

INTERMEDIATE EXAMINATION
GROUP - II
(SYLLABUS 2016)

SUGGESTED ANSWERS TO QUESTIONS

JUNE - 2019

Paper-11: INDIRECT TAXATION

Time Allowed : 3 Hours

Full Marks : 100

The figures in the margin on the right side indicate full marks.
Wherever required, the candidate may make suitable assumptions and
state them clearly in the answer.

Working notes should form part of the relevant answers.

GST (Section – A)

Part – I

(All questions are compulsory in Part - I)

1. (a) Choose the correct option from amongst the four alternatives given: 1×5=5
- (i) Renting of a marriage hall owned by a Trust registered under section 12AA of the Income-tax Act, 1961 is not exempt from GST where
- (A) charges are more than ₹ 5,000 per day.
 - (B) charges are more than ₹ 1,000 per day.
 - (C) charges are more than ₹ 10,000 per day.
 - (D) None of the above
- (ii) 'Zero rated Supply' means
- (A) export of goods or services or both.
 - (B) import of goods or services or both.
 - (C) supply of goods or services or both to a Special Economic Zone Developer or a Special Economic Zone Unit.
 - (D) export of goods or services or both and supply of goods or services or both to a Special Economic Zone Developer or a Special Economic Zone Unit.
- (iii) The period prescribed for issuance of tax invoice in the case of provision of services is
- (A) generally 45 days from the date of the supply of service (in case of Banking companies- 30 days from the date of supply).
 - (B) generally 30 days from the date of the supply of service (in case of Banking companies- 60 days from the date of supply).
 - (C) generally 30 days from the supply of service (in case of Banking companies - 45 days from the date of supply).
 - (D) 30 days from the date of supply of service in all cases.
- (iv) Annual Return shall be filed by
- (A) every registered person.
 - (B) registered person having annual turnover of ₹ 2 crores and above.
 - (C) registered person having annual turnover of ₹ 1.5 crores and above.
 - (D) None of the above

Suggested Answers_Syl2016_June2019_Paper 11

(v) In the common portal, every claim of input tax credit of a registered person shall be credited to

- (A) Electronic Cash Ledger
- (B) Electronic Credit Ledger
- (C) Electronic Liabilities Register
- (D) Electronic Credit Register

(b) Match the following:

1x5=5

	Column - A		Column - B
1.	Casual Taxable Person	A.	Different GSTINs but one PAN
2.	Distinct Persons	B.	Non-taxable Supply
3.	Taxable person under composition scheme	C.	Exempt Supply
4.	Sale of Building	D.	No fixed place of business in a State or Union Territory
5.	Interest on loans and advances	E.	Quarterly Return

(c) State whether true or false:

1x5=5

- (i) Under GST the phrase "Aggregate Turnover" includes exempt supplies also.
- (ii) A person can issue normal tax invoice in respect of supplies which were suppressed by him and are detected by the GST officers subsequently.
- (iii) GST is payable once registered even if the turnover is less than the prescribed limit.
- (iv) A registered person under GST law gives a free spoon along with every soap purchased. This is a case of composite supply under GST law.
- (v) Buying and selling of second hand goods is not subject to GST.

(d) Fill in the blanks:

1x5=5

- (i) In case of death of a tax payer _____ can request for cancellation of registration.
- (ii) Gifts exceeding _____ in value in a financial year by an employer to employee shall constitute supply of goods or services or both.
- (iii) Toll receipts from highway of Coimbatore to Palghat is ₹ 60,00,000 and commission earned on toll receipts is ₹ 6,00,000. The value of taxable supply will be ₹ _____.
- (iv) In case of supply of goods by a composite dealer, the registered person shall issue _____.
- (v) R has started business of supplying toys in J&K. He is required to obtain registration if his aggregate turnover during a financial year exceeds _____.

Answer:

1. (a) (i) (C) charges are more than ₹ 10,000 per day.
 (ii) (A) export of goods or services or both and
 (C) supply of goods or services or both to a Special Economic Zone Developer or a Special Economic Zone Unit.
 Note: 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.
- (iii) (C) generally 30 days from the supply of service (in case of Banking companies - 45 days from the date of supply).
- (iv) (A) every registered person.
- (v) (B) Electronic Credit Ledger

Suggested Answers_Syl2016_June2019_Paper 11

(b)

	Column A		Column B
1.	Casual Taxable Person	D.	No fixed place of business in a State or Union Territory
2.	Distinct Persons	A.	Different GSTINs but one PAN
3.	Taxable person under composition scheme	E.	Quarterly Return
4.	Sale of Building	B./C.	Non-taxable Supply Note: Exempt supply means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11 of the CGST/SGST Acts or under section 6 of the IGST Act, and includes non-taxable supply.
5.	Interest on loans and advances	C./B.	Exempt Supply Note: Exempt supply means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11 of the CGST/SGST Acts or under section 6 of the IGST Act, and includes non-taxable supply.

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

- (d) (i) Legal Heir
(ii) ₹ 50,000/-
(iii) ₹ 6,00,000/-
(iv) Bill of Supply
(v) ₹ 20,00,000/- (in case of special category states Rs 10,00,000/-, except J&K)

Part - II

(Answer any four questions in Part - II)

2. (a) Explain the concepts "Composite Supply" and "Mixed Supply" with reference to the provisions of CGST Act. Give at least one example in each case. 7

- (b) M/s. Pioneer Agro Ltd., has provided the following information and asking you to compute the value of exempt and taxable supplies for the month of March 2019: 8

Sl. No.	Particulars	₹ in Lakhs
1	Sale of Rice (Unbranded)- On own account	18.00
2	Sale of Branded Rice- On own account	5.00
3	Commission Received (for dealing in unbranded rice)	2.50
4	Commission Received (for dealing in branded rice)	1.00
5	Commission Received (for dealing in tobacco leaves)	5.00

Suggested Answers_Syl2016_June2019_Paper 11

6	Sale of Egg	25.00
7	Sale of dried coconut	5.00
8	Sale of desiccated coconut	3.00

Answer:

2. (a) Composite supply: Composite supply consist of two or more goods/services, which is naturally supplied with each other in the ordinary course of business and one of them is a principal supply. The items cannot be supplies separately.

Note: Principal Supply means the supply of goods or services, which constitute the predominant element of a composite supply and to which another supply is ancillary/secondary.

Following two conditions are necessary for composite supply:

1. Supply of two or more goods or services together, and
2. It should a natural bundle and they cannot be separated

Example: Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply.

Mixed supply: In mixed supply two or more individual supplies combination of goods or services with each other for a single price. Each of these items can be supplied separately and is not dependent on each other. In other words, the combination of goods or services is not bundled due to natural necessities, and they can be supplied individually in the ordinary course of business.

For tax liability purpose, mixed supply consisting of two or more supplies shall be treated as a supply of that item which has the highest tax rate.

Example: A Mixed Supply example could be a kit - which contains a tie, a watch, a wallet and a pen - which could be bundled and priced together. However, each of these items can always be supplied individually, and hence this supply will be a Mixed Supply.

(b)

Sl. No	Particulars	Exempt Value (₹ In Lakhs)	Taxable Value (₹ In Lakhs)	Remarks
1	Sale of Rice (Unbranded) - On own account	18.00	-	Notification No. 28/2017 CT(R), dt. 22.09.17
2	Sale of Branded Rice - On own account	-	5.00	Notification No. 27/2017 CT(R), dated:22/09/2017
3	Commission Received (for dealing in unbranded rice)	-	2.50	Rice is not an agricultural produce
4	Commission Received (for	-	1.00	Rice is not an

Suggested Answers_Syl2016_June2019_Paper 11

	dealing in branded rice)			agricultural produce
5	Commission Received (for dealing in raw tobacco leaves)	5.00	-	Raw Tobacco leaves is an agricultural produce
6	Sale of Egg	25.00	-	Egg is an agricultural produce
7	Sale of dried coconut	5.00	-	
8	Sale of desiccated coconut	-	3.00	
	Total	53.00	11.50	

3. (a) Ms. Poorvisha got registered under the GST law on 12-02-2019. Since she is new to the GST regime, she seeks your advice on the following:

- (i) Whether IGST payments can be made online only or can be made offline also;
- (ii) Whether manual challans are permitted under GST;
- (iii) Validity period of e-challans, and
- (iv) Whether cross utilization among Major and Minor heads of the electronic cash ledger permitted.

5

(b) Chanakya Agencies is a registered supplier of household products under regular scheme. Its aggregate annual turnover was ₹ 30 lakh in the financial year 2017-18. It is of the view that in the current financial year, it is allowed to file its monthly statement of outward supplies- GSTR-1- on a quarterly basis. However, a fellow trader advises that it can file the same only on a monthly basis.

You are required to advise Chanakya Agencies on the same.

During a given tax period in the current financial year, owing to an off-season, Chanakya Agencies has not made any taxable supply. Therefore, Chanakya Agencies is of the view that no return under GST is required to be filed for the said period.

You are required to examine the correctness of the opinion of Chanakya Agencies. 5

(c) Determine the time of supply of goods in the following independent situations, as per the GST law, giving brief reason for your conclusion (Answer without reasoning will not deserve any credit):

5

Sl. No.	Date of removal of goods	Date of receipt of goods by buyer	Date of issue of tax invoice	Date of credit of payment in supplier's books of account	Date of credit of payment in supplier's bank account
1	04-01-2019	05-01-2019	04-01-2019	05-01-2019	06-01-2019
2	04-01-2019	03-01-2019	05-01-2019	03-01-2019	02-01-2019
3	04-01-2019	05-01-2019	04-01-2019	07-01-2019	08-01-2019

Suggested Answers_Syl2016_June2019_Paper 11

Answer:

3. (a) Advice to supplier who has newly taken registration:

(i) Section 49(1) of CGST Act, 2017 read with rule 87 of CGST Rules, 2017 provides that the deposit in electronic cash ledger can be made through any of the following modes, namely:-

- Internet Banking through authorised banks;
- Credit card or Debit card through the authorised bank;
- National Electronic Fund Transfer or Real Time Gross Settlement from any bank;
or
- Over the Counter payment through authorised banks.

Thus, offline mode is also permitted under GST.

As per Rule 87 of CGST Rules, Over the Counter payment through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft:

Provided that the restriction for deposit up to ten thousand rupees per challan in case of an Over the Counter payment shall not apply to deposit to be made by –
(1) Government Departments or any other deposit to be made by persons as may be notified by the Commissioner in this behalf;

(2) Proper officer or any other officer authorised to recover outstanding dues from any person, whether registered or not, including recovery made through attachment or sale of movable or immovable properties;

(3) Proper officer or any other officer authorised for the amounts collected by way of cash, cheque or demand draft during any investigation or enforcement activity or any *ad hoc* deposit.

(ii) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.

(iii) E-challan is valid for a period of 15 days.

(iv) Amount entered under any Minor head (Tax, Interest, Penalty, etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be utilized only for that liability.

Cross-utilization among Major and Minor heads is not possible.

(b) Filing of GST returns:

Section 37 of the CGST Act, 2017 stipulates that GSTR-1 for a particular month is required to be filed on or before the 10 day of the immediately succeeding month, i.e. on a monthly basis.

However, presently, as a measure of easing the compliance requirement for small tax payers, GSTR-1 has been allowed to be filed quarterly by small tax payers with aggregate annual turnover up to ₹ 1 crore in the preceding financial year or the current financial year. Tax payers with annual aggregate turnover above ₹ 1 crore will however continue to file GSTR-1 on a monthly basis.

In view of the same, Chanakya Agencies can file its GSTR-1 on quarterly basis as its

Suggested Answers_Syl2016_June2019_Paper 11

aggregate turnover does not exceed ₹ 1 crore in the preceding financial year.

Further, GSTR-1 needs to be filed even if there is no business activity in a tax period.

Thus, in the given situation, even if no supply has been made by Chanakya Agencies, a nil return is required to be filed for the relevant tax period.

Note: The aggregate turnover limit for small taxpayers is considered here ₹ 100 lakhs instead of ₹ 150 lakhs, as the amendment notification no. 14/2019 CT, dt. 07.03.2019 (increasing limit to ₹ 150 lakhs), has come into force on the 1st day of April, 2019, hence not to be considered here.

(c)

Sl. No	Date of supply	Brief reason
1	4-1-2019	Date of issue of tax invoice
2	2-1-2019	Date of credit of payment in supplier's bank account (being the earliest)
3	4-1-2019	Date of issue of tax invoice

4. (a) R Ltd. provides the following information:

Date of invoice in respect of purchase of Plant and Machinery	01.11.2018
(Life of Plant and Machinery is five years)	₹
Value of Plant and Machinery excluding GST	20,00,000
GST charged in respect of Plant and Machinery @ 18%	3,60,000
Date of supply of Plant and Machinery owing to obsolescence	10.01.2020
Value of outward supply of Plant and Machinery	12,00,000

Determine how much amount of GST to be paid on the supply of such machine. 8

(b) From the following information provided to you, determine, how would you utilize ITC on account of SGST available in the Electronic Credit Ledger: 7

Particulars	Amount
Amount of ITC on account of SGST available in the Electronic Credit Ledger for the month of June, 2019	2,00,000
CGST payable for the month of June, 2019	73,000
IGST payable for the month of June, 2019	96,000
SGST payable for the month of June, 2019	30,000

Answer:

4. (a)

Particulars	
In the light of above information, the amount to be paid by R Ltd. shall be computed as under:	
A. Input tax credit taken on purchase of Plant and Machinery	₹ 3,60,000

Suggested Answers_Syl2016_June2019_Paper 11

B. Time gap in quarters between date of purchase and supply of plant and machinery	1 year 2 months and 10 days i.e. 5 quarters (including part of the month)
C. Rate of Reduction in tax paid	Five percentage points per quarter of a year or part thereof (as the total life is taken as 5 years amounting to 20 quarters)
D. Total reduction in tax paid for five quarters or part thereof	Five percentage point x 5 quarters = Twenty-five percentage points
E. Amount of Reduction in tax paid	25% x of ₹ 3,60,000 = ₹ 90,000
F. Amount of GST to be paid on the basis of reduction in input tax credit taken [A-E]	₹ 2,70,000
G. Transaction Value of the Plant and Machinery	₹ 12,00,000
H. Tax on the transaction value of Plant and Machinery	₹ 2,16,000 [₹ 12,00,000 x 18%]
I. In terms of Section 18(6) amount to be paid- Higher of the amount given at Sl. No. F and Sl. No. H	₹ 2,70,000

(b)

Particulars	Amount (₹)
Amount of ITC on account of SGST available in the Electronic Credit Ledger for the month of June, 2019	2,00,000
Less: SGST payable for the month of June, 2019 debited in the electronic ledger	30,000
Balanced amount of ITC on account of SGST for the month of June, 2019	1,70,000
Less: IGST payable for the month of June, 2019 debited in the electronic ledger	96,000
Balance of ITC on account of SGST available in the Electronic Credit Ledger	74,000
CGST payable for the month of June, 2019 ₹ 73,000 (cannot be adjusted against input tax credit on account of SGST)	Nil
Balance input tax credit on account of SGST carried forward	74,000

5. (a) M/s. A.R.K. Express Services P Ltd., Chennai is a Goods Transport Agency. You have been given with the following information of the company for the financial year 2018-19.

Expenses	₹
Diesel Expenses	11,00,000
Repairs and Maintenance (includes CGST ₹ 27,000 and SGST ₹ 27,000)	3,54,000
Salary Paid	5,00,000
Whole-time Directors Remuneration.	5,00,000

Income	₹
Receipts from GTA services	35,00,000
Toll Charges Received	2,50,000

Suggested Answers_Syl2016_June2019_Paper 11

Non whole-time Directors Remuneration	5,00,000	
Vehicle Hire Charges	1,20,000	
Rent (includes CGST ₹ 5,400 and SGST ₹ 5,400)	70,800	
Legal Fees paid to advocates	1,50,000	
Toll Charges Paid	2,50,000	
Other Administrative Expenses (includes CGST ₹ 15,000 and SGST ₹ 15,000)	2,00,000	

During the FY 2018 -19, the company was raising tax invoices on RCM basis i.e., tax amount was mentioned on the invoices @ 5% of the taxable value, but the said tax amounts were not collected by the company, instead paid by the customers on reverse charge basis. The company did not avail ITC on the inputs as stipulated in the relevant notification. However for the FY 2019-20, the company is planning to change the existing system and would like to opt for the alternate system of taxing as permitted by the law i.e., to charge GST @ 12% on the services and to avail ITC. Now, by presuming that the financial information given here above for the FY 2018-19 would be the same for FY 2019-20 also, the company seeks your help to arrive at the estimated net GST liability due to the change in system.

Notes:

- (1) Entire Receipts from GTA services are from the customers who are registered under GST and there are no exempted outward services.
- (2) Toll Charges are received from the customers as reimbursements on actuals basis by producing the vouchers.

Now, you are required to calculate the estimates of the following:

- (a) GST on outward supply;
- (b) GST on inward supply eligible for ITC;
- (c) GST payable by cash on reverse charge basis; and
- (d) Net GST Liability. 8

(b) Discuss the correctness of this statement. State with reasons whether input tax credit is available in respect of the following inward supplies:

- (i) Life Insurance Premium paid for the benefit of the employees working in granite mines, which is obligatory on the part of the company to provide this benefit under the State law. 2
- (ii) Membership fee paid to a fitness centre by a film stunt artist. 2
- (iii) Outdoor catering services paid towards supply of some special foods to a Restaurant, which has taken a contract for supply of food in a birthday party. 2
- (iv) Motor truck purchased by a timber dealer for transportation of timber. 1

Answer:

5. (a) Computation of Probable Net GST Liability of A. R. K. Express Services P Ltd., for the FY 2019-20 —

Suggested Answers_Syl2016_June2019_Paper 11

On Income Side:

- (1) GST on Receipts from GTA Services:
 CGST = ₹ 35,00,000 × 6% = ₹ 2,10,000
 SGST = ₹ 35,00,000 × 6% = ₹ 2,10,000.

- (2) GST on Toll Charges Received:

Since toll charges are received as reimbursements on actuals basis, it is presumed that the company is acting as pure agent for its customers as regard to the given activity is concerned. Hence, GST liability would not arise on toll charges.

On Expenses Side:

- (1) Diesel: Non-GST supply. Hence, not liable for reverse charge.
 (2) Repairs & Maintenance: Already suffered GST. Hence not liable for reverse charge
 (3) Salary Paid: Non-GST supply
 (4) Whole-time Directors Remuneration: It is presumed that the whole time directors are the employees of the company. Hence, considered as Non-GST supply.
 (5) Non whole-time directors remuneration: Liable for reverse charge as follows:
 CGST = ₹ 5,00,000 X 9% = ₹ 45,000
 SGST = ₹ 5,00,000 X 9% = ₹ 45,000
 (6) Vehicle Hire Charges: Exempt supply. Does not attract reverse charge
 (7) Rent: Already suffered GST
 (8) Legal Fee paid to advocates: Liable for reverse charge as follows:
 CGST = ₹ 1,50,000 X 9% = ₹ 13,500
 SGST = ₹ 1,50,000 X 9% = ₹ 13,500
 (9) Toll charges paid: Exempt supply. Does not attract reverse charge.
 (10) Other Administrative Expenses: Already suffered GST

- (1) GST on outward supply:

S. No.	Particulars	CGST (₹)	SGST (₹)	Total (₹)
1	On Receipts from GTA Services (as per note 1)	2,10,000	2,10,000	4,20,000

- (2) GST on inward supply eligible for ITC:

Sl. No	Particulars	CGST (₹)	SGST (₹)	Total (₹)
1	Repairs & Maintenance	27,000	27,000	54,000
2	Rent	5,400	5,400	10,800
3	Other Administrative Expenses	15,000	15,000	30,000
	Total	47,400	47,400	94,800

- (3) GST payable by cash on reverse charge basis:

Sl. No	Particulars	CGST (₹)	SGST (₹)	Total (₹)
1	Non whole-time directors remuneration (as per note 5)	45,000	45,000	90,000

Suggested Answers_Syl2016_June2019_Paper 11

2	Legal Fees (as per note 8)	13,500	13,500	27,000
	Total	58,500	58,500	1,17,000

(4) Computation of Net GST Liability:

Sl. No	Particulars	CGST (₹)	SGST (₹)	Total (₹)
1	GST on outward supply	2,10,000	2,10,000	4,20,000
2	Less: ITC			
	(A) On inward supplies paid to the suppliers on forward charge basis	47,400	47,400	94,800
	(B) On inward supplies paid by the company on reverse charge basis	58,500	58,500	1,17,000
	Sub-Total	1,05,900	1,05,900	2,11,800
	Net GST Liability [(1)-(2)]	1,04,100	1,04,100	2,08,200

- (b) (i) Generally, GST on Life Insurance Premium paid for the benefit of the employees is not available as ITC. However, law provides that where it is obligatory for an employer to provide the same to its employees under any law for the time being in force, then the same may be available as ITC. In the given case, since the State law makes it obligatory to provide this benefit, ITC is available.
- (ii) ITC is not available in respect of GST paid on the membership fee paid to a fitness centre, even though the given expenditure is directly attributable to his profession. It is in the blocked credit as provided in section 17 of CGST Act, 2017.
- (iii) Generally, GST paid on outdoor catering service is not available as ITC as it an item of blocked credit. However, in the given case, the said service is used by the Restaurant for making an outward supply of the same category of service. Hence, the same is available as ITC by virtue of proviso to sub-clause (i) to clause (b) of sub-section 5 of section 17 of CGST Act, 2017.
- (iv) GST on Motor truck used for transportation of goods is available as ITC.

6. (a) What are the advantages of taking registration in GST? 5

(b) Discuss the circumstances where registration is liable to be cancelled. 3

(c) Pure Oils, Delhi has started the supply of machine oils and high-speed diesel in the month of April, 20XX. The following details have been furnished by it for the said month:

Sl. No.	Particulars	₹ *
(i)	Supply of machine oils in Delhi	2,00,000
(ii)	Supply of high-speed diesel in Delhi	4,00,000
(iii)	Supply made through Fortis Lubricants- an agent of Pure Oils in Delhi	3,75,000
(iv)	Supply made by Pure Oils from its branch located in Punjab	1,80,000

* excluding GST

Determine whether Pure Oils is liable for registration. Will your Answer change, if Pure Oils supplies machine oils amounting to ₹ 2,50,000 from its branch located in

Answer:

6. (a) Registration will confer following advantages to the business:
- i) Legally recognized as supplier of goods or services.
 - ii) Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
 - iii) Legally authorized to collect tax from his purchasers and pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.
 - iv) Become eligible to avail various other benefits and privileges rendered under the GST laws.
- (b) Section 29(1) of the CGST Act, 2017 provides that the proper officer may, either on his own motion or on an application filed by the registered person or by his legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed, having regard to the circumstances where:
1. the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of; or
 2. there is any change in the constitution of the business; or
 3. the taxable person, other than the person registered under sub-section (3) of section 25, is no longer liable to be registered under section 22 or section 24
- Further, section 29(2) of the CGST Act, 2017 provides that the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where, —
- A. a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or
 - B. person paying tax under section 10 has not furnished returns for three consecutive tax periods; or
 - C. any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months; or
 - D. any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or
 - E. Registration has been obtained by means of fraud, wilful misstatement or suppression of facts further, the proper officer shall not cancel the registration without giving the person an opportunity of being heard.
- (c) As per section 22 of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds ₹20 lakhs.

However, if such taxable supplies are made from any of the specified special category States, namely, States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand, he shall be

Suggested Answers_Syl2016_June2019_Paper 11

liable to be registered if his aggregate turnover in a financial year exceeds ₹10 lakhs. As per section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of:

- i) All taxable supplies,
- ii) All exempt supplies,
- iii) Exports of goods and/ or services and
- iv) All inter-state supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, state tax, union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

Further, the explanation to section 22 provides that the expression "aggregate turnover" shall include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

Section 9 of the CGST Act, 2017 provides that CGST is not leviable on five petroleum products i.e. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. As per section 2(47) of the CGST Act, 2017, exempt supply includes non-taxable supply. Thus, supply of high-speed diesel in Delhi, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.

In the backdrop of the above-mentioned discussion, the aggregate turnover for the month of April, 20XX is computed as under:

S. No.	Particulars	Amount (in ₹)
(i)	Supply of machine oils in Delhi	2,00,000
(ii)	Add: Supply of high-speed diesel in Delhi	4,00,000
(iii)	Add: Supply made through Fortis Lubricants - an agent of Pure Oils in Delhi	-
(iv)	Add: Supply made by Pure Oils from its branch located in Punjab	1,80,000
	Aggregate Turnover	7,80,000

Since the aggregate turnover does not exceed ₹20 Lakhs, Pure Oils is not liable to be registered.

If Pure Oils made supply of machine oils amounting to ₹2,50,000 from its branch in Himachal Pradesh in addition to the above supply, then threshold limit of registration will be reduced to ₹10 lakhs as Himachal Pradesh is one of the specified special Category States.

Aggregate Turnover in that case would be ₹ 7,80,000 + ₹ 2,50,000 = ₹ 10,30,000. So, if Pure Oils supplies machine oils amounting to ₹ 2,50,000 from its branch in Himachal Pradesh, then it is liable to be registered.

Suggested Answers_Syl2016_June2019_Paper 11

7. Write short notes on any three of the following: 5x3=15
- (a) Works Contract
 - (b) Final Return under GST
 - (c) Debit Note
 - (d) In order to be eligible for grant of registration, a person must have a Permanent Account Number issued under the Income-tax Act, 1961. State one exception to it.

Answer:

7. (a) Works Contract:

Section 2(119) of CGST Act, 2017 defines "works contract" means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract;

As per section 17(5) of the CGST Act, 2017, Input Tax Credit shall not allowed on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;

- (b) Final Return under GST:

As per Section 45 of CGST Act, 2017, every registered person who is required to furnish a return under sub-section (1) of section 39 and whose registration has been cancelled shall furnish a final return within three months of the date of cancellation or date of order of cancellation, whichever is later, in such form and manner as may be prescribed.

Rule 81 of CGST Rules, 2017, provides that every registered person required to furnish a final return under section 45, shall furnish such return electronically in FORM GSTR-10 through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

- (c) Debit Note

Where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply, the registered person, who has supplied such goods or services or both, shall issue to the recipient a debit note containing such particulars as may be prescribed. (Section 34(3) of CGST Act)

Any registered person who issues a debit note in relation to a supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued and the tax liability shall be adjusted in such manner as may be prescribed. (Section 34(4) of CGST Act).

- (d) A Permanent Account Number is mandatory to be eligible for grant of registration.

Suggested Answers_Syl2016_June2019_Paper 11

One exception to this is a non-resident taxable person. A non-resident taxable person may be granted registration on the basis of other prescribed documents instead of PAN. He has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory who is an Indian Resident having valid PAN and application will be submitted in a different prescribed form [Section 25(6) & (7)].

Customs (Section – B)

Part – III

(All questions are compulsory in Part - III)

1×5=5

8. (i) When the goods are sent from customs station for warehousing, proper officer shall affix _____ on the container.
- (A) Permanent Lock
 - (B) One Time Lock
 - (C) Special Mark
 - (D) One Time Mark
- (ii) In case actual insurance charges are not known, insurance charges to be added with FOB value to arrive at the assessable value is
- (A) 1.525%
 - (B) 1.215%
 - (C) 1.125%
 - (D) 1.025%
- (iii) Under section 46(1) of Customs Act, 1962, an importer shall present the bill of entry before the end of _____ following the day on which the aircraft/vessel/vehicle carrying the goods arrives at the customs station.
- (A) 1 day
 - (B) 2 days
 - (C) 3 days
 - (D) 4 days
- (iv) All goods, derelict, Jetsam, flotsam and wreck brought (or) coming into India, shall be dealt with as if they were into India.
- (A) Exported
 - (B) Imported
 - (C) No duty
 - (D) Exempted from tax
- (v) As per Section 2(31) person in charge means
- (A) Vessel - Master
 - (B) Train - Conductor (or) Guard
 - (C) Vehicle – Driver
 - (D) All of the above

Answer:

Suggested Answers_Syl2016_June2019_Paper 11

8. (i) (B) One Time Lock
 (ii) (C) 1.125%
 (iii) (A) 1 day
 (iv) (B) Imported
 (v) (D) All of the above.

Part – IV
(Answer any one question in Part-IV)

9. (a) BSA and 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: 7

(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:

- (i) Inter-bank exchange rate as arrived at by the authorized dealer: ₹ 72.50 per U.K. Pound.
 (ii) CBIC 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) Who are the persons not eligible for compounding of offences as per section 137(3) of the Customs Act, 1962? 8

Answer:

9. (a)

Particulars	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 x ₹ 70.25)	8,78,125
Add: Material supplied by the buyer freely	20,000
FOB Value as per customs	8,98,125

Suggested Answers_Syl2016_June2019_Paper 11

Add: Air freight (₹ 8,98,125 × 20%)	1,79,625
Add: Insurance	6,000
CIF Value / Assessable value	10,83,750

(b) Ineligibility criteria for compounding of offence under customs:

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

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

10. (a) Briefly narrate the features and advantages of warehousing.

7

(b) Malya Internationals Ltd., has imported a machinery by air from Germany. Bill of Entry is presented on 20.01.2019. However, entry inwards is granted on 25.01.2019.

Relevant information of the transaction are provided hereunder:

(i)	CIF Value of Machine	5,000 USD
(ii)	Air Freight Paid	750 USD
(iii)	Insurance Charges Paid	100 USD
(iv)	Rate of Exchange on 20.01.2019	As per RBI 1 USD = ₹ 65.50 As per CBIC 1 USD = ₹ 66
(v)	Rate of Exchange on 25.01.2019	As per RBI 1 USD = ₹ 66.50 As per CBIC 1 USD = ₹ 67
(vi)	Basic Customs Duty Rate	10%
(vii)	IGST Rate	18%

Calculate the assessable value in INR for the purposes of levy of customs duty as well as total customs duty. You can make suitable assumptions wherever necessary. **8**

Suggested Answers_Syl2016_June2019_Paper 11

Answer:

10. (a) Features and Advantages 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 in a warehouse;
4. This time period is extended up to 3 years for EOUs and in case of capital goods it can be still extended to 5 years;
5. The importer minimizes the charges by keeping in a warehouse, otherwise the demurrage charges at port is heavy;
6. Only dutiable goods can be deposited in the warehouse;
7. Green Bill of Entry has to be submitted by the importer to clear goods from the warehouse for home consumption.

(b)

Particulars	Amount in USD	Remarks	Workings
CIF Value	5,000		
Less: Air Freight	750	Air freight should not be more than 20% of FOB	
Less: Insurance	100		
FOB Value	4,150		
Add: Air Freight	750	Since actual air freight is less than 20% of FOB, actual freight is considered	4150X20% = 830
Add: Insurance	100		
Assessable Value	5,000		

Particulars	Amount in INR	Remarks	Workings
Assessable Value	3,30,000	CBIC exchange rate on the date of submission of bill of entry is relevant	5,000 USD × ₹ 66 = ₹ 3,30,000
Add: BCD @ 10%	33,000		₹ 3,30,000 × 10% = ₹ 33,000
Add: Social Welfare Surcharge @ 10% on BCD	3,300		₹ 33,000 × 10% = ₹ 3,300
Balance	3,66,300		
Add: IGST@ 18%	65,934		₹ 3,66,300 × 18% = ₹ 65,934
Total Value	4,32,234		