

**INTERMEDIATE EXAMINATION  
GROUP - II  
(SYLLABUS 2016)**

**SUGGESTED ANSWERS TO QUESTIONS  
DECEMBER - 2019**

**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 the answer.  
Working notes should form part of the relevant answer.

**GST (Section – A)**

**Part – I**

(All questions are compulsory in Part - I)

1. (a) Choose the correct option from amongst the four alternatives given: 1×5=5
- (i) Supply of goods or services or both to a Special Economic Zone unit is a  
(A) Intrastate supply  
(B) Export Supply  
(C) Non-GST Supply  
(D) None of the above
- (ii) Reverse Charge Mechanism shall apply  
(A) only in respect of service.  
(B) only in respect of goods.  
(C) both in respect of goods and services.  
(D) only in respect of inward supplies from unregistered persons.
- (iii) Healthcare Service is taxable where services are provided in the field of  
(A) Siddha, Ayurveda and Homeopathy  
(B) Yoga, Unani and Naturopathy  
(C) Acupuncture, Acupressure and Pranic Healing  
(D) Allopathy
- (iv) Where a desk-top printer is sold for Rs. 10,000 along with the exchange of an old printer and if the price of the new desk-top printer without exchange is Rs. 12,500, the taxable value for GST purpose would be  
(A) Rs. 10,000  
(B) Rs. 12,500  
(C) Either (A) or (B)  
(D) Rs.10,000 for the supplier and Rs. 2,500 for the customer

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- (v) The Sale document to be generated by a supplier in case of exempted supply is called
- (A) Tax Invoice
  - (B) Delivery Challan
  - (C) Bill of Supply
  - (D) Commercial Invoice

(b) Match the following:

1x5=5

	Column A		Column B
1.	GST Return of inward supplies	A	Form 2A
2.	Read only document	B	18
3.	Rate of interest (%) for delayed payment of GST	C	20
4.	Due date for filing of Form GSTR1 (_th of succeeding month)	D	Form 2
5.	Due date for filing, of Form GSTR 3B(_th of succeeding month)	E	10

(c) State whether True or False:

1x5=5

- (i) The first type of Audit under GST is to be done by Chartered Accountant only.
- (ii) Interest is payable even if duty is paid before the showcase notice.
- (iii) ITC is allowed if the goods are destroyed by fire.
- (iv) In case of export of goods, it is compulsory that the receipts of payment should be in foreign exchange.
- (v) A Registered person may transfer any amount of tax, interest, penalty or any other amount available in Electronic Cash Ledger to Electronic Cash Ledger for IGST, CGST or UTGST or cess.

(d) Fill in the blanks:

1x5=5

- (i) If the ECO (e-commerce operator) is located in taxable territory, then person liable to pay tax is \_\_\_\_\_.
- (ii) The time limit beyond which if goods are not returned the capital goods sent for job work shall be treated as supply \_\_\_\_\_.
- (iii) Transport of Milk is \_\_\_\_\_ supply.
- (iv) Registration certificate granted to casual taxable person or non-resident taxable person will be valid for \_\_\_\_\_ days from the effective date of registration.
- (v) A registered supplier has claimed depreciation as per Income Tax Act, 1961 on the total cost of a machinery including IGST component of Rs. 36,000. He can avail ITC to the tune of Rs. \_\_\_\_\_.

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### Answer:

1. (A) (i) (B) Export Supply  
(ii) (C) both in respect of goods and services;  
(iii) (C) Acupuncture, Acupressure, and Pranic Healing;  
(iv) (B) Rs. 12,500  
(v) (C) Bill of Supply

(B)

	Column A		Column B
1.	GST Return of inward supplies	D.	Form 2
2.	Read only document	A.	Form 2A
3.	Rate of interest (%) for delayed payment of GST	B.	18
4.	Due date for filing of Form GSTR1 (_th of succeeding month)	E.	10
5.	Due date for filing, of Form GSTR 3B(_th of succeeding month)	C.	20

- (C) (i) False: The first type of Audit under GST is to be done by either Chartered Accountant or Cost Accountant.  
(ii) True: Interest is payable, even if duty is paid before the show cause notice.  
(iii) False: ITC is not allowed, if the goods are destroyed by fire.  
(iv) False: [Refer Circular No. 37/11/2018-GST dated 15.03.2018]  
(v) True: [New Rule 87(13)]
- (D) (i) ECO - e-commerce operator  
(ii) 3 years  
(iii) Exempted  
(iv) 90  
(v) Nil

### Part - II

(Answer any four questions in Part - II)

2. (a) What is GST? What are its advantages?

3 + 4 = 7

(b) From the following cases, you are required to suggest if the registered person can opt for composition scheme as per Section 10 of CGST Act for the Financial Year 2019-20. You are required to narrate relevant provision of the law with applicable composition tax rate, in each case, if the registered person can opt for the composition scheme.

2 × 4 = 8

- (i) M/s. Rajesh Khanna Enterprises, Nagpur (Maharashtra), engaged in the business of manufacture of Tobacco products has shown an aggregate turnover of Rs. 90 Lakhs during the Financial year 2018-19.

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- (ii) M/s. Pramod & Co., Imphal (Manipur), engaged in the business of manufacture of textile carpets has shown an aggregate turnover of Rs. 85 Lakhs during the Financial year 2018-19.
- (iii) M/s. Kwaliti Ice Cream Parlour, Bangalore (Karnataka), engaged in the business of trading of ice cream has shown an aggregate turnover of Rs. 60 Lakhs during the Financial year 2018-19.
- (iv) M/s. British Bakeries, Coimbatore (Tamilnadu) is engaged in the business of supply of bakery products, both in take away packs and/served in ready to eat containers in order to cater the needs of the customers who consume the products on the spot, has shown an aggregate turnover of Rs. 1.26 Crores during the Financial year 2018-19.

### **Answer:**

2. (a) (i) Goods and Services tax means a tax on supply of goods or services, or both, except taxes on supply of alcoholic liquour for human consumption (Article 366[12A] of Constitution of India).
- (ii) GST is a value added tax levy on sale of goods or provision of services or both.
- (iii) GST is a destination based consumption tax.

The advantages of GST are as under:

- (i) GST has brought about uniform tax structure all over Indian – one nation – one tax.
- (ii) GST has simplified taxation and eliminated multiple taxes, removing of bundled indirect taxes such as VAT, CST, Service Tax, CAD, SAD and Excise.
- (iii) GST has increase ease of doing business in India.
- (iv) The lower cost of production due to elimination of cascading effect of tax, has resulted in reduction in prices, increasing demand, ultimately leading to rise in the production and supply of goods, boosting make in India initiative, boosting exports, generating more employment and increase in GDP leading to substantive economic growth.
- (b) (i) As per Notification No. 8/2017 Central Tax dated 27.06.2017, a taxable person engaged in the manufacture of Tobacco (Tariff Heading 24) is not eligible to opt for composition scheme. Since, M/s. Rajesh Khanna Enterprises is engaged in manufacture of Tobacco products they cannot opt for the Scheme.
- (ii) As per Notification No. 8/2017 Central Tax dated 27.06.2017, a taxable person situated in Manipur cannot opt for composition scheme if the aggregate turnover during the preceding financial year has exceeded Rs. 75 Lakhs. Since, the aggregate annual turnover of M/s. Pramod & Co., has exceeded the threshold limit of Rs. 75 Lakhs, they cannot opt for the Scheme.

(iii) As per Notification No. 8/2017 Central Tax dated 27.06.2017, a taxable person engaged in the manufacture of ice cream is not eligible to opt for composition scheme. Since M/s. Kwaliti Ice Cream is engaged only in trading of ice cream and since the aggregate annual turnover during the preceding financial year is below Rs.1.50 Crores, the threshold prescribed in the recent notification effective from 01.04.2019 (Refer Notification No.14/2019-Central Tax dated 07.03.2019), they can avail the composition scheme provided other conditions stipulated in the law are satisfied. The rate of tax applicable in the given case would be 5% (CGST 2.5%+ SGST 2.5%) considering the provisions of Clause (b) of Paragraph 6 of Schedule II of CGST Act, 2017. However, in the case of In re Arihant Enterprises, AAR Maharashtra has held that if the business model of the trader is such that the ice creams are sold in a take away pack on "as it is" basis or by way of scoops as prescribed in the franchisee model which is applicable to all retail outlets, the supply would be considered as "Sale of goods". In such case, the applicable tax rate under composition scheme would be 1% (CGST 0.5% + SGST 0.5%).

(iv) As per Notification No. 8/2017 Central Tax dated 27.06.2017 M/s. British Bakeries is eligible for composition scheme levy in the current year as the aggregate turnover during the preceding financial year is below Rs.1.50 Crores (the revised threshold prescribed replacing the earlier limit of Rs.1.00 Crores effective from 01.04.2019—vide Notification No.14/2019 — Central Tax dated 07.03.2019). As regard to the rate of tax is concerned, the applicable rate would be 5% (CGST 2.5% + SGST 2.5%) inasmuch as rule 7 of CGST Rules, 2017 provides that the rate of tax is 2.5% (with a similar provision in State GST Rules) in case of suppliers making supplies referred to in Clause (b) of paragraph 6 of Schedule II of CGST Act, 2017. The said clause (b) of paragraph 6 of Schedule II provides as follows:-

"Supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration".

It can be seen from the above discussion that there is no mention in the law that there need to be an element of service visible in such supply of food or any other article for human consumption. Since, in the given case supplies are made both in the form of take away packs and ready to eat containers, it would be considered as composite supply of service as per clause (b) of Paragraph 6 of Schedule II and hence attract GST @ 5%.

**3. (a) Find out the place of supply and the tax to be levied (i.e., IGST or CGST & SGST) in the following cases: 2 × 4 = 8**

**(i) Mr. Sathianarayan, an Architect situated at Kochi is engaged by M/s. ABC Builders, Kochi to draw building plan for a proposed building to be situated at Dubai to be owned by the overseas client of M/s. ABC Builders.**

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- (ii) M/s. Adhithya Spinners Ltd., having its registered office at Bangalore (Karnataka) has engaged M/s. Texmac P. Ltd., Coimbatore (Tamilnadu), a company dealing in textile machineries, to supply blowroom machineries for the former's spinning unit to be set-up at Hosur (Tamilnadu). Machineries are supplied in completely knocked down condition at the Hosur unit and assembled by the technicians of M/s. Texmac P. Ltd. The Hosur unit is not yet registered under GST.
- (iii) M/s. Kirlo India Ltd., Mumbai (Registered under GST) appointed M/s. Cunix Infotech P. Ltd., Delhi for conducting training to its employees in the Marketing Department and to appraise their performance on periodic basis. During the month of March 2019, Cunix conducted a training programme at the campus of Cunix at New Delhi.
- (iv) Mr. Arnab, Calcutta (not registered under GST) booked air ticket in Jet Airways Ltd., Calcutta for travel to Mumbai. He embarks on the flight at New Delhi Airport.

(b) (i) Determine the value of supply in the following cases:

M/s. Prithvi Starch Products, Mumbai supplied 100 tonnes of Maize Starch to its agent M/s. Ramco Agency, Ahmedabad on 10<sup>th</sup> October, 2019. In the delivery challan, the taxable value of the product was mentioned as Rs. 2,300 per tonne. On the same day M/s. Ramco Agency supplied 60 kgs of Maize Starch of same kind and quality of M/s. Prithvi Starch Products at a price of Rs. 2,900 per tonne. Further, on the same day M/s Ramco Agency has purchased on his own account 125 tonnes of Maize Starch from another independent supplier which is of the same kind and quality of M/s. Prithvi Starch Products and the value was shown as Rs. 2,700 in the Tax Invoice issued by the said independent supplier. What is the value of taxable supply in the hands of M/s. Prithvi Starch products as per Rule 29(a) of CGST Rules, 2017? 2

- (ii) R, a trader dealing in Solar Cooker charged Rs. 40,000 for supply of cooker to G. He has received following subsidies:

A. Subsidy directly linked to the supply and received from a Charitable Trust engaged in promotion of solar cookers.	Rs. 16,000
B. Subsidy from the Central Government as it also wants to promote solar products in the country.	Rs. 24,000

Determine the value of supply of solar cooker. 5

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Answer:

3. (a)

Sl. No.	Place of Supply	Tax to be levied	Remarks
(i)	Kochi (Kerala)	CGST + SGST	As per Clause (a) of sub-section 3 of Section 12 of IGST Act, 2017, place of supply of services directly in relation to immovable 'property, including services provided by architects ..... shall be the location at which the immovable property is located or intended to be located. However, proviso to sub-section 3 provides that if the location of the immovable property is located or intended to be located outside India, the place of supply shall be the location of the recipient. In the given case, though the property is located at Dubai (outside india), place of supply shall be at Kochi (Kerala)being the location of the recipient.
(ii)	Hosur (Tamilnadu)	CGST + SGST	As per clause (d) of sub-section 1 of section 10 of IGST Act, 2017, Where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly. In the given case, since the machineries are supplied in completely knocked down condition at Hosur to be assembled at the site, place of supply is Hosur.
(iii)	Mumbai (Maharashtra)	IGST	As per Section 12(5) of IGST Act, 2017, the place of supply of services in relation of training and performance appraisal to (a) a registered person, shall be the location of such person; (b) a person other than a registered person, shall be the location where the services are actually performed. In the given case, since the service recipient is a registered person situated at Mumbai, the place of supply for GST levy is Mumbai even though the actual place of supply is New Delhi.
(iv)	New Delhi	IGST	As per Section 12(9) of IGST Act, 2017, the place of supply of passenger transportation service to (a) a registered person, shall be the location of such person; (b) a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey. In the given case, since the service recipient Mr. Arnab is an un-registered person, the place of supply for GST levy is New Delhi where he embarked on the flight.

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(b) (i) The value of taxable supply made by M/s. Prithvi Starch Products shall be Rs. 2,70,000 (Rs. 2,700 per tonne × 100 tonnes) or where they exercise the option as given in rule 29(a), the value shall be Rs. 2,61,000 (Rs. 2,610 i.e., 90% of Rs. 2,900 per tonne × 100 tonnes).

(ii) Value of supply shall be determined as under:

Particulars	Amount (Rs.)
Amount charged by the trader for supplying the solar cooker	40,000
Add: (a) Subsidy received from Charitable Trust	16,000
(b) Subsidy received from Government of India (Not to be included in terms of section 15(2)(e))	---
Value of supply/Transaction Value subject to GST	56,000

4. (a) Mr. Kamal Tripathi, a supplier who has recently taken registration under the GST law, wants to keep the rates for goods supplied confidential. He wants to know whether he can raise the tax invoices showing consolidated value of the goods supplied and the GST together. He will be making Inter-State supplies also. Advise Kamal Tripathi suitably, having regard to the provisions of the CGST Act, 2017. 5

(b) M/s. Abishek Industries Ltd., has given the following information pertaining to the month of October, 2019:

Sl. No.	Particulars	Amount
1.	Total Input Tax Credit (ITC) on inputs and input services	18,00,000
2.	ITC attributable exclusively for non-business purposes (included in S.No. 1 above)	1,50,000
3.	ITC attributable exclusively for effecting exempt supplies (included in S. No. 1 above)	6,50,000
4.	ITC in respect of inputs on which credit is not available u/s.17(5) (included in S.No. 1 above)	50,000
5.	ITC attributable exclusively for effecting taxable supplies (included in S.No. 1 above)	5,50,000
6.	Total turnover	1,12,65,000
7.	Total value of exempt supplies	54,16,000

You are required to calculate the amount of common input tax credit to be reversed in respect of exempt supplies as per rule 42 of CGST Rules, 2017. 10

**Answer:**

4. (a) Essentials of tax invoice under GST  
Section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, inter alia, provides that tax invoice shall contain the following particulars -  
(a) Total value of supply of goods or services or both;  
(b) Rate of tax (here SGST and CGST);



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(c) Amount of tax charged in respect of taxable goods or services (here SGST and CGST)

Therefore, the supplier is bound to show all the above separately in the tax invoice.

His proposed action is incorrect and not tenable in law.

Advice should be given on the above lines.

(b)

Sl. No.	Particulars	Amount	Denotes
1	Total Input Tax Credit (ITC) on inputs and input services	18,00,000	T
2	ITC attributable exclusively for non-business purposes (included in S. No. 1 above)	1,50,000	T1
3	ITC attributable exclusively for effecting exempt supplies (included in S. No. 1 above)	6,50,000	T2
4	ITC in respect of inputs on which credit is not available u/s. 17(5) (included in S. No. 1 above)	50,000	T3
5	ITC attributable exclusively for effecting taxable supplies (included in S. No. 1 above)	5,50,000	T4
6	Total value of exempt supplies	54,16,000	E
7	Total Turnover	1,12,65,000	F
8	Total ITC credited to Electronic Credit Ledger C1 = 18,00,000 – (1,50,000 + 6,50,000 + 50,000)	9,50,000	C1 = T – (T1+T2+T3)
9	Common Credit C2 = 9,50,000 – 5,50,000	4,00,000	C2 = C1 – T4
10	ITC attributable towards exempt supplies D1 = (54,16,000 ÷ 1,12,65,000) × 4,00,000	1,92,312	D1 = (E÷F)×C2
11	ITC attributable to non-business purposes presumed to be included in common credit D2 = 4,00,000 × 5%	20,000	D2 = 5% of C2
12	ITC attributable to the purposes of effecting taxable supplies C3 = 4,00,000 – (1,92,312 + 20,000)	1,87,688	C3 = C2 – (D1 + D2)
13	ITC to be reversed as per rule 42	2,12,312	D1 + D2

5. (a) Discuss the following with reference to the provisions of CGST Act:

(i) Persons who are not liable for registration; and

(ii) Persons who are compulsorily required to be registered.

4×2=8

(b) What are the primary conditions to be fulfilled by a person who wish to opt for the concessional rate of tax @ 6% as provided in Notification No. 02/2019 Central Tax (Rate) dated 07.03.2019?

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**Answer:**

5. (a) (i) **Persons not liable for registration:**

- a. **Sec 23(1)(a):** Any person engaged exclusively in the business of supplying of goods or services or both they are not liable to tax or wholly exempt from tax under CGST or IGST.
- b. **Sec 23(1)(b):** An agriculturist, to the extent of supply of produce out of cultivation of land.
- c. **Sec 23(2):** The government may, on the recommendation of the GST Council. Specify/notify such persons/class of persons.

(ii) **Compulsory registration in certain cases:**

Sec 24: The following categories of persons shall be required to be registered under GST:

- 1) Persons making any inter - state taxable supply;
- 2) Casual taxable person making taxable supply;
- 3) Person who are required to pay tax under reverse charge;
- 4) Persons who are required to pay tax under sec. 9(5) of CGST (i.e., Electronic commerce operator);
- 5) Non - resident taxable person making taxable supply;
- 6) Person who are required to deduct tax under sec 51, whether or not separately registered under this act;
- 7) Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise;
- 8) Input services distributor, whether or not separately registered under CGST;
- 9) Persons who supply of goods or services or both, other than supplies specified under Sec 9(5), through such electronic commerce operator who is required to collect tax at source under Sec 52;
- 10) Every electronic commerce operator;
- 11) Every person supplying online information and database access or retrieval services from place outside India to a person in India, other than a registered person; and
- 12) Such other person or class of person as may be notified by the Govt. on the recommendation of the council.

- (b) With effect from 01.04.2019, an option has been given to registered person, whose aggregate turnover in the preceding financial year is up to Rs. 50 Lakhs and who is not eligible to pay tax under composition scheme, to pay tax @ 6% (CGST 3% + SGST 3%) on first supplies of goods and /or services up to an aggregate turnover of Rs. 50 Lakhs made on or after 1<sup>st</sup> April in any financial year.

Primary Conditions to be satisfied:

- (1) Supplies are made by a registered person:
  - a. Whose aggregate turnover in the preceding financial year was Rs. 50 Lakhs or below:

- b. Who is not eligible to pay tax u/s 10(1)(i.e., composition levy);
  - c. Who is not engaged in making any supply which is not leviable to tax under the said Act;
  - d. Who is not engaged in making any inter-state outward supply;
  - e. Who is neither a casual taxable person nor non-resident taxable person;
  - f. Who is not engaged in making any supplies through an e-commerce operator who is required to collect tax at source u/s. 52; and
  - g. Who is not engaged in making supplies of the goods being (i) Ice Cream and other edible ice, whether or not containing cocoa; (ii) Pan Masala; and (iii) Tobacco and manufactured tobacco substitutes.
- (2) The registered person shall not collect any tax from the recipient on supplies made by him not shall he be entitled to any credit of input tax.
- (3) The registered person shall issue, instead of tax invoice, a bill of supply.
- (4) The registered person shall mention the following words at the top of the bill of supply, namely:  
"Taxable Person paying tax in terms of Notification No. 02/2019 – Central Tax (Rate) dated 07.03.2019, not eligible to collect tax on supplies".

- 6. (a) (i) Raja Raja Chola Sales, air-conditioner dealer in Thanjavur, Tamilnadu, needs 4 air-conditioners for his newly constructed house in Gangaikondai Cholapuram Enclave. Therefore, he transfers 4 air-conditioners [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply under section 7 of the CGST Act, 2017. 2**

**Further, a Thanjavur resident, Vikrama Pandiya, approached Raja Raja Chola Sales. He sold an air-conditioner to Raja Raja Chola Sales for Rs. 5,000. Vikrama Pandiya had bought the said air-conditioner six months before, for his residence. Does sale of the air-conditioner by Vikrama Pandiya to Raja Raja chola Sales amount to supply under Section 7 of the CGST Act, 2017? 2**

- (ii) The Sterling Group of hotels introduces a holiday package for 5 Days in Pondicherry and Mahabhalipuram (Tamilnadu). The stay includes both staying and complementary breakfast. Where the stay in Pondicherry is for 3 Nights and the stay in Mahabhalipuram for 2 Nights. For the above services The Sterling charges total of Rs. 15,000.**

**Explain the place of supply in the above scenario. 4**

- (b) Kirti Coolers, a wholesaler of refrigerators items, registered in Pune, Maharashtra, received order for supply of refrigerators worth Rs. 3,00,000 on 12th December, 2018 from a registered dealer in Surat, Gujarat. The tax invoice was issued on 14/12/2018.**

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Kirti Coolers charged the following additional expenses from the buyer:-

	Particulars	Amount (Rs.)
(i)	Packing charges	15,000
(ii)	Freight & Cartage	12,000
(iii)	Transit insurance for transportation	11,500
(iv)	Extra designing charges	16,000
(v)	Taxes by Municipal Authority	1,500

The goods were delivered to the buyer on 15th December, 2018. The buyer paid the amount on 21/12/2018 and simultaneously placed another order with Kirti Coolers of refrigerator items amounting to Rs. 8,00,000 to be delivered in the next month.

On receipt of second order, Kirti Coolers allowed a discount of Rs. 30,000 on the first order placed by the buyer.

Compute the GST liability of Kirti Coolers for the month of December, 2018 assuming the rates of GST on the goods supplied to be as under:

CGST	9%
SGST	9%
IGST	18%

Brief note on treatment of each item is required.

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**Answer:**

6. (a) (i)

Section 7 of the CGST Act, 2017 stipulates that in order to qualify as supply:

- (a) Supply should be of goods and / or services.
- (b) Supply should be made for a consideration.
- (c) Supply should be made in the course of furtherance of business.

Further, Schedule I of the CGST Act, 2017 illustrates the activities to be treated as supply even if made without consideration. One such activity is permanent transfer or disposal of business assets where input tax credit has been availed on such assets, i.e., said activity is to be treated as supply even if made without consideration.

In view of the said provisions, permanent transfer of air conditioners by Raja Raja Chola Sales from its stock for personal use at its residence, though without consideration, would amount to supply.

However, sale of air-conditioner by Vikrama Pandiya to Raja Raja Chola Sales will not qualify as supply under section 7 of the CSGST Act, 2017 as although it is made for a consideration, but its not in the course or furtherance of business.

(ii)

Rule 4: The supply of Services attributable to different states or union territory U/s. 12(3) of The Integrated Goods and Services Tax Act, 2017.
In case of services provided by way of lodging accommodation by a hotel, inn, guest house, club or campsite, by whatever name called (except cases where such property is a single property located in two or more contiguous States or union territories or both) and services ancillary to such services, the supply of such services, the supply of services shall be treated as made in each of the respective states or union territories, in proportion to be number of nights stayed in such property.
The Place of supply in this case is both Union territory of Pondicherry and in the state of Tamilnadu.
The services shall be deemed to have been provided in the Union territory or Pondicherry and in the state of Tamilnadu in the ratio of 3 : 2 respectively.
The Value of services will thus be apportioned as Rs. 9,000 in the Union territory of Pondicherry and Rs. 6,000 in the State of Tamilnadu.

(b) Computation of value of taxable supply and tax liability

Sl. No.	Particulars	Amount (Rs.)
	Price of the goods [Note – 1]	3,00,000
(i)	Packing charges [Note – 2]	15,000
(ii)	Freight & Cartage [Note – 3]	12,000
(iii)	Transit Insurance [Note – 3]	11,500
(iv)	Extra Designing charges [Note – 4]	16,000
(v)	Taxes by Municipal Authority [Note – ]	1,500
	Value of taxable supply	3,56,000
	IGST @ 18%	64,080

Notes:

- As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e., the price actually paid or payable for the said supply.
- All incidental expenses including packing charged by the supplier to the recipient are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
- The given supply is a composite supply involving supply of goods (given items) and services (transit insurance and freight) where the principal supply is the supply of goods.  
As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.
- Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; is includible in the value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.

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5. The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
6. In the give case, the buyer is allowed a discount of Rs. 30,000 on the goods supplied to him in the month of December 2018. Since the said goods have already been delivered by Kirti Coolers this discount will be a post-supply discount.
7. Further, value of supply shall not include any discount which is given after the supply has been effected, if –
  - (i) Such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
  - (ii) Input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017].

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

**5×3=15**

- (a) Explain when tax payer can be levied with Interest on late payment of tax.**
- (b) List out any five cases where generation of E-Way Bill is not necessary.**
- (c) First GST return and subsequent rectification of errors in GST returns**
- (d) Items for which true and correct accounts are to be maintained**

**Answer:**

7. (a) The two scenarios where a tax payer will be liable to pay interest are:
  - (i) Delayed payment of tax
  - (ii) Input tax credit has been claimed in excess or where it was not eligible to be claimed/Tax liability has been shown to be less than the actual
- (b) Generation of E-way Bill is not necessary in the following cases:
  - (i) The mode of transport is non-motor vehicle.
  - (ii) Goods transported from Customs Port, airport, air cargo complex or land customs station to Inland Container Depot (ICD) or Container Freight Station (CFS) for clearance by Customs.
  - (iii) Goods transported under customs supervision or under customs seal.
  - (iv) Goods transported under Customs Bond from ICD to customs port or from one customs station to another.
  - (v) Transit cargo transported to or from Nepal or Bhutan
  - (vi) Movement of goods caused by defence formation under Ministry of Defence as a consignor or consignee.
  - (vii) Empty cargo containers are being transported
  - (viii) Consignor transporting goods to or from between place of business and a weighbridge for weighment at a distance of 20 Km s. accompanying by a Delivery Challan.
  - (ix) Goods being transported by rail where the consignor of goods is the Central Government, State Governments or a local authority.
  - (x) Goods specified as exempt from E-way Bill requirements in the respective State/Union Territory GST Rules.

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(xi) Transport of certain specified goods – includes the list of exempt supply of goods, Annexure to Rule 138(14), goods treated as no supply as per Schedule III, certain Schedule to Central Tax Rate notification.

(c) First return and rectification of errors in returns under GST

First Return:

As per section 40 of the CGST Act, 2017 every registered person who has made outward supplies in the period between the dates on which he became liable to registration till the date on which registration had been granted shall declare the same in the first return furnished by him after grant of registration.

Rectification of errors in Returns:

The mechanism of filing revised returns for any correction of errors/omissions has been done away with. The rectification of errors/ omissions is allowed in the subsequent returns.

However, no rectification is allowed.

- after furnishing the return for the month of September following the end of the financial year to which, such details pertain,
- or furnishing of the relevant annual return,
- whichever is earlier.

(d) True and correct maintenance of accounts under section 35(1) of the CGST Act, 2017

As per section 35(1) of the CGST Act, 2017, every registered person is required to maintain a true and correct account of the following:

- a. Production or manufacture of goods.
- b. Inward and outward supply of goods or services, or both
- c. Stock of goods
- d. Input tax credit availed
- e. Output tax payable and paid
- f. Any other particulars deemed necessary

### **Customs (Section – B)**

#### **Part – III**

**(All questions are compulsory in Part - III)**

**8. Choose the correct answer:**

**1×5=5**

- (i) **Exclusive Economic Zone extends to \_\_\_\_\_ nautical miles from the base line.**
- (A) 12NM**  
**(B) 24 NM**  
**(C) 100 NM**  
**(D) 200 NM**

- (ii) As per Sec 2(1) of the Customs Act, 1962, adjudicating authority means any authority competent to pass any order or decision under this Act, but does not include:
- (A) CBEC
  - (B) Commissioner of (Appeals)
  - (C) CESTAT
  - (D) All of the above
- (iii) Supplies made to SEZ (or) developer of SEZ is
- (A) Zero rated
  - (B) Exempted
  - (C) Nil rate
  - (D) No duty
- (iv) Assessment means process of determining the tax liability in accordance with the provisions of the Act, which includes
- (A) Provisional Assessment
  - (B) Self-assessment
  - (C) Reassessment
  - (D) All of the above
- (v) \_\_\_\_\_ will be charged on luxury products like high-end cars and demerit commodities like Pan Masala, tobacco and aerated drinks.
- (A) Anti Dumping duty
  - (B) Safeguard duty
  - (C) GST Compensationcess
  - (D) IGST

**Answer:**

8. (i) 200NM  
(ii) All of the above  
(iii) Zero rated  
(iv) All of the above  
(v) GST Compensation Cess

**Part – IV**

**(Answer any one question in Part-IV)**

9. (a) What is GST Compensation Cess? 5
- (b) (i) Where an eligible exporter finds that he is entitled to an amount of refund of drawback which is higher than the one granted to him, in terms of the rates of drawback announced by the Central Government, can he make a supplementary claim? If yes, within what time and state the procedure to be followed in this regard by the exporter. 4



- (ii) The following details of import of a product made by Sikandi Machine Works Ltd., on 19/11/2018 are furnished to you:

**Situation-1**

Particulars	USD
FOB value	3,000
Freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	Not known
Insurance charges paid for the shipment	40

**Situation-2**

Particulars	USD
FOB value	3,000
Sea freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	480
Insurance charges paid for the shipment	Not known
Purchase commission	50

Compute the assessable value of an imported product in each situation, which are independent of each other. 6

**Answer:**

9. (a) GST compensation cess

Under GST regime, Compensation Cess will be charged on luxury products like high-end cars and demerit commodities like pan masala, tobacco and aerated drinks for the period of 5 years in order to compensate States for loss of revenue.

In the GST regime, IGST will be levied on imports by virtue of sub-section (9) of Section 3 of the Customs Tariff Act, 1975.

GST Compensation Cess, wherever applicable, would be levied on cargo that would arrive on or after 1<sup>st</sup> July, 2017.

Similarly ex-bond bill of entry filed on or after 1<sup>st</sup> July 2017 would attract GST Compensation cess, as applicable. In the case where cargo arrival is after 1<sup>st</sup> July and an advance bill of entry was filed before 1<sup>st</sup> July along with the payment of duty, the bill of entry may be recalled and reassessed by the proper officer for levy of GST compensation Cess, as applicable.

The value of the imported article for the purpose of levying GST Compensation cess shall be, assessable value plus Basic Customs Duty levied under the Act, and any sum chargeable on the goods under any law for the time being in force, as an addition to, and in the same manner as, a duty of customs. These would include education cess as well as anti-dumping and safeguard duties.

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Input tax credit can be availed on GST Compensation Cess paid on inward supplies of the notified goods. However, the credit of GST Compensation Cess paid can be utilized only towards payment of the GST Compensation Cess liability.

(b) (i) Supplementary claim for refund of drawback

Yes, the exporter is eligible for claiming the difference of the drawback on the basis of the amount of rate of drawback determined by the Central Government of India for claiming the difference.

It can do so by filing a supplementary claim in the prescribed Form under rule 15 of the Customs Act and Central Excise Duties Drawback Rules, 1995 within a period of 3 months.

The said 3 months period may be further extended for a period of nine months for filing a supplementary claim under rule 15, by making an application accompanied with a fees of 1% of the FOB value of exports or Rs. 1,000 whichever is less.

Further, the said period may be extended by six months by Commissioner of Customs/Commissioner of Customs and Central Excise on an application accompanied with a fees of 2% of the FOB value or Rs. 2,000 whichever is less.

(ii) Situation 1

Particulars	USD
FOB Value	3,000
Add: Cost of transport, loading, unloading and handling charges connected with the delivery of the imported goods to the place of importation [20% of FOB Value in terms of first proviso to rule 10(2) of CVR]	600
Cost of insurance [Includible in terms of rule 10(2)(b) of CVR] Where actual figure is know, the same is to be taken	40
Assessable value [CIF value]	3,640

Situation 2

Particulars	USD
FOB Value	3,000
Add: Cost of sea transport, loading, unloading and handling charges connected with the delivery of the imported goods to the place of importation [includible in terms of rule 10(2)(a) of CVR]	480
Insurance [1.125% of sum of FOB value of the goods in terms of third proviso to rule 10(2) of CVR]	33.75
Purchase Commission is not includible	Nil
Assessable value [CIF value]	3,513.75
Assessable value rounded off	3,514

## SUGGESTED ANSWERS TO QUESTIONS\_SYL2016\_DEC2019\_PAPER-11

10. (a) M/s. X Ltd. (a unit of 100% EOU located in Chennai) sold goods to M/s. A Ltd. (located in Mumbai) for Rs. 20 lakh. If M/s. X Ltd. being EOU imported these goods exempted from BCD @ 10% IGST 12% is applicable.

Find the total GST is liable to pay by X Ltd.

How much input tax credit M/s. A Ltd. can avail?

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- (b) Ms. Pavitra, an importer has furnished the following information relating to goods imported by her in March, 2019:

(i) Goods cleared from the Chennai port on 22/03/2019.

(ii) Goods sent for warehousing by submitting bill of entry and other documents

(iii) FOB value of goods € (Euro) 20,000

(iv) Rate of exchange was 1 € = Rs. 70

(v) Rate of Customs Duty on this date was 12%

(vi) Goods were cleared from the warehouse for home consumption on 20/04/2019.

(vii) Rate of exchange on this date was 1 € = Rs. 71 and BCD was 10%.

(viii) IGST at 12% is applicable

(ix) Social Welfare surcharge may be taken at 10%

You are required to determine:

(i) The transaction value on which IGST is payable,

(ii) The value of import, and

(iii) The total Customs Duties payable by the importer.

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**Answer:**

10. (a)

Particulars (w.e.f. 1-7-2017)	Value in Rs.	Workings
Assessable value	20,00,000	
Add : Basic Customs Duty 10%	2,00,000	20,00,000 × 10%
Add: Social Welfare Surcharge 10% on BCD	20,000	2,00,000 × 10%
Sub-total	22,20,000	
Add: IGST @ 12%	2,66,400	22,20,000 × 12%
Sub-total	24,86,400	
Total Duty Payable	4,86,400	

ITC allowed to M/s A Ltd. (Buyer):

Particulars	Value in Rs.
BCD	Nil
IGST	2,66,400
Total	2,66,400

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(b) Computation of value of import and customs duty

FOB Value of import	€ 20,000
Add: 20% Freight on FOB	€ 4,000
Add: 1.125% Insurance on FOB	€ 225
CIF/Assessable Value	€ 24,225
	Rs.
Assessable value (i.e., 24225 × Rs. 70)	16,95,750
Add: BCD 10% (i.e., 16,95,750 × 10%)	1,69,575
Add: Social Welfare Surcharge @ 10% (i.e. 169575 @ 10%)	16,958
Transaction value subject to GST	18,82,283
Add: IGST (i.e., 18,82,283 @ 12%)	2,25,874
Value of import	21,08,157
Value of Customs duties	4,12,407