

FINAL EXAMINATION

SET - 2

MODEL ANSWERS

TERM – DECEMBER 2024

PAPER – 19

SYLLABUS 2022

INDIRECT TAX LAWS & PRACTICE

Time Allowed: 3 Hours

Full Marks: 100

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

SECTION – A (Compulsory)

1. Choose the correct option:

[15 x 2 =30]

(i) The maximum rate of IGST as per IGST Act is:

- a) 20%
- b) 30%
- c) 40%
- d) None of the above

(ii) Who is required to file the Annual Return under GST?

- a) Every registered person
- b) Registered person having annual turnover of ₹2 crores and above
- c) Registered person having annual turnover of ₹1.5 crores and above
- d) None of the above

(iii) In GST, assessment means a process of determining the tax liability in accordance with the provisions of the Act, which includes:

- a) Provisional Assessment
- b) Self-assessment
- c) Reassessment
- d) All of the above

(iv) For the year 2023-24 due date of filing of annual return is 31.12.2024. As per CGST Act, 2017, the books and records of 2023-24 must be maintained till -

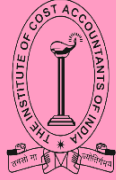
- a) 31.03.2024
- b) 31.12.2024
- c) 31.12.2026
- d) 31.12.2030

(v) Under GST Act the term UIN stands for:

- a) User Identification Number
- b) Utility Identification Name
- c) Unique Identification Number
- d) Unique Individual Number

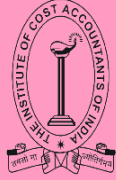
(vi) Under GST, inspection, as well as search, can be carried out only after authorization by a proper officer not below:

- a) the rank of Commissioner
- b) the rank of Assistant Commissioner
- c) the rank of Principal Commissioner.
- d) the rank of Joint Commissioner.



INDIRECT TAX LAWS & PRACTICE

- (vii) If the Show Cause Notice mentions the tax as ₹1,11,156.30 and penalty as ₹572.6, then what is the amount payable as per section 170 of the CGST Act?
- ₹1,11,800
 - ₹1,11,728.9
 - ₹1,11,700
 - ₹1,11,729
- (viii) Where a desk-top printer is sold for ₹10,000 along with the exchange of an old printer and if the price of the new desk-top printer without exchange is ₹12,500, the taxable value for GST purpose would be -
- ₹10,000
 - ₹12,500
 - Either (A) or (B)
 - ₹10,000 for the supplier and ₹2,500 for the customer
- (ix) The time limit to pay the value of supply with taxes to avail input tax credit is:
- Three months
 - Six months
 - One hundred and eighty days
 - Till the date of filing annual return or 30th September of following year whichever is earlier
- (x) A manufacturer who is a registered person under GST has purchased 10,000 kgs of raw material during February, 2024, on which IGST of ₹1,00,000 has been paid. He has taken 100 kgs for personal use. 200 kgs were stolen from the factory. Only 80% of the raw materials were consumed during the month for production. The input tax credit available to him for February, 2024 is:
- ₹99,000
 - ₹97,000
 - ₹80,000
 - ₹1,00,000
- (xi) Mr. Raj, resident of India, returned back to India from London after 2 years of stay and brought jewellery ₹42,000 (18 grams). Duty payable by Mr. Raj:
- ₹770
 - ₹2,000
 - ₹2,200
 - Nil.
- (xii) Who among the following grants the permission for manufacturing or other operations in the bonded facility?
- Assistant Commissioner of Customs
 - Deputy Commissioner of Customs
 - Additional Commissioner of Customs
 - Commissioner of Customs



INDIRECT TAX LAWS & PRACTICE

- (xiii) In the context of Indian Customs law, ICEGATE means -
- Indian Customs Electronic Data Exchange Gateway
 - Indian Customs Electronic Gateway
 - Inter Continental Electronic Gateway
 - None of the above
- (xiv) Which of the following is a document not required to be filled for claiming of duty drawback on re-export?
- Import Invoice
 - Evidence of payment of duty at the time of import
 - Export bill with packing list
 - Permission from CBEC authorizing re-export of goods
- (xv) Which of the following is/ are duty exemption scheme(s) under FTP?
- Advance Authorisation Scheme
 - Duty-Free Import Authorisation Scheme
 - Merchandise Export from India Scheme
 - Service Export from India Scheme
- Only 1
 - Both 1 & 2
 - Both 3 & 4
 - All of the above

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)	(xiv)	(xv)
c	a	d	d	c	d	d	b	c	b	d	d	b	d	b

SECTION-B

(Answer any five questions out of seven questions given. Each question carries 14 Marks.)

[5×14=70]

2. (a) Analyse the provisions of consolidated E-Way Bill. [7]
- (b) Discuss the salient features of Quarterly Return filing & Monthly Payment of Taxes (QRMP)scheme. [7]

Answer:

- (a) Provisions of Consolidated E-Way Bill: -

Where the consignor/consignee has not generated the E-Way bill in Form GST EWB-01 and the aggregate of the consignment value of goods carried in the conveyance is more than ₹50,000, the transporter, except in case of transportation of goods by railways, air and vessel, shall, in respect of inter-State supply, generate the E-Way bill in Form GST EWB-01 on the basis of invoice or bill of supply or delivery challan, as the case may be, and may also generate a consolidated E-Way bill in Form GSTEWB-02 on the common portal prior to the movement of goods.

However, where the goods to be transported are supplied through an e-commerce operator or a courier agency, the information in Part A of Form GST EWB-01 may be furnished by such e-commerce operator or courier agency.



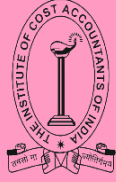
INDIRECT TAX LAWS & PRACTICE

Thus, a consolidated E-Way bill is generated when the transporter is carrying multiple consignments in a single vehicle. Consolidated E-Way bill allows the transporter to carry a single document, instead of a separate document for each consignment in a conveyance.

Consolidated EWB is like a trip sheet and it contains details of different E-Way bills in respect of various consignments being transported in one vehicle and these E-Way bills will have different validity periods. Hence, Consolidated EWB does not have any independent validity period. Further, individual consignment specified in the Consolidated EWB should reach the destination as per the validity period of the individual EWB.

(b) The salient features of Quarterly Return filing & Monthly Payment of Taxes (QRMP) scheme are:

1. Who can opt for the scheme: Following registered person (hereinafter RP) can file quarterly returns and pay tax on monthly basis w.e.f. 01.01.2021:
 - An RP who is required to file Form GSTR 3B with Aggregate Annual Turnover (AATO) of up to ₹5 Cr. in the previous financial year is eligible. If AATO crosses ₹5 Cr. during a qtr., RP will become in-eligible for the Scheme from next quarter.
 - Any person obtaining a new registration or opting out of Composition Scheme can also opt for this scheme.
 - The option to avail this Scheme can be availed GSTIN wise. Therefore, few GSTINs for that PAN can opt for the Scheme and remaining GSTINs can remain out of the Scheme.
2. When can a person opt for the scheme:
 - Facility can be availed throughout the year, in any quarter.
 - Option for QRMP Scheme, once exercised, will continue till RP revises the option or his AATO exceeds ₹5 Cr.
3. RPs migrated by default can choose to remain out of the scheme by exercising their option.
4. The RPs opting for the scheme can avail the facility of Invoice Furnishing Facility (IFF), so that the outward supplies to registered person is reflected in their Form GSTR 2A & 2B.
5. Payment of tax under the scheme:
 - RPs need to pay tax due in each of first two months (by 25th of next month) in the Quarter, by selecting “Monthly payment for quarterly taxpayer” as reason for generating Challan.
 - RPs can either use Fixed Sum Method (pre-filled challan) or Self-Assessment Method (actual tax due), for monthly payment of tax for first two months, after adjusting ITC.
 - No deposit is required for the month, if there is nil tax liability.
 - Tax deposited for first 2 months can be used for adjusting liability for the quarter in Form GSTR-3B and can't be used for any other purpose till the filing of return for the quarter.



3. (a) Calculate the taxable value for transport of goods by rail within India (all sums exclusive of all taxes): -

- (1) Transport of postal mails and postal bags: ₹ 55 lakhs;
- (2) Transportation of household effects: ₹ 50 lakhs
- (3) Transport of petroleum products: ₹ 25 lakhs;
- (4) Transport of relief materials to flood affected areas: ₹ 25 lakhs;
- (5) Transport of newspapers and magazines registered with registrar of newspapers: ₹15 lakhs
- (6) Transport of milk: ₹ 15 lakhs;
- (7) Transport of alcoholic beverages: ₹ 7 lakhs;
- (8) Transport of defence and military equipments: ₹ 40 lakhs;
- (9) Transport of chemical fertilizers: ₹ 90 lakhs;
- (10) Transport of other taxable goods: ₹ 200 lakhs (including ₹ 20 lakhs demurrages).

[7]

(b) Praja Industries is a manufacturing company registered under GST. It manufactures two taxable products 'X' and 'Y' and one exempt product 'Z'. The turnover of 'X', 'Y' and 'Z' in the month of April, 2024 was ₹2,00,000, ₹10,00,000 and ₹12,00,000. Praja Industries is in possession of certain machines and purchases more of them. Useful life of all the machines is considered as 5 years.

From the following particulars furnished by it, calculate the amount to be credited to the electronic credit ledger of Praja Industries and amount of common credit attributable towards exempted supplies, if any, for the month of April, 2024.

Particulars	GST paid (₹)
Machine 'A' purchased on 01.04.2024 for being exclusively used for non-business purposes	19,200
Machine 'B' purchased on 01.04.2024 for being exclusively used in manufacturing zero-rated supplies	38,400
Machine 'C' purchased on 01.04.2024 for being used in manufacturing all the three products– X, Y and Z	96,000
Machine 'D' purchased on 01.04.2022 for being exclusively used in manufacturing product Z. From 01.04.2024, such machine will also be used for manufacturing products X and Y.	1,92,000
Machine 'E' purchased on 01.04.2021 for being exclusively used in manufacturing products X and Y. From 01.04.2024, such machine will also be used for manufacturing product Z.	2,88,000

[7]



FINAL EXAMINATION
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Answer:

(a) Statement showing GST liability:

Nature of service	(₹) in lakhs
Transport of postal mails and postal bags	55
Transportation of household effects	50
Transport of petroleum products	25
Transport of relief materials to flood affected areas	Exempted supply
Transport of newspapers and magazines registered with registrar of newspapers	Exempted supply
Transport of milk	Exempted supply
Transport of alcoholic beverages	7
Transport of defence and military equipments	Exempted supply
Supply Transport of chemical fertilizers:	90
Transport of other taxable goods (including demurrages of ₹20 lakhs)	200
Taxable value of supply	427

(b) Statement showing Common ITC on Capital Goods as on 1st April, 2024

Particulars	Value in ₹	Working note
Capital goods C Used both for taxable and exempted supplies	96,000	As per rule 43(1)(c) of CGST Rules, 2017
Capital goods D (has been exclusively used for 2 years for exempted supplies). Now there is change in use, both for taxable and exempted supplies.	1,92,000	Proviso to rule 43(1)(c) of CGST Rules, 2017. ₹1,92,000 ITC allowed fully, provided, ₹76,800 is considered as output tax liability in April, 2024. $1.92 \text{ L} \times 5\% \times 8 \text{ quarters} = ₹76,800.$
Capital goods E (has been exclusively used for 3 years for taxable supplies). Now there is change in use, both for taxable and exempt supplies.	2,88,000	Proviso to rule 43(1)(d) of CGST Rules, 2017. ITC already availed and hence, ITC in April 2024 is not allowed.
Common credit	5,76,000	
the amount of input tax credit attributable to a tax period on common capital goods during their useful life	9,600	As per Rule 43(1)(e) of the CGST Rules, 2017 calculated as: $5,76,000 \div 60 = ₹9,600$



INDIRECT TAX LAWS & PRACTICE

the amount of common credit attributable towards exempted supplies	4,800	As per Rule 43(1)(g) of the CGST Rules, 2017 calculated as: $\text{₹}9,600 \times \text{₹}12,00,000 / \text{₹}24,00,000.$
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Statement showing Total ITC to the Electronic Credit Ledger for the month of April 2024:

Particulars	Value in ₹
Capital goods B used exclusively for taxable supplies (i.e. Zero-rated supply)	38,400
Capital goods C Used both for taxable and exempted supplies	96,000
Capital goods D (has been exclusively used for 2 years for exempted supplies). Now there is change in use, both for taxable and exempted supplies.	1,92,000
Electronic Credit Ledger	3,26,400

4. (a) Prepare a checklist to conduct audit under GST. [7]
(b) Analyse Whether GST is applicable on services or assistance rendered by the Court receiver appointed by the Court. [7]

Answer:

(a) An Illustrative checklist to conduct audit under GST are as follows:

1. GST Registration: It is most important to check and verify all the details specified in the GST registration certificate.
2. Detail Analysis of Particulars of Invoice Documents: The second most important part to be analyzed by the auditor is invoicing under GST.

Following are the crucial points which one needs to keep in mind – Tax invoice contains all the particulars as prescribed under rule 46 of the Central Goods and Service Tax Rules, 2017. It is important to verify that the invoice number reflected in the tax invoice is as per rule 46(b) of the Central Goods and Service Tax Rules, 2017. Auditor should check e-invoice is issued or not where it is mandatory to issue. HSN Code has been mentioned in the tax invoice as per the specification provided under the law. Check whether E-way bills are properly generated in the e-way bill portal where it is mandated to generate.

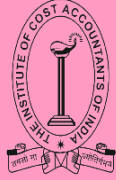
3. Verification of time of issuance of tax invoice needs to be done. Following are the rules for the same –

In Case of Supply of Goods

- (A) On or before the date of removal, in the case of actual movement of goods.
- (B) In the case where GST is payable on a reverse charge basis, on receipt of such goods.

In Case of Supply of Services

- (A) Within a period of 30 days from the date of supply of service.
- (B) In the case of banking and other financial institutions, the due date will be 45 days.
- (C) In case of continuous supply, where the due date can be ascertained, 30 days from



INDIRECT TAX LAWS & PRACTICE

the due date.

- (D) In case of continuous supply, where the due date cannot be ascertained, 30 days from the date of actual payment.
- (E) When there is the cessation of supply before the expiry of the contract, at the time of such cessation.
4. Check debit and credit note. It should be checked that the debit and credit note, if applicable, has been issued as per the GST law. If the issuance of the bill of supply is applicable the same needs to be checked.
 5. Correct availment of Input Tax Credit After GST registration certificate and invoicing, the next most important point is to verify the input tax credit availed during the specified period. Following are some of the important points which need to be verified – Invoice particulars on the basis of which input tax credit has been availed. Verification of input tax credit availed as per books of accounts against the input tax credit reflected in the GST returns. Going through the applicability of list of the restricted tax credit as per GST law. Verification of reversal entries, if any, in the input tax credit. Date of invoice of supply and Date of payment should be checked that the difference does not exceed 180 days. ITC should be reversed for non-payment of invoice within 180 days and this should be checked by the auditor. This is the most common mistake and need to be taken care of.
 6. Verification of Job-Work Transactions. It must be verified that the goods have been sent to a job-work under the cover of delivery challan. In case of a job-work transaction, the registered person is required to file FORM ITC 04 on the half yearly or yearly basis as the case may be, and filing of the same needs to be confirmed. The return date of the goods from the job-work needs to be checked in order to confirm that the same has been received back in time.
 7. GST Returns GST monthly / quarterly returns, as applicable, should be verified and confirmed that the same is duly filed as per GST law. Figures reflected in the respective returns should be verified with the books of accounts and any difference in the same should be reconciled. While every care has been taken to ensure the accuracy/ authenticity of the above, the readers are advised to recheck/ reconfirm the same from the original sources/ relevant departments.
 8. Interest calculations on liability @ 18% p.a. is required to be made and auditor is required to check whether the same has been deposited timely by the taxpayer. Also, if notices have been issued by department for the payment of interest, whether same has been properly dealt with.
 9. As GST Turnover definition is somewhat different from Income Tax Turnover. However, now both the department will exchange the information with each other. Therefore, one needs to take care in reporting turnover under Income Tax and GST.
 10. GST Audit is applicable when Total Turnover on PAN India basis exceeds ₹5 crores in a financial year. However, GST Audit will be done GSTIN wise. Turnover will be checked on PAN basis that means all supplies made inclusive of exempted supplies made throughout the country either from one place or multiple branches will be considered, while checking turnover for GST audit.



INDIRECT TAX LAWS & PRACTICE

- (b) Court observed that schedule III provides that services provided by any court or tribunal established under any law is neither a supply of goods nor supply of services. Court Receiver should implement orders of the court and functions under the supervision and direction of the Court. Hence, office of the Court Receiver is an establishment of the High Court through which the orders issued by the Court are given effect to. Therefore, the services of the Court Receiver are to be considered as services provided by any Court. Accordingly, the fees or charges paid to the Court Receiver are not liable to GST. The Honorable High Court held that GST cannot be levied or recovered on services provided by the Court Receiver.

5. (a) Identify the time of supply if supply involves movement of goods:

S. No.	Date of removal of goods	Date of issue of invoice	Date when goods made available to the recipient	Date on which payment received.
1.	16-08-2024	17-08-2024	18-08-2024	07-09-2024
2.	18-08-2024	16-08-2024	19-08-2024	07-09-2024
3.	19-10-2024	19-10-2024	21-10-2024	07-09-2024

[7]

- (b) LIC of India provides you the following information for the month of April 2024. You are required to calculate the GST payable by the company if the company has opted to pay GST as per Rule 32(4) of CGST Rules, 2017:

- (1) General policies: Total premiums collected ₹12,000 lakhs (Out of which 1st year premium is ₹5,000 lakhs)
- (2) Only Risk Cover Policies: Premiums collected ₹500 lakhs.
- (3) Variable Insurance Policies: Premiums collected ₹8,000 lakhs. (80% of the amount is allocated for investments on behalf of policy holder for which policy holder is given separate break up in premium receipts).

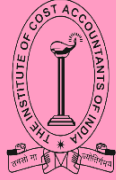
Note: Applicable rate of GST 18%. For all transaction's location of supplier and place of supply is within the same State.

[7]

Answer:

- (a) Section 12 which defines time of supply of goods, provides that time of supply of goods shall be earlier of following date:
- (i) The date of issue of invoice by supplier or last date on which supplier is liable to issue invoice as per provision of sec. 31 of CGST Act; or
 - (ii) The date on which the supplier receives the payment with respect to the supply. However as per Notification No. 66/2017, Advance received is not taxable at the time of receipt

Further, as per sec. 31, if supply involves movement of goods then invoice shall be issued before or at the time of removal of such goods to recipient. In any other cases, invoice shall be issued at the time of delivery of goods or making available thereof to the recipient.



INDIRECT TAX LAWS & PRACTICE

S. No.	Date of removal of goods	Date of issue of invoice	Date when goods made available to the recipient	Date on which payment recd.	Time of Supply
1.	16-08-2024	17-08-2024	18-08-2024	07-09-2024	16-08-2024
2.	18-08-2024	16-08-2024	19-08-2024	07-09-2024	16-08-2024
3.	19-10-2024	19-10-2024	21-10-2024	07-09-2024	19-10-2024

- (b) Statement showing GST liability of LIC of India for the month of April 2024 under Rule 32(4) of the CGSTRules, 2017:

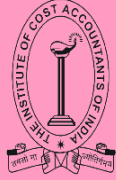
Particulars	Value ₹(in lakhs)	Working note
General policies 1st Year premium	1,250	5,000 × 25%
2nd Year Premium	875	7,000 × 12.5%
Only Risk cover policies	500	
Variable insurance policies premium	1,600	8,000 – 6,400
Total taxable supply of service	4,225	
CGST 9%	380.25	4,225 × 9%
SGST 9%	380.25	4,225 × 9%

6. (a) Analyse the provisions of warehousing bond u/s 59 and owner's right to deal with the warehoused goods. [7]
- (b) Discuss the provisions related to Special Economic Zones and various incentives available to the SEZs. [7]

Answer:

- (a) Warehousing Bond [Sec. 59]:

- The importer of any goods in respect of which a bill of entry for warehousing has been presented u/s 46 and the duty has been assessed u/s 17 or 18, shall execute a bond in a sum equal to thrice the amount of the duty assessed on such goods, binding himself:
 - to adhere to all the requirements of the Act, as well as the rules and regulations established under it, concerning those goods.
 - to pay all the duties and interest payable u/s 61(2) on or before the date specified in the notice of demand.
 - to pay all the penalties and fines incurred due to contravention of the provisions of this Act or the rules or regulations, in respect of such goods.
- The Assistant Commissioner of Customs or Deputy Commissioner of Customs may



INDIRECT TAX LAWS & PRACTICE

authorize an importer to execute a general bond, in an amount approved by the concerned officer, for the warehousing of goods to be imported within a specified period.

3. The importer shall furnish such security as may be prescribed in addition to the bond.
4. Any bond executed by an importer under this section for goods shall remain valid, even if the goods are transferred to another warehouse.
5. If the entire goods or any portion thereof are transferred to another party, the transferee shall be required to execute a bond and provide security.

Owner's right to deal with warehoused goods [Sec. 64]

The owner of any warehoused goods may, after warehousing the same,

- inspect the goods;
- deal with their containers in such manner as may be necessary to prevent loss or deterioration or damage to the goods;
- sort the goods; or
- show the goods for sale.

- (b) Special Economic Zone (SEZ) is a specially dedicated zone built by a nation for businesses. An SEZ is developed by a nation to promote the economic growth of the country. As the companies set up in the SEZ get relaxation on the taxes by the government and other benefits such as the incentives on export duties and ease in transportation. The Kandla SEZ was the first Special Economic Zone that was set up in India in 1965 near Kandla port, Gujarat. Approximately there are 265 operational SEZs in India. Highest number of SEZs are in Tamil Nadu.

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

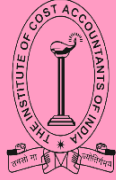
- SEZs are like a separate island within territory of India.
- SEZs are projected as duty free area for the purpose of trade, operation, duty and tariffs.
- Goods and services coming to SEZ units from domestic tariff area are treated as exports from India and goods and services rendered from SEZ to the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

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.

A Special Economic Zone or SEZ is a specially marked territory or enclave within the national borders of a country that has more liberal economic laws than the rest of the country.

The government offers many incentives for companies and businesses established in SEZs. some of the important ones are:

- Duty-free import or domestic procurement of goods for developing, operating and maintaining SEZ units.
- 100% Income tax exemption on export income for SEZ units under the Income Tax Act, 1961 for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- Units are exempted from Minimum Alternate Tax (MAT).



INDIRECT TAX LAWS & PRACTICE

- They were exempted from GST. Supplies to SEZs are zero-rated under the IGST Act, 2017.
- Single window clearance for Central and State level approvals.
- There is no need for a license for import.
- In the manufacturing sector, barring a few segments, 100% Foreign Direct Investment (FDI) is allowed.
- Profits earned are permitted to be repatriated freely with no need for any dividend balancing.
- There is no need for separate documentation for customs and export-import policy.
- Many SEZs offer developed plots and ready-to-use space.
- SEZ units are eligible for MEIS, SEIS and RoDTEP duty credit scripts.

Apart from the firms operating in SEZs, developers of SEZs also receive many benefits and incentives from the government.

7. (a) Mr. Vijay, an Indian entrepreneur, went to London to explore new business opportunities on 01.04.2023. His wife also joined him in London on 01.12.2023. The following details are submitted by them with the Customs authorities on their return to India on 30.04.2024.

- (1) used personal effects worth ₹80,000
- (2) a music system worth ₹35,000
- (3) Jewellery brought by Mr. Vijay for ₹48,000 and Gold Bars (i.e. other than ornaments) brought by his wife worth ₹20,000

Examine their eligibility with regard to duty free allowance.

[7]

- (b) From the particulars given below, calculate the assessable value of the imported goods under the Customs Act, 1962.

	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\$ = ₹75	

[7]

Answer:

- (a) Statement showing customs duty in the hands of Mr. Vijay:

Particulars	Amount (₹)	Workings
Personal effects	Nil	Fully exempted from duty
Music system	35,000	Dutiable within the limit of GFA
Less: GFA	-35,000	(w.e.f. 1-4-2016 GFA increased to ₹50,000)



INDIRECT TAX LAWS & PRACTICE

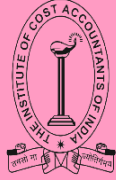
Dutiable goods	Nil	
Jewellery	48,000	
Less: exemption	48,000	Upto ₹50,000 is free from duty, since, he stayed outside abroad for a period more than one year.
Dutiable goods	Nil	

Statement showing customs duty in the hands of Mrs. Vijay:

Particulars	Amount (₹)	Workings
Gold bars (other than jewellery)	20,000	Fully taxable
Less: exemption	Nil	General free allowance not allowed.
Dutiable goods	20,000	
Customs duty	7,700	(₹20,000 × 38.50%)

(b) Statement showing computation of Assessable Value for the imported goods:

Sl. no.	Particulars	Value US \$	Workings
(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	
(viii)	Assessable value (in ₹)	₹8,75,152	₹75 × US \$ 11,668.6875



INDIRECT TAX LAWS & PRACTICE

8. (a) Kamal & Co. manufactures customized products at its unit situated in Rajasthan. Cost of production for Kamal & Co for 1000 products is ₹20,00,000. These products require further processing before sale, and for this purpose products are transferred from its Rajasthan unit to its another unit in Punjab. The Punjab unit, apart from processing its own products, engages in processing of similar products of other persons who supply the products of the same kind and quality and thereafter sells these processed products to wholesalers. There are no other factories in the neighboring area which are engaged in the same business as that of its Punjab unit. Products of the same kind and quality are supplied in lots of 1000 each time by another manufacturer located in Punjab. The price of such goods is ₹19,00,000. Calculate the value of 1000 products supplied by Kamal & Co. to its Punjab unit as per the provisions of CGST Act, 2017. [7]
- (b) ABC Ltd. India has received an order for supply of services amounting to \$5,00,000/- to a US based client. ABC Ltd. India is unable to supply the entire services from India and asks XYZ Ltd. Mexico (who is not merely an establishment of a distinct person viz. ABC Ltd. India, in accordance with the Explanation 1 in Section 8 of the IGST Act) to supply a part of the services (say 40% of the total contract value). Identify exporter, importer and value of exports and imports from the above? [7]

Answer:

- (a) Value of supply for Kamal & Co., Rajasthan: The value of the supply of goods or services or both between distinct persons as specified in section 25(4) and section 25(5) of the CGST Act, 2017 or where the supplier and recipient are related, other than where the supply is made through an agent, shall—
- be Open market value of such supply
 - if the open market value is not available, be the value of supply of goods or services of like kind and quality.
 - If value is not determinable under clause (a) or (b), be the value as determined by application of rule 30 or rule 31, in that order.

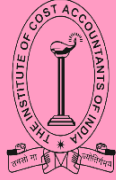
Provided that where the goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to 90% of the price charged of the supply of goods of like kind and quality by the recipient to his customer not being a related person:

Provided further that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of goods or services.

In the given case, open market value of the 1000 products being supplied to Punjab unit is not available since the supplier manufactures customised products. Therefore, value of 1000 products supplied by Rajasthan unit of Kamal & Co. to Punjab unit will be the value of the goods of like kind and quality supplied to Punjab unit by other customers which is ₹19,00,000.

Since goods are not supplied as such by the Punjab unit, goods cannot be valued @ 90% of the price charged for the supply of like goods by the Punjab unit to its unrelated customers in terms of first proviso to rule 28 of CGST Rules, 2017.

Further, if Punjab unit is entitled for full ITC, the value declared in the invoice of Rajasthan



INDIRECT TAX LAWS & PRACTICE

unit will be deemed to be the open market value of the goods vide second proviso to rule 28 of CGST Rules, 2017.

- (b) ABC Ltd. India shall be the exporter of services for the entire value if the invoice for the entire amount is raised by ABC Ltd. India. The services provided by XYZ Ltd. Mexico to the US based client shall be import of services by ABC Ltd. India and it would be liable to pay integrated tax on the same under reverse charge and also be eligible to take input tax credit of the integrated tax so paid. Further, if the provisions contained in section 2(6) of the IGST Act are not fulfilled with respect to the realization of convertible foreign exchange, say only 60% of the consideration is received in India and the remaining amount is directly paid by the US based client to XYZ Ltd. Mexico, even in such a scenario, 100% of the total contract value shall be taken as consideration for the export of services by ABC Ltd. India provided integrated tax on import of services has been paid on the part of the services provided by XYZ Ltd Mexico directly to the US based client and RBI (by general instruction or by specific approval) has allowed that a part of the consideration for such exports can be retained outside India. In other words, in such cases, the export benefit will be available for the total realization of convertible foreign exchange by ABC Ltd. India and XYZ Ltd. Mexico.