

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

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Full Marks: 100

Time allowed: 3 hours

The figures in the margin on the right side indicate full marks.  
Working notes should form part of the answer.

**Section - A**  
**Answer Question No. 1 which is compulsory**

1. Choose the correct answer with justification/ workings wherever applicable: [8×2=16]
- (i) How much Cenvat credit can be availed by SSI units on capital goods in the financial year when the same are received by him?
    - (A) 50%
    - (B) 100%
    - (C) Not eligible for Cenvat credit at all
    - (D) Not eligible for Cenvat credit in that year.
  - (ii) If goods are pilfered after the order of clearance is made but before the goods are actually cleared, what will be the consequence?
    - (A) No duty is payable by the importer
    - (B) Importer has to pay duty and no refund can be claimed
    - (C) Importer has to pay duty but refund can be claimed
    - (D) None of the above.
  - (iii) Which of the following service is not included in the definition of input services as per Cenvat Credit Rules?
    - (A) credit rating;
    - (B) legal services;
    - (C) services provided in relation to health services used primarily for personal use;
    - (D) coaching and training
  - (iv) Which of the following is not 'goods' under CST Act?
    - (A) Lottery tickets
    - (B) Electricity and electric meters
    - (C) Copyrights
    - (D) Claim for loss or damages
  - (v) M/s. DLF Ltd., sponsored ₹ 20 lakhs in respect of a Tournament organized by Board of Council for Cricket in India (BCCI). The person liable to pay tax:
    - (A) DLF Ltd.
    - (B) BCCI
    - (C) both DLF Ltd. & BCCI
    - (D) exempted service.
  - (vi) Mr. A purchases the goods from a manufacturer for ₹ 1,000 plus VAT @4%. If he, sell the same by adding ₹ 200 profit, his net VAT payable will be:
    - (A) 48
    - (B) 8
    - (C) 40
    - (D) None of the above.
  - (vii) Which of the following agriculture services or agricultural produce is excluded from the negative list of services?
    - (A) Cultivation, harvesting, seed testing
    - (B) Renting of agro machinery
    - (C) Cultivation of ornamental flowers
    - (D) Grinding, sterilizing extraction of packaging in retail packs of agricultural products.
  - (viii) Authorisation for Export Promotion Capital Goods (EPCG) Scheme is valid for :
    - (A) 15 months from the date of issue of Authorization

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- (B) 12 months from the date of issue of Authorization  
(C) 6 months from the date of issue of Authorization  
(D) 18 months from the date of issue of Authorization.

**Answer:**

- (i) (B) SSI units can take 100% CENVAT credit on capital goods in the financial year when the same are received by him.
- (ii) (C) If goods are pilfered after the order of clearance is made but before the goods are actually cleared, importer has to pay duty but refund can be claimed.
- (iii) (C) As per rule 2(I) of the Cenvat Credit Rules, input service excludes such services which are provided in relation to health services, beauty treatment, outdoor catering etc. used primarily for personal use.
- (iv) (D) Lottery tickets, Electricity and electric meters and Copyrights are held as goods but Claim for loss or damages are not goods under CST Act.
- (v) (A) M/s DLF Ltd., is liable to pay service tax under reverse charge being a recipient of such sponsorship services from BCCI (not a National Sports Federation).
- (vi) (B) VAT liability of Mr. A only on the value of profit but not the entire value of sale. So, the net VAT payable = ₹ 8 [i.e. ₹ 200 x 4%]
- (vii) (D) The service of grinding, sterilizing extraction of packaging in retail packs of agricultural products are excluded from the negative list of services.
- (viii) (D) Authorisation for Export Promotion Capital Goods (EPCG) Scheme is valid for 18 months from the date of issue of Authorization.

### Section – B

Answer any four questions out of six questions given. Each question carries 16 marks.

2.(a) JE Ltd., manufactures two products L and M, L being a product specified under section 4A of the Central Excise Act, 1944. The sale prices of L and M are ₹ 60 and ₹ 40.80 per unit, respectively. The selling price of product M includes 12.5% basic excise duty, also 2% CST. For product L, 30% abatement is allowable under section 4A. 10,000 units of each product were removed from the factory to sales depots. Common inputs were used to manufacture product L and M. Total excise duty was paid on these inputs for ₹ 10,300. You are required to compute the excise duty liability. Product L is exempted from excise duty. JE Ltd. opted to pay an amount on exempted final product. [9]

**Answer:**

Statement showing net excise duty liability of JE Ltd.

| Particulars                            | Value in ₹ |
|--|------------|
| Excise duty liable to pay on Product M | 44,444     |
| An amount liable to pay on product L   | 25,200     |
| Total                                  | 69,644     |
| Less: CENVAT credit allowed            | 10,300     |
| Net excise duty liability              | 59,344     |

Working note:

(1) Product L (Maximum Retail Price product):

Sale value for 10,000 units = ₹ 6,00,000 (i.e. ₹ 60 per unit x 10,000 units)

Less: abatement @ 30% on ₹ 6 lacs = ₹ 1,80,000

Assessable Value = ₹ 4,20,000

An amount @6% payable on exempted final product is ₹ 25,200 (i.e. ₹ 4,20,000 x 6%)

(2) Product M (other than MRP product):

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Sale value for 10,000 units = ₹ 4,08,000 (i.e. ₹ 40.80 per unit x 10,000 units)

Excise duty = ₹ 44,444 [(i.e. ₹ 4,08,000 x 100/102) x 12.50/112.50]

- 2.(b)(i) A manufacturer purchased certain inputs from Z. The, assessable value was ₹ 20,000 and the Central Excise duty was calculated at ₹ 3,296 making a total amount of invoice at ₹ 23,296. However, the buyer manufacturer paid only ₹ 20,800 to Z in full settlement of this bill. How much CENVAT credit can be availed by the manufacturer and why? [4]**
- (ii) Some inputs for final products were received in the factory of JKA Ltd. These were accompanied by a certified Xerox copy (photo copy) of Invoice No. 286 dated 15.1.17 indicating that Excise duty of ₹ 6,400, has been paid on inputs. The original or duplicate copies of invoice are not traceable. Indicate the eligibility of CENVAT Credit in this case under the CENVAT Credit Rules, 2004 with explanations. [3]**

**Answer:**

- (i) CENVAT credit that can be availed by the manufacturer is ₹ 3,296.  
CENVAT credit cannot be reversed just because the supplier of inputs has given some reduction in price after removal of goods or the buyer manufacturer paid only reduced amount than that of invoice [unless supplier of inputs claims and get refund of excise duty paid by him]. [CCE v *Trinetra Texturisers* 2004 (CESTAT)].
- (ii) CENVAT credit is not available based on the certified Xerox copy of invoice. CENVAT credit can be availed only when any one of the following invoices available:  
(A) Original for buyer  
(B) Duplicate for transporter  
(C) Triplicate for seller.  
However, it is pertinent to note that the High Court held that Cenvat Credit could be taken on the strength of private challans (i.e. other than prescribed documents) as the same were not found fake and there was proper certification that duty has been paid (CCEx. v *Stelko Strips Ltd.* 2010 (255) E.L.T. 397 (P&H)).

Therefore in the given case Xerox copy of invoice can be considered as a valid document for taking CENVAT credit.

- 3.(a)(i) An importer imported some goods for subsequent sale in India. The Customs Officer assessed value of goods for ₹ 10,19,090. The above value includes the following:  
Air Freight 25% on Free on Board (FOB)  
Insurance @1.125%  
Unloading charges @1% on Cost, Insurance and Freight (CIF)  
Importer approached you to find correct assessable value for his import. [7]**
- (ii) X Ltd. imported 500 units of minerals from High Seas for sale in India. Selling price exclusive of duties and taxes. Freight from port to depot in India is ₹ 10,150 and Insurance ₹ 1,250.**

| Sale quantity | Unit price |
|---------------|------------|
| 400 units     | 100        |
| 300 units     | 90         |
| 150 units     | 100        |
| 500 units     | 95         |
| 250 units     | 105        |
| 350 units     | 90         |
| 50 units      | 100        |

Basic Customs Duty 12% and education cess as applicable. Calculate total customs duty as per Rule 7 of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007. Assume there are no CVD and Spl. CVD applicable for the product. [5]

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**Answer:**

|  |   |
|--|---|
| <b>(i)</b> Assessable value (AV)       | = (FOB + Insurance + Air freight) + 1% on CIF towards unloading charges |
| Let assume FOB                         | = X   |
| Add: Air Freight                       | = 0.25X   |
| Add: Insurance                         | = 0.01125X  |
|  | -----   |
| CIF Value                              | = 1.26125X  |
| Add: unloading charges 1% on CIF value | = 0.0126125X  |
|  | -----   |
| Assessable value                       | = 1.2738625X  |
|  | =====   |
|  | ₹   |
| FOB value                              | = 8,00,000 (₹ 10,19,090 ÷ 1.2738625)                                    |
| Add: Air freight 20% on FOB            | = 1,60,000  |
| Add: Insurance @1.125%                 | = 9,000   |
|  | -----   |
| CIF Value                              | = 9,69,000  |
| Add: 1% unloading charges on CIF value | = 9,690   |
|  | -----   |
| Assessable value                       | = 9,78,690  |
|  | =====   |

|                                 |            |
|---------------------------------|------------|
| <b>(ii)</b> Total quantity Sold | Unit price |
| 650                             | 90         |
| 500                             | 95         |
| 600                             | 100        |
| 250                             | 105        |

The greatest number of units sold at a particular price is 650 units; therefore, the unit price in the greatest aggregate quantity is ₹ 90.

|   |                                  |
|---|----------------------------------|
|   | ₹                                |
| Selling Price   | = 45,000 (i.e. 500 units x ₹ 90) |
| Less: Freight (post shipment)                         | = (10,150)                       |
| Less: Insurance (post shipment)                       | = (1,250)                        |
|   | -----                            |
| Assessable Value                                      | = 33,600                         |
|   | =====                            |
| Total Customs Duty = ₹ 4,153 (i.e. ₹ 33,600 x 12.36%) |                                  |

**3.(b) State the procedures to be adopted to import second hand goods under FTP. [4]**

**Answer:**

Import of second hand PC, laptop, air conditioner, DG set, photocopier will require authorization. Import of re-conditioned, refurbished spares of capital goods will be allowed subject to certification of Chartered Engineer that it has at least 80% of residual life of original spares. Other Second hand capital goods including refurbished/reconditioned spares are freely permitted. Other second hand goods (other than capital goods) are restricted, i.e. can be imported against authorization only.

Government may take help of Inspection and Certification Agencies for certifying and valuation/purchase price of capital goods.

Import of computers as donations to schools, educational institutions, public library etc. was permitted. However, these were not be used for commercial purposes and could not be transferred. Now, such imports are not allowed w.e.f. 23-8-2010.

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4.(a) X Ltd. commenced its business on 1st Dec 2016, in Chennai. Services provided during the year 2016-17 are as follows:

(A) Services provided under its own brand name ₹ 11,00,000 (out of which services of ₹ 1,20,000 has been wholly exempted from S.T. under NT 25/2012 dt. 20-6-2012).

(B) Services provided with brand name of PQR Ltd. ₹ 2,00,000.

(C) Services availed from goods transport agency and paid freight of ₹ 2,50,000.

Find out service tax liability for the year 2016-17, if X Ltd. availed small service provider exemption. [8]

**Answer:**

| Particulars  | Value in ₹ | Workings                   |
|--|------------|----------------------------|
| Services provide under own brand name                      | 9,80,000   | (₹ 11,00,000 – ₹ 1,20,000) |
| Less: SSP exemption  | -10,00,000 |                            |
| Taxable value of services                                  | Nil        |                            |
| Add: Service provided under brand name of others           | 2,00,000   | SSP exemption not allowed  |
| Total value of taxable services                            | 2,00,000   |                            |
| Service tax being provider of service                      | 28,000     | ₹ 2,00,000 x 14%           |
| SBC @0.5%  | 1,000      | ₹ 2,00,000 x 0.5%          |
| KKC @0.5%  | 1,000      | ₹ 2,00,000 x 0.5%          |
| Service tax in respect of services received from GTA (RCM) | 10,500     | ₹ 2,50,000 x 30% x 14%     |
| SBC @0.5%  | 375        | ₹ 75,000 x 0.5%            |
| KKC @0.5%  | 375        | ₹ 75,000 x 0.5%            |
| Total tax  | 41,250     |                            |

4.(b) Mr. Sharvil reported under mentioned data for the financial year 2016-17:

|   | Amount ₹    |
|---|-------------|
| (i) Total interstate sales during the F.Y. 2016-17 [Inclusive of C.S.T]   | 1,01,55,800 |
| (ii) Above sales include excise duty  | 13,60,000   |
| (iii) Incentive on sales received from manufacturer   | 2,30,000    |
| (iv) Deposit for returnable containers and packages   | 8,00,000    |
| (v) Good worth ₹ 87,550 (inclusive of tax) made vide Invoice No. 101/ACA, dated 29.9.2016 were returned on 31.3.2017. |             |

Determine the turnover and CST payable assuming the rate of tax at 2%. [8]

**Answer:**

Aggregate sale price inclusive of CST = ₹ 93,55,800 (i.e., ₹ 1,01,55,800 – ₹ 8,00,000)

CST is ₹ 1,83,447 (i.e. ₹ 93,55,800 x 2/102)

Note:-

- Excise duty forms part of sale price. Hence, it should not be deducted.
- Incentive on sales received from manufacturer should not be deducted from sale price.
- Deposit for returnable containers does not form part of sale price and hence, ₹ 8 lakhs has to be deducted from sales turnover.
- Sales returns of ₹ 87,550 should not be deducted from the sale price since the goods were returned after 6 months from the date of sale.

5.(a)(i) Briefly examine whether the following activities are liable to service tax as per the

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provisions of Finance Act, 1994.

(A) Mr. Ravi, a singer performs in a bus where passengers drop some coins in his bowl kept, either after feeling rejoiced or out of compassion.

(B) Mr. Rajesh during long drive with his wife Manju violated traffic rules and was imposed fine of ₹ 1,000.

Also, examine would your answer be different in (i) if Mr. Ravi is called upon Mumbai to perform in an award show for ₹ 50,000. [6]

(ii) Services of a NGO registered under sec. 12AA of the Income Tax Act, 1961 working for the rehabilitation of disabled. The aggregate value of taxable services is ₹ 20 Lakh. Determine its taxability. [2]

**Answer:**

(i) (A) Mr. Ravi is not liable to pay service tax as service tax is leviable on the services provided or to be provided. Mr. Ravi has performed an activity without consideration and any activity without consideration does not come within the ambit of definition of "service". In this case passengers are under no obligation to pay any amount for listening to him nor have they engaged him for his services.

(B) Service tax is not leviable in this case as in order to be service; an activity has to be carried out for a consideration. Therefore, fine being the legal consequence of Mr. Rajesh's action is not in the nature of consideration for an activity.

If Mr. Ravi is called upon Mumbai to perform in an award show for ₹ 50,000, then this activity would come within the ambit of definition of "service", as it becomes an activity for a consideration. Resultantly, this activity would be liable to service tax.

(ii) Taxable service. Since, exemption has been withdrawn w.e.f 1-4-2013.

**5.(b) Mr. R has received the following amounts from the activities undertaken by him during the quarter ended on 31<sup>st</sup> March 2017:**

| S. No. | Particulars   | ₹ (in lakhs) |
|--------|---|--------------|
| (i)    | Amount received for trading in Government securities*                 | 8.00         |
| (ii)   | Amount received for trading in shares*                                | 14.50        |
| (iii)  | Commission for acting as clearing and forwarding agent                | 18.25        |
| (iv)   | Commission earned on sale of goods belonging to others                | 1.75         |
| (v)    | Charges for providing auxiliary service relating to commodity futures | 7.00         |

\*represents difference between sale price and purchase price.

You are required to compute the value of taxable services and service tax liability of Mr. R for the said quarter.

**Note:**

I. Rate of service tax is 14% and Swachh Bharat Cess @ 0.5% and KKC @ 0.5% are applicable. All the above amounts are exclusive of service tax.

II. Mr. R is not eligible for small service provider's exemption under Notification No. 33/2012-ST, dated 20.06.2012. [8]

**Answer:**

Statement showing service tax liability of Mr. R:

| S.No. | Particulars  | ₹ (in lakhs) | Remarks          |
|-------|--|--------------|------------------|
| (i)   | Amount received for trading in Government securities | Not taxable  | Treated as goods |
| (ii)  | Amount received for trading in shares                | Not          | Treated as goods |

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|       |   | taxable |                 |
|-------|---|---------|-----------------|
| (iii) | Commission for acting as clearing and forwarding agent                | 18.25   | Taxable service |
| (iv)  | Commission earned on sale of goods belonging to others                | 1.75    | Taxable service |
| (v)   | Charges for providing auxiliary service relating to commodity futures | 7.00    | Taxable service |
|       | Taxable services  | 27.00   |                 |
|       | Service tax 14% on ₹ 27 lakhs   | 3.78    |                 |
|       | Swachh Bharat Cess 0.5% on ₹ 27 lakhs                                 | 0.135   |                 |
|       | Krishi Kalyan Cess 0.5% on ₹ 27 lakhs                                 | 0.135   |                 |
|       | Total tax   | 4.05    |                 |

**6.(a)(i) National Instruments Systems imported various products from its Holding Company and supplies the same to its customers in India. The imported products are PXI Controllers, Input/output Modules, Signal Converters, chassis and its parts. Assessee claims that these products were computer based instrumentation products. Accordingly N.I. Systems filed 64 bills of entries, under Customs Tariff Headings 8471, 8473 and other headings falling under Chapter 84.**

**However, on verification of the technical data (including the catalogue and the webcast of the importer), Department observed that the subject goods were not structurally designed to function as a computer. PXI Controllers, I.O. Modules and Chassis are parts and accessories of a system/instrument which are suitable for use solely or mainly with a number of machines, instruments, apparatus of the same Heading, i.e., 9032 like sensors, thermostats etc.**

**Discuss in the light of decided case law, if any, whether the view of the department is correct in law? [6]**

**(ii) An assessee claims that CENVAT credit can be availed on machineries purchased for being used in setting up a sugar plant in foreign country. But Department claims that the bought-out machinery was not eligible capital goods as the same had not been used by the assessee in its factory premises. Justify. [5]**

**Answer:**

(i) The Apex Court in the case of N.I. Systems (India) Pvt. Ltd. (2010) (SC), has held that imported goods were rightly classified by the Department under Chapter 90 (i.e. sensors, thermostats etc.).

Because, the imported goods were manufactured for a special purpose and that purpose was either measurement or control for industrial use and not as Automatic Data Processing (ADP) Machines. As per the test of common parlance the subject goods are measuring/controlling instruments.

Therefore, the view of the Department was right in classifying the Input/output Modules and Chassis as parts and accessories of Automatic Regulating or Controlling Instruments and Apparatus (i.e. the technical equipment or machinery needed for a particular activity or purpose) in terms of the Customs Tariff Heading 9032.90.00.

(ii) The relevant case is KCP Ltd. v CCEx. 2013 (295) ELT 353 (SC). The Supreme Court explained that if duty is not levied on the final product, question of grant of any relief would not arise as in that case there would not be any cascading effect on the duty imposed on inputs.

Further, since the bought-out machinery was not used in the assessee's factory premises (i.e. in India), the necessary condition for availing CENVAT credit on capital goods could not be fulfilled.

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Therefore, Cenvat Credit could not be allowed to the assessee.

- 6.(b) The assessee's firm was engaged in the activity of developing of exposed negatives, film processing, and printing of photographs. According to the assessee, the services rendered by a colour photo laboratory did not fall within the mischief of "photography" and/or "photography studio or agency". Hence, they were not liable to pay the service tax. However, Department contended the views of assessee's and demanded the service tax under the category of photography and/or photography studio or agency services. Examine. [5]

**Answer:**

The work of the photographer is not only to shoot the person or the scene but is also to develop the negatives and bring the prints. When a part of the work is done by the photographer and part of the work is assigned to others, such person i.e. colour laboratory would in fact be a "photography studio or agency". Colorway Photo Lab v UOI 2009 (15) STR 17 (MP).

In the light of the above discussion, the High Court concluded that the colour laboratories would be a part of the "photography studio or agency" involved in providing the service to the consumer and were liable to pay the service tax. Therefore, the Department is correct.

**7. Answer any four: [4×4]**

- (a) Mr. Q owns a sole proprietorship firm, 'Safe and Super Importers'. Mr. Q has never been to any place outside India. The firm proposes to import a product. Mr. Q is not sure of the correct classification of the product under Customs Tariff. His Tax Consultant has informed him that the said classification issue has been decided by the CESTAT in a different case. However, Mr. Q does not want to take any chances and is desirous of obtaining a ruling from the Authority for Advance Ruling under section 28H of the Customs Act, 1962 with respect to the classification of the product to be imported by it. In the light of recent amendments, state whether Safe and Super Importers can seek advance ruling in the present case under the Customs Act, 1962? [4]
- (b) X Ltd has exported following goods to USA. Discuss whether any duty drawback is admissible under section 75 of the Customs Act, 1962.

| Product | FOB Value of Exported goods (₹) | Market Price of goods (₹) | Duty drawback rate |
|---------|---------------------------------|---------------------------|--------------------|
| A       | 2,50,000                        | 1,80,000                  | 30% of FOB         |
| C       | 8,00,000                        | 8,50,000                  | 3.50% of FOB       |

Note: Imported value of product C is ₹ 9,50,000. [4]

- (c) S Ltd. has given his tempos on hire to M Ltd for transportation of food stuff for ₹ 40,00,000. S Ltd. also transferred the right to use such tempos to M Ltd. S Ltd has not paid any service tax on the consideration so received. Discuss whether S Ltd is liable to pay service tax on the said transaction. [4]
- (d) Mr. H is the owner of a restaurant selling food. He opted to pay the VAT by way of composition of tax. For January 2017, his total sales were ₹ 100,000. He also purchased the input material after payment of VAT of ₹ 1,000. Calculate the net VAT liability of Mr. H. [4]
- (e) "Duty credit scrip can be used for importing inputs and capital goods which are freely transferable." — State the uses of duty credit scrip under FTP. [4]

**Answer:**

- (a) With effect from 01.03.2015, a resident firm can also apply for Authority for Advance Ruling (AAR). The sole proprietorship will have to satisfy the test of residency as per section 2(42) of the Income Tax Act, 1961 to be eligible to apply for an advance ruling.

Therefore, Safe and Super Importers, being a resident proprietorship firm, is an eligible applicant for advance ruling. Since in the given case, question intended to be raised by

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Safe and Super Importers is already decided by the CESTAT, advance ruling cannot be sought by it.

**(b)** Duty draw back amount for the products A & C are as follows:

Product A:

Drawback amount = ₹ 2,50,000 x 30% = ₹ 75,000 or ₹ 1,80,000 x 1/3 = ₹ 60,000

Allowable duty draw back does not exceed 1/3 of the market value.

Hence, the amount of duty drawback allowed is ₹ 60,000.

Product C:

No duty drawback is allowed, since the value of export is less than the value of import (i.e. negative sale).

**(c)** S Ltd is not liable to pay service tax on the transaction entered into by him with M Ltd. The transfer of tempos by way of hiring along with right to use is a deemed sales as per article 366(29A) of the Constitution of India. Therefore, the transaction entered into by S Ltd with M Ltd is not chargeable to service tax. Instead, VAT is leviable on the same.

**(d)** The net VAT payable is as follows:

Output tax payable ₹ 100,000 x 12.5% x 60% = ₹ 7,500

Less: ITC = Nil

VAT payable = ₹ 7,500

**(e)** The duty credit scrips can be used for following - (i) Payment of customs duties for import of inputs except certain specified items (ii) Payment of excise duty on domestic procurement of inputs or goods, including capital goods as per customs notifications (iii) Payment of service tax on procurement of services as per service tax notification (iv) Payment of customs duty and fee.

Thus, lot of flexibility is available for utilization of the duty credit scrips. If despite this flexibility, the exporter is unable to utilize the scrip, it can be sold in the market.

### Section – C

**Answer Question No. 8 which is compulsory and any one question out of two questions given.**

**8. Choose the correct answer with justification/ workings wherever applicable: [2×2=4]**

**(i) Which of the following is included for computation of taxable supplies for the purpose of availing credit?**

**(a) Zero-rated supplies**

**(b) Exempt supplies**

**(c) Both**

**(d) None of the above.**

**(ii) A person in Goa buys shares from a broker in Delhi on NSE (in Mumbai). What will be the place of supply?**

**(a) Delhi**

**(b) Mumbai**

**(c) Goa**

**(d) None of the above.**

**Answer:**

(i) (a) Zero-rated supplies is included for computation of taxable supplies for the purpose of availing credit as zero-rated supplies have been covered within taxable supplies for the purpose of allowing input tax credit.

(ii) (c) The place of supply shall be the location of the recipient of services on the records of the supplier of services. So Goa shall be the place of supply.

**9.(a) What is Integrated Goods & Services Tax (IGST)?**

**[4]**

**Answer:**

Integrated Goods & Services Tax (IGST) falls under Integrated Goods and Service Tax Act 2016. Revenue collected from IGST will be divided between Central Government and State Government as per the rates specified by the government. IGST will be charged on transfer of goods and services from one state to another state. Import of Goods and Services will also be deemed to be covered under Inter-state transactions so IGST will be levied on such transactions. For example, if Goods or services are transferred from Rajasthan to Maharashtra then the transaction will attract IGST.

**9.(b) State the restrictions/ limitations of Composition Scheme under GST. [4]**

**Answer:**

The restrictions/ limitations of Composition Scheme under GST:

- (i) Taxpayers cannot effect interstate supplies. However, interstate purchases are permitted.
- (ii) Aggregate turnover to be computed across all business verticals and across the country for each PAN number.
- (iii) The person is not permitted to collect GST. GST has to be borne by the person out of the Sale proceeds.
- (iv) Person shall not be entitled to Input Credits under GST.

**9.(c) An individual buys a car for personal use and after a year sells it to a car dealer. Will the transaction be a supply in terms of CGST/SGST Act? Give reasons for the answer. [4]**

**Answer:**

No, because supply is not made by the individual in the course or furtherance of business. Further, no input tax credit was admissible on such car at the time of its acquisition as it was meant for non-business use.

**9.(d) Will import of services without consideration be taxable under GST? Justify. [4]**

**Answer:**

As a general principle, import of services without consideration will not be considered as supply under GST. However, import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business, even without consideration will be treated as supply.

**10.(a) What is Goods in the regime of GST? [4]**

**Answer:**

Unlike in Central Excise, there is no concept of manufacture or input. Under GST, anything has to be classified as goods or services. Goods according to GST means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply; Any physical item which has an Harmonised System of Nomenclature (HSN) code is deemed to be goods under GST.

**10.(b) Why Dual GST is required? [4]**

**Answer:**

India is a federal country where both the Centre and the States have been assigned the powers to levy and collect taxes through appropriate legislation. Both the levels of Government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources. A dual GST will, therefore, be in keeping with the Constitutional requirement of fiscal federalism.

**10.(c) The place of supply in relation to immovable property is the location of immovable property. Suppose a road is constructed from Delhi to Mumbai covering multiple states. What will be the place of supply? [4]**

**Answer:**

Where the immovable property is located in more than one State, the supply of service shall be treated as made in each of the States in proportion to the value for services separately collected or determined, in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other reasonable basis as may be prescribed in this behalf. (The Explanation clause to section 12(3) of the IGST Act, for domestic supplies)

**10.(d) State the purpose of returns in GST. [4]**

**Answer:**

- i. Mode for transfer of information to tax administration;
- ii. Compliance verification program of tax administration;
- iii. Finalization of the tax liabilities of the taxpayer within stipulated period of limitation; to declare tax liability for a given period;
- iv. Providing necessary inputs for taking policy decision;
- v. Management of audit and anti-evasion programs of tax administration.