

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 31st October, 2020 and (ii) Customs law as amended by the Finance Act, 2020 and notifications/circulars issued till 31st, 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. Bright Public School, New Delhi, under the aegis of Bright Minds Society, has provided/received following services/supplies in the month of March:
 1. Provided transportation services to its students, teachers and other staff for commuting to and from school. Such transportation services are provided to Bright Public School by Ambaji Transporters.

An amount of Rs. 1,500 per month is charged from students whereas such services are provided free of cost to teachers and other staff, being part of their employment contract. Consolidated amount of Rs. 2 lakh per month is paid to Ambaji Transporters.
 2. It conducted entrance examination for students of Class 11 for upcoming academic year. It charged entrance fee of Rs. 1,000 from external students and nominal entrance fee of Rs. 200 was charged from internal students at school. A total of 2,000 students gave entrance exam out of which 1000 were internal students.
 3. The school was an examination centre for Class XII Examination conducted on 27th March. A sum of Rs. 15,000 was received from the Central Board of Secondary Education (CBSE) for hosting the examination in school premises.
 4. Bright Public School also provides boarding and lodging facilities to its students belonging to other cities of India. A consolidated amount of Rs. 1,75,000 per annum is charged per student as a consideration for educational services as well as for services of boarding and lodging provided to them.

Note: 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 Q. Nos. 1.1 to 1.5:

- 1.1 Choose the most appropriate option in relation to service of transportation of students, teachers and other staff provided by Bright Public School:
- (a) The amount of Rs. 1,500 charged per student is a supply in terms of section 7 of the CGST Act, 2017 and GST is payable on the same.
 - (b) The transportation services provided to students, teachers, other staff is exempt from GST.
 - (c) The transportation services provided to students is not a supply as it has been specifically exempted from GST under section 11 of the CGST Act, 2017.
 - (d) Transportation services provided to teachers and staff are exempt from GST. However, since Rs. 1,500 is being charged from students for their transportation, it is not an exempt supply and GST is payable on the same.
- 1.2 Choose the most appropriate option in relation to entrance fee charged by Bright Public School from the students:
- (a) No GST is leviable on entrance fee charged from internal students. However, GST is payable by school on entrance fee charged from outside students as it is a service in relation to entrance examination provided to outsiders who are not students of school and therefore, supply is not eligible for exemption.
 - (b) GST is payable on whole of the consideration received from students (internal and external both) as only services provided to educational institution relating to admission or conduct of examination are exempt and not the services provided by educational institution for conduction of examination.
 - (c) No GST is payable on consideration of Rs. 12,00,000 received from students in the form of entrance exam fee as such amount is exempt from GST. However, it still qualifies to be a supply as per the CGST Act, 2017 and needs to be reported in the return for the month of May as exempt supply.
 - (d) Since, entrance exam fee is received for admission to the upcoming academic session, the amount of consideration needs to be amortized over the year and value of such supply would be reported in the respective month as nil rated supply.
- 1.3 Choose the most appropriate option in relation to Bright Public School being an examination centre for conducting conduct of Class XII examination:
- (a) It is not an exempt supply under section 11 of the CGST Act, 2017 as services are provided to CBSE which is not an educational institution (but a governing body) as per the provisions of the Act.
 - (b) It is an exempt supply under section 11 of the CGST Act, 2017 as CBSE is treated as educational institution for the limited purpose of providing services by way of conduct of examination to the students.
 - (c) It is not an exempt supply under section 11 of the CGST Act, 2017 as only those services provided by an educational institute by way of conduct of examination are exempt which are provided against consideration in the form of entrance fee.
 - (d) There is no exemption for services provided by an educational institution for conduct of examination.

- 1.4 Choose the most appropriate option in relation to boarding and lodging facilities provided by Bright Public School in addition to educational services and consideration charged thereto:
- It is a composite supply where the principal supply is educational services. Since the principal supply is exempt, the entire consideration of Rs. 1,75,000 is also exempt from tax.
 - It is a composite supply where the principal supply is that of boarding and lodging services and educational services are incidental to boarding and lodging services. Therefore, the tax is payable at the rate applicable to principal supply, i.e., boarding and lodging services.
 - It is a mixed supply where educational services and boarding and lodging services are independent of each other. Therefore, the tax is payable at the highest rate of tax applicable among these supplies.
 - It is a mixed supply where educational services and boarding and lodging services are independent of each other. Since educational services are exempt, the tax is payable at the rate of tax applicable on boarding and lodging services.
- 1.5 Choose the most appropriate option in relation to supply of service by Ambaji Transporters to Bright Public School:
- GST is payable on the services provided by Ambaji Transporters as they are covered under section 9(3) of the CGST Act, 2017 which includes services by a transporter.
 - GST is not payable on the services provided by Ambaji Transporters as services provided by it do not qualify as supply under the CGST Act, 2017.
 - GST is not payable on the services provided by Ambaji Transporters as they have been specifically exempted under section 11 of the CGST Act, 2017. However, section 9(3) of the CGST Act, 2017 overrides all other provisions of the CGST Act, 2017 which are contrary to it, thereby making Ambaji Transporter liable to pay GST.
 - GST is not payable on the services provided by Ambaji Transporters as they have been specifically exempted under section 11 of the CGST Act, 2017. Tax is not payable on reverse charge basis on the same under section 9(3) of the CGST Act, 2017.
2. Mr. A is a practicing Chartered Accountant who is supplying the service in the field of auditing and assurance. His earnings during the current financial year are as follows-
- Income from the auditing and assurance service provided during the year- Rs. 1,86,00,000
 - Income for acting as an examiner from the ICAI and ICSI (not on their rolls) in the month of June - Rs. 2,50,000
 - Rental income from a commercial property, during the year- Rs. 13,90,000
- Further, in the month of April, Mr. B purchased 10 computers at a price of Rs. 25,000 each, for his office as new staff has been recruited by his HR team and had availed and utilized ITC on the same.
- On 31st October, out of these 10 computers, Mr. A shifted 2 computers at his residence for his son for learning purpose. Open market value of each of these computers, on 31st October, is Rs. 10,000.
- Mr. A belatedly filed GSTR-3B for the month of December, by 5 days. Value of taxable supply for the month of December is Rs. 10,00,000 (included in his details of earnings mentioned above). Applicable rate of tax on said supply is 18%.
- Note:**
- All the above amounts are exclusive of taxes, wherever applicable.
 - The opening balance of input tax credit of Mr. A for the relevant tax period is nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

3. There is no other inward or outward supply transaction for Mr. A in the relevant period apart from the aforementioned transactions.

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

- 2.1. Assuming that the current financial year is the financial year 2019-20, Mr. A is required to maintain and retain the books of accounts for said financial year under the GST law up to_____.
- (a) 31st December 2025
 - (b) 31st December 2026
 - (c) 31st December 2027
 - (d) 31st December 2028
- 2.2. Aggregate turnover for the purpose GST audit is_____.
- (a) Rs. 2,02,50,000
 - (b) Rs. 2,02,90,000
 - (c) Rs. 2,02,65,000
 - (d) Rs. 2,02,60,000
- 2.3. Total taxable turnover of Mr. A for the current financial year is _____.
- (a) Rs. 2,00,10,000
 - (b) Rs. 2,00,40,000
 - (c) Rs. 2,02,60,000
 - (d) Rs. 2,02,50,000
- 2.4. Which of the following is/are not a supply under GST law?
- (a) Service provided as an examiner to ICAI and ICSI
 - (b) Rental income as it is not related to business
 - (c) Shifting of computers at home for personal purpose as there is no consideration
 - (d) None of the above
- 2.5. Which of the following statement(s) is/are correct with respect to interest liability of Mr. A, for the month of December?
- (a) Interest liability of Mr. A is Rs. 444 and he can pay the same either from input tax credit available in electronic credit ledger or in cash.
 - (b) Interest liability of Mr. A is Rs. 444 and he cannot utilize the input tax credit for the payment of interest. He needs to pay the interest in cash.
 - (c) Interest liability of Mr. A is Rs. 2,466 and he can pay the same from input tax credit available in electronic credit ledger or in cash.
 - (d) Interest liability of Mr. A is Rs. 2,466 and he cannot utilize the input tax credit for the payment of interest. He needs to pay the interest in cash.
3. Which of the following statements is true?
- 1. Services provided by Government ITIs to individual trainees are exempt from GST.
 - 2. Services provided by the State Governments and private service providers by way of transportation of patients in ambulance are exempt from GST.

3. Services of renting of shops in a hospital are exempt from GST being health care services.
4. Services provided by Police to PSUs are taxable.
- (a) 1, 2 & 4.
- (b) 2, 3 & 4.
- (c) 3 & 4.
- (d) 1, 2, 3 & 4. **(2 Marks)**
4. Where the National Anti-Profiteering Authority determines that a registered person has not passed on the benefit of input tax credit to the recipient by way of commensurate reduction in price, the Authority may order:
- i. reduction in prices
- ii. imposition of prescribed penalty
- iii. cancellation of registration
- Which of the above options are correct?
- (a) i. and ii.
- (b) i., ii. and iii.
- (c) i. and iii.
- (d) i. **(2 Marks)**
5. In which of the following cases, compounding of offence is not allowed under section 138 of the CGST Act, 2017?
- (a) a person who has been allowed to compound once in respect of any of the offences specified in clauses (a) to (f) of section 132(1) of the CGST Act, 2017.
- (b) a person who has been convicted for an offence under GST law by a Court.
- (c) a person who has been accused of committing an offence under GST law which is also an offence under any other law for the time being in force.
- (d) All the cases covered in (a), (b) and (c) above **(1 Mark)**
6. Which of the following is correct for destroyed goods under section 23 of the Customs Act, 1962?
- (a) It is only applicable in case of total loss of goods even if the same can be recovered.
- (b) The importer is not required to pay duty on such goods.
- (c) The provisions are also applicable even if goods are destroyed after warehousing.
- (d) The importer need not prove the loss to the proper officer. **(1 Mark)**
7. In which of the following cases, importer can claim pilferage and choose not to pay duty under section 13 of the Customs Act, 1962?
- i. Goods pilfered while on high seas;
- ii. Goods pilfered before unloading;
- iii. Goods pilfered after unloading but before order for home consumption given by proper officer;
- iv. Goods cleared for home consumption.

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

(1 Mark)

8. 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 in warehouse (due to negligence of the importer);
- iv. Goods deteriorated 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) Only (ii)

(1 Mark)

9. Electric shaving machine is classifiable under following:

8510: Shavers and hair clippers with self-contained electric motors;

8509: Electro mechanical domestic appliances with self-contained electric motor

As per rules of classification, electric shaving machine should be classifiable under

- (a) 8510
- (b) 8509
- (c) More information is needed;
- (d) Can be classified under both

(2 Marks)

Division B: Descriptive Questions (70 Marks)

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

1. M/s Shivay, a registered supplier, supplies the following goods and services for construction of buildings and complexes -

- excavators for required period at a per hour rate
- manpower for operation of the excavators at a per day rate
- soil-testing and seismic evaluation at a per sample rate.

The excavators are invariably hired out along with operators. Similarly, excavator operators are supplied only when the excavator is hired out.

M/s Shivay receives the following services:

- Maintenance services for excavators;

- Health insurance for operators of the excavators;
- Scientific and technical consultancy for soil testing and seismic evaluation.

For a given month, the receipts (exclusive of GST) of M/s Shivay are as follows:

- Hire charges for excavators - Rs. 18,00,000
- Service charges for supply of manpower for operation of the excavator - Rs. 20,000
- Service charges for soil testing and seismic evaluation at three sites - Rs. 2,50,000

The GST paid during the said month on services received by M/s Shivay is as follows:

- Maintenance for excavators - Rs. 1,00,000
- Health insurance for excavator operators - Rs. 11,000
- Scientific and technical consultancy for soil testing and seismic evaluation - Rs. 1,00,000

Compute the net GST payable by M/s Shivay from Electronic Cash Ledger for the given month.

Assume the rates of GST to be as under:

Hiring out of excavators – 12%

Supply of manpower services and soil-testing and seismic evaluation services – 18%

(Ignore CGST, SGST or IGST for the sake of simplicity).

Note: - Opening balance of ITC of GST is nil.

(14 Marks)

2. (a) Laxmi Company Ltd., a registered supplier of Bengaluru (Karnataka), is a manufacturer of goods. The company provides the following information pertaining to GST paid on inward supplies during the month of April (current financial year):

S. No.	Items	GST paid in (Rs.)
(i)	Life Insurance premium paid by the company for the life insurance of factory employees as per the policy of the company. There is no legal obligation for such insurance for employees.	1,50,000
(ii)	Raw materials purchased for which invoice is missing but delivery challan is available	38,000
(iii)	Raw materials purchased which are used for zero rated supply	50,000
(iv)	Works contractor's service used for repair of factory building which is debited in the profit and loss account of company	30,000
(v)	Company purchased the capital goods for Rs. 4,00,000 and claimed depreciation of Rs. 44,800 (@ 10%) on the full amount of Rs. 4,48,000 under Income Tax Act, 1961	48,000

Other information:

- (1) In the month of September of previous financial year, Laxmi Company Ltd. availed ITC of Rs. 2,40,000 on purchase of raw material which was directly sent to job worker's premises under a challan on 25th September (previous financial year). The said raw material has not been received back from the job worker up to 30th April (current financial year).
- (2) All the above inward supplies except at S. No. (iii) above have been used in the manufacture of taxable goods. Inward supplies at S. No. (iii) above have been used in the manufacture of exempt goods.

Compute the amount of net ITC available with Laxmi Company Ltd. for the month of April with necessary explanations for the treatment of various items as per the provisions of the CGST Act. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. **(9 Marks)**

- (b) A material was imported by air at CIF price of 5,000 US\$. Freight paid was 1,500 US\$ and insurance cost was 500 US\$. The banker realized the payment from importer at the exchange rate of Rs. 71 per dollar. Central Board of Indirect taxes and Customs notified the exchange rate as Rs. 70 per US\$. Find the value of the material for the purpose of levying customs duty.

(5 Marks)

3. (a) Priyesh Inc., a corn chips manufacturing company based in USA, intends to launch its products in India. However, the company wishes to know the taste and sensibilities of Indians before launching its products in India. For this purpose, Priyesh Inc. has approached ABC Consultants, Mumbai, (Maharashtra) to carry out a survey in India to enable it to make changes, if any, in its products to suit Indian taste.

The survey is to be solely based on the oral replies of the surveyees; they will not be provided any sample by Priyesh Inc. to taste. ABC Consultants will be paid in convertible foreign exchange for the assignment.

With reference to the provisions of GST law, determine the place of supply of the service. Also, explain whether the said supply will amount to export of service? **(5 Marks)**

- (b) Tyan Industries Ltd. has entered into a contract with Vyan Ltd. to supply gas by a pipeline to Vyan Ltd. for a period of one year. As per the terms of the contract-
- (i) Vyan Ltd. shall make monthly payments [Payment for a month shall be made by 7th day of the next month]
 - (ii) Every quarter, Tyan Industries Ltd. shall issue a statement of account showing the quantity and value of goods dispatched, payments received and payment due.
 - (iii) The differential amount, if any, as mentioned in the statement of account shall be paid by Vyan Ltd.

The details of the various events are:

August 5, September 5, October 6	Payments of Rs. 2 lakh made in each month for the quarter July-September
October 3	Statement of accounts for the quarter July – September issued by the supplier showing amount of Rs. 2,56,000 as unpaid
October 17	Balance payment of Rs. 56,000 received by supplier for the quarter July – September

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

- (c) Himsire Industries has challenged the imposition of anti-dumping duty retrospectively from the date prior to the date of imposition of anti-dumping duty on the grounds that it is unconstitutional. Explain whether it would succeed in its contention. **(5 Marks)**

4. (a) Casa Pacific, having its head office in Chennai, Tamil Nadu carries on the following activities with respective turnovers in a financial year:

	Rs.
Supply of petrol at Chennai, Tamil Nadu	18,00,000
Value of inward supplies on which tax is payable on reverse charge basis	9,00,000
Supply of transformer oil at Chennai, Tamil Nadu	2,00,000
Value of branch transfer from Chennai, Tamil Nadu to Bengaluru, Karnataka without payment of consideration	1,50,000
Value of taxable supplies at Manipur branch	11,50,000

It argues that it does not have taxable turnover crossing threshold limit of Rs.40,00,000 either at Chennai, Tamil Nadu or Bengaluru, Karnataka and including turnover at Manipur branch. It believes that the determination of aggregate turnover is not required for the purpose of obtaining registration, but is required for determining composition levy.

Decide based on the above facts:

- (i) The aggregate turnover of Casa Pacific.
 - (ii) All conditions that fulfil the requirements for registration under CGST Act in the given circumstances. **(6 Marks)**
- (b) Brahma Ltd. exported service valued at US \$ 1,00,000. Supply of service was completed on 15th January. Payment for this service was received on 28th February. Refund claim was filed by Brahma Ltd. in respect of tax paid on inputs and inputs services for Rs. 6,00,000 on 31st March. The refund claim was sanctioned on 30th June. What is the amount of refund Brahma Ltd. will get in accordance with law? What is the relevant date and rate of interest as per GST law? **(3 Marks)**
- (c) High Energy Ltd. is engaged in oil exploration and has imported software containing seismic data. The importer is entitled to exemption from customs duty subject to the condition that an "essentiality certificate" granted by the Director General of Hydrocarbons is produced at the time of importation of the goods. Though the importer applied for the certificate within the statutory time limit prescribed for the same, the certificate was not made available to the importer within a reasonable time by the Director General of Hydrocarbons. The customs department rejected the importer's claim for exemption.

Examine briefly whether the department's action is sustainable in law. **(5 Marks)**

5. (a) Shubi Enterprises is entitled for exemption from tax under GST law. However, it collected tax from its buyers worth Rs. 50,000 in the month of August. It has not deposited the said amount collected as GST with the Government. You are required to brief to Shubi Enterprises the consequences of collecting tax, but not depositing the same with Government as provided under section 76 of the CGST Act, 2017. **(5 Marks)**
- (b) Mr. Anni 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. Mr. Anni now wants to file an appeal against the decision of the Appellate Authority as he feels the stand taken by him is correct.

You are required to advise him suitably with regard to filing of an appeal before the appellate forum higher than the Appellate Tribunal. **(4 Marks)**

- (c) Nikky Sales' imports were being provisionally assessed pending a verification that the department was carrying out. Upon completion of the verification, the assessments were finalized, and Nikky Sales was asked to pay Rs. 12 lakh, which it paid. After six months, upon detailed scrutiny of the verification report and taking legal opinion on it, Nikky Sales filed a claim for refund of Rs. 8 lakh on the ground that the differential amount should be Rs. 4 lakh only and that there were factual errors in the verification report. Is this the correct mode of redressal for Nikky Sales? What will be the likely outcome of the claim? Discuss on the basis of case law, if any. **(5 Marks)**
6. (a) When is an e-way bill required to be generated? **(5 Marks)**
- (b) Explain the provisions relating to rectification of errors apparent on the face of record under section 161 of the CGST Act, 2017. **(4 Marks)**
- (c) Enumerate the various matters in respect of which policies and regulations are framed under FTP. **(5 Marks)**