

SUGGESTED ANSWERS TO QUESTIONS

FINAL EXAMINATION

GROUP – IV

(SYLLABUS 2016)

DECEMBER – 2021

Paper-18 : INDIRECT TAX LAWS AND PRACTICE

Time Allowed : 3 Hours

Full Marks : 100

Section : A MCQ

20X1 = 20 Marks

Q.1 Which of the following activity is taxable under GST?

- (i) Supply of food by a hospital to patients (not admitted) or their attendants or Visitors.
- (ii) Transportation of passengers by non-air-conditioned railways
- (iii) Services by a brand ambassador by way of folk-dance performance where consideration charged is Rs. 1,40,000.
- (iv) Transportation of agriculture produce by air from one place to another place in India
- (v) Services by way of loading, unloading, packing, storage or warehousing of rice
- (vi) Service provided by GTA where consideration charged for transportation of goods for a single carriage is Rs. 900

Ans 1. (i), (v), (vi)

2. (iv), (v)

3. (iii), (iv), (v)

✓ 4. (i), (iii), (iv)

Q.2 Mahesh is employed in Zed Traders a proprietary concern of Kumar having taxable turnover under GST. Services provided by Mahesh will be taxable if

Ans 1. Mahesh provides them on regular basis to Zed Traders.

2. None of these

✓ 3. Mahesh provides them to the brother of Kumar, not in the course of employment.

4. Mahesh provides them on contract basis to Zed Traders.

Q.3 M/s. Jolly Electronics (P) Ltd. is an authorized dealer of Mis. GG Micro Ltd., located and registered in Lucknow, Uttar Pradesh. It has sold following items to Mr. Alla Rakha (a consumer):

Product	Amount (Rs.)
Refrigerator (500 litres) taxable @ 18%	40,000/-
Stabilizer for refrigerator taxable @ 12%	5,000/-
LED television (42 inches) taxable @ 12 %	30,000/-
Split air conditioner (2 Tons) taxable @ 28%	35,000/-
Stabilizer for air conditioner taxable @ 12%	5,000/-
Total Value	1,15,000/-

M/s. Jolly Electronics (P) Ltd. has given a single invoice, indicating price of each item separately to Mr. Alla Rakha. Mr. Alla Rakha, has given a single cheque of Rs. 1,00,000/- for all the items as a composite discounted price, State the type of supply and the tax rate applicable on the same.

Ans 1. Mixed supply, Highest tax rate applicable to split air conditioner, i.e., 28%

2. Supply other than composite and mixed supply, Highest tax rate applicable to split air conditioner i.e., 28%

✓ 3. Supply other than composite and mixed supply, respective tax rate applicable to each item

4. Composite supply, Highest tax rate applicable to split air conditioner, i.e., 28%

Q.4 State whether the following statements are true or false:

- 1 Zero rated supply means supply of any goods or services or both which attracts nilrate of tax.
- 2 Exempt supply means export of goods or services or both, or supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zoneunit.
- 3 Non-taxable supply means supply of goods or services or both which is not leviable to tax under CGST Act, 2017 but leviable to tax under the Integrated Goods and Services Tax Act, 2017.
- 4 ITC may be availed for making zero rated supply of exempt goods.

Ans 1. False, False, False, False

✓ 2. False, False, False, True

3. True, True, False, False

4. True, False, False, False

Q.5 Which of the following statements is correct while issuing a tax invoice?

- (i) Place of supply in case of inter-State supply is not required to be mentioned
- (ii) The power of attorney holder can sign the tax invoice in case the taxpayer or his authorized representative has been travelling abroad
- (iii) Quantity is not required to be mentioned in case of goods when goods are sold on“as is where is basis”
- (iv) Description of goods is not required to be given in case of mixed supply of goods

Ans 1. All of the above

2. (ii), (iii)

3. (i), (ii), (iii)

✓ 4. None of these

Q.6 Anti-Dumping duly is calculated as

Ans 1. Higher of export price or normal value;

2. Higher of margin of dumping or injury margin;

✓ 3. Lower of margin of dumping or injury margin:

4. Lower of export price or normal value

Q.7 What would be the tax rate applicable in case of composite supply?

Ans 1. Tax rate as applicable on respective supply

2. Tax rate of the principal supply or ancillary supply whichever is higher

3. Tax rate as applicable on ancillary supply

✓ 4. Tax rate as applicable on principal supply

Q.8 Read the following and choose the correct option:

- (i) Indian customs waters extend up to 12 nautical miles:
- (ii) Indian customs waters extend up to 24 nautical miles:
- (iii) Indian customs waters extend up to exclusive economic zone of India;
- (iv) Indian customs waters include territorial waters and extend up to 200 nauticalmiles.

Ans ✓ 1. (iii) and (iv)

2. (ii) and (iv)

3. Only (ii)

4. Only (iv)

Q.9 The term ‘casual taxable person’ includes

Ans ✓ 1. a person occasionally supplying goods or services or both in a State or an Union Territory where-he-has no fixed place-of-business.

2. None of these

3. a person occasionally supplying goods or services or both in a State or an Union Territory where he has fixed place of business.

4. Both

Q.10 Mr. A, a sole proprietor, has to appear before the Appellate Authority. He decides to appear by an authorized representative. Which of the following persons can be appointed as 'authorized representative' of Mr. A under GST law?

- Ans
1. Sohan, his son, who has been dismissed from a government service lately,
 2. All of these.
 3. Mukul, a practicing High Court advocate.
 4. Rohan, a Company Secretary, who has been adjudged insolvent.

Q.11 Sukanya, a registered supplier, failed to pay the GST amounting to Rs. 5,000 for the month of January, 20XX. The proper officer imposed a penalty on Sukanya for failure to pay tax. Sukanya believes that it is a minor breach and in accordance with the provisions of section 126 of the CGST Act, 2017, no penalty is imposable for minor breaches of tax regulations. In this regard, which of the following statements is true?

- Ans
1. Penalty is leviable on Sukanya since the breach is considered as a 'minor breach' only if amount of tax involved is Nil.
 2. Penalty is not leviable on Sukanya since the breach is considered as a 'minor breach' if amount of tax involved is up to Rs. 5,000
 3. Penalty is leviable on Sukanya since the breach is considered as a 'minor breach' only if amount of tax involved is less than Rs. 5,000
 4. None of these.

Q.12 M/s. Raman Plastics is a manufacturer of plastic toys. It is registered person under GST in Shimla, Himachal Pradesh. It procures its raw materials from Punjab. During the month of April-2019, it purchased material of Rs. 35.00 Lakh and paid IGST thereon amounting to Rs. 6.30 Lakh. It supplied 30% of its production in the State of Jammu and Kashmir, whereas the 70% of its production was supplied taxable @ 0.1% to a merchant exporter during the month of Apr-2019. The returns for the month of April 2019 were duly filed in time. The last date upto which the taxpayer can claim refund of input tax credit on account of inverted duty structure is

- Ans
1. 20-Apr-2021
 2. 31-Mar-2022
 3. 20-May-2021
 4. 20-Apr-2020

Q.13 Manu imported some goods in India, but kept the goods in custom bonded warehouse without clearing it for home consumption. In the meantime, Manu sold these goods to Sirak while they were in warehouse. The transaction is a

- Ans
1. Supply of services.
 2. Zero rated supply
 3. Supply of goods.
 4. Neither supply of goods nor supply of services.

Q.14 State which of the following statement is incorrect:

- (i) An agent, supplying goods on behalf of principal where invoice is issued in the name of principal, is required to get compulsorily registered under GST.
- (ii) Persons who are required to deduct tax under section 51, whether or not separately registered under this Act are compulsory required to get registered under GST without any threshold.
- (iii) Every person supplying online information and database access or retrieval services from a place outside India to a registered person in India is compulsory required to get registered under GST without any threshold.
- (iv) Persons who supply services, other than supplies specified under sub-section (5) of section 9, through such electronic commerce operator who is required to collect tax all source under section 52 are compulsory required to get registered under GST without any threshold.

- Ans
1. (i), (ii)
 2. None of these
 3. (iii), (iv)
 4. (i), (iii), (iv)

Q.15 Countervailing duty under section 9 of the Customs Tariff Act shall not be levied unless it is determined that:

- (i) Subsidy relates to export performance:
- (ii) Subsidy relates to use of domestic goods over imported goods in export article:
- (iii) Subsidy is conferred on all persons engaged in the manufacture of export article.

- Ans
- 1. (ii) and (iii)
 - 2. All of above
 - 3. (i) and (ii)
 - 4. Only (iii)

Q.16 M/s. Shahrukh Beedi Company (P) Ltd. is a manufacturer of cigarettes. It has been registered under GST in the State of West Bengal. The turnover of the company from the period April 2018 to March 2019 is Rs. 90,00,000/-. The Excise duty paid on the cigarettes removed is Rs. 10,00,000/-. CGST and SGST paid on the cigarettes is Rs. 18,00,000/-.

The company also recovered actual freight of Rs. 5,00,000/- on the supply of cigarettes so made during the financial year 2018-19 and charged CGST/ SGST thereon. The company paid RCM @ 5% while availing the services of GTA of Rs. 5,00,000/-.

Compute the aggregate turnover of M/s, Shahrukh Beedi Company (P) Ltd.,

- Ans
- 1. Rs. 1,18,00,000/-
 - 2. Rs. 1,00,00,000/-
 - 3. Rs. 90,00,000/-
 - 4. Rs. 1,05,00,000/-

Q.17 The taxable event under the Customs Act, 1962 is:

- Ans
- 1. Sale of goods into India/ Sale of goods outside India:
 - 2. Manufacture of goods into India for supply outside India.
 - 3. Import of goods into India/ export of goods from India;
 - 4. Supply of goods into India/ Supply of goods from India to outside India:

Q.18 Which of the following statement(s) is/are correct?

- (i) Special exemption under section 25 of the Customs Act is granted by issuing a notification;
- (ii) General exemption under section 25 of the Customs Act is granted by issuing an order;
- (iii) Special exemption is required to be published in official gazette;
- (iv) General exemption is not required to be published in official gazette.

- Ans
- 1. Both (i) and (ii)
 - 2. All of above
 - 3. None of above
 - 4. (ii) and (iv)

Q.19 Aflatoon Spares (P) Ltd., located and registered in Haryana, supplied spare parts (FOB basis) to Mr. Laxmi Khurana, an unregistered person, located in Rajasthan. Mr. Laxmi Khurana booked the courier himself with Black Dart Courier (P) Ltd., registered in Delhi for delivery in Rajasthan, Black Dart Courier (P) Ltd. picked up the goods from Haryana and delivered the courier in Rajasthan while passing through the State of Uttar Pradesh.

Determine the place of supply of service provided by Black Dart Courier (P) Ltd. to Mr. Laxmi Khurana:

- Ans
- 1. Delhi
 - 2. Rajasthan
 - 3. Uttar Pradesh
 - 4. Haryana

Q.20 Banke Bihari (Pedewala), is a famous sweets manufacturer, located and registered in Mathura, Uttar Pradesh. He received an order for 200 Kg. of sweets on 2nd May 2019 from M/s. Ghoomghoom Travels (P) Ltd., located and registered in same locality of Mathura for a total consideration of Rs. 1,00,000/-. All 200 Kg. sweets were delivered to M/s. Ghoomghoom Travels (P) Ltd. on 5th May 2019, but without invoice, as accountant of Mr. Banke Bihari was on leave on that day. However, the invoice was raised for the same on 6th May 2019, when the accountant joined the office after leave. Payment in full was made on 7th May 2019.

Determine the time of supply of goods in this case.

- Ans
- 1. 5th May 2019
 - 2. 7th May 2019
 - 3. 2nd May 2019
 - 4. 6th May 2019

Q.1 Sheva Charitable trust running a hospital Prana Ltd. by hiring visiting doctors/specialists provides medical services to patients at a concessional rate charged by hospital for Rs. 3,50,000 and paid to visiting doctors/specialists Rs.3,00,000. The tax liability of Prana Ltd. for the retention amount of Rs.50,000 if applicable rate of GST is 18% is_____.

Answer: Nil

Q.2 _____ can be the Chairperson of the GST council.

Answer: Union Finance Minister

Q.3 Presentation of Bill of entry to the proper officer _____(is/is not) a taxable event for the purposes of the Customs Act, 1962.

Answer: Is not.

Q.4 Casual taxable person or Non-resident tax payable will get a _____ for making an advance deposit of tax which shall be credited to his electronic cash ledger.

Answer: Temporary Reference Number(TRN)

Q.5 The registration of Sun Associates was cancelled by the proper officer on 1st August 2020, applied for revocation of cancellation of registration for which revocation order was passed on 31st October 2020. In this case, Sun Associates shall be required to furnish all the returns for the period from 1st August 2020 to 31st October 2020 within_____.

Answer: 30th November 2020, [i.e. within a period of 30 days from 31st October 2020].

Q.6 The operator who collects tax shall furnish a statement, electronically Outward supplies of Goods and Services and Return of goods and services in Form _____ within the permitted time.

Answer: Form GSTR-8

Q.7 Susan Pvt. Ltd is a distributor of lottery tickets, authorized by the state of Kerala. He sold 1,75,000 lottery tickets to Vikram Bhat with a guarantee payout @ 80% where the number of tickets proposed is 2,00,000. Find the value of supply if the face value of a lottery ticket is Rs. 250 each and notified price by the state is Rs. 210 each. _____.

Answer: Rs. 3,67,50,000

Q.8 As per Rule of 50 of CGST Act, 2017 if at the time of receipt of advance the rate of tax is not determinable, the tax may be paid at _____.

Answer : 18%

Q.9 In case ship-to State is different from the Bill-to State, the tax components are entered as per the details of the _____.

Answer: Bill to person (Bill to state)

Q.10 Where imported goods are damaged partially before cleared from the bonded warehouse, the customs duty payable is _____(Nil/partial)

Answer : Nil

Q.11 With reference to the provisions of Foreign Trade Policy 2009-14, discuss, giving reasons, whether the following statements are true or false:

Waste generated during manufacture in an SEZ Unit can be freely disposed in DTA on payment of applicable customs duty, without any authorization.

_____.

Answer: True.

Q.12 In a case where recipient of deemed export supplies claims the refund on such supplies, there is no restriction on such recipient in availing ITC of the tax paid on such supplies is a statement (true/not true)

Answer: True

Q.13 The Municipal corporation of Salem deducts CGST @ 1% from the payment to be made to a notified supplier on 28th August 2020. The TDS certificate for the transaction has to be issued on or before _____.

Answer: 15th of September 2020

Q.14 The applications/ documents/ forms pertaining to refund claims in GST on account of _____ shall be filed and processed manually.

Answer: zero-rated supplies

Q.15 For Assam, the threshold limit for GST registration is .

_____.

Answer: Rs. 20 lakhs for services and Rs.40 lakhs for persons engaged exclusively in intra-state supply of goods.

Q.16 Mr. Prem supplied goods to Mr. Janak for Rs. 1,50,000 plus GST 18%, vide Invoice No. 50 dated 23rd December 2020. Mr. Janak availed the ITC of Rs. 27,000 and confirmed in GSTR-2. However, invoice no. 50 dated 23rd December 2020 was not reflected in GSTR-1, matching will take through common portal of GSTN for Mr. Prem on _____.

Answer: 20th January 2021

Q.17 The Commissioner can allow payment of GST with interest by defaulter in monthly installments not exceeding _____ installments.

Answer: 24

Q.18 Mr. Rithvik a registered taxable person, was paying tax at composition scheme upto 30th August 2020. However, w.e.f. 31st August, 2020 Mr. Rithvik becomes liable to pay tax under regular scheme. If Input as on 30th August 2020 is Rs. 5,66,400 (inclusive of GST 18%) and capital goods purchased for Rs. 7,60,000 (invoice date 25th July 2020, GST @12%), the eligible ITC to Mr. Rithvik is

_____.

Answer: Rs. 1,54,800

Q.19 If the amount of pre-deposit becomes refundable to the assessee, he is required to file the refund claim within a period of _____.

Answer: 2 Years from the date of receipt of the order

Q.20 E-way bill generation facility of a person paying tax under regular scheme will be blocked if he has not furnished the returns for a consecutive period of

_____.

Answer : 2 Tax Periods

Section C
(4X12 = 48 Marks)

One Laq

7 Marks

Q.1 Radhey and Co. is engaged in the supply of engine oil in Maharashtra and it also supplies petroleum in Mizoram. Its turnover in the current financial year is Rs.33 lakhs in Maharashtra and Rs. 9 lakhs in Mizoram.

- (i) Whether Radhey and Co. is liable to registration in Maharashtra and Mizoram?
- (ii) What would be your answer, keeping all same if Radhey and Co. is engaged in supply of engine oil and the turnover for current FY is Rs. 11 lakhs in Mizoram?
- (iii) If they are liable to be registered, describe the time limit within which proper officer shall approve the grant of registration.

Answer :

- (i) In the given case, since the aggregate turnover of Radhey and Co. exceeds the applicable threshold limit of Rs. 40 lakh, it is liable to obtain registration. It will obtain registration in Maharashtra, but it is not required to obtain registration in Mizoram as he is not making any taxable supplies from that state.
- (ii) Since Radhey and Co. is engaged in the supply of engine oil which is a taxable supply from a special category state as per section 22, the applicable threshold limit for him gets reduced to Rs.10 lakh. Further, Radhey and Co. is liable to get registered under GST in both Maharashtra and Mizoram on his aggregate turnover crossing the threshold limit of Rs.10 lakh.
- (iii) The time limit for approving the grant of registration to the applicant by the proper officer if the application and accompanying documents are found to be in order has been increased from 3 working days to 7 working days from the date of submission of application for registration [Rule 9(1)].
Further, the time limit for grant of registration after physical verification of the place of business of a person who fails to undergo the Aadhaar authentication/does not opt for Aadhaar authentication has been reduced to 30 days from 60 days.

5 Marks

Q.2 Vamsi Pvt. Ltd. registered in Banaras, Uttar Pradesh is engaged in the supply of taxable goods and services. In March 2021, it sold goods worth Rs.9,00,000 to Girish Enterprises and collected tax @18% on the said goods from the buyer. However, the actual tax applicable in the given case was 12%.

Vamsi Pvt. Ltd. deposited the tax @12% on these to the government on the due date and retaining the remaining tax collected. Determine the amount of penalty, if any, that may be imposed on Vamsi Pvt. Ltd. in the given case ignoring interest payable, if any.

Answer:

In the given case, Vamsi Pvt. Ltd. has collected tax at a wrong rate (i.e.18%), but fails to deposit the full tax collected to the government i.e. it deposits only tax @12% thereby retaining the remaining tax collected, the amount of penalty that can be imposed on Vamsi Pvt. Ltd. is as follows:

Rs. 10,000

Or

An amount equivalent to the tax evaded [Rs.54,000(9,00,000*18%) - (9,00,000*12%)]

Whichever is higher, i.e. Rs. 54,000 (only the bolded part is sufficient to give marks)

Q.1 Draco Pvt. Ltd. is a company engaged in refining the crude petroleum into petrol. It also sells crude oil to other similar companies. On October 2019, it acquired a license for exploration of crude petrol from Punjab by entering into Production sharing contract (PSC) from government. On March 2020 its research team entered into exploration of crude petroleum and incurred the following expenses:

Expenses for exploration - Rs. 50 lakhs Expenses incurred for development- Rs. 8 lakhs Expenses incurred for production – Rs. 70 lakhs Royalty paid – Rs. 15 lakhs

After incurring following expenses, Draco Pvt. Ltd. sold the crude petroleum extracted from Punjab to Marvel Pvt. Ltd of Delhi for a consideration of Rs. 2 Crores on 1st December 2020. As per PSC, the company is entitled to provide 40% of “profit petroleum”.

The Board of directors (BOD) of Draco Pvt. Ltd wants to know if GST is payable on “profit petroleum” paid to government. Compute “profit petroleum” payable paid to government and advice the BOD accordingly.

Answer:

Profit Petroleum = Rs. 57,00,000

Amount payable to government (57,00,000*40%) = Rs. 22,80,000

GST is not payable on share of profit

Q.2 QW imported 2500 units of raw material on 12th August, 2020. Of these, 100 units were damaged whilst in transit in ship from Colombo, from where they were imported and hence could not be used in the manufacture of final finished product.

There was an exemption notification which was in force during the time of import., which conferred exemption of specified raw materials imported from abroad and used in manufacture of final product.

QW seeks your advice whether he can claim the benefit of exemption notification in respect of the entire 2500 units or only in respect of the 2400 units of raw materials used in final manufacture?

Advise him suitably.

Answer:

The facts of the case are similar to the case of BPL Display Devices Ltd. v. CCE., (2004) 174 ELT 5 (SC) wherein the Supreme Court has held that the benefit of the notifications cannot be denied in respect of goods which are intended for use for manufacture of the final product but cannot be so used due to shortage or leakage.

The Apex Court has held that no material distinction can be drawn between loss on account of leakage and loss on account of damage. The benefit of said exemption cannot be denied as inputs were intended for use in the manufacture of final product but could not be so used due to shortage/leakage/damage. It has been clarified by the Supreme Court that words “for use” have to be construed to mean “intended for use”.

Therefore, the importer can claim the benefit of the notification in respect of the entire lot of the inputs imported including those that were damaged in transit.

Q.1 Madesh is a farmer who has harvested 5 tons of wheat and preserved them in his warehouse on 1st March 2021. The current price of wheat is Rs.30 per kg. Anticipating the wheat price may go down in upcoming days, he entered into a contract with a Super market owner to sell 5 tons of wheat after 2 months at Rs.30 per Kg on 1st May 2021. The prevailing market rate as on 1st May 2021 is Rs.25. The documentation charge of Rs.5000 is charged by Madesh. Rate of GST is 5%.

- (i) What is amount of GST payable if the wheat is sold for Rs.30 per Kg and the same is paid to Madesh on 1st May 2021 by actual delivery of goods to supermarket premises?
- (ii) What is the amount of GST to be paid if other things being same, what is the implication if the differential amount of Rs.5 per kg(difference between contract price and prevailing market rate) is paid to Madesh on settlement date without actual delivery?

6 Marks

Answer:

- (i) GST payable = Rs. 7,750
- (ii) GST payable = Rs. 250

Q.2 Kiku shopping, an ECO does not provide invoicing solution to its sellers. The invoice is generated by sellers and received by the buyer without ECO getting to know about it. The payment flows through the ECO. In such cases, on what value is TCS to be collected? Can TCS be collected on the entire value of the transaction?

3 Marks

Answer:

Section 52(1) of the CGST Act, 2017 mandates that TCS is to be collected on the net taxable value of such supplies in respect of which the ECO collects the consideration. The amount collected should be duly reported in GSTR-8 and remitted to the Government. Any such amount collected will be available to the concerned supplier as credit in his electronic cash ledger.

Q.3 A bill of entry was presented on 30th December, 2020. The vessel carrying goods arrived on 5th January, 2021. Entry inwards was granted on 10th January, 2021 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. 3,75,000 was paid by the importer on 21st January, 2021.

Calculate the amount of interest payable under section 47(2) of the Customs Act, 1962, given that there were five holidays during the period from 11th January, 2021 to 20th January, 2021.

3 Marks

Answer:

Interest = Rs.1,079 or Rs. 1,078.76

Q.1 Examine the implications as regards the bailability and the quantum of punishment on prosecution, in respect of the following cases pertaining to the month of August 2021 under CGST Act, 2017

- (i) P collects Rs. 290 lakh as tax from its clients and deposits Rs. 280 lakh with the Central government. It is found that he had falsified financial records and has not maintained proper records.
- (ii) R collects Rs. 560 lakh as tax from clients but deposits only Rs. 30 lakh with the Central government.
- (iii) What will be the implications with regard to punishment on prosecution of 'P' and 'R' for the offences? What would be the position, if 'P' and 'R' repeat the offences?

7 Marks

Answer:

- (i) As per section 132(1)(d)(iii) of the CGST Act, 2017 failure to pay any amount collected as tax beyond 3 months from the due date of payment is punishable with specified imprisonment and fine provided the amount of tax evaded exceeds Rs. 100 lakh. Therefore, the failure to deposit Rs. 10 lakh collected as tax will not be punishable with imprisonment.
Further, falsification of financial records by 'P' is punishable with imprisonment up to 6 months or with a fine or both vide section 132(1)(f)(iv) of the CGST Act, 2017 assuming that the falsification of records is with an intention to evade payment of tax due under the CGST Act, 2017.
- (ii) Failure to pay any amount collected as tax beyond 3 months from due date is punishable with imprisonment up to 5 years and with fine, if the amount of tax evaded exceeds Rs. 500 lakh in terms of section 132(1)(d)(i) of the CGST Act, 2017.
Since the amount of tax evaded by 'R' exceeds Rs. 500 lakh, i.e. Rs. 530 lakh (Rs. 560-30), 'R' is liable to imprisonment upto 5 years and with fine. It has been assumed that amount of Rs. 530 lakh collected as tax is not paid to the government beyond 3 months from the due date of payment of tax. Further, the imprisonment shall be minimum of 6 months in the absence of special and adequate reasons to the contrary to be recorded in the judgement vide Section 132(3) of the CGST Act, 2017. Such offence is non-bailable in terms of section 132(5) of the CGST Act, 2017.
- (iii) If 'P' and 'R' repeat the offence, they shall be punishable for second and for every subsequent offence with imprisonment up to 5 years and with fine in terms of Section 132(2) of the CGST Act, 2017. Such imprisonment shall also be minimum 6 months in the absence of special and adequate reasons to the contrary to be recorded in the judgment.

Q.2 State the compliance with the Dynamic QR Code requirements in certain cases:

5 Marks

Case-I: If a supplier provides/ displays Dynamic QR Code, but the customer opts to make payment without using Dynamic QR Code, and supplier provides the cross reference of such payment made without use of Dynamic QR Code, on the invoice. (3 Marks)

Case-II: If a supplier makes available to customers an electronic mode of payment, where though Dynamic QR Code is not displayed, but the details of merchant as well as transaction are displayed/ captured otherwise. (2 Marks)

Answer:

Case1: In cases where the supplier, has digitally displayed the Dynamic QR Code and the customer pays for the invoice: - using any mode like UPI, credit/ debit card or online banking or cash or combination of various modes of payment, without using Dynamic QR Code, and the supplier provides a cross reference of the payment (transaction id along with date, time and amount of payment, mode of payment like UPI, Credit card, Debit card, online banking etc.) on the invoice; or in cash, without using Dynamic QR Code and the supplier provides a cross reference of the amount paid in cash, along with date of such payment on the invoice; said invoice shall be deemed to have complied with the requirement of having Dynamic QR Code

Case2: In such cases, if the cross reference of the payment made using such electronic modes of payment is made on the invoice, the invoice shall be deemed to comply with the requirement of Dynamic QR Code.

However, if payment is made after generation/ issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.

Q.1 The aggregate turnover of Sangri Services Ltd. Delhi exceeded Rs. 20 lakhs on 12th August. He applied for registration on 3rd September and was granted the registration certificate on 6th September. You are required to advise Sangri Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices.

6 Marks

Answer:

As per section 25 read with COST Rules, 2017, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Sangri Services Ltd.'s turnover exceeded Rs. 20 lakh on 12th August, it became liable to registration on same day. Further, it applied for registration within 30 days of so becoming liable to registration the effective date of registration is the date on which he becomes liable to registration, i.e. 12th August.

As per section 31 read with CGST Rules, 2017, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices. Revised Tax Invoices shall be issued within 1 month from the date of issuance of certificate of registration. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.

Therefore, in the given case, Sangri Services Ltd. has to issue the Revised Tax Invoices in respect of taxable supplies effected during the period starting from the effective date of registration (12th August) till the date of issuance of certificate of registration (6th September) within 1 month from the date of issuance of certificate of registration, i.e. on or before 6th October.

Q.2

Determine the customs duty payable under the Customs Tariff Act, 1975 including the safeguard duty of 30% under section 8B of the said Act with the following details available on hand:

6 Marks

Assessable value of Sodium Nitrite imported from a developing country from 26th February 2017 to 25th February 2018 (both days inclusive)	Rs. 30,00,000
share of imports of Sodium Nitrite from the developing country against total imports of Sodium Nitrite to India	4%
Basic custom duty	10%
Integrated tax under section 3(7) of the Customs Tariff Act, 1975	12%
Social welfare surcharge	10%

Note: Ignore GST compensation cess

Answer:

Total customs duty payable = Rs. 17,37,600

Q.1 Write short note on the payment of tax under Quarterly Return filing & Monthly payment of Taxes scheme (QRMP).

3 Marks

Answer:

Registered persons need to pay tax due in each of first two months (by 25th of next month) in the quarter, by selecting "Monthly payment for quarterly taxpayer" as reason for generating Challan.

Registered persons can either use Fixed Sum Method (pre-filled challan) or Self-Assessment Method (actual tax due), for monthly payment of tax for first two months, after adjusting ITC.

No deposit is required for the month, if there is nil tax liability. Tax deposited for first 02 months can be used for adjusting liability for the quarter in Form GSTR-3B and can't be used for any other purpose till the filing of return for the quarter.

Q.2 Write short note on the circumstances when the proper officer can authorize 'arrest' of any person under the CGST Act.

3 Marks

Answer:

Section 69 deals with power of arrest when one commits any of the following offences which is punishable under clause (i) or (ii) of sub-section (1), or under sub-section (2) of sec 132 of CGST Act. The commissioner of CGST can authorize a CGST officer to arrest a person if he has reasons to believe that the person has committed an offence attracting punishment prescribed under Section 131(1)(a), (b), (c), (d) or section 132(2). The offences that are punishable under section 132 are as follows: (a) Supplies any goods or services or both without issue of invoice with the intention to evade tax

(b) Issues any invoice or bill without supplies leading to wrongful availment or utilisation of input tax credit or refund of tax

(c) Avails input tax credit using invoice or bill referred to in b) above

(d) Collects any amount as tax but fails to pay the same beyond the period of 3 months from the due date

Section 132(1) clause (i) tax evasion above Rs.500 Lakhs attracting imprisonment for a term upto 5 years and fine, or clause (ii) tax evasion above Rs.200 Lakhs attracting imprisonment upto 3 years and fine or offence or section 132(2) [repeated offence – second and subsequent offence attracting imprisonment upto 5 years with fine]

Thus, it means that a person can only be arrested only when there is a tax evasion is more than Rs. 2 crores and the offences are specified offences as mentioned above. However, such monetary limit shall not be applicable if the offences are committed again.

Q.3 Write short note on the conditions to be satisfied to take credit under section 140(6) of CGST Act, 2017.

3 Marks

Answer : (i) Such inputs are used or intended to be used for making taxable supplies under this Act;

(ii) The registered person not opted to pay tax under composition levy (Sec 10.)

(iii) The said registered person is eligible for input tax credit on such inputs under this Act;

The said registered person is in possession of invoice evidencing payment of duty under existing law (C.Ex., S.T., CVD, Spl. CVD., VAT or Entry tax) in respect of inputs; and Such invoice not earlier than 12 months as on 30-6-2017.

Q.4 Write short note on List of items for which special classification is used instead of HSN system.

3 Marks

Answer: Though most of goods are classified as per the above system of HSN, special classification is used in certain cases like the following

(i) All goods imported under "project imports-98.01"

(ii) All laboratory chemicals in packs less than 500 gms or 500 ml -98.021

(iii) All baggage of passengers or member of crew-98.03

(iv) Goods for personal use imported by post or air-98.04

(v) Stores on board of vessel or aircraft-98.05

These goods will be classified in these headings, irrespective of actual classification as per the Customs Tariff.

Q.5 Write short note on Licencing of Special Warehousing as per section 2 (43) of The Customs Act, 1962.

3 Marks

Answer: Section 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 no person shall enter the warehouse or remove any goods therefrom without the permission of the proper officer.

Section 58A (2): The Board may, by notification in the Official Gazette, specify the class of goods which shall be deposited in the special warehouse licensed under sub-section (1). Consequently, CBEC, vide Notification No. 66/2016 Cus (NT) dated 14.05.2016 has notified the following class of goods which shall be deposited in a special warehouse:

gold, silver, other precious metals and semi-precious metals and articles thereof;

goods warehoused for the purpose of:

supply to DFS (Duty Free Shops) in a customs area;

supply as stores to vessels/aircrafts under Chapter XI of the Customs Act, 1962;

supply to foreign privileged persons in terms of the Foreign Privileged Persons (Regulation of Customs Privileges) Rules, 1957.

Q.1 Mr. Keshav Sai Krishna has a proprietorship firm in the name of Krishna & Sons in Mumbai. The firm, registered under GST in the State of Maharashtra, manufactures three taxable products 'A', 'B' and 'C'. Tax on 'B' is payable under reverse charge. The firm also provides taxable consultancy services.

4+4+4 =12 Marks

The firm has provided the following details for a tax period

Particulars	Amount (Rs)
Turnover of 'A' (excluding export sales)	16,30,000
Turnover of 'B'	7,50,000
Turnover of 'C' (excluding export sales)	11,20,000
Export of 'A' with payment of IGST (not eligible to avail benefit of merchant exports under Notification No. 41/2017)	2,30,000
Export of 'C' under letter of undertaking	12,00,000
Consultancy services provided to unrelated clients located in foreign countries. In all cases, the consideration has been received in convertible foreign exchange	25,00,000
Sale of building (excluding stamp duty of Rs.6.50 lakh, being 5% of value) [Entire consideration is received post issuance of completion certificate; building was occupied thereafter]	1,25,00,000
Interest received on investment in fixed deposits with a bank	6,90,000
Sale of shares (Purchase price Rs. 3,60,00,000/-)	3,90,00,000
Legal services received from an advocate in relation to product 'B'	5,50,000
Common inputs and input services used for supply of goods and services mentioned above [Inputs - Rs. 30,00,000; Input services - Rs.10,00,000]	40,00,000

With the help of the above-mentioned information, compute the:

- (i) GST payable on outward supply.
- (ii) Computation of ITC available in the Electronic Credit Ledger.
- (iii) Net GST liability payable from Electronic Credit Ledger and/or Electronic Cash Ledger of Krishna & Sons, for the tax period.

Note: Assume that rate of GST on goods and services are 12% and 18% respectively (Ignore CGST, SGST or IGST for the sake of simplicity). Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Turnover of Krishna & Sons was Rs. 1,20,00,000 in the previous financial year

Answer:

- (i) Total GST payable on outward supply = Rs. 5,01,600
- (ii) Net ITC available = Rs. 2,81,695
- (iii) Total GST paid from Electronic Cash Ledger = Rs. 3,18,905