

**PAPER – 11 : INDIRECT TAXATION**

**SUGGESTED ANSWERS**

**SECTION-A**

**PART - I**

**1. (a)**

- (i) (C)
- (ii) (C)
- (iii) (C)
- (iv) (B)
- (v) (C)

**1. (b)**

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

**1. (c)**

- (i) True
- (ii) True
- (iii) False
- (iv) False
- (v) False

**1. (d)**

- (i) 246A
- (ii) 1000
- (iii) 5
- (iv) GST REG- 06/ REG-06/ Form 6
- (v) 6 Months

**Part-II**

**2. (a)**

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

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

- 1. tax rates,
- 2. exemptions,
- 3. threshold limits,
- 4. dispute resolution,
- 5. GST legislations including rules and notifications etc.

## 2. (b)

- (i) Section 10(1) provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore (₹ 75 lakh in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates.

However, as per proviso to section 10(1), person who opts to pay tax under composition scheme may supply services other than restaurant services, of value not exceeding 10% of the turnover in a State or Union territory in the preceding financial year or ₹ 5 lakh, whichever is higher.

In the given case, since Mr. Ramasubbu is an exclusive supplier of services other than restaurant services [viz. Electrical repair services], he is not eligible for composition scheme under section 10(1) & 10(2).

- (ii) However, section 10(2A) provides an option to a registered person (subject to certain conditions) whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme under section 10(1) & 10(2), to pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State or Union territory.

Thus, in view of the above-mentioned provisions, Mr. Ramsubbu is eligible to avail the composition scheme under section 10(2A) as his aggregate turnover in the preceding FY does not exceed ₹ 50 lakh and he is not eligible to opt for the composition scheme under section 10(1) & 10(2).

Thus, the amount of tax payable by him as per the composition scheme under section 10(2A) is ₹ 1,87,620 [6% of ₹ 31.27 lakh] or ₹ 93,810 Each of CGST and SGST

A registered person cannot opt for composition scheme under section 10(2A), if, inter alia, he is engaged in making any inter-State outward supplies. However, there is no restriction on inter-State procurement of goods. Hence, answer will remain the same even if Mr. Ramsubbu procures few items from neighbouring State of Kerala.

## 3. (a)

Value of taxable supply ₹ 8,09,000

## 3. (b)

As per section 12(2) of the CGST Act, 2017, the time of supply of goods (Where movement of goods involve) for the purpose of payment of tax is the: -

Date of issue of invoice by the supplier

Or

Last date on when the invoice ought to have been issued under section 31(1).

As per section 31(1), the invoice needs to be issued either before or at the time of removal of goods.

SN	Date of removal	Date of invoice	Date when goods made available to recipient	Date of receipt of payment	Time of supply
1	2 <sup>nd</sup> April, 2023	1 <sup>st</sup> April, 2023	4 <sup>th</sup> April, 2023	20 <sup>th</sup> May, 2023	1 <sup>st</sup> April, 2023
2	1 <sup>st</sup> April, 2023	2 <sup>nd</sup> April, 2023	3 <sup>rd</sup> April, 2023	10 <sup>th</sup> May, 2023	1 <sup>st</sup> April, 2023
3	2 <sup>nd</sup> May, 2023	3 <sup>rd</sup> May, 2023	4 <sup>th</sup> May, 2023	1 <sup>st</sup> April, 2023	2 <sup>nd</sup> May, 2023

#### **4. (a)**

##### **Credit note is required to be issued by supplier**

- (i) If taxable value charged in the tax invoice is found to exceed the taxable value in respect of supply of goods and/or services, or
- (ii) If tax charged in the tax invoice is found to exceed the tax payable in respect of supply of goods and/or services, or
- (iii) If goods supplied are returned by the recipient, or
- (iv) If goods and/or services supplied are found to be deficient.

Maximum time-limit available for declaring the credit note in the GST return

A registered person who issues such a credit note has to declare details of such credit note in the return for the month during which such credit note has been issued but not later than

- 30<sup>th</sup> November of the following financial year or
- The date of furnishing of the relevant annual return, whichever is earlier.

#### **4. (b)**

Total eligible ITC (Input Tax Credit) ₹ 4,40,000

#### **5. (a)**

GST registration of a person or business can be cancelled by a proper GST officer in one of the following cases:

- If the registered person has violated any of GST provisions or laws.
- A composition registered person has not furnished the return for a financial year beyond 3 months from the due date of furnishing of the said return.
- A normal registered person (other than composition scheme) who is required to file return:
  - (i) not furnished for a continuous period of 6 months in case of regular taxpayers
  - (ii) not furnished for a continuous period of 2 tax periods in case of QRMP scheme
- A voluntarily registered person who has not commenced any business in the six months from the registration date.
- If the registration is obtained by fraud methods, the proper officer has the right to cancel the registration with retrospective effect.
- If a registered person avails input tax credit in violation of the provisions of section 16 of the Act or rules made thereunder.
- If a registered person furnishes details of outward supplies in FORM GSTR-1 for one or more tax periods in excess of outward supplies declared in GSTR-3B.
- If a registered person violates provisions of restriction on the use of ITC while discharging output liability.

**5. (b)**

SN	Supplies	Schedule	Nature of supply
(i)	Sale of land	III	Neither supply of goods nor supply of services
(ii)	Lease, tenancy, easement, licence to occupy land	II	Supply of service
(iii)	Services of funeral, burial, crematorium or mortuary including transportation of the deceased	III	Neither supply of goods nor supply of services
(iv)	Temporary transfer of intellectual property right	II	Supply of service
(v)	Services by any Court or Tribunal established under any law for the time being in force	III	Neither supply of goods nor supply of services
(vi)	Services by an employee to the employer in the course of or in relation to his employment	III	Neither supply of goods nor supply of services
(vii)	Transfer of the title in goods	II	Supply of goods

**6. (a)**

- (i) For Services of beauty treatment the Place of supply will be location where the services are actually performed. Therefore in current case, place of supply will be Udaipur.
- (ii) For services provided on board conveyances the place of supply will be the first schedule point of departure of that conveyance for the journey. Therefore here place of supply will be Bangkok.
- (iii) For banking Services place of supply will be location of recipient of service on the records of the supplier of service. Therefore place of supply will be Kolkata.

**6. (b)**

- (i) This is a taxable supply.  
as renting of immovable property for commercial purpose to any business entity by central government, state government and local authority is covered under RCM, is chargeable under RCM  
M/s ABC and Co is liable to pay GST under RCM
- (ii) This is not a taxable supply.  
When any legal services provided by any individual advocate or firm of advocates to any business entity with turnover up to ₹ 20,00,000( ₹ 10,00,00 in special category status) in previous year then such services are exempt.  
In this case, no one is liable.
- (iii) This is a taxable supply  
as it is taxable under RCM.  
The person liable is M/s PQR Ltd.

**7. (a)**

Distance within country	Validity period from relevant date
Up to 200 km	One day in cases other than over dimensional cargo or multimodal shipment in which at least one leg involves transport by ship
For every 200 km or part thereof thereafter	One additional day in cases other than over dimensional cargo or multimodal shipment in which at least one leg involves transport by ship
Up to 20 km	One day in case of over dimensional cargo or multimodal shipment in which at least one leg involves transport by ship
For every 20 km or part thereof thereafter	One additional day in case of over dimensional cargo or multimodal shipment in which at least one leg involves transport by ship.

Validity of e-way bill can be extended also. The generator of such e-way bill has to either four hour before expiry or within four hours after its expiry can extend e-way bill validity.

The validity of e-way bill can be extended within eight hours from the time of its expiry.

**7. (b)**

Rule 56(11) of the CGST Rules, 2017, every agent referred to in clause (5) of section 2 shall maintain accounts depicting the, -

- (a) Particulars of authorisation received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- (b) Particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
- (c) Particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
- (d) Details of accounts furnished to every principal; and
- (e) Tax paid on receipts or on supply of goods or services effected on behalf of every principal.

**7. (c)****(i) Who can opt for the QRMP scheme:**

A Registered Person (RP) with aggregate annual turnover of up to ₹ 5,00,00,000 in the previous financial year is eligible

**(ii) When can a person opt for the scheme:**

- Facility can be availed throughout the year in any quarter
- Option for QRMP scheme, once exercised will continue till RP revises the option or his AATO exceeds ₹ 5,00,00,000.

**(iii) Payment of tax under the scheme:**

- RPs Need to pay tax due in each of first two months (by 25th of next month), in the quarter.
- RPs can either use fixed sum method, (prefilled challan) or self-assessment method (actual tax due) for monthly payment of tax for first two months after adjusting ITC.
- No deposit of tax is required for the month if there is nil tax liability
- Tax deposited for first two months can be used for adjusting liability for the quarter in form GSTR 3B and can't be used for any other purpose till the filing of return for the quarter.

**7. (d)**

<b>Section 65</b>	<b>Section 66</b>
It is conducted by officers of the department authorised by the commissioner	It is conducted by chartered accountant/cost, accountant, nominated by the commissioner
Prior notice of 15 days is required	No such notice/information is required
The conclusion of the audit is given in three months, further extension of six months is allowed	The conclusion of the audit is given in 90 days, further extension of 90 days is allowed
Audit report should be intimated soon upon completion of the audit	Audit report should be shown to Deputy/Assistant Commissioner
No specific provision	Yes, where is the material gathered during the audit is to be used in any proceedings against the auditee

**SECTION-B****PART- III****8.**

- (i) (A)
- (ii) (B)
- (iii) (C)
- (iv) (B)
- (v) (A)

**Part-IV****9. (a)****Total customs duty and integrated tax payable by Fredy Shah Ltd**

<b>Particular</b>	<b>Amount (₹)</b>
Basic custom duty (rounded off )	1,24,710
Social Welfare Surcharge (rounded off)	12,471
Integrated tax	1,66,114
Total customs duty and integrated tax payable	3,03,295

**Note:**

- Licence fee relating to imported goods payable ELSE WHERE than in India by the buyer includible in the assessable value
- Rate of exchange notified by CBIC on the date of filing of bill of entry has to be considered
- In case of goods imported by air, freight cannot exceed 20% of FOB value
- Insurance charges, when not ascertainable, have to be included @ 1.125% of FOB value of goods
- Buying commission is not included in the assessable value.

**9. (b)**

Negative list of Duty Drawback (Section 76):

1. DDB amount is less than ₹ 50.
2. In case of negative sales
3. If CENVAT CREDIT availed (except BCD)
4. DDB amount is more than  $\frac{1}{3}$  rd the market value of exports.
5. Export to Nepal and Bhutan and export proceeds are not received in hard(It means USD, GBP or pounds)
6. DDB as % on F.O.B. less than 1% unless amount of DDB is more than or equal to ₹ 500.
7. Duty drawback is not allowed if the exporter has already availed the duty (DEPB) or other export incentives.
8. If the sale proceeds not received within the time period allowed by Reserve Bank of India.
9. Duty drawback amount exceeds the market value of exported goods.

**10. (a)**

- (i) Total Customs duty payable = ₹ 2,53,048/-
- (ii) The interest payable = ₹ 2,288/-

**10. (b)**

- (i) Principal Commissioner of Customs or Commissioner of Customs may cancel the warehousing licence, after giving the licensee a reasonable opportunity of being heard, if the licensee contravenes any of the provisions of the Customs law or breaches any of the conditions of the licence.

Further, the Principal Commissioner of Customs or Commissioner of Customs may suspend operation of the warehouse during the pendency of an enquiry for cancellation of the licence.

During the period of suspension, no goods shall be deposited in such warehouse. However, the warehousing provisions shall continue to apply to the goods already deposited in the warehouse.

- (ii) Where the licence is cancelled, the goods warehoused shall, within 7 days of the date of service the order of such cancellation on the licensee or within such extended period as may be allowed, be removed from such warehouse to another warehouse or be cleared for home consumption or export.

However, the warehousing provisions shall continue to apply to the goods already deposited in the warehouse till they are removed to another warehouse or cleared for home consumption or for export, during such period.