

INTERMEDIATE EXAMINATION GROUP II (SYLLABUS 2016)

SUGGESTED ANSWERS TO QUESTIONS DECEMBER 2018

Paper-11: INDIRECT TAXATION

Time Allowed: 3 Hours

Full Marks : 100

The figures in the margin on the right side indicate full marks.
Wherever required, the candidate may make suitable assumptions
and State them clearly in your answer.

Working Notes should form part of the answer.

GST (Section – A)

Part – I

(All questions are compulsory in Part- I.)

1. (a) Choose the correct option from amongst the four alternative given: 1×5=5
- (i) Which of the following manufacturer cannot opt for composition levy?
 - (A) Manufacturer of pan masala
 - (B) Manufacturer of ice-cream
 - (C) Manufacturer of tobacco substitutes
 - (D) All of the above
 - (ii) GST is payable in respect of services rendered to an employer by an employee on
 - (A) regular basis in the course of employment
 - (B) contract basis not in the course of employment
 - (C) Neither (A) nor (B)
 - (D) Both (A) and (B)
 - (iii) Which of the following shall not be included in value of supply?
 - (A) Commission
 - (B) Late fee or penalty for delay
 - (C) GST
 - (D) Interest
 - (iv) Where a person becomes liable to get registered under GST law, he should furnish application for registration within ----- days
 - (A) 15
 - (B) 30
 - (C) 60
 - (D) 90

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(v) Following taxes are levied in interstate supply of goods under GST law:

- (A) CGST only
- (B) SGST and IGST
- (C) IGST and CGST
- (D) IGST only

(b) Match the following:

1×5=5

	Column A		Column B
1.	Head-quarters of GST council is at	A.	GSTN
2.	SPV to cater to the needs of GST	B.	Form of supply of goods
3.	Breeding of fish	C.	India
4.	Barter	D.	Exempted from GST
5.	Highest GST rate is found in	E.	Mumbai
	-----	F.	New Delhi
	-----	G.	China

(c) State whether true or false:

1×5=5

- (i) The scope of supply of goods or services or both includes, *inter alia*, sale, exchange and lease.
- (ii) A person of Tripura is eligible to opt for composition levy provided his previous year turnover (aggregate) exceeds Rs.75 lakh.
- (iii) A registered person under GST law gives a free spoon along with every soap purchased. This is a case of composite supply under GST law.
- (iv) Under GST law, every registered person whose aggregate turnover during a financial year exceeds Rs.2crore has to get his accounts audited by a chartered accountant or a cost accountant.
- (v) Input credit can be claimed for machinery purchased and sent directly to a job worker registered under the tax payer.

(d) Fill in the blanks:

1×5=5

- (i) Every person who is liable to be registered under GST shall apply for registration in form -----
- (ii) License to occupy land is treated as ----- (supply of services/not supply of services).
- (iii) In GST, details of inward supplies of taxable goods or services for claiming input credit are to be furnished in form no. -----
- (iv) For delayed payment of GST, interest is payable at ----- % per annum
- (v) As per the GST law, every registered taxable person must maintain account books and records for at least ----- from the due date of furnishing of annual return for the year pertaining to such return.

Answer: 1 (a)

- (i) (D) all of the above
- (ii) (B) Contract Basis
- (iii) (C) GST
- (iv) (B) 30
- (v) (D) IGST only

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Answer: 1 (b)

	Column A		Column B
1.	Head-quarters of GST council is at	F.	New Delhi
2.	SPV to cater to the needs of GST	A.	GSTN
3.	Breeding of fish	D.	Exempted from GST
4.	Barter	B.	Form of supply of goods
5.	Highest GST rate is found in	C.	India

Answer: 1 (c)

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

Answer: 1 (d)

- (i) GST REG 01
- (ii) Supply of services
- (iii) GSTR 2 (As GSTR 2 is currently suspended credit of ITC is taken directly in Form GSTR 3B). (Alternate Answer)
- (iv) 18
- (v) 72 months

PART-II

(Answer any four questions in Part-II)

2. (a) State briefly the features of the GSTN, i.e., the role assigned to GSTN in India. 7
- (b) (i) Which are the commodities proposed to be kept outside the purview of GST?
- (ii) What are the salient features of Integrated Goods and Services Tax (IGST)? 2+6

Answer: 2 (a)

Functions of the GSTN (i.e. Role assigned to GSTN):

Creation of common and shared IT infrastructure for functions facing taxpayers has been assigned to GSTN. These functions and areas are:

- filing of registration application
- filing of return,
- creation of challan for a tax payment
- settlement of IGST payment (like a clearing house),
- Generation of business intelligence and analytics etc. for the use of the Department

All statutory functions to be performed by tax officials under GST like approval of registration, assessment, audit, appeal, enforcement etc. will remain with the respective tax departments.

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Answer: 2 (b) (i)

Article 366 (12A) of the Constitution as amended by 101st Constitutional Amendment Act, 2016 defines the Goods and Service Tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. So alcohol for human consumption is kept out of GST by way of definition of GST in constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out and GST Council shall decide the date from which they shall be included in GST. Furthermore, supply of electricity has been kept out of GST.

Answer: 2 (b) (ii)

The following are some of the salient features of IGST:

- The Central Government would administer and levy taxes on IGST
 - Seller/service provider in the origin state is to charge IGST on interstate supply of goods and/or services. $IGST = CGST + SGST/UTGST$
 - Interstate Seller/Service provider shall use his input CGST and input SGST for payment of IGST, i.e. he shall pay net IGST.
 - Inter-state Buyer/Service recipient shall avail input tax credit on the basis of tax invoice for payment of his own IGST, CGST or SGST/UTGST
 - Both, the seller/service provider and the buyer/service recipient shall report these transactions in the respective e>Returns
 - The exporting state/U.T. will transfer the SGST/UTGST portion to Central Government and Central Government will transfer that SGST/UTGST to importing State/U.T.
 - Stock transfer to branch/depot in other state/U.T. will also attract IGST. Where the stock transfer is from branch in one city to a branch in another city but within the same State/U.T. it does not attract any IGST or CGST and SGST unless the each branch is separately registered and it has separate verticals.
 - IGST will be levied on Import of Goods and/or Services. Therefore, import will attract basic custom duty plus IGST.
- 3. (a) CMA Anushtup Chandra of Kerala (resident in India), rendered taxable professional services to M/s Mythili & Co., of Mumbai. He raised a proper tax invoice on 01-02-2018, charging applicable GST and showing the same separately in the invoice.**
- After deduction of tax under section 194-J of the Income-tax Act, 1961, a net amount of Rs.3,24,000 was paid by Mythili & Co., on 12-02-2018.**
- You are required to ascertain the tax invoice amount raised by CMA Anushtup Chandra, the registered supplier, showing clearly the value of supply and GST charged by him and the amount of TDS deducted by Mythili & Co., u/s 194-J of the Income-tax Act, 1961.**
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- (b) (i) Virat Raina imported on 12-09-2018, certain goods from Colombo, on which he paid ocean freight of Rs.2,34,000. He has received a notice from the Department,**

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asking him to pay the GST on the ocean freight. It is stated in the notice that he is liable to pay GST on Ocean Freight. Since, place of supply of service is destination of goods as per Sec. 13(9) of IGST Act, 2017

You are required to help the importer in rebutting the Department's view. 4

(ii) With reference to the position of Goods and Services Tax law as applicable on or after 01.07.2017, what would be the place of supply of service in the following independent cases?

(I) MN Trade Links of New Delhi are appointed as commission agent by a foreign company for sale of its goods to Indian customers. In lieu of their services, MN Trade Links receive a fixed percentage of commission from the concerned foreign company.

(II) OP Fabricators of Mumbai has temporarily imported certain goods from its customer located in Hongkong for repairs. The said goods have been re-exported Hongkong after carrying out the necessary repairs without being put to any use in Mumbai.

(III) UV Airlines, an airlines located in New Delhi, has hired aircrafts from a foreign Airlines for a period of 15 days. 6

Answer: 3 (a)

GST and TDS u/s 194J of the IT Act, 1961

CBDT has clarified through Circular No.23/2017 Dated 19th July 2017 that if GST on services has been indicated separately in the invoice, then no tax would be deducted on GST component. In the light of the fact that even under the new GST regime, the rationale of excluding the tax component from the purview of TDS remains valid, the Board thereby clarified that wherever in terms of the agreement or contract between the payer and the payee, the component of 'GST on services' comprised in the amount payable is indicated separately, tax shall be deducted at source under Chapter XV II-B of the Income-tax Act, 1961 on the amount paid or payable without including such 'GST on services' component.

	Rs.
Let the gross value of taxable services be	100
Add: IGST charged at 18%	18
Less: TDS at 10% on 100	10
Payment received from recipient of supply	108

Particulars	Amount (Rs.)
Net amount received after TDS	3,24,000
Gross value of services will be $[324000 \times 100/108]$	3,00,000
Add: IGST at 18%	54,000
Value of taxable service as per Tax Invoice	3,54,000
TDS u/s 194-J of the Income-tax Act, 1961 (10% of 3,00,000)	30,000

Answer: 3 (b)(i)

Facts of the Case:

Import of goods into India is completed when goods are landed on land mass of India (as per the decision in **Garden Silk Mills Ltd.** of the Hon'ble Supreme Court)

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Ocean freight on import of goods into India is subject to customs duty. As per the Department contention Ocean Freight is subject to GST again.

Ground on rebuttal:

In the case of **United Shippers Ltd.** 2015 (37) STR 1043 (Tri-Mumbai), it has been held that when the value of transportation charges have been added in CIF value on which customs duty is paid. GST again cannot be recovered on the same value. The department's appeal against the order of Tribunal to the Hon'ble Supreme Court of India has been dismissed, as reported in 2015(39) STR J369 (S.C.). It means the judgment of Hon'ble Tribunal-Mumbai has been approved by the Supreme Court.

The ratio of this judgment is equally applicable to Goods and Services Tax Law also. Therefore, question of payment of GST on ocean freight does not arise.

Note: After issue of notification No.10/2017-Integrated Tax Rate dated 28.06.2017 vide entry No.10-IGST is payable on such ocean freight by the importer under RCM. As regards the transaction in question of 12th September, 2018. RCM stands suspended upto 30-09-2019 and hence it will not be payable in any case.

Answer: 3 (b)(ii)

PARTICULARS
(a) Place of supply of service = New Delhi (i.e. location of supplier of service section 13(8)(b) of the IGST Act, 2017). GST will be levied
(b) Place of supply of service = Hongkong (i.e. location of recipient of service as per Section 13(2) of the IGST Act, 2017). No GST will be levied.
(c) Place of supply of service = New Delhi (i.e. location of recipient of service as per Section 13(2) of the IGST Act, 2017). IGST will levied.

4. (a) Mr. C a registered taxable person, was paying tax at composition scheme upto 30th July. However, w.e.f. 31st July, Mr. C becomes liable to pay tax under regular scheme.

Other information:

(i) **Unutilized inputs at day end on 30th July for Rs.3,54,000 (inclusive of GST paid @18%)**

(ii) **Capital goods purchased for Rs.5,00,000 (invoice date 22nd April, 2017, GST charged separately @18%)**

Find the eligible ITC to Mr. C

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Note: Mr. C has not availed depreciation on the GST paid on capital goods.

(b) Alisha Hotel Ltd. is a hotel provider of rooms. Rent charged per day per room is as follows:

Particulars	Amount (Rs.)
Room Rent	550
Furniture Rent	400
Air-conditioner Rent	150
Refrigerator Rent	50
Less: Discount	(250)
Net Amount Charged	900

During the month of Oct. 2017, 20 rooms are let out throughout the month and balance 35 rooms are let out only for 15 days.

Input Tax Credit available Rs.7500.

The following GST rates are applicable for the hotel industry: 12%, 18% and 28%.

Find the GST liability if any for the month of Oct. 2017.

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Answer: 4 (a)

PARTICULARS	AMOUNT (Rs.)
ITC allowed on inputs	54,000
ITC allowed on capital goods	
ITC on capital goods	90,000
Less: 5% p.a.	4,500
	85,500
Total ITC allowed to Mr. C as on 31 st July = Rs.54,000	

Answer: 4 (b)

PARTICULARS		
Working Note:		
(1) Since, Declared Tariff is Rs.1,150, Alisha Hotel Ltd., is liable to pay GST@12% *		
Room rent		550
Furniture rent		400
Air-conditioner rent		150
Refrigerator rent		50
Declared Tariff		1,150
(2) Taxable Services		
(20 rooms*31 days * Rs.900)		Rs.5,58,000
(35 rooms * 15 days * Rs.900)		Rs.4,72,500
Total taxable services		Rs.10,30,500
Statement showing GST liability of Alisha Hotel Ltd		
Particulars		Value in Rs.
Taxable supply of services		10,30,500
GST liability:		
	6% CGST	6% SGST
Output tax	61,830	61,830
Less: ITC	3,750	3,750
Total Tax	58,080	58,080

Note: The principal supply is renting of hotel room service. The other services are incidental and naturally bundled. Hence GST rate applicable to renting of hotel room services of 12% is applicable.

5. (a) Mr. Vishnu, who has started a business for supply of goods and services in Tamil Nadu, furnishes the following information pertaining to the period commencing on 01-07-2017 and ended on 31-03-2018:

Sl No.	Particulars	Amount (Rs.)
(i)	Sale of diesel on which Sale Tax (VAT) is levied by Tamil Nadu Government	7,00,000
(ii)	Supply of goods, after completion of job work, from the place of Mr. Vishnu, directly by his principal under whom he is registered as job worker	4,20,000
(iii)	Export supply to Dubai	6,00,00
(iv)	Supply to its own additional place of business in Tamil Nadu, under same registration	5,00,000
(v)	Supply of goods exempt from GST	8,20,000

Your are required to help him in deciding whether he has to go for registration under CGST law.

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(b) Mr. M of Maharashtra supplied goods/services for Rs.35,000 to Mr. P of Pune. Mr. M purchased goods/services for Rs.23,600 (inclusive of IGST 18%) from Mr. C of Tamil Nadu. SGST and CGST rate on supply of goods and services is 9% each. Find the following:

- (i) Total price charged by Mr. M for supply of goods/services and
- (ii) Who is liable to pay GST?
- (iii) Net liability of GST.

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Answer: 5 (a)

Computation of aggregate turnover for CGST registration

S. No.	Particulars	Amount (Rs.)
(i)	Sale of diesel on which Sale Tax (VAT) is levied by Tamil Nadu Government. As per section 2(47) of the CGST Act, 2017, non-taxable supply of goods like diesel, to be also included	7,00,000
(ii)	Supply of goods, after completion of job work, from the place of Vishnu, directly by his principal. This will be treated as the supply of goods by the principal in terms of explanation (ii) to section 22 of the CGST Act, 2017.	Nil
(iii)	Export supply to Dubai Specifically includible in the aggregate turnover in terms of section 2(6) of the CGST Act, 2017.	6,00,000
(iv)	Supply to its own additional place of business in Tamil Nadu Supply made without consideration to units within the same State (under same registration) is a not a supply and hence not includible in aggregate turnover.	Nil
(v)	Supply of goods exempt from GST As per section 2(47) of the CGST Act, 2017, supply of exempt goods like diesel, to be also included	8,20,000
	Aggregate turnover for CGST registration purposes	21,20,000

Since the aggregate turnover exceeds Rs.20 laksh, Vishnu has to get himself registered. He should be advised accordingly.

Note: as Mr. Vishnu makes export supply, he is a person making interstate taxable supply and is liable for compulsory registration under Section 24 of CGST Act, irrespective of whether his turnover exceeds the threshold limit of Rs.20 lakhs or not.

Answer: 5 (b)

PARTICULARS	Rs.
Value Charged for Supply of Goods/Services	35,000
Add: CGST@9%	3,150
Add: SGST @9%	3,150
(a) Total price charged by Mr. M from Mr. P for local supply of goods/services	41,300
(b) Mr. M is Liable to pay tax	

Particulars	CGST (Rs.)	SGST (Rs.)	
Output tax	3,150	3,150	IGST Credit 1 st Adjust against CGST and next SGST
Less: ITC	(3,150)	(450)	
(c) Net Tax Liability	NIL	2,700	

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Note: ITC being IGST included in Rs.23,600 inputs used is $23,600 \times 18/118 = \text{Rs.}3600$

6. (a) (i) The ADINA GROUP being an event organizer located at New Delhi organized MISS INDIA 2017 beauty pageant in India in the following cities for M/s. PC MISS INDIA, who is a registered person located in Kolkata after 1st July, 2017:

City	No. of days	Fee in Rs.
New Delhi	15	15 Crores
Chennai	20	20 Crores
Kolkata	25	25 Crores
Total	60	60 Crores

Required:

- (A) Find the place of supply of service if contract specifies clear details.
 (B) Find the place of supply of service if contract specified lump-sum amount of Rs.50Crores. 3+3=6
- (ii) MS. ANTIRA, a registered person, supplied certain goods to Mr. G also a registered person. The tax in respect of the said goods is liable to be paid on Reverse Charges basis. Other details of the transaction are as under:

(a)	Date of receipt of goods by Mr. G	26.11.2017
(b)	Date on which the payment is made and entered in the books of accounts by Mr. G	22.12.2017
(c)	Date when the payment is debited in bank account of Mr. G	24.12.2017
(d)	Date of issue of invoice by Ms. Antira, the supplier	20.11.2017
(e)	Date immediately following 30 days from the date of issue of invoice by the supplier	21.12.2017

You are required to determine the time of supply of goods under reverse charge basis. 4

- (b) Following is the GST tax invoice issued by a registered supplier:

M/S ABC Pvt. Ltd Chennai		
Date: 12-01-2018	GST no: 33AXCCA1234MZU	
Purchaser: John Britto, Kochi	GST no. Of purchaser: 31AAVPR6745J1ZU	
	Quantity (Nos.)	Value (Rs.)
Ready-made shirts	10,000	12,00,000
IGST		2,16,000
Total amount		14,16,000
Being computer printout, no signature is required		

Identify any five mistakes or errors found in the above GST tax invoice. 5

Answer: 6(a)(i)

- (A) The place of supply of service if contract specifies clear details:

City	No. of days	Rs. in crore	Location of supplier of service	Place of supply of service = where the respective event is held	GST
New Delhi	15	15	New Delhi	New Delhi	CGST & SGST/UTGST
Chennai	20	20	New Delhi	Chennai	IGST
Kolkata	25	25	New Delhi	Kolkata	IGST
Total	60	60			

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(B) The place of supply of service if contract specifies lump sum amount of Rs.50 crore.

City	No. of days	Rs. in crore	Location of supplier of service	Place of supply of service=where the respective event is held	GST
New Delhi	15	12.50	New Delhi	New Delhi	CGST & SGST/UTGST
Chennai	20	16.67	New Delhi	Chennai	IGST
Kolkata	25	20.83	New Delhi	Kolkata	IGST
Total	60	50.00			

Answer: 6(a)(ii)

Time of supply of Goods in the given case, shall be earlier of the following dates

(a)	Date of the recipient of goods by Mr. G	26.11.2017
(b)	Date on which the payment is made and entered in the books of Account by Mr. G.	22.12.2017
(c)	Date when the payment is debited in the bank account of Mr. G	24.12.2017
(d)	Date immediately following 30 days from the date of issue of invoice by the Supplier (MS Antira)	21.12.2017

Thus, the time of supply of goods shall be 26.11.2017 being the earliest of four stipulated dates specified above.

Answer: 6(b)

Mistakes in Tax Invoice issued

- (i) Tax invoice does not contain the serial number
- (ii) Address of the supplier is missing
- (iii) GST number of the supplier is incorrect
- (iv) Address of the purchaser is missing
- (v) Rate per unit of the goods supplied is not given
- (vi) HSN/SAC of goods supplied not given
- (vii) Rate of GST not given
- (viii) Signature is required of authorised person of supplier

7. Write short notes on any three out of the following:

5×3=15

(a) Procedure for Registration under GST

(b) List of persons not eligible for composition scheme

(c) Composite supply

(d) Contents of receipt voucher

Answer: 7(a)

Under section 25 of GST, every person who is liable to be registered shall apply for registration within 30 days from the date on which he becomes liable to registration, before applying for registration declare his

1. Legal name of business
2. PAN

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3. Mobile number
4. E-mail address
5. State or union territory

in Part A of Form GST REG-01 on common portal

On successful verification of these numbers, a reference number will be generated.

Applicant shall submit Part B of Form GST REG-01, duly signed, along with documents specified in the said Form at the common portal.

Form GST REG-02: Acknowledgement of Application

If these documents are found to be in order, the proper office shall approve the registration within 3 working days from the date of submission.

Certification of Registration shall be granted in Form GST-REG-06. Certification of Registration contains Goods and Services Tax Identification number (GSTIN), two characters for the state code, ten characters for the PAN, two characters for the entity code and one checksum character.

Answer: 7(b)

The following persons though registered under GST law are not eligible for composition scheme even if their aggregate turnover in the preceding financial year did not exceed Rs.1.5crore:

- (i) Supplier of **services**. However, supplier of restaurant service, mandap keeper and outdoor catering service shall be eligible for composition scheme.
- (ii) Supplier of goods which are **not leviable to tax under this Act. At present the following goods are not leviable to tax under this Act.**
 - (i) Alcoholic liquor for human consumption (ii) Petroleum crude (iii) High speed diesel (iv) Motor spirit (v) Natural gas, and (v) Aviation Turbine Fuel
- (iii) Supplier of inter-State outward supplies of goods
- (iv) Supplier of goods **through an electronic commerce operator.**
- (v) **Manufacturers** of (a) ice-cream and other edible ice, whether or not containing cocoa; (b) Pan Masala; (c) Tobacco and (d) Manufactured tobacco substitutes
- (vi) A casual taxable person or a non-resident taxable person;
- (vii) Supplier who has purchased by goods or services from unregistered supplier unless he has paid GST on such goods or services on reverse charge basis. (This condition is deferred till 31.03.2018);

Answer: 7(c)

Under section 8 of CGST Act, composite supply is when two or more goods are sold in a combination, it becomes difficult to identify the rate of tax to be levied.

Composite supply is similar to the concept of 'bundled service' as under service tax laws in the existing regime. Composite supply is naturally bundled i.e. goods or services are usually provided together in normal course of business and cannot be separated.

Composite supply consists of two or more goods/services, which is naturally supplied with each other in the ordinary course of business and one of them is a principal supply. The items cannot be supplied separately.

Principal supply means the supply of goods or services, which constitute the predominant element of a composite supply and to which another supply is ancillary/secondary.

Following two conditions are necessary for composite supply: –

- (a) Supply of two or more goods or services together, AND
- (b) It should be a natural bundle and they cannot be separated.

Answer: 7(d)

A registered person shall, on receipt of advance payment with respect to any supply of

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goods/services, issue a receipt voucher or any other document, evidencing receipt of such payment. A receipt voucher shall contain the following particulars –

- (A) Name, address and GSTIN of the supplier.
- (B) A consecutive serial number (not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters–hyphen or dash and slash symbolised as Rs.Rs.-Rs.Rs.and Rs.Rs./ Rs.Rs.respectively, and any combination thereof, unique for a financial year).
- (C) Date of its issue.
- (D) Name, address and GSTIN or UIN, if registered, of the recipient
- (E) Description of goods or services.
- (F) Amount of advance taken.
- (G) Rate of tax (CGST, SGST, IGST, UTGST or GST cess).
- (H) Amount of tax charged in respect of taxable goods or services (CGST, SGST, IGST, UTGST or GST cess)
- (I) Place of supply along with the name of State and its code, in case of a supply in the course of inter–state trade or commerce.
- (J) Whether the tax is payable on reverse charge basis.
- (K) Signature or digital signature of the supplier or his authorized representative.

Customs (Section–B)

Part–III

(All questions are compulsory in Part–III)

8. Choose the correct option from amongst the four alternatives given: 1×5=5

- (i) ----- means where goods are cast into sea to reduce weight of ship to prevent it from sinking and the thrown goods sink
 - (A) Jettison
 - (B) Overload
 - (C) Underload
 - (D) None of the above
- (ii) Basic custom duty on imported goods is levied at the rates specified in the
 - (A) First Schedule of the Customs Tariff Act, 1975.
 - (B) Second Schedule of the Customs Tariff Act, 1975.
 - (C) Customs Act, 1962.
 - (D) Customs Manual, 2001
- (iii) A ship carries some goods K, L, M and N from Singapore to Dubai, via Chennai. L and M are moved at Chennai in another vessel. L being meant for Kochi and M to Dubai. As per customs law, the transhipped good(s) is/are:
 - (A) All four
 - (B) L only
 - (C) L and M
 - (D) None of the goods
- (iv) In the GST regime, for the purpose of levying IGST for all the imports duty shall be levied at the rate of
 - (A) 25%
 - (B) 18%

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- (C) 15%
(D) 10%
- (v) 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 prescribed form
- (A) 12 hours
(B) 18 hours
(C) 24 hours
(D) None of the above

Answer: 8

- (i) (A)
(ii) (A)
(iii) (C)
(iv) (B)
(v) (A)

Part-IV

(Answer any one question in Part-IV)

9. (a) (i) When shall the safeguard duty under section 8 of the Customs Tariff Act, 1975 be not imposed? Discuss briefly.
- (ii) A bill of entry was presented by Zeelsin Ltd., an importer on 16th September, 2017. The vessel carrying goods arrived on 23rd September, 2017. Entry inwards was granted on 25th September, 2017 and the bill of entry was assessed on that date and was also returned to the importer for payment of duty on that date. The duty amounting to Rs.4,00,000 was paid by the importer on 4th October, 2017. There were four holidays during the period from 26th September to 4th October, 2017.
- Calculate the amount of interest payable under section 47(2) of the Customs Act, 1962. 4+3
- (b) (i) Explain the validity of the following statements with reference to Chapter IX of the Customs Act, 1962 containing the provisions relating to the warehousing:
- (A) The proper officer is not authorized to lock any warehouse with the lock of the Customs Department.
- (B) The Commissioner of Customs (Appeals) may appoint public warehouses wherein dutiable goods may be deposited.
- (C) The Commissioner of Customs or Principal Commissioner of Customs is not required to give a notice to the licensee while cancelling the license of a private warehouse if he has contravened any provision of the said Act. 4
- (ii) RPG Ltd. imported 125 units of minerals from High Seas for sale in India. Selling price is exclusive of duties and taxes. Freight from port to depot in India is Rs.2,530 and insurance Rs.310.

Sale quantity	Unit price (Rs.)
80	105
60	90
30	105

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100	100
50	95
70	90
10	105

Basic Customs Duty–12%. Assume there is no IGST applicable for the product.

You are required to calculate total customs duty as per Rule 7 of customs valuation (Determination of value of imported goods) Rules 2017. 4

Answer: 9(a)(i)

The safeguard duty under section 8B of the Customs Tariff Act, 1975 is not imposed on the import of the following types of articles:

- (i) Articles originating from a developing country, so long as the share of imports of that article from that country does not exceed 3% of the total imports of that article into India;
- (ii) Articles originating from more than one developing country, so long as the aggregate of imports from developing countries each with less than 3% import share taken together does not exceed 9% of the total imports of that article into India;
- (iii) Articles imported by a 100% EOU or units in a Free Trade Zone or Special Economic Zone unless the duty is specifically made applicable on them.

Note: "developing country" means a country notified by the Central Government in the Official Gazette for the purposes of this section.

Answer 9 (a) (ii):

Interest rate: 15% p.a.:

No. of days delay: (From 25 th Sept'17 to 4 th Oct'17):	10 days
Less: No. of Holidays	4 days
Net, No. of days delay for Interest	6 days
Interest: (Rs. 400000 × 0.15 × (6/365))	Rs.986.30

- (a) The given statement is invalid: Under Sec. 58A(1) The Principal Commissioner of Customs or Commissioner of Customs may, subject to such conditions as may be prescribed, license a special warehouse wherein dutiable goods may be deposited and such warehouse shall be caused to be locked by the proper officer and not person shall enter the warehouse or remove any goods there from without the permission of the proper office.
- (b) The given statement is invalid: The Commissioner of Customs or the Principal Commissioner of Customs can appoint public warehouse, wherein dutiable goods can be deposited under Section 57 of the Customs Act, 1962.
- (c) The given statement is valid: The Commissioner of Customs or Principal Commissioner of Customs is not required to give a notice to the licensee while cancelling the license of a private warehouse if he has contravened any provision of the said Act, as per section 58(2)(b) of the Customs Act, 1962.

Answer 9 (b) (ii):

Total quantity (Unit)	Unit price (Rs.)
130	90
50	95
100	100
120	105

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The greatest number of units sold at a particular price is 130 units. Therefore, the unit price in the greatest aggregate quantity is Rs.90.

	Rs.
Selling price (125 × 90)	1,1250
Less: Freight (post shipment)	(2,530)
Less: Insurance (Post shipment)	(310)
Assessable value	8,410
Custom duty [(12% + 3% E. Cess of BCD)=12.36%]	1,039

10. (a) How is the expression “foreign going vessel or aircraft” defined under Customs Act, 1962? **5**

(b) (i) What is the taxable event for exported goods? Also state the relevant rate of Foreign exchange in case of exports. **4**

(ii) Ms. Vani Ganapathy, shifted her residence to India, after stay in Dubai for 18 months. She brought the following assets to India, landing at Salem (Tamil Nadu) airport on 21-01-2018:

Sl. No.	Particulars	Amount (Rs.)
1	Gold jewellery 50 grams valued at	1,50,000
2	Alcoholic liquor 3 litres valued at	9,000
3	10 boxes of cigarettes, each box containing 20 nos., valued at	3,000
4	Two notebook computers (one for personal use and one for her business use: 1,10,000+90,000)	2,00,000
5	Used household articles	2,23,500

Ascertain the customs duty payable by her if the customs duty is payable @36.05% inclusive of edu. cess. **6**

Answer 10 (a)

Foreign going vessel or aircraft

As per section 2 (21) of the Customs Act, the foreign going vessel or aircraft means a vessel or aircraft

- from any port or airport in India
- to any port or airport outside India

The following are also included in the definition:

- (i) A foreign naval vessel going naval exercises in Indian waters;
- (ii) A vessel engaged in fishing or any other operation (like oil drilling by domestic vessel or foreign vessel) outside territorial waters.
- (iii) A vessel going to a place outside India for any purpose whatsoever.

Answer 10 (b) (i)

Taxable event for exports

As per section 16(1) of the Customs Act, 1962, taxable event arises only when proper officer makes an order permitting clearance (i.e. entry outwards) granted and loading of the goods for exportation took place under Section 51 of the Customs Act, 1962.

Relevant rate of foreign exchange in case of exports:

In case of exports, rate of exchange of the CBEC as in force on the date on which a

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shipping bill or bill of export, as the case may be, is presented under Sec.50 of the Customs Act, 1962 is applicable.

Answer 10 (b) (ii)

SI No.	Particulars	Amount Rs.	Amount Rs.
1	Gold jewellery 50 grams valued at Less: Duty free allowance (DFA) 40 grams with cap of	1,50,000 1,00,000	
			50,000
2	Alcoholic liquor 3 litres valued at Less: DFA for 2 litres	9,000 6,000	
			3,000
3	10 boxes of cigarettes, each box containing 20 nos. Less: DFA for 100 cigarettes	3,000 1,500	
			1,500
4	Two notebook computers (one for personal use and one for her business use: 1,10,000+90,000) Less: DFA for one notebook computer	2,00,000 1,10,000	
			90,000
5	Used household articles Less: GFA for personal household items, where the passenger had stayed abroad for 1-2 years	2,23,5000 2,00,000	
			23,500
	Value of baggage to be considered for duty purposes		1,68,000
	Customs duty payable at 36.05%		60,564