

FINAL EXAMINATION

December 2019

P-18(ITP)
Syllabus 2016

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.

1. Choose the correct answer with justification/workings wherever applicable. 2×7=14
- (i) The term 'casual taxable person' includes
- (A) a person occasionally supplying goods or services or both in a State or an Union Territory where he has no fixed place of business.
 - (B) a person occasionally supplying goods or services or both in a State or an Union Territory where he has fixed place of business.
 - (C) Both (A) and (B)
 - (D) None of the above
- (ii) Mahesh is employed in Zed Traders a proprietary concern of Kumar having taxable turnover under GST. Services provided by Mahesh will be taxable if
- (A) Mahesh provides them on contract basis to Zed Traders.
 - (B) Mahesh provides them on regular basis to Zed Traders.
 - (C) Mahesh provides them to the brother of Kumar, not in the course of employment.
 - (D) None of the above
- (iii) What would be the tax rate applicable in case of composite supply?
- (A) Tax rate as applicable on principal supply
 - (B) Tax rate as applicable on ancillary supply
 - (C) Tax rate as applicable on respective supply
 - (D) Tax rate of the principle supply or ancillary supply whichever is higher

- (iv) What are the supplies on which reverse charge mechanism would apply?
- (A) Notified categories of goods or services or both under Section 9(3).
 - (B) Inward supply of goods or services or both from an unregistered dealer under 9(4).
 - (C) Both of (A) and (B)
 - (D) None of the above
- (v) Which one of the following is exempted from GST?
- (A) Any business exhibition
 - (B) A business exhibition in India
 - (C) A business exhibition outside India
 - (D) None of the above
- (vi) What is date of receipt of payment?
- (A) Date of entry in the books
 - (B) Date of payment credited into bank account
 - (C) Earlier of (A) and (B)
 - (D) Date of filing of return
- (vii) Time limit to pay the value of supply with taxes to avail the input tax credit is
- (A) Three months
 - (B) Six months
 - (C) One hundred and eighty days
 - (D) Till the date of filing annual return or 30th September of following year whichever is earlier
2. In the following cases based on information given and the query, give your comments on the taxability under GST and the rate of GST applicable, if any: 2×7=14
- (i) Space Bazar offers a free bucket with detergent purchased. Is it composite supply or mixed supply? Assume rate of GST for detergent @28% and bucket @18%.
 - (ii) Mr. A booked a Rajdhani train ticket, which includes meal. Is it composite supply or mixed supply?
 - (iii) Mr. Ravi being a dealer in laptops, sold a laptop bag along with the laptop to a customer, for ₹ 55,000. CGST and SGST for laptop @ 18% and for laptop bag @ 28%. What would be the rate of tax leviable? Also find the GST liability.
 - (iv) Renting of vacant land to a stud farm for ₹ 1,50,000. Is it a supply of service? Will GST be leviable?

- (v) A contract awarded by Kolkata Municipal Corporation (KMC) for repair of a particular road to M/s B Ltd., with terms and conditions that the entire work should be completed within 30 days. However, there is a delay of 10 days to complete the work. KMC charged liquidated damages of ₹ 1,20,000 and the same recovered from M/s B Ltd. Applicable rate of CGST 9% and SGST 9%. Previous year turnover of M/s B Ltd. ₹ 2 crores.

Find the following:

- (a) Who is liable to pay GST on what amount?
(b) Total tax liability if any.
- (vi) M/s X Ltd. paid penalty under section 49 of the CGST Act, 2017, ₹ 2,00,000 to the Department in the month of October, 2018. Is it taxable under the GST law?
- (vii) M/s M & Co. a sole proprietor, is in the business of selling furniture. Its owner took a set of furniture to furnish his house permanently. Will the transaction be a supply in terms of GST Act?

Note: ITC on such furniture not availed.

3. (a) Mr. Lakshminarayanan is a registered supplier in the State of Orissa under the regular scheme. Following are the details of transaction entered into by him during the half year ended on 31st March, 2019:

Particulars	Amount (₹)
Intra-State supplies of product 'Sun' (GST rate 12%)	30,00,000
Intra-State supplies of product 'Moon' (GST payable by the recipient under reverse charge)	10,00,000
Export of product 'Sun' with payment of GST	5,00,000
Legal services received from an advocate for Product 'Sun'	2,00,000
Common inputs used for supplies of above (GST rate 12%)	25,00,000

You are required to determine the net GST liability for the above tax period.

All amounts given above are excluding GST wherever applicable. GST rate on services is 18%, all conditions for availing the ITC have been complied with. Turnover during the earlier financial year was ₹ 35 lakhs. 7

- (b) Mr. Muktinath, a service provider registered under GST law under the regular scheme, at Bengaluru (Karnataka), provided taxable service to one of his clients LMN Co. Ltd., registered at Mumbai (Maharashtra). The provision of service was completed on 10/09/2018 and credit for payment received was made in the books of Mr. Muktinath on 11/09/2018.

With effect from 16/09/2018, applicable GST rate was raised from 5% to 12%. The payment for the service provided was credited in Mr. Muktinath's bank account on 18/09/2018 and invoice for the same was raised on 23/09/2018.

Mr. Muktinath is of the view that he is liable to pay IGST @ 5% only. However, the Department took the view that he is liable to pay IGST @ 12%.

Examine the correctness of the rival contentions.

Will your answer be different in the above case if the payment was credited to the bank account on 14/09/2018 instead of 17/08/2018? 7

Note: You may assume that all days are working days.

4. Mudra Dancers Pvt. Ltd., owned by Mrs. Anjali, a famous Bharata Natyam dancer, wishes to organise a 'Anjali Dance Concert' in Faridabad (Haryana). Mudra Dancers Pvt. Ltd. is registered in Amritsar, Punjab. It enters into a contract with an event management company, Saipriya (P) Ltd. (registered in Delhi) for organising the said dance concert at an agreed consideration of ₹ 12,00,000.

Saipriya (P) Ltd. books the lawns of Hotel Dream Palace, Faridabad (registered in Haryana) for holding the dance concert, for a lump sum consideration of ₹ 5,00,000.

Mudra Dancers Pvt. Ltd. fixes the entry fee to the dance event at ₹ 5,000. 500 tickets for 'Anjali Dance Concert' are sold.

You are required to identify the different supplies which are involved and to determine the CGST and SGST or IGST liability, as the case may be, in respect of all the supplies involved in the outlined situation.

Will your answer be different, if the entry ticket is priced at ₹ 475 per person?

Rates may be taken as SGST 9%, CGST 9% and IGST 18%.

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5. (a) Specify any three types of returns which are at present required to be filed under GST, what the returns are for, their frequency and the due date. (not for composition scheme) 7
- (b) Asha Ltd. supplies raw material to a job worker Kareena Ltd. After completing the job-work, the finished product 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: 7

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 'Reena Ltd', so that 'Kareena Ltd.' can use the said technology in the given job-work operation.	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.	

6. (a) Best Ltd. is operating in two states Andhra Pradesh and Tamil Nadu. The tax liability for the month of July, 2018 is as follows:

Sl.No.	Tax Liability	Andhra Pradesh (₹)	Tamil Nadu (₹)
1.	Output CGST Payable	25,000	10,000
2.	Output SGST Payable	10,000	5,000
3.	Output IGST Payable	3,000	2,500
4.	Input CGST	8,000	13,000
5.	Input SGST	15,000	1,500
6.	Input IGST	12,000	16,000

Calculate the tax payable for the month of July, 2018.

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- (b) (i) M/s Ace Ltd. is a registered person under GST law and purchased 10 cars for ₹ 45 lakh plus 28% GST. M/s Ace Ltd. sold 8 cars for ₹ 55 lakh plus 28% GST.

Find the GST liability in the following two independent cases:

(A) M/s Ace Ltd. is a dealer of motor vehicles

(B) M/s Ace Ltd. is not a dealer of motor vehicles

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- (ii) M/s Expert Driving School Pvt. Ltd. supplied taxable services in the month of October, 2017 for ₹ 15 lakh (plus GST 18%) to provide training on driving. Company purchased two vehicles for this purpose namely passenger vehicle for ₹ 20 lakh plus GST 28% and goods vehicle for ₹ 33 lakh plus GST 28%. Find the net GST liability/ITC, of M/s Expert Driving School Pvt. Ltd.

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7. (a) Mr. Shankar is running a fancy stores and is also having a consulting firm, registered under the same PAN. During the earlier year, the turnover was ₹ 150 lakhs in the grocery stores and receipts in the consulting firm was ₹ 9 lakh. In the light of these facts, answer the following (having regard to the legal provision prevailing in April, 2019):

- (i) Examine whether Mr. Shankar eligible to opt for Composition Scheme under the CGST Act.
- (ii) Can he opt for the Composition Scheme in respect of the grocery store alone, though he has the consulting firm also, in addition to the store?

2+3=5

- (b) Mr. Nakul, a manufacturer of pesticides registered under the GST law, provides to you the following information pertaining to the GST paid by him in the month of January, 2019:

Particulars	Amount (₹)
GST on machinery purchased and sent directly to a job worker	1,20,000
GST on car purchased, exclusively used for business purchases	1,92,000
GST on raw materials purchased (Goods are received in lots/instalments and 25% of the materials were received in February, 2019)	5,50,000
GST on Medical insurance premium paid for the employees working in the factory. Providing this is optional and Mr. Nakul has taken out this measure to improve the relations with the labourers.	96,000

Compute the quantum of input tax credit available to Mr. Nakul for the given month, adducing detailed note for treatment of each item.

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Section-B
(Customs Duty and FTP)

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

8. Choose the most appropriate option for the following [option to be given in capital letters A, B, C or D] and give brief reason/justification for your choice or conclusion [1 mark for the correct choice and 1 mark for reason]:

2×3=6

- (i) Determine the correct combination:

Sl. No.	Event	Sl. No.	Effect on customs duty
1	Goods damaged	1	Remission of duty
2	Goods pilfered	2	Abatement of duty
3	Goods destroyed	3	Not liable to pay duty

- (A) 1 and 2, 2 and 3, 3 and 1
(B) 1 and 3, 2 and 3, 3 and 2
(C) 1 and 2, 2 and 1, 3 and 3
(D) 1 and 1, 2 and 3, 3 and 2
- (ii) Two sets of sales were effected by Boomerang Ltd. First set 1000 units at ₹ 190 and second set 900 units at ₹ 200. In terms of rule 7 (Deductive Value) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, the unit price in greatest aggregate quantity determined will be
- (A) ₹ 200
(B) ₹ 190
(C) ₹ 195
(D) More data is required

(iii) As per the Customs Tariff Act, 1975, the following is not considered to be a way that constitute circumvention of antidumping duty imposed on an article which may warrant action by the Central Government:

- (A) Altering the description or name or composition of the article subject to imposition of such anti-dumping duty
- (B) Changing the country of its origin or export
- (C) Import of such article in an unassembled or disassembled form
- (D) Procuring the goods through an Indian subsidiary which is a SEZ unit.

9. (a) A commodity is imported into India from a country covered by a notification issued by the Central Government under section 9A of the Customs Tariff Act, 1975. Following particulars are made available:

CIF value of the consignment: US\$ 25,000

Quantity imported: 500 kgs

Exchange rate applicable: ₹ 60 = US \$1

Basic customs duty: 12%

Social Welfare Surcharge @ 10%

As per the notification, the anti-dumping duty will be equal to the difference between the cost of commodity calculated @ US \$ 70 per kg. and the landed value of the commodity as imported.

Appraise the liability on account of normal duties, cess and the anti-dumping duty.

Assume that only 'Basic customs duty' (BCD) and education and secondary and higher education cess are payable. IGST @ 12% is also applicable.

Calculate the Customs Duty Payable.

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(b) M/s Globe Ltd. (assessee) imported certain goods at US \$ 20 per unit from an exporter who was holding 30% equity in the share capital of the importer company. Subsequently, the assessee entered into an agreement with the same exporter to import the said goods in bulk at US \$ 14 per unit. When imports at the reduced price were effected pursuant to this agreement, the Department rejected the transaction value stating that the price was influenced by the relationship and completed the assessment on the basis of transaction value of the earlier imports i.e. at US \$ 20 per unit under rule 4 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, viz transaction value of identical goods. State briefly, whether the Department's action is sustainable in law, with reference to decided cases, if any. 4

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

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

- (b) Compare between 'Rules' and 'Regulations' under the Customs Act, 1962. Bring out the differences and similarities, if any.

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11. (a) X Ltd. has exported following goods to USA. Discuss whether any duty drawback is admissible under section 75 of the Customs Act, 1962.

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Product	FOB Value of Exported goods	Market price of goods	Duty drawback rate
A	2,50,000	1,80,000	30% of FOB
B	1,00,000	50,000	0.75% of FOB
C	8,00,000	8,50,000	3.50% of FOB
D	2,000	2,100	1.50% of FOB

Note: Imported value of product C is ₹ 9,50,000.

- (b) Mr. Gopal, an Indian entrepreneur, went to London to explore new business opportunities on 01.04.2018. His wife also joined him in London on 01.12.2018. The following details are submitted by them with the Customs authorities on their return to India on 30.04.2019.

(i) Used personal effects worth ₹ 95,000

(ii) A music system worth ₹ 34,000

(iii) The jewellery brought by Mr. Gopal for ₹ 44,000 and the jewellery brought by his wife worth ₹ 25,000.

Determine their eligibility with regard to duty free allowance.

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