

**Final
Group IV
Paper 18: Indirect Tax Laws & Practice
(SYLLABUS – 2016)**

1. Choose the correct answer with justification/ workings wherever applicable:

- (i) Which of the following central taxes has been subsumed in the ambit of GST?
(a) Central Excise duty;
(b) Service Tax;
(c) CVD on import;
(d) All of the above.
- (ii) GST is payable on the services provided by the employee to the employer in the course of employment on:
(a) Regular basis;
(b) Contract basis as employed by the company;
(c) Contract basis as employed by a contractor;
(d) None of the above.
- (iii) If a person, opting for composition scheme is liable to be registered on 1st Oct. 2017 and he has applied for registration on 17th Nov. 2017 and registration granted on 20th Nov. 2017, then the effective date of registration will be:
(a) 20th Nov. 2017;
(b) 1st Oct. 2017;
(c) 17th Nov. 2017;
(d) 1st April, 2018.
- (iv) In case of transport of goods by rail within India, which of the following item is an exempted supply?
(a) Transport of postal mails and postal bags;
(b) Transport of defence and military equipments;
(c) Transportation of household effects;
(d) Transport of alcoholic beverages.
- (v) Mr. C of Chennai supplied goods to M/s Smart Jet Airlines of Chennai flying between Delhi-Mumbai. The goods are loaded in the aircraft in Delhi. The place of supply of goods will be:
(a) Chennai
(b) Delhi
(c) Mumbai
(d) None of the above.
- (vi) Which of the following is/ are duty exemption scheme(s) under FTP?

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- (A) Advance Authorisation Scheme
- (B) Duty Free Import Authorisation Scheme
- (C) Merchandise Export from India Scheme
- (D) Service Export from India Scheme

- (a) Only (A)
- (b) Both (A) & (B)
- (c) Both (C) & (D)
- (d) All (A), (B), (C) & (D)

- (vii) The place which is used for unloading of imported goods and loading of exported goods, is called:
- (a) Inland Container Depot
 - (b) Land customs station
 - (c) Customs station
 - (d) Customs area
- (viii) The type of bill of entry which is used for ex-bond clearance for home consumption from the warehousing, is
- (a) Form I (white)
 - (b) Form II (yellow)
 - (c) Form III (green)
 - (d) None of the above.
- (ix) Which of the following good/ goods is/ are covered under GST Compensation Cess?
- (a) Pan Masala
 - (b) Tobacco and tobacco products
 - (c) Motor vehicles
 - (d) All of the above.
- (x) The due date to file GSTR-6 (Return for Input Service Distributor) is:
- (a) 10th of the next month
 - (b) 13th of the next month
 - (c) 18th of the next month
 - (d) 20th of the next month.

Answer:

(i) (d)

In the GST regime, all the above taxes, such as — Central Excise duty, Service Tax, CVD on import, Spl. CVD on import, Central Cesses etc. have been subsumed in the ambit of GST.

(ii) (c)

Supply includes the services provided by the employee to the employer in the course of employment on Contract basis as employed by a contractor. So, GST is payable.

(iii) (a)

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If a person, opting for composition scheme is liable to be registered on 1st Oct. 2017 and he has applied for registration on 17th Nov. 2017 and registration granted on 20th Nov. 2017, then the effective date of registration will be 20th Nov. 2017 (i.e. the date of grant of registration), provided no discrepancies found.

(iv) (b)

In case of services by way of transportation of goods by rail or a vessel from one place in India to another, the goods like defence or military equipments, agricultural produce, milk, salt and food grain including flours, pulses and rice, organic manure etc. are exempted from GST.

(v) (b)

Where the goods are supplied on board a conveyance including a vessel, an aircraft, a train or a motor vehicle, place of supply of goods will be the location at which such goods are taken on board. So, the place of supply will be Delhi.

(vi) (b)

Both Advance Authorisation Scheme and Duty Free Import Authorisation Scheme are duty exemption schemes. The last two schemes are reward schemes under FTP.

(vii) (a)

After the imported goods are unloaded at the port, the containers are carried to Inland Container Depots for storage purpose. From these depots goods can be cleared for Domestic Tariff Area or cleared for export. Inland Container Depots are used for unloading of imported goods and loading of exported goods.

(viii) (c)

The bill of entry of Form III (green) is used for ex-bond clearance for home consumption from the warehousing.

(ix) (d)

Pan masala, tobacco and tobacco products, cigarettes, aerated waters, motor vehicles etc. goods are covered under GST Compensation Cess.

(x) (b)

The GSTR-6 (Return for Input Service Distributor) is to be filed on a monthly basis and the due date is 13th of the next month.

2.(a) Mr. M of Madurai supplied goods/services for ₹ 24,000 to Mr. S of Salem. Mr. M purchased goods/services for ₹ 23,600 (inclusive of CGST 9% and SGST 9%) from Mr. C of Chennai. Find the following:

- (1) Total price charged by Mr. M for supply of goods/services and**
- (2) Who is liable to pay GST?**
- (3) Net liability of GST.**

(b) Mr. Raj being an owner of shop is a registered person under GST. He has decided to close the business. At the time of deregistration he has closing stock of ₹ 15,00,000. Mr. Raj's final GST return shows his supplies made during the last taxable period plus stock in hand of ₹

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15,00,000 during the deregistration. Find the amount of supply. Is it supply of goods or services?

Answer:

(a)

Particulars	Value in (₹)
Value charged for supply of goods/services	24,000
Add: CGST 9%	2,160
Add: SGST 9%	2,160
(1) Total price charged by Mr. M from Mr. S for local supply of goods/services.	28,320
(2) Mr. M is liable to pay GST.	

Particulars	CGST (₹)	SGST (₹)
Output tax	2,160	2,160
Less: Input Tax Credit (ITC)	(1,800)	(1,800)
(3) Net tax liability of Mr. M	360	360

(b) Amount to supply = ₹ 15,00,000

It is treated as supply of goods.

Note:

(1) Mr. Raj has to pay GST on ₹ 15 lacs.

(2) However, Mr. Raj is not required to pay to GST on closing stock of ₹ 15 lacs, provided Input Tax Credit is not availed on such stock.

3.(a) M/s X Pvt. Ltd., is a manufacturer having two units namely Unit – A in Andhra Pradesh and another Unit – B in Tamil Nadu. Total turnover of two units in last Financial Year was ₹ 95 lakhs (₹ 10 lakhs of Unit – A + ₹ 85 lakhs of Unit – B).

Total turnover of two units in the second quarter of this financial year was ₹ 15 lakhs (₹ 5 lakhs of Unit – A + ₹ 10 lakhs of Unit – B). Applicable rate of CGST is 9% and SGST is 9%. Find the Net liability of X Pvt. Ltd.

Note: M/s X Pvt. Ltd., is not availing input tax credit.

(b) Mr. Param (register person under GST) being a dealer furnished the following business transactions took place during the Oct 2017. Find the GST liability.

1. Sale of plastic bangles for ₹ 20,000.
2. Supply of mobile phones for ₹ 3,20,120
3. Sale of printed books and newspapers for ₹ 1,25,500
4. Sale of Dates for ₹ 13,500
5. Sale of Salt for ₹ 9,180
6. Sale of Organic manure worth ₹ 2,00,000
7. Sale of Chemical Fertilizers ₹ 5,75,000 (out of which 30% subsidy received from Government of India).

Note: Taxable supply attracts GST @5% (CGST 2.5% and SGST 2.5%).

Answer:

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- (a) Since, the company is not availing the benefit of input tax credit the said company can pay GST under composition levy under sec. 10(1) of the CGST Act, 2017.

Applicable rate of CGST is 1% and SGST is 1%.

Unit	Location	Turnover in the previous financial year	Turnover in 2nd Quarter of the financial year	Total tax (@2%)	
				1% CGST	1% SGST
A	Andhra Pradesh	₹ 10 lakhs	₹ 5 lakhs	₹ 5,000	₹ 5,000
B	Tamil Nadu	₹ 85 lakhs	₹ 10 lakhs	₹ 10,000	₹ 10,000

- (b) Statement showing tax liability of Mr. Param

S. No.	Particulars	Taxability	CGST 2.5% (₹)	SGST 2.5% (₹)
(1)	Plastic bangles	Exempted	Nil	Nil
(2)	Mobile phone	3,20,120	8,003	8,003
(3)	Books	Exempted	Nil	Nil
(4)	Dates	Exempted	Nil	Nil
(5)	Salt	Exempted	Nil	Nil
(6)	Organic manure	Exempted	Nil	Nil
(7)	Chemical Fertilizers (70% of ₹ 5,75,000)	4,02,500	10,063	10,063
Total			18,066	18,066

- 4.(a) Find the taxability for the following independent cases:

1. Packing of pulses in retail packs for ₹ 42,000.
2. Packing of tomato ketchup for ₹ 54,000
3. Commission on sale of rice for ₹ 10,125.
4. Storage of rice flour in the warehouse for ₹ 12,000.

- (b) Mr. Navab, a performing artist, provides the following information relating to August, 2017.

Receipts from:	₹
Performing classical dance	98,000
Performing in television serial	2,80,000
Services as brand ambassador	12,00,000
Coaching in recreational activities relating to arts	2,10,000
Activities in sculpture making	3,10,000
Performing western dance	90,000

Determine the value of taxable supply of services and GST payable by Mr. Navab for August, 2017. GST @ 18%.

Answer:

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(a) Taxability:

- (1) taxable supply of services.
- (2) taxable supply of services.
- (3) taxable supply of services.
- (4) taxable supply of services.

(b)

Receipts from	Value in ₹	Remarks
Classical dance	Nil	Exempt as receipt is less than or equal to ₹ 1,50,000
Performing in television serial	2,80,000	
Brand ambassador	12,00,000	
Coaching in recreational activities in relation to arts	Nil	
sculpture making	3,10,000	
Western dance	90,000	
Value of taxable supply of service	18,80,000	
GST 18%	3,38,400	

5.(a) Indian Institute of Management, Ahmedabad provided the following services in the month of July 2017:

1. Post Graduate Diploma in Management services provided to those candidates who selected through Common Admission Test (CAT) for ₹ 25 lakhs.
2. Services provided by way of Executive Development Programme ₹ 55 lakhs.

Find the GST liability if rate of GST is 18%.

(b) Tirumal Tirupati Devasthanams, Tirupati registered under section 12AA of the Income Tax Act, 1961 was running guest houses for pilgrims. Renting of precincts of a religious place meant for general public, by charging more than ₹ 1,000 per day. Department Claims that the assessee was liable to pay GST. But the assessee contented that since, they were running guest houses without any profit motive hence they were not liable to pay GST.

Decide the case whether the contention of the assessee is right or Department claim is justifiable.

Answer:

(a) 1. Post Graduate Diploma in Management where admission to such programme is through Common Admission Test (CAT) is exempted supply of service and exempted from GST.
2. Executive Development Programme is taxable supply. GST is ₹ 9.9 lakhs (₹ 55 lakhs x 18%).

(b) Renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust under section 12AA of the Income-tax Act, 1961 is exempt from GST.

However, w.e.f 1-7-2017, this exemption shall not be applicable to

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1. Renting of rooms where charges are ₹ 1000/- or more per day,
2. Renting of premises, community halls, kalyanmandapam or open area, etc where charges are ₹ 10,000/- or more per day, and
3. Renting of shops or other spaces for business or commerce where charges are ₹ 10,000/- or more per month.

Thus, the law gives a limited exemption to renting of only religious precincts or a religious place meant for general public by the entity registered under Section 12AA of the Income Tax Act or Sec 10(23C)(v) or Sec 10(23BBA) of the Income Tax Act, 1961.

In the given case, it is not exempt from GST. Therefore, department claim is justifiable.

6.(a) With reference to the provisions of GST law (w.e.f. 1-7-2017), briefly explain as to who is the person responsible to pay GST in the following:

- i) **Legal services are provided by Senior Advocates to business entities.**
- ii) **Representation services are provided by Senior Advocates to any business entity.**
- iii) **Were Contracts for representation service provided by the Senior Advocates to any business entity has been entered into through another advocate or firm of advocates.**

(b) Mr. A, a registered person received goods from Mr. B, an unregistered dealer. Mr. B issues invoice on 1st July 2017.

Find the time of supply of goods in following independent cases:

- (i) **Mr. A received goods on 15th July 2017, payment of which is not made yet.**
- (ii) **Mr. A received goods on 3rd August 2017 & made payment for the same on 4th August 2017.**
- (iii) **Mr. A made payment on 8th July and received goods on the same date.**
- (iv) **Mr. A received goods on 10th July 2017 & made payment for the same on 9th July 2017.**

Answer:

(a)

Service provider	Service recipient	Nature of service	Taxability	Person responsible to pay GST
(i) & (ii) Senior Advocate	Business Entity (whose turnover exceeds ₹ 20 Lakhs in previous year)	Representation services	Taxable supply of service	Recipient of service, which is the business entity, who is litigant, applicant or petitioner.
(iii) Recipient of service that is the business entity, who is the litigant, applicant or petitioner, is liable to pay GST.				
Note: Previous year turnover more than ₹ 20 lakhs (in case of special category States is ₹ 10 lakhs).				

(b)

(i) Time of supply of goods = 15-07-2017

Earliest of the following:

Receipt of Goods = 15-07-2017

Date of Payment = not paid

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Date immediately following 30 days from the date of invoice = 31-07-2017

(ii) Time of supply of goods = 31-07-2017

Earliest of the following:

Receipt of Goods = 03-08-2017

Date of Payment = 04-08-2017

Date immediately following 30 days from the date of invoice = 31-07-2017

(iii) Time of supply of goods = 08-07-2017

Earliest of the following:

Receipt of Goods = 08-07-2017

Date of Payment = 08-07-2017

Date immediately following 30 days from the date of invoice = 31-07-2017

(iv) Time of supply of goods = 09-07-2017

Earliest of the following:

Receipt of Goods = 10-07-2017

Date of Payment = 09-07-2017

Date immediately following 30 days from the date of invoice = 31-07-2017.

7.(a) X Pvt. Ltd. engaged in providing taxable services by way of training and coaching activities in relation of information Accounting and Auditing. Since 1st July 2017, it has the following details in respect of that activity for the month of September, 2017:

Date of issuance invoice	Date on which payment received	Amount in ₹
16.09.2017	03.10.2017	2,50,000
20.10.2017	06.10.2017	25,000
02.10.2017	30.09.2017	1,25,000

The date of change in effective rate of tax in this case is 01-10-2017 from 12% to 18%. These services are rendered in August 2017. Find the Time of Supply of service, effective rate of tax and due date of payment of tax.

(b) What do you mean by location of the supplier of service as per IGST Act?

Answer:

(a)

Services rendered	Date of issuance invoice	Date on which payment received	Amount in ₹	Time of supply of service	Effective Rate of tax	Due date of payment
Aug 2017	16.09.2017	03.10.2017	2,50,000	16.09.2017	12%	20.10.2017
Aug 2017	20.10.2017	06.10.2017	25,000	06.10.2017	18%	20.01.2018
Aug 2017	02.10.2017	30.09.2017	1,25,000	30.09.2017	12%	20.10.2017

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- (b)** Location of the Supplier of service: As per sec. 2(15) of IGST Act, the definition of location of supplier of service divided into 4 sub clauses:

Supplier of service	Location of the supplier of service
(a) Supply is made from a place of business where registration is obtained.	Location of such place of business
(b) Supply is made from a fixed establishment	Location of such fixed establishment
(c) Supply is made from more than one establishment	The location of establishment most directly concerned with the provision of the supply
(d) Services received at other than above.	The location of the usual place of residence of the supplier.

- 8.(a)** X Ltd. being a registered person located in Hyderabad hires Mr. Y who is located in Chennai for appraisal performance of senior employees of their company. Mr. Y visits Hyderabad to evaluate the performance of the senior employees.

(1) Find the Place of supply of service.

(2) What would be the place of supply of service if some of the selected employees and relevant papers are sent to Chennai for evaluation where X Ltd. is un-registered person?

- (b)** ABC Fabricators has its factory located in Gujarat. It has temporarily imported certain goods from its customer located in China and re-exported them to China after carrying out the necessary repairs without putting them to any use in Gujarat.

Examine what would be the place of provision of service in the given case with reference to the Place of Supply of Services.

Will your answer be different if the repaired goods are re-exported after being put to use in Gujarat for some time?

Answer:

- (a)** (1) POS = Hyderabad (i.e. Location of recipient of Service, since, provided to a registered person)

Mr. Y is liable to pay IGST.

(2) POS = Chennai (i.e. Location where the services are actually performed, since, provided to un-registered person)

Mr. Y is liable to pay CGST and SGST.

- (b)** In the given case, since goods have been temporarily imported by ABC Fabricators and have been re-exported after the repairs without being put to any use in Gujarat (taxable territory), place of provision of repair services carried out by ABC Fabricators will be determined by sec. 13(2) of IGST Act, 2017. Consequently, the place of supply of service will be the location of service receiver, viz. China (non-taxable territory).

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However, if repaired goods are re-exported after being put to use, the place of provision of service will be determined according to sec. 13(3)(a) of IGST Act, 2017, if the use to which such goods are put to is not required for such repair.

Therefore in such a case, the place of supply of service will be the location where the service is actually performed, which in the given case is Gujarat.

However, if the use is of such nature, which is necessary for carrying out the repairs, the place of supply of service will again be determined as per sec. 13(2) of IGST Act, 2017.

9.(a) Bharat Gas sells cooking gas cylinders. Subsidy directly transferred to the account of the customer. Selling price per cylinder is ₹ 800. Customers received subsidy of ₹ 200 directly from Government to his bank account. Net outflow of the buyer is ₹ 600. Find the value of supply of goods (per cylinder) in the hands of Bharat Gas.

(b) Asha Ltd. supplies raw material to a job worker Kareena Ltd. After completing the job-work, the finished products of 5,000 packets are returned to Asha Ltd. putting the retail sale price as ₹ 20 on each packet. The product in the packet is covered under MRP provisions. Determine the transaction value in the hands of Kareena Ltd. under GST law from the following details:

Particulars	Value in ₹
Cost of raw material supplied	30,000
Job worker's charges including profit	10,000
Transportation charges for sending the raw material to the job worker	3,000
Transportation charges for returning the finished packets to Asha Ltd.	4,500
Asha Ltd. paid certain technology transfer fees to 'Kareena Ltd', so that 'Kareena Ltd' can use the said technology in the given job-work operation. This technology owned by Asha Ltd. for subsequent use as well.	22,500

Note: Kareena Ltd offered discount ₹ 2,000, provided full payment is made at the time of raising invoice and the same is mentioned in the invoice. Asha Ltd. made full payment at the time of issue of invoice.

Answer:

(a) Since, the amount of subsidy is directly credited to the account holder and not received by the Bharat Gas making the supply, therefore, such subsidy will not be considered as part of transaction value as it is not received by the Bharat Gas in making the supply.

Hence, transaction value is ₹ 800 per cylinder.

(b) Statement showing transaction value of Kareena Ltd.

Particulars	Value in ₹
Cost of raw material supplied	Exempted supply

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Job worker's charges including profit	10,000
Transportation charges for sending the raw material to the job worker	Exempted supply
Transportation charges for returning the finished packets to Asha Ltd. [Sec. 15(2)(b) of the CGST Act, 2017]	4,500
Technology fee [Sec. 15(2)(b) of the CGST Act, 2017]	22,500
Sub-total	37,000
Less: Discount [Sec. 15(3) of CGST Act, 2017]	(2,000)
Transaction value (i.e. sole consideration)	35,000

Note: It is very clear that principal to job worker and job worker to principal cannot be treated as supply as per section 143 of the CGST Act, 2017.

10.(a) M/s X Ltd. is a manufacturer of textile products. Company received order from Government to supply goods to defense (exempted supply). The turnover of other taxable goods and exempted goods are ₹ 4 crores and ₹ 1 crore respectively. Common inputs on which GST paid is ₹ 20,000.

Calculate the eligible ITC on common inputs?

(b) Mr. X being a contractor undertaken construction work of an individual residential unit otherwise than as part of a residential complex.

You are required to answer:

- (1) Whether Mr. X is liable to pay GST where he undertaken pure labour contract.**
- (2) Whether Mr. X is liable to pay GST where he undertaken both labour and material contract.**
- (3) Mr. X gives contract to a sub-contractor. Can the sub-contractor also get exemption if it is pure labour contract?**

Answer:

(a) Common inputs credit = ₹ 20,000
Total turnover = ₹ 5 crores
Credit attributable to exempted supplies = ₹ 4,000
(₹ 20,000 × ₹ 1 crore/₹ 5 crore)
Eligible Input Tax Credit is ₹ 16,000 (i.e. ₹ 20,000 – ₹ 4,000)

(b) As per Notification No. 12/2017 Central tax (rate) "Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex." are exempt from GST.

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- (1) Since, Mr. X undertaken services by way of pure labour contracts of construction of single residential unit, it is exempt from GST.
- (2) If in case Mr. X providing service with both labour and material i.e. termed as works contract under GST. He will be charged 12% GST.
- (3) Yes. Services provided by a sub-contractor to a contractor are also exempt as he is providing labour for the construction of residential house.

11.(a) State the advantages of voluntary registration under GST.

(b) M/s Moon Pvt. Ltd. incorporated in Chennai on 1st July 2017 has the following details for the year 2017-18:

S. No.	Particulars	Value (₹ in lacs)
I	Inter-state exempted supply of goods	4.0
II	Intra-state supplies of services	5.0
III	Non-taxable supplies	2.0
IV	Exempted supplies of services	7.60

Whether M/s Moon Pvt. Ltd. is required to register compulsorily under GST Law? Advise.

Whether your answer will be different if S.No. (I) above stated that inter-state taxable supply of goods for ₹ 4 lacs.

Answer:

(a) Advantages of voluntary registration are as follows:

- (i) Legally recognized as supplier of goods or services; This helps in attracting more customers.
- (ii) Provide input tax credit to customers. As they can issue taxable invoices, they can collect GST. Their customers can take input credit on their purchases.
- (iii) They will be more competitive than other small business as buying from them will ensure input credit.
- (iv) Voluntarily registered persons can take input credit on their own purchases and input services like legal fees, consultation fees etc.
- (v) They can make inter-state sales without many restrictions.

(b) Aggregate turnover is as follows:

S. No.	Particulars	Value (₹ in lacs)
I	Inter-State exempted supply of goods	4.0
II	Intra-State supplies of services	5.0
III	Non-taxable supplies	2.0
IV	Exempted supplies of services	7.60
	Aggregate turnover	18.60

Advise: Since, aggregate turnover of Moon Pvt. Ltd. does not exceeds ₹ 20 lakhs, registration is not compulsory in the financial year 2017-18.

Yes. Our answer will be different in the case of M/s Moon Pvt. Ltd. made inter-state taxable supply of goods. As per Sec. 24 of the CGST Act, 2017, person making any inter-state taxable

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supply of goods is required to register under GST Law irrespective of his aggregate turnover. Therefore, M/s Moon Pvt. Ltd. is required to register under GST Law.

12.(a) What is revocation of cancellation of registration under GST?

(b) M/s X Ltd. being a registered person supplying taxable goods in the following manner:

Particulars	₹
Intra-State supply of goods	18,00,000
Inter-State supply of goods	13,00,000
Intra-State purchases	13,00,000
Inter-State purchases	1,50,000
ITC at the beginning of the relevant tax period:	
CGST	1,30,000
SGST	1,30,000
IGST	1,70,000

(i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.

(ii) Inward and outward supplies are exclusive of taxes.

(iii) All the conditions necessary for availing the input tax credit have been fulfilled.

Compute the net GST payable by M/s X Ltd during the tax period. Make suitable assumptions.

Answer:

(a) Revocation of cancellation of registration under GST:

As per section 30(1) of the CGST Act, 2017, subject to such conditions as may be prescribed, any registered person, whose registration is cancelled by the proper officer on his own motion, may apply to such officer for revocation of cancellation of the registration in the prescribed manner within 30 days from the date of service of the cancellation order.

As per section 30(2) of the CGST Act, 2017, the proper officer may, in such manner and within such period as may be prescribed, by order, either revoke cancellation of the registration or reject the application. The application for revocation of cancellation of registration shall not be rejected unless the applicant has been given an opportunity of being heard.

(b) Statement showing input tax credit (i.e. Electronic Credit Ledger):

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	1,30,000	1,30,000	1,70,000
Add: ITC for the tax period	1,17,000	1,17,000	27,000
Total credit	2,47,000	2,47,000	1,97,000

Statement showing Net GST payable by M/s X Ltd. for the tax period:

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
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Output tax	1,62,000	1,62,000	2,34,000
Less: ITC allowed	-2,47,000	-2,47,000	-1,97,000
Sub-total	-85,000	-85,000	37,000
Less: CGST credit adjusted against IGST	37,000	Nil	-37,000
Net GST liability	Nil	Nil	Nil
Excess ITC c/f	48,000	85,000	Nil

13.(a) What is Bill of Supply? Write down the contents of Bill of Supply.

(b) Write a short note on:

- (i) Provisional assessment &**
- (ii) Best judgement assessment.**

Answer:

(a) A bill of supply is similar to a GST invoice except that bill of supply does not contain any tax amount as the seller cannot charge GST to the buyer.

A bill of supply is issued in cases where tax cannot be charged:

- Registered person is selling exempted goods/services,
- Registered person has opted for composition scheme

Contents of Bill of supply:

A bill of supply shall be issued by the supplier containing the following details:

- (1) Name, address and GSTIN of the supplier
- (2) A consecutive serial number, in one or multiple series, containing alphabets or numerals or special characters like hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination there of, unique for a financial year
- (3) Date of its issue
- (4) Name, address and GSTIN or UIN, if registered, of the recipient
- (5) HSN Code of goods or Accounting Code for Services
- (6) Description of goods or services or both
- (7) Value of supply of goods or services or both taking into account discount or abatement, if any
- (8) Signature or digital signature of the supplier or his authorized representative.

(b) (i) Provisional assessment (Section 60 of the CGST Act, 2017):

As per section 60(1) of the CGST Act, 2017 where the taxable person is unable to determine the value of goods or services or both or determine the rate of tax applicable thereto, he may request the proper officer in writing giving reasons for payment of tax on a provisional basis.

The proper officer (i.e. The Assistant Commissioner/ Deputy Commissioner of Central Tax) shall pass an order, within a period not later than 90 days from the date of receipt of such

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request, allowing payment of tax on provisional basis at such rate or on such value as may be specified by him.

The Asst. Commissioner/Dy. Commissioner of Central Tax provisionally determines the amount of tax payable by the supplier and is subject to final determination.

On provisional assessment, the supplier can pay tax on provisional basis but only after he executes a bond with security, binding them for payment of the difference between the amount of tax as may be finally assessed and the amount of tax provisionally assessed.

(ii) Best judgment assessment:

As per Section 62 of the CGST Act, 2017 (i.e. assessment of non-filers of return) provides for best judgment assessment where a registered person fails to furnish the return even after the service of a notice and pass order taking into account all the relevant material which is available or which he has gathered within a period of five years from the due date of filing annual return. Similar provision exists for unregistered persons under Section 63 of the CGST Act, 2017.

14.(a) M/s X Ltd. being a dealer in new car sold a Petrol Car on which applicable GST rate is 28% and GST Cess rate is 1%. Transaction value is ₹ 5,00,000/. Find the GST liability.

(b) Define 'adjudicating authority' with respect to section 2(4) of the CGST Act.

Answer:

(a)	₹
Transaction value	= 5,00,000
CGST 14%	= 70,000 (i.e. ₹ 5,00,000 x 14%)
SGST 14%	= 70,000 (i.e. ₹ 5,00,000 x 14%)
Cess 1%	= 5,000 (i.e. ₹ 5,00,000 x 1%)
Invoice price of the car	= 6,45,000

(b) As per Section 2(4) of the CGST Act, 2017 "adjudicating authority" means any authority, appointed or authorised to pass any order or decision under this Act, but does not include —

- the Central Board of Excise and Customs,
- the Revisional Authority,
- the Authority for Advance Ruling,
- the Appellate Authority for Advance Ruling,
- the Appellate Authority and
- the Appellate Tribunal;

15.(a) Discuss whether person aggrieved should approach both the authorities of Central and State for exercising the right of appeal?

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(b) X Ltd., a unit in SEZ, received services from various service providers in relation to authorized operations in SEZ during the month July, 2017. The following details are furnished for the month July, 2017:

- (i) Value of Taxable services used exclusively for authorised operations within SEZ: ₹ 5,00,000 (exemption from GST availed).
- (ii) Value of Taxable Services used by SEZ units and DTA units: ₹ 8,00,000. GST paid @18%.
- (iii) Value of Taxable Service used wholly for DTA units: ₹ 3,00,000. GST paid @18%.
- (iv) Export Turnover of SEZ Unit: ₹ 1,00,00,000
- (v) Turnover of DTA Unit: ₹ 60,00,000.

Compute the Input Tax Credit and amount of refund if any?

Note: All input services used by SEZ for its authorized operations only.

Answer:

(a) As per CBEC clarification the answer to this question is 'no'.

The Act makes provisions for cross empowerment between CGST and SGST/ UTGST officers so as to ensure that if a proper officer of one Act (say CGST) passes an order with respect to a transaction, he will also act as the proper officer of SGST for the same transaction and issue the order with respect to the CGST as well as the SGST/ UTGST component of the same transaction. The Act also provides that where a proper officer under one Act (say CGST) has passed an order, any appeal/ review/ revision/ rectification against the said order will lie only with the proper officers of that Act only (CGST Act).

So also if any order is passed by the proper officer of SGST, any appeal/ review/ revision/ rectification will lie with the proper officer of SGST only.

(b) Statement showing Input Tax Credit & Refund of X Ltd. (a unit of SEZ)

S. No.	Particulars	Value of input services (₹)	ITC (₹)	Refund Amount (₹)	Remarks
1	Input services	5,00,000	Nil	Since, no tax paid on inputs, no refund is allowed	Input services used exclusively for authorized operations
2	DTA as well as Zero rated supply	8,00,000	54,000	90,000	(₹ 8,00,000 x 18%) x 100L/160L
3	Input services only for DTA	3,00,000	54,000	Nil	
	Total		1,08,000	90,000	

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16.(a) Under what circumstances it may be beneficial to claim refund of un-utilized credit when exports of goods or services are made without payment of tax?

(b) State the matters on which advance ruling can be sought as per CGST Act.

Answer:

(a) If assessee has negligible balance of tax in Capital Goods Input Tax Credit Account, and more credit in inputs and input services it is advisable to claim refund of un-utilized credit when exports of goods or services are made without payment of tax [Section 54(3) of the CGST Act, 2017].

(b) The questions / matters, on which the advance ruling is sought under this Act, shall be in respect of,–

- classification of any goods or services or both;
- applicability of a notification issued under the provisions of this Act;
- determination of time and value of supply of goods or services or both;
- admissibility of input tax credit of tax paid or deemed to have been paid;
- determination of the liability to pay tax on any goods or services or both;
- whether applicant is required to be registered;
- whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.

Advance ruling can be sought only on the above mentioned aspects.

17.(a) What is Deemed Credit u/s 140(3) of the CGST Act?

(b) Mr. X is a taxable person under GST (who is a wholesaler), is having a stock worth of ₹ 5,00,000/- as on 01-07-2017. Such person has supplied goods for ₹ 5,60,000/- and on which he has paid CGST @9% and SGST @9%.

How much Input Tax Credit (ITC) is allowed under sec. 140(3) of CGST Act in the following independent cases:

- 1. If he is in possession of duty paid document for the stock (namely BED is ₹ 62,500 and VAT ₹ 28,125).**
- 2. If he is not in possession of duty paid document for the stock, but has invoice evidencing purchase of good.**

Answer:

(a) Deemed Credit u/s 140(3) of the CGST Act:

- Registered person holding stock as on 1-7-2017 along with VAT and Entry tax paid document on such stock of goods (which suffered tax at first point of sale in the state and subsequent sale of which are not subject to tax) shall be allowed to avail the input tax credit on such goods held in stock. Thus, in case of credit of VAT and Entry tax, is allowed as ITC equal to the VAT and Entry tax which attracted tax at the first point only.

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- If such registered person is not in possession of any document evidencing payment of VAT, then such credit shall be allowed @40% of the State tax applicable on such goods and shall be credited after the State tax payable on such supply has been paid.
- The scheme shall be available for six tax periods from the 1-7-2017.
- This benefit is available only when the supplier passes on the benefit of such credit by way of reduced prices to the recipient.
- The stock of goods on which such credit is availed is to be so stored that it can be easily identified by the registered person.

Amended provision:

For items with rate of 18% or above under GST —

- For Intrastate supplies: Firstly supply of such goods shall be made against 100% payment of tax under GST. Then the 60% of the amount of CGST paid on such supply shall be credited to the electronic credit ledger of the registered person. So this credit is available on Sales.
- For Interstate supplies: Firstly supply of such goods shall be made against 100% payment of tax under IGST. Then the 30% of the amount of IGST paid on such supply shall be credited to the electronic credit ledger of the registered person. So this credit is available on Sales.

For items with rate below 18% under GST

- For Intrastate supplies: Firstly supply of such goods shall be made against 100% payment of tax under GST. Then the 40% of the amount of CGST paid on such supply shall be credited to the electronic credit ledger of the registered person. So this credit is available on Sales.
- For Interstate supplies: Firstly supply of such goods shall be made against 100% payment of tax under IGST. Then the 20% of the amount of IGST paid on such supply shall be credited to the electronic credit ledger of the registered person. So this credit is available on Sales.

(b)

1. ITC allowed is equal to BED is ₹ 62,500 as CGST credit and VAT of ₹ 28,125 as SGST credit.
2. In accordance with the provisions of Transition Rules, he can claim credit to the extent of 60% of CGST paid, i.e., ₹ 30,240/- (₹ 50,400 @60%) as CGST credit.

In accordance with the provisions of Transition Rules, he can claim credit to the extent of 60% of SGST paid, i.e., ₹ 30,240/- (₹ 50,400 @60%) as SGST credit.

18.(a) What do you mean by Anti-profiteering? Explain with help of examples.

(b) Describe the duties & powers of Anti-profiteering Committee as per CGST Act.

Answer:

(a) Anti Profiteering (Section 171 of the CGST Act) —

As per section 171(1),

- Any reduction in rate of tax on any supply of goods or services

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Or,

- the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.

Detailed analysis of above two provisions is as follows-

- (1) Any reduction in rate of tax on any supply of goods or services -

For Example, under the Service Tax regime, Tour operator services are charged at abated rate of 9% whereas in Goods & Services Tax Act, 2017 rate of tax fixed is 5% which resulted in reduction of tax from 9% to 5%. The tax rate reduction benefit to the extent of 4% is to be passed on to recipient.

Particulars	Service tax (S.T.) regime	GST regime	Remarks
Taxable value	100	100	
S.T. / GST rate (%)	9%	5%	
S.T./ GST (₹)	9	5	
Total Invoice value	109	105	Reduction of ₹ 4 is benefit to be passed on to recipient

- (2) The benefit of input tax credit -

Any additional benefit by way of Input tax credit is arising to the supplier due to implementation of GST the same benefit to be passed on to recipient by way of reduction in prices which is explained as follows-

X Ltd. being an Interior designing service provider while providing output service has availed Input services and a material 'M' for which tax paid is as under:

Particulars	Service tax regime	GST regime
Tax paid towards service tax on Input services availed (₹)	15	15
Tax paid towards VAT for Material 'M' (₹)	5	5

Output tax liability of X Ltd. is ₹ 25 before deducting Input tax credit available.

In the given case benefit of input tax credit accruing to X Ltd. due to implementation of GST is as follows-

Particulars	Service tax regime (₹)	GST regime (₹)	Remarks
Output tax liability	25	25	
Input allowed-			
Towards Input services	15	15	Service provider cannot avail VAT paid as Input tax credit in Service tax regime
Towards Material 'M'	NIL	5	
Total Input Tax credit eligible for set off	15	20	

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Net tax payable	10	5	
Input tax benefit due to GST	-	5	Benefit of ₹ 5 to be passed to recipient by way of reduction in prices

(b) The Anti-profiteering Committee shall exercise such powers and discharge such functions as may be prescribed.

The Authority can determine the methodology and procedure for determination as to whether the reduction in the rate of tax on the supply of goods or services or the benefit of input tax credit has been passed on by the registered person to the recipient by way of commensurate reduction in prices.

The Authority would have the following duties:

- (i) to determine whether any reduction in the rate of tax on any supply of goods or services or the benefit of input tax credit has been passed on to the recipient by way of commensurate reduction in prices;
- (ii) to identify the registered person who has not passed on the benefit of reduction in the rate of tax on supply of goods or services or the benefit of input tax credit to the recipient by way of commensurate reduction in prices;
- (iii) to order,
 - reduction in prices;
 - return to the recipient, an amount equivalent to the amount not passed on by way of commensurate reduction in prices along with interest at the rate of eighteen per cent. from the date of collection of the higher amount till the date of the return of such amount or recovery of the amount not returned, as the case may be, in case the eligible person does not claim return of the amount or is not identifiable, and depositing the same in the Consumer Welfare Fund;
 - imposition of penalty; and
 - Cancellation of registration.

19.(a) Rama Telecoms were engaged in the business of providing telecommunication services in various States in India. For their business Rama Telecoms imported Optic Fibre Cables (OFC) and classified them under Heading 85.44 of the Customs Tariff. However, the Department claimed that the goods should be classified under Heading 90.01. The Commissioner of Customs (Appeals), when the matter was brought before him, held that the impugned goods were classifiable under Heading 85.44 of the Customs Tariff. The Department has filed an appeal before CESTAT against the said order which has yet not been decided.

Meanwhile, the customs authorities (DRI officers) have seized the consignment of OFC imported and cleared by Rama Telecom on payment of duty assessed under Heading 85.44 and forced Rama Telecoms to pay the differential duty between Headings 85.44 and 90.01 by threat and coercion.

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Examine the validity of the action of the customs authorities, with the help of a decided case law, if any.

- (b) Importer BOPP Ltd. imported two consignments of ethyl alcohol which were allowed to be cleared for home consumption on execution of a bond undertaking to produce license within a month. Since, appellant failed to fulfill the obligation, proceedings were initiated which culminated in confiscation of the goods under Section 111(d) of the Customs Act, 1962 and imposition of penalty on the importer under section 112(a) of the Customs Act, 1962. Examine the correctness of the decision in terms of statutory provisions.**

Answer:

- (a)** The action of the Director of Revenue (D.R.I) officers of the Customs is not valid. Optic Fibre Cables correctly classified by the importer as per the order of the Commissioner of Customs (Appeals) and paid the duty accordingly. Therefore, the action of the Director of Revenue Intelligence (D.R.I. officers) in the Customs Department in seizing the goods and collecting money from the petitioners was wholly unjustified. Moreover, in the absence of any reassessment order passed determining the duty liability, there would be no question of recovering differential duty. [Vodafone Essar South Ltd. v UOI 2009 (237) ELT 35 (Bom.)]
- (b)** The given case is similar to the case of Hira Lal Hari Bhagwati v CBI (2003) 155 ELT 433 (SC). The Supreme Court of India had held that no penalty can be imposed if the goods are imported with bona fide belief that they are entitled to exemption, later on they could not fulfill conditions of exemption but paid the duty. Further it was held that for establishing offence of cheating, complainant (i.e. importer) is required to show dishonest intention at the time of making promise or presentation. Thereby there is no penalty under section 112(a) of the Customs Act, 1962.

With regard to confiscation of the goods under Section 111(d) of the Customs Act, 1962, the Apex Court namely the Supreme Court of India in the case of Sachinanda Banerji v Sitaram Agarwala 110 ELT 292 (SC), held that goods imported against restrictions under section 11 of the Customs Act, 1962 (Section 11 deals with power to prohibit importation or exportation of goods) are liable to confiscation whenever they are found even if this is long after import is over and even if they are in possession of third persons who had nothing to do with actual import.

Thereby, Department's action to confiscate the goods under section 111(d) of the Customs Act, 1962 is valid.

- 20.(a) Can delay in filing appeal to CESTAT for the reason that the person dealing with the case went on a foreign trip and on his return his mother expired, be condoned? Discuss.**
- (b) Is judicial review of the order of the Settlement Commission by the High Court or Supreme Court under writ petition/special leave petition, permissible? Examine with help of case law.**

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Answer:

- (a)** The High Court observed that there did not appear to be any deliberate latches or neglect on the part of the authorised representative to file the appeal. It held that the reasons for delay in filing appeal to CESTAT, that the person dealing with the case went on a foreign trip and on his return his mother expired, could not be considered as unreasonable for condonation of delay.

Therefore, delay can be condoned. [Habib Agro Industries v. CCEx. 2013 (291) E.L.T. 321 (Kar.)]

- (b)** The High Court noted that although the decision of Settlement Commission is final, finality clause would not exclude the jurisdiction of the High Court under Article 226 of the Constitution (writ petition to a High Court) or that of the Supreme Court under Articles 32 or 136 of the Constitution (writ petition or special leave petition to Supreme Court).

The Court would ordinarily interfere if the Settlement Commission has acted without jurisdiction vested in it or its decision is wholly arbitrary or perverse or mala fide or is against the principles of natural justice or when such decision is ultra vires the Act or the same is based on irrelevant considerations.

The Court, however, pronounced that the scope of court's inquiry against the decision of the Settlement Commission is very narrow, i.e. judicial review is concerned with the decision-making process and not with the decision of the Settlement Commission. [Saurashtra Cement Ltd. v. CCus. 2013 (292) E.L.T. 486 (Guj.)]

21.(a) Write down the differences between tax planning and tax management.

- (b) RST Ltd. imported drawings and designs in paper form through professional courier and post parcels.**

However, the Assistant Commissioner of Customs valued these drawings and designs and levied duty on them.

RST Ltd. Contended that customs duty cannot be levied on drawings and designs as they do not fall in the definition of goods under the Customs Act, 1962.

Do you feel the stand taken by the RST Ltd. is tenable in law? Support your answer with a decided case law, if any.

Answer:

(a)

Tax Planning	Tax Management
Tax planning primarily aims at adopting an arrangement so as to bring lesser incidence of tax.	Tax Management is dealing with compliance of statutory provisions, prospective planning etc. so as to ease the financial constraints that would arise when discharging the commitments through payment of tax, keep close watch and monitor statutory

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Tax Planning	Tax Management
	requirements etc
Tax planning may not be essential for every assessee.	Tax management is essential for every tax paying person otherwise he may become liable for penalty. For example, improper import of goods attract penalty.
Tax planning essentially looks at future benefits arising out of present actions.	Tax management relates to past, present and future. For Example: (i) appeals, revisions, rectification of mistakes deal with the past. (ii) maintenance of records, self assessment, filing of returns and other documents are present activities.
Tax planning is focusing on saving taxes by choosing best among the alternatives.	Tax management is focusing on compliance with legal formalities: e.g. filing of return, payment of tax, documentation, records, maintenance of accounts etc.

(b) The Apex Court observed that though technical advice or information technology are intangible assets, but the moment they are put on a media, whether paper or cassettes or diskettes or any other thing, they become movable and are thus, goods.

Therefore, the Supreme Court held that drawings, designs, manuals and technical material are goods liable to customs duty.

Therefore, the stand taken by the RST Ltd. is not correct in law. [Associated Cement Companies Ltd. v CC 2001 (128) ELT 21 (SC)]

22.(a) An importer imported some goods for subsequent sale in India at \$ 10,000 on Assessable value basis. Relevant exchange rate and rate of duty are as follows:

Particulars	Date	Exchange rate declared by the CBE&C	Rate of Basic Customs Duty
Date of submission of bill of entry	25th February 2018	₹ 58/USD	10%
Date of entry inwards granted to the vessel	5th March 2018	₹ 58.75/USD	12%

Calculate Assessable value and Customs Duty in Indian rupees?

(b) State the conditions which are to be satisfied for transshipment of goods without payment of duty.

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Answer:

- (a) Relevant rate of duty for the imported goods is 12% (i.e. Date of submission of bill of entry or Date of entry inwards granted to the vessel whichever is later)

Exchange Rate is ₹ 58 per USD (i.e. the rate of CBE&C as on the date of submission of Bill of Entry by the importer)

Assessable value = ₹ 5,80,000 (i.e. USD 10,000 x ₹ 58)

Basic Customs Duty = ₹ 69,600 (i.e. ₹ 5,80,000 x 12%)

2% Education cess = ₹ 1,392 (i.e. ₹ 69,600 x 2%)

1% SAH education cess = ₹ 696 (i.e. ₹ 69,600 x 1%)

Total Customs Duty = ₹ 71,688.

- (b) Transshipment of goods without payment of import duty is permissible only if the following conditions satisfy:

- Transshipment of goods with foreign destination
- The goods find place as Transshipment Goods in the Import of General Manifest (IGM) or Import Report in case of goods imported in a vehicle
- Bill of Transshipment or Declaration of Transshipment filed.
- Goods must be transhipped to another vessel to place outside India.

- 23.(a) An importer filed a bill of entry after 60 days of filing Import General Manifest. The Deputy Commissioner of Customs imposed a penalty of ₹ 10,000 by endorsement on the bill of entry. Since, importer wants to clear the goods he paid the penalty. Can penalty be imposed for late filing of the bill of entry? Examine the issue in the light of relevant statutory provisions.

- (b) X Transport company imported Rolls Royce car for the purpose of providing output services by way of transportation of passengers. Following are the cost & other details-

Particulars	Amount (INR)
Cost of vehicle (Assessable value)	300,00,000
Custom duty	10%
IGST	28%
Compensation cess	20%

X Transport company is eligible to take Input tax credit and have output IGST liability of INR 120 Lakhs. Calculate the tax liability towards custom duty & GST liability.

Answer:

- (a) W.e.f. 31-3-2017, Section 46 of the Finance Act, 2017 has been amended as follows:

Submission of Bill of entry:

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The importer shall presented the bill of entry under section 46(1) of the Customs Act, 1962 before the end of the next day following the day (excluding holidays) on which the aircraft or vessel or vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or for warehousing.

Provided that a bill of entry may be presented within 30 days of the expected arrival of the aircraft or vessel or vehicle by which the goods have been shipped for importation into India.

Provided further that where the bill of entry is not presented within the time so specified and the proper officer is satisfied that there was no sufficient cause for such delay, the importer shall pay such charges for the late presentation of the bill of entry as may be prescribed.

In the given case penalty of ₹ 10,000 is valid. Hence, as per the provisions of the Customs Act, 1962, penalty can be imposed for late filing of the bill of entry.

(b)

Particulars	Calculation	Amount(₹)
Cost of Vehicle-(A)		300,00,000
Custom duty-(B)	10%	30,00,000
Cess-(C)	3% on (B)	90,000
Total custom duty payable- (D)	(B+C)	30,90,000
Total Cost after Custom duty-(E)	(A+D)	330,90,000
IGST-(F)	28% on (E)	92,65,200
Compensation cess-(G)	20% on (E)	66,18,000
Total cost-(H)	(E+F+G)	489,73,200

- Input tax credit available to set off against output IGST is ₹ 92,65,200
- Compensation cess paid cannot be set off against output tax liability of IGST
- Total tax payable by X Ltd. after adjusting IGST ITC is ₹ 27,34,800 (₹ 120,00,000 - ₹ 92,65,200).

24.(a) What is Identical Goods in customs? State the application of transaction value of identical goods in valuation of imported goods.

(b) Care Energy Ltd. imported a lift from England at an invoice price of ₹ 20,00,000. The assessee had supplied raw material worth ₹ 5,00,000 to the supplier for the manufacture of said lift. Due to safety reasons, the lift was not taken to the jetty in the port but was unloaded at the outer anchorage. The charges incurred for such unloading amounted to ₹ 25,000 and the cost incurred on transport of the lift from outer anchorage to the jetty were ₹ 50,000. The importer was also required to pay ship demurrage charges ₹ 10,000. The lift was imported at an actual cost of transport ₹ 45,000 and insurance charges ₹ 20,000. Compute its assessable value.

Answer:

(a) Identical goods means the goods must be same in all respects, including physical quantity.

This method is applicable only when following conditions are satisfied:

- Identical goods can be compared with the other goods of the same country from which

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import takes place.

- These goods must be valued at a price which is produced by the same manufacturer.
- If price is not available then the price of other manufacturers of the same country is to be taken into account.
- If more than one value of identical goods is available, lowest of such value should be taken.

(b) Value goods	= ₹ 20,00,000
Add: Raw material supplied	= ₹ 5,00,000
FOB	= ₹ 25,00,000
Charges for bringing the goods from Outer anchorage to jetty is known as Barging/ lighterage or barge charges	= ₹ 50,000
Ship demurrage on chartered vessels (i.e. Demurrage is payable when ship was not unloaded within specified time)	= ₹ 10,000
Freight charges (Transport charges)	= ₹ 45,000
Insurance charges	= ₹ 20,000
	= ₹ 26,25,000
Cost, Insurance and Freight (CIF)	= ₹ 26,25,000
Add: 1% landing charges on CIF	= ₹ 26,250
	= ₹ 26,51,250
Assessable Value	= ₹ 26,51,250

Note: actual amount of unloading charges or stevedoring charges are not addable into the assessable value.

25.(a) An importer imported some goods on 1st January, 2018 and the goods were cleared from Mumbai port for warehousing on 8th January, 2018 by submitting Bill of Entry, exchange rate was ₹ 50 per US \$. FOB value US \$ 10,000. The rate of duty on 8th January, 2018 was 20%. The goods were warehoused at Pune and were cleared from Pune warehouse on 31st May, 2018, when rate of basic customs duty was 12% and exchange rate was ₹ 68.75 per 1US \$. IGST @12% is applicable.

You are required to find:

- (i) The total Customs duty payable.**
- (ii) The interest if any payable.**

(b) Deemed Export under Customs.

Answer:

(a)

	USD
FOB	10,000
ADD: 20% Freight on FOB	2,000
ADD: 1.125% Insurance on FOB	112.5

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CIF	12,112.50	
ADD: 1% on CIF	121.125	
Assessable Value	12,233.625	
		₹
Assessable Value in ₹	6,11,681	(i.e. ₹ 12,233.625 x ₹ 50)
Add: BCD 12%	73,402	(i.e. ₹ 6,11,681 x 12%)
Add: 2% Ed. Cess	1,468	(i.e. ₹ 73,402 x 2%)
Add: 1% SAH Ed. Cess	734	(i.e. ₹ 73,402 x 1%)
Transaction value subject to GST	6,87,285	
Add: IGST	82,474	(i.e. 6,87,285 x 12%)
Value of import	7,69,759	
Value of Customs duties	1,58,078	
Interest: (i.e. 1,58,078 x 15% x 54/365)	3,508	

Working Note:

From 8th January 2018 to 31st May 2018 = 144 – 90 = 54 days.

(b) The term Deemed Exports an export without actual export, it means goods and services are sold and provide respectively within India and payment also received in the Indian Rupees. As per the Foreign Trade Policy, the following few transactions can be considered as deemed exports:

- Sale of goods to units situated in Export Oriented Units, Software Technology Park, and Electronic Hardware Technology Park etc.
- Sale of capital goods to fertilizer plants
- Sale of goods to United Nations Agencies
- Sale of goods to projects financed by bilateral Agencies, etc.

26.(a) Section 76 of the Customs Act, 1962 contains the provisions in respect of prohibition and regulation of drawback. State the circumstances where no drawback will be allowed.

(b) Write a short note Postal Articles in Customs.

Answer:

(a) Section 76 of the Customs Act, 1962 contains the provisions in respect of prohibition and regulation of drawback and no drawback shall be allowed in the following circumstances:

1. In respect of any goods, the market price of which is less than the amount of drawback due thereon,
2. If the Central Government is of the opinion that goods of any specified description in respect of which drawback is claimed under this Chapter are likely to be smuggled back into India.
3. CENVAT credit claim is on inputs and input services then no duty drawback is

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allowed. However, if the goods have already suffered the customs duty then duty drawback is allowed to the extent of customs duties.

4. Duty drawback is not allowed if the exporter has already availed the Duty Entitlement Pass Book (DEPB) or other export incentives.
5. If the sale proceeds not received within the time period allowed by Reserve Bank of India.
6. Export to Nepal and Bhutan and the export proceeds are not received in hard currency (it means USD, GBP or Pounds).
7. Drawback in respect of iron and steel, cement and rice is not allowed. [w.e.f. 29-5-2008]
8. Duty drawback is more than 1/3rd of market value of exported goods, then amount of duty drawback is restricted to 1/3rd of market value.
9. No amount or rate of drawback is to be determined except where the amount of drawback exceeds or equal to ₹ 500/- or it is 1% or more of the FOB value of export.
10. Where the amount of drawback in respect of any goods is less than ₹ 50.

(b) Postal Articles: As per sections 82 to 84 of the Customs Act, 1962, goods can be cleared by post. Any label or declaration accompanying the goods showing the description, quantity and value thereof, shall be treated as "an entry for import" under the Customs Act.

The rate of duty and tariff value applicable to goods imported by post shall be the rate and valuation in force on the date on which the postal authorities present to the proper officer a list containing the particulars of such goods for the purpose of assessment of duty.

The procedure for clearance:

- (i) Post parcels are allowed to pass from port/airport to Foreign Parcel Department of Government Post Offices without payment of customs duty.
- (ii) The Postmaster hands over to Principal Appraiser of Customs the memo showing
 - Total number of parcels from each country of origin,
 - Parcel bills or senders' declaration,
 - Customs declaration and dispatch notes, and
 - Other information that may be required.
- (iii) The mail bags are opened and scrutinized by Postmaster under supervision of Principal Postal Appraiser of Customs.
- (iv) Packets suspected of containing dutiable goods are separated and presented to Customs Appraiser with letter mail bill and assessment memos.
- (v) The Customs Appraiser marks the parcels which are required to be detained if —
 - necessary particulars are not available, or
 - mis-declaration or undervaluation is suspected, or
 - goods are prohibited for import.

Appraiser has the power to examine any parcel. After inspection, the parcels are sealed with a distinctive seal. Any mis-declaration or undervaluation is noted or goods are prohibited goods for imports these be detained and the same intimated to Commissioner of Customs.

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If everything is in order after verification, goods will be handed over to Post Master, who will hand over the same to the addressee on receipt of customs duty.

27.(a) State the situations where provisional assessment can be granted by Customs Officer.

(b) A person makes an unauthorized import of goods liable to confiscation. After adjudication, Assistant Commissioner provides an option to the importer to pay fine in lieu of confiscation. It is proposed to impose a fine (in lieu of confiscation) equal to 50% of margin of profit. From the following particulars calculate the amount of fine that can be imposed: Assessable value – ₹ 50,000, Total duty payable – ₹ 20,000, Market value – ₹ 1,00,000. Also calculate the total payment to be made by the importer to clear the consignment.

Answer:

(a) Provisional Assessment will be allowed by the Customs Officer, if he, satisfied with the request of the importer or exporter. Provisional assessment can be granted in the following three situations:

- An importer or exporter is unable to produce any document or furnish any information necessary for the assessment of duty.
- Any imported goods or export goods need to conduct any chemical or other test for the purpose of assessment of duty thereon.
- Where the importer or the exporter has produced all the necessary documents and furnished full information for the assessment of duty but the proper officer deems it necessary to make further enquiry for assessing the duty.

(b) In the given case Assistant Commissioner intends to impose redemption fine equal to 50% of margin of profit.

Total cost to importer = ₹ 50,000 + ₹ 20,000 = ₹ 70,000.

Margin of profit:

Market value – Total cost to importer = ₹ 1,00,000 – ₹ 70,000 = ₹ 30,000.

Hence, redemption fine will be ₹ 15,000 (@ 50% of ₹ 30,000). In addition, duty of ₹ 20,000 is payable. Thus, importer will have to pay totally ₹ 35,000 to clear the goods from customs.

28.(a) State the features of Foreign Trade Policy (FTP).

(b) What is Advance Authorisation in FTP?

Answer:

(a) Features of Foreign Trade Policy (FTP):

1. Export-Import is free unless specifically regulated by the provisions of the FTP.
2. Export and Import goods are broadly categorized as
 - I. Free (i.e. general goods freely import or export without any authorization).
 - II. Restricted (i.e. goods allowed to import or export only with authorization).
 - III. Prohibited (i.e. goods are not allowed to import or export)
3. There are restrictions on exports and imports for various strategic, health, and other reasons.
4. Exports are promoted through various promotional schemes.

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5. There should be no taxes on exports.
6. Capital goods can be imported at NIL duty for the purpose of exports under the scheme of Export Promotion Capital Goods (EPCG) Scheme.
7. EOU'S and SEZ units are exempted from payment of taxes.
8. Deemed exports concept introduced.
9. Duty credit scrip's schemes are designed to promote exports of some specified goods to specified markets and to promote export of specified services.

(b) Advance Authorization:

- (i) Exporters having past export performance (in at least preceding two financial years) shall be entitled for Advance Authorization for Annual Requirement.
- (ii) Materials imported under Advance Authorization will 'Actual User Condition'. These imported goods will not be transferable even after completion of export obligation. However, holder of Advance Authorization will have an option to dispose of product manufactured out of duty free inputs once export obligation is completed.
- (iii) Advance Authorization is issued for inputs in relation to the resultant product on the basis of SION (Standard Input Output Norms). If SION for a particular item is not fixed, Regional Authority (RA) based on self-declaration by applicant, except certain specified products, can issue Advance Authorization.
- (iv) It is necessary to establish that inputs actually used in manufacture of the export product should only be imported under Advance Authorization and inputs actually imported must be used in the export product, for redeeming the Authorization.

29.(a) During F.Y. 2017-18 S Pvt. Ltd. has made Exports of "Safety Valves" coming under Chapter Heading 8481.

Country of Export – USA & UK.

Realised FOB value of exports in free foreign exchange: ₹ 50 Crore

FOB value of exports as given in the Shipping Bills in free foreign exchange (Covered in ₹): ₹ 55 Crore. As per Appendix 3B of Foreign Trade Policy 2015-20, reward for Export of Safety Valves to USA & UK is 3%.

Find the Duty Credit Scrip or MEIS reward available to S Ltd.

(b) List out the benefits available to status holders under FTP 2015-20.

Answer:

- (a)** Realised FOB value of exports = ₹ 50 crore or
FOB value of exports = ₹ 55 crore (as given in the Shipping Bills)
Whichever is less.
Therefore MEIS Reward available to S Pvt. Ltd. for F.Y. 2017-18 would be ₹ 1.5 Crores
(i.e. ₹ 50 Crore x 3%).

(b) Benefits available to status holders:

- a. Authorisation and Customs Clearances for both imports and exports may be granted on self- declaration basis;

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- b. Fixation of Input Output Norms (SION) on priority by the Norms Committee i.e. within 60 days.
- c. Exemption from compulsory negotiation of documents through banks. The remittance receipts, however, would continue to be received through banking channels by way of e-BRC by DGFT.
- d. Exemption from furnishing of Bank Guarantee in Schemes under FTP.
- e. Two Star Export Houses and above are permitted to establish export warehouses.
- f. Three Star and above Export House shall be entitled to get benefit of Accredited Clients Programme (ACP) as per the guidelines of CBEC.
- g. Status holders shall be entitled to export freely exportable items on free of cost basis for export promotion subject to an annual limit of ₹10 lakhs or 2% of average annual export realization during preceding 3 licensing years, whichever is higher.
- h. Manufacturer exporters who are also Status Holders shall be eligible to self-certify their goods as originating from India.

- 30.(a) State the eligible as well as ineligible capital goods for import under EPCG Scheme.**
(b) Write a short note on Special Economic Zone (SEZ).

Answer:

(a) Eligible capital goods for import under EPCG Scheme:

- 1. Capital Goods including capital goods in CKD/SKD condition
- 2. Computer software systems
- 3. Spares, moulds, dies, jigs, fixtures, tools & refractories for initial lining and spare refractories.
- 4. Capital goods for Project Imports notified by CBEC.

Ineligible capital goods for import under EPCG Scheme:

- 1. Second hand capital goods
- 2. Power Generator Sets

(b) Special Economic Zone (SEZ): The provisions relating to SEZ are contained in Special Economic Zone Act, 2005 and SEZ Rules, 2006.

- SEZs are like a separate island within territory of India.
- SEZs are projected as duty free area for the purpose of trade, operation, duty and tariffs.
- Goods and services coming to SEZ units from domestic tariff area are treated as exports from India and goods and services rendered from SEZ to the DTA are treated as import into India.

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Any proposal for setting up of SEZ unit in the Private/ Joint/ State Sector is routed through the concerned State government who in turn forwards the same to the Department of Commerce with its recommendations for consideration.

The following incentives offered to the units in SEZ:

1. Duty free import/ domestic procurement of goods for development, operation and maintenance of SEZ units.
2. Single window clearance for Central and State level approvals.
3. Exemption from State sales tax and other levies as extended by the respective State Governments.
4. "In order to give a boost to exports from SEZs, government has now decided to extend benefits of both the reward schemes (MEIS and SEIS) to units located in SEZs.
5. SEZs have been exempted from payment of IGST on imports. Supplies to SEZs by DTA units also exempted from IGST (i.e. zero rated supply).