

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.
Working notes should form part of the answer.

Section – A

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

1. Answer the following questions:

(A) Multiple choice questions:

[5×1=5]

- (i) Mr. A booked a Rajdhani train ticket, which includes meal. It is :
(a) composite supply
(b) mixed supply
(c) Not at all supply
(d) None of the above.
- (ii) Which of the following agricultural activity is exempted from GST?
(a) Cultivation
(b) Supply of farm labour
(c) Renting of agro machinery
(d) All of the above.
- (iii) GT Jewellers Ltd. paid ₹ 50 lakhs for sponsorship of Miss India beauty pageant in Mumbai to Stylish & Co., a partnership firm. GST is liable to be paid by:
(a) GT Jewellers Ltd.
(b) Miss India beauty pageant
(c) Stylish & Co.
(d) Exempted supply
- (iv) Under GST, interest is liable to be paid on delayed payment of tax @:
(a) 15% p.a.
(b) 18% p.a.
(c) 24% p.a.
(d) 30% p.a.
- (v) In case of inter-state stock transfer:
(a) CGST will be levied
(b) IGST will be levied
(c) CGST and SGST will be levied
(d) No tax will be levied, as there is no supply.

Answer:

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

(B) Say True or False for the following question:

[5×1=5]

- (i) Central sales tax has been subsumed in the ambit of GST.
(ii) IGST would be levied and collected by the Central Government as well as State Government on all inter-state transactions of taxable goods or services.

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- (iii) The Union Finance Minister is a Chairperson of the GST Council.
(iv) As per the definition under CGST Act, person does not include Central Government or a State Government.
(v) Penalties levied on late or delayed payment of loans and advances are exempted supply under GST.

Answer:

- (i) true
(ii) false
(iii) true
(iv) false
(v) false.

(C) Match the following:

[5×1=5]

| | Column 'A' | | Column 'B' |
|----|------------------------|----|-------------------------------------|
| 1. | Zero rated supply | A. | Eliminates cascading effect of tax |
| 2. | Form GST REG-01 | B. | Input tax credit not available |
| 3. | Goods & services tax | C. | Export of goods or services or both |
| 4. | Composition tax payers | D. | Final return |
| 5. | GSTR-10 | E. | Application for registration |

Answer:

1. C.
2. E.
3. A.
4. B.
5. D.

(D) Fill in the blanks:

[5×1=5]

- (i) _____ 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.
(ii) Due date of filing GSTR-4 is _____ of the month following the quarter.
(iii) The form of return which is to be filed by the input service distributor is _____.
(iv) In case of Jammu and Kashmir, registration is required if the aggregate turnover exceeds ₹ _____.
(v) Services relating to transportation of passengers by metro are covered under _____ rate of GST.

Answer:

- (i) Principal
(ii) 18th
(iii) GSTR-6
(iv) 20 lakhs
(v) nil.

2.(a) State the function of the GSTN (Goods & Services Tax Network).

[5]

- (b) A Ltd. a manufacturing concern in Maharashtra has opted for composition scheme furnishes you with the following information for Financial Year 2018-19. It requires you to determine its composition tax liability and total tax liability. In Financial Year 2017-18 total value of supplies including inward supplies taxed under reverse charge basis are ₹85,00,000. The breakup of supplies is as follows -

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| Particulars | ₹ |
|---|-----------|
| (1) Intra State Supplies of Goods X chargeable @ 5% GST | 28,00,000 |
| (2) Intra State Supplies made which are chargeable to GST at Nil rate | 20,00,000 |
| (3) Intra state supplies which are wholly exempt under section 11 of CGST Act, 2017 | 2,10,000 |
| (4) Value of inward supplies on which tax payable under RCM (GST Rate 5%) | 5,00,000 |
| (5) Intra State Supplies of Goods Y chargeable @ 18% GST | 29,50,000 |

[10]

Answer:

(a) Functions of GSTN (Goods & Services Tax Network):

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

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

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

(b) Computation of aggregate turnover and composite tax of A Ltd.:

| Particulars | ₹ |
|---|-----------|
| 1. Supplies made under forward charge | 28,00,000 |
| 2. Supplies made which are chargeable to GST at Nil rate | 20,00,000 |
| 3. Supplies which are wholly exempt under section 11 of CGST Act, 2017 | 2,10,000 |
| 4. Value of inward supplies on which tax payable under RCM (GST Rate 5%) (not to be included) | Nil |
| 5. Intra State Supplies of Goods Y chargeable @ 18% GST | 29,50,000 |
| Aggregate turnover | 79,60,000 |
| Rate of composite tax | 2% |
| Total composite tax | 1,59,200 |

Tax payable under reverse charge basis:

| Particulars | ₹ |
|---|----------|
| Value of inward supplies on which tax payable under RCM | 5,00,000 |
| Rate of GST | 5% |
| Tax payable under RCM | 25,000 |
| Total tax liability | 1,84,200 |

3.(a) What do you mean by Intermediary? How the place of supply of Intermediary services is determined where location of supplier or location of recipient is outside India? Give an example. [7]

(b) ABC & Co., a Cost Accountants firm issued invoice for services rendered to Mr. Ram on 5th August 2017. Determine the time of supply in following independent cases:

- (i) The provisions of services were completed on 1st July 2017.
- (ii) The provisions of services were completed on 15th July 2017.

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- (iii) Mr. Ram made the payment on 3rd July 2017, where provisions of services were remaining to be completed.
- (iv) Mr. Ram made the payment on 15th August 2017, where provisions of services were remaining to be completed. [8]

Answer:

- (a) Intermediary: "Intermediary" means a broker, an agent or any other person, by whatever name called, who arranges or facilitates —
- the supply of goods or services or both, or securities, between two or more persons,
 - but does not include
 - a person who supplies such goods or services or both or securities on his own account.

Place of supply of Intermediary services: The place of supply of the intermediary services shall be the location of the supplier of services, where location of supplier or location of recipient is outside India.

For example: A travel agent registered in New Delhi books a tour of famous Indian cities for a Dubai resident. The place of supply is the location of the supplier of services i.e., New Delhi.

- (b) (i) 1st July 2017 will be the time of supply of services as invoice is not issued within the time frame of 30 days.
- (ii) 5th August 2017 will be the time of supply of services as invoice is issued within the time frame.
- (iii) 3rd July 2017 will be the time of supply of services as payment received before invoice date.
- (iv) 5th August 2017 will be the time of supply of services as invoice is issued before the completion of provisions of services.

4.(a) What is 'bill of supply' and 'invoice-cum- bill of supply' under GST? [5]

- (b) Mr. Roy, a supplier of goods, pays GST under regular scheme. Mr. Roy is not eligible for any threshold exemption. He has made the following outward taxable supplies in a tax period:

| Particulars | ₹ |
|-----------------------------|-----------|
| Intra-State supply of goods | 16,50,000 |
| Inter-State supply of goods | 6,00,000 |

He has also furnished the following information in respect of purchases made by him in that tax period:

| Particulars | ₹ |
|--------------------------------|-----------|
| Intra-State purchases of goods | 10,70,000 |
| Inter-State purchases of goods | 1,60,000 |

Mr. Roy has following ITCs with him at the beginning of the tax period:

| Particulars | ₹ |
|-------------|--------|
| CGST | 41,500 |
| SGST | 41,500 |
| IGST | 92,000 |

Note:

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- (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
 (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
 (iii) All the conditions necessary for availing the ITC beginning of the tax period:
 Compute the net GST payable by Mr. Roy during the tax period. Make suitable assumptions as required. [10]

Answer:

(a) Bill of supply:

A bill of supply is similar to a GST invoice except that bill of supply does not contain any tax amount as the seller cannot charge GST to the buyer.

A bill of supply is issued in cases where tax cannot be charged:

- Registered person is selling exempted goods/services,
- Registered person has opted for composition scheme

Invoice-cum-bill of supply:

As per Notification No. 45/2017-Central Tax, dated 13th October 2017 —

If a registered person is supplying taxable as well as exempted goods/services to an unregistered person, then he can issue a single “invoice-cum-bill of supply” for all such supplies.

(b) Computation of GST payable by Mr. Roy on outward supplies —

| S. No. | Particulars | (₹) | GST(₹) |
|--------|-----------------------------|----------|-----------------|
| (i) | Intra-state supply of goods | | |
| | CGST @ 9% on ₹ 16,50,000 | 1,48,500 | |
| | SGST @ 9% on ₹ 16,50,000 | 1,48,500 | 2,97,000 |
| (ii) | Inter-state supply of goods | | |
| | IGST @ 18% on ₹ 6,00,000 | | 1,08,000 |
| | Total GST payable | | 4,05,000 |

Computation of total ITC:

| Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) |
|---|-----------------|-----------------|-----------------|
| Opening ITC | 41,500 | 41,500 | 92,000 |
| Add: ITC on Intra-State purchases of goods valuing ₹10,80,000 | 96,300 | 96,300 | Nil |
| Add: ITC on Inter-State purchases of goods valuing ₹ 1,50,000 | Nil | Nil | 28,800 |
| Total ITC | 1,37,800 | 1,37,800 | 1,20,800 |

Computation of GST payable from cash ledger:

| Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) |
|---|---------------|---------------|----------------|
| GST payable | 1,48,500 | 1,48,500 | 1,08,000 |
| Less: ITC | 1,37,800 | 1,37,800 | 1,08,000 |
| Balance of IGST credit i.e. ₹ (1,20,800 - 1,08,000) to be utilised for payment of CGST and SGST | 10,700 | 2,100 | |
| GST payable from cash ledger | Nil | 8,600 | Nil |

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- 5.(a) State the advantages to a taxpayer for obtaining registration under GST. [6]
 (b) Mr. Sekhar, a performing artist, provides the following information relating to December, 2017. Receipts from:

| Particulars | ₹ |
|--|-----------|
| Performing classical dance | 92,000 |
| Performing in television serial | 3,80,000 |
| Services as brand ambassador | 10,00,000 |
| Coaching in recreational activities relating to arts | 4,30,000 |
| Activities in sculpture making | 2,90,000 |
| Performing western dance | 85,000 |

Determine the value of taxable supply and GST payable by Mr. Sekhar for December, 2017. GST @ 18% has been charged separately, wherever applicable. [9]

Answer:

- (a) The following are advantages to a taxpayer who obtain registration under GST:
- (i) He is legally recognized as supplier of goods or services or both.
 - (ii) He is legally authorized to collect taxes from his customers and pass on the credit of the taxes paid on the goods or services supplied to the purchasers/recipients.
 - (iii) He can claim input tax credit of taxes paid and can utilize the same for payment of taxes due on supply of goods or services.
 - (iv) Seamless flow of Input Tax Credit from suppliers to recipients at the national level.
 - (v) Registered person is eligible to apply for Government bids or contracts or assignments.
 - (vi) Registered person under GST can easily gain trust from customers.

(b) Computation of value of taxable supply and GST liability—

| Particulars | | ₹ |
|---|--------|-----------|
| Performance of classical dance | [WN-1] | Nil |
| Performance in television serial [Taxable since not covered in folk or classical art forms] | | 3,80,000 |
| Services as brand ambassador | [WN-1] | 10,00,000 |
| Coaching in recreational activities relating to arts | [WN-2] | Nil |
| Activities in sculpture making [Taxable as it is an activity in still art form] | | 2,90,000 |
| Performance of Western dance [Taxable since not covered in folk or classical art forms] | | 85,000 |
| Value of taxable supply | | 17,55,000 |
| GST payable @ 18% | | 3,15,900 |

Working Notes:

- (1) Services by a performing artist in folk or classical art forms of, - (A) music, or (B) dance, or (C) theatre, if the consideration charged for such performance is not more than ₹ 1,50,000 are exempt from GST vide Entry 78 of Notification No. 12/2017-CT (Rate). However, the exemption shall not apply to service provided by such artist as a brand ambassador.
- (2) Services by way of training or coaching in recreational activities relating to arts, culture or sports are exempt from GST vide Entry 80 of Notification No. 12/2017-CT (Rate).

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6.(a) M/s X Ltd. is engaged in doing job work for M/s Y Ltd. M/s Y Ltd. supplies raw material for ₹ 2,00,000 and packing material for ₹ 22,500 to M/s X Ltd. for completion of job work. M/s X Ltd. has agreed to supply job-work services for the purpose of performing the activities as specified by M/s Y Ltd. Job worker labour charges ₹ 1,00,000, profit of ₹ 70,000 and material consumed for ₹ 3,500. Find transaction value (i.e. sole consideration) to levy GST in the hands of M/s X Ltd. [6]

(b) Arihant Life Insurance Company Ltd. (ALICL) has started its operations in the year 2017-18 (w.e.f. 1-7-2017). During the year 2017-18, Arihant Life Insurance Company Ltd. (ALICL) has charged gross premium of ₹ 180 lakhs from policy holders with respect to life insurance policies; out of which ₹ 100 lakhs have been allocated for investment on behalf of the policy holders.

Compute the GST liability of ALICL for the year 2017-18 under rule 32(4) of the CGST Rules, 2017

- (i) if the amount allocated for investment has been intimated by ALICL to policy holders at the time of providing service.
- (ii) if the amount allocated for investment has not been intimated by ALICL to policy holders at the time of providing of service.
- (iii) if the gross premium charged by ALICL from policy holders is only towards risk cover.

Applicable rate of GST is 18%.

[9]

Answer:

(a)

| Particulars | Value in ₹ |
|--|------------|
| Service charges | 1,00,000 |
| Add: Material consumed | 3,500 |
| Add: Job worker profit | 70,000 |
| Transaction value (i.e. taxable value of supply of service in the hands of M/s X Ltd.) | 1,73,500 |
| Note: Although, it includes materials worth ₹ 3,500, still the entire supply including value of material would be treated as services. | |

(b) (i) GST liability of ALICL for the year 2017-18 will be computed as under:

$$= ₹ 14.40 \text{ lakhs } (₹ (180-100) \text{ lakhs } \times 18\%)$$

(ii) 25% of the 1st year premium is value of taxable supply. Thus, GST liability of ALICL for the year 2017-18, being first year of its operations, will be computed as under:

$$\text{Value of taxable supply} = ₹ 180 \text{ lakhs } \times 25\% = ₹ 45 \text{ lakhs}$$

$$\text{GST liability} = ₹ 8.10 \text{ lakhs (i.e. } ₹ 45 \text{ lakhs } \times 18\%)$$

(iii) GST liability of ALICL for the year 2017-18 will be computed as under:

$$= ₹ 32.40 \text{ lakhs } (₹ 180 \text{ lakhs } \times 18\%).$$

7. Short note: (any three)

[5×3]

(a) GST Council

(b) Composite supply

(c) Tax invoice

(d) Persons not entitled to avail composition scheme.

Answer:

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(a) GST Council: The President of India is empowered to constitute Goods and Services Tax Council. The President of India constituted the GST Council on 15th September, 2016.

The GST Council shall consist of Union Finance Minister as a Chairperson, Union Minister of State in charge of Finance as a member, the State Finance Minister or State Revenue Minister or any other Minister nominated by each State as a member of the Council. The GST Council shall select one of them as Vice Chairperson of Council.

The mechanism of GST Council would ensure harmonization on different aspects of GST between the Centre and the States as well as among States. It has been provided in the Constitution (101st Amendment) Act, 2016 that the GST Council, in its discharge of various functions, shall be guided by the need for a harmonized structure of GST and for the development of a harmonized national market for goods and services.

GST Council is to make recommendations to the Central Government and the State Governments on—

- tax rates,
- exemptions,
- threshold limits,
- dispute resolution,
- GST legislations including rules and notifications etc.

(b) Composite supply: Composite supply is similar to the concept of “bundled service” as under service tax laws in the existing regime.

Composite supply consists of two or more goods/services, which is naturally supplied with each other in the ordinary course of business and one of them is a principal supply. The items cannot be supplied separately. 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:

1. Supply of two or more goods or services together, and
2. It should be a natural bundle and they cannot be separated

Example: Booking of Air Tickets which involves cost of the meal to be provided during travel will be Composite supply and tax will be calculated on the principle supply which in this case is transportation passengers through flight.

(c) Tax invoice: Under the GST regime, a “tax invoice” means the tax invoice referred to in section 31 of the CGST Act, 2017.

For example, if a registered person is making or receiving supplies from unregistered persons, then a tax invoice needs to be issued by such registered person.

However, if a registered person is dealing only in exempted supplies or is availing the composition scheme (composition dealer), then such a registered person needs to issue a bill of supply in lieu of tax invoice. An invoice or a bill of supply need not be issued if the value of the supply is less than ₹ 200/-.

Importance of tax invoice under GST:

Under GST, a tax invoice is an essential document for the recipient to avail Input Tax Credit (ITC).

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A registered person cannot avail Input Tax Credit unless he is in possession of a tax invoice or a debit note.

GST is chargeable at the time of supply. Invoice is an important indicator of the time of supply.

(d) Persons not entitled to avail composition scheme: The benefit of composition scheme shall not be granted if a taxable person is:

- (1) engaged in the supply of services (other than restaurant and outdoor catering service);
- (2) engaged in making any supply of goods which are not leviable to tax under the CGST Act/ SGST Act/ UTGST Act;
- (3) engaged in making any inter-State outward supplies of goods;
- (4) engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52 of the CGST Act; and
- (5) a manufacturer of such goods as may be notified by the Government on the recommendations of the Council

Section – B

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

8. Answer the following questions:

[5×1=5]

- (i) **In case of customs valuation, if sea freight is not given, then value of freight is to be taken at:**
 - (a) 10% of FOB value
 - (b) 15% of FOB value
 - (c) 20% of FOB value
 - (d) 1.125% of FOB value.

- (ii) **In case of lady passenger coming to India after stay abroad more than one year, duty free jewellery can be brought by her with a value cap of:**
 - (a) ₹ 50,000
 - (b) ₹ 1,00,000
 - (c) ₹ 1,50,000
 - (d) ₹ 2,00,000.

- (iii) **GST Compensation Cess will be levied on supply of:**
 - (a) Tobacco
 - (b) Pan Masala
 - (c) Motor Vehicles
 - (d) All of the above.

- (iv) **Which of the following cannot be considered as deemed export?**
 - (a) Sale of goods to Software Technology Park
 - (b) Sale of goods to Domestic Tariff Area
 - (c) Sale of goods to United Nations Agencies
 - (d) Sale of capital goods to fertilizer plants.

- (v) **The minimum penalty for improper export of prohibited goods is:**
 - (a) ₹ 5,000
 - (b) ₹ 10,000
 - (c) ₹ 15,000
 - (d) ₹ 25,000.

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Answer:

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

9.(a) Compute the assessable value and total customs duty payable under the Customs Act, 1962 for an imported machine, based on the following information:

| | US \$ |
|--|--------|
| (i) Cost of the machine at the factory of the exporter | 20,000 |
| (ii) Transport charges from the factory of exporter to the port for shipment | 800 |
| (iii) Handling charges paid for loading the machine in the ship | 50 |
| (iv) Buying commission paid by the importer | 100 |
| (v) Lighterage charges paid by the importer | 200 |
| (vi) Freight incurred from port of entry to Inland Container depot | 1,000 |
| (vii) Ship demurrage charges | 400 |
| (viii) Freight charges from exporting country to India | 5,000 |

Date of bill of entry **20.02.2018 (Rate BCD 20%;
Exchange rate as notified by
CBEC ₹ 60 per US \$)**

Date of entry inward **25.01.2018 (Rate of BCD 12%;
Exchange rate as notified by
CBEC ₹ 65 per US \$)**

**IGST payable under section 3(7) of
the Customs Tariff Act, 1975** **12%**

Also find the eligible input tax credit to the importer. **[11]**

(b) What is Protective Duties in customs? **[4]**

Answer:

(a) Statement showing assessable value and customs duty:

| Particulars | US \$ | Remarks |
|--|-------------|---------------------------|
| Cost of the machine | 20,000 | |
| Add: transport charges from factory of exporter to the port for shipment | 800 | |
| Add: handling charges | 50 | |
| FOB | 20,850 | |
| Add: buying commission | Nil | Not addable |
| FOB of the Customs | 20,850 | |
| Add: Insurance | 234.5625 | 20,850 x 1.125% |
| Add: Freight | 5,000 | |
| Add: Lighterage charges | 200 | |
| Add: Ship demurrage | 400 | |
| CIF Value | 26,684.5625 | |
| | ₹ | |
| Assessable Value | 16,01,074 | USD 26,684.5625 x ₹ 60 |

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| | | |
|--------------------------------|-----------|-------------------|
| Add: BCD 20% | 3,20,215 | ₹ 16,01,074 x 20% |
| Add: 3% Cess | 9,606 | (3,20,215 x 3%) |
| Balance | 19,30,895 | |
| Add: IGST | 2,31,707 | ₹ 19,30,895 x 12% |
| Landed value of imported goods | 21,62,602 | |
| Total customs duty | 5,61,528 | |

Note: Importer is eligible to avail input tax credit of IGST portion (i.e. ₹ 2,31,707) under GST Law provided he is using these goods for his business.

(b) Protective duty is a duty imposed on imported goods for the protection of the interests of any industry established in India on the recommendation of Tariff Commission.

The Central Government on the recommendation of the Tariff Commission of India levy protective duty for protection of interest of domestic industry established in India. To impose protective duties, the Central Government has to introduce a bill and get it passed in the Parliament.

The duty is effective only and inclusive of the date, if any, specified in the First Schedule of the Tariff. The Central Government has the power to reduce or increase such duty where it deems fit by a notification in the Official Gazette and get the approval of the same in the Parliament.

10.(a) What is redemption fine in customs?

[3]

(b) State the features of warehousing.

[12]

Answer:

(a) Redemption Fine:

- The term redemption fine means option to pay fine in lieu of confiscation.
- Such fine shall not exceed the market price of the goods confiscated, less the duty on imported goods.
- Such an importer is liable to pay in addition to the customs duty and charges payable in respect of such imports, the penalty namely redemption fine.

(b) Features of warehousing:

1. Importer can defer payment of import duties by storing the goods in a safe place.
2. Importer allowed doing manufacturing in bonded warehouse and then re-exporting from it.
3. The importer can be allowed to keep the goods up to one year without payment of duty from the date he deposited the goods into warehouse.
4. This time period is extended to three years for Export Oriented Units and the time period still be extended to five years if the goods are capital goods.
5. The importer minimizes the charges by keeping in a warehouse, otherwise the demurrage charges at port is heavy.

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6. Assistant Commissioner of Customs or Deputy Commissioner of Customs are competent to appoint a warehouse as public bonded warehouse.
7. The Assistant Commissioner of Customs or Deputy Commissioner of Customs may license private warehouse. The license to private warehouse can be cancelled by giving one month notice.
8. Only dutiable goods can be deposited in the warehouse.
9. Green Bill of Entry has to be submitted by the importer to clear goods from warehouse for home consumption.
10. Rate of duty is applicable as on the date of presentation of Bill of Entry (i.e. sub-bill of entry or ex-bond bill of entry) for home consumption.
11. Reassessment is not allowed after the imported goods originally assessed and warehoused.
12. The exchange rate is the rate at which the Bill of Entry (i.e. 'into bond') is presented for warehousing.
13. If the goods which are not removed from warehouse within the permissible period, then subsequent removal called as improper removal. The rate of basic customs duty which is applicable as on the last date on which the goods should have been removed but not removed is applicable.