

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

SUGGESTED ANSWERS TO QUESTIONS

JUNE - 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 most appropriate option from the following [Option to be given in capital letters A, B, C or D] and give brief reason/justification for your choice, the correct choice or conclusion [1 mark for the correct choice and 1 mark for reason]: 2x7=14

(i) The GST return form to be filed by a Composition dealer/supplier is _____
and the same had to be furnished _____.

- (A) GSTR-1, Monthly
(B) GSTR-1, Quarterly
(C) GSTR-4, Monthly
(D) GSTR-4, Quarterly

(ii) Mr. Ram registered in Chennai has supplied goods to Kochi Fisheries Department, for a total contract value of ₹ 2,65,000 inclusive of 18% IGST. The tax to be deducted at source is (TDS on GST)

- (A) Nil
(B) ₹ 2,650
(C) ₹ 5,300
(D) None of these

(iii) In the electronic ledger, the balance in Input tax credit is shown in

- (A) Electronic cash ledger
(B) Electronic credit ledger
(C) Electronic confirmation ledger
(D) Electronic liability ledger

(iv) A registered supplier, who regularly files monthly GST return, has paid GST of Rs. 72,000 pertaining to the month of May, 2018 on 10-07-2018. The interest payable for delayed remittance of GST is

- (A) ₹ 710
(B) ₹ 355
(C) ₹ 473
(D) None of these

(v) In case of inter-State supply of goods, the tax(es) levied is/are

- (A) CGST only
(B) IGST only
(C) CGST and IGST
(D) SGST and IGST

SUGGESTED ANSWER TO QUESTION_SYL2016_JUNE2019_PAPER-18

- (vi) Lakshmi became liable to be registered under GST law on 10th November, 2018. She submitted the application for registration on 18th November, 2018. The registration certificate is issued on 9th December, 2018. The effective date of registration will be
- (A) 10th November, 2018 (B) 18th November, 2018
(C) 9th December, 2018 (D) None of these

- (vii) A manufacturer who is a registered person under GST has purchased 10000 kgs of raw material during February, 2019, on which IGST of ₹ 1,00,000 has been paid. He has taken 100 kgs for personal use. 200 kgs were stolen from the factory. Only 80% of the raw materials were consumed during the month for production. The input tax credit available to him for February, 2019 is
- (A) ₹ 99,000 (B) ₹ 97,000
(C) ₹ 98,000 (D) ₹ 1,00,000

Answer:

1.

(i)	D	Under the GST law, in case of a Composition dealer, the prescribed return form is GSTR_4, which shall be filed on quarterly basis.
(ii)	A	The liability to deduct tax at source arises where the value of supply, excluding GST, exceeds ₹ 2,50,000. Here the same will be below ₹ 2,50,000 [2,65,000 x 100/118]. Hence the liability is nil.
(iii)	B	Balance of the ITC is shown in Electronics credit ledger. Electronic cash ledger shows the GST deposited to the credit of the Govt. The set off of GST and the balance liability is reflected in Electronic Liability ledger.
(iv)	A	There has been a delay of 20 days in the remittance. Interest to be calculated at 18% Same is $(72,000 \times 18\% \times 20 / 365)$ r/off = ₹ 710
(v)	B	As per IGST Rules, for inter-state movement of goods and services is concerned. IGST will be levied.
(vi)	A	As per 10(2) of the CGST Rules, 2017, when a person liable for registration, applies for registration within 30 days, the effective date of registration is the date when he became liable for registration.
(vi)	B	ITC is not available in respect of goods taken for personal use as well as those stolen from the factory. The quantity of raw materials consumed in production is irrelevant.

2. (a) Mr. Raghuram is running a consulting firm and also a readymade garment showroom, registered in same PAN. Turnover of the showroom is ₹ 60 lakh and receipt of the consultancy firm is ₹ 12 lakh in the preceding financial year. You are required to answer the following:
- (i) Is Mr. Raghuram eligible for Composition Scheme?
(ii) Whether it is possible for Mr. Raghuram to opt for composition only for Showroom?
(iii) Rework, if Mr. Raghuram is running a restaurant as well as readymade garment showroom, whether he is eligible for Composition?
(iv) If the turnover of garment showroom is ₹ 75 lakh in the preceding financial year and there is no consulting firm whether he is eligible for Composition? 8

SUGGESTED ANSWER TO QUESTION SYL2016_JUNE2019_PAPER-18

- (b) M/s Samson Ltd. being a trader of laptops has two units, one in Chennai and other in Mumbai.

Place	P.Y. Turnover ₹ in lakhs (Excluding taxes)
Chennai	52
Mumbai	12

You are required to answer the following:

- (i) Is M/s Samson Ltd. eligible for composition levy in the current year?
(ii) If so, can M/s Samson Ltd. opt composition scheme for Chennai location and normal scheme for Mumbai?
(iii) Whether need to give separate intimations for opting composition scheme in each State? 6

Answer:

2. (a) (i) Mr. Raghuram is providing services in consulting firm hence he is not eligible for composition scheme.
(ii) If a business is ineligible to opt for composition then all other businesses registered under the same PAN shall automatically become ineligible for the composition scheme. So Mr. Raghuram is not eligible for composition scheme only for showroom.
(iii) Restaurant services and readymade garments show room are eligible for the composition scheme. Hence Mr. Raghuram is eligible for Composition Scheme, since, his aggregate turnover is ₹ 72 lakhs (i.e. less than ₹ One crore).
(iv) Yes, Mr. Raghuram is eligible for composition scheme as turnover of his firm does not exceed ₹ One crore in the preceding financial year
- (b) (i) Yes, M/s Samson Ltd. is eligible to avail the composition scheme in both the states namely Tamil Nadu and Maharashtra. Since, M/s Samson Ltd. has same PAN, and its aggregate turnover does not exceeds rupees one crore, it is eligible for composition levy, even though the company has multiple registrations under GST.
(ii) No. M/s Samson Ltd. cannot opt for composition scheme for one location and normal scheme for another location. Where more than one registered persons are having the same Permanent Account Number (issued under the Income -tax Act, 1961), the registered person shall not be eligible to opt for the scheme under subsection (1) of section 10 of CGST Act, 2017, unless all such registered persons opt to pay tax under that sub-section.
(iii) Intimation to opt composition scheme in respect of any place of business in any State or Union Territory shall be deemed to be intimation in respect of all other places of business registered on the same Permanent Account Number (PAN), hence there is no need to give separate intimations in each State.
3. (a) (i) **CMA Mr. Sandesh, an unregistered person under GST, has place of profession in Bhubaneswar, Odisha, supplies taxable services to Infosys Ltd., a registered person under GST in Bangalore.**
(I) Is it inter-State supply or intra-State supply?
(II) Who is liable to pay GST?
Note: CMA Mr. Sandesh turnover in the P.Y. is ₹ 18 lakhs. 4
- (ii) **Mr. Charan of Calicut is trading on his own goods and also acting as an agent of Mr. Babu of Bengaluru. Mr. Charan turnover in the period 1st July, 2017 to 31st**

SUGGESTED ANSWER TO QUESTION SYL2016_JUNE2019_PAPER-18

March, 2018 is ₹ 12 lakh in his own account and ₹ 9 lakh on behalf of principal.
Whether Mr. Charan is liable to register compulsorily under GST law? 2

- (iii) Mr. Rajesh is a farmer with an annual turnover in relation to agriculture of ₹ 18,00,000. Since this income is agriculture-related, the turnover is exempt from GST. However, Mr. Rajesh also supplies plastic bags worth of ₹ 2,50,000 (taxable goods) along with his crop and charges separately for this. Is Mr. Rajesh required to register under GST? Advise. 2

- (b) Mr. Gopal is a taxable person under GST (who is a wholesaler), is having a stock worth of ₹ 5,00,000 as on 01-07-2017. Such person has supplied these goods for ₹ 5,60,000 and on which he has paid CGST @ 9% and SGST @9%.

How much ITC is allowed under Sec. 140(3) of GST in the following independent cases:

- (i) If he is in possession of duty paid document for the stock (namely BED is ₹ 62,500 and VAT ₹ 28,125).
(ii) If he is not in possession of duty paid document for the stock, but has invoice evidencing purchase of goods. 6

Answer:

3. (a) (i) Any person making inter-state supply has to compulsorily obtain registration and therefore in such cases, section 5(4) of IGST will not come into play.

However, service providers providing aggregate supplies including inter-state services up to ₹ 20 lakh will be exempted from GST.

(I) It is inter-state supply.

(II) CMA Mr. Sandesh is not liable to pay IGST if he chooses not to register under GST. Since, registration is not made mandatory to him, Infosys Ltd. will also not be liable to pay GST under RCM as Section 9(4) has been deferred presently.

(ii) As per explanation 1 in computing the total turnover, both the value of supply on his own account that is ₹12 lakh and on behalf of principal ₹ 9 lakh will be aggregated. Hence, the aggregate turnover will be ₹ 21 lakh. Mr. Charan is liable to register compulsorily under the GST law.

(iii) Mr. Rajesh is required to register under GST because his aggregate turnover is ₹ 20,50,000 which exceeds the threshold limit of ₹ 20 lakh.

- (b) (i) ITC allowed is equal to BED is ₹ 62,500 as CGST credit and VAT of ₹ 28,125 as SGST credit.

(ii) In accordance with the provisions of Transition Rules, he can claim credit to the extent of 60% of CGST paid, i.e., ₹ 30,240/- (₹ 50,400 @60%) as CGST credit.

In accordance with the provisions of Transition Rules, he can claim credit to the extent of 60% of SGST paid, i.e., ₹ 30,240/- (₹ 50,400 @ 60%) as SGST credit.

Note:

CGST payable is 9% of ₹ 5,60,000 = ₹50,400

SGST payable is 9% of ₹ 5,60,000 = ₹ 50,400

SUGGESTED ANSWER TO QUESTION_SYL2016_JUNE2019_PAPER-18

4. (a) (i) Myra Ltd. received a protective demand notice from the department of Assistant Commissioner of Central Tax on 01-09-2017 under Section 73 of the CGST Act, 2017 where

	Amount (₹)
CGST & SGST	5,00,000
Interest	@ 15% p.a. for no. of days delay
Penalty	10% of tax due or ₹ 10,000 whichever is higher

The assessee went for appeal and filed the case in the Appellate Authority on 25-09-2017. This appeal has been taken up for hearing on 6-10-2017.

Case 1: How much has Myra Ltd. to pay as pre-deposit of duty under Section 107(6) of the CGST Act, 2017 and date of pre-deposit of duty by Myra Ltd. to entertain appeal by the Appellate Authority [i.e. Commissioner (Appeals)].

Case 2: Whether your answer is different if the assessee appeals only part of the amount say ₹ 3,00,000 is in dispute arising from the said order. 4

- (ii) Considered in the example in 4 (a) (i) above, where Appellate Authority passed the order against the assessee, if so how much Myra Ltd. has to pay as pre-deposit of duty under Section 112(8) of the CGST Act, 2017 to entertain appeal by the Goods and Services Tax Appellate Tribunal (GSTAT)? 4

- (b) Mr. Yogesh is working in Infosys Company having office in Bengaluru. Infosys Company is registered under GST. Mr. Yogesh purchased the ticket from Hyderabad for transportation as passenger by Air from Hyderabad to Chennai. Mr. Yogesh discloses the name of the organization and its registration number and the place where the organization is registered. Supplier of service is located at Hyderabad. Find the following:

(i) Place of supply of service and GST liability.

(ii) Whether your answer is different if Mr. Yogesh has not disclosed the name of the organization and its registration number? 6

Answer:

4. (a) (i) Case 1: Pre-deposit is ₹ 50,000 ($5,00,000 \times 10\%$) is to deposit on or before 6th October 2017.

Case 2: Disputed amount ₹ 3,00,000:

Pre-deposit is ₹ 2,00,000 plus ₹ 30,000 ($₹3,00,000 \times 10\%$) together is ₹ 2,30,000. It should be deposited on or before 6th October 2017

- (ii) Case 1: Pre-deposit is ₹ 1,00,000 ($5,00,000 \times 20\%$). It is in addition to pre-deposit of ₹ 50,000 made at first appeal stage.

Case 2: Disputed amount ₹3,00,000

Further Pre-deposit is ₹ 60,000 ($₹3,00,000 \times 20\%$), This is in addition to pre-deposit of ₹ 30,000 + payment of undisputed tax of ₹ 2,00,000 towards the deposit i.e., ₹ 2,30,000/- made at first appeal stage.

- (b) (i) POS = Bengaluru (i.e. location of recipient of service)
GST = IGST is liable to pay by Air Travel Operator

SUGGESTED ANSWER TO QUESTION_SYL2016_JUNE2019_PAPER-18

(ii) POS =Hyderabad (i.e. Place where the passenger embarks on the continuous journey)

GST =CGST & SGST is liable to pay by Air Travel Operator

5. (a) (i) What is form GSTR 3B? What are its features? Who is exempt from filing GSTR 3B? 6

(ii) Mr. X, a registered person in Mumbai has made outward supplies of taxable goods as under:-

Mr. X has become liable for registration on 1st October, 2018. He was granted registration on 1st January, 2019.

(I) Supplies made from 1st April, 2018 to 30th September, 2018 ₹ 19,50,000

(II) Supplies made from 1st October, to 31st December, 2018 ₹ 8,00,000

(III) Supplies made from 1st January, 2019 to 31st January, 2019 ₹ 2,00,000

The first return furnished by Mr. X is for the month of January, 2019. What is the taxable turnover to be declared in the return filed for January, 2019? 2

(b) (i) M/s Fotoflash Ltd, is a registered person under GST in Mumbai being a dealer dealing with second-hand goods. M/s Fotoflash Ltd. supplies a used camera to a consumer in Chennai for selling price of ₹ 15,000. The used camera (i.e. second hand) was purchased for ₹ 10,000 from a registered dealer in Mumbai, on which CGST + SGST of ₹ 1,400 each was charged (i.e. GST rate applicable to cameras is 28%).

M/s Fotoflash Ltd. charged IGST 28% on inter- State supply.

Find the net GST liability in the following independent cases:

(I) If input tax credit is availed.

(II) If input tax credit is not availed. 4

(ii) Cotton Ltd. being a cloth merchant sold gift voucher to customer for ₹ 2,000 on 10th November to purchase specific cloth from its showroom. Goods actually purchased by customer on 15th November for ₹ 2,400. Find the time of supply and value of supply with regard to gift voucher in the hands of Cotton Ltd. 2

Answer:

5. (a) (i) 1. GSTR-3B is a monthly self-declaration that has to be filed by a registered dealer from July, 2017 till March, 2018.

The features of GSTR – 3B are given below:

- **A separate GSTR – 3B must be filed for each GSTIN**
- **Tax liability of GSTR – 3B must be paid by the last date of filing GSTR – 3B for that month**
- **GSTR-3B cannot be revised**

2. Every person who has registered for GST must file the return GSTR-3B including nil returns. However, the following registrants do not have to file GSTR-3B:

- **Input Service Distributors & Composition Dealers**
- **Suppliers of OIDAR**
- **Non-resident taxable person**

(ii) As per section 40 of the CGST Act, 2017 every registered person who has made outward supplies in the period between the date on which he become liable to

SUGGESTED ANSWER TO QUESTION_SYL2016_JUNE2019_PAPER-18

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.

Hence taxable turnover to be declared by Mr. X for January 2019 is (₹ 8,00,000 + ₹ 2,00,000) = ₹ 10,00,000.

(b) (i) (I) Net GST liability in case of input tax credit availed:

Particulars	Value ₹	28% IGST ₹
Output supply	15,000	4,200
Less: ITC	10,000	
CGST 14%		(1,400)
SGST 14%		(1,400)
Net GST liability		1,400

(II) Net GST liability in case of input tax credit not availed:

Particulars	Value ₹	28% IGST ₹	Remarks
Output supply	15,000		
Less: purchase price	12,800		ITC will form part of cost.
Difference known as margin	2,200	616	Charge GST on the margin or profit earned on the goods (₹ 2,200 * 28%)

(ii) Time of supply is at the time issue of voucher i.e. 10th November.
Value of supply = ₹ 2,000 for gift voucher.

6. (a) Hema Pesticides Pvt. Ltd., a registered person under the GST law, furnishes the following data for the GST paid by them in the month of November, 2018:

Particulars	Amount (₹)
GST on machinery purchased and used in the factory premises	92,000
GST on machinery purchased and sent directly to a job worker working for the company	42,000
GST on car purchased (Used mostly for business purposes; 25% usage estimated for personal use of the directors)	2,10,000
GST on raw materials purchased (Goods are received in lots/instalments and 25% of the materials were received in February, 2018). In the earlier month, GST has been paid on another lot, for which 90% delivery had been completed then and in the current month, balance materials were received. GST paid in the earlier month was	2,00,000 1,60,000
GST on health insurance premium paid for the employees working in the factory. Providing this is optional and the company has taken out this measure to improve the relations with the labourers.	24,000

You are required to determine the quantum of input tax credit available to the above

SUGGESTED ANSWER TO QUESTION SYL2016_JUNE2019_PAPER-18

registered supplier for the given month. 7

(b) Write a brief note on Special Audit under Section 66 of the CGST Act, 2017. 7

Answer:

6. (a)

Particulars	Amount (₹)
GST on machinery purchased and used in the factory premises	92,000
ITC allowable in full in respect of the same.	
GST on machinery purchased and sent directly to a job worker working for the company	42,000
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 (Used mostly for business purposes; 25% usage estimated for personal use of the directors)	Nil
Car figures in the list of blocked assets for ITC and hence no ITC can be availed.	
GST on raw materials purchased (Goods are received in lots/instalments and 25% of the materials were received in February, 2018).	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.	
In the earlier month, GST has been paid on another lot, for which 90% delivery had been completed then and in the current month, balance materials were received. GST paid in the earlier month can now be claimed as ITC, as per reverse logic of earlier para	1,60,000
GST on health insurance premium paid for the employees working in the factory. Providing this is optional and the company has taken out this measure to improve the relations with the labourers.	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.	

(b) Special Audit [Section 66 of the CGST Act, 2017]:

- Special Audit the registered person can be directed to get his records including books of account examined and audited by a Chartered Accountant or a Cost

SUGGESTED ANSWER TO QUESTION_SYL2016_JUNE2019_PAPER-18

Accountant during any stage of scrutiny, inquiry, investigation or any other proceedings; depending upon the complexity of the case.

- Procedure: During the scrutiny, inquiry, investigation or any other proceedings of a registered person, the Assistant Commissioner or any officer senior to him, having regard to the nature and complexity of the case and the interest of revenue, might be of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits.

In such cases, with the prior approval of the Commissioner, the Assistant Commissioner or any officer senior to him can direct the registered person in FORM GST ADT-03 to get his records including books of account examined and audited by a specified chartered accountant or a cost accountant.

- The chartered accountant or a cost accountant will be nominated by the Commissioner. The chartered accountant or cost accountant so nominated has to submit a report of such audit within the period of ninety days, duly signed and certified by him to the Assistant Commissioner.
- On an application made by the registered person or the chartered accountant or cost accountant or for any material and sufficient reason, the Assistant Commissioner can extend the said period by a further period of ninety days.
- The provisions of special audit shall have effect even if the accounts of the registered person have been audited under any other provisions of the GST Act or any other law for the time being in force.
- The registered person shall be given an opportunity of being heard in respect of any material gathered on the basis of special audit and which is proposed to be used in any proceedings against him under this Act or the rules made thereunder. The expenses of the examination and audit of records, including the remuneration of such chartered accountant or cost accountant, shall be determined and paid by the Commissioner.
- On conclusion of the special audit, the registered person shall be informed of the findings of the special audit in FORM GST ADT-04. Where the special audit results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the process of demand and recovery will be initiated against the registered person.

7. (a) Radhakrishna, a registered person under GST, has furnished the following details for the month of August, 2018:

Particulars	Amount (₹)
Supply of goods made outside State	10,00,000
Inter-State purchases of goods	8,10,000
Goods taken for personal use in above	10,000

The IGST was paid on 10th October, 2018. Compute the interest payable for the

SUGGESTED ANSWER TO QUESTION_SYL2016_JUNE2019_PAPER-18

delayed payment.

7

Note: The IGST rate for the goods dealt with is 18%.

- (b) M/s Xylo Ltd. being a dealer in new cars sold a Petrol Car on which applicable GST rate is 28% and GST Cess rate is 1%. Transaction value is ₹ 5,00,000. Find the GST liability. Can input credit be availed on Cess paid on inward supplies of the car by the buyer if he is a car dealer?

7

Answer:

7. (a)

Computation of interest payable

Particulars	₹
IGST on Supply of goods made outside State (10,00,000 x 18%)	1,80,000
Less: Inter-State purchases of goods (8,00,000 x 18%) [ITC is not available for goods taken for personal use]	1,44,000
Balance IGST payable by Radhakrishna	₹ 36,000
Due date for payment of IGST	20-09-2018
Actual date of payment	10-10-2018
Number of days of delay in making payment	20
Interest payable at 18% for delay (36,000X18%X20/365) r/off	₹ 355

(b)

Particulars	₹
Transaction Value	5,00,000
CGST 14%	70,000 (₹5,00,000*14%)
SGST 14%	70,000 (₹5,00,000*14%)
Cess 1%	5,000 (₹5,00,000*1%)
Invoice price of the car	6,45,000

GST Liability (inclusive of cess = ₹ 1,45,000)

Yes, input credit can be availed on Cess paid on inward supplies if the buyer in turn is a car dealer. However, credit of Cess paid can be utilized only towards payment of Cess liability.

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 from the following [Option to be given in capital letters A, B C or D] and give brief reason/justification for your choice, the correct choice or conclusion [1 mark for the correct choice and 1 mark for reason]: 2x3=6

SUGGESTED ANSWER TO QUESTION_SYL2016_JUNE2019_PAPER-18

- (i) In the context of Indian Customs law, ICEGATE means
- (A) Indian Customs Electronic Data Interchange Gateway
 - (B) Indian Customs Electronic Gateway
 - (C) Inter Continental Electronic Gateway
 - (D) None of the above
- (ii) Transit of goods without payment of customs duty is governed by Section _____ of the Customs Act, 1962.
- (A) 51
 - (B) 52
 - (C) 53
 - (D) 55
- (iii) The following is not a condition precedent for grant of duty drawback for re-export of duty paid goods:
- (A) The goods must be clearly identifiable.
 - (B) The goods should have been actually imported earlier and import duty paid thereon.
 - (C) The goods are actually re-exported to any place outside India.
 - (D) Entire lot of goods imported earlier should be re-exported and no portion should remain.

Answer:

8.

(i)	A	This term appears in Shipping Bill (Electronic Declaration) Regulations, 2011 and this is what the term means.
(ii)	C	Section 53 of the Customs Act, 1962 contains the provisions relating to transit of certain goods without payment of customs duty.
(iii)	D	Section 74 of the Customs Act, 1962 contains the necessary conditions. (D) does not figure therein.

9. Product 'Vertigo' was imported by Mr. Mrinal Sen by air from Singapore to Hyderabad. The details of the import transaction are as under:

Particulars	Euro
Price of 'Vertigo' at Singapore exporter's factory	7,500
Freight from factory of the exporter to load airport (Singapore airport)	300
Loading and handling charges at the local airport	200
Air freight from said airport to Hyderabad airport	1,350
Insurance charges	1,400
Purchase commission	200

Even though the bill of entry was presented on 20-9-2018, the aircraft, having been diverted to another foreign airport due to technical reasons, landed at the Hyderabad airport only on 21-9-2018.

The other details furnished by the importer are as under:

SUGGESTED ANSWER TO QUESTION_SYL2016_JUNE2019_PAPER-18

Particulars	20.09.2018	21.09.2018
Rate of basic customs duty	10%	12%
Exchange rate notified by CBEC per €	₹ 79	₹80
Exchange rate prescribed by RBI per €	₹ 79.50	₹ 80.50
Integrated tax leviable under Section 3(7) of the Customs Tariff Act, 1975	6%	12%

Based on the above date, you are required to calculate the following:

- (I) Assessable value of the product for the purpose of levying customs duty.
 (II) Customs duty and tax payable.

12

Answer:

9.

Computation of Assessable Value, Customs Duty and Tax payable

Particulars	Amount €
Ex-factory price of the goods at Singapore	7,500
Freight from factory of the exporter to load airport (airport in the country of exporter) 300	
Loading and handling charges at the Singapore airport 200	
Freight from said airport to the airport of importation in India (Hyderabad) 1,350	
Total cost of transport, loading and handling charges associated with the delivery of the imported goods to the place of importation 1,850	
Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation (restricted to 20% of FOB value i.e., 7,500 + 300 + 200 = 8,000 [Note 1])	1,600
Purchase commission is not to be included	Nil
Insurance (actual) [Where the actual insurance figure is known, the same has to be taken]	1,400
CIF for customs purpose	10,500
Landing charges at Hyderabad airport not to be added to the CIF value in view of the amendment in rule 10(2) of the CVR vide Notification No. 91/2017-Cm. (NT) dated 26.09.2017.	Nil
Value for customs purpose	10,500
Exchange rate as per CBEC [Note 2]	₹ 80 per €
	Amount (₹)
Assessable value @ ₹ 80 per Euro	8,40,000
Add: Basic customs duty @ 12% [Note 3]	1,00,800
Add: Social Welfare Surcharge (10% on BCD)	10,080
Total	9,50,880
Add: IGST (12%) [Rounded off] [Note 4]	1,14,106
Value of Imported Goods	10,64,986
Total Custom Duty and Tax payable (₹ 1,00,800 + 10,080 + 1,14,106)	₹ 2,24,986

Notes:

- In the case of goods imported by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation shall not exceed 20% of the FOB value of the goods. [Fifth proviso to rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (CVR)].
- Rate of exchange determined by CBEC is to be considered [Clause (a) of the explanation

SUGGESTED ANSWER TO QUESTION SYL2016_JUNE2019_PAPER-18

to section 14 of the Customs Act, 1962].

- 3) Section 15 of the Customs Act, 1962 provides that rate of duty shall be the rate in force on the date of presentation of bill of entry or the rate in force on the date of arrival of aircraft, whichever is later.
- 4) Integrated tax is levied on the sum total of the assessable value of the imported goods and customs duties [Section 3(8) of the Customs Tariff Act, 1962].

10. (a) Mr. Jayesh, an Indian Entrepreneur, went to China to explore new business opportunities on 05-04-2017. The following details, regarding imports are submitted by him with the Customs authorities on return to India on 20-02-2018.

(i) 2 Music systems each worth ₹ 23,000

(ii) Jewellery brought by Mr. Jayesh worth ₹ 49,000 (18 Grams)

Write a brief note on his eligibility with regard to duty free baggage allowances as per the Baggage Rules, 2016.

6

(b) Enumerate what are the eligible projects for the purpose of 'project imports' at concessional rate of Customs Duty under Customs Tariff.

6

Answer:

10. (a)

Particulars	₹
Music system 23000*2	46,000
Add: Jewellery	49,000
	95,000
Less: GFA	50,000
Dutiable goods	45,000

Total duty payable is ₹17,325 (i.e. 45,000 * 38.50%)

Note: Since, Mr. Jayesh stay abroad does not exceeds one year, he will not be eligible for additional jewellery allowance under rule 5 of the Baggage Rules, 2016.

(b) Project Imports:

This concept has been introduced by the Government under the heading 9801 of the Customs Tariff to cover all machinery, instruments apparatus and appliances, components or raw materials for initial setting up or expansion of existing units for the purpose of following eligible projects:

- Industrial plant,
- Irrigation project,
- Power project,
- Mining project,
- Oil & other mineral exploration project
- Other projects as notified by the Central Government. The spare parts of machinery and raw material etc can be imported upto 10% of value of good.

These above are eligible projects for import at concessional rate of Customs duty.

SUGGESTED ANSWER TO QUESTION SYL2016_JUNE2019_PAPER-18

11. (a) Calculate the amount of duty drawback allowable under Section 74 of the Customs Act, 1962 in following cases:
- (i) Suresh imported a motor car for his personal use and paid ₹ 5,00,000 as import duty. The car is re-exported after 6 months and 20 days.
 - (ii) Nikita imported wearing apparel and paid ₹ 50,000 as import duty. As she did not like the apparel, these are re-exported after 20 days.
 - (iii) High Tech Ltd. imported 10 computer system paying customs duty of ₹ 50 lakh. Due to some technical problems, the computer systems were returned to foreign supplier after 2 months without using them at all. 6
- (b) What is meant by High Seas Sales? What are the benefits of High Sea Sales Transactions? 6

Answer:

11. (a) (i) The amount of duty drawback is ₹ 4,40,000 (i.e. ₹ 5,00,000 @ 88%), since these goods are used in India.
- (ii) Duty drawback is ₹ Nil, assumed that wearing apparels are re-exported after being used.
- (iii) Duty drawback is ₹ 49,00,000 (i.e. 50,00,000*98%). Since these good are re-exported without being used.
- (b) High Sea Sale Transaction means Sale Transaction done when goods are actually at High Sea i.e. during sea transit between Port of Loading and Port of Discharge. The date of transaction (agreement) should be between Bill of lading date and Vessel arrival date at Port of discharge. High Sea Sale is done mostly by Traders, sole Indenting Agent (of the Foreign Supplier) who buys in large quantity and then look out for buyers at Destination Country.
- Benefit of High Sea Sale Transaction are like
- (i) Goods are available at short time to final buyers,
 - (ii) Also instead of buying entire shipment small quantities also can be bought for final buyers and
 - (iii) First buyer can buy large quantity of goods at cheap/ reasonable price and sell at best price to final buyers.