

**FINAL EXAMINATION**

**GROUP IV**

**(SYLLABUS 2016)**

**SUGGESTED ANSWERS TO QUESTIONS**

**DECEMBER 2018**

**Paper- 18: Indirect Tax Laws and Practice**

Time Allowed: 3 Hours

Full Marks : 100

*The figures in the margin on the right side indicate full marks.*

*Wherever necessary, you may make suitable assumptions and state them clearly in your answer.*

*Working Notes should form part of the answer.*

**SECTION – A**

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

**2×7 = 14**

1. Choose the correct answer with justification / workings wherever applicable :
- (i) Under GST Act a supply of assortment of sweets, chocolates and firecrackers packed in a gift hamper is
    - (a) Joint supply
    - (b) Composite supply
    - (c) Mixed supply
    - (d) Assorted supply
  - (ii) The due date for filing GSTR – 6 (Return for input Service distributor) is \_\_\_\_\_ of the succeeding month.
    - (a) 10
    - (b) 13
    - (c) 18
    - (d) 20
  - (iii) Under GST input tax credit cannot be claimed on goods and services used as inputs if
    - (a) Goods are purchased on credit.
    - (b) Goods are received and utilized, the invoice is received after two weeks from the supplier.
    - (c) Good are destroyed by fire.
    - (d) Services are provided by a law firm on which GST has been paid under RCM.

# Suggested Answer\_Syl16\_Dec2018\_Paper\_18

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- (iv) A person is not liable for registration under GST Act if
- (a) Non-resident person making a taxable supply.
  - (b) An agriculturist selling produce out of cultivation of land.
  - (c) Dealer engaged in inter-state trade above threshold limit for registration.
  - (d) Casual taxable person making taxable supply.
- (v) It is not mandatory to have the following field in a tax invoice under CGST Rules, 2017 :
- (a) Date of its issue.
  - (b) HSN Code of goods or Accounting Code or Services
  - (c) Name and Address of the recipient
  - (d) Date of receipt of goods/services by the recipient.
- (vi) Under GST Act the term UIN stands for
- (a) User Identification Number
  - (b) Utility Identification Name
  - (c) Unique Identification Number
  - (d) Unique Individual Number
- (vii) Following is not a part of the contents of a bill of supply :
- (a) Description of Goods or Services or both
  - (b) Consecutive Serial number
  - (c) Signature or digital signature if registered of the recipient
  - (d) Signature or digital signature of the supplier or his authorized representative.

## Answer : (1)

- (i) (c) Mixed supply  
Each of these items can be supplied separately, is not dependant on each other and not bundled due to natural necessities. (Section 8 of CGST Act).
- (ii) (b) Return for input Service distributor has to be filed by 13<sup>th</sup> of the next month.
- (iii) (c) Goods are destroyed by fire  
ITC is not available on goods destroyed u/s. 17(5) of CGST Act.
- (iv) (b) An agriculturist selling produce out of cultivation of land.  
Income is related to agriculture and hence turnover is exempt from GST and such agriculturist is not liable for registration under GST.
- (v) (d) Date of receipt of goods/services by the recipient.  
This is not a field prescribed (RULE 54-Section 31 read with Rule 46 of CGST Rules) for Tax invoice.
- (vi) (c) Unique Identification Number  
As per GST Act any notified agency of the United Nations etc. can be granted this number for claiming GST refund.
- (vii) (c) Signature or digital signature if registered of the recipient.  
This is not a field required under Section 31 (3) (c) read with Rule 49 of CGST Rules for Bill of supply.

## Suggested Answer\_Syl16\_Dec2018\_Paper\_18

2. (a) Shankar Pvt. Ltd. was awarded a contract in July 2017 for providing flooring and wall tiling services in respect of a building located in Delhi by Padmapriya Ltd. As per the terms of contract, Shankar Pvt. Ltd. was to provide all the required material for execution of the contract. However, Padmapriya Ltd. also provided a portion of the material.

Whether the services provided by Shankar Pvt. Ltd. are subject to GST? If yes, determine the GST liability of Shankar Pvt. Ltd. from the following particulars: 8

Particulars	Rs.
(i) Gross amount charged by the Shankar Pvt. Ltd.	6,00,000
(ii) Fair market value of the material supplied by Padmapriya Ltd.	1,00,000
(iii) Amount charged by Padmapriya Ltd. for the material [included in (i) above]	60,000

Note : CGST 6% and SGST 6%

- (b) Explain the concept of supply made in the course or furtherance of business as a taxable event under GST law. 6

**Answer : 2(a)**

Works contract is treated as supply of service

Gross amount charged by the Shankar Pvt. Ltd.	6,00,000
Add: Fair market value of the material supplied by Padmapriya Ltd.	1,00,000
Less : Amount charged by Padmapriya Ltd. for the material	(60,000)
Total value subject to GST	6,40,000

CGST 6% x 6,40,000 =	Rs. 38,400
SGST 6% x 6,40,000 =	Rs. 38,400
Total GST liability =	Rs. 76,800

**Answer : 2(b)**

Supply made in the course or furtherance of business:

- (a) In the course of business : Every person carries out certain activities regularly for running trade or commerce.
- (b) Furtherance of business : Every business person uses to think how to develop his business or carrying out new activities. Such activities called as furtherance of business.

GST is essentially a tax only on commercial transactions. Hence, only those supplies that are in the course or furtherance of business qualify as supply under GST. Hence, any supplies made by an individual in his personal capacity do not come under the ambit of GST unless they fall within the definition of business as defined in the Act.

Sale of goods or service even as avocation is a supply under GST. Therefore, even if a famous politician paints paintings for charity and sells the paintings even as a one-time occurrence, the sale would constitute supply.

3. (a) Mrs. Poornima started a business in supply of goods on 12.12.2017 at Salem, Tamilnadu. During the year ended 31.03.2018, the details of the supplies effected at her Chennai office are as under :

Supply of taxable goods within State	Rs. 16 lakhs
Supply of exempt goods	Rs. 5 lakhs

She has not taken any GST registration. Determine the amount of penalty, if any, which may be imposed by her on 31.03.2018. In respect of taxable goods, SGST is 6%

# Suggested Answer\_Syl16\_Dec2018\_Paper\_18

and CGST is 6%.

Note : Assume that she crossed the Rs.20 lakhs limit on 25.01.2018.

6

- (b) Mr. X has cleared goods from his factory on 20<sup>th</sup> May, 2017 for sale to Mr. Y for Rs. 5,00,000. Effective rate of Excise Duty (ED) @ 12.5%. However ED Rs. 62,500 has been paid on 6<sup>th</sup> June, 2017. The consignment received by Mr. Y on 5<sup>th</sup> July, 2017.

Find the following :

- (i) Is Mr. Y eligible for ITC if so, what amount ?  
(ii) Time limit within which receipt of inputs should be recorded in the books of account of Mr. Y.  
(iii) Mr. Y recorded receipt of inputs in the books of account on 15.08.2017, if so can he avail the ITC ?

8

Answer : 3(a)

Penalty for non-registration under GST

Supply of taxable goods within State [SGST @6% and CGST @ 6%]	Rs. 16L
Supply of exempt goods	Rs. 5L
Aggregate turnover	Rs. 21L

Where the aggregate turnover of a supplier making supplies exceeds Rs.20 lakhs in a financial Year, he is liable to be registered under the act of the concern state or union territory as the case may be. The said supplier must apply for registration within 30 days on which he becomes liable for registration.

However, in the given case, Mrs. Poornima became liable to registration on 25.01.2018, she did not apply for registration within 30 days of becoming liable to registration.

Sec. 122(1)(xi) of the CGST Act, 2017 enjoins that a taxable person who is liable to be registered under the CGST Act, 2017 but fails to obtain registration shall be liable to pay penalty of

(a) Rs. 10,000

Or

(b) An amount equivalent to the tax evaded. Whichever is higher

In the given case, (b) is 12% of Rs. 16,00,000 i.e. Rs. 1,92,000.

Hence a sum of Rs. 1,92,000 will be levied a penalty for failure to get himself registered.

Answer : 3(b)

- (a) Yes. Mr. Y is eligible to avail the ITC of Rs. 62,500 provided he deals with taxable supplies being registered person.  
(b) Inputs or Input Services recorded in the books of account  $\leq$  30 days from 1-7-2017. Therefore, Mr. Y should account for by 30<sup>th</sup> July, 2017.  
(c) Since, period of 30 days may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding 30 days.

In the given case Mr. Y can take credit on inputs on 15<sup>th</sup> Aug 2017, provided permission granted by the Commissioner for extension not exceeded 30 days.

4. (a) (i) State the functions of the GSTN, i.e. the role assigned to GSTN.

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- (II) Brahmi Foundation, Noida is registered as a trust under section 12AA of the Income-tax Act, 1961. With effect from 01.08.2017, it intends to offer its guest houses to the pilgrims visiting the Noida shrine at Rs. 900 per day and their marriage hall at Rs. 12,000 per day.

They want to know whether these will attract GST liability. Advise them suitably.

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# Suggested Answer\_Syl16\_Dec2018\_Paper\_18

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(b) In the light of the provisions of GST law as it stands w.e.f. 01.07.2017, briefly explain as to whether it is taxable service and who is the person responsible for paying GST in the following situations : 4

(i) Legal service provided by Senior Advocates to business entities.

(ii) Mere Contracts for representation service provided by the Senior Advocates to any business entity has been entered into through another advocate or firm of advocates. State the turnover criteria of the previous year which applies, including the one for special category States.

**Answer : 4(a)(i)**

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

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

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

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

**Answer : 4(a) (ii)**

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. 1-07-2017, this exemption shall not be applicable to.

1. Renting of rooms where charges are Rs. 1000 or more per day.
2. Renting of premises, community halls, kalyanmandapam or open area, etc where charges are Rs. 10,000 or more per day.

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, the renting of guest houses is at Rs. 800 per day ; so this will not attract any GST liability.

However, the marriage halls are rented at Rs. 12,000 per day. Hence this will be reckoned for GST liability.

If GST is to be avoided, then such renting of marriage hall should be at less than Rs. 10,000 per day.

Brahmi foundation is to be advised accordingly.

**Answer : 4(b)**

GST payable by whom ?

(i) Where a senior advocate renders representation services for a business entity whose turnover in the previous year exceeds 20 lakhs, the same is taxable service in both the situations.

GST will be payable by the Recipient of service, which is the business entity, who is

# Suggested Answer\_Syl16\_Dec2018\_Paper\_18

litigant, applicant or petitioner.

- (ii) Recipient of service that is the business entity whose previous year turnover more than Rs. 20 lakhs, who is the litigant, applicant or petitioner, is liable to pay GST. In case of special category States is Rs. 10 lakhs.

5. (a) (i) Sarath Pharma Ltd., filed an appeal before the Appellate Tribunal against the order of the Appellate Authority, wherein the issue was revolving around the place of supply. The Tribunal decided the issue against the company and in favour of the Department.

The company is of the strong view that its stand is correct and consequently, there is need to take the issue to an appellate forum higher than the Appellate Tribunal.

You being the Cost Accountant dealing with indirect tax matters, advise the company about filing appeal before the suitable forum. 5

- (ii) Vaibhav, a registered supplier under GST law, has furnished the following details for the month of August, 2017 :

Particulars	Amounts (Rs.)
Purchase of goods made from outside State	8,00,000
Inter-State supply of goods	10,00,000
Goods taken for personal use in above	20,000

The IGST was paid on 10<sup>th</sup> October, 2017.

Calculate the interest payable for the delayed payment. 5

You are informed that the IGST rate for all the goods dealt with by Vaibhav is 18%.

- (b) Padmaja, a registered supplier, rendered taxable service for Rs. 2 lakhs on 01.12.2017. The tax invoice was raised on 09.12.2017. Payment was received on 22.11.2017.

Determine the time of supply for GST purposes. 4

## Answer : 5(a)(i)

Filing of appeal before suitable forum

Where the supplier or the Department is not satisfied with the order passed by the State Bench or Area Benches of the Appellate Tribunal, appeal can be filed before the High Court if the High Court is satisfied that such an appeal involves a substantial question of law [section 117(1) of the CGST Act, 2017].

Nevertheless, appeal against orders passed by the National Bench or Regional Benches of the Tribunal can be filed only before the Supreme Court and not High Court

As per section 109(5) of the Act, only the National Bench or Regional Benches of the Tribunal can decide appeals where one of the issues involved relates to the place of supply.

Since the issue involved in the given case relates to place of supply, the appeal in his case would have been decided by the national bench or regional bench of the tribunal.

Accordingly, Sarath Pharma Ltd., Will have to file an appeal before the supreme court and not the high court.

## Answer : 5(a)(ii)

Computation of interest for belated payment of GST

## Suggested Answer\_Syl16\_Dec2018\_Paper\_18

IGST on Supply of goods made outside State (10,00,000 x 18%)	1,80,000
Less : Inter-State purchases of goods (7,80,000 x 18%) [ITC is not available for goods taken for personal use]	1,40,400
Balance IGST payable	Rs. 39,600
Due date for payment	20-9-2017
Actual date of payment	10-10-2017
Number of days of delay	20
Interest payable at 18% for delay (39,600x18%x20/365) rounded off	Rs. 391
Total marks	

### Answer : 5(b)

Time of supply in case of Services is the earliest of the following as per Sec 13(2)-

1. The date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under sub-section (2) of section 31 (30 days from rendering of the service)
2. The date of provision of service, if the invoice is not issued within the period prescribed under sub-section (2) of section 31
3. Date of receipt of payment

In the instant case even though the invoice has been issued within the time limit prescribed u/s 31(2), it is irrelevant to determine time of supply.

Since the date of receipt of payment (i.e. 22.11.17) is earliest, hence the time of supply shall be 22.11.17.

6. (a) Explain the accounts and records required to be maintained by registered person under GST law. 7
- (b) M/s. A. Ltd. sold plant and machinery after being used in the manufacture of taxable goods for Rs. 4,00,000 on 1<sup>st</sup> November, 2018. GST is payable on transaction value of plant and machinery 18%. M/s. A. Ltd. had purchased this machine vide invoice dated 22<sup>nd</sup> November, 2017 for Rs. 5,50,000 plus GST 18%.  
M/s. A Ltd. availed the input tax credit on said plant and machinery. Find the amount payable by M/s. A. Ltd. under section 18(6) of the CGST Act, 2017 7

### Answer : 6(a)

Every registered person is required to self-assess the taxes payable and furnish a return for each tax period (i.e. the period for which return is required to be filed).

The compliance verification is done by the department through scrutiny of returns, audit and/or investigation. Thus the compliance verification is to be done through documentary checks rather than physical controls. This requires certain obligations to be cast on the taxpayer for keeping and maintaining accounts and records.

#### As per Section 35(1) of the CGST Act, 2017 :

Every registered person is required 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



# Suggested Answer\_Syl16\_Dec2018\_Paper\_18

- (d) Input tax credit availed
- (e) Output tax payable and paid
- (f) Any other particulars deemed necessary

The above records must be maintained at each place of business registered under GST.

In addition, the rules (i.e. Rule 56(1) of the CGST Rules, 2017) also provide that the registered person shall keep and maintain records of –

- (a) Goods or services imported or exported or
- (b) Supplies attracting payment of tax on reverse charge along with the relevant documents, including invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers, refund vouchers and e-way bills.

Rule 56(2) of the CGST Rules, 2017 every registered person, other than a person paying tax under section 10, shall maintain the accounts of stock in respect of goods received and supplied by him.

It means the above records not required to be maintained by a supplier opting for composition levy.

**Answer : 6(b)**

Particulars	Amount in	Working note
ITC taken on capital goods	99,000	5,50,000 x 18%
Less : 25% reduction	(24,750)	No. of quarters = 5(5% x 5 = 25% reduction)
Balance ITC	74,250	
Tax on Transaction value	72,000	4,00,000 x 18%
Note : M/s. A Ltd. shall pay amount equal to the input tax credit taken on the said capital goods reduced by 5% per quarter or part thereof from the date of the issue of the invoice for such goods or the tax on the transaction value of such capital goods u/s. 15 of the CGST Act, 2017 whichever is higher. Therefore, M/s. A. Ltd. is liable to pay an amount of Rs. 74,250, being higher than Rs. 72,000.		

7. (a) **Under the Service Tax regime, four operator services were 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%.  
You are asked to determine the benefit, if any to be passed by the tour operator to the recipient of services. 7**
- (b) **Enumerate and Explain the advantages of GST. How has introduction of GST benefitted the consumers and general public ? 7**

**Answer : 7(a)**

The tax rate reduction benefit to the extent of 4% to be passed on to recipient.

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

**Answer : 7(b)**

## ADVANTAGES OF GST



# Suggested Answer\_Syl16\_Dec2018\_Paper\_18

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- a) One Nation One Tax.
- b) Removal of bundled indirect taxes such as VAT, CST, Service tax, CAD, SAD and Excise.
- c) Removal of cascading effect of taxes; i.e. removes tax on tax.
- d) Increased ease of doing business.
- e) Lower cost of production, increase in demand will lead to increase in supply. Hence, this will ultimately lead to rise in the production of goods. Resultantly boost to make in India initiative.
- f) It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful, employment leading to substantive economic growth ;
- g) Rationalisation of tax rates, removal of cascading effect will ultimately result in lower prices benefitting the consumers and general public.

## Section- B

**Answer Question No. 8 which is compulsory and any two from the rest in this section.**

**2×3= 6**

**8. Choose the correct answer with justification/workings wherever applicable.**

- (i) **Under Foreign Trade Policy export and import goods are broadly categorized. Which of the following statements is correct ?**
  - (A) Free i.e. general goods are allowed to be imported without payment of any customs duty.
  - (B) Restricted goods are banned and not allowed to import or export.
  - (C) Restricted goods are allowed to be imported only if used for re-export.
  - (D) Restricted goods are allowed to be imported or exported only with authorization.
- (ii) **Which of the following is a document not required to be filled for claiming of duty drawback on re-export ?**
  - (A) Import Invoice
  - (B) Evidence of payment of duty at the time of import.
  - (C) Export bill with packing list
  - (D) Permission from CBEC authorizing re-export of goods
- (iii) **Derelict are goods that**
  - (A) are abandoned by the owner in an emergency with a hope of recovering it later.
  - (B) Owner has no intention to abandon but get sunk and drift to the shore.
  - (C) Owner has no intention to abandon but float and drift to the shore.
  - (D) Are abandoned by owner of goods without any hope of recovery.

**Answer : 8**

- (i) (d)  
Restricted goods are allowed to be imported or exported only with authorization as per FTP – 2015 – 2020. Other choices are incorrect.
- (ii) (d)  
It is not permission from CBEC but from RBI authorizing re-export of goods which is to be filed where applicable.
- (iii) (d)  
Derelict goods are those abandoned by owner of goods without any hope

## Suggested Answer\_Syl16\_Dec2018\_Paper\_18

of recovery. Other choices are incorrect.

9. (a) After staying aboard for 16 months, Mr. Vayudev shifted his residence to India from Sydney to Kolkata on 12.10.2017. At the time of landing at Kolkata, he brought the following items :

Sl. No.	Particulars	Amount (Rs.)
(i)	Gold bars 30 grams valued at	90,000
(ii)	Alcoholic liquor 4 litres valued at	10,000
(iii)	20 boxes of cigarettes, each box containing 10 nos., valued at	4,000
(iv)	One notebook computer	1,00,000
(v)	One PC meant for personal use	40,000
(vi)	Hand pistol	83,000

You are required to compute the customs duty payable by him for the baggage.

7

- (c) In the context of foreign trade policy, what do you understand by the term "Standard Input Output Norms (SION)"? What are the basic requirements of SION?

5

Answer : 9(a)

### Baggage allowance and duty payable

Sl. No.	Particulars	Amount (Rs.)
1.	Gold bars 30 gram valued at [No DFA for gold bars ; only for gold jewellery it is available]	90,000
2.	Alcoholic liquor 2 litres valued at [DFA available for 2 litres]	5,000
3.	20 boxes of cigarettes, each box containing 10 nos. valued at [DFA available for 100 sticks only]	2,000
4	One notebook computer [Fully covered by DFA]	Nil
5.	One PC meant for personal use [DFA is not allowable for a PC]	40,000
5.	Hand pistol [Covered by DFA]	Nil
	Gross value of baggage	1,37,000
	Less : General free allowance	50,000
	Customs duty payable for	87,000
	Customs duty at 36.05%	31,363

Answer : 9(b)

### Standard Input Output Norms :

Standard Input Output Norms or SION in short is standard norms which define the amount of input/inputs required to manufacture unit of output for export purpose, SION is notified by DGFT in the Handbook, and is approved by its Boards of Directors.

Input output norms are applicable for the products such as electronics, engineering, chemical, food products including fish and marine products, handicraft, plastic and leather products, etc.

An application for modification of existing Standard Input-Output norms may be filed by manufacturer exporter and merchant-exporter.

The Directorate General of Foreign Trade (DGFT) from time to time issue notifications for fixation or addition of SION for different export products. Fixation of Standard Input Output Norms facilitates issues of Advance License to the exporters of the items without

# Suggested Answer\_Syl16\_Dec2018\_Paper\_18

any need for referring the same to the Headquarter office of DGFT on repeat basis.

### Basics Requirements of Standard Input Output Norms

For fixation/ medication of Standard Input Output Norms (SION) following details are required :

- Technical Details of the export product as per the details given in Appendix 33.
- Chartered Engineer certificate certifying the import requirements of raw materials in the format given in Appendix 32B.
- Production and Consumption data of the manufacturer / supporting manufacturer of the preceding three licensing years as given in serial no. 3 of sub section XII, duly certified by the Chartered accountant/Cost Accountant/Jurisdiction Excise Authority.

10. (a) From the particulars given below, find out the assessable value of the imported goods under the Customs Act, 1962 : 8

	US \$
(I) Cost of the machine at the factory of the exporting country	10,000
(ii) Transport charges incurred by the exporter from his factory to the port for shipment	500
(iii) Handling charges paid for loading the machine in the ship	50
(iv) Buying commission paid by the importer	50
(v) Freight charges from exporting country to India	1,000
(vi) Exchange Rate to be considered 1\$ - Rs. 65	

(b) Under Foreign Trade Policy (FTP), explain what is Board of Trade (BOT) ? 4

Answer : 10(a)

Statement showing assessable value for imported goods :

S. No.	Particulars	Value US \$	Working
i)	Cost of the machine at the factory of the exporting country	10,000	
ii)	Transport charges incurred by the exporter from his factory to the port for shipment	500	
iii)	Handling charges paid for loading the machine in the ship.	50	
	FOB Value of Exporter	10,550	
iv)	Buying commission paid by the importer	-	Not addable into the assessable value
v)	Cost of insurance	118.6875	@1.125% on FOB value
vi)	Freight charges from exporting country to India	1,000	
vi)	CIF Value	11,668.6875	
vii)	1% Unloading charges	116.686875	1% on CIF value
	Assessable value (in USD)	11,785.374375	
viii)	Assessable value (in INR)	7,66,049	65 x US \$ 11,785.374375 = 7,66,049

Answer : 10(b)

# Suggested Answer\_Syl16\_Dec2018\_Paper\_18

Board of Trade has been constituted to advise Government on Policy measures like :

- Improve exports,
- Review export performance,
- Review policy and procedures for import and exports and
- Examine issues relevant for promotion of India's foreign trade.

Commerce and Industry Minister will be the Chairman of the BOT. Government shall also nominate up to 25 persons. Board of Trade will meet at least once every quarter.

11. (a) A consignment of 800 metric tonnes of edible oil of Malaysian origin was imported by a charitable organization in India for free distribution to below poverty line citizens in a backward area under the scheme designed by the Food and Agricultural Organisation. This being a special transaction, a nominal price of US \$ 10 per metric tone was charged for the consignment to cover the freight and insurance charges. The Customs House found out that at or about the time of import of this gift consignment, there were following imports of edible oil of Malaysian origin :

Sl. No.	Quantity imported in metric tones	Unit price in US \$ (CIF)
(i)	20	260
(ii)	100	220
(iii)	500	200
(iv)	900	175
(v)	400	180
(vi)	780	160

The rate of exchange on the relevant date was 1 US \$ = Rs. 63.00 and the rate of basic customs duty was 15% ad valorem. There is no IGST.

Calculate the amount of duty leviable on the consignment under the Customs Act, 1962 with appropriate assumptions and explanations where required. 6

- (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 : 6

- (i) Net Foreign Exchange (NFE) earned by Mr. Raj, a service provider, in the preceding financial year is USD 4,500.
- (ii) X & Co., is a partnership firm, supplier of taxable services, has earned net foreign exchange to the turn of USD 17,500 in the preceding financial year.
- (iii) Mr. Roshan, a service provider, has earned net foreign exchange of USD 13,000 in the preceding financial year. Out of this, USD 4,000 has been paid to Mr. Roshan through the credit card of the foreign client.

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

Answer : 11(a)

Calculation of amount of duty payable :-

Exchange rate of \$ 1 = Rs.63

CIF Value (800 metric tonnes x 160 USD x Rs.63) = Rs. 80,64,000

Add : Landing charges 1% on CIF = Rs. 80,640

Assessable Value = Rs. 81,44,640

15% Basic Customs duty on Rs.81,44,640 = Rs. 12,21,696

## Suggested Answer\_Syl16\_Dec2018\_Paper\_18

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Add : Education cess @2% on 12,21,696	= Rs. 24,434
Add : Secondary and higher education cess @ 1% 12,21,696	= Rs. 12,217
Total custom duty payable	= Rs. 12,58,347

**Note :** 1) More than one transaction value for identical goods is given, we are to take the lowest price of the quantity which is nearest to the quantity of import.

2) It is assumed that landing charges are incurred.

**Alternative answer of Question no. 11. (a) with assumption.**  
that landing charges are not incurred:-

Calculation of amount of duty payable:—  
exchange rate of \$ 1 = Rs. 63

CIF Value (800 metric tonnes x 160 USD x Rs. 63)/Assessable Value	= Rs. 80,64,000
15% Basic Customs duty on Rs. 80,64,000	= Rs. 12,09,600
Add: Education cess @ 2% on Rs. 12,09,600	= Rs. 24,192
Add: Secondary and higher education cess @ 1% on Rs. 12,09,600	= Rs. 12,096
<b>Total custom duty payable</b>	<b>= Rs. 12,45,888</b>

**Notes:**

1. More than one transaction value for identical goods are given, we are supposed to take the lowest price of the quantity which is nearest to the quantity of import.
2. It is assumed that landing charges are not incurred.

**Answer : 11(b)**

- (i) Mr. Raj is not eligible for SEIS Scheme as his net foreign exchange earnings are less than USD 10,000 (minimum limit for individuals)
- (ii) X & Co., being a partnership firm eligible for SEIS Scheme as their net foreign exchange exceeds the limit of USD 15,000 (minimum limit for firms).
- (iii) Foreign exchange earned through credit cards is counted for the purpose of computing the limit of minimum net foreign exchange required for being eligible to SEIS Scheme. Thus, Mr. Roshan is eligible for SEIS Scheme.