

## **Paper 11- Indirect Taxation**

# MTP Intermediate Syllabus-2016 June 2019 Set -2

## Paper 11- Indirect Taxation

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 the rest of this section.

1. Answer the following questions:

(A) Multiple choice questions:

[5×1=5]

- (i) Input Tax credit as credited in Electronic Credit Ledger can be utilized for:
- (a) Payment of interest
  - (b) Payment of penalty
  - (c) Payment of fine
  - (d) Payment of taxes
- (ii) Tax Invoice must be issued by:
- (a) Every supplier
  - (b) Every taxable person
  - (c) Registered persons, not paying tax under composition scheme
  - (d) all the above.
- (iii) Lottery authorised by State Governments – applicable rate of GST is:
- (a) 12 % of face value of lottery ticket sold
  - (b) 18 % of face value of lottery ticket sold
  - (c) 28 % of face value of lottery ticket sold
  - (d) None of the above.
- (iv) Which of the following services is not included under Online Information and Database Access or Retrieval (OIDAR)?
- (a) Advertising on the internet
  - (b) Providing cloud services
  - (c) Digital data storage
  - (d) Advertising services in newspapers.
- (v) The due date to file GSTR-3 is:
- (a) 10th of the next month
  - (b) 13th of the next month
  - (c) 15th of the next month
  - (d) 20th of the next month.

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Answer:

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

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

[5×1=5]

- (i) The Section 10(2) of the CGST Act, 2017 specifies the benefit of composition scheme shall not be granted if a taxable person is engaged in the supply of services (other than restaurant and outdoor catering service).
- (ii) An entity registered under section 12AA of the Income-tax Act, 1961 (43 of 1961) for the purposes of providing charitable activities - exempted from GST.
- (iii) Services by any agricultural produce marketing committee are not exempted from GST.
- (iv) Service provided by a school in relation to a tour to its students and staff is treated as supply of service, hence GST will be levied.
- (v) When a seller files his GSTR-1, the information is captured in purchaser's GSTR-2A.

Answer:

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

(C) Match the following:

[5×1=5]

	Column 'A'		Column 'B'
1.	The compensation to employees in the form of money	A.	is supply of service
2.	Renting of vacant land	B.	is Composite supply
3.	Booking of Air Tickets which involves cost of the meal	C.	exempt from GST
4.	Diwali gift hamper which consist of different items like sweets, chocolates, cakes, dry fruits packed in one pack	D.	is not a supply
5.	Agricultural produce includes breeding of fish, poultry firm	E.	is Mixed supply

Answer:

- 1. D.
- 2. A.
- 3. B.
- 4. E.

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5. C.

(D) Fill in the blanks:

[5×1=5]

- (i) The ratio of the area of the floor to the area of the plot on which a building stands is called \_\_\_\_\_.
- (ii) A \_\_\_\_\_ is a company that helps new and start-up companies to develop by providing services such as management training or office space or equipment's or some time monetary assistance and capital.
- (iii) Transport to direct the way that a ship, aircraft, etc. will travel, or to find a direction across, along, or over an area of water or land, often by using a map is called \_\_\_\_\_.
- (iv) The input tax credit available for distribution in a month shall be distributed in the same month and details furnished in Form \_\_\_\_\_.
- (v) Goods and Services Tax (GST) has been implemented in India w.e.f. \_\_\_\_\_.

Answer:

- (i) Floor Space Index (FSI)  
(ii) Business incubator  
(iii) Navigating  
(iv) GSTR-6  
(v) 1<sup>st</sup> July, 2017

2.(a) State the procedure to be adopted for registration under GST [u/s 25 of CGST].

(b) Taj Pvt. Ltd., received the following services from the Government of India during the taxable period:

1. Application fee paid towards processing of application for issuance of advance authorization Rs. 12,000.
2. Security services provided by Government security agency for a period of four months for a total consideration of Rs. 6,000:
  - a. Jan 2018 – Part payment Rs 500
  - b. Feb 2018 – Part payment Rs. 2,000
  - c. Mar 2018 – Part payment Rs. 2,000
  - d. April 2018 – Final payment Rs. 1,500.
3. Customs authorities have charged Merchant Over Time (MOT) fee for Rs. 1,000 at the time of special warehousing of goods.

Find the total GST payable by Taj Pvt. Ltd. if any?

Note: Previous Turnover of Taj Pvt. Ltd. Rs. 21 lakhs.

Note: Applicable rate of GST 18%

[7 + 8]

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Answer :

2. (a) Registration Procedure under GST [u/s 25 of CGST]:

Every person who is liable to be registered shall apply for registration within 30 days from the date on which he becomes liable to registration, before applying for registration declare his

1. Legal name of business
2. PAN,
3. Mobile number,
4. e-mail address,
5. State or Union territory

in Part A of Form GST REG -01 on Common Portal.

On successful verification of these numbers, a reference number will be generated.

Applicant shall submit Part B of Form GST REG-01, duly signed, along with documents specified in the said Form at the Common Portal.

Form GST REG – 02: Acknowledgement of Application

If these documents are found to be in order, the Proper Officer shall approve the registration within 3 working days from the date of submission.

2. (b) Statement showing GST liability of M/s. Taj Pvt. Ltd.

Sl. No.	Particulars	Value in Rs.	Remarks
1	Application fee paid towards processing of application for issuance of advance authorization	12,000	Taxable supply of service. Since, amount exceeds Rs. 5,000.
2	Security services provided by Government Security agency. F.Y 2017-18 Rs. 4,500 F.Y. 2018-19 Rs. 1,500 The exemption shall apply only where the consideration charged for such service does not exceed Rs. 5,000 in a financial year.	Nil	Exempted supply of service under entry no. 9.
3	Merchant Overtime charges	Nil	Exempted supply of service under entry no. 65.
	Total subject to tax under reverse charge	12,000	
	Total GST liability	2,160	Rs. 12,000 X 18%

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3. (a) On 25th July 2018, Mr. Atul located in Chennai converted USD 100 into INR, actual exchange rate INR 68 per USD through Akbar Travel a money exchanger. RBI's reference rate for buying and selling was Rs. 67/67.50 respectively on such date. Irfan Travel registered under GST and located at Chennai.

(i) Find the Value of supply as per Rule 32(2)(a) of the CGST Rules, 2017 and GST where address of the recipient is available with Supplier?

(ii) How much GST is liable to pay, in case where the RBI reference rate for a currency is not available.

Note: Applicable rate of GST 18%

(b)(i) M/s Prakash Ltd. being a principal supplies laptops to his agent and the agent is supplying laptops of like kind and quality in subsequent supplies. M/s Prakash Ltd incorporated in Chennai (Tamil Nadu). Agent is located in Nagercoil (Tamil Nadu). Goods supplied on 15th November by the Principal to his Agent.

Particulars	No. of units	Price at which principal supplies to agent	Price at which agent supplies to his customer not being a related person	Rate of GST Advalorem
Selling price on 15th November	1,000	Rs. Nil	Rs. 22,000	18%

Goods procured by agent from other independent supplier supplying laptops of like kind and quality at Rs. 20,000 per unit on 15th November.

Find the value of taxable supply of goods and GST liability in the hands of M/s Prakash Ltd. of Chennai.

(b)(ii) What do you mean by location of the supplier of services in the context of place of supply? [6 + (5+4)]

Answer :

3. (a)

(i) The value of supply =  $(68-67) \times 100 = \text{INR } 100$

Thus the value of taxable supply of Akbar Travel will be INR 100 and GST will be levied on this amount. GST = Rs. 18/-

9% CGST = Rs. 9

9% SGST = Rs. 9

(ii) The value of supply = Rs. 68 (i.e. 1% of INR 6,800)

GST = Rs. 12.24

9% CGST = Rs. 6.12

9% SGST = Rs. 6.12

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3. (b)(i) Value of taxable supply made by principal shall be Rs. 20,000 per laptop or where the principal exercise the option the value shall be Rs. 19,800 per laptop (i.e. 90% of the Rs. 22,000).

It is economical to opt the 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being related person on the day of supply.

Total taxable value of supply = Rs. 1,98,00,000 (i.e. 19,800 x 1000 units).

GST liability in the hands of M/s P Ltd. of Chennai:

CGST 9% on Rs. 198 lakh = Rs. 17,82,000

SGST 9% on Rs. 198 lakh = Rs. 17,82,000

- (b) (ii) Location of the supplier of services:

Sec 2(15) of IGST Act defines location of supplier of service as follows:

- (1) Where a supply is made from a place of business where registration is obtained, the location of such place of business.
- (2) Where Supply is made from a place other than the place of business for which registration has been obtained (i.e. fixed establishment elsewhere), the location of such fixed establishment.
- (3) Where supply is made from more than one establishment, the location of establishment most directly concerned with the provision of the supply.
- (4) In absence of such places, the location of the usual place of residence of the supplier.

4. (a) (i) What is meant by Pure Agent in GST?

(ii) Mr. X is a Customs Broker issues an invoice for reimbursement of a few expenses and for consideration towards agency service rendered to an importer. The amounts charged by the Customs Broker are as below:

Sl. No.	Component charges in invoice	Amount in Rs.
1	Agency income	10,000
2	Travelling expenses	5,500
3	Hotel expenses	9,500
4	Customs duty	55,000
5	Dock dues	2,500

Find the value of taxable supply of service in the hands of Customs Broker.

- (b) Discuss about the advantages of voluntary registration under GST.

[(4 + 6) + 5]

Answer :

4. (a) (i) Pure Agent means a person who:

(a) enters into a contractual agreement with the recipient of supply to act on their behalf and incur expenditure or costs in the course of supply of goods or services or both;

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- (b) neither intends to hold nor holds any title to the goods or services (or both) procured on behalf of or provided to the recipient of supply;
- (c) does not use the goods or services so procured for his own interest; and
- (d) receives only the actual amount incurred to procure such goods or services.

4. (a) (ii) Statement showing taxable value of supply of service:

Sl. No.	Component charges in invoice	Amount in Rs.	Remarks
1	Agency income	10,000	Addable into the value
2	Travelling expenses	5,500	-do
3	Hotel expenses	9,500	-do
4	Customs duty	Not addable	Pure agent reimbursement
5	Dock dues	Not addable	Pure agent reimbursement
	<b>Total</b>	<b>25,000</b>	

4. (b) The advantages of voluntary registration under GST are given below:

- (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.

5. (a) What conditions are required to be fulfilled for taking Input Tax Credit?

**(b) An assessee was under impression that his product is exempt from GST and hence sold the goods @ Rs. 100 per piece without charging GST. Later, it was found that actually, the product was chargeable with IGST 18%. Department claimed that since goods were removed without GST, transaction value should be Rs. 100 and GST is payable accordingly. Assessee contended that price of Rs. 100 should be taken as inclusive of GST and actual GST payable should be calculated by back calculations. Determine the correct GST payable per piece. [10 + 5]**

Answer :

5. (a) Conditions for taking Input Tax Credit (ITC):

Section 16(2) of the CGST Act, 2017: Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,--



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- (a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other taxpaying documents as may be prescribed;
- (b) he has received the goods or services or both.

Explanation.—For the purposes of this clause, it shall be deemed that the registered person has received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;

Note: Further explanation has been provided for Sec 16(2)(b) explanation vide CGST Amendment Act,2018 that: For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services—

- (i) where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;
- (ii) where the services are provided by the supplier to any person on the direction of and on account of such registered person.
- (c) subject to the provisions of section 41, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and
- (d) he has furnished the return under section 39:

Provided that where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment;

Provided further that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in such manner as may be prescribed;

Provided also that the recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon.

5. (b) As per rule 35 of the CGST Rules, 2017 transaction value and GST liability is as follows:

The Transaction value should be taken, as cum-tax-price and tax payable should be calculated by making back calculations. Hence, the transaction value is as follows:

The transaction value = Rs.  $100 \times 100/118$  = Rs. 84.75

IGST = Rs.  $100 \times 18/118$  = Rs. 15.25

Total invoice price = Rs. 100.00

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6. (a) (i) What is 'bill of supply' and 'invoice-cum- bill of supply' under GST?

(ii) M/s. X Ltd. manufacturer of taxable goods and registered under GST Law. M/s. X Ltd. assigned the contract in the month of January 2018, for Rs. 5,00,000 plus GST 18% to M/s. Y Ltd. for constructing structural support of Hot Mix Plant, which is used for making taxable supply of goods. Accordingly M/s. Y Ltd. used cement, steel, Iron, water, chemicals and labour to complete the job. Entire work has been completed and payment also be received in the month of January 2018. M/s. X Ltd. further provides the following information to find net GST liability of M/s. X Ltd. for the month of January 2018:

Inward supply	Value in Rs.	GST Rate	Outward supply	Value in Rs.	GST Rate
Raw material (10 Kgs)	2,00,000	18%	Finished goods	15,00,000	28%
Hot Mix Plant	6,00,000	28%			
Works contract service	5,00,000	18%			

Note: there is process loss @1% while converting raw materials into finished goods.

(b) M/s X Ltd. being a registered person supplying taxable goods in the following manner:

Particulars	Rs.
Intra-State supply of goods	18,00,000
Inter-State supply of goods	13,00,000
Intra-State purchases	13,00,000
Inter-State purchases	1,50,000
ITC at the beginning of the relevant tax period:	
CGST	1,30,000
SGST	1,30,000
IGST	1,70,000

- (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
- (ii) Inward and outward supplies are exclusive of taxes.
- (iii) All the conditions necessary for availing the input tax credit have been fulfilled.

Compute the net GST payable by M/s X Ltd during the tax period. Make suitable assumptions.

[(4 + 5) + 6]

Answer :

6. (a) (i) 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.

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(ii) Statement showing net GST liability for the month of January 2018 of M/s. X Ltd.

Particulars	GST Rs.	Remarks
Output tax	4,20,000	15,00,000 x 28%
Less: ITC on Input	(36,000)	2,00,000 x 18%
ITC on Capital goods	(1,68,000)	6,00,000 x 28%
ITC on Input service	(90,000)	5,00,000 x 18%
Net GST liability	1,26,000	

Note: Hot Mix Plant is capital goods, hence ITC allowed.

6. (b) Statement showing input tax credit (i.e. Electronic Credit Ledger)

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Opening balance	1,30,000	1,30,000	1,70,000
Add: ITC for the tax period	1,17,000	1,17,000	27,000
Total credit	2,47,000	2,47,000	1,97,000

Statement showing Net GST payable by M/s X Ltd for the tax period

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Output tax	1,62,000	1,62,000	2,34,000
Less: ITC allowed	-2,47,000	-2,47,000	-1,97,000
Sub-total	-85,000	-85,000	37,000
Less: CGST credit adjusted against IGST	37,000	Nil	-37,000
Net GST liability	Nil	Nil	Nil
Excess ITC c/f	48,000	85,000	Nil

7. Write short notes on any three of the following:

[5 x 3]

- First Return and Revision of Returns in GST
- Revised Invoice as per Section 31(3)(a) of the CGST Act, 2017
- Persons not entitled to avail Composition Scheme in GST
- Aggregate Turnover as per section 2(6) of the CGST Act

Answer :

7. (a) First Return: As per section 40 of the CGST Act, 2017 every registered person who has made outward supplies in the period between the dates on which he became liable to registration till the date on which registration has been granted shall declare the same in the first return furnished by him after grant of registration.

Revision of Returns: The mechanism of filing revised returns for any correction of errors/omissions has been done away with. The rectification of errors/omissions is allowed in the subsequent returns.

However, no rectification is allowed after furnishing the return for the month of September following the end of the financial year to which, such details pertain, or furnishing of the relevant annual return, whichever is earlier.

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7. (b) 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.

For supplies made by such person during this intervening period, the law enables the issuance of a revised invoice, so that Input Tax Credit can be availed by the recipient on such supplies.

7. (c) The Section 10(2) of the CGST Act, 2017 specifies the benefit of composition scheme shall not be granted if a taxable person is:
- (i) engaged in the supply of services (other than restaurant and outdoor catering service);
  - (ii) engaged in making any supply of goods which are not leviable to tax under this Act;
  - (iii) engaged in making any inter-State outward supplies of goods;
  - (iv) engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52; and
  - (v) a manufacturer of such goods as may be notified by the Government on the recommendations of the Council.

7. (d) Aggregate turnover as per Section 2(6) of CGST Act, 2017:  
The term "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-state supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, state tax, union territory tax, integrated tax and cess.

Aggregate turnover includes:

- The value of exported goods/services
- Exempted goods/services or both which attracts nil rate of tax or wholly exempt from tax and includes non taxable supply.
- Inter-state supplies between distinct persons having same PAN
- Supply on own account and on behalf of principal.

Aggregate turnover excludes:

- Inward supplies on which the recipient is required to pay tax under Reverse Charge Mechanism (RCM).
- Central tax (CGST),
- State tax (SGST),
- Union territory tax and
- Integrated tax (IGST)
- Compensation Cess

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### Section – B

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

8. Choose the correct answer :

[5 x 1= 5]

- (i) 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
- (ii) As per \_\_\_\_\_ of the Custom Act, 1962, the Central Board of Excise and Customs (CBE&C), now renamed to Central Board of Indirect Tax and Customs (CBIC).
- (a) Section 155
  - (b) Section 156
  - (c) Section 157
  - (d) Section 158.
- (iii) Anti-dumping duty payable by a SEZ in respect of an import is
- (a) Nil
  - (b) 5% of the customs duty
  - (c) 7.5% of the customs duty
  - (d) 10% of the customs duty
- (iv) The Safeguard duty imposed shall be in force for a period of \_\_\_\_\_ from the date of its imposition and can be extended with the total period of levy not exceeding \_\_\_\_\_.
- (a) 4 years, 10 years
  - (b) 3 years, 5 years
  - (c) 1 year, 5 years
  - (d) 5 years, 10 years
- (iv) Where the insurance amount is not available, for ascertaining the assessable value for customs duty, the percentage of FOB value to be taken is:
- (a) 1
  - (b) 1.125
  - (c) 1.5
  - (d) 2

Answer:

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

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9. (a) M/s. Liberty International Group has imported a machine by air from United States. Bill of entry is presented on 18.07.2018. However, entry inwards is granted on 7.08.2018.

The relevant details of the transaction are provided as follows:

CIF value of the machine imported	\$ 13,000
Airfreight paid	\$ 2,800
Insurance charges paid	\$200

Rate of exchange as

Announced by	As on 18.07.2018	As on 7.08.2018
CBIC	1 US \$ = Rs. 66	1US \$ = Rs. 65.80
RBI	1 US \$ = Rs. 66.10	1US \$ = Rs. 66.10

Calculate the assessable value (in rupees) for the purposes of levy of customs duty as well as landed value of M/s. Liberty International Group.

BCD = Nil

IGST = 18%

Make suitable assumptions wherever necessary.

- (b) Write a short note on GST Compensation Cess.

[10 + 5]

Answer :

9. (a) Computation of Assessable Value and Landed Value of M/s. Liberty International Group

Particulars	Amount in US\$	Remarks	Workings
CIF value	13,000		
Less: Air freight	2,800	Air freight should not be more than 20% on FOB	
Less: insurance	200		
FOB value	10,000		
Add: Air freight	2,000	Air freight restricted to 20% on the FOB value	10,000 x 20% = 2,000
Add: Insurance	200		
CIF value/Assessable Value	12,200		US\$ (10,000+ 2,000 + 200) 12,200 x 1% = US\$122
	<b>Amount in Rs.</b>		
Assessable value	8,05,200	CBIC exchange rate as on the date of submission of bill of entry is relevant.	US\$12,200 x 66 = Rs. 8,05,200
Add: BCD	Nil		
Add: SWS @ 10%	Nil		
Balance	8,05,200		
Add: IGST @ 18%	1,44,936		
Landed value	9,50,136		

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9. (b) Under GST regime, Compensation Cess will be charged on luxury products like high-end cars and demerit commodities like pan masala, tobacco and aerated drinks for the period of 5 years in order to compensate states for loss of revenue.

In the GST regime, IGST will be levied on imports by virtue of sub-section (9) of Section 3 of the Customs Tariff Act, 1975.

GST Compensation cess, wherever applicable, would be levied on cargo that would arrive on or after 1st July, 2017. Similarly ex-bond bill of entry filed on or after 1st July 2017 would attract GST Compensation cess, as applicable. In the case where cargo arrival is after 1st July and an advance bill of entry was filed before 1st July along with the payment of duty, the bill of entry may be recalled and reassessed by the proper officer for levy of GST compensation Cess, as applicable.

The value of the imported article for the purpose of levying GST Compensation cess shall be, assessable value plus Basic Customs Duty levied under the Act, and any sum chargeable on the goods under any law for the time being in force, as an addition to, and in the same manner as, a duty of customs. These would include education cess or higher education cess as well as anti-dumping and safeguard duties.

Input tax credit can be availed on GST Compensation Cess paid on inward supplies of the notified goods. However, the credit of GST Compensation Cess paid can be utilized only towards payment of the GST Compensation Cess liability.

10. (a) (i) Explain the rights of the owner to deal with warehoused goods under section 64 of the Customs Act, 1962.

(ii) Explain the validity of the following statements with reference to Chapter IX of the Customs Act, 1962 containing the provisions relating to the warehousing:

- (a) The proper officer is not authorized to lock any warehouse with the lock of the Customs Department.  
(b) The Commissioner of Customs (Appeals) may appoint public warehouses wherein dutiable goods may be deposited.  
(c) The Commissioner of Customs or Principal Commissioner of Customs is not required to give a notice to the licensee while cancelling the license of a private warehouse if he has contravened any provision of the said Act.

- (b) M/s. X Ltd. (a unit of 100% EOU located in Chennai) sold goods to M/s. A Ltd. (Located in Mumbai) for Rs. 20 lac. M/s X Ltd. being EOU imported these goods exempted from BCD @10%. IGST 12% is applicable.

Find the total Duty is liable to pay by M/s. X Ltd.

How much input tax credit M/s. A Ltd. can avail?

[(4 + 4) + 7]

Answer :

10. (a) (i) As per Section 64 of the Customs Act, 1962 (as amended w.e.f. 14.05.2016), the owner of any warehoused goods may, after warehousing the same:

- (A) Inspect the goods;  
(B) Deal with the containers in such manner as may be necessary to prevent loss or deterioration or damage to the goods;  
(C) Sort the goods;  
(D) Show the goods for sale

- (ii) (a) The given statement is invalid: Sec. 58A (1) The Principal Commissioner of Customs or Commissioner of Customs may, subject to such conditions as may be prescribed, license a special warehouse wherein dutiable goods may be deposited and such warehouse shall be caused to be locked by the proper officer and no person shall enter the warehouse or remove any goods there from without the permission of the proper officer.

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- (b) The given statement is invalid: The Commissioner of Customs or the Principal Commissioner of Customs can appoint public warehouse, wherein dutiable goods can be deposited under Section 57 of the Customs Act, 1962.
- (c) The given statement is valid: The Commissioner of Customs or Principal Commissioner of Customs is not required to give a notice to the licensee while cancelling the license of a private warehouse if he has contravened any provision of the said Act, as per section 58(2)(b) of the Customs Act, 1962.

10. (b) Computation of total Duty payable by M/s. X. Ltd.

Particulars	Value in Rs.	Workings
Assessable value	20,00,000	
ADD: Basic Customs Duty 10%	2,00,000	20,00,000 X 10%
Add: Social Welfare Surcharge 10% on BCD	20,000	2,00,000 X 10%
Sub-total	22,20,000	
ADD: IGST @12%	2,66,400	22,20,000 X 12%
Sub-total	24,86,400	
Total Duty Payable	4,86,400	Rs. (2,00,000 + 20,000 + 2,66,400)

Computation of Input Tax credit (ITC) allowed to M/s A Ltd. (Buyer):

Particulars	Value in Rs.
BCD	nil
IGST	2,66,400
TOTAL	2,66,400