

**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) The scope of supply of goods or services or both includes —
- (i) Sale;
 - (ii) Exchange;
 - (iii) Lease;
 - (iv) All of the above.
- (b) Sasta Bazar offers a free bucket with detergent purchased. It is a —
- (i) Composite supply;
 - (ii) Mixed supply;
 - (iii) Principal supply;
 - (iv) None of the above.
- (c) The form to be used for filing return by a taxpayer under composition scheme is:
- (i) GSTR-4;
 - (ii) GSTR-5;
 - (iii) GSTR-6;
 - (iv) GSTR-7.
- (d) As per the GST Law, every registered taxable person must maintain the accounts books and records for at least:
- (i) 36 months from the due date of furnishing of annual return for the year pertaining to such accounts and records;
 - (ii) 60 months from the due date of furnishing of annual return for the year pertaining to such accounts and records;
 - (iii) 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records;
 - (iv) 18 months from the due date of furnishing of annual return for the year pertaining to such accounts and records.
- (e) The electronic ledger which is used to record and maintain all the liabilities of a taxable person, is called —
- (i) Electronic credit ledger;
 - (ii) Electronic liability ledger;

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- (iii) Electronic cash ledger;
- (iv) None of the above.

Answer:

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

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

- (a) As per Anti Profiteering, Any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.
- (b) Under GST, every registered person whose aggregate turnover during a financial year exceeds rupees ten crores has to get his accounts audited by a Chartered Accountant or a Cost Accountant.
- (c) The relevant form for application for revocation of cancellation of GST registration is GST REG-22.
- (d) Goods and Services Taxpayer Identification Number (GSTIN) is a state-wise PAN-based 15 digit number.
- (e) Place of supply of services, in relation to training and performance appraisal provided to a registered person, will be the location of provider of Service.

Answer:

- (a) True
- (b) False
- (c) False
- (d) True
- (e) False.

(C) Match the following:

	Column 'A'		Column 'B'
1.	Reverse charge mechanism	A	GST has been implemented
2.	Goods and services tax	B	Recipient is liable to pay GST
3.	Jammu & Kashmir	C	Special Category State under GST
4.	1 st July, 2017	D	Eliminates cascading effect of tax
5.	Central Goods and Services Tax	E	Levied and collected by Central Government

Answer:

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

2.(a) State the advantages of GST.

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(b) M/s. ABC Ltd. provides the following relating to information technology software. Compute the value of taxable service and GST liability (Rate of CGST 9% and SGST 9%)?

1. **Development and Design of information technology software: ₹ 15 lakhs;**
2. **Sale of pre-packaged software, which is put on media: ₹ 52 lakhs.**

Answer:

(a) The advantages of GST:

1. One Nation One Tax.
2. Removal of bundled indirect taxes such as VAT, CST, Service tax, CAD, SAD, and Excise.
3. Removal of cascading effect of taxes i.e. removes tax on tax.
4. Increased ease of doing business;
5. Lower cost of production, increases demand will lead to increase supply. Hence, this will ultimately lead to rise in the production of goods. Resultantly boost to make in India initiative.
6. It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth;

(b) (1) and (2) both are treated as supply of Service.

Value of Taxable supply of service is ₹ 67 Lakhs [i.e. ₹ 15 Lakhs + ₹ 52 Lakhs]

CGST is ₹ 6.03 lakhs

[i.e. ₹ 67 Lakhs x 9%].

SGST is ₹ 6.03 lakhs

[i.e. ₹ 67 Lakhs x 9%].

3.(a) Mr. A registered person under GST located in Tamil Nadu, sold goods worth ₹ 10,000 after manufacture to Mr. C of Chennai. Subsequently, Mr. C sold these goods to Mr. H of Hyderabad for ₹ 17,500. Mr. H being a trader finally sold these goods to customer Mr. S of Secunderabad for ₹ 30,000.

Applicable rates of CGST= 9%, SGST=9% and IGST=18%.

Find the net tax liability of each supplier of goods and revenue to the government.

(b) "Exchange is a form of supply of goods or services or both, made or agreed to be made for a consideration by a person in the course or furtherance of business." — Explain it with help of an example.

Answer:

(a) Since, Mr. A supplied goods to Mr. C in Tamil Nadu itself, it is an intra-state sale and both CGST @ 9% and SGST @ 9% will apply.

Mr. C of Chennai supplied goods to Mr. H of Hyderabad. Since, it is an interstate sale, IGST@18% will apply.

Mr. H of Hyderabad (Telangana) supplied goods to Mr. S of Secunderabad (Telangana). Once again it is an intrastate sale and both CGST @ 9% and SGST @ 9% will apply.

Statement showing Net tax liability of Mr. A and revenue to Government:

Particulars	Value in (₹)	CGST in (₹)	SGST in (₹)	IGST in (₹)	Remarks
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Mr. A to Mr. C	10,000	900	900	Nil	Value addition ₹ 10,000
Less: ITC	Nil	Nil	Nil	Nil	
Net liability of Mr. A		900	900	Nil	
		Revenue to Centre ₹ 900	Revenue to Tamil Nadu ₹ 900		

Statement showing net tax liability of Mr. C and revenue to the Government

Particulars	Value in (₹)	CGST in (₹)	SGST in (₹)	IGST in (₹)	Remarks
Mr. C to Mr. H	17,500	Nil	Nil	3,150	
Less: ITC		(900)	(900)	(1,800)	1st CGST, 2nd SGST
Net liability of Mr. C		Nil	Nil	1,350	Value added ₹ 7,500 x 18%

Since, Mr. C a dealer has used SGST of Tamil Nadu to the extent of ₹ 900/- in payment of IGST, Tamil Nadu State (i.e. exporting State) has to transfer ₹ 900/- to the credit of the Centre.

Tamil Nadu (exporting state) revenue = Nil (i.e. ₹ 900 - ₹ 900)

Total revenue to the Centre = ₹ 3,150

(i.e. ₹ 1,350 + ₹ 900 received from Tamil Nadu + ₹ 900 CGST already collected from Mr. A in 1st Intra-State supply)

Statement showing net tax liability of Mr. H and revenue to the Government

Particulars	Value in (₹)	CGST in (₹)	SGST in (₹)	IGST in (₹)	Remarks
Mr. H to Mr. S	30,000	2,700	2,700	Nil	
Less: ITC		(2,700)	(450)	(3,150)	IGST credit 1st adjust against IGST, next CGST and next SGST
Net liability of Mr. H		Nil	2,250	Nil	

Since, Mr. H a dealer has used IGST of ₹ 450/- to pay the SGST of Telangana State, the Centre has to transfer ₹ 450/- to the Telangana State (i.e. importing State).

Net revenue to the Telangana State = ₹ 2,700 (i.e. ₹ 2,250 + ₹ 450)

Net Revenue to the Centre = ₹ 2,700 (i.e. ₹ 3,125 - ₹ 450)

Total revenue to the Government = ₹ 5,400 (i.e. ₹ 30,000 x 18%)

This is called as one nation one tax.

- (b)** When two persons mutually transfer the ownership of one thing for the ownership of another, neither thing nor both things being money only, the transaction is called an exchange.

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Exchange offers on products such as televisions, mobile phones and refrigerators are leviable under GST.

Example: Mr. X is a dealer of new cars. He sells new cars for ₹ 8,25,000 agrees to reduce ₹ 1,25,000 on surrendering of old car. Mr. Y who intends to buy new car worth ₹ 8,25,000 agreed to exchange his old car with new car.

Under GST law, it will be treated as Mr. Y has made supply of old car to dealer Mr. X and Mr. X has made supply of new car to Mr. Y.

If Mr. Y is registered person, he will be liable to pay GST on ₹ 1,25,000. Mr. X will be liable to pay GST on ₹ 8,25,000 whether Mr. Y is a registered person or not.

4.(a) M/s M Ltd. being a garment manufacturer appoints Mr. Ram as an agent, who stores garments manufactured by M Ltd. and sends to dealers whenever M Ltd. asks Mr. Ram to do so. Is it a supply? Justify.

(b) Shambhu Pvt. Ltd. was awarded a contract in July 2017 for providing flooring and wall tiling services in respect of a building located in Delhi by Nath Ltd. As per the terms of contract, Shambhu Pvt. Ltd. was to provide all the required material for execution of the contract. However, Nath Ltd also provided a portion of the material.

Whether the services provided by Shambhu Pvt. Ltd. are subject to GST? If yes, determine the GST liability of Shambhu Pvt. Ltd. from the following particulars-

Particulars	₹
(i) Gross amount charged by the Shambhu Pvt. Ltd.	6,00,000
(ii) Fair market value of the material supplied by Nath Ltd.	1,00,000
(iii) Amount charged by Nath Ltd. for the material	
[included in (i) above]	60,000

Note: CGST 6% and SGST 6%.

Answer:

(a) Yes. Transfer of garments from M Ltd. to Mr. Ram is taxable supply under GST. GST will be levied.

Note: Supply of goods by the principal to an agent or by the agent to principal will be considered as a supply even if without consideration. The said transactions are leviable under GST.

(b) Works contract is treated as supply of service.

Gross amount charged by the Shambhu Pvt. Ltd.	₹ 6,00,000
Add: Fair market value of the material supplied by Nath Ltd.	₹ 1,00,000
Less: Amount charged by Nath Ltd. for the material	₹ (60,000)
Total value subject to GST	₹ 6,40,000
CGST 6% x 6,40,000 =	₹ 38,400
SGST 6% x 6,40,000 =	₹ 38,400

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Total GST liability = ₹ 76,800

5.(a) Who are persons not entitled to avail Composition Scheme in GST?

(b) Hot Breads Pvt. Ltd is the supplier of bakery products registered in the current financial year (2017-18) w.e.f. 1st Oct 2017. In the month of Oct 2017 total taxable supplies ₹ 88 lakhs.

Answer the following:

- (i) Is the company eligible for Composition Scheme?**
- (ii) If so company wants to pay tax @1% being a trader. However, the Deputy Commissioner of Central Tax contended that the assessee is liable to pay tax @5% under the Food and Restaurant Services category? Advise.**

Answer:

(a) The Section 10(2) of the CGST Act, 2017 specifies the benefit of composition scheme shall not be granted if a taxable person is:

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

(b)

- (i) Hot Breads Pvt. Ltd. is eligible for composition levy in the current year.
- (ii) The supply of food and restaurant services category is the only service included under the composition scheme. For a business to be categorised as food and restaurant services, there needs to be an element of service involved.

In the given case, supply of bakery products, there is only a supply of goods i.e. food items but there is no element of supply of service. Hence supply of bakery products is eligible to pay GST @1%, under the Traders category and not Food and Restaurant Services category.

Therefore, department's contention is not correct.

6.(a) Mr. H registered in Hyderabad, who is selling goods from Telangana to Tamil Nadu. Turnover of Mr. H is ₹ 73 lakhs in the preceding financial year. Whether Mr. H is eligible for Composition?

Whether your answer will change if Mr. H is making purchase from Tamil Nadu and selling goods in Telangana?

(b) Divyakripa Trust, an entity registered under section 12AA of the Income-tax Act, 1961, has furnished you the following details with respect to the activities undertaken by it. You are required to compute its tax liability from the information given below:

Particulars	₹
Amount received for the Yoga camps organized for elderly people	4,83,000

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Particulars	₹
Payment made for the services received from a service provider located in US, for the purposes of providing 'charitable activities'	5,50,000
Amount received for counseling of mentally disabled persons	10,50,000
Amount received for renting of commercial property owned by the trust	1,50,000
Amount received for activities relating to preservation of forests and wildlife	12,35,000

Note: Applicable CGST 9% and SGST 9% have been charged separately wherever applicable. Divyakripa Trust is not eligible for composition levy.

Answer:

(a) Mr. H is not eligible for composition as he is making interstate outward supply.

If Mr. H is making purchase from Tamil Nadu then he is eligible for composition scheme as there is restriction on outward interstate supply not on inward interstate supply.

(b)

Particulars	₹
Amount received for the Yoga camps organized for elderly people	Exempted supply
Payment made for the services received from a service provider located in US, for the purposes of providing 'charitable activities'	Exempted supply
Amount received for counseling of mentally disabled persons	Exempted supply
Amount received for renting of commercial property owned by the trust	1,50,000
Amount received for activities relating to preservation of forests and wildlife	Exempted supply
CGST 9% x ₹ 1,50,000	13,500
SGST 9% x ₹ 1,50,000	13,500
Total GST liability	27,000

7.(a) M/s X Ltd. paid penalty under section 49 of the CGST Act, 2017 ₹ 20,00,000 to the Government Department in the month of Oct 2017. Is it taxable supply under the GST law? Give reason.

(b) X Ltd. covered under the Factories Act, 1948. Inspector of Factories certified the factory is safe for the workers to carry their work and charged Government fee of ₹ 10,000.

X Ltd. owned one more factory at another place, which is not covered under Factories Act, 1948. However, X Ltd. obtained safety certificate for the factory from the Inspector of Factories by paying ₹ 15,000 voluntarily.

Is it taxable supply? Attract GST? If so who is liable to pay GST.

Applicable rate of GST 18%.

Answer:

(a) It is not a supply of service. The fine or penalty chargeable by Government or local authority

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imposed for violation of statute, bye-laws, rules or regulations are not leviable to GST. Such fines or penalty are not recovered for tolerating non-performance of a contract.

- (b) X Ltd. being recipient of service from the Inspector of Factories is not liable to pay GST. Since, certification relating safety of workers required under the Factories Act, 1948 covered under entry 47.

Another factory which is not covered under Factories Act, 1948 for which fee paid by X Ltd. voluntarily is liable to pay GST under reverse charge mechanism.

CGST 9% on ₹ 15,000 = ₹ 1,350

SGST 9% on ₹ 15,000 = ₹ 1,350.

- 8.(a) A Ltd., becomes the successful bidder. The spectrum is assigned to A Ltd., for a total consideration of ₹ 1000 crores in the month of June 2015.

Government permitted to pay as one time charge payable, in full upfront or in instalments as the case may be.

A Ltd., chooses to make in installments over a period of 5 years. Installment due fallen on or after 1st July 2017 is leviable to GST?

Whether your answer is different if periodic payment required to be made by the assignee.

- (b) Compute value of taxable supply of services of Air Speed Airlines located in Chennai for transportation of passengers by air from the following data relating to sums received exclusive of GST –

(1) Passengers embarking at Arunachal Pradesh: ₹ 5 lakhs;

(2) Amount for journey terminated at Assam: ₹ 4 lakhs;

(3) Amount charged from passenger for flights starting from USA to Chennai: ₹ 250 lakhs;

(4) Amount charged from passengers flying from Chennai to Sydney (Business class): ₹ 540 lakhs (including passenger taxes levied by government and shown separately on ticket: ₹ 100 lakhs). All passengers booked ticket from Delhi Office of Air Speed Airlines.

(5) Passengers embarking from Chennai to Coimbatore (Economic class): ₹ 4 lakhs. Passengers booked tickets from Chennai office of Air Speed Airlines.

Applicable rate of GST 5% and 12%. Find the IGST, CGST & SGST if any.

Answer:

- (a) The exemption under entry 42 Notification No. 12/2017- Central Tax (Rate) Dt 28-06-2017 shall apply only to one time charge, payable in full upfront or in installments, for assignment of right to use any natural resource. Hence, A Ltd., is not liable to pay GST.

The exemption shall not applicable to any periodic payment required to be made by the assignee.

GST is payable on periodic payments due after 1.7.2017 in respect of spectrum assigned before 1.4.2016. GST is liable to pay by A Ltd. Reverse charge mechanism will be applicable.

- (b) Statement showing GST liability of Air Speed Airlines:

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(1) Embarking at Arunachal Pradesh	= exempted supply
(2) Where journey terminated at Assam	= exempted supply
(3) From USA to Chennai	= exempted supply
(4) From Chennai to Sydney (Business class)	= ₹ 4,40,00,000
Passenger tax	= ₹ 1,00,00,000
(5) From Chennai to Coimbatore	= ₹ 4,00,000 (Economic class)
Value of taxable supply of services	= ₹ 5,44,00,000
IGST 12% on ₹ 5,40,00,000	= ₹ 64,80,000
CGST 2.5% on ₹ 4,00,000	= ₹ 10,000
SGST 2.5% on ₹ 4,00,000	= ₹ 10,000
Total Tax	= ₹ 65,00,000

Note:

Compulsory Inclusions: Any taxes, fees, charges levied under any law other than GST law, are required to be added to the price (if not already added) to arrive at the taxable value.

9.(a) M/s. R Ltd. is engaged is providing service of transportation of passengers, furnished the following information in the month of Oct 2017. Find the GST liability.

- (1) Service of transportation of passengers by National Waterways: ₹ 50 lakhs;**
- (2) Service of transportation of passengers by Stage carriage (non-A/c): ₹ 5 lakhs;**
- (3) Service of transportation of passengers by contract carriage for tourism: ₹ 120 lakhs (bills inclusive of accommodation and transportation etc. indicated as narration at the bottom of invoice);**
- (4) Transportation of passenger from Mumbai to Chennai port in a vessel and such service in not for tourism purpose: ₹ 12 lakhs;**

Note: R Ltd. is willing to avail exemption benefits if any. Taxable supplies of Mr. R in the previous year were ₹ 22 lakhs.

(b) Find the taxability for the following independent cases:

- 1) Packing of pulses in retail packs for ₹ 42,000.**
- 2) Packing of tomato ketchup for ₹ 54,000**
- 3) Commission on sale of rice for ₹ 10,125.**
- 4) Storage of rice flour in the warehouse for ₹ 12,000.**

Answer:

(a) Statement showing GST liability M/s. R Ltd.

Nature of service (Transport of passengers)	₹ in lakhs
By National Waterways	Exempted supply
By Stage carriage [non-A/c]	Exempted supply
By contract carriage for tourism (bills inclusive of accommodation and transportation etc. indicated	120

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as narration at the bottom of invoice)	
In a vessel from Mumbai to Chennai and such service is not for tourism	Exempted supply
Taxable supply of services	120
GST liability @5% on ₹ 120 lakhs (Note: input tax credit not allowed)	6

(b)

- 1) taxable supply of services
- 2) taxable supply of services
- 3) taxable supply of services
- 4) taxable supply of services.

10.(a) Discuss whether GST is leviable in respect of transportation services provided by Raja Ram Goods Transport Agency in each of the following independent cases:

Customer	Nature of service provided	Amount charged (₹)
A	Transportation of milk	22,00,000
B	Transportation of books on a consignment transported in a single goods carriage	1,30,000
C	Transportation of chairs for a single consignee in the goods carriage	600

Note: Raja Ram Goods Transport Agency registered person under GST Law and opted to pay CGST 6% and SGST @6%.

(b) Clean and Green Pvt. Ltd. provided the bio-medical waste treatment facility to a veterinary clinic. Is it a taxable supply of service? If so, will GST be levied?

Answer:

(a) Statement showing GST liability of Raja Ram Goods Transport Agency:

Nature of Service	Taxable supply (₹)	Remarks
Transportation of milk	Nil	Exempted supply.
Transportation of books on a consignment transported in a single goods carriage.	1,30,000	Taxable supply
Transportation of chairs for a single consignee in the goods carriage.	Nil	Freight ₹ 600 is exempted from GST
Total taxable supply	1,30,000	
CGST 6% on ₹ 1,30,000	7,800	
SGST 6% on ₹ 1,30,000	7,800	

(b) It is taxable supply of service.

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Scope of the exemption under entry 75 of notification no. 12/2017- Central Tax (Rate) is restricted to services provided by operators of the common Bio-medical Waste Treatment Facility to a clinical establishment and not to veterinary clinic.

11.(a) M/s. M Ltd., Mumbai is an authorised money changer. It has entered the following transactions (intra-state supplies) of money changing in the month of July 2017:

- (i) 450 transactions of conversion of Dollar into Indian Rupees of ₹ 22,000 per transaction;
- (ii) 125 transactions of conversion of Euro into Indian rupees of ₹ 500 lakhs per transaction;

Input Tax Credit on input services ₹ 3,00,000 (CGST ₹ 1,50,000 & SGST ₹ 1,50,000) and input goods ₹ 4,00,000 (CGST ₹ 2,00,000 & SGST ₹ 2,00,000) is available. ITC on capital goods is ₹ 2,50,000 (capital goods purchased in the current year as intra-state purchases).

Find GST payable as per Rule 32(2)(b) of the CGST Rules, 2017.

(b) Security services provided by a Safety and Security Bureau in Chennai to the Institute of Cost Accountants of India (ICAI) New Delhi for four months. Monthly charges ₹ 1,200. Is it taxable supply of service? Applicable GST is 18%. Find the GST liability.

Answer:

(a)

- (i) Conversion of Dollar into Indian Rupees ($₹ 22,000 \times 1\% = ₹ 220$, whereas minimum is ₹ 250 per transaction).
450 transactions $\times ₹ 250 = ₹ 1,12,500$.
- (ii) Conversion of Euro into Indian rupees
(Upto ₹ 10 Lakhs = ₹ 5,500) + ($₹ 490 \text{ lakhs} \times 0.1\%$) = ₹ 54,500
(Maximum is ₹ 60,000).
125 transactions $\times ₹ 54,500 = ₹ 68,12,500$.

Particulars	CGST	SGST	Total	Remarks
Output Tax	6,23,250	6,23,250	12,46,500	(1,12,500 + 68,12,500) $\times 18\%$
Less: ITC on				
Input service	(1,50,000)	(1,50,000)	(3,00,000)	
Inputs	(2,00,000)	(2,00,000)	(4,00,000)	
Capital Goods	(1,25,000)	(1,25,000)	(2,50,000)	
Net output tax c/f	1,48,250	1,48,250	2,96,500	

(b) This given activity is a taxable supply of service. Security Bureau is liable to pay GST.

IGST liability = 864

(₹ 1,200 p.m. $\times 4$ months) $\times 18\%$.

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12.(a) What do you understand by Export of Service?

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

The following categories of rooms get booked by the Makemytrip Company who pays to Raman Hotels after deducting their commission.

- (A) Declared Tariff per room (category 1), Non AC Room ₹ 950 per night.
- (B) Declared Tariff per room (category 2), AC Room ₹ 1,800 per night.
- (C) Declared Tariff per room (category 3), AC Room ₹ 7,000 per night, where additional bed ₹ 1,800 per night.
- (D) Declared Tariff per room (category 4), AC Room ₹ 10,000 per Night, but amount charged is ₹ 7000.

You are required to answer:

- (1) Who is liable to pay GST and
- (2) Net GST liability.

Answer:

(a) As per section 2(6) of the IGST Act, 2017, export of service means the supply of any service when:—

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

(b)

Particulars	Value in ₹	GST ₹	Remarks
(A) Declared tariff ₹ 950	Nil	Nil	Since, declared tariff less than ₹ 1,000. It is exempted supply of service.
(B) Declared tariff ₹ 1,800	1,800	216	Taxable supply. GST @12% is applicable
(C) Declared tariff ₹ 7,000	8,800	1,584	Taxable supply. Since, declared tariff not exceeds ₹ 7,500, applicable rate is 18%. However, GST will be charged on transaction value.
(D) Declared tariff value ₹ 10,000	7,000	1,960	Taxable supply. Since, declared tariff exceeds ₹ 7,500, applicable rate is 28%. However, GST will be charged on transaction value.

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Total		3,760	
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13.(a) What will be the time of supply of goods where supply involves movement of goods and the turnover exceeds ₹ 1.50 crores?

(b) Mr. Ram sold goods to Mr. Ravi worth ₹ 5,00,000. The invoice was issued on 15th November. The payment was received on 30th November. The goods were supplied on 20th November.

Find the time of supply of goods?

P.Y. turnover of Mr. Ram ₹ 172 lakhs.

Answer:

(a) The time of supply of goods where supply involves movement of goods and the turnover exceeds ₹ 1.50 crores will be:

- Invoice issued before or at the time of removal of goods for supply to the recipient.
- Or,
- Date on which supplier received the payment.

Whichever is earlier.

(b)

Particulars	Whichever is earlier
Date of issue of invoice	15th November
Last date on which invoice should have been issued	20th November
Date of receipt of payment	30th November
Therefore, time of supply of goods = 15th November.	
Date of invoice or payment whichever is earlier.	

14.(a) M/s Indian Oil Corporation entered into a contract with Mr. B to supply of oil throughout the year. M/s Indian Oil Corporation issues monthly statement for the oil supplied to Mr. B.

Determine the time of supply of goods in following independent cases:

- (i) Mr. B made payment for the month of July on 31st July 2017 and M/s Indian Oil Corporation issued statement for the month of July on 8th August 2017.**
- (ii) M/s Indian Oil Corporation issued statement for the month of August on 5th September 2017, the payment of which not received till 30th September 2017.**

(b) State the time of supply for goods sent for approval.

Answer:

(a)

- (i) 31st July 2017 will be the time of supply.**

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Earliest of the following:

- Date of Invoice: 8th August 2017
- Last date on which invoice has to be issued:
Date of payment (31.07.2017) or
statement (08.08.2017),

whichever is earlier i.e. 31st July 2017.

(ii) 5th September 2017 will be the time of supply.

Earliest of the following:

- Date of Invoice: 5th September 2017.
- Last date on which invoice has to be issued:
Date of payment (not known) or
statement (05.09.2017),

whichever is earlier i.e. 5th September 2017.

(b) Time of supply for goods sent for approval =

- Time when it becomes known that supply is taken place.
OR
- Six month from the date of removal.

Whichever is earlier.

15.(a) Shopper's Stop store a large retailer who sells various types of products like readymade garment, jewellery, cosmetics, fabrics, shoes etc., issued the voucher on 10-07-2017 to their prospective customer for enabling them to buy any product from their shop. Customer purchased readymade garments on 20th Aug 2017.

Find the time of supply of goods?

(b) Mr. X is supplied goods to Mr. Y on 28th January 2018. The GST rate on goods is changed from 12% to 5% w.e.f. 1st January 2018. Mr. X issued invoice on 28th August 2017 and payment is credited in his bank account on 30th December 2017.

- (i) What is the time of supply in this case?**
- (ii) Effective rate of GST?**

Answer:

(a) Time of supply of goods = 20-08-2017

Note: time of supply will be the date of encashment of voucher (i.e. Redemption of voucher). Since, the voucher is not identifiable with any specific product.

(b)

- (i) Time of supply = 28th August 2017
- (ii) Effective rate of GST = 12%.

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16.(a) X Ltd., located in Mumbai, Maharashtra receives order from M/s Y Ltd. located in Ahmedabad, Gujarat for supply of one machine.

Find the place of supply and applicable GST?

(b) M/s Karina Ltd. incorporated in Mumbai and own a godown in Chennai. Mr. M of Mumbai approached M/s Karina Ltd. of Mumbai for purchase of goods lying in godown at Chennai. Mr M further informs that he does not want delivery of goods in Mumbai. M/s Karina Ltd. issues invoice for sale of goods in Mumbai.

Find the place of supply of goods and levy of tax?

Answer:

(a)

1. Location of Supplier: Mumbai (Maharashtra).
2. Place Of Supply: Ahmedabad (Gujarat)

Since, the movement of goods terminates at Ahmedabad.

Applicable GST = IGST.

(b) Place of supply goods = Chennai.

IGST will be levied.

(Location of such goods at the time of the delivery to the recipient where supply does not involve movement of goods.)

This place of supply is irrespective of the location of the buyer and seller.

17.(a) Mr. X located in Chennai engaged the services of Mr. Y an Architect in Chennai. Mr. X requests him to make design of residential complex to be constructed in Cochin, Kerala. Mr. Y provided drawing and design services in relation to immovable property located at Cochin.

Find the place of supply of service and levy of tax.

(b) Mr. A located at Kolkata provides training at Kolkata to employees of M/s Infosys Ltd, which is registered at Mumbai.

Find the place of supply of service and GST liability in the following two cases:

Case 1: Infosys Ltd. is registered person under GST.

Case 2: Infosys Ltd. is not registered person under GST.

Answer:

(a) Place of supply of service = location or intended to be locate the property (i.e. Cochin)

IGST is liable to pay by Mr. Y.

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(b) Case 1: If Infosys Ltd. is a registered person —

Place of Supply will be Mumbai.

Mr. A. is liable to pay IGST.

Case 2: If Infosys Ltd. is not a registered person —

Then Place of Supply will be Kolkata.

Mr. A. is liable to pay CGST and SGST.

18.(a) Jet Air registered under GST and located in Mumbai operates flight from Delhi-Dubai-London-Dubai-Delhi. Mr. Roy who is unregistered person, purchase air ticket for Delhi-London. Two tickets are issued to him showing Delhi-Dubai with a halt at Dubai for 5 hours and Dubai-London.

Find the Place of supply of service and GST liability.

(b) M/s Air Call registered under GST and located in Chennai. M/s Air Call has appointed Mr. C of Chennai as a selling agent for supplying pre-payment voucher to the subscriber. Find the Place of supply of service and GST liability.

Answer:

(a) Place of Supply = Delhi (i.e. place of embark)

GST = Jet Air is liable to pay IGST for the entire value of air fare.

Note: since, it is continuous journey, place of embarking of passenger who is unregistered person is relevant.

(b) Place of Supply = Chennai (i.e. Address of the selling agent on the record of M/s Air Call).

GST = CGST & SGST is liable to be paid by M/s Air Call.

19.(a) Admission to True Theater is ₹ 90 per ticket for a Tamil Movie as well as for a Hindi Movie plus entertainment tax ₹ 10% on Tamil Movie and 20% on other languages. In the month of November, True Theater sold 2000 tickets of Tamil Movie and 1500 tickets of Hindi Movie. Find the value of taxable supply of service. Applicable rate of GST is 18% (for Tamil movie tickets) & 28% (for Hindi movie tickets). Find the GST liability if any.

(b) The Government provides subsidy, for the benefit of farmers but it is given to the manufacturer of fertilizers. Will such subsidy form part of value of supply? Give reason.

Answer:

(a) Statement showing value of taxable supply of service and GST liability:

Value of taxable services:		
Tamil Movie	₹ 1,98,000	(₹ 99 x 2000 tickets)
Hindi Movie	₹ 1,62,000	(₹ 108 x 1500 tickets)

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Particulars	9% CGST	9% SGST	14%CGST	14% SGST
GST liability (₹)	17,820	17,820	22,680	22,680

Working note:

Particulars	Tamil Movie (₹)	Hindi Movie (₹)
Rate per ticket	90	90
Add: Entertainment tax	9	18
Value of taxable supply	99	108
Applicable GST rate	18%	28%

- (b)** The buyer of goods does not provide subsidy, but the Government as per the scheme provides it.

Therefore, this will not form part of value of supply as it is specifically specified that such subsidy provided by the Government will not form part of the value of supply.

- 20.(a)** M/s Nambiar & Co., an Audit firm based in Cochin undertake an audit assignment of his client based in Chennai. The Contract mentioned about the audit fees of ₹ 5,00,000 and arrangement of taxi by the Clint which may be worth ₹ 15,000.

Find the transaction value on which M/s Nambiar and Co., is liable to pay GST.

- (b)** Compute the duty payable under the Customs Act, 1962 for imported equipment based on the following information:

- (i) Assessable value of the imported equipment US \$10,100.
(ii) Date of Bill of Entry 25.10.2017 exchange rate notified by the Central Board of Excise and Customs Us \$ 1 = ₹ 65.
(iii) Date of Entry inwards 01.11.2017 exchange rate notified by the Central Board of Excise and Customs US \$ 1 = ₹ 60.

Find the taxable value of imported goods.

Answer:

- (a)** Transaction value in the hands of M/s Nambiar & Co., is ₹ 5,15,000.

Note: Not only audit fees but also the expenditure incurred in connection with the taxi ₹ 15,000 constitute the sole consideration.

- (b)** Statement showing taxable value of imported goods:

Particulars	Value in ₹	Remarks
Assessable value of imported goods	6,56,500	10,100 USD x ₹ 65 Exchange rate as on the date of submission of bill

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		of entry is relevant as per section 14 of the Customs Act, 1961.
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21.(a) What do you meant by zero rated supply?

(b) Mr. X being a contractor undertaken construction work of an individual residential unit otherwise than as part of a residential complex.

You are required to answer:

- 1. Whether Mr. X is liable to pay GST where he undertaken pure labour contract?**
- 2. Whether Mr. X is liable to pay GST where he undertaken both labour and material contract?**
- 3. Mr. X gives contract to a sub-contractor. Can sub-contractor also get exemption if it is pure labour contract?**

Answer:

(a) Zero rated supply means any of the following supplies of goods or services or both, namely:—

1. export of goods or services or both; or
2. supply of goods or services or both to a Special Economic Zone (SEZ), developer of SEZ unit (As referred under Section 16(1) of the IGST Act, 2017).

(b) As per Notification No. 12/2017 Central tax (rate) "Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex." are exempt from GST.

1. Since, Mr. X under taken services by way of pure labour contracts of construction of single residential unit is exempt from GST.
2. If in case Mr. X providing service with both labor and material i.e. termed as works contract under GST. He will be charged 12% GST.
3. Yes. Services provided by a sub-contractor to a contractor are also exempt as he is providing labor for the construction of residential house.

22.(a) Mr. X a dealer dealing with Intra State supply of goods and services has place of business in India furnished the following information in the financial year 2017-18:

- 1. Sale of taxable goods by Head Office located in Chennai for ₹ 1,00,000**
- 2. Supply of taxable services by Branch office at Bengaluru for ₹ 50,000**
- 3. Supply of goods exempted from GST ₹ 10,000**
- 4. Supply of exempted services for ₹ 2,00,000**
- 5. Sale of goods acting as agent on behalf of principal for ₹ 15,00,000.**

(b) State the categories of persons who shall be required to be registered under GST.

Answer:

(a) Statement showing aggregate turnover in a Financial Year

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Particulars	Value in ₹
Sale of taxable goods by Head Office located in Chennai	1,00,000
Supply of taxable services by Branch office at Bengaluru	50,000
Supply of goods exempted from GST	10,000
Supply of exempted services	2,00,000
Sale of goods acting as agent on behalf of principal	15,00,000
Aggregate turnover	18,60,000
Since, aggregate turnover does not exceed ₹ 20 lakhs, Mr. X is not required to register under GST.	

(b) The categories of persons who shall be required to be registered under GST:

- (i) Person making any inter-state taxable supply;
- (ii) Causal taxable persons making taxable supply;
- (iii) Person who are required to pay tax under reverse charge;
- (iv) Person who are required to pay tax under sec. 9(5) of CGST Act (i.e. Electronic Commerce Operator);
- (v) Non-resident taxable person making taxable supply;
- (vi) Persons who are required to deduct tax under Sec 51, whether or not separately registered under this Act;
- (vii) Persons who make taxable supply of goods or services or both on behalf of other taxable person whether as an agent or otherwise;
- (viii) Input Service Distributor, whether or not separately registered under CGST;
- (ix) Persons who supply of goods or services or both, other than supplies specified under Sec 9(5), through such electronic commerce operator who is required to collect tax at source under Sec 52;
- (x) Every electronic commerce operator;
- (xi) Every person supplying online information and database access or retrieval services from place outside India to a person in India, other than a registered person; and
- (xii) Such other person or class of persons as may be notified by the Govt. on the recommendation of the Council.

23.(a) State the contents of a Tax Invoice.

(b) What is Revised Invoice as per Section 31(3)(a) of the CGST Act, 2017?

Answer:

(a) There is no format prescribed for an invoice, however, Invoice rules makes it mandatory for an invoice to have the following fields (only applicable field are to be filled):

1. Name, address and GSTIN of the supplier
2. A consecutive serial number, in one or multiple series, containing alphabets or numerals or special characters like hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year

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3. Date of its issue
4. Name, address and GSTIN or UIN, if registered, of the recipient.
5. Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered and where the value of taxable supply is fifty thousand rupees or more
6. HSN code of goods or Accounting Code of Services
7. Description of goods or services
8. Quantity in case of goods and unit or Unique Quantity Code there of
9. Total value of supply of goods or services or both
10. Taxable value of supply of goods or services or both, taking into account the discount or abatement, if any
11. Rate of tax (Central tax, State tax, Integrated tax, union territory tax or cess)
12. Amount of tax charged in respect of taxable goods or services (Central tax, State tax, Integrated tax, union territory tax or cess)
13. Place of supply along with the name of State, in case of a supply in the course of inter-State trade or commerce
14. Address of delivery where the same is different from the place of supply
15. Whether the tax is payable on reverse charge basis
16. Signature or digital signature of the supplier or his authorized representative.

- (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.

- 24.(a) Y Ltd is operating in two states Andhra Pradesh and Tamil Nadu. The tax liability for the month of August 2017 is as follows—**

S. No.	Tax Liability	Andhra Pradesh (₹)	Tamil Nadu (₹)
1.	Output CGST Payable	25,000	10,000
2.	Output SGST Payable	10,000	5,000
3.	Output IGST payable	3,000	2,500
4.	Input CGST	8,000	13,000

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5.	Input SGST	15,000	1,500
6.	Input IGST	12,000	16,000

Calculate the tax payable for the month of August 2017.

(b) What is First Return and Revision of Returns in GST?

Answer:

(a) Net Tax payable for the month of August is as follows - (Amount in ₹)

Particulars	Andhra Pradesh			Tamil Nadu		
	CGST	SGST	IGST	CGST	SGST	IGST
Output tax	25,000	10,000	3,000	10,000	5,000	2,500
Input credit available for setoff	8,000	15,000	12,000	13,000	1,500	16,000
Input credit adjusted	8,000	10,000	3,000	10,000	1,500	2,500
Tax payable after setting of ITC	17,000	-	-	-	3,500	-
Input Tax available for further set-off	-	5,000	9,000	3,000	-	13,500
Inter Adjustment of ITC	9,000	-	(9,000) (Note-1)	-	3,500	(3,500)
Net Tax payable in cash	8,000	-	-	-	-	-
Input credit carry forwarded to next month	-	5,000	-	3,000	-	10,000

Notes:

1. IGST Input tax credit can be adjusted against Output tax of liability of IGST, CGST, SGST, UTGST (set off can be done in same Order)
2. SGST Input tax credit cannot be adjusted against output CGST & Vice-Versa.
3. CGST & SGST Input tax credit of one State cannot be adjusted against Output CGST & SGST of other state (same principle is applicable to IGST credit also).

(b) 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.

Section B: Customs Law

25. Fill in the blanks:

- (a) _____ means where goods are cast into sea to reduce weight of ship to prevent it from sinking and the thrown goods sink.
- (b) Where any article exported by an exporter to India at less than its normal value, the Central Govt., may impose _____ upon such importation into India.
- (c) The effective rate of customs duty on baggage is _____.
- (d) If the assessment is delayed for imported goods, then those goods can be stored in public warehouse without executing a bond, is called _____.
- (e) _____ goods must be same in all respects, except for minor differences in appearance.

Answer:

- (a) Jetsam
- (b) anti-dumping duty
- (c) 36.05%
- (d) warehousing without warehousing
- (e) Identical.

26.(a) Define foreign going vessel or aircraft under Customs Act.

- (b) An importer imported some goods for subsequent sale in India at \$ 10,000 on assessable value basis. Relevant exchange rate and rate of duty are as follows:

Particulars	Date	Exchange rate declared by the CBE&C	Rate of Basic Customs Duty
Date of submission of bill of entry	25th February 2018	₹ 58/USD	10%
Date of entry inwards granted to the vessel	5th March 2018	₹ 58.75/USD	12%

Calculate Assessable value and Customs Duty in Indian rupees?

Answer:

(a) Foreign going vessel or aircraft:

As per section 2(21) of the Customs Act, the foreign going vessel or aircraft from any port or airport in India to any port or airport outside India,

The following are also included in the definition:

- (i) A foreign naval vessel doing naval exercises in Indian waters
- (ii) A vessel engaged in fishing or any other operation (like oil drilling by domestic vessel or foreign vessel) outside territorial waters.
- (iii) A vessel going to a place outside India for any purpose whatsoever.

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- (b)** Relevant rate of duty for the imported goods is 12% (i.e. Date of submission of bill of entry or Date of entry inwards granted to the vessel whichever is later)

Exchange Rate is ₹ 58 per USD (i.e. the rate of CBE&C as on the date of submission of Bill of Entry by the importer)

Assessable value = ₹ 5,80,000 (i.e. USD 10,000 x ₹ 58)

Basic Customs Duty = ₹ 69,600 (i.e. ₹ 5,80,000 x 12%)

2% Education cess = ₹ 1,392 (i.e. ₹ 69,600 x 2%)

1% SAH education cess = ₹ 696 (i.e. ₹ 69,600 x 1%)

Total Customs Duty = ₹ 71,688.

- 27.(a)** What is the taxable event for exported goods? Also state the relevant rate of foreign exchange in case of exports.

- (b)** X Ltd imported goods from USA for ₹ 50,000. After damage these goods valued by customs officer is ₹ 10,000. Total Customs duty on the value of imported goods levied ₹ 6,180. Imported goods had been damaged after the unloading of goods in India but before their examination for assessment by customs authorities, and such damage is not due to any willful act of X Ltd. Find total duty payable by X Ltd.

Answer:

- (a)** Taxable event for exported goods:

As per section 16(1) of the Customs Act, 1962, taxable event arises only when proper officer makes an order permitting clearance (i.e. entry outwards) granted and loading of the goods for exportation took place under Section 51 of the Customs Act, 1962.

Relevant rate of foreign exchange in case of exports:

In case of exports, rate of exchange of the CBEC as in force on the date on which a shipping bill or bill of export, as the case may be, is presented under Sec. 50 of the Customs Act, 1962 is applicable.

- (b)** Customs Duty = ₹ 1,236

Working Note:

₹ 6,180 – [(₹ 40,000/₹ 50,000) × ₹ 6,180] = ₹ 1,236

Abatement of duty is ₹ 4,944.

- 28.(a)** What are the conditions to be satisfied for exemption from duty in case of pilferage?

- (b)** X Transport Company imported Rolls Royce car for the purpose of providing output services by way of transportation of passengers. Following are the cost & other details-

Particulars	Amount (INR)
-------------	--------------

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Cost of vehicle (Assessable value)	300,00,000
Custom duty	10%
IGST	28%
Compensation cess	20%

X Transport Company is eligible to take Input tax credit and have output IGST liability of INR 120 lakhs. Calculate tax liability towards custom duty & GST liability.

Answer:

(a) Conditions to be satisfied for exemption from duty in case of pilferage:

1. The imported goods should have been pilfered.
2. The pilferage 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.
3. The pilfered goods should not have been restored back to the importer.

(b)

Particulars	Calculation	Amount (INR)
Cost of Vehicle - (A)		300,00,000
Custom duty - (B)	10%	30,00,000
Cess - (C)	3% on (B)	90,000
Total custom duty payable - (D)	(B+C)	30,90,000
Total Cost after Custom duty - (E)	(A+D)	330,90,000
IGST - (F)	28% on (E)	92,65,200
Compensation cess - (G)	20% on (E)	66,18,000
Total cost - (H)	(E+F+G)	489,73,200

- Input tax credit available to set off against output IGST is INR 92,65,200.
- Compensation cess paid cannot be set off against output tax liability of IGST.
- Total tax payable by X Transport Company after adjusting IGST ITC is INR 27,34,800 (120,00,000-92,65,200).

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

- | | | |
|-------|--|--------------------|
| (i) | F.O.B. cost of the machine | 10,000 U.K. Pounds |
| (ii) | Freight (air) | 3,000 U.K. Pounds |
| (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 | ₹ 6,000 |
| (vii) | Buying commission paid by the buyer to his agent in U.K. | 100 U.K. Pounds |

Other Particulars:

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- (i) Inter-bank exchange rate as arrived by the authorized dealer: ₹ 72.50 per U.K. Pound.
 (ii) CBEC had notified for purpose of Section 14 of the Customs Act, 1944, exchange rate of ₹ 70.25 per U.K. Pound.
 (iii) Importer paid ₹ 5,000 towards demurrage charges for delay in clearing the machine from the Airport.

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

(b) State the features of warehousing.

Answer:

(a)

	UK Pounds
FOB Value	10,000
Add: Engineering and Design charges (Paid in (UK)	500
Add: License fee (20% on 10,000 UKP)	2,000
Sub-total	12,500
	Value in ₹
Sub-total (12,500 UKP × ₹ 70.25)	8,78,125
Add: Material supplied by the buyer freely	20,000
FOB Value as per customs	8,98,125
Add: Air freight (₹ 8,98,125 × 20%)	1,79,625
Add: Insurance	6,000
CIF Value	10,83,750
Add: Landing charges 1% of CIF Value	10,838
Assessable value	10,94,588

(b) Features of warehousing:

1. Importer can defer payment of import duties by storing the goods in a safe place
2. Importer allowed doing manufacturing in bonded warehouse and then re-exporting from it.
3. The importer can be allowed to keep the goods up to one year without payment of duty from the date he deposited the goods into warehouse
4. This time period is extended to Three years for Export Oriented Units and the time period still be extended to five years if the goods are capital goods.
5. The importer minimizes the charges by keeping in a warehouse, otherwise the demurrage charges at port is heavy.
6. Assistant Commissioner of Customs or Deputy Commissioner of Customs are competent to appoint a warehouse as public bonded warehouse
7. The Assistant Commissioner of Customs or Deputy Commissioner of Customs may license private warehouse. The license to private warehouse can be cancelled by giving one month notice.

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8. Only dutiable goods can be deposited in the warehouse
9. Green Bill of Entry has to be submitted by the importer to clear goods from warehouse for home consumption.
10. Rate of duty is applicable as on the date of presentation of Bill of Entry (i.e. sub-bill of entry or ex-bond bill of entry) for home consumption.
11. Reassessment is not allowed after the imported goods originally assessed and warehoused.
12. The exchange rate is the rate at which the Bill of Entry (i.e. 'into bond') is presented for warehousing.
13. If the goods which are not removed from warehouse within the permissible period, then subsequent removal called as improper removal. The rate of BCD which is applicable as on the last date on which the goods should have been removed but not removed is applicable.

30.(a) What is Redemption Fine?

(b) Mr. Ajay, an Indian entrepreneur, went to London to explore new business opportunities on 01.04.2017. His wife also joined him in London on 01.12.2017. The following details are submitted by them with the Customs authorities on their return to India on 30.04.2018. -

- (1) used personal effects worth ₹ 80,000**
- (2) a music system worth ₹ 35,000**
- (3) the jewellery brought by Mr. Ajay for ₹ 48,000 and the jewellery brought by his wife worth ₹ 20,000**

Determine their eligibility with regard to duty free allowance.

Answer:

(a) Redemption Fine (Section 125 of the Customs Act):

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

(b) Statement showing customs duty in the hands of Mr. Ajay:

Particulars	Amount ₹	Workings
Personal effects	Nil	Fully exempted from duty
Music system	35,000	Dutiable within the limit of GFA
Less: GFA	(-) 35,000	w.e.f. 1-4-2016, GFA

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		increased to ₹ 50,000
Dutiable goods	Nil	
Jewellery	48,000	
Less: exemption	48,000	Upto ₹ 50,000 is free from duty, since, he stayed outside abroad for a period more than one year.
Dutiable goods	Nil	

Statement showing customs duty in the hands of Mrs. Ajay:

Particulars	Amount ₹	Workings
Jewellery	20,000	Fully taxable
Less: exemption	Nil	Not allowed since, she stayed abroad less than one year.
Dutiable goods	20,000	
Customs duty	7,210	₹ 20,000 x 36.05% = ₹ 7,210