of "Super ride".

Perry India Ltd. claims that cab service is provided by Jorawar Singh and hence, he is liable to pay GST. With reference to the provisions of IGST Act, 2017, determine who is the person liable to pay GST in this case? **(5 Marks)**

- (c) BSA & Company Ltd. has imported a machine from U.K. From the following particulars furnished by it, arrive at the assessable value for the purpose of customs duty payable.

	Particulars	Amount
(i)	Price of the machine	10,000 U.K. Pounds
(ii)	Freight (air)	3,000 U.K. Pounds
(iii)	Engineering and design charges paid to a firm in U.K.	500 U.K. Pounds
(iv)	License fee relating to imported goods payable by the buyer as a condition of sale	20% of Price of machine
(v)	Materials and components supplied in UK by the buyer free of cost valued at ₹ 20,000	
(vi)	Insurance paid to the insurer in India	₹ 6,000
(vii)	Buying commission paid by the buyer to his agent in U.K.	100 U.K. Pounds

Other particulars:

- (i) Inter-bank exchange rate: ₹ 98 per U.K. Pound.

- (ii) CBIC had notified for purpose of section 14 of the Customs Act, 1962, exchange rate of ₹ 100 per U.K. Pound.
- (iii) Importer paid ₹ 5,000 towards demurrage charges for delay in clearing the machine from the Airport.

(Make suitable assumptions wherever required and show workings with explanations) **(5 Marks)**

3. (a) Asha Enterprises, supplier of sewing machines, is located in Kota (Rajasthan) and registered for purpose of GST in the said State. It receives an order from Deep Traders, located in Jalandhar (Punjab) and registered for the purpose of GST in the said State. The order is for the supply of 100 sewing machines with an instruction to ship the sewing machines to Jyoti Sons, located in Patiala (Punjab) and registered in the said State for purpose of GST. Jyoti Sons is a customer of Deep Traders. Sewing machines are being shipped in a lorry by Asha Enterprises.

Briefly explain the following:

- (a) the place of supply;
  - (b) the nature of supply:- whether inter-State or intra-State and
  - (c) whether CGST/SGST or IGST would be applicable in this case. **(5 Marks)**
- (b) Kanchenjunga Pvt. Ltd. supplies taxable goods to Sutlej Pvt. Ltd. for ₹ 2,50,000 on 23<sup>rd</sup> June and issues the invoice on 25<sup>th</sup> June. Payment for the goods is made by Sutlej Pvt. Ltd. on 15<sup>th</sup> July.

Determine the time of supply of goods for the purpose of payment of tax. **(4 Marks)**

- (c) In January, 2020, Rock & Rock India Ltd. imported a consignment from U.S.A (by sea). The value of consignment was ₹ 7,50,000 and total duty payable was ₹ 1,50,000.

Company filed bill of entry for home consumption but before inspection and clearance for home consumption it found that the goods were damaged.

On filing a representation to the Customs Department, proper officer refused the claim for abatement because goods were already unloaded. The proper officer is in agreement with the claim that the value of goods has come down to only ₹ 1,50,000.

Examine the issue with reference to the relevant statutory provisions and calculate the amount of total duty payable:

Would your answer be different in the above case if the goods get deteriorated after unloading and examination but before clearance for home consumption, and value comes down to ₹ 7,00,000 ? **(5 Marks)**

4. (a) Power 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 ₹ 70,000. Power 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 Power Electricals Ltd.

**(5 Marks)**

- (b) SNP Pvt. Ltd., Coimbatore, Tamil Nadu, exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells product 'Z' only within Tamil Nadu and it not registered under GST. Further, all the inward



supplies of the company are taxable under forward charge. The turnover of the company in the previous year was ₹ 55 lakh. The company expects the sales to grow by 20% in the current year. Owing to the growing demand for the product, the company decided to increase its production capacity and purchased additional machinery for manufacturing 'Z' on 1<sup>st</sup> July. The purchase price of such capital goods was ₹ 20 lakh exclusive of GST @ 18%.

However, effective from 1<sup>st</sup> November, exemption available on 'Z' was withdrawn by the Central Government and GST @ 12% was imposed thereon. The turnover of the company for the half year ended on 30<sup>th</sup> September was ₹ 50 lakh. The Board of Directors of SNP Pvt. Ltd. wants to know whether they have to register under GST? Advice SNP Pvt. Ltd. on the above issue with reference to the provisions of GST law. **(4 Marks)**

- (c) During the year 2020, the customs authorities have noticed that there is an increased quantity of Product XYZ being imported into the country. Determine whether the Central Government should consider levying safeguard duty or anti-dumping duty with appropriate reasons. Also enumerate any exemptions/reliefs available from such duty. **(5 Marks)**

5. (a) Everest Technologies Private Limited has been issued a show cause notice (SCN) on 31.01.2022 under section 73(1) on account of short payment of tax during the period between 01.07.2018 and 31.12.2018. Everest Technologies Private Limited contends that the show cause notice issued to it is time-barred in law.

You are required to examine the technical veracity of the contention of Everest Technologies Private Limited. **(5 Marks)**

- (b) In an order dated 20<sup>th</sup> August issued to GH (P) Ltd., the Joint Commissioner of CGST has confirmed IGST demand of ₹ 280 crore. The company is disputing the entire demand of IGST and wants to know the amount of pre-deposit it has to make under the IGST Act for filing an appeal before the Appellate Authority against the order of the Joint Commissioner. **(4 Marks)**
- (c) Mrs. X, an Indian resident (36 years old) who was on a visit to China, returned after six months. She was carrying with her the following items:

(i)	Personal effects	₹ 75,000
(ii)	Laptop computer	₹ 60,000
(iii)	Jewellery - 25 grams (purchased in China)	₹ 75,000
(iv)	Music system	₹ 50,000

Compute the customs duty payable by Mrs. X with reference to the Baggage Rules, 2016.

**(5 Marks)**

6. (a) Discuss the liability of the retiring partner of a firm to pay any tax, interest or penalty, if any, leviable on the firm under CGST/ IGST/ SGST Act. **(5 Marks)**
- (b) Explain the difference between Audit by Tax Authorities under section 65 and Special Audit under section 66 of the CGST Act, 2017. **(4 Marks)**
- (c) What is the minimum and maximum rate or amount of duty drawback prescribed under the Customs & Central Excise Duties Drawback Rules, 2017? Explain with a brief note. **(5 Marks)**