

FINAL EXAMINATION

December 2023

P-18(IITP)
Syllabus 2016

INDIRECT TAXES AND PRACTICE

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.
Where considered necessary, suitable assumptions may be made and
clearly indicated in the answer.
All workings should form part of the respective answer.*

Section - A

Answer Question No. 1 which is compulsory and any four from the rest of this section.

1. Multiple choice questions (1 Marks for right choice and 1 for justification) $2 \times 7 = 14$

(i) YUI Foundation, a charitable trust registered under section 12AB of the Income-tax Act, 1961, owns and manages a newly constructed Dharamshala "Devi Bhuvan" in the precincts of a temple in Dwarka. The Dharamshala has 50 rooms, a huge party lawn and other amenities. YUI Foundation has received the following amounts during the period from April to September, 2022:

1. Rent of ₹ 25,00,000 from renting of rooms @ ₹ 1,000/- per day.
2. Rent of ₹ 9,00,000 from renting of party lawns for marriage and social functions @ ₹ 9,000/- per day.
3. Donations of ₹ 20,00,000 (including one donation of ₹ 15,00,000 received with specific direction to advertise the business activity of the donor).

The value of taxable supply of YUI Foundation during the above tax period is:

- (A) ₹ 55,00,000
- (B) ₹ 50,00,000
- (C) ₹ 25,00,000
- (D) ₹ 40,00,000

(ii) Mr. Sanjay, a registered taxable person pays ₹ 28,320/- for purchase of capital goods worth ₹ 24,000 with GST (18%) of ₹ 4,320/-. These capital goods are eligible for input tax credit. Mr. Sanjay is proprietor of a manufacturing firm and is entitled to claim depreciation on the above capital goods. His accountant thinks of the following entries:

1. He capitalizes the goods at ₹ 24,000 and claims depreciation on the same. For GST amount, he can claim input tax credit of ₹ 4,320.

2. He capitalizes the goods at ₹ 24,000 and claims depreciation on the same. For GST amount, he cannot claim input tax credit.
3. He capitalizes the goods at ₹ 28,320 and claims depreciation on the same. For GST amount, he can claim input tax credit of ₹ 3,542 (82 % of ₹ 4,320).
4. He capitalizes the goods at ₹ 28,320 and claims depreciation on the same. For GST amount, he cannot claim input tax credit.

Which of the two treatments from the above are correct?

- (A) 1, 3
- (B) 1, 4
- (C) 2, 3
- (D) 2, 4

(iii) Which of the following transactions does not qualify as supply under GST law?

- (A) Disposal of car without consideration and the supplier has not claimed input tax credit on such car.
- (B) A principal makes supplies to his agent who is also registered under GST and is situated within the same State and the invoice for further supply is issued by the agent in his name.
- (C) Head Office makes a supply of services to its own branch outside the State.
- (D) A person imports services without consideration for the purposes of his business from his elder son living outside India.

(iv) An international trade exhibition is going to be held in United States of America (USA) in next month (May, 2023). M/s ADF Export House want to participate in it. It intends to send 1500 units of taxable goods (art work) to USA for display in the said exhibition.

The activity of sending the goods out of India for exhibition is _____.

Fill in the blank from the following options:

- (A) zero rated supply of goods
- (B) zero rated supply of service
- (C) not a supply
- (D) taxable supply of goods

- (v) Time-limit for issuance of show cause notice under GST law in case of any amount collected as tax, but not paid to the Central Government, is
- (A) 2 years and 9 months from the due date of filing Annual Return for the Financial Year to which the tax not paid relates to.
 - (B) 3 years from the due date of filing Annual Return for the Financial Year to which the tax not paid relates to.
 - (C) 4 years and 6 months from the due date of filing Annual Return for the Financial Year to which the tax not paid relates to.
 - (D) No time-limit is prescribed.
- (vi) For the year 2017-18, due date of filing of annual return was 31.12.2018 under the CGST Act, 2017. The books and records of year 2017-18 must be maintained till
- (A) 31.03.2024.
 - (B) 31.12.2024.
 - (C) 31.12.2026.
 - (D) 31.03.2034.
- (vii) If a person, opting for composition scheme is liable to be registered on 1st October 2022 and he has applied for registration on 17th Nov. 2022 and registration granted on 20th November 2022, then the effective date of registration will be
- (A) 20th November, 2022
 - (B) 1st October, 2022
 - (C) 17th November, 2022
 - (D) 1st April, 2023
2. (a) M/s. PQR Electronics, a registered dealer, is supplying all types of home appliances within the State of Tamil Nadu, its aggregate turnover in the preceding financial year 2022-23 by way of supply of appliances was ₹ 128 lakh. From the current financial year 2023-24, the firm also expects to provide repair and maintenance service of such appliances and its expected turnover of service is ₹ 5.25 lakh. Up to the previous year, the firm was buying goods only within the state, but in current year the firm is expected to buy goods from outside state to the extent of ₹ 65 lakh.

With reference to the provisions of the CGST Act, 2017, examine whether M/s. PQR Electronics can opt for the composition scheme, under section 10(1) or 10(2) or 10(2 A) of the CGST Act, 2017, for the current financial year? 7

- (b) M/s. TDR Ltd. registered under GST laws at Rajasthan, has received some taxable services covered under reverse charge u/s 9 (3) of CGST Act, 2017 from Mr. Rajiv Kumar of Gujarat.

Other details are as follows:-

Particulars	Date
Supply of services	04/06/2022
Invoice raised by Mr. Rajiv Kumar	09/07/2022
Payment recorded in the books of M/s TDR Ltd	08/08/2022
Payment debited in the bank account of M/s TDR Ltd.	15/08/2022
Payment recorded in the books of Mr. Rajiv Kumar	09/08/2022
Payment credited in the bank account of Mr. Rajiv Kumar	17/08/2022

Determine:

- (i) Time of supply for the purpose of payment of tax.
(ii) Would your answer be different in (i) above, if services supplied on 11.06.2022. instead of 04.06.2022? 7

3. (a) Examine whether the supplier is liable to get registered under GST Law in the following independent cases:

- (i) Arun of Mumbai is exclusively engaged in inter-State supply of taxable services. His aggregate turnover in the current financial year 2023-2024 reached to ₹ 15,00,000. 3
- (ii) Vikram of Tamilnadu is engaged in intra-State supply of exempted services and taxable service is covered under reverse charge mechanism (RCM). His aggregate turnover in the current financial year 2023-2024 are as follows:
- (I) Supply of exempted service ₹ 24,00,000
(II) Supply of taxable service under RCM. ₹ 17,00,000 3

- (b) Mr. Kamal has cleared goods from his factory on 20th May, 2017 for sale to Mr. Krishna for ₹ 5,60,000. Effective rate of Excise Duty (E.D.) is @ 12.5%. However, Excise Duty of ₹ 70,000 has been paid on 6th June, 2017. The consignment received by Mr. Krishna on 5th July 2017.

Discuss the legal provision related to transition provision under GST law and answer the following:

- (i) Is Mr. Krishna eligible for ITC? If so what amount?
- (ii) Time limit within which receipt of inputs should record in the books of account of Mr. Krishna
- (iii) Mr. Krishna recorded receipt of inputs in the books of account on 14-8-2017, if so, can he avail the ITC?

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4. (a) Aadhi Private Limited (APL), registered under normal GST provisions in the State of Uttar Pradesh, instructed Amar Transporters to deliver certain taxable goods to Mahir Enterprises located in Uttar Pradesh on 10th January, 2023. The value of the goods is ₹ 6,80,000 which are chargeable to CGST & SGST @ 9% each. While the goods were in transit, proper officer intercepted the goods and the truck in which goods were being transported, under section 68. However, the driver of the truck failed to tender any document in relation to the goods in movement. The proper officer, after conducting the physical verification of the goods and the truck, decided to seize the goods and the truck, and issued a notice under section 129(3) specifying the penalty payable by APL, after giving it an opportunity of being heard.

You are required to determine the amount of penalty payable under the CGST Act, 2017, if APL does not come forward for the payment of penalty. Further, discuss the suitable course of action for Amar Transporters, if it intends to get its truck released.

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- (b) (i) Determine the place of supply for the following independent cases:
- a) Even Better Events, an event management company at Mumbai, organises two business promotion events for Pranav Enterprises (registered in Ahmedabad, Gujarat) at New Delhi and in Malaysia.
 - b) Buttercup Planners (Jodhpur, Rajasthan) is hired by Mr. Javid (unregistered person based in Kochi, Kerala) to plan and organize his son's wedding at Mumbai, Maharashtra. Will your answer be different, if the wedding is to take place in Singapore?

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- (ii) B JL Consultancy (BLC), registered under normal provisions in Bengaluru, supplies technical consultancy services to its clients. It has been providing technical services to AP Ltd., Mumbai since past two years. Consideration is settled by AP Ltd. assignment-wise. AP Ltd. paid ₹ 35 lakh to BLC on 10th January, 2023 for BLC agreeing not to provide similar technical services to any other business entity in India or abroad for a period of 8 years. BLC is of the view that ₹ 35 lakh is not chargeable to GST.

You are required to examine whether the view taken by BLC is valid in law. Calculate the GST liability of BLC, in case you feel that GST is chargeable, rounding off the tax amount if due in accordance with law. The technical services provided by BLC is otherwise chargeable to IGST at the rate of 18% and BLC have been discharging the GST liability on consultancy charges. It may be noted that AP Ltd. is not ready to pay any further amount to BLC in addition to the amount it had already agreed. 4

5. (a) Discuss the salient features of Special Audit under section 66 of CGST Act, 2017. 6
(b) From the following information of Vandana Ltd., a manufacturer of taxable goods, calculate its value as per Rule 30 of the CGST Rules, 2017 for the purpose of GST. Assuming that there is no opening and closing inventory: 8

Particulars	(₹)
Cost of direct materials (inclusive of IGST 18%)*	59,000
Cost of direct salaries (includes house rent allowance of ₹ 14,000)	34,000
Consumable stores and repairs	9,400
Depreciation of machinery	700
Quality control cost	4,400
Research & development cost	3,700
Administrative cost:	
Production related	3,000
Project management related	1,600
Interest and financial charges	3,800
Cost incurred due to break down of machinery	1,700
Amortised cost of moulds and tools received free of cost from the recipient of goods	700
Selling and distribution cost	4,800
Scrap value realized	1,600

*Note: ITC of the IGST so paid is available.

Working note should form part of your answer.

6. (a) Murthy and Bros. has entered into a contract to supply two consignments of certain taxable goods. However, since it is unable to determine the value of the goods to be supplied by it, it applies for payment of tax on such goods on a provisional basis along with the required documents in support of its request.

On 15.01.2023, the Assistant Commissioner of Central Tax issues an order allowing payment of tax on provisional basis indicating the value on the basis of which the assessment is allowed on provisional basis and the amount for which the bond is to be executed and security is to be furnished.

Murthy and Bros. complies with the same and supplies both the consignments of goods on 26.01.2023 thereafter paying the tax on provisional basis in respect of both the consignments on 18.02.2023.

Consequent to the final assessment order passed by the Assistant Commissioner of Central Tax on 22.03.2023, a tax of ₹ 2,20,000 becomes due on 1st consignment whereas a tax of ₹ 4,15,000 becomes refundable on 2nd consignment.

Murthy and Bros. pays the tax due on 1st consignment on 10.04.2023 and applies for the refund of the tax on 2nd consignment same day. Tax was actually refunded to it on 07.06.2023.

Assess the situation and advice the management regarding interest payable and receivable, if any.

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- (b) SDK Company Ltd. of Bengaluru is a manufacturer and registered supplier of heavy machines.

SDK Company Ltd. also supplies the following goods and services for construction of buildings and complexes:

Excavators for required period at a per hour rate.

Manpower for operation of the excavators at a per day rate (as and when buyer needs)

Receipts of outward supply (exclusive of GST) for the month of October, 2022 are as follows

Items	(₹)
Sale of machines	15,00,000
Hiring receipts for excavators	1,05,000
Service charges for supply of man power operators	65,000

Assume all the above transactions are inter-state and the rates of IGST to be as under:-

Sale of machine 5 %, Service of hiring of excavators 12 % and Supply of man power operator service 18%.

Details of GST paid on inward supply are as follows during the month:-

Items	CGST paid (₹)	SGST paid (₹)
Purchase of car used by director for the business meetings only	55,000	55,000
Raw materials for which invoice received and GST paid for full amount but only 76 % of material received remaining 24 % will be received in the next month	22,000	22,000
Health Insurance of factory employee as per policy of Company.	50,000	50,000
Work contractor's service used for installation of plant and machinery	93,000	93,000

Details of other Input Services:-

S.No.	Particulars
(i)	Rent of one office building paid to State Government ₹ 1,30,000 taxable @ 9% CGST, 9% SGST and 18 % IGST
(ii)	Paid ₹ 1,50,000 for transportation of goods by road, to local Goods Transport agency which opt to pay CGST and SGST @ 6% each under forward charges

Notes:-

- All the amount stated above in both the tables are exclusive of GST, wherever applicable.
- Aggregate turnover of company in previous year was ₹ 7 Crore.
- Opening balance of input tax credit was NIL.

Company want to know the below mentioned details regarding GST liability for the month of October 2022 :-

- Gross tax to be paid under forward charges
- Tax to be paid under reverse charges
- Input Tax credit available for payment of Tax for October, 2022
- Net Tax liability to be paid in cash of October, 2022

7. (a) With reference to GST law, Differentiate between Annual return and Final return on the basis of following grounds:

- Who is required to furnish?
- What is the time limit to furnish (assume there is no extension)?
- What is the prescribed form for person registered under regular scheme?

(b) List any seven services available on the GST Portal.

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SECTION B

Answer Question No.8 which is Compulsory and any two from the rest of this Section.

8. Choose the most appropriate alternative and give justification in brief/brief working for your answer:

2×3=6

(i) Calculate the CIF value of imported goods under Customs Act, 1962 in the following case:

Particulars	US \$
FOB value plus insurance charges	1,000
Sea Freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	Not known
Insurance charges	20

- A. \$ 1180
B. \$ 1200
C. \$ 1196
D. \$ 1224

(ii) For filing an appeal before the Commissioner (Appeals), the amount of pre-deposit required under the Customs Act, 1962 is

- A. 5% of the demand, subject to a maximum of ₹5 crore.
B. 5% of the demand, subject to a maximum of ₹7.5 crore.
C. 7.5% of the demand, subject to a maximum of ₹7.5 crore.
D. 7.5% of the demand, subject to a maximum of ₹10 crore.

(iii) Anti-dumping duty payable by a SEZ in respect of an import is

- A. Nil
B. 5% of the customs duty.
C. 7.5% of the customs duty.
D. 10% of the customs duty.

9. (a) An importer imported some goods. Entry inwards granted to the vessel on 7th February, and the goods were cleared from Chennai port for warehousing on 8th February, after assessment. The Bill of Entry was presented on 1st February for warehousing. Assessable value was US\$ 10,000. Assume that no additional duty is payable. The goods were warehoused at Chennai and were cleared from Chennai warehouse on 4th March. What is the duty payable while removing the goods from Chennai warehouse on 4th March? Exchange rates and rate of Customs Duties are as follows: 7

Particulars	Date	Exchange rate declared by the CBIC	Basic Customs Duty
Date of submission of bill of entry for warehousing	1st February	INR 55/USD	10%
Date of entry inwards granted to the vessel	7th February	INR 59/USD	12%
Date of clearance of goods from warehouse	4th March	INR 60/USD	15%

Assume IGST@ 12%

- (b) A vessel, Bhishma, sailing from USA to Australia via, India, carries various types of products namely 'A, B, C & D'.
'A & B' are destined to Mumbai Port. On account of submission of bill of transshipment product 'A' transshipped to Chennai port as ultimate destination in India and product 'B' transshipped to Sri Lanka. Find the Imported goods, Transshipment goods and Transit goods. 5
10. (a) Mr. Shankar wants to keep his goods at warehouse. In this regard Mr. Shankar seeks your advise on warehousing of goods. Kindly explain the warehousing period and state the time period for which different class of goods can remain in warehouse (including extended period) as per the Customs Act, 1962. 5
- (b) (i) From the following details calculate the minimum FOB value of the exports to be made as per the provisions of Duty Free Import Authorization Scheme under Foreign Trade Policy 2023. 3
The FOB value of Input which was imported without payment of duty under Duty Free Import Authorization Scheme (DFIA) was ₹ 14,20,000 and CIF was ₹ 16,25,000.
You may assume that the exports to be made are subject to general rate of value addition prescribed under Duty Free Import Authorization Scheme and no other input is being used.
- (ii) State the Sectors which are eligible for RoDTEP Scheme under new Foreign Trade Policy 2023. 4

11. (a) 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:

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Assessable value of a special chemical imported from a developing country from 21st May, 2022 to 20th May, 2023 (both days inclusive)	₹ 30,00,000
Share of imports of such chemical from the developing country against total imports of such chemical to India	5%
Basic custom duty Rate	10%
Integrated tax Rate	12%

Note: Ignore GST compensation cess and Agriculture infrastructure and development cess.

- (b) Examine whether benefit of Service Exports from India Scheme (SEIS) can be availed with respect to notified services provided by service providers located in India in the current financial year in the following independent cases:

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- (i) Net Foreign Exchange (NFE) earned by Mr. Madan, a service provider, in the preceding financial year is USD 9,100.
- (ii) ABC & Co., is a partnership firm, supplier of taxable services, has earned net foreign exchange to the tune of USD 18,500 in the preceding financial year.
- (iii) Mr. Tarun, a service provider, has earned net foreign exchange of USD 17,000 in the preceding financial year. Out of this, USD 8,000 has been paid to Mr. Tarun through the credit card of the foreign client.

Note: All the above services providers have an active IEC at the time of rendering services.

