

PAPER 11- INDIRECT TAXATION

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Full Marks: 100

Time allowed: 3 hours

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

Section – A

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

1. Answer the following questions:

(A) Multiple choice questions:

[5×1=5]

- (i) Which of the following taxes will be levied on Imports of goods and services?**
 - (a) CGST**
 - (b) SGST**
 - (c) IGST**
 - (d) Exempt**

- (ii) In GST, SAC stands for:**
 - (a) Services Accounting Code**
 - (b) Software Accounting Code**
 - (c) System Accounting Code**
 - (d) Service application code.**

- (iii) What is the validity of Registration Certificate?**
 - (a) Five years**
 - (b) Ten years**
 - (c) No validity**
 - (d) Valid till it is cancelled.**

- (iv) When does liability to pay GST arise in case of supply of goods?**
 - (a) On raising of invoice**
 - (b) At the time of supply of goods.**
 - (c) On receipt of payment.**
 - (d) Earliest of any of above.**

- (v) Input tax credit on capital goods and inputs can be availed in:**

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- (a) thirty-six instalment
- (b) twelve instalment
- (c) one instalment
- (d) six instalment.

Ans : 1(A) :

i	ii	iii	iv	v
d	a	d	d	c

(B) State whether the following statements are true or false. [5×1=5]

- (i) A person can collect tax only he is registered.
- (ii) Air Travel Agents are entitled for exemption under GST.
- (iii) Mortgage, hypothecation, change or pledge is not supply and hence GST will not be levied.
- (iv) Goods sent for a demonstration on returnable basis, is considered as supply.
- (v) Form GST CMP-01 for Intimation of willingness to opt for scheme by registered person.

Ans: 1(B)

- (i) True,
- (ii) False,
- (iii) True,
- (iv) False,
- (v) True

(C) Match the following: [5×1=5]

	Column A		Column B
1.	The fringe benefits are transactions	A.	taxable supply of services
2.	Acupuncture treatment	B.	subject to GST
3.	Penal interest charged by the banker for delay in payment of dues is	C.	Input tax credit not available
4.	State Police provided protection services to the Judges of High Court is	D.	exempted service
5.	Composition tax payers	E.	in furtherance of business

Ans : 1(C):

	Column A		Column B
1.	The fringe benefits are transactions	E.	in furtherance of business

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2.	Acupuncture treatment	A.	taxable supply of services
3.	Penal interest charged by the banker for delay in payment of dues is	B.	subject to GST
4.	State Police provided protection services to the Judges of High Court is	D.	exempted service
5.	Composition tax payers	C.	Input tax credit not available

(D) Fill in the blanks:

[5×1=5]

- (i) Sec 2(52), Goods means every kind of movable property other than _____.
- (ii) Fringe benefits are supply of goods or services and are liable to tax if not, _____.
- (iii) No GST on Advance Payments received for Supply of Goods by Small Taxpayers having aggregate annual turnover of upto _____.
- (iv) GST is _____ (chargeable/not chargeable) if free replacement is provided by a business to customers without consideration under warranty.
- (v) The certificate of registration shall be valid for the period specified in the application for registration or ninety days from the effective date of registration, whichever is _____.

Ans : 1(D)

- (i) Money and Securities,
- (ii) Exempted,
- (iii) ₹1.5,
- (iv) not chargeable,
- (v) Earlier

2. (a) State the functions of GSTN (Goods and Services Tax Network).

(b)(i) Mr. A owns a residential building in a prime commercial locality. Basement of the building is leased to Mr. B, a wholesaler. One-fourth of the basement is used by Mr. B as his office and remaining portion is used as a godown for storing his merchandise. Ground floor of the building is given on rent to Mr. C who uses the same as a guest house for his business contacts. First floor of the building is occupied by Mr. A. and his family. Second floor is given on rent to Mr. D who uses the same as his residence. There is a large vacant land in the backyard of the building which is also given on rent to a parking contractor, Mr. E who has set up a parking facility on the said land. Separate rent/lease deeds have been executed in respect of each floor of the building and vacant land given on

rent/lease. Examine the GST liability of Mr. A with respect to the residential building owned by him.

(ii) Indian railways has provided following services –

- (1) Transport of passengers by general class: ₹ 15,00,000;
- (2) Transport of passengers by sleeper class: ₹10,00,000;
- (3) Transport of passengers by 1st Class air conditioned coach: ₹5,00,00,000;
- (4) Transport of passengers by 2 tier air conditioned coach: ₹20,00,00,000;
- (5) Transport of passengers by 3-tier air conditioned coach: ₹30,00,00,000;

Compute value of taxable supplies and GST liability. Applicable GST rate is 5%. [5+(5+5)]

Ans :2(a) the functions of GSTN (Goods and Services Tax Network):

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

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

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

Ans2(b)(i): Renting of immovable property (whether residential or commercial) is supply of service as per Serial No. 5(a) of Schedule II. However, services by way of renting of residential dwelling for use as residence are covered under exempted supply of services and are thus not liable to GST.

Since, Mr. A has let out different floors of his residential building to different tenants and separate rent/lease deeds have been executed in respect of each floor of such building and vacant land given on rent/lease, principle of composite or mixed supply will not apply. In this backdrop, the taxability of each of the floor of the building and vacant land owned by Mr. A is discussed as under:

- (i) Basement: Leasing out of the basement of the building to Mr. B would not be covered under exemption list of services as Mr. B uses the basement for commercial purpose. Thus, it would be liable to GST as supply of service.
- (ii) Ground floor: Renting of ground floor of the building to Mr. C for being used as a guest house will not be covered under exemption list of services

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since Mr. C uses it for commercial purpose. Thus, it would be liable to GST as supply of service.

(iii) First floor: Since Mr. A uses the first floor of the building himself, it would not be a supply and thus, would not be liable to tax.

(iv) Second floor: Renting of second floor of the building to Mr. D for being used as a residence would not be chargeable to GST as it is covered in exemption list of supply of services.

(v) Vacant land: Though vacant land is also an immovable property, renting thereof to Mr. E, a parking contractor, will not be covered under exemption list of services since Mr. E uses it for commercial purpose. Thus, it would be liable to GST.

Ans2(b)(ii):

Statement showing GST liability	
Nature of service (Transport of passengers)	Value in ₹
General class	Exempted supply
Sleeper class	Exempted supply
1st Class air conditioned coach	5,00,00,000
2 tier air conditioned coach	20,00,00,000
3-tier air conditioned coach	30,00,00,000
Taxable supply of service	55,00,00,000
GST @5% on ₹ 55 crore	2,75,00,000

3. (a) Mr. A, a registered person received goods from Mr. B, an unregistered dealer. Mr. B issues invoice on 1st July 20XX.

Find the time of supply of goods (with reasons) in following independent cases:

- (i) Mr. A received goods on 15th July 20XX, payment of which is not made yet.
- (ii) Mr. A received goods on 3rd August 20XX & made payment for the same on 4th August 20XX.
- (iii) Mr. A made payment on 8th July and received goods on the same date.
- (iv) Mr. A received goods on 10th July 20XX & made payment for the same on 9th July 20XX.

- (b) Motor vehicle worth ₹20 lakh is sold by M/s Sundar Pvt. Ltd. to a customer in retail market and for which ₹ 5 lakh has been paid in cash and balance amount by way of cheque.

Find the following:

- (1) TCS under section 206C of the Income Tax Act, 1961 is applicable in the given case?
- (2) who is required to collect TCS?

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- (3) value TCS if any?
 (4) value of taxable supply under section 15 of CGST Act, 2017?
 (5) Invoice Price of M/s Sunder Pvt. Ltd.?

Note: Assume applicable TCS is @1% and GST 28%.

[8+7=15]

Ans 3(a) :

(i) Time of supply of goods	= 15-07-20XX
Earliest of the following:	
Receipt of Goods	= 15-07-20XX
Date of Payment	= not paid
Date immediately following 30 days from the date of invoice	= 31-07-20XX
(ii) Time of supply of goods	= 31-07-20XX
Earliest of the following:	
Receipt of Goods	= 03-08-20XX
Date of Payment	= 04-08-20XX
Date immediately following 30 days from the date of invoice	= 31-07-20XX
(iii) Time of supply of goods	= 08-07-20XX
Earliest of the following:	
Receipt of Goods	= 08-07-20XX
Date of Payment	= 08-07-20XX
Date immediately following 30 days from the date of invoice	= 31-07-20XX
(iv) Time of supply of goods	= 09-07-20XX
Earliest of the following:	
Receipt of Goods	= 10-07-20XX
Date of Payment	= 09-07-20XX
Date immediately following 30 days from the date of invoice	= 31-07-20XX

Ans: 3(b)

- (1) Yes, TCS is applicable in the given case.
 (2) Under section 206C the seller has to collect Tax at Source (TCS) at the rate of 1% from purchaser while selling the specified items or services beyond specified limits. In the given case M/s Sunder Pvt. Ltd. must collect the TCS.
 (3) TCS = ₹20,000 (i.e. @1% on ₹20 lakh)
 (4) Value of taxable supply under Section 15 of CGST Act, 2017 is ₹20 lakh only.
 (5) Invoice price

Particulars	Value in ₹
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Cost of Motor Vehicle	20,00,000
Add: TCS under Sec 206C of IT Act, 1961	20,000
Sub-total	20,20,000
Add: GST 28% on `20 lakh	5,60,000
Invoice price	25,80,000

4. (a) M/s C Ltd. of Chennai being a trader provided the following information relating to the preceding financial year is as follows:

Particulars	₹ in Lakhs
Intra-State supply taxable goods	20
Intra-State supply of exempted goods	30
Intra-State supply of taxable services	5
Intra-State outward supply of services on which recipient is liable to pay GST	4
Export of goods	35
Inter-State inward supply of goods	200
CGST & SGST paid	2

Discuss whether M/s C Ltd. is eligible for composition scheme in the current financial year?

- (b) Y Ltd. manufactures taxable and exempted goods. Y Ltd. also simultaneously provides taxable as well as exempted output services. Raw material 10,000 units were purchased @ ₹100 per unit used commonly during the month of January 2023 to produce all final products. GST paid on inputs 12%. Input services commonly used for all goods and services in the month of January 2023. Total ITC on inputs and input services taken into books of account in the relevant tax period is 1,74,000.

Turnover for the month of January 2023 (excluding all taxes)

Particulars	Value of finished goods (₹)
Taxable supply of goods	2,00,000
Exempted supply of goods (₹ 80 per unit)	1,00,000
Taxable supply of services	1,00,000
Exempted supply of services	50,000
Total	4,50,000

You are required to compute the amount of reversal of input tax credit as per rule 42(1)(i) of the CGST Rules, 2017 of the month of January 2023.

Note: Each unit of exempted final product needs 2 units of raw materials.

Assumed that there is no process loss.

[7+8=15]

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Ans: 4(a)

Statement showing aggregate turnover of M/s C Ltd. in the preceding financial year

Particulars	Value (₹ in lakh)	Remarks
Intra-State supply taxable goods	20	Addable into aggregate turnover as per section 2(6) of the CGST Act, 2017
Intra-State supply of exempted goods	30	-do-
Intra-State supply of taxable services	5	-do-
Intra-State outward supply of services on which recipient is liable to pay GST	4	-do-
Export of goods	35	Treated as inter-State Supply of goods and hence addable in to the aggregate turnover.
Inter-State inward supply of goods	Nil	Not addable. Since, it is not the turnover of M/s C Ltd.
CGST & SGST	Nil	Not addable
Aggregate Turnover	94	

Working note (1):

Service portion on aggregate turnover = ₹9.40 lakhs

₹9.40 lakh (i.e. 10% on ₹94 lakh) or

₹ 5 lakhs whichever is higher

In the given case total services supplied is ₹ 9 lakh only (which is well within the limits)

M/s C Ltd. being trader dealing in intra-State as well as Inter-State (i.e. export of goods) supplies and hence, not eligible for composition levy in the current year, even though aggregate turnover in the preceding financial year does not exceeds ₹1.50 crore.

Ans 4(b):

Step 1: Calculate common input tax credit on inputs and input services which are used to supply taxable as well as exempted output supplies:		
Particulars	Value in ₹	Working note
Total ITC on inputs and input services	1,74,000	rule 42(1)(a)
Less: ITC on supplies exclusively used for the purpose other than business	Nil	rule 42(1)(b)
Less: ITC on supplies exclusively used for providing exempted supplies	(30,000)	2,500u x ₹ 100 x 12% [rule 42(1)(c)]
Less: ITC not available u/s 17(5) of the CGST Act, 2017	Nil	rule 42(1)(d)
Input tax credit which are used to supply taxable as well as exempted output supplies	1,44,000	rule 42(1)(e).
Less: ITC on supplies used exclusively for taxable supply including Zero rated supply (i.e. ITC on normal supplies)	(90,000)	(10,000u – 2,500u) x 12% As per rule 42(1)(f)

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Common ITC, which are used to supply taxable as well as exempted output supplies (denoted as "C2")	54,000	As per rule 42(1)(h)
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Step 2: Amount of reversal of input tax credit attributable towards exempted supplies rule 42(1)(i) of the CGST Rules, 2017 is as follows:

$$(\text{₹}1,50,000/4,50,000) \times \text{₹} 54,000 = \text{₹}18,000/-$$

Working Note:

- (i) Number of units of exempted final products 1,250 units (i.e. ₹1,00,000/₹80 per unit = 1,250 units)
- (ii) Since, each unit of exempted final product needs 2 units of raw materials. Raw material used exclusively for exempted final product 2,500 units (i.e. 1,250 unit's x 2 units = 2,500 units).

5. (a) (i) Write down the advantages of Voluntary Registration. (ii) State the cases where persons are not liable for registration.

(b) Raman Hotels supplying only accommodation services in Chennai. Turnover of Raman Hotels is less than ₹20 Lakhs. Raman Hotels listed hotel on online platform namely Make my trip.

The following categories of rooms get booked by the Make my trip company who pay to Raman Hotels after deducting their commission.

- (1) Declared value per room (category 1), Non AC Room ₹950 per Night.
- (2) Declared value per room (category 2), AC Room ₹1,800 per Night.
- (3) Declared value per room (category 3), AC Room ₹7,000 per Night, where additional bed ₹1,800 per Night.
- (4) Declare value per room (category 4), AC Room ₹10,000 per Night, but amount charged is ₹7000.

You are required to answer:

- 1 who is liable to pay GST and
- 2 Net GST liability?

[(5+3)+7=15]

Ans 5(a)(i): Advantages of voluntary registration under GST:

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

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Note: The following paragraph has been inserted vide THE CENTRAL GOODS AND SERVICES TAX (AMENDMENT), ACT, 2018 to amend Sec 22(1) of CGST Act,2018:

“Provided further that the Government may, at the request of a special category State and on the recommendations of the Council, enhance the aggregate turnover referred to in the first proviso from ten lakh rupees to such amount, not exceeding twenty lakh rupees and subject to such conditions and limitations, as may be so notified”;

However, the objective to amend Section 22 of the Act is to enhance the exemption limit for registration in the special category States from ten lakh rupees to twenty lakh rupees.

5(a)(ii) Persons are not liable for registration:

- I. Sec 23(1)(a): Any person engaged exclusively in the business of supplying of goods or services or both they are not liable to tax or wholly exempt from tax under CGST or IGST.
- II. Sec 23(1)(b): An agriculturist, to the extent of supply of produce out of cultivation of land.
- III. Sec. 23(2): The Government may, on the recommendation of the GST Council.

6. (a) M/s. X Ltd. of Chennai, engaged in various businesses has provided the following services, whose values are listed below:

- (1) **Service of interior decoration in respect of immovable property located in Jammu: ₹ 5 lakh;**
- (2) **Service of renting of commercial buildings in Delhi: ₹ 15 lakh;**
- (3) **Architectural services to an Indian Hotel Chain which has business establishment in Mumbai for its newly acquired property in Sydney: ₹ 25 lakhs;**
- (4) **Services provided as an Indian agent undertaking marketing in India of goods of a foreign seller: ₹ 51 lakhs;**
- (5) **Services provided as travel agent undertaking marketing in India of services of a foreign seller: ₹ 1 lakhs.**

Find the place of supply and compute its GST liability. Applicable rate of GST 18%.

(b) Mr. Param (register person under GST) being a dealer furnished the following business transactions took place during the Feb 20XX. Find the GST liability.

- i. Sale of plastic bangles for ₹20,000.**
- ii. Supply of mobile phones for ₹3,20,120**
- iii. Sale of printed books and newspapers for ₹1,25,500**
- iv. Sale of Dates for ₹13,500**
- v. Sale of Salt for ₹9,180**

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- vi. Sale of Organic manure worth ₹2,00,000
- vii. Sale of Chemical Fertilizers ₹5,75,000 (out of which 30% subsidy received from Government of India).

Note: Taxable supply attracts GST @5% (CGST 2.5% and SGST 2.5%). [8+7=15]

Ans 6(a):

Particulars	Value ₹ (in lakhs)	Working note	
Interior decoration services	5	PoS = J & K (Sec 12(3)(a) of IGST) taxable territory. IGST will be levied	
Renting of commercial buildings	15	PoS = Delhi (Sec 12(3)(b) of IGST) Taxable territory IGST will be levied	
Architectural services	25	PoS = Mumbai (Sec 12(3)(a) of IGST). Taxable territory IGST will be levied	
Marketing of Goods	51	PoS = Chennai (sec 13(8) of IGST) Taxable territory CGST & SGST will be levied.	
Travel agent	1	PoS = Chennai (sec 13(8) of IGST) Taxable territory CGST & SGST will be levied.	
Taxable supply of services	97		
Particulars	CGST	SGST	IGST
GST liability	4.68	4.68	8.10

Ans 6(b): Statement showing tax liability of Mr. Param

S.No	Particulars	Taxability	CGST 2.5%	SGST 2.5%
(a)	Plastic bangles	Exempted	Nil	Nil
(b)	Mobile phone	3,20,120	8,003	8,003
(c)	Books	Exempted	Nil	Nil
(d)	Dates	Exempted	Nil	Nil
(e)	Salt	Exempted	Nil	Nil
(f)	Organic manure	Exempted	Nil	Nil
(g)	Che. Fertilizers 70%	4,02,500	10,063	10,063
	Total		18,066	18,066

6. Write short notes on any three of the following: [5x3=15]

- (a) Composite and Mixed Supply.
- (b) Export of Service
- (c) Revised Invoice as per Section 31(3)(a) of the CGST Act, 2017
- (d) Revocation of cancellation of registration.

Ans 7(a) Composite and Mixed Supply.:

(1) “composite supply” means:

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A supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply; example -Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply; Composite supply is when two or more goods are sold in a combination, it becomes difficult to identify the rate of tax to be levied.

(Note: Principal supply means the supply of goods or services, which constitute the predominant element of a composite supply and to which another supply is ancillary/secondary.

Following two conditions are necessary for composite supply:

- (a) Supply of two or more goods or services together, AND
 - (b) It should be a natural bundle and they cannot be separated.
- (2) Mixed supply: In Mixed supply two or more individual supplies combination of goods or services with each other for a single price. Each of these items can be supplied separately and is not dependent on each other. In other words, the combination of goods or services are not bundled due to natural necessities, and they can be supplied individually in the ordinary course of business.

For tax liability purpose, mixed supply consisting of two or more supplies shall be treated as a supply of that item which has the highest tax rate.

Diwali gift hamper which consist of different Items like sweets, chocolates, cakes, dry fruits packed in one pack is Mixed supply as these items can be sold separately and it shall be treated as a supply of that particular item which attracts the highest rate of tax.

(b) Export of Service:

Section 2(6) of the IGST Act, 2017, Export of service: Means the supply of any service when: -

- (i) the supplier of service is located in India;
- (ii) the recipient of service is located outside India;
- (iii) the place of supply of service is outside India;
- (iv) the payment for such service has been received by the supplier of service in convertible foreign exchange; or in India rupees wherever permitted by Reserve Bank of india (w.e.f. 1-2-2010); and
- (v) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8 of the IGST Act, 2017.

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- (c) **Revised Invoice as per Section 31(3)(a) of the CGST Act, 2017:** A registered person may, within one month from the date of issuance of certificate of registration and in such manner as prescribed in the Invoice Rules, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him.

This provision is necessary, as a person who becomes liable for registration has to apply for registration within 30 days of becoming liable for registration. When such an application is made within the time period and registration is granted, the effective date of registration is the date on which the person became liable for registration. Thus there would be a time lag between the date of grant of certificate of registration and the effective date of registration.

- (d) **Revocation of cancellation of registration: Revocation of cancellation of registration [Section 30 of the CGST Act, 2017]:**

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

As per section 30(2) of the CGST Act, 2017, the proper officer may, in such manner and within such period as may be prescribed, by order, either revoke cancellation of the registration or reject the application:

Provided that the application for revocation of cancellation of registration shall not be rejected unless the applicant has been given an opportunity of being heard.

As per Section 30(3) of the CGST Act, 2017, the revocation of cancellation of registration under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, as the case may be, shall be deemed to be a revocation of cancellation of registration under this Act.

Procedure for Revocation of Cancellation of Registration as per Rule 23 of the CGST Rules, 2017:

Particulars	Relevant Form
<p>Application for revocation of cancellation of registration within 30 days from the date of service of the order of cancellation of registration.</p> <p>As per Finance Act, 2020: Provided that such period may on sufficient cause being shown, and for reasons to be recoded in writing, be extended</p> <p>(a) by the Additional Commissioner or the Joint Commissioner, as the case may be, for a period not exceeding 30 days.</p> <p>(b) by the Commissioner, for a further period not</p>	<p style="text-align: center;">GST REG-21</p> <p>Note: Application for revocation cannot be filed if cancellation is on account of failure to furnish returns or failure to pay liability unless such return is filed / liabilities are discharged.</p>

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exceeding 30 days, beyond the period specified in clause (a).	
For justified reasons, proper officer shall revoke cancellation of registration within 30 days of application or receipt of clarification by passing an order	GST REG-22
For unjustified reasons, proper officer shall issue show cause notice	GST REG-23
Reply shall be filed in within 7 days.	GST REG-24
For justified reasons, proper officer shall revoke cancellation of registration within 30 days of application or receipt of clarification by passing an order.	GST REG-22
For unjustified reasons, proper officer shall reject the application for revocation of cancellation of registration by passing an order.	GST REG-05

Section – B

Answer Question No. 8 which is compulsory and any one from the rest of this section

8. Choose the correct answer: [5x1= 5]

- (i) Entry 83 of the Union List of the _____ to the Constitution of India is empowered to levy the customs duty by the Central Government of India
- (a) Sixth Schedule
 - (b) Seventh Schedule
 - (c) Eighth Schedule
 - (d) Ninth Schedule.
- (ii) An area beyond _____ from the base line is called High Seas.
- (a) 100 nautical miles
 - (b) 150 nautical miles
 - (c) 200 nautical miles
 - (d) None of the above
- (iii) Which of the following is a taxable event for imported goods?
- (a) Unloading of imported goods at the customs port
 - (b) Date of entry into Indian territorial waters
 - (c) Date of presentation of bill of entry
 - (d) Date on which the goods cross the customs barrier.

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- (iv) Which section of the Customs Act, 1962 provides for levy of Customs duty on import and export of goods?
- (a) Section 3
 - (b) Section 12
 - (c) Section 14
 - (d) Section 28
- (v) 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.

Ans: 8

- (i) (b)
- (ii) (c)
- (iii) (d)
- (iv) (b)
- (v) (d)

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 applicable as per the Finance Act, 2018.

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 and the anti-dumping duty. Assume that only basic customs duty (BCD) and Social Welfare Surcharge are payable. IGST @12% is also applicable.

- (b) BSA & Company Ltd. has imported a machine from U.K. From the following particulars furnished by them, arrive at the assessable value for the purpose of customs duty payable:

(i)	F.O.B. cost of the machine	10,000 U.K. Pounds
(ii)	Freight (air)	3,000 U.K. Pounds

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(iii)	Engineering and design charges paid to a firm in U.K	500 U.K. Pounds
(iv)	License fee relating to imported goods payable by the buyer as a condition of sale	20% of F.O.B. Cost
(v)	Materials and components supplied by the buyer free of cost	₹ 20,000
	valued	
(vi)	Insurance paid to the insurer in India	₹ 6,000
(vii)	Buying commission paid by the buyer to his agent in U.K. 100 U.K. Pounds	

Other Particulars:

- (i) Inter-bank exchange rate as arrived by the authorized dealer: ₹88.50 per U.K. Pound.
- (ii) CBIC had notified for purpose of Section 14 of the Customs Act, 1944, exchange rate of ₹86.25 per U.K. Pound.
- (iii) Importer paid ₹5,000 towards demurrage charges for delay in clearing the machine from the Airport.

(Make suitable assumptions wherever required and show workings with explanations) [7 + 8=15]

Ans : 9(a): Statement showing land value of imported goods and customs duties:

Particulars	US \$
CIF value	25,000
	Value in ₹
Assessable value (i.e. 25,000 x ₹60)	15,00,000
Add: Customs duty (including SWS) 13.2% on Assessable value	1,98,000
Landed value (or value of imported goods)	16,98,000
Anti-dumping duty (21,00,000 – 16,98,000)	4,02,000
Market value of imported goods (500 kgs x ₹60 x US \$70) = 21,00,000	
Open Market Value	21,00,000
Add: IGST @12% on ₹ 21,00,000	2,52,000
Total	23,52,000
Total customs duty payable is ₹ 8,52,000 (i.e. 1,98,000 + 4,02,000 + 2,52,000)	

Note:

In cases where imported goods are liable to Anti - Dumping Duty or Safeguard Duty, calculation of Anti - Dumping Duty or Safeguard duty would be as per the

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respective notification issued for levy of such duty. It is also clarified that value for calculation of IGST as well as Compensation Cess shall also include Anti - Dumping Duty amount and Safeguard duty amount

Ans : 9(b):

	UK Pounds
FOB Value	10,000
Add: Engineering and Design charges (Paid in (UK)	500
Add: License fee (20% on 10,000 UKP)	2,000
Sub-total	12,500
	Value in ₹
Sub-total (12,500 UKP × ₹70.25)	8,78,125
Add: Material supplied by the buyer freely	20,000
FOB Value as per customs	8,98,125
Add: Air freight (8,98,125 × 20%)	1,79,625
Add: Insurance	6,000
CIF Value/ Assessable value	10,83,750

10. (a)(i) What is meant by Duty Drawback? (ii) Discuss about the Negative List of Duty Drawback (Section 76).

(b) (i) A exported a consignment under drawback claim consisting of the following items—

Particulars	Chapter Heading	FOB value ₹	Drawback rate
200 pieces of pressure stores mainly made of beans @ ₹80/piece	74.04	16,000	4% of FOB
200 Kgs. Brass utensils @ ₹ 200 per Kg.	74.13	40,000	₹24/Kg.
200 Kg. Artware of brass @ ₹300 per Kg.	74.22	60,000	17.50% of FOB subject to a maximum of ₹38 per Kg.

On examination in docks, weight of brass Art ware was found to be 190 Kgs. and was recorded on shipping bill. Compute the drawback on each item and total drawback admissible to the party.

(ii) Write a short note on One Time Lock (OTL).

[(2+5) +(5+3) =15]

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Ans :10 (a)(i)

Duty drawback allowed for the following:

- Import duty paid on imported goods
- The excise duty and Service Tax

Duty Drawback is an export incentive scheme where the duties paid on any exported materials or excisable materials which are used in the manufacture/processing/carrying out any operations on the goods that are exported outside India is allowed as refund to the exporter.

Two categories of duty drawback:

1. Duty Drawback on Re-Export (Sec. 74)
2. Duty Drawback on Export (Sec. 75)

Ans :10 (a)(ii) Negative list of Duty Drawback [Section 76]

1. DDB amount is less than ₹50.
2. In case of negative sales.
3. If CENVAT CREDIT availed (except BCD).
4. DDB amount is more than 1/3rd of Market value of exports.
5. Export to Nepal and Bhutan and the export proceeds are not received in hard currency (it means USD, GBP or Pounds).
6. DDB as % on FOB less than 1% unless amount of DDB is more than or equal to ₹500.
7. Duty drawback is not allowed if the exporter has already availed the Duty Entitlement Pass Book (DEPB) or other export incentives.
8. If the sale proceeds not received within the time period allowed by Reserve Bank of India.
9. Duty drawback amount exceeds the market value of exported goods.

Ans :10(b)(i)

The drawback on each item and total drawback admissible to the party shall be-			
Particulars	FOB value ₹	Drawback rate	Drawback Amount (₹)
200 pcs, pressure stoves made of brass	16,000	4% of FOB	640
200 Kgs. Brass utensils	40,000	₹ 24 per Kg.	4,800
200 kgs. Art ware of brass, whose actual weight was 190 Kgs. only. (₹60,000 x 190 / 200) x17.5%=9975		17.50% of FOB subject to maximum of ₹ 38 per Kg. (₹ 9,975 or ₹7,220 whichever is less)	7,220

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190 kgs x ₹ 38 = ₹7,220			
Total Drawback admissible (in ₹)			12,660

10(b)(ii):

When the goods are removed from the customs station of import for warehousing, the proper officer affixes a one- time lock (OTL) on the container or means of transport (closed trucks). The serial number of OTL along with date and time of its affixation needs to be endorsed upon Bill of Entry for warehousing and transport document.

All customs stations are required to maintain records incorporating the number of the OTL, bill of entry, truck. number, container number (if applicable), date & time of affixing the OTL and the name, designation & telephone number of the officer affixing the OTL.

A similar procedure has been provided under Warehoused Goods (Removal) Regulations, 2016 for removal of goods from one warehouse to another and from a warehouse to customs station for export.

However, the Principal Commissioner of Customs /Commissioner of Customs may permit movement of goods without affixation of such OTLs, where the nature of goods or their manner of transport so warrant (e.g. Liquid Bulk Cargo transported through Pipe Line & Over Dimensional Cargo).