

**FINAL EXAMINATION  
GROUP - IV  
(SYLLABUS 2016)**

**SUGGESTED ANSWERS TO QUESTIONS**

**DECEMBER - 2019**

**Paper-18 : INDIRECT TAX LAWS AND PRACTICE**

**Time Allowed : 3 Hours**

**Full Marks : 100**

The figures in the margin on the right side indicate full marks.  
Wherever necessary, you may make suitable assumptions and state them clearly in your answer.  
Working notes should form part of the answer.

**Section – A**

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

1. Choose the correct answer with justification/workings wherever applicable: 2×7=14
- (i) The term 'casual taxable person' includes
- (A) A person occasionally supplying goods or services or both in a State or an Union Territory where he has no fixed place of business.
  - (B) A person occasionally supplying goods or services or both in a State or an Union Territory where he has fixed place of business.
  - (C) Both (A) and (B)
  - (D) None of the above
- (ii) Mahesh is employed in Zed Traders a proprietary concern of Kumar having taxable turnover under GST. Services provided by Mahesh will be taxable if
- (A) Mahesh provides them on contract basis to Zed Traders.
  - (B) Mahesh provides them on regular basis to Zed Traders.
  - (C) Mahesh provides them to the brother of Kumar, not in the course of employment.
  - (D) None of the above.
- (iii) What would be the tax rate applicable in case of composite supply?
- (A) Tax rate as applicable on principal supply.
  - (B) Tax rate as applicable on ancillary supply.
  - (C) Tax rate as applicable on respective supply.
  - (D) Tax rate of the principle supply or ancillary supply whichever is higher
- (iv) What are the supplies on which reverse charge mechanism would apply?
- (A) Notified categories of goods or services or both under Section 9(3).
  - (B) Inward supply of goods or services or both from an unregistered dealer under 9(4).
  - (C) Both of (A) and (B).
  - (D) None of the above.

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(v) Which one of the following is exempted from GST?

- (A) Any business exhibition
- (B) A business exhibition in India
- (C) A business exhibition outside India
- (D) None of the above

(vi) What is date of receipt of payment?

- (A) Date of entry in the books
- (B) Date of payment credited into bank account
- (C) Earlier of (A) and (B)
- (D) Date of filing of return

(vii) Time limit to pay the value of supply with taxes to avail the input tax credit is

- (A) Three months
- (B) Six months
- (C) One hundred and eighty days
- (D) Till the date of filing annual return or 30<sup>th</sup> September of following year whichever is earlier.

**Answer:**

1.

(i)	(A)	A person occasionally supplying goods or services or both in a State or an Union territory where he has no fixed place of business.
(ii)	(C)	Mahesh provides them to the brother of Kumar, not in the course of employment. Supply includes services provided by the employees to the employer, not in the course of employment.
(iii)	(A)	Tax rate as applicable to principal supply
(iv)	(A)	Notified categories of goods or services or both under Section 9(3) as section 9(4) has been deferred presently
(v)	(C)	A business exhibition outside India
(vi)	(C)	Earlier of (a) and (b)
(vii)	(C)	One hundred and eighty days from the date of issue of invoice by supplier

2. In the following cases based on information given and the query, give your comments on the taxability under GST and the rate of GST applicable, if any: 2×7=14

- (i) Space Bazar offers a free bucket with detergent purchased. It is composite supply or mixed supply? Assume rate of GST for detergent @ 28% and bucket @ 18%.
- (ii) Mr. A booked a Rajdhani train ticket, which includes meal. It is composite supply or mixed supply?
- (iii) Mr. Ravi being a dealer in laptops, sold a laptop bag along with the laptop to a customer, for Rs. 55,000. CGST and SGST for laptop @ 18% and for laptop bag @ 28%. What would be the rate of tax leviable? Also find the GST liability.
- (iv) Renting of vacant land to a stud farm for Rs. 1,50,000. Is it a supply of service? Will GST be leviable?

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(v) A contract awarded by Kolkata Municipal Corporation (KMC) for repair of a particular road to M/s B Ltd., with terms and conditions that the entire work should be completed within 30 days. However, there is a delay of 10 days to complete the work. KMC charged liquidated damaged of Rs. 1,20,000 and the same recovered from M/s B Ltd. Applicable rate of CGST 9% and SGST 9%. Previous year turnover of M/s B Ltd. Rs. 2 crores.

Find the following:

(a) Who is liable to pay GST on what amount?

(b) Total tax liability if any.

(vi) M/s X Ltd. paid penalty under section 49 of the CGST act, 2017, Rs. 2,00,000 to the Department in the month of October, 2018. Is it taxable under the GST law?

(vii) M/s M & Co. a sole proprietor, is in the business of selling furniture. Its owner took a set of furniture of furnish his house permanently. Will the transaction be a supply in terms of GST Act?

Note : ITC on such furniture not availed.

Answer:

2.

(i)	This is a mixed supply. These items can be sold separately. Product which has the higher rate, will apply on the whole mixed bundle. i.e., 28%.
(ii)	It is a bundle of supplies. It is composite supply where the products cannot be sold separately. The transportation of passenger is, therefore, the principal supply. Rate of tax applicable to the principal supply will be charged to the whole composite bundle. Therefore, rate of GST applicable to transportation of passengers by rail will be charged by IRCTC on the booking of Rajdhani ticket.
(iii)	If the laptop bag is supplied along with the laptop in the ordinary course of business, the principal supply is that of the laptop and the bag is an ancillary. Therefore, it is a composite supply and the rate of tax would be that at applicable to the laptop. Hence, applicable rate of GST 18% on Rs. 55,000. CGST is Rs. 4,950 and SGST is Rs. 4,950.
(iv)	It is supply of service. GST is liable to be paid.
(v)	In the ordinary course it is a supply of service. However, non performance of contract by the supplier of service in case of supplies to Government, local authority is covered under exemption. The fine or penalty chargeable by Government or local authority imposed for violation of statute, bye-laws, rules or regulations or contract are not leviable to GST. Hence no liability to GST and no tax liability.
(vi)	Such payment is not a supply of service. The fine or penalty chargeable by Government or local authority imposed for violation of statute, bye-laws, rules or regulations are not leviable to GST. The penalty of Rs. 2,00,000 is not taxable under GST law.
(vii)	No, the transfer of the furniture by the owner without consideration is not a supply of goods, because credit is not allowed in case of personal consumption of business assets under sec 17(5)(g) of CGST Act, and ITC on such furniture is not availed.

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3. (a) Mr. Lakshminarayanan is a registered supplier in the State of Orissa under the regular scheme. Following are the details of transaction entered into by him during the half year ended on 31<sup>st</sup> March, 2019:

Particulars	Amount (Rs.)
Intra-State supplies of product 'Sun' (GST rate 12%)	30,00,000
Intra-State supplies of product 'Moon' (GST payable by the recipient under reverse charge)	10,00,000
Export of product 'Sun' with payment of GST	5,00,000
Legal services received from an advocate for Product 'Sun'	2,00,000
Common inputs used for supplies of above (GST rate 12%)	25,00,000

You are required to determine the net GST liability for the above tax period.

All amounts given above are excluding GST wherever applicable. GST rate on services is 18%, all conditions for availing the ITC have been complied with. Turnover during the earlier financial year was Rs. 35 lakhs. 7

- (b) Mr. Muktinath, a service provider registered under GST law under the regular scheme, at Bengaluru (Karnataka), provided taxable service to one of his clients LMN Co. Ltd., registered at Mumbai (Maharashtra). The provision of service was completed on 10.09.2018 and credit for payment received was made in the books of Mr. Muktinath on 11/09/2018.

With effect from 16.09.2018, applicable GST rate was raised from 5% to 12%. The payment for the service provided was credited in Mr. Muktinath's bank account on 18.09.2018, and invoice for the same was raised on 23.09.2018.

Mr. Muktinath is of the view that he is liable to pay IGST @ 5% only. However, the Department took the view that he is liable to pay IGST @ 12%.

Examine the correctness of the rival contentions.

Will your answer be different in the above case if the payment was credited to the bank account on 14.09.2018 instead of 17.08.2018?

Note: You may assume that all days are working days 7

Answer:

3. (a)

### Computation of GST liability

Particulars	Amount (Rs.)
GST on outward supply (Note 1)	3,60,000
GST payable on legal services under reverse charge (Note 3)	36,000
Common credit relating to exempt supply	Nil
Total GST liability	3,96,000
Less: ITC (Note 2) (3,00,000 - 66,667) = 2,33,333	2,33,333
Balance GST liability	1,62,667

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Note 1: Computation of GST on outward supply

Particulars	Value (Rs.)	GST (Rs.)
Intra-State supplies of product "Sun" (GST rate 12%)	30,00,000	3,60,000
Intra-State supplies of product "Moon" (GST payable by the recipient under reverse charge)	10,00,000	Nil
Export of product "Sun" with payment of GST (export is a zero-rated supply)	5,00,000	Nil
<b>Total</b>	<b>45,00,000</b>	<b>3,60,000</b>

Note 2: Computation of ITC

Particulars	Value (Rs.)
GST on inward supply (Rs. 25,00,000 × 12%)	3,00,000
GST payable on legal services under reverse charge, see note 3 below*	Nil
<b>Total ITC as per Electronic credit Ledger</b>	<b>3,00,000</b>
Less: Common credit relating to exempt supply = Rs. 3,00,000 × Rs. 10,00,000 ÷ Rs. 45,00,000 [Exempt turnover : Rs. 10,00,000; total turnover Rs. 45,00,000]	66,667
<b>ITC available</b>	<b>2,33,333</b>

Note 3:

Tax on legal services provided by an advocate to an individual (Mr. Lakshminarayanan is an individual) is exempted vide entry 45(b) of Notification No. 12/2017. However assuming that the turnover of the entity exceeds the turnover limit for tax audit, GST under reverse charge would be applicable. In such case the tax liability on Rs. 200000 will be Rs. 36,000. Same is added to tax liability. The next month this amount can be claimed as ITC

Alternate answer: If credit for ITC is claimed for GST paid under RCM on advocate fees of Rs. 36,000 the same will be allowable upto (Rs. 36,000 × 35 lakh / 45 lakhs. = Rs. 28,000. Hence GST net of further ITC of Rs. 28,000 will be Rs. 1,62,667 – Rs. 28,000 = Rs. 1,34,667

(b)

<p>Change in GST rate</p> <p>As per section 14 of the CGST Act, 2017, in case of change in rate of tax, date of receipt of payment is earlier of:</p> <p>(i) Date of entering payment in the books of account of the supplier (11.09.2018), or</p> <p>(ii) Date on which the payment is credited to his bank account (18.09.2018).</p>
<p>However, if the payment is credited in the bank account after 4 working days from the date of change in the rate of tax, the date of receipt of payment will be the date of credit in the bank account.</p>
<p>In the given case, since the payment has been credited in the bank within 4 working days from the date of change in the rate of tax, the date of receipt of payment will be 11.09.2018 [i.e., earlier of 11.09.2018 or 18.09.2018].</p>

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Section 14 further provides that where goods and /or services have been supplied before the change in rate of tax (10.09.2018) and the payment has been received before the change in rate of tax (11.09.2018), but the invoice for the same is issued after the change in rate of tax (23.09.2018), the time of supply shall be the date of receipt of payment.

Therefore, in the given case, the time of supply will be 11.09.2018 and the applicable rate of tax will be rate prevalent at the time of supply, i.e., IGST @ 5%.

Therefore, the contention of Muktinath is correct. Department's view is not tenable in law.

Further, if the date on which the payment is credited to bank account of supplier is 14.09.2018, the date of receipt of payment will continue to be 11.09.2018 [i.e., earlier of 11.09.2018 or 14.09.2018] since the payment is credited in the bank account before change in applicable rate of tax.

Consequently, with other things remaining the same, the time of supply and the applicable rate of tax will remain the same.

- 4. Mudra Dancers Pvt. Ltd., owned by Mrs. Anjali, a famous Bharata Natyam dancer, wishes to organize a 'Anjali Dance Concert' in Faridabad (Haryana). Mudra Dancers Pvt. Ltd. is registered in Amritsar, Punjab. It enters into a contract with an event management company, Saipriya (P) Ltd. (registered in Delhi) for organizing the said dance concert at an agreed consideration of Rs. 12,00,000.**

**Saipriya (P) Ltd. books the lawns of Hotel Dream Palace, Faridabad (registered in Haryana) for holding the dance concert, for a lump sum consideration of Rs. 5,00,000. Mudra Dancers Pvt. Ltd. fixes the entry fee to the dance vent at Rs. 5,000. 500 tickets for 'Anjali Dance Concert' are sold.**

**You are required to identify the different supplies which are involved and to determine the CGST and SGST or IGST liability, as the case may be, in respect of all the supplies involved in the outlined situation.**

**Will your answer be different, if the entry ticket is priced at Rs. 475 per person?**

**Rates may be taken as SGST 9%, CGST 9% and IGST 18%.**

**14**

**Answer:**

**4.**

Particulars
In the given problem, three supplies are involved:
(i) Services provided by Mudra Dancers Pvt. Ltd. to audiences by way of admission to dance event.
(ii) Services provided by Saipriya (p) Ltd. to Mudra Dancers Pvt. Ltd. by way of organizing the dance event.
(iii) Service provided by Hotel Dream Palace to Saipriya (p) Ltd. by way of accommodation in the Hotel lawns for organizing the dance concert.
The CGST and SGST or IGST liability in respect of each of the above supplies is determined as under:
(i) As per the provisions of section 12(6) of the IGST Act, 2017, the place of supply of services provided by way of admission to, inter alia, a cultural event shall be the place where the event is actually held.

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<p>Therefore, the place of supply of services supplied by Mudra Dancers Pvt. Ltd. to audiences by way of admission to the dance concert is the location of the Hotel Dream Palace, i.e. Faridabad, Haryana.</p>
<p>Since the location of the supplier (Amristar, Punjab) and the place of supply (Faridabad, Haryana) are in different States, IGST will be leviable.</p>
<p>Therefore, IGST leviable will be computed as follows: Consideration for supply (500 tickets @ Rs. 5,000 per ticket) = Rs. 25,00,000 IGST @ 18% on value of supply = Rs. 25,00,000 × 18% = Rs. 4,50,000</p>
<p>(ii) Section 12(7)(a)(i) of IGST Act, 2017 stipulates that the place of supply of services provided by way of organization of, inter alia, a cultural event to a registered person is the location of such person.</p>
<p>Therefore, the place of supply of services supplied by Saipriya (P) Ltd. to Mudra Dancers Pvt. Ltd. (Amristar, Punjab) by way of organizing the dance concert is the location of the recipient, i.e., Amristar (Punjab).</p>
<p>Since the location of the supplier (Delhi) and the place of supply (Amristar, Punjab) are in different States, IGST will be leviable.</p>
<p>Consideration for supply = Rs. 12,00,000. IGST @ 18% on value of supply = Rs. 12,00,000 × 18% = Rs. 2,16,000</p>
<p>(iii) As per the provisions of section 12(3)(c) of the IGST Act, 2017, the place of supply of services, by way of accommodation in any immovable property for organizing, inter alia, any cultural function shall be the location at which the immovable property is located</p>
<p>Therefore, the place of supply of services supplied by Hotel Dream Palace (Faridabad, Haryana) to Saipriya (P) Ltd. by way of accommodation in any immovable property for organizing is located at Faridabad, Haryana.</p>
<p>Since the location of the supplier (Faridabad, Haryana) and the place of supply (Faridabad, Haryana) are in the same State, CGST and SGST will be leviable</p>
<p>Therefore, CGST and SGST leviable will be computed as follows: Consideration for supply = Rs. 5,00,000 CGST @ 9% on value of supply = Rs. 5,00,000 × 9% = Rs. 45,000 SGST @ 9% on value of supply = Rs. 5,00,000 × 9% = Rs. 45,000</p>
<p>Where the price per entry ticket is Rs. 475. If the price for the entry ticket for the dance event is fixed at Rs. 475, answer will change.</p>
<p>In respect of supply of service provided by way of admission to music concert, as mentioned in point (i) above, There will be no IGST liability if the consideration for the ticket is Rs. 475, as the inter-State services by way of right to admission to, inter alia, musical performance are exempt from IGST vide Notification No. 9/2017 IT (R) dated 28.06.2017, if the consideration for right to admission to the event is not more than Rs. 500 per person.</p>
<p>There will be no change in the answer in respect of other supplies mentioned in points (ii) and (iii) above.</p>
<p>There will be no change in the answer in respect of other supplies as mentioned in point (ii) and (iii) above.</p>

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5. (a) Specify any three types of returns which are at present required to be filed under GST, what the returns are for, their frequency and the due date. (not for composition scheme) 7

- (b) Asha Ltd. supplies raw material to a job worker Kareena Ltd. After completing the job-work, the finished product of 5,000 packets are returned to Asha Ltd. putting the retail sale price as Rs. 20 on each packet. The product in the packet is covered under MRP provisions. Determine the transaction value in the hands of Kareena Ltd. under GST law from the following details: 7

Particulars	Value in Rs.
Cost of raw material supplied	30,000
Job worker's charges including profit	10,000
Transportation charges for sending the raw material to the job worker	3,000
Transportation charges for returning the finished packets to Asha Ltd.	4,500
Asha Ltd. paid certain technology transfer fees to 'Reena Ltd.', so that 'Kareena Ltd.' can use the said technology in the given job-work operation.	22,500
<b>Note: Kareena Ltd. offered discount Rs. 2,000, provided full payment is made at the time of rising invoice and the same is mentioned in the invoice. Asha Ltd. made full payment at the time of issue of invoice.</b>	

**Answer:**

5. (a) Following table lists the three types of returns currently being filed under GST Law:

Return Form	Particulars	Frequency	Due Date
GSTR – 1	Details of outward supplies of taxable goods and / or services effected (Section 37 of the CGST Act, 2017).	Monthly	10 <sup>th</sup> of the next month
GSTR – 3B	Simple return for Jul 2017 – mar 2018, and thereafter till date	Monthly	20 <sup>th</sup> of the next month
GSTR – 9	Annual Return (section 44 of the CGST Act, 2017) (a) Who Files: Registered Person other than an ISD, TDS/TCS Taxpayer, Casual Taxable person and Non-resident Taxpayer. (b) In this return, the taxpayer needs to furnish details of expenditure and details of income for the entire Financial Year.	Annually	31 <sup>st</sup> December of next financial year
GSTR – 5	Return for a Non-resident taxable person	Monthly	20 <sup>th</sup> of the next month
GSTR – 6	Return for an Input Service Distributor	Monthly	13 <sup>th</sup> of the next month
GSTR – 7	Return for authorities deducting tax at source	Monthly	10 <sup>th</sup> of the next month

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GSTR – 8	Details of supplies effected through e-commerce operator and the amount of tax collected	Monthly	10 <sup>th</sup> of the next month
GSTR – 10	Final Return	Once, when GST Registration is cancelled or surrendered	Within three months of the date of cancellation or date of cancellation order, whichever is later.
GSTR- 11	Details of inward supplies to be furnished by a person having UIN and claiming a refund	Monthly	28 <sup>th</sup> of the month following the month for which statement is filed

(b) Statement showing transaction value of Kareena Ltd.

Particulars	Value in Rs.
Cost of raw material supplied	Exempted Supply
Job worker's charges including profit	10,000
Transportation charges for sending the raw material to the job worker	Exempted Supply
Transportation charges for returning the finished packets to Asha Ltd. [Sec. 15(2)(b) of the CGST Act, 2017]	4,500
Technology fee [Sec. 15(2)(b) of the CGST Act, 2017]	22,500
Sub-total	37,000
Less: Discount [Sec. 15(3) of CGST Act, 2017]	(2,000)
Transaction value (i.e., sole consideration)	35,000
Note: It is very clear that principal to job worker and job worker to principal cannot be treated as supply as per section 143 of the CGST Act, 2017.	

6. (a) Best Ltd. is operating in two states Andhra Pradesh and Tamil Nadu. The tax liability for the month of July, 2018 is as follows:

Sl. No.	Tax Liability	Andhra Pradesh (Rs.)	Tamil Nadu (Rs.)
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
5.	Input SGST	15,000	1,500
6.	Input IGST	12,000	16,000

Calculate the tax payable for the month of July, 2018.

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- (b) (i) M/s Ace Ltd. is a registered person under GST law and purchased 10 cars for Rs. 45 lakhs plus 28% GST. M/s Ace Ltd. sold 8 cars for Rs. 55 lakh plus 28% GST.

Find the GST liability in the following two independent cases:

(A) M/s Ace Ltd. is a dealer of motor vehicles

(B) M/s Ace Ltd. is not a dealer of motor vehicles

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- (ii) M/s Expert Driving School Pvt. Ltd. supplied taxable services in the month of October, 2017 for Rs. 15 lakh (plus GST 18%) to provide training on driving. Company purchased two vehicles for this purpose namely passenger vehicle for Rs. 20 lakh plus GST 28% and goods vehicle for Rs. 33 lakh plus GST 28%. Find the net GST liability/ITC, of M/s Expert Driving School Pvt. Ltd.

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**Answer:**

6. (a) Net tax payable for the month of July 2018 is as follows –

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 off 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) (i) Statement showing net GST liability of M/s Ace Ltd.

Particulars	M/s Ace Ltd. is a dealer in motor vehicles Rs. in lakh	M/s Ace Ltd. is not a dealer in motor vehicles Rs. in lakh	Remarks
GST on Supply of goods	15.40	15.40	Rs. 55 lakh × 28%
Less: ITC	(12.60)	Not allowed	Rs. 45 lakhs × 28%
Net GST Liability	2.80	15.40	

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(ii)

GST on output supply	Rs. 2,70,000 (Rs. 15,00,000 @ 18%)
Less: ITC	
On passenger vehicle	Rs. (5,60,000) (Rs. 20,00,000 @ 28%)
On goods vehicle	Rs. (9,24,000) (Rs. 33,00,000 @ 28%)
Net Excess ITC c/d	Rs. 12,14,000

7. (a) Mr. Shankar is running a fancy stores and is also having a consulting firm, registered under the same PAN. During the earlier year, the turnover was Rs. 150 lakhs in the grocery stores and receipts in the consulting firm was Rs. 9 lakh. In the light of these facts, answer the following (having regard to the legal provision prevailing in April, 2019):

- (i) Examine whether Mr. Shankar eligible to opt for Composition Scheme under CGST Act.
- (ii) Can he opt for the Composition Scheme in respect of the grocery store alone, though he has the consulting firm also, in addition to the store? 2+3=5

(b) Mr. Nakul, a manufacturer of pesticides registered under the GST law, provides to you the following information pertaining to the GST paid by him in the month of January, 2019:

Particulars	Amount (Rs.)
GST on machinery purchased and sent directly to a job worker	1,20,000
GST on car purchased, exclusively used for business purchases	1,92,000
GST on raw materials purchased (Goods are received in lots/installments and 25% of the materials were received in February, 2019)	5,50,000
GST on Medical insurance premium paid for the employees working in the factory. Providing this is optional and Mr. Nakul has taken out this measure to improve the relations with the labourers.	96,000

Compute the quantum of input tax credit available to Mr. Nakul for the given month, adducing detailed note for treatment of each item. 9

**Answer:**

7. (a)

<p>Eligibility to opt for Composition Scheme</p> <p>(i) No. Shankar is not eligible for Composition Scheme.</p> <p>The reason is that the turnover in the earlier year was in excess of Rs. 150 lakhs.</p> <p>Note: W.e.f. 01.02.2019, other services, with restaurant &amp; catering services, also eligible vide CGST (Amendment) Act, 2018 for composition scheme, subject to 10% of turnover in a State or Union Territory in preceding financial year or 5,00,000 whichever is higher.</p>
<p>(ii) No, it is not possible for Mr. Shankar no opt for Composition Scheme, for the grocery store alone.</p> <p>All the registrations under the same PAN have to opt for composition scheme in terms of proviso to section 10(2) of the CGST Act, 2017.</p>

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(b) Computation of input tax credit

Particulars	Amount (Rs.)
GST on machinery purchased and sent directly to a job worker	1,20,000
ITC on capital goods directly sent to job worker's premises under challan is allowed in terms of section 19(5) of CGST Act, 2017, read with rule 45(1) of CGST Rules, 2017	
GST on car purchased, exclusively used for business purchases	Nil
Car figures in the list of blocked assets for ITC and hence no ITC can be availed.	
GST on raw materials purchased (25% of the materials are yet to be received)	Nil
Where the goods against an invoice are received in lots/instalments, ITC is allowed upon receipt of the last lot/instalment vide first proviso to section 16(2) of the CGST Act, 2017. ITC can be availed next month only.	
GST on Medical insurance premium paid for the employees working in the factory	Nil
ITC of health insurance is blocked in the given case, since said services are not notified by Government as obligatory for employer to provide to its employees under any law – in terms of section 17(5)(b)(iii) of the CGST Act, 2017.	
Total ITC available	1,20,000

### Section – B

#### (Customs Duty and FTP)

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

8. Choose the most appropriate option for the following [Option to be given in capital letters A, B, C or D] and give brief reason/justification for your choice or conclusion [1 mark for the correct choice and 1 mark for reason] : 2×3=6

(i) Determine the correct combination:

Sl. No.	Event	Sl. No.	Effect on customs duty
1	Foods damaged	1	Remission of duty
2	Goods pilfered	2	Abatement of duty
3	Goods destroyed	3	Not liable to pay duty

- (A) 1 and 2, 2 and 3, 3 and 1  
(B) 1 and 3, 2 and 3, 3 and 2  
(C) 1 and 2, 2 and 1, 3 and 3  
(D) 1 and 1, 2 and 3, 3 and 2

## Suggested Answers\_Syl2016\_December2019\_Paper 18

- (ii) Two sets of sales were effected by Boomerang Ltd. First set 1000 units at Rs. 190 and second set 900 units at Rs. 200. In terms of rule 7 (Deductive Value) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, the unit price in greatest aggregate quantity determined will be
- (A) Rs. 200  
 (B) Rs. 190  
 (C) Rs. 195  
 (D) More data is required
- (iii) As per the Customs Tariff Act, 1975, the following is not considered to be a way that constitute circumvention of antidumping duty imposed on an article which may warrant action by the Central Government:
- (A) Altering the description or name or composition of the article subject to imposition of such anti-dumping duty  
 (B) Changing the country of its origin or export  
 (C) Import of such article in an unassembled or disassembled form  
 (D) Procuring the goods through an Indian subsidiary which is a SEZ unit.

**Answer:**

8.

(i)	A	When imported goods are damaged, there will be abatement of customs duty. In respect of pilfered goods, customs duty is not payable and when goods are destroyed, there will be remission of duty.
(ii)	B	The greatest number of units sold at a particular price is 1,000 units. Therefore, the unit price in the greatest aggregate quantity is Rs. 190.
(iii)	D	The first three are specifically covered by section 9A(1A) of the Customs Tariff Act, 1975. Import by a SEZ unit will not attract any anti-dumping duty.

9. (a) A commodity is imported into India from a country covered by a notification issued by the Central Government under section 9A of the Customs Tariff Act, 1975.

Following particulars are made available:

CIF value of the consignment: US\$ 25,000

Quantity imported: 500 kgs

Exchange rate applicable: Rs. 60 = US \$ 1

Basic customs duty: 12%

Social Welfare Surcharge @ 10%

As per the notification, the anti-dumping duty will be equal to the difference between the cost of commodity calculated @ US \$ 70 per kg. and the landed value of the commodity as imported.

Appraise the liability on account of normal duties, cess and the anti-dumping duty.

Assume that only 'Basic customs duty' (BCD) and education and secondary and higher education cess are payable. IGST @ 12% is also applicable.

Calculate the Customs Duty Payable.

8

## Suggested Answers\_Syl2016\_December2019\_Paper 18

- (b) M/s Globe Ltd. (assessee) imported certain goods at US \$ 20 per unit from an exporter who was holding 30% equity in the share capital of the importer company. Subsequently, the assessee entered into an agreement with the same exporter to import the said goods in bulk at US\$ 14 per unit. When imports at the reduced price were effected pursuant to this agreement, the Department rejected the transaction value stating that the price was influenced by the relationship and completed the assessment on the basis of transaction value of the earlier imports i.e., at US\$ 20 per unit under rule 4 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, viz transaction value of identical goods. State briefly, whether the Department's action sustainable in law, with reference to decided cases, if any. 4

**Answer:**

9. (a)

Particulars	US \$
CIF Value	25,000
	Value in Rs.
Assessable value (i.e., 25,000 × Rs. 60)	15,00,000
Add: Customs duty 13.2% on Assessable value (12% + 10% on 12%)	1,98,000
Landed value (or value of imported goods)	16,98,000
Anti-dumping duty (21,00,000 – 16,98,000)	4,02,000
Market value of imported goods (500 kgs × Rs. 60 × US \$ 70) = 21,00,000	
Open Market Value	21,00,000
Add: IGST @ 12% on Rs. 21,00,000	2,52,000
Total	23,52,000

Total customs duty payable is Rs. 8,52,000 (i.e. 1,98,000 + 4,02,000 + 2,52,000)

Note: In case where imported goods are liable to Anti-Dumping Duty or Safeguard Duty, calculation of Anti – Dumping Duty or Safeguard duty would be as per the respective notification issued for levy of such duty. It is also clarified that value for calculation of IGST as well as Compensation Cess shall also include Anti-Dumping Duty amount and Safeguard duty amount.

- (b) As per Rule 2(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 persons shall be deemed to be related if any person directly or indirectly owns, controls or holds 5% or more of the outstanding voting stock or shares or both of them.

In the instant case, the exporter co. held 30% equity share capital of the importer co. So, it can be said that the two parties are related.

The fact that the assessee had made bulk imports could be a reason for reduction of import price. But here, as the importer co. has already purchased the same goods from the exporter co. @ US\$ 20 p.u., this price is to be considered as the Assessable value of the said import.

Therefore, the Department's action is tenable in law.

## Suggested Answers\_Syl2016\_December2019\_Paper 18

10. (a) An importer imported some goods. Entry inwards granted to the vessel on 7<sup>th</sup> February, and the goods were cleared from Chennai port for warehousing on 8<sup>th</sup> February, after assessment. The Bill of Entry was presented on 1<sup>st</sup> February for warehousing. Assessable value was US\$ 10,000. Assume that no additional duty is payable. The goods were warehoused at Chennai and were cleared from Chennai warehouse on 4<sup>th</sup> March. What is the duty payable while removing the goods from Chennai warehouse on 4<sup>th</sup> March? Exchange rates and rate of Customs Duties are as follows: 6

Particulars	Date	Exchange rate declared by the CBE&C	Basic Customs Duty
Date of submission of bill of entry for warehousing	1 <sup>st</sup> February	Rs. 55/USD	10%
Date of entry inwards granted to the vessel	7 <sup>th</sup> February	Rs. 59/USD	15%
Date of clearance of goods from warehouse by submission of bill of entry	4 <sup>th</sup> March	Rs. 60/USD	12%

- (b) Compare between 'Rules' and 'Regulations' under the Customs Act, 1962. Bring out the differences and similarities, if any. 6

**Answer:**

10. (a) Relevant rate of duty - date of submission of sub-bill of entry

Relevant exchange rate - date of submission of into bond bill of entry

Total customs duty will be

Basic Customs Duty = Rs. 66,000

+ SWS @ 10% on BCD = Rs. 6,000 (Rs. 66,000 × 10%)

Total customs duty = Rs. 72,600

[w.e.f. 02.02.2018, all goods are exempt from EC and SHEC]

The term 'CBEC' has been changed as 'CBIC'

- (b) Difference between the Rules and Regulations

Rules	Regulations
(1) Issued by the Government of India	(1) Issued by the CBIC
(2) Rules have to be approved by the Parliament	(2) Regulations do not need to be approved by the Parliament
(3) Has statutory force	(3) Has statutory force
(4) Power to make rules under Section 156 of Customs Act	(4) Power to make regulations as per Section 157 of Customs Act

## Suggested Answers\_Syl2016\_December2019\_Paper 18

11. (a) X Ltd. exported following goods to USA. Discuss whether any duty drawback is admissible under section 75 of the Customs Act, 1962. 8

Product	FOB Value of Exported goods	Market price of goods	Duty drawback rate
A	2,50,000	1,80,000	30% of FOB
B	1,00,000	50,000	0.75% of FOB
C	8,00,000	8,50,000	3.50% of FOB
D	2,000	2,100	1.50% of FOB

Note: Imported value of product C is Rs. 9,50,000.

- (b) Mr. Gopal, an Indian entrepreneur, went to London to explore new business opportunities on 01.04.2018. His wife also joined him in London on 01.12.2018. The following details are submitted by them with the Customs authorities on their return to India on 30.04.2019.

(i) Used personal effects worth Rs. 95,000

(ii) A music system worth Rs. 34,000

(iii) The jewellery brought by Mr. Gopal for Rs. 44,000 and the jewellery brought by his wife worth Rs. 25,000.

Determine their eligibility with regard to duty free allowance. 4

**Answer:**

11. (a) Duty draw back amount for all the products are as follows:

Product A:

Drawback amount =  $2,50,000 \times 30\% = \text{Rs. } 75,000$  or  $\text{Rs. } 1,80,000 \times 1/3 = \text{Rs. } 60,000$

Allowable duty draw back does not exceed 1/3 of the market value.

Hence, the amount of duty drawback allowed is Rs. 60,000

Product B:

Drawback amount allowed is Rs. 750 (i.e.,  $\text{Rs. } 1,00,000 \times 0.75\%$ ).

Since, the amount is more than Rs. 500 even though the rate is less than 1% it is allowed.

Product C:

No duty drawback is allowed.

Since the value of export is less than the value of import (i.e., negative sale)

Product D:

No duty drawback is allowed.

Since the duty drawback amount is Rs. 30 (which is less than Rs. 50)

Though rate of duty drawback is more than 1%, no duty drawback is allowed.

- (b) As per the Baggage Rules, 2016, in case of passengers other than tourists there is no customs duty on used personal effects and general free allowance is Rs. 50,000 per passenger. Thus, their duty liability is nil for the personal effects and a music system.

## **Suggested Answers\_Syl2016\_December2019\_Paper 18**

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However, the additional duty free allowance, that is jewellery allowance is applicable to non-tourist passenger of Indian origin who had stayed abroad for period exceeding one year. The additional jewellery allowance is as follows:

Gentleman Passenger - Rs. 50,000.

Lady Passenger – Rs. 1,00,000.

Thus, there is no duty liability on the jewellery brought by Mr. Gopal as he had stayed abroad for period exceeding one year. However, his wife is not eligible for this additional jewellery allowance as she had stayed abroad for a period less than a year. Thus, she has to pay customs duty on the amount of jewellery brought by her of Rs. 25,000.