

Intermediate
Group II
Paper 11: INDIRECT TAXATION
(SYLLABUS – 2016)

Section A: Goods and Services Tax (GST)

1. Answer the following questions:

(A) Multiple choice questions:

- (a) Which of the following state tax/ duty is discontinued and subsumed into GST?
- (i) Service tax;
 - (ii) Central excise duty;
 - (iii) Luxury tax;
 - (iv) Additional duties of customs.
- (b) As per Section 2(47) of CGST Act, 2017, exempt supply includes the supply of following type of goods and services:
- (i) Supply attracting nil rate of tax
 - (ii) Supplies wholly exempt from tax, by way of a notification;
 - (iii) Non-taxable supply
 - (iv) All of the above.
- (c) Toll receipts from highway of Kolkata to Durgapur is ₹ 80,00,000 and commission earned on toll receipts is ₹ 8,00,000. The value of taxable supply will be:
- (i) ₹ 80,00,000
 - (ii) ₹ 8,00,000
 - (iii) ₹ 88,00,000
 - (iv) Nil
- (d) Every person who is liable to be registered under GST shall apply for registration in form:
- (i) GST REG-01
 - (ii) GST REG-02
 - (iii) GST REG-30
 - (iv) GST REG-06
- (e) In which of the following cases, input tax credit is not allowed?
- (i) Packing material used in a factory
 - (ii) Goods used for providing services during warranty period
 - (iii) Inputs used for quality control check
 - (iv) Confectionery items for consumption of employees working in the factory

Answer:

Revisionary Test Paper_Dec 2018

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

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

- (a) Services by way of transportation by rail or a vessel from one place in India to another for carrying defence or military equipments is a exempted service.
- (b) In case of services provided by way of transportation of passengers by a motor cab through Electronic Commerce Operator (ECO), the person liable to pay GST is the driver of the motor cab.
- (c) Goods and Services Tax Network (GSTN) is a not for profit, non-Government and private limited company.
- (d) Donation or charity does not attract GST.
- (e) The turnover threshold limit for Jammu & Kashmir to avail composition levy is ₹ 75 lakhs.

Answer:

- (a) true
- (b) false
- (c) true
- (d) true
- (e) false.

(C) Match the following:

	Column 'A'		Column 'B'
1.	Supply	A	employer & employee
2.	Related persons	B	Details of outward supplies
3.	Manufacturer of pan masala	C	Not eligible for composition scheme
4.	Agriculturist	D	Taxable event under GST
5.	GSTR-1	E	Not liable for registration

Answer:

- 1 — D
- 2 — A
- 3 — C
- 4 — E
- 5 — B

2.(a) Why it is called that GST is a destination based tax?

- (b) Mr. C of Chennai purchased goods at intra state as well as at inter state level by paying SGST ₹ 6,000, CGST ₹ 6,000 and IGST ₹ 12,000. Subsequently Mr. C sold these goods to Mr. H of Hyderabad (Trader) for ₹ 2,00,000 (IGST applicable @18%). Thereafter Mr. H of Hyderabad sold these goods to Mr. S of Secunderabad (Consumer) for ₹ 3,00,000 (CGST & SGST @18%).

Revisionary Test Paper_Dec 2018

Find the Net GST liability of Mr. C and Mr. H. Also find net revenue to the State and Central Government.

Answer:

(a) Origin based tax is one which is levied where goods / services are produced. In other hand, a destination based tax is one which is levied where goods / services are consumed. In destination based tax, zero tax is applicable on exports and imports are taxed on par with domestic production. SGST will accrue to the State where goods / services are ultimately consumed. For these reasons, GST is called a destination based tax.

(b)

Particulars of Mr. C of Chennai	Value in (₹)	ITC allowed
Output tax IGST	36,000	
Less: Input Tax Credit (ITC)		
IGST	(12,000)	1st IGST
CGST	(6,000)	2nd CGST
SGST	(6,000)	3rd SGST
Net tax paid to Central Government by Mr. C	12,000	

Since, dealer has used SGST of Tamil Nadu to the extent of ₹ 6,000/- in payment of IGST, Tamil Nadu State (i.e. exporting State) has to transfer ₹ 6,000/- to the credit of the Centre.

IGST of ₹ 36,000/- is availed as credit by Telangana buyer (i.e. Mr. H of Hyderabad).

Particulars of Mr. H of Hyderabad	CGST (₹)	SGST (₹)	ITC allowed
Output tax	27,000	27,000	
Less: Input Tax Credit (ITC)			
IGST	(27,000)	(9,000)	1st IGST
2nd CGST			
3rd SGST			
Net tax paid to State Government by Mr. H	Nil	18,000	

Since, dealer has used IGST of ₹ 9,000/- to pay the SGST of Telangana State, the Centre has to transfer ₹ 9,000/- to the Telangana State (i.e. importing State).

Revenue to the Centre = ₹ 36,000 – ₹ 9,000 = ₹ 27,000 (i.e. 9%)

Revenue to the State = ₹ 18,000 + ₹ 9,000 = ₹ 27,000 (i.e. 9%)

Total Revenue to the Government = 18%.

3.(a) What is GSP's and ASP's?

(b) What do you understand by Aggregate Turnover as per section 2(6) of the CGST Act?

Answer:

(a) GSP stands for GST Suvidha Provider. A GSP is considered as an enabler for the taxpayer to comply with the provisions of the GST law through its web platform. GSPs develop applications to be used by taxpayers for interacting with the GSTN.

They facilitate the tax payers in uploading invoices as well as filing of returns and act as a single stop shop for GST related services.

Revisionary Test Paper_Dec 2018

They customize products that address the needs of different segment of users. GSPs may take the help of Application Service Providers (ASPs) who act as a link between taxpayers and GSPs.

(b) 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.

So, we can say that —

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 nontaxable 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

The following are some important points:

- (i) The turnover will be computed PAN wise.
- (ii) The partner and partnership firm will have different PAN Nos. Thus the turnover of the partner and partnership firm will not be aggregated.
- (iii) The HUF and individual coparcener of the family have different PAN Nos. Hence, turnover of Karta of HUF in his individual capacity and turnover of Karta as a Karta of HUF will not be aggregated.
- (iv) Supply of goods, after completion of job work, by a registered job worker shall be treated as the supply of goods by the principal referred to in Sec. 143 of the CGST Act, 2017, and the value of such goods shall not be included in the aggregate turnover of the registered job worker. It will be included in the turnover of principal.

4.(a) PQR Ltd. gives Diwali Gifts to employee Mr. R worth ₹ 4,00,000.

- 1. Does it qualify as supply?**
- 2. Would your answer be different if gifts of ₹ 40,000 each are made to 10 employees, thereby, totaling gifts of ₹ 4,00,000 during a financial year.**
- 3. Also specify what would be the treatment of services provided by employee to employer.**

(b) Examine whether following activities would amount to supply under section 7 of CGST Act:

(A) Pratyasa Charitable Trust, a trust who gets the eye treatment of needy people done

Revisionary Test Paper_Dec 2018

free of cost, donates clothes and toys to children living in slum area.

- (B) ABC Manufacturers have a factory in Kolkata and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Kolkata to the Mumbai depot without consideration so that the same can be sold.
- (C) Kaji is an Electronic Commerce Operator in Chennai. His brother who is settled in London is a well-known lawyer. Kaji has taken legal advice from him free of cost with regard to his family dispute.
- (D) Would your answer be different in (C), if Kaji has taken advice in respect of his business unit in Chennai?

Answer:

(a) As per Explanation to Section 15 of CGST Act, 2017, persons shall be deemed to be related persons if such persons are employer and employee. As per Section 7(1)(c) read with Schedule I of CGST Act, 2017, supply of goods or services between related persons is treated as supply even if it is without consideration. However, gifts upto ₹ 50,000 in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both. Thus, —

1. Diwali gifts to employee Mr. R worth ₹ 4,00,000 shall qualify as supply and such supply is leviable to GST.
2. However, small gifts upto ₹ 50,000 per employee during a financial year shall not qualify as supply and shall not, therefore, be liable to GST.
3. Services provided by employee to employer are outside the scope of GST as they are not regarded as supply under Schedule III.

(b) The following are the solutions —

- (A) Section 7 of the CGST Act, inter alia, provides that supply must be made for a consideration except the activities specified in Schedule I and in course or furtherance of business. Since, both these elements are missing, donation of clothes and toys to children living in slum area would not amount to supply.
- (B) Factory and depot of ABC Manufacturers are establishments of two distinct persons. Therefore, supply of goods from Kolkata factory of ABC Manufacturers to Mumbai Depot without consideration, but in course or furtherance of business, is supply under section 7 of the CGST Act.
- (C) In the given case, Kaji has received legal services from his brother free of cost in a personal matter and not in course or furtherance of business, Hence, services provided by Kaji's brother to him would not be treated as supply under section 7 of the CGST Act.
- (D) In the above case, if Kaji has taken advice with regard to his business unit, services provided by Kaji's brother to him would be treated as supply under section 7 of the CGST Act as the same are provided in course or furtherance of business though received from a related person.

5.(a) Sun Ltd. a manufacturer of cosmetic products supplied a package consisting of hair oil (GST Rate - 18%), sun screen cream (GST Rate - 28%), shampoo (GST Rate - 28%) and hair comb (GST Rate -12%). The price per package is ₹ 500 (exclusive of taxes). 12,000

Revisionary Test Paper_Dec 2018

packages were supplied by the company to its dealers. Determine the nature of supply and its tax liability.

(b) Mr. Bagchi, a retailer who keeps no inventories, presents the following expected information for the year -

(1) Purchases of goods: ₹ 50 lakhs (GST @ 5%)

(2) Sales (at fixed selling price inclusive of all taxes): ₹ 60 lakhs (GST on sales @ 5%)

Discuss whether he should opt for composition scheme if composite tax is 1% of turnover. Expenses of keeping detailed statutory records required under the GST Laws will be ₹ 1,20,000 p.a., which shall get reduced to ₹ 45,000 if composition scheme is opted for. Other expenses are ₹ 2,00,000 p.a.

Answer:

(a) This supply would be regarded as mixed supply, since in this case each of the goods in the package have individual identity and can be supplied separately, but are deliberately supplied conjointly for a single consolidated price. The tax rates applicable in case of mixed supply would be the rate of tax attributable to that one supply (goods, or services) which suffers the highest rate of tax from amongst the supplies forming part of the mixed supply.

Therefore, the package will be chargeable to 28% GST.

(b) The cost to the ultimate consumer under two schemes is as under -

Particulars	Normal GST Scheme (₹)	Composition Scheme (₹)
Cost of goods sold (No credit under composition scheme, hence, cost of goods sold will be higher)	50,00,000	52,50,000
Add: Costs of maintaining records	1,20,000	45,000
Add: Normal Expenses	2,00,000	2,00,000
Total Costs	53,20,000	54,95,000
Sales (inclusive of all taxes)	60,00,000	60,00,000
Less: Tax (GST = ₹ 60 lakhs × 5 ÷ 105); (Composite Tax = ₹ 60 lakhs × 1%)	2,85,714	60,000
Sales (net of taxes)	57,14,286	59,40,000
Profit of the dealer (Sales, net of taxes - Total Costs)	3,94,286	4,45,000

Conclusion: It is apparent that while cost to ultimate consumer, in both the cases remains same, the profit of the dealer is higher if the dealer opts for composition scheme. Hence, composition scheme should be opted.

6.(a) Definition of 'goods' specifically includes 'actionable claim'. — What is actionable claim and give some examples.

(b) What are the deemed inter-state supplies according to Sec. 7(5) of IGST Act? Give an example.

Revisionary Test Paper_Dec 2018

Answer:

- (a) "Actionable claim" shall have the meaning assigned to it in section 3 of the Transfer of Property Act, 1882 - section 2(1) of CGST Act.

As per section 3 of Transfer of Property Act, actionable claim means a claim to any debt, other than a debt secured by mortgage of immovable property or by hypothecation or pledge of movable property, or to any beneficial interest in movable property not in possession, either actual or constructive, of the claimant, which the Civil Courts recognize as affording grounds for relief, whether such debt or beneficial interest be existent, accruing, conditional or contingent.

Basically, actionable claim means a claim for any amount receivable (debt) or claim for benefit of any movable property not in possession for which relief can be claimed in Civil Court. Such claim can be assigned/ transferred.

Transfer/assignment of unsecured debt is assignment/ transfer of 'actionable claim'. Claim to secured debt is not actionable claim. Thus, transfer of secured debt through securitization is not assignment of 'actionable claim'. However, it is mere transaction in money or mere transfer of title of immovable property and hence not a 'service'.

An actionable claim can be enforced only through Court of Law and cannot be bought and sold as goods, though it can be assigned.

Actionable claims, other than lottery, betting and gambling are neither as a supply of goods nor a supply of services - Schedule III of CGST Act read with section 7(2)(a) of CGST Act. Thus, only activities relating to lottery, betting and gambling will be subject to GST.

Debt for which action is necessary to realise can only be said to be an actionable claim. Where no action is necessary to realise the debt, it cannot be said to be actionable claim.

An actionable claim would include right to recover insurance money or a partner's right to sue for account of a dissolved partnership or right to claim benefit of a contract not coupled with any liability.

Right to claim provident fund is actionable claim - Official Trustee v. L Chippendale AIR 1944 Cal 335 * Bhupati Mohan Das v. Phanindra Chandra Chakravarty AIT 1935 Cal 756.

Recharge coupon vouchers are sold by distributors of mobile telephone companies. The recharge coupon is for accessing telephone services for pre-determined period of time. Thus, recharge coupon is acknowledgement of receipt of money in advance for providing telecom service in future is actionable claim and hence not subject to sales tax – Bharti Airtel v. ACST (2010) 4 GST 342 = 34 VST 202 (WBTT).

- (b) Deemed inter-state supplies [Sec. 7(5) of IGST Act]:

Revisionary Test Paper_Dec 2018

The following supplies of goods or services or both shall be treated to be a supply in the course of inter-state trade or commerce —

1. when supplier is located in India and place of supply is outside India;
2. supplies to, or supplies by, a SEZ developer or a SEZ unit; or
3. residual supplies i.e., supplies in the taxable territory, —

- ◆ not being an intra-State supply and
- ◆ not covered elsewhere in this section.

Any supply that falls outside the scope of intra-state supply will not escape GST but would be an inter-state supply due to this residual provision.

Examples: Taxable person (non-SEZ) located in Jaipur (Rajasthan) supplying goods to SEZ unit located in Jodhpur (Rajasthan) is a supply in course of inter-state trade or commerce. Lease of premises by SEZ developer in Chennai to SEZ unit in that same zone in Chennai will be a supply in the course of inter-state trade or commerce. Export of goods by an SEZ unit to a customer in Italy is a supply in course of inter- state trade or commerce.

7.(a) Akash Ltd., owns a hotel at Lodhi Road, Delhi. From the information given below, find out GST liability pertaining to these transactions -

Name of guest	Declared tariff of the room	Discount given	Extra charge (for permitting extra guest)	Amount charged before GST
A	Standard room : ₹ 900	10%	₹ 200	₹ 1,010
B	Club room : ₹ 2,500	5%	-	₹ 2,375
C	Deluxe room : ₹ 7,000	20%	₹ 2,000	₹ 7,600
D	Deluxe room : ₹ 7,000	40%	-	₹ 4,200
E	Tower room : ₹ 10,000	40%	₹ 1,000	₹ 7,000

The following GST rates are applicable for the hotel industry:
12%, 18% and 28%.

(b) Determine GST liability on the following services provided by the Central Government to various persons for the month of April 2018 —

1. Services to P Ltd. (J&K), whose turnover of 2017-18 is ₹ 20 lakhs: ₹ 60,000
2. Fee charges from Q Ltd. for regulation of land use in Union Territories. Turnover of Q Ltd. for 2017-18 is ₹ 19 lakhs: ₹ 1,20,000.
3. Services to State Government of Bihar and to Municipal Corporation of Kolkata in relation to some business activity of the service recipient: ₹ 3,00,000 each
4. Fee for Passport and Visas: ₹ 4,00,000 (including ₹ 1,50,000 for individuals)
5. Services to R Ltd., whose turnover of 2017-18 is ₹ 30 lakhs: ₹ 4,500
6. Fines and Damages collected from S Ltd. for non-performance of a contract: ₹ 7,60,000
7. Fee for safety check relating to protection/ safety of workers working in factories : ₹ 10,00,000

Revisionary Test Paper_Dec 2018

8. **Fines and Penalties for violation of various laws (collected from various business entities): ₹ 9,00,000**
9. **Assignment of natural resources to farmers for agricultural purposes : ₹ 8,00,000**
10. **Overtime Charges collected by customs for clearance on holidays/ during night: ₹ 7,50,000.**

Answer:

(a) In the case of hotel accommodation, GST rate depends upon declared tariff of the unit (i.e., rate published by the hotel). These rates are as follows -

	GST rate
Accommodation in a hotel for residential purposes having declared tariff	
(a) Less than ₹ 1,000 per unit per day	Nil
(b) ₹ 1,000 (or more) but less than ₹ 2,500 per unit per day	12%
(c) ₹ 2,500 (or more) but less than ₹ 7,500 per unit per day	18%
(d) ₹ 7,500 (or more) per unit per day (it also includes accommodation in a 5 star hotel)	28%

In the given problem, standard room is not subject to GST (declared tariff being less than ₹ 1,000 per unit per day). Club room is subject to GST @ 18%. Deluxe room is also subject to GST @ 18%. However, GST @ 28% will be applicable in the case of tower room (tariff being ₹ 7,500 or more per unit per day). GST computation in these cases will be as follows -

Name of guest	Amount charged before GST (₹)	GST rate	GST	
			CGST (₹)	SGST (₹)
A	1,010	Nil	Nil	Nil
B	2,375	18%	213.75	213.75
C	7,600	18%	684	684
D	4,200	18%	378	378
E	7,000	28%	980	980

(b) The tax implications are [Entries are of Exemption Notification No. 12/2017, CT (Rate)]—

1. Exempt [Entry 7]: Service to business entity with turnover upto ₹ 20 lakhs in preceding financial year is exempt.
2. Exempt [Entry 4]: Service relating to municipal function viz. regulation of land use is exempt.
3. Exempt [Entry 8]: Inter-governmental services to State Govt. or local authorities are exempt.
4. Exempt [Entry 61]: Services: (a) to business entities are exempt; and (b) to others, are also exempt.
5. Exempt [Entry 9]: Charges for services upto ₹ 5,000 are exempt.
6. Exempt [Entry 62]: Fines and Damages collected for non-performance of a contract are exempt.
7. Exempt [Entry 47]: Fee for safety check relating to protection/safety of workers is exempt.
8. Not service: Fines/Penalties for violation of various laws does not amount to service and not taxable.
9. Exempt [Entry 63]: Assignment of natural resources to farmers for agricultural purposes is exempt.

Revisionary Test Paper_Dec 2018

10. Exempt [Entry 65]: Overtime charges collected by customers are exempt.

8.(a) Discuss whether the following services are chargeable to GST –

1. FIFA hires the services of Macro Ltd., an event management company, for organizing FIFA U-17 World Cup 2017. X Ltd. will provide this service against consultancy fee of ₹ 4 crores.
2. Transport of passengers by air-conditioned stage carriage: ₹ 2,50,000
3. Mr. Roy owns a piece of agricultural land. It is given on rent to Zambo Ltd. Zambo Ltd. pays monthly rent of ₹ 2 lakhs and land is used by it for plantation of black pepper.

(b) Calculate the value of taxable service of Delta Transport Company engaged in the business of transport of goods by road. Give reasons for taxability or exemption of each item. No freight is received from any of the specified category of consignor/consignee. Suitable assumptions may be made wherever required. Rate of GST is 5%, if Delta does not avail input credit. Delta has decided to opt it:

1. Total freight charges received by Delta during the year: ₹ 13,50,000
2. Freight charges received for transporting fruits: ₹ 1,50,000
3. Freight collected for transporting small consignment for persons who paid less than ₹ 750 for each consignment: ₹ 75,000
4. Freight collected for transporting goods in small vehicles for persons who paid less than ₹ 1,500 per trip: ₹ 1,50,000.

Answer:

(a)

1. Service for organizing FIFA U-17 World Cup 2017 - Services provided by and to FIFA and its subsidiaries directly or indirectly related to any of the events under FIFA U-17 World Cup 2017 are exempt from GST vide Exemption Notification No. 12/2017 – CT (Rate), dated 28.06.2017 (Entry 9A) (inserted vide notification no. 25/2017-CT Rate, 21.09.17).
2. Transport of passengers by air-conditioned stage carriage - Transport of passengers by non-air conditioned stage carriage is exempt from GST vide Exemption Notification No. 12/2017 – CT (Rate), dated 28.06.2017 (Entry 15). This exemption is not available if service is provided by air-conditioned stage carriage.
3. Renting of land - Renting of land for agricultural purposes is exempt from GST vide Exemption Notification No. 12/2017 – CT (Rate), dated 28.06.2017 (Entry 54).

(b) Computation of taxable value (assuming no small service provider exemption available):

	₹
Total freight charges received by 'X' during the year	13,50,000
Less: Transport of fruits - Exempt, as fruits are agricultural produce	(1,50,000)
Freight collected for transporting small consignment for persons who paid less than ₹ 750 for each consignment - Exempt, as amount per consignment is upto ₹ 750	(75,000)
Freight collected for transporting goods in small vehicles for persons who paid less than ₹ 1,500 per trip - Exempt, as amount per trip doesn't exceed ₹ 1,500	(1,50,000)
Taxable sum	9,75,000
GST @ 5% (as GTA does not avail input credit)	48,750

Revisionary Test Paper_Dec 2018

9.(a) M/s. Abhinav Properties registered under GST as taxable person is engaged in the business of renting various immovable properties owned by it. During the month ending 31-03-2018, it collected a rent of ₹ 5,00,000. The said sum includes rent from:

- (1) Vacant land used for agriculture: ₹ 50,000;
- (2) Land used for Famous Circus: ₹ 95,000;
- (3) Houses let to individuals for residential purposes: ₹ 70,000 ;
- (4) Building let to M/s. Light House Hotel: ₹ 45,000;
- (5) Vacant land, given on lease to M/s. Pierce Ltd. for construction of building at a later stage to be used for furtherance of business or commerce: ₹ 40,000;
- (6) Premises let to a temple trust: ₹ 40,000;
- (7) Premises let to a coaching centre: ₹ 80,000 ;
- (8) Building let to a theatre: ₹ 80,000.

Compute the amount of GST payable by the firm, assuming that the rent is exclusive of GST, if any, applicable in each case. Rate of GST - 18%. Make suitable assumptions.

(b) Discuss whether the Composition Scheme is possible in the cases given below –

1. Mr. Black is in the business of manufacture of garments. He is registered under GST under normal provisions. His annual turnover is not more than ₹ 80 lakhs. With effect from October 1,2017, he wants to opt for Composition Scheme. He owns a flat in a commercial building and gets monthly rent of ₹ 10,000.
2. Mr. White is in the business of manufacture of hand bags (made of synthetic leather). His turnover is not more than ₹ 1 crore. He sells his entire stock through Redmix, an electronic commerce operator. He is registered under normal provisions of GST. His consultant advises him to opt for Composition Scheme. Can he do so with effect from November 1, 2017.

Answer:

(a) Computation of GST payable (amount in ₹)-

Total Rent	5,00,000
Less:	
(1) Rent from vacant land used for agriculture [Exempt vide Entry No. 54 of Exemption Notification No. 12/2017-CT (R)]	50,000
(2) Rent from land used for Famous Circus [Liable to GST] [Taxable]	—
(3) Properties let for residential purposes [Exempt vide Entry No. 12 of Exemption Notification No. 12/2017-CT (R)]	70,000
(4) Building let to Light House Hotel [Liable to GST] [Taxable]	—
(5) Vacant land, given on lease to M/s. Pierce Ltd. for construction of building at a later stage to be used for furtherance of business or commerce [Liable to GST] [Taxable]	—
(6) Premises let to a religious body being temple trust [Liable to GST] [Taxable]	—
(7) Premises let to a coaching centre [Liable to GST] [Taxable]	—
(8) Building let to a theatre [Liable to GST] [Taxable]	—
Total Taxable Value of Supply	3,80,000
GST payable @ 18%	68,400

(b)

1. Mr. Black has income from manufacture of garments. Besides, he has rental income from

Revisionary Test Paper_Dec 2018

commercial property which is chargeable to GST. Since he supplies both goods and services, he is not eligible for Composition Scheme. In the case of supply of services, Composition Scheme is applicable only in the case of restaurant service.

- Mr. White cannot opt for Composition Scheme. Section 10(2)(d) of the CGST Act debars a person who is engaged in making any supply of goods through an electronic commerce operator to opt for Composition Scheme.

10.(a) Texco Ltd. provided works contract services in November, 2017 as per following details:

Particulars	₹
(i) Installation of machinery	2,00,000
(ii) Completion and finishing service plastering (of a building)	1,25,000
(iii) Repairs of machinery	50,000
(iv) Additions to damaged structure	2,35,000
(v) Installation of electrical fittings of immovable property	75,000

You are required to compute the taxable value of services and GST payable thereon for the month of November, 2017 assuming rate of GST is 18%.

- (b) State the various types of activities/ services which are covered within the exemption under the heading 'agricultural activities'.**

Answer:

- (a) Computation of value of taxable supply of services of Texco Ltd. and GST payable:**

(amount in ₹)

Installation of machinery	2,00,000
Completion and finishing service plastering (of a building)	1,25,000
Repairs of machinery	50,000
Additions to damaged structure	2,35,000
Installation of electrical fittings of immovable property	75,000
Total Value of taxable supply	6,85,000
GST payable @ 18%	1,23,300

- (b) The following activities/ services are covered within the exemption under the heading 'agricultural activities':**
- agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing;
 - supply of farm labour;
 - processes carried out at agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market;
 - renting or leasing of agro machinery or vacant land with or without a structure incidental to its use;
 - loading, unloading, packing, storage or warehousing of agricultural produce;
 - agricultural extension services;
 - services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce,
 - services by way of fumigation in a warehouse of agricultural produce.

Revisionary Test Paper_Dec 2018

11.(a) Santa Ltd. received the following sums (exclusive of taxes). Compute taxable value (Ignore threshold exemption) -

- (1) Printing of books where printing and paper belongs to Santa Ltd. and only matter is supplied by author: ₹ 5 lakhs.
- (2) Manufacture of taxable goods: Value of goods is ₹ 10 lakhs and job-work charges were ₹ 4 lakhs ;
- (3) Job-work in relation to agriculture: ₹ 2 lakhs ;
- (4) Job-work on jewellery items: ₹ 10 lakhs ;
- (5) Job-work of textile processing: ₹ 2 lakhs.
- (6) Job-work on food products: ₹ 10 lakhs.

(b) Mr. Kamal who has entered into a roll over contract, approached ABC Bank for selling US \$ 35,000 at the rate of ₹ 60 per US \$. RBI reference rate for US \$ is ₹ 60.50 per US \$ at that time. However, rate of exchange declared by CBEC for the day is ₹ 61.50 per US \$. Calculate the value of taxable supply.

Answer:

(a) Computation of GST liability

	₹
Printing services where printing and paper belongs to P Ltd. and only matter is supplied by author	5,00,000
Job-work charges for manufacture [no exemption]	4,00,000
Job-work in relation to agriculture is exempt	—
Job-work on jewellery items	10,00,000
Job-work of textile processing	2,00,000
Job-work on food products	10,00,000
Total	31,00,000

(b) Rule 32(2)(a) of CGST Rules, 2017, provides the manner of determination of the value of taxable supply so far as it pertains to purchase or sale of foreign currency, including money changing. The value of service for a currency, when exchanged from, or to, Indian Rupees (INR), shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India (RBI) reference rate for that currency at that time, multiplied by the total units of currency. CBEC rate has no relevance for determining the value of taxable supply of service.

Hence, the value of taxable supply = (RBI reference rate for \$ - Buying rate for \$) × Total units of US \$

$$= ₹ (60.50 - 60) \times 35,000 = ₹ 0.50 \times 35,000$$

The taxable value shall be ₹ 17,500.

12.(a) Narayani General Insurance Company pays insurance commission to Zed (an insurance agent of the company) as follows -

Date when service is provided by Zed	Date of invoice	Amount of commission ₹	Date of payment of commission by Narayani General Insurance Co.
15.07.2017	15.07.2017	1,25,000	23.07.2017

Revisionary Test Paper_Dec 2018

16.07.2017	19.07.2017	2,17,000	16.09.2017
17.08.2017	17.08.2017	80,000	01.02.2018
18.10.2017	11.10.2017	73,000	08.12.2017
19.02.2018	19.02.2018	4,00,000	25.03.2018

Find out the due date of payment of GST by Narayani General Insurance Co.

(b) Determine the time of supply in each of the following independent cases in accordance with provisions of Section 12 of the CGST Act, 2017 in case supply involves movement of goods.

Sl. No.	Date of Removal	Date of invoice	Date when goods made available to recipient	Date of receipt of payment
1.	01-10-2018	03-10-2018	03-10-2018	15-11-2018
2.	05-10-2018	01-10-2018	04-10-2018	25-11-2018
3.	25-11-2018	25-11-2018	27-11-2018	17-11-2018

Answer:

(a) Due date of payment of GST depends upon "time of supply". If time of supply falls during the current month, GST should be paid by 20th day of succeeding month. If time of supply is November 4, 2017, GST should be paid on or before December 20, 2017. In the case of commission to an insurance agent, GST is payable under reverse charge mechanism. For this purpose, time of supply is date of payment of commission or the next day immediately after 60 days from the date of invoice, whichever is earlier.

The due date of payment of GST by Narayani General Insurance Co. will be as follows -

Date of invoice	Amount of commission ₹	Date of payment of commission by Tata AIG General Insurance Co.	Next day immediately following the expiry of 60 days from the date of invoice (Column 1 + 61 days)	Time of supply (Column 3 or Column 4, whichever is earlier)	Due date of payment of GST
(1)	(2)	(3)	(4)	(5)	(6)
15.07.2017	1,25,000	23.07.2017	14.09.2017	23.07.2017	20.08.2017
19.07.2017	2,17,000	16.09.2017	18.09.2017	16.09.2017	20.10.2017
17.08.2017	80,000	01.02.2018	17.10.2017	17.10.2017	20.11.2017
11.10.2017	73,000	08.12.2017	11.12.2017	08.12.2017	20.01.2018
19.02.2018	4,00,000	25.03.2018	21.04.2018	25.03.2018	20.04.2017

(b) Time of supply of goods in each of the cases has been given in following table —

Revisionary Test Paper_Dec 2018

Sl. No.	Date of Removal	Date of invoice	Date when goods made available to recipient	Date of receipt of payment	Time of supply	Reason
1.	01-10-2018	03-10-2018	03-10-2018	15-11-2018	01-10-2018	Since, invoice is not issued on or before the date of removal of goods, hence time of supply is date of removal of goods.
2.	05-10-2018	01-10-2018	04-10-2018	25-11-2018	01-10-2018	Time of supply is date of issuance of invoice since invoice is issued prior to date of removal of goods.
3.	25-11-2018	25-11-2018	27-11-2018	17-11-2018	25-11-2018	Time of supply is date of issue of invoice. Advance received is not liable to be taxed at the time of receipt <i>vide</i> Notification No. 66/2017-CT dated 15-11-

13.(a) Determine Time of Supply in the following cases –

Sl. No.	Date of Provision of Services	Date on which payment is entered in Books of Accounts (DoPE)	Date on which payment is credited to Bank Account (DoPB)	Date of invoice
1	10/08/2018	09/09/2018	06/09/2018	19/08/2018
2	10/08/2018	10/09/2018	11/09/2018	15/09/2018
3	10/08/2018	05/08/2018	06/08/2018	17/08/2018
4	10/08/2018	05/08/2018	04/08/2018	17/08/2018

(b) Mr. X buys a motor car from a car dealer. Mr. X has made payment for the same and car dealer has issued an invoice in respect of the same on 25-10-2017. The car was to be delivered on 01-11-2017 on occasion of his birthday. On 26-10-2017, the rate of tax applicable to motor car was revised upward, and the car dealer is demanding differential amount of tax. Is this correct on dealer's part? Justify.

Answer:

(a) The Time of Supply shall be –

Sl. No.	Date of Provision of Services (DoS)	Date of invoice (DoI)	Date of Payment (DoP) = Earlier of DoPE or DoPB	Time of Supply
1	10/08/2018	19/08/2018	06/09/2018	19/08/2018 [DoI, as invoice issued within 30 days of DoS]

Revisionary Test Paper_Dec 2018

2	10/08/2018	15/09/2018	10/09/2018	10/08/2018 [DoS, as invoice not issued within 30 days of DoS]
3	10/08/2018	17/08/2018	05/08/2018	05/08/2018 [DoP, as payment received before DoI]
4	10/08/2018	17/08/2018	04/08/2018	04/08/2018 [DoP, as payment received before DoI]

- (b) No the car dealer is not correct in demanding differential amount of tax. The revised rate of tax is not applicable to the transaction, as the issuance of invoice as well as receipt of payment occurred before the supply. Therefore, in terms of Section 14(b)(ii) of the CGST Act, the time of supply is earlier of the two events namely, issuance of invoice or receipt of payment, both of which are before the change in rate of tax, and thus, the old rate of tax remains applicable.

14.(a) How is the place of supply determined in respect of domestic transactions where supply involves movement of goods? Give an example.

(b) What do you mean by location of the supplier of services in the context of place of supply?

Answer:

- (a) Determination of place of supply in respect of domestic transactions where Supply involves Movement of Goods: As per Section 10(1)(a) of the IGST Act, in case of supply involving movement of goods, the place of supply is the location of the goods at the time when the movement of goods terminates for delivery to the recipient.

The 'location of the goods' is a question of fact to be ascertained by observing the journey that the goods supplied make from their origin from supplier to termination with the recipient. This movement, however, can be undertaken by the supplier or recipient or even any other person after having disclosed the destination of the movement of goods.

It is important to understand that this provision does not apply in cases where there is no movement of goods. Also, the provision does not link itself to transfer of property in goods but to the movement of the goods.

Examples:

- (i) Mr. A of Jaipur, Rajasthan sells 17 air-conditioners to Mr. B of Nasik, Maharashtra for delivery at Mr. B's place of business in Nasik. The place of supply is Nasik in Maharashtra.
- (ii) Mr. Z of Alwar, Rajasthan sells 15 motor pumps to Mr. T of Surat, Gujarat for delivery at Mr. T's place of business in Surat. The place of supply is Surat.

(b) 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.

Revisionary Test Paper_Dec 2018

- 15.(a) The Sultan Group being an event organizer located at New Delhi organized Miss India 2017 beauty pageant in India in the following Cities for M/s Femina Miss India a registered person located in Mumbai:

City	No. of Days	Fee in ₹
New Delhi	12	12 crores
Chennai	18	18 crores
Mumbai	30	30 crores
Total	60	60 crores

Find the place of supply of service if contract specifies clear details.

Find the place of supply of service if contract specifies lump sum amount of ₹ 48 crores.

- (b) Mr. A of Pune, booked online for the Tiger Safari at the Ranthambor National Park and hired a jeep to be taken around for the safari. Determine the place of supply for the services.

Answer:

- (a) The place of supply of service if contract specifies clear details:

City	No. of Days	₹ in crore	Location of supplier of service	Place of supply of service = where the respective event is held.	GST
New Delhi	12	12	New Delhi	New Delhi	CGST & SGST
Chennai	18	18	New Delhi	Chennai	IGST
Mumbai	30	30	New Delhi	Mumbai	IGST
Total	60	60			

The place of supply of service if contract specifies lump sum amount:

City	No. of Days	₹ in crore	Location of supplier of service	Place of supply of service = where the respective event is held.	GST
New Delhi	12	9.6	New Delhi	New Delhi	CGST & SGST
Chennai	18	14.4	New Delhi	Chennai	IGST
Mumbai	30	24	New Delhi	Mumbai	IGST
Total	60	48.00			

- (b) Here, there are two kinds of supply of services- first admission to the park and second hiring of the jeep. As per the provisions of Section 12(6) of the IGST Act, the place of supply of services by way of admission to an amusement park or any other place shall be the location of the park, here Ranthambor (Rajasthan). The service of hiring of the jeep is ancillary to the service of admission to the park as the same is provided to make the visit more convenient. Hence, the provisions of Section 12(6) shall apply thereon and the place of supply shall be the place of location of the park being Ranthambor (Rajasthan).

- 16.(a) Describe the meaning of related person in the context of value of supply.

Revisionary Test Paper_Dec 2018

- (b) Smriti Advertisers conceptualised and designed advertising campaign for a new product launched by Ananda Pvt. Ltd. for a consideration of ₹ 5,00,000. Smriti Advertisers owed ₹ 50,000 to one of its vendors in relation to the advertising service provided by it to Ananda Pvt. Ltd. Such liability of Smriti Advertisers was discharged by Ananda Pvt. Ltd. Ananda Pvt. Ltd. delayed the payment of consideration and thus, paid ₹ 15,000 as interest. Determine the value of taxable supply made by Smriti Advertisers.**

Answer:

- (a)** Explanation (a) to section 15 of the CGST Act states that for the purposes of CGST Act, persons shall be deemed to be “related persons” if—
- (i) such persons are officers or directors of one another's businesses;
 - (ii) such persons are legally recognized partners in business;
 - (iii) such persons are employer and employee;
 - (iv) any person directly or indirectly owns, controls or holds 25% or more of the outstanding voting stock or shares of both of them;
 - (v) one of them directly or indirectly controls the other;
 - (vi) both of them are directly or indirectly controlled by a third person;
 - (vii) together they directly or indirectly control a third person; or
 - (viii) they are members of the same family;

Explanation (b) states that the term “person” also includes legal persons.

Explanation (c) states that persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

- (b)** Computation of value of taxable supply

Service charges	5,00,000
Payment made by Ananda Pvt. Ltd to vendor of Smriti Advertisers [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15(2)(b) of the CGST Act]	50,000
Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d) of the CGST Act]	15,000
Value of taxable supply	5,65,000

- 17.(a) State the situations when a registered person who has availed input tax credit opts for Composition Scheme.**

- (b) Shine Ltd. is in the business of manufacture of freezing equipment for domestic market. It is located in Jamshedpur, Jharkhand. During December 2017, it has acquired the following -**

	Taxable value of inward supply (₹)	GST charged by supplier (₹)

Revisionary Test Paper_Dec 2018

Steel (to be used as raw material in factory)	1,00,000	18,000
Spray guns (to be used in factory)	90,000	16,200
Solar lamps (to be used in office)	1,00,000	5,000
Soft drink concentrates (to be used in office canteen)	20,000	3,600
Soya milk drinks (to be used in factory canteen)	20,000	2,400
Truck (for transportation of manufacture goods from factory to godown)	19,00,000	5,32,000
Lift (installed in office premises and mainly used by office)	17,50,000	3,15,000

Calculate the amount of input tax credit available to Shine Ltd. for December 2017. Assume that conditions for claiming input tax credit are satisfied. Annual turnover of Shine Ltd. is generally more than ₹ 40 crore.

Answer:

(a) Section 18(4) of the CGST Act covers the following two cases -

1. When any registered person who has availed input tax credit opts to pay tax under Composition Scheme.
2. Where the goods/services supplied by a registered person become wholly exempt.

In these two cases, the registered person shall pay an amount (by way of debit in the electronic credit ledger or electronic cash ledger) equivalent to the credit of input tax in respect of -

1. inputs held in stock;
2. inputs contained in semi-finished goods;
3. inputs contained in finished goods, and
4. capital goods.

This payment shall be made in respect of inputs held on the day immediately preceding the date of exercising of such option or, as the case may be, the date of such exemption. After payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.

(b) Computation of input tax credit available to Shine Ltd. for December 2017 -

Different items	Reasons	₹

Revisionary Test Paper_Dec 2018

Steel	Used in factory in course or furtherance of business of Shine Ltd. (input tax credit available)	18,000
Spray guns	Used in factory in course or furtherance of business of Shine Ltd. (input tax credit available)	16,200
Solar lamps	Used in office in course or furtherance of business of Shine Ltd. (input tax credit available)	5,000
Soft drink	Input tax credit on food and beverages not available under section 17(5)(b) of the CGST Act, even if it is used for office canteen	—
Soya milk	Input tax credit on food and beverages not available under section 17(5)(b), even if it is used for factory canteen	—
Truck	Truck (for transportation of goods) is eligible (this rule is applicable even if Shine Ltd. is not in the business of transportation of goods)	5,32,000
Lift	Used in office in course or furtherance of business of Shine Ltd. (input tax credit available)	3,15,000
Total		8,86,200

18.(a) Compute the Input tax credit available with Best Motors Ltd, manufacturer of cars, in respect of the following services availed by it in the month of October, 2017:

S. No.	Services billed	GST paid (₹)
(i)	Accounting and Auditing Services	10,000
(ii)	Health insurance services for employees (Services are not provided under Government obligation)	11,500
(iii)	Routine maintenance of the cars manufactured by Best Motors Ltd.	5,300
(iv)	Repair services for office building (cost of repair is charged to Profit & Loss Account)	15,000
(v)	Hotel accommodation and Conveyance facility to employees on vacation	8,900
(vi)	Testing services availed for car engines	9,000

(b) Mr. Jeet, a manufacturer engaged in supplying exempted as well as taxable goods. On 25th September, 2017 he purchased capital goods on which IGST paid ₹ 72,000, which were used for making exempted supplies. On 11th April, 2018 he used such capital Goods for purpose of supplying both taxable as well as exempted supplies (i.e. partly for taxable and partly for exempted supplies). Determine implication on ITC.

Answer:

(a) Computation of Input tax credit available with Best Motors Ltd.:

Particulars	₹
Accounting and Auditing Services (credit is eligible since such services are used in course of business)	10,000

Revisionary Test Paper_Dec 2018

Health insurance services provided to employees (Services are not provided under Government obligation) [No input tax credit shall be available in respect of health insurance services availed for employees since the Government has not notified the said services as obligatory services to be provided to employees.]	Nil
Routine maintenance of the cars manufactured by Best Motors Ltd. (Input tax credit eligible since such services are used in course of business)	5,300
Repair services for office building, cost of which is charged to Profit and Loss Account (Repairs are revenue in nature, hence, credit of tax paid shall be available)	15,000
Hotel accommodation and conveyance facility for employee on vacation [No input tax credit shall be allowed on services extended to employees on vacation]	Nil
Testing services availed for car engines (credit is eligible since such services are used for business)	9,000
Total input tax credit available	39,300

- (b) As per Rule 43 of the CGST Rules, 2017, where any capital goods earlier used for exempted supplies are subsequently used for providing taxable supplies also, then the eligible input tax credit shall be arrived at by reducing the input tax at the rate of 5% points for every quarter or part thereof i.e., ₹ 57,600 (₹ 72,000 - (5% × 4 quarters × ₹ 72,000) shall be credited to the electronic credit ledger.

Amount of input tax credit attributable to April, 2018 on common capital goods during their useful life = (₹ 57,600)/60 i.e., ₹ 960.

[Note: As per Section 2(92) of the CGST Act, "quarter" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year. Here, 4 quarters taken as the Quarter ending on September 2017, December 2017, March 2018 and quarter beginning from April 2018.]

- 19.(a) A garment factory receives a Govt., order for making uniforms for a commando unit. This supply is exempt from tax under a special notification. Fabric is separately procured for supply, but thread and lining material for collars are the ones which are used for other taxable products of factory. Turnover of other products of factory and exempted uniforms in July is ₹ 4 crore and ₹ 1 crore respectively, the ITC on thread and lining material procured in July is ₹ 10,000 and ₹ 15,000 respectively. Calculate the eligible ITC on thread and lining material.**

- (b) Explain the manner of distribution of credit by Input Service Distributor (ISD).**

Answer:

- (a) Thread and lining material are inputs which are used for making taxable as well as exempt supplies. Therefore, credit on such items will be apportioned and credit attributable to exempt supplies will be added to the output tax liability in terms of rule 42 of the CGST Rules, 2017. Credit attributable to exempt supplies = Common credit × (Exempt turnover ÷ Total turnover).

Revisionary Test Paper_Dec 2018

Common credit = ₹ 10,000 + ₹ 15,000 = ₹ 25,000.

Exempt turnover = ₹ 1 crore; Total turnover = ₹ 5 crores [₹ 1 crore + ₹ 4 crores]

Credit attributable to exempt supplies = (₹ 1 crore ÷ ₹ 5 crores) × ₹ 25,000 = ₹ 5,000. Ineligible credit of ₹ 5,000 will be added to the output tax liability for the month of July. Credit of ₹ 20,000 will be eligible credit for the month of July.

(b) Manner of distribution of credit by Input Service Distributor:

The Input Service Distributor (ISD) shall distribute the credit of central tax as central tax or integrated tax and integrated tax as integrated tax or central tax, by way of issue of a document containing the amount of input tax credit being distributed in such manner as may be prescribed.

The Input Service Distributor may distribute the credit subject to the following conditions, namely:—

1. the credit can be distributed to the recipients of credit against a document containing such details as may be prescribed;
2. the amount of the credit distributed shall not exceed the amount of credit available for distribution;
3. the credit of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient;
4. the credit of tax paid on input services attributable to more than one recipient of credit shall be distributed amongst such recipients to whom the input service is attributable and such distribution shall be pro rata on the basis of the turnover in a State or turnover in a Union Territory of such recipient, during the relevant period, to the aggregate of the turnover of all such recipients to whom such input service is attributable and which are operational in the current year, during the said relevant period;
5. the credit of tax paid on input services attributable to all recipients of credit shall be distributed amongst such recipients and such distribution shall be pro rata on the basis of the turnover in a State or turnover in a Union Territory of such recipient, during the relevant period, to the aggregate of the turnover of all recipients and which are operational in the current year, during the said relevant period.

20.(a) State the procedure for amendment of registration.

(b) Mr. Balaji of Rajasthan has affected following supplies within the State of Rajasthan. You are required to determine whether he is required to obtain registration under GST law.

Particulars	₹
Intra-State supply of goods agricultural produce grown out of cultivation of land by family members	15,00,000
Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017	5,00,000
Intra-State supply of goods chargeable with GST @ 5%	9,50,000

Answer:

(a) Where there is any change in any of the particulars furnished in the application for registration, the registered person shall, within a period of 15 days of such change, submit an application electronically in Form GST REG-14, along with the documents relating to such change.

Revisionary Test Paper_Dec 2018

- Within 15 days, the proper officer can issue electronically amendment order in Form GST REG-15. This amendment order is possible where the change relates to -
 - Legal name of business.
 - Address of the principal place of business or any additional place(s) of business.
 - Addition, deletion or retirement of partners or directors, Karta, Managing Committee, Board of Trustees, Chief Executive Officer or equivalent, responsible for the day to day affairs of the business.
- Where a change in the constitution of any business results in the change of the PAN of a registered person, the said person shall apply for fresh registration in Form GST REG-01.
- Where the proper officer is of the opinion that the amendment sought is not warranted (or the documents furnished therewith are incomplete), he may, within a period of 15 working days serve a notice in Form GST REG-03. This show cause notice can be replied within a period of 7 working days (reply can be sent in Form GST REG-04).
- The proper officer can reject the application (if the reply not satisfactory or if there is no reply).
- If the proper officer fails to take action within the time-limits given above, the certificate of registrations stand amended to the extent applied for and the amended certificate shall be made available to the registered person on the common portal.

(b) Computation of aggregate value of taxable supplies (amount in ₹):

Intra-state supply of goods agricultural produce grown out of cultivation of land by family members [WN-1]	Nil
Intra-state supply of goods which are wholly exempt from GST u/s 11 of the CGST Act, 2017 [WN-2]	5,00,000
Intra-State supply of goods chargeable with GST @ 5% [WN-3]	9,50,000
Total Value of supplies	14,50,000

Working Notes:

- (1) An agriculturalist is not liable to obtain registration under the Act to the extent of supply of produce out of cultivation of land. In computing aggregate turnover, intra-state supply of goods agricultural produce grown out of cultivation of land by family members shall not be included.
- (2) Intra-state supply of goods which are wholly exempt from GST under Section 11 of CGST Act, 2017 is to be included since the same is specifically included in the definition of aggregate turnover.
- (3) Intra-state supply of goods chargeable with GST @ 5% is specifically included for determination of aggregate turnover.

Since the aggregate turnover does not exceed ₹ 20,00,000, hence Mr. Balaji is not required to obtain registration under GST law.

21.(a) ABC Ltd. has two manufacturing units located in West Bengal. One unit located in Nayabad is engaged in manufacture of yarn and another unit located in Asansol is engaged in manufacture of fabric. Can separate registration be granted for its two units though located in same state? Explain.

(b) State the circumstances which lead to cancellation of registration.

Revisionary Test Paper_Dec 2018

Answer:

- (a)** According to Section 25(2) of CGST Act, 2017, a person having multiple business verticals in a State or Union Territory may be granted a separate registration for each business vertical, subject to such conditions as may be prescribed. In this case, both the units are supplying different goods, thus falls under separate business verticals, hence will be granted separate registration.
- (b)** Circumstances leading to cancellation:
The proper officer may, either on his own motion or on an application filed by the registered person or by legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed, having regard to the circumstances where,—
1. the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of; or
 2. there is any change in the constitution of the business; or
 3. the taxable person [other than the person voluntarily registered], is no longer liable to be registered under section 22 or section 24 of the CGST Act.

22.(a) Explain the provisions relating to issuance of invoice in case of reverse charge or purchases from unregistered supplier.

(b) Write short note on:

- (i) Harmonized System of Nomenclature (HSN)**
- (ii) Contents of Receipt Voucher.**

Answer:

(a) The relevant provisions are discussed as under —

- (1) Purchases from unregistered supplier or under reverse charge - Buyer to prepare an Invoice: A registered person who is liable to pay tax under Section 9(3)/(4) of the CGST Act shall issue an invoice in respect of goods or services or both received by him from the supplier who is not registered on the date of receipt of goods or services or both. [Section 31(3)(f) of the CGST Act]

Thus, a recipient liable to pay tax by virtue of Section 9(3) has to issue invoice only when supplies have been received from an unregistered supplier.

It is important to note here that intra-state/ inter-state supplies of goods and/ or services received by a registered person from an unregistered supplier are exempt from tax till 30-06-2018 irrespective of the amount of purchases.

- (2) Issuance of Payment Voucher: A registered person who is liable to pay tax under Section 9(3)/ (4) shall issue a payment voucher at the time of making payment to the supplier. [Section 31(3)(g)]
- (3) Contents of Payment Voucher: A payment voucher referred to in Section 31(3)(g) shall contain the following particulars, namely:-

Revisionary Test Paper_Dec 2018

- (i) name, address and GSTIN of the supplier if registered;
- (ii) a consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
- (iii) date of its issue;
- (iv) name, address and GSTIN of the recipient;
- (v) description of goods or services;
- (vi) amount paid;
- (vii) rate of tax (central tax, state tax, integrated tax, union territory tax or cess);
- (viii) amount of tax payable in respect of taxable goods or services (central tax, state tax, integrated tax, union territory tax or cess);
- (ix) place of supply along with the name of State and its code, in case of a supply in the course of inter-state trade or commerce; and
- (x) signature or digital signature of the supplier or his authorised representative.

(b)(i) Harmonized System of Nomenclature (HSN) - Harmonized System of Nomenclature (HSN) was developed by the World Customs Organization (WCO) with the vision of classifying goods all over the World in a systematic manner. HSN contains six digit uniform code that classifies over 5,000 products and which is accepted worldwide. India is using HSN in indirect taxes since 1986. Indian version is a much more detailed classification that added another two digits to the 6-digit structure. Under GST regime, suppliers of goods/ services are required to follow a 3-tiered structure of HSN as follows -

If annual turnover of the supplier (in the immediately preceding financial year) is -

- up to ₹ 1.50 crore, the supplier need not mention HSN in the invoice,
- more than ₹ 1.50 crore but up to ₹ 5 crore, the supplier shall use 2 digit HSN code,
- more than ₹ 5 crore, the supplier should use 4 digit HSN codes

Those persons who are in the business of imports or exports, shall mandatorily follow 8 digit HSN code.

(ii) Contents of Receipt Voucher –

A registered person shall, on receipt of advance payment with respect to any supply of goods/services, issue a receipt voucher or any other document, evidencing receipt of such payment. A receipt voucher shall contain the following particulars -

- (A) Name, address and GSTIN of the supplier.
- (B) A consecutive serial number (not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters - hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year).
- (C) Date of its issue.
- (D) Name, address and GSTIN or UIN, if registered, of the recipient.
- (E) Description of goods or services.
- (F) Amount of advance taken.
- (G) Rate of tax (CGST, SGST, IGST, UTGST or GST cess).
- (H) Amount of tax charged in respect of taxable goods or services (CGST, SGST, IGST, UTGST or GST cess).

Revisionary Test Paper_Dec 2018

- (I) Place of supply along with the name of State and its code, in case of a supply in the course of inter-State trade or commerce.
- (J) Whether the tax is payable on reverse charge basis.
- (K) Signature or digital signature of the supplier or his authorised representative.

23.(a) What is Electronic Liability Ledger?

(b) Bokaro Enterprises is a supplier of goods. Its turnover has exceeded ₹ 2 crores in current financial year. Discuss whether Bokaro Enterprises is required to get its accounts audited by the Chartered Accountant or Cost Accountant under GST law.

Answer:

(a) All liabilities of a taxable person under GST shall be recorded and maintained in electronic liability ledger in Form GST PMT-01. It shall be maintained for each person liable to pay tax, interest, penalty, late fee or any other amount on the common portal and all amounts payable by him shall be debited to the said register.

- ▶ The electronic liability register of the person shall be debited by —
 - a. the amount payable towards tax, interest, late fee or any other amount payable as per the return furnished by the said person;
 - b. the amount of tax, interest, penalty or any other amount payable as determined by a proper officer in pursuance of any proceedings under the Act or as ascertained by the said person;
 - c. the amount of tax and interest payable as a result of mismatch under section 42 or section 43 or section 50; or
 - d. any amount of interest that may accrue from time to time.
- ▶ Payment of every liability by a registered person as per his return shall be made by debiting the electronic credit ledger or the electronic cash ledger and the electronic liability register shall be credited accordingly.
- ▶ The amount of TDS/TCS or amount payable on reverse charge basis, or the amount payable by a Composition Scheme dealer, any amount payable towards interest, penalty, fee or any other amount under the Act shall be paid by debiting the electronic cash ledger and the electronic liability register shall be credited accordingly.
- ▶ Any amount of demand debited in the electronic liability register shall stand reduced to the extent of relief given by the appellate authority or Appellate Tribunal or court and the electronic tax liability register shall be credited accordingly.
- ▶ The amount of penalty imposed or liable to be imposed shall stand reduced partly or fully, as the case may be, if the taxable person makes the payment of tax, interest and penalty specified in the show cause notice or demand order and the electronic liability register shall be credited accordingly.
- ▶ A registered person shall, upon noticing any discrepancy in his electronic liability ledger, communicate the same to the officer exercising jurisdiction in the matter, through the common portal in Form GST PMT-04.

(b) Audit of accounts if turnover exceeds specified limits: As per Section 35(5) of the CGST Act, every registered person whose turnover during a financial year exceeds ₹ 2 crores shall get

Revisionary Test Paper_Dec 2018

his accounts audited by a Chartered Accountant or a Cost Accountant and shall submit a copy of the audited annual accounts, the reconciliation statement under Section 44(2) of the CGST Act and such other documents in such form and manner as may be prescribed. Thus, Bokaro enterprises will be required to get its accounts audited by a Chartered Accountant or a Cost Accountant under GST law.

24.(a) The following are details of purchases, sales, etc. affected by M/s. Asha & Co. a registered manufacturer under CGST Act, 2017:

- (1) Purchased Raw material 'A' from local dealer ₹ 86,100 (inclusive of GST @ 5%).
- (2) Purchased Raw material 'B' from local dealer ₹ 1,12,000 (inclusive of GST @ 12%).
- (3) Purchased capital goods from within the state to be used in manufacture of the taxable goods ₹ 1,96,000 (inclusive of GST @ 12%). Depreciation @ 15% to be charged.
- (4) Other Direct and Indirect expenses ₹ 55,460.
- (5) Earned 10% profit margin on total cost.
- (6) During the month of October, 2017 only 70% production is sold within the state and applicable GST rate being 12%.

Calculate the amount of CGST and SGST payable after utilising input tax credit for the month of October, 2017 assuming no opening balance of input tax credit is available.

(b) State the purposes & importance of filing of returns under GST.

Answer:

(a) Computation of Taxable value of supply (amount in ₹):

Purchase Raw material 'A' from local dealer [$₹ 86,100 \times 100 \div 105$]	[WN]	82,000
Purchase Raw material 'B' from local dealer [$₹ 1,12,000 \times 100 \div 112$]	[WN]	1,00,000
Depreciation expense [$(₹ 1,96,000 - ₹ 1,96,000 \times 12 \div 112) \times 15\%$]		26,250
Other direct and indirect expense		55,460
Total Cost of goods manufactured		2,63,710
Cost of goods sold (70% of goods produced were sold)		1,84,597
Add: Profit margin @ 5% of cost		18,460
Taxable value of supply		2,03,057

Working Note: Credit will be available for CGST and SGST, charged by local suppliers. Hence, the same is not to be included in the cost.

Computation of CGST and SGST payable for the month of October, 2017 after utilising the available input tax credit, [assuming no ITC opening balance]

Particulars	CGST (₹)	SGST (₹)
Output tax liability for the month of October, 2017 @ 12% (being CGST 6% and SGST 6%) [$₹ 2,03,057 \times 12\%$]	12,183	12,183
Less: Eligible input tax credit in respect of purchases of—		
Raw material 'A' [$₹ 82,000 \times 5\%$]	2,050	2,050
Raw material 'B' [$₹ 1,00,000 \times 12\%$]	6,000	6,000
Capital Goods [$₹ 1,75,000 \times 12\%$]	10,500	10,500

Revisionary Test Paper_Dec 2018

CGST/SGST credit to be carried forward	6,367	6,367
--	-------	-------

(b) Purposes of Return: The returns serve the following purposes —

- (a) Mode for transfer of information to tax administration;
- (b) Compliance verification program of tax administration;
- (c) Finalization of the tax liabilities of the taxpayer within stipulated time period;
- (d) Providing necessary inputs on basis of which policy decision can be taken;
- (e) Management of audit and anti-evasion programs of tax administration.

Importance of filing of returns in GST Law: Under the GST laws, the correct and timely filing of returns is of utmost importance because of two reasons.

- (i) Firstly, under GST laws, a taxpayer is required to estimate his tax liability on "self-assessment" basis and deposit the tax amount along with/before the filing of such return. The return, therefore, constitutes a kind of working sheet/supporting document for the tax authorities that can be relied upon as the basis on which the tax has been computed by the taxpayer.
- (ii) Secondly, under the GST regime, filing of returns not only determines the tax liability of the person filing the same, but it also has a huge bearing on determination of tax liability of other persons with whom the former has entered into taxable activities.

Section B: Customs Law

25. Fill in the blanks:

- (a) _____ should have occurred after the goods are unloaded, but before the proper officer makes the order of clearance for home consumption or for deposit into warehouse.
- (b) An area beyond 200 nautical miles from the base line is called _____.
- (c) Sale of goods to United Nations Agencies is a _____ export.
- (d) In the context of safeguard duty, _____ injury means an injury causing significant overall impairment in the position of a domestic industry.
- (e) If the cost of transportation, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation is not ascertainable, then such cost shall be _____ % of the FOB value of the goods.

Answer:

- (a) Pilferage
- (b) High Seas
- (c) deemed
- (d) serious
- (e) 20

26.(a) Define 'Goods' as per section 2(22) of the Customs Act.

- (b) Mr. A of Kolkata imported a machinery on 1-1-2018 (value ₹ 2 lakhs and duty ₹ 20,600) from Mr. B of US. Later, he found that machinery was defective and therefore, he sent back that machinery for repairs, etc. abroad. The cost of insurance and freight from Kolkata to US is ₹ 5,000. Repair work was carried out on machinery by Mr. B and materials

Revisionary Test Paper_Dec 2018

worth ₹ 7,500 and labour, etc. worth ₹ 4,000 was borne by Mr. B. The cost of insurance and freight for repaired goods from US to Kolkata is ₹ 6,000. Determine the duty payable at the time of re-import on 1-1-2019, if rate of duty is 11% (including Social Welfare Surcharge). Department claims that machinery is liable to duty on full value of ₹ 2,20,000 (market price on 1-1-2019). Critically examine.

Answer:

(a) As per section 2(22) of the Customs Act, the term goods includes

1. Vessels, aircrafts and vehicles
2. stores
3. baggage
4. currency and negotiable instruments and
5. any other kind of movable property.

(b) In view of section 20 of the Customs Act, re-import is also liable to duty. However, as per concession granted in this behalf, in case of re-import after repairs abroad, the duty payable would be that on value comprising of 'fair cost of repairs (even if not borne by importer)' plus Insurance/freight (both ways). Hence, duty would be —

- ◆ Value = ₹ 5,000 + ₹ 7,500 + ₹ 4,000 + ₹ 6,000 = ₹ 22,500 ;
- ◆ Duty = ₹ 22,500 x 11% (including Social Welfare Surcharge) = ₹ 2,475.

27.(a) What is GST Compensation Cess?

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

Particulars	US\$
(i) Cost of the machine at the factory of the exporter	20,000
(ii) Transport charges from the factory of exporter to 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	300
(vi) Freight and Insurance (1,000 + 200) incurred from port of entry to Inland Container Depot	1,200
(vii) Ship demurrage charges	300
(viii) Freight charges from exporting country to India [Insurance upto India is unascertainable]	4,000
(ix) Loading, Unloading and Handling Charges (includes \$ 100 incurred "at Indian port")	1,100
Date of bill of entry 20.3.2018 : Rate of BCD	20%
Exchange rate as notified by CBIC	₹ 60 per \$
Date of entry inward 25.3.2018 : Rate of BCD	10%
Exchange rate as notified by CBIC	₹ 65 per \$
Integrated Goods and Services Tax (IGST) rate	12.00%
GST Compensation Cess	10.00%

Answer:

Revisionary Test Paper_Dec 2018

- (a) 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.

- (b) The answer is as follows —

Part 1: Computation of assessable value

FOB Price [Item (i) + Item (ii) + Item (iii)] (FoB = Expenses upto loading of goods at foreign port)	\$ 20,850
Add: Item (iv) i.e., Buying Commission is not includible	—
Customs FoB	\$ 20,850
Add: Cost of transport and loading, unloading and handling charges:	
Item (v) Lighterage [Includible]	\$ 300
Item (vi) Port to ICD (Cost of transhipment not includible)	—
Item (vii) Ship Demurrage [Includible]	\$ 300
Item (viii) General Freight charges upto India	\$ 4,000
Item (ix) Loading, Unloading and Handling Charges [they are includible on actual basis only "upto place of importation ". Hence, charges incurred "at" place of Indian port are not includible in customs value.]	\$ 1,000
Add: Insurance [Not given, assumed 1.125% of Customs FOB]	\$ 234.5625
[Item (vi) Insurance of Port to ICD viz. transhipment not includible]	—
CIF or Assessable Value	26,684.5625
Exchange Rate [As applicable on date of filing of bill of entry]	₹ 60 per \$
CIF or Assessable Value (in India ₹)	16,01,073.75

Part 2: Computation of duty

	Duty		Total ₹
	Rate	₹	

Revisionary Test Paper_Dec 2018

Assessable Value	—	—	16,01,073.75
Add: BCD [rate prevalent on date of presentation of bill of entry or date of entry inwards, whichever is later, is applicable. Therefore, rate prevalent on 25-3-2018 viz. 10% shall be taken.]	10.00%	1,60,107.38	1,60,107.38
Add: SWS @10% on BCD	10.00%	16,010.74	16,010.74
Sub-total		1,76,118.12	17,77,191.87
Add: IGST on sub-total above	12.00%	2,13,263.02	2,13,263.02
Add: GST Cess on sub-total above	10.00%	1,77,719.19	1,77,719.19
Total (rounded off to nearest rupee)		5,67,100	21,68,174

Out of this, credit would be allowed of IGST and GST Cess.

28.(a) What is deemed export under customs?

(b) TSM & Company Ltd. have imported a machine from U.K. 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
- (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 valued: ₹ 20,000
- (vi) Insurance paid to the insurer in India: ₹ 5,000
- (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: ₹ 72.50 per U.K. Pound
- (ii) CBIC had notified for Section 14 of the Customs Act, 1962, exchange rate of: ₹ 70.25 per U.K. Pound
- (iii) Importer paid demurrage charges for delay in clearing machine from Airport: ₹ 5,000

(Make suitable assumptions wherever required and show workings with explanations).

Answer:

(a) The term Deemed Exports an export without actual export, it means goods and services are sold and provide respectively within India and payment also received in the Indian Rupees. As per the Foreign Trade Policy the following few transactions can be considered as deemed exports.

- Sale of goods to units situated in Export Oriented Units, Software Technology Park, and Electronic Hardware Technology Park etc.
- Sale of capital goods to fertilizer plants
- Sale of goods to United Nations Agencies
- Sale of goods to projects financed by bilateral Agencies, etc.

(b) The answer is as follows -

FOB cost of the machine	£ 10,000.00
Exchange rate notified by CBIC	₹ 70.2500

Revisionary Test Paper_Dec 2018

	₹
FoB price in Indian ₹	7,02,500.00
Add : License fee relating to imported goods payable by the buyer as a condition of sale @ 20% of FoB price [Includible in Value]	1,40,500.00
Add : Development work [Development work other than in India is includible] [£ 500 x ₹ 70.25 = ₹ 35,125]	35,125.00
Add : Materials and components supplied by the assessee-buyer (free of charge) [Includible]	20,000.00
Add: Buying commission paid to agent abroad [Not includible]	NIL
Customs FoB	8,98,125.00
Add: Cost of transport and handling as follows — 1. Normal cost: Actual is £ 3,000 x ₹ 70.25; but In case of import by air, it can't exceed 20% of Customs FoB i.e. 20% of ₹ 8,98,125 2. Demurrage: cost of transport includes ship demurrage charges on chartered vessels. In this case, the import is by air. Hence, the demurrage charges cannot be included.	1,79,625.00 Not included
Add: Insurance [Assumed to be for import upto airport, hence, includible.]	5,000.00
CIF or Assessable Value	10,82,750.00

29.(a) Mr. & Mrs. Sharma, residents of India, returned back to India from London after 2 years of stay and brought -

(1) Mrs. Sharma: Used personal effects (including jewellery ₹ 1,10,000 : 40 grams) : ₹ 1,70,000 ;

(2) Mr. Sharma: Used personal effects (including jewellery ₹ 42,000 : 21 grams) : ₹ 65,000 ;

(3) Travel Souvenirs: ₹ 25,000 ;

(4) Other articles not falling under Annexure I: ₹ 52,000 (Mrs. Sharma) and ₹ 55,000 (Mr. Sharma).

Determine duty payable by Mrs. Sharma and Mr. Sharma.

Assume that Mr. and Mrs. Sharma are not eligible for concession available under rule 6 of Baggage Rules, 2016.

(b) Write down few items which are in the negative list of duty drawback.

Answer:

(a) Computation of customs duty:

Mr. Sharma and Mrs. Sharma are eligible for allowance under Rule 3 (General free allowance) and Rule 5 (jewellery, as stay is above 1 year).

Particulars	Mr. Sharma	Mrs. Sharma	Total
Used personal effects (jewellery is not personal effects)	Exempt	Exempt	Exempt
Travel Souvenirs	Exempt	Exempt	Exempt
Other articles not falling under Annexure I (covered by Rule 3)	55,000	52,000	1,07,000

Revisionary Test Paper_Dec 2018

Jewellery: (a) Mr. Shah, though jewellery is within limits of value of ₹ 50,000, however, the weight exceeds 20 grams. Hence, only upto 20 grams viz. ₹ 42,000 × 20 grams ÷ 21 grams = ₹ 40,000 would be exempt. The excess of ₹ 2,000 would be taxable. (b) Mrs. Shah, jewellery is within limits of 40 grams, but, its value exceeds ₹ 1,00,000. Hence, ₹ 1,00,000 would be exempt under rule 5 and balance ₹ 10,000 would be taxable.	2,000	10,000	12,000
Total	57,000	62,000	1,19,000
Less : Duty Free Allowance under rule 3	50,000	50,000	1,00,000
Dutiable Value	7,000	12,000	19,000
Duty @ 38.5% (35% + 10% of 35% as SWS)	2,695	4,620	7,315

- (b)** According to section 76 of the Customs Act,
- (1) no drawback shall be allowed in respect of any goods —
- (A) where the market-price of which is less than the amount of drawback due thereon
- (B) where the drawback due in respect of any goods is less than fifty rupees.
- (2) Without prejudice to the provisions of sub-section (1), if the Central Government is of opinion that goods of any specified description in respect of which drawback may be claimed under this Chapter are likely to be smuggled back into India, it may, by notification in the Official Gazette, direct that drawback shall not be allowed in respect of such goods or may be allowed subject to such restrictions and conditions as may be specified in the notification.

30.(a) What is redemption fine? Give an example.

(b) State the ineligibility criteria for compounding of offences in customs.

Answer:

- (a)** 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.

Example: Suppose, a person makes an unauthorized import of goods liable to confiscation. After adjudication, Assistant Commissioner provides an option to the importer to pay fine in lieu of confiscation. It is proposed to impose a fine (in lieu of confiscation) equal to 50% of margin of profit. If it is also assumed that the assessable value is ₹ 50,000, total duty payable is ₹ 20,000 and market value is ₹ 1,00,000, then cost of import will be ₹ 70,000 and the margin between the market value and cost of import will be ₹ 30,000 [₹ 1,00,000 – ₹ 70,000] and the redemption fine will be 50% of ₹ 30,000 or ₹ 15,000. So, the total duty liability comes to ₹ 35,000 [₹ 15,000 + ₹ 20,000].

- (b)** The following persons shall not be eligible for compounding of offences as per sec. 137(3) of the Customs Act, 1962:

Revisionary Test Paper_Dec 2018

- 1) Offences already compounded u/s 135 and 135A of the Customs Act (i.e. second time compounding not allowed)
- 2) a person who has been accused of committing an offence under this Act which is also an offence under any of the following Acts, namely:-
 - (i) the Narcotic Drugs and Psychotropic Substances Act, 1985(61 of 1985);
 - (ii) the Chemical Weapons Convention Act, 2000 (34 of 2000);
 - (iii) the Arms Act, 1959 (54 of 1959);
 - (iv) the Wild Life (Protection) Act, 1972 (53 of 1972);
- 3) a person involved in smuggling of goods falling under any of the following, namely:-
 - (i) goods specified in the list of Special Chemicals, Organisms, Materials, Equipment and Technology
 - (ii) goods which are specified as prohibited items for import and export
 - (iii) any other goods or documents, which are likely to affect friendly relations with a foreign State or are derogatory to national honour.
- 4) a person who has been allowed to compound once in respect of any offence under this provision for goods of value exceeding rupees one crore;
- 5) a person who has been convicted under this Act on or after the 30th day of December, 2005.