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Answer Paper	
Indirect Tax Laws	Duration: 180
Details: Full Test 1	Marks: 100

## Instructions:

- All the questions are compulsory
- Properly mention test number and page number on your answer sheet, Try to upload sheets in arranged manner.
- In case of multiple choice questions, mention option number only Working notes are compulsory wherever required in support of your solution
- Do not copy any solution from any material. Attempt as much as you know to fairly judge your performance.

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**Division A: Multiple Choice Questions (30 marks)**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

**Each MCQ under Question No. 1 & 2 carries 2 Marks each**

**Case Study 1**

**(i). A**

**Computation of GST Liability-**

Particulars	CGST	SGST	IGST
Inter- State Sale of Product A [Rs. 55,00,000 ×18%]			9,90,000
Intra -State Sale of Product A [Rs. 55,00,000] (CGST/ SGST @ 9% each)	495,000	495,000	
Inter-State Sale of Product B [Rs. 55,00,000 × 28%]			15,40,000
Intra- State Sale of Product B [Rs. 33,00,000] (CGST/ SGST @14% each)	462,000	462,000	
Total Output tax	957,000	957,000	25,30,000
Less: Input tax credit			
Purchases during the month			
Import of product B- Rs. 44,00,000[IGST @28%]	-----	-----	12,32,000
Inter-State purchases [Rs. 66,00,000] [IGST @18%]	-----	-----	11,88,000

<b>Total Input tax credit</b>	<b>----</b>	<b>----</b>	<b>24,20,000</b>
<b>Net amount of CGST/SGST/IGST payable</b>	<b>957,000</b>	<b>957,000</b>	<b>1,10,000</b>

**(ii). A**

**Explanation:** "Aggregate turnover" means the aggregate value of —

- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis),
- exempt supplies,
- exports of goods or services or both, and
- inter-State supplies
- of persons having the same Permanent Account Number, to be computed on all India basis,

**But excludes —**

- ✓ Central tax,
- ✓ State tax,
- ✓ Union territory tax,
- ✓ Integrated tax, and
- ✓ Cess.

Thus, its aggregate turnover will be Rs. 1,98,00,000/-.

**(iii): A**

**Explanation:** The value of the supply of goods or services or both—

- between distinct persons as specified in section 25(4) and (5), or
- where the supplier and recipient are related,

Other than where the supply is made through an agent, shall—

(a) Be the open market value of such supply;

(b) If the open market value is not available, be the value of supply of goods or services of like kind and quality;

(c) If the value is not determinable under clause (a) or (b), be the value as determined by the application of Rule 30 or Rule 31, in that order i.e. it must be worked out based on the cost of the supply plus 10% mark-up [Rule 30] or by other reasonable means, in that sequence [Rule 31].

Where the recipient is eligible for full ITC, the value declared in the invoice shall be deemed to be the open market value of the goods or services.

Since Mumbai branch is entitled to full ITC, hence invoice value Rs. 11,00,000 shall be taken as value of supply.

**(iv). A**

**Explanation:**

**Computation of GST Liability-**

Particulars	CGST	SGST	IGST
Inter- State Sale of Product A [Rs. 55,00,000 ×18%]			9,90,000
Intra -State Sale of Product A [Rs. 55,00,000] (CGST/ SGST @ 9% each)	495000	495000	
Inter-State Sale of Product B [Rs. 55,00,000 × 28%]			15,40,000
Intra- State Sale of Product B [Rs. 33,00,000] (CGST/ SGST @14% each)	462000	462000	
Total Output tax	957,000	957,000	25,30,000

Less: Input tax credit			
Purchases during the month			
Import of product B- Rs. 33,00,000[IGST @28%]			990,000
Inter-State purchases [Rs. 66,00,000] [IGST @18%]			11,88,000
<b>Total Input tax credit</b>			<b>21,78,000</b>
<b>Net amount of CGST/SGST/IGST payable</b>	<b>9,57,000</b>	<b>9,57,000</b>	<b>3,52,000</b>

(v). B

**Explanation:**

As per special procedure under section 148 for payment of tax in case of goods, GST is to be paid at the time of supply as specified in section 12(2)(a) i.e. Date of issue of invoice/ Last date of issue of invoice under section 31. Effectively, in case of goods, no GST will be payable on advances received for supply of goods.

Thus, time of supply shall be 28-02-2021.

**(5 × 2 = 10 Marks)**

**Case study 2**

(i). B

**Explanation** This supply would be regarded as mixed supply, since in this case each of the goods in the package have individual identity and can be supplied separately but are deliberately

supplied conjointly for a single consolidated price. The tax rates applicable in case of mixed supply would be the rate of tax attributable to that one supply (goods, or services) which suffers the highest rate of tax from amongst the supplies forming part of the mixed supply. Hence, 18% rate of tax will be applicable.

**(ii). C**

**Explanation:** The manufacturer of following goods will not be eligible to opt for composition scheme: Ice cream and other edible ice, whether or not containing cocoa, Pan Masala, Aerated Water and Tobacco and manufactured tobacco substitutes

**(iii). B**

**Explanation:** Services by way of renting or leasing of agro machinery or vacant land with or without a structure incidental to its use is exempt from tax.

**(iv). A**

**Computation of value of taxable supply-**

Base price of product	45,000
<b>Add:</b>	
Tax collected at source under Income-tax Act, 1961 same shall not be included	---
Subsidy received from non-Government body [ Since subsidy is received from a non-Government body but is not linked with the product supplied, the same is not included in the value in terms of Section 15(2)(e)]	----
<b>Value of taxable supply</b>	<b>45,000</b>

**(v). C**

**Explanation:**

**Computation of ITC available ----**

	Particulars	Rs.
1	Goods received in lots. Credit can be taken when last lot is received	
2	Car used for imparting motor driving skills [Credit will be admissible]	150,000
3	Health insurance services not under statutory obligation [Credit will not be admissible]	
	Total Input tax credit available	150,000

**(5 × 2 = 10 Marks)**

**A-3: B**

**(1 Marks)**

**A-4: C**

**(1 Marks)**

**A-5: B**

**(1 Marks)**

**A-6: B**

**Explanation:**

As per section 16(1)(a), the relevant date for determination of rate of duty and tariff valuation in case of export goods is the date on which the proper officer makes an order for clearance and



loading of the goods for exportation under section 51. Hence, relevant date, in this case, is 1-3-2020 and rate of duty is 15%.

Export duty payable by Mr. Tapas = Rs. 8,00,000 x 15% = Rs. 1,20,000. No SWS is levied on export goods.

**(1 Marks)**

**A-7: C**

**Explanation:**

Any person, who contravenes any of the provisions of this Act or any rules made thereunder for which no penalty is separately provided for in this Act, shall be liable to a penalty which may extend to Rs. 25,000.

**(1 Marks)**

**A-8: A**

**Explanation:**

Where any taxable person collects any amount as tax but fails to pay the same to the Government beyond a period of three months from the date on which such payment becomes due, he shall be liable to penalty under Section 122 of the CGST Act, 2017.

**(1 Marks)**

**A-9: C**

**Explanation:**



If any amount refundable is not refunded within 3 months from the date of assessment duty finally or reassessment of duty, as the case may be , there shall be paid an interest on such unrefunded amount @ 6% p.a. till the date of refund of such amount

Thus, the interest liability shall be calculated as under-

Particulars	Interest Liability
Duty paid	1,80,000
Interest period starts from 1st day of the month in which the duty is provisional assessed	1/12/2020
Interest period ends on the date of payment of duty	5/2/2021
No. of days for which interest payable	67
Rate of interest notified u/s 28AA of the Customs Act,1962	15%
<b>Interest</b>	<b>4956</b>
<b>Total Sum paid ( including interest)</b>	<b>1,84,956</b>

(2 Marks)

A-10: D

(2 Marks)

### Division B: Descriptive Questions (70 Marks)

Question no. 1 is compulsory. Attempt any four questions out of the remaining five questions.

**ANS 1:**

**Computation of input tax credit available with V-Supply Pvt. Ltd. in the month of November 2021:**

Particulars	Value of taxable supply	Eligible input tax credit			
		CGST*	SGST*	IGST*	Total
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
1. Raw Material					
Raw material purchased from Bihar [WN-1(i)]	80,000			14,400	14,400
Raw material imported from China [WN-1(ii)]	1,50,000			29,970	29,970
Raw material purchased from unregistered suppliers within West Bengal [WN-1(iii)]	30,000	Nil	Nil		Nil
Raw material destroyed due to seepage [WN-1(iv)]	5,000	Nil	Nil		Nil
Remaining raw material purchased from West Bengal [WN-1(i)]	85,000	7,650	7,650		15,300
<b>Total</b>		<b>7,650</b>	<b>7,650</b>	<b>44,370</b>	<b>59,670</b>
2. Consumables (excluding diesel) [WN-2]	1,00,000	9,000	9,000		18,000

3. Diesel [WN-2]	25,000	Nil	Nil		<b>Nil</b>
4. Transportation charges for bringing the raw material to factory[WN-3]	60,000	Nil	Nil		Nil
Transportation charges for horse pulled carts	10,000	Nil	Nil		Nil
5. Salary paid to employees on rolls [WN-4]	5,00,000	Nil	Nil		Nil
6. Premium paid on life insurance policies taken for specified employees [WN-5]	1,60,000	14,400	14,400		28,800
7. Audit fee [WN-6]	50,000	4,500	4,500		9,000
8. Telephone expenses [WN-6]	30,000	2,700	2,700		5,400
9. Bank charges [WN-6]	10,000	900	900		1,800
<b>Total</b>		<b>39,150</b>	<b>39,150</b>	<b>44,370</b>	<b>1,22,670</b>
Opening balance of input tax credit on 01-11-2021		15,000	8,000	10,000	33,000
Cash paid towards tax payable under RCM [WN-3]		1,500	1,500		3,000
<b>Total Input tax credit available</b>		<b>55,650</b>	<b>48,650</b>	<b>54,370</b>	<b>1,58,670</b>

**Computation of net GST payable:**

Particulars	Value of taxable supply	Eligible input tax credit			
		CGST* (Rs.)	SGST* (Rs.)	IGST* (Rs.)	Total
On Intra-state sales in West Bengal	7,00,000	63,000	63,000		1,26,000
On Inter-state sales other than West Bengal	3,00,000			54,000	54,000
On exports under bond [WN-7]	5,00,000	Nil	Nil	Nil	Nil
on inward supply of GTA services under reverse charge [WN-3]	60,000	1,500	1,500		3,000
<b>Total output tax liability</b>	<b>15,60,000</b>	<b>64,500</b>	<b>64,500</b>	<b>54,000</b>	<b>1,83,000</b>
<b>Less: Input tax credit [WN-8]</b>					
Credit of IGST to be used for payment of IGST		-	-	54,000	54,000
Extra credit of IGST to be used for payment of CGST [WN-9]		370	-	-	370
Credit of CGST and SGST to be used for payment of CGST and SGST respectively		55,650	48,650	-	1,04,300
<b>Net GST payable through electronic cash ledger including GST paid on inward supply of GTA services under RCM</b>		<b>8,480</b>	<b>15,850</b>	<b>NIL</b>	<b>1,58,670</b>

**Working Notes:**

**(1) (i) Credit of ITC on interstate and intra-State purchases of goods :** Credit of input tax (CGST & SGST/ IGST) paid on raw materials used in the course or furtherance of business is available in terms of Section 16(1) of the CGST Act.

**(ii) Credit of IGST on imports:** IGST paid on imported goods qualifies as input tax in terms of Section 2(62) (a) of the CGST Act. Therefore, credit of IGST paid on imported raw materials used in the course or furtherance of business is available in terms of Section 16(1) of the CGST Act.

**(iii) Purchases from unregistered suppliers - No GST payable under reverse charge:** Reverse charge mechanism under Section 9(4) of the Act is applicable in respect of specified goods/ services when received by specified class of registered persons from unregistered suppliers. Since the said transaction do not satisfy the conditions specified in section 9(4) of the Act, hence no GST is payable. Since no GST is paid on such raw material, there does not arise any question of input tax credit on such raw material.

**(iv) No ITC on destroyed inputs:** Input tax credit is not available on destroyed inputs in terms of Section 17(5)(h) of the CGST Act.

**(2) On consumables - ITC admissible:** Consumables, being inputs used in the course or furtherance of business, input tax credit is available on the same in terms of Section 16(1) of the CGST Act.

**Diesel subject to excise duty - Credit not admissible:** However, levy of CGST on diesel has been deferred till such date as may be notified by the Government on recommendations of the GST Council (Section 9(2) of the CGST Act). Hence, there being no levy of GST on diesel, there cannot be any input tax credit of the same.

**(3) GST on GTA services - RCM applicable :** In respect of intra-State road transportation of goods undertaken by a GTA, who has not paid CGST @ 6%, for any person registered under the GST law, CGST is payable under reverse charge by the recipient of service. The person who pays or is liable to pay freight for the transportation of goods is treated as the person who receives the

service [Notification No. 13/2017-CT (R) dated 28-06-2017]. Thus, V-Supply Pvt. Ltd. will pay GST under reverse charge on transportation service received from GTA.

**GST payable under RCM to be deposited in cash:** Section 49(4) of the CGST Act lays down amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of Section 2(82) of the Act. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

**GST paid under RCM - Admissible as ITC:** Further, tax payable under Section 9(3) of the CGST/SCGST Act qualifies as input tax in terms of clauses (b) and (d) of Section 2(62) of the CGST Act. Thus, input tax paid under reverse charge on GTA service will be available as input tax credit in terms of Section 16(1) of CGST Act as the said service is used in course or furtherance of business.

**No GST on transportation services by horse pulled carts:** Furthermore, intra-State services by wave transportation of goods by road except the services of a GTA and a courier agency are exempt from CGST vide Notification No. 12/2017-CT (R) dated 28-06-2017. Therefore, since no GST is paid on such services there cannot be any input tax credit on such services.

**(4) No GST on salaries :** Services by employees to employer in the course of or in relation to his employment is not a supply in terms of Section 7 read with para 1 of Schedule III to the CGST Act. Therefore, since no GST is paid on salaries, there cannot be any input tax credit on such services.

**(5) Life insurance services of employees under Government obligation - Admissible as ITC :** Input tax credit on supply of life insurance service is not blocked if the Government has made it obligatory for an employer to provide such service to its employees [Section 17(5)(b)(i) of the CGST Act]. Therefore, GST paid on premium for life insurance policies will be available as input tax credit in terms of Section 16(1) of the CGST Act as the said service is used in the course or furtherance of business.



**(6) Audit fee, telephone expenses and bank charges - Eligible as input service:** Audit fee, telephone expenses and bank charges are all services used in the course or furtherance of business and thus, credit of input tax paid on such service will be available in terms of Section 16(1) of the CGST Act.

**(7) No GST payable on exports:** Export of goods is a zero rated supply in terms of Section 16(1)(a) of the IGST Act. A zero rated supply under bond is made without payment of integrated tax [Section 16(3)(a) of the IGST Act]

**(8) Full credit available in case of exports:** Since export of goods is a zero rated supply, there will be no apportionment of input tax credit and full credit will be available [Section 16 of the IGST Act read with Section 17(2) of the CGST Act].

**(9) Utilization of GST:** As per Section 49(5) and 49B of the CGST Act read with Rule 88A of the CGST Rules, 2017, input tax credit of –

- (i) IGST is utilised towards payment of IGST, and balance if any towards CGST and SGST in any order.
- (ii) CGST is utilised towards payment of CGST and IGST in that order only when IGST has been utilized fully.
- (iii) SGST is utilised towards payment of SGST and IGST in that order only when IGST has been utilised fully.

**(10) Nature of tax:** CGST and SGST are chargeable on intra-State inward and outward supplies and IGST is chargeable on inter-State inward and outward supplies.

**(14 marks)**

**ANS 2(a):**



**Computation of GST liability of ABC Ltd. (amount in Rs.):**

Price of machine	[WN 1]	40,00,000
Handling and loading charges	[WN 2(a)]	10,000
Installation and commissioning charges	[WN 2(b)]	1,00,000
Transportation cost	[WN 3]	Nil
Additional warranty cost	[WN 4]	3,00,000
Grant from DEF Ltd.	[WN 5]	2,00,000
<b>Total price of the machine</b>		<b>46,10,000</b>
<b>Less: 2% cash discount on price of machinery = Rs.40,00,000 × 2%</b>	[Note 6]	80,000
<b>Taxable value of supply</b>		<b>45,30,000</b>
Tax liability for the month of August 2021	[WN 7]	
IGST @ 12%	[WN 8 and WN 9]	5,43,600
Tax liability for the month of October 2020	[WN 11]	
Interest collected @ 3% 44,10,000	[WN 10]	1,32,300
Cash discount recovered	[WN 10]	80,000
<b>Cum-tax value of interest and cash discount</b>		<b>2,12,300</b>
<b>IGST = 2,12,300/112) × 12%</b>		<b>22,746</b>
<b>Total IGST payable on the machinery</b>		<b>5,66,346</b>

### Working Notes:

(1) **Value - Transaction value:** The value of a supply is the transaction value i.e., the price actually paid or payable assuming ABC Ltd. and D Pvt. Ltd. are not related and the price is the sole consideration for the supply.

(2) **Handling, Installation and Commissioning charges (Section 15(2)(c)):**

(a) All incidental expenses charged by the supplier to the recipient of a supply are includible in the value of supply.

(b) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply.

(3) **Transportation cost:** Transportation cost shall not form part of value of supply of the machinery as there is a separate service contract between the customer and the third-party service provider in relation to such transportation. The customer pays the freight directly to the service provider.

The supplier (ABC Ltd.), in this case, merely arranges for the transport and does not provide the transport service on its own account. Tax will be separately levied on the supply of service of transportation of goods under reverse charge.

(4) **Warranty cost:** Warranty cost is includible in the value of the supply since transaction value includes all elements of the price excluding those that can be specifically excluded as per Section 15 of the CGST Act.

(5) **Grants:** As per Section 15(2)(e), Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments are includible in the value of supply.

(6) **Cash discount:** It was deducted by ABC Ltd. upfront at the time of supply on 1<sup>st</sup> August, 2021 and hence the same is excluded from the value of supply as it did not form part of the transaction value.

(7) **Month for which tax payable:** It has been assumed that the invoice for the supply has been issued on 1st August, 2021, the date on which the supply is made. Thus, the time of supply of goods is 1st August, 2021 in terms of Section 12(1)(a) of the CGST Act, 2017.

(8) **Place of supply and nature of tax:** In the given case-

(i) the location of the supplier is in Noida (UP); and

(ii) the place of supply of machinery is the place of installation of the machinery i.e., Gurugram (Haryana) in terms of Section 10(1)(d) of the IGST Act, 2017.

Therefore, the given supply is an inter-State supply as the location of the supplier and the place of supply are in two different States [Section 7(1)(a) of IGST Act, 2017].

Thus, the supply will be leviable to IGST in terms of Section 5(1) of the IGST Act, 2017.

(9) **Rate of tax:** The given supply is a composite supply involving supply of goods (machinery) and services (handling and loading and installation and commissioning) where the principal supply is the supply of goods.

As per Section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly. Thus, tax rate applicable to the goods (machinery) has been considered.

(10) **Interest and cash discount:** Interest for the delayed payment of any consideration for any supply is includible in the value of supply in terms of Section 15(2)(d) of the CGST Act, 2017, Interest is charged for 3 months @ 1% p.m. as the consideration was paid on 31-10-2021. Interest is charged on the amount to be recovered from the recipient i.e. Rs.[40,00,000 + 10,000 + 1,00,000 + 3,00,000].

Further, cash discount recovered will also be includible in the value of supply as now the transaction value i.e., the price actually paid for the machinery is devoid of any discount.

**Cum Tax value of interest and Cash Discount :** The cash discount not allowed and interest have to be considered as cum tax value and tax payable thereon has to be computed by making back calculations in terms of Rule 35 of CGST Rules, 2017.

**(11) Month for which tax liability arises:** As per Section 12(6) of the CGST Act, 2017, the time of supply in case of addition in value by way of interest, late fee, penalty etc. for delayed payment of consideration for goods is the date on which the supplier receives such addition in value.

Thus, the time of supply of interest received and cash discount recovered on account of delayed payment of consideration is 31<sup>st</sup> October, 2021, the date when the full payment was made. The supplier may issue a debit note for such interest and cash discount recovered.

**(9 Marks)**

**ANS 2(b):**

**Computation of Assessable value & customs duty –**

FOB cost	£	8,000
<b>Add:</b> Design and development charges paid in UK	£	500
<b>Total</b>		<b>8,500</b>
Exchange rate to be applied is 1 £ (Pound) = Rs. 100, as notified by CBIC on date of presentation of bill of entry.	Rs.	100
Total sum in Indian Rs.	Rs.	8,50,000

<b>Add:</b> Commission to the Agent @2% of FOB cost × Rs.100 per pound	Rs.	16,000
<b>FOB Value as per customs</b>	<b>Rs.</b>	<b>8,66,000</b>
<b>Add:</b> Insurance charges (1.125% of Customs FOB)	Rs.	9,742.50
<b>Add:</b> Air freight (Restricted to 20% of Customs FOB)	Rs.	1,73,200.00
<b>Total CIF Value being Assessable Value</b>	Rs.	<b>10,48,942.50</b>
<b>Add:</b> Basic Customs duty @ 10% (Rate of Custom duty is applicable of the date of presentation of Bill of Entry since it is presented after arrival of aircraft) [1]	Rs.	1,04,894.25
<b>Add:</b> SWS @ 10% of [1] [2]	Rs.	10,489.43
<b>Total for Integrated tax leviable u/s 3(7)</b>	Rs.	<b>11,64,326.18</b>
<b>Add:</b> Integrated tax @ 12% of 11,64,326.18 [4]	Rs.	1,39,719.14
<b>Total imported cost (rounded off)</b>	Rs.	<b>13,04,045.32</b>
<b>Total customs duty &amp; Integrated tax payable = [1] + [2] + [3] +[4] (rounded off)</b>	Rs.	<b>2,55,102</b>

(5 Marks)

**ANS 3(a):**

**Power to grant exemption from Duty:** The power to exempt goods from duties of customs is covered under Section 25 of the Customs Act, 1962. The provisions are as follows –

**(1) General exemption [Section 25(1)]:** The Central Government in public interest may, by notification in Official Gazette, exempt the goods from duties of customs. The **exemption may be from the whole of the duties or from part of duties of customs.** The exemption may be **with conditions (to be fulfilled before or after clearance) or unconditional (Absolute exemption).**

**(2) Special exemption or Ad hoc Exemption [Section 25(2)]:** If Central Government is satisfied that it is necessary in the public interest so to do, it may, by special order in each case, exempt from the payment of duty, under circumstances of an exceptional nature to be stated in such order, any goods on which duty is leviable

**(3) Power to clarify scope of exemption - Within a period of 1 year from date of issue of exemption notification [Section 25(2A)]:** For the purpose of clarifying the scope and applicability of an exemption notification (i.e. general or special exemption) the Central Government may insert an explanation in the exemption notification **within a period of 1 year** from its issue. **Such an explanation shall have the effect as if it had always been part of the first notification.**

**(4) Exemption may be in different form or method [Section 25(3)]:** The exemption whether general or special can be provided by levy of duty in a form or method different from form or method in which the statutory duty (i.e. the duty levied before exemption) is leviable. **The duty after exemption cannot exceed the statutory duty.**

**"Form or method",** in relation to rate of duty means the basis, namely, valuation, weight, number, length, area, volume or other measure with reference to which the duty is leviable.

**(5) Effective date of exemption notification (Section 25(4)):** Every notification issued u/s 25(1) or 25(2A) shall, unless otherwise provided, come into force on the date of its issue by the Central Government for publication in the Official Gazette.

**(6) No collection of customs duty if it doesnot exceed Rs. 100:** No customs duty shall collected if the amount of duty leviable is equal to , or less than, Rs. 100/-

**(5 Marks)**



**ANS 3(b):**

The Place of supply of Services will be as under –

1. As per Section 13(8)(b) of IGST Act, 2017, place of supply of intermediary services is the location of supplier of service. Commission agent of goods are covered under Section 13(8)(b) of IGST Act, 2017. Thus, the place of supply of services provided or agreed to be provided by Tradeget (as commission agent of goods) to foreign company will be the location of supplier of service i.e., Jaipur.

2. Section 13(3)(a) of IGST Act, 2017, provides that the place of supply of services provided in respect of goods that are required to be made physically available by the recipient of service to the supplier of service in order to supply the service, is the location where the services are actually performed.

However, Section 13(3)(a) does not apply in the case of a service supplied in respect of goods that are temporarily imported into India for repairs and are exported after the repairs without being put to any use in India, other than that which is required for such repair. Consequently, such a case will be covered under Section 13(2) (default provision) and the place of supply of service will be the location of recipient of service.

In the given case, goods have been temporarily imported by Kamal Repair Centre and have been re-exported after the repairs without being put to any use in Mumbai. Therefore, place of supply of repair services carried out by Kamal Repair Centre will be determined by Section 13(2). Consequently, the place of supply of service will be the location of recipient of service i.e. China.

3. As per Section 13(8)(c) of IGST Act, 2017, the place of supply of service consisting of hiring of all means of transport including Yachts but excluding

(i) aircrafts, and

(ii) vessels,



upto a period of one month, is the location of the supplier of service.

Therefore, services of hiring of aircraft and vessel (except yachts), irrespective of the period of hire, will be covered under Section 13(2) of IGST Act, 2017 (default provision) and the place of supply of service will be the location of the recipient of service.

In the given case, since SCI, a shipping company located in Mumbai (recipient of service) has taken vessel on hire from foreign shipping line of Japan, the place of supply of aforesaid hiring services will be Mumbai (location of service recipient).

(4 Marks)

**ANS 3 (c):** The relevant provisions are as under –

**(1) Manufacture and other operations in relation to goods in a warehouse [Section 65(1)]:**

With the permission of the Principal Commissioner of Customs or Commissioner of Customs and subject to such conditions as may be prescribed, the owner of any warehoused goods may carry on any manufacturing process or other operations in the warehouse in relation to such goods.

**(2) Duty liability on waste or refuse arising out of manufacturing or other operations [Section 65(2)]:**

In case, if any waste or refuse arises during the course of any operations permissible in relation to any warehoused goods, the same shall be dealt as under –

**(a) In case finished goods are wholly or partly exported:** If the whole or any part of the goods resulting from an operations are exported, import duty shall be remitted on the quantity of the warehoused goods contained in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods exported. However, this remission shall be allowed only if-

- (i) Such waste or refuse is destroyed; or
- (ii) Duty is paid on such waste or refuse, as if it had been imported into India in that form.

**(b) In case finished products are wholly or partly cleared for home consumption:** If the whole or any part of the goods resulting from such operations are cleared from the warehouse for home consumption, import duty shall be charged on the quantity of the warehoused goods contained in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods cleared for home consumption.

Besides this, such a transaction squarely falls within the ambit of "supply" under Section 7 of the CGST Act, 2017. It would therefore be taxable in terms of section 9 of the CGST Act, 2017 or section 5 of the IGST Act, 2017 depending upon the supply being intra-state or inter-state. The resultant product will thus be supplied from the warehouse under the cover of GST invoice on the payment of appropriate GST and compensation cess, if any,

**Date for determination of rate of duty and tariff valuation of import material contained in the waste :** The relevant date for determination of rate of duty and tariff valuation of import material contained in the waste will be the date of actual payment of duty, since the said goods category are covered by Section 15(1)(c).

**(3)** To the extent that the resultant product whether emerging out of manufacturing or other operations in the warehouse is cleared for domestic consumption,

**(4) Power to exempt imported material used in the manufacture of goods in warehouse**

**[Section 66]:** If any imported materials are used in accordance with the provisions of Section 65 for the manufacture of any goods and **the rate of duty leviable on the imported materials exceeds the rate of duty leviable on such goods**, the Central Government, if satisfied that in the interests of the establishment or development of any domestic industry it is necessary so to do, may, by notification in the Official Gazette, exempt the imported materials from the whole or part of the excess rate of duty.

**(5 Marks)**

**ANS 4**

**(a): Refund of ITC on account of inverted duty structure [Rule 89(5)]:** In the case of refund on account of inverted duty structure, refund of input tax credit shall be granted as per the following formula-

**Maximum Refund Amount =  $\left( \frac{\text{Turnover of inverted rated supply of goods and services}}{\text{Adjusted Total Turnover}} \times \text{Net ITC} \right) - \text{Tax payable on such inverted rated supply of goods and services.}$**

Where,-

**(a) “ Net ITC”** shall mean input tax credit availed on inputs during the relevant period other than the input tax credit availed for which refund is claimed under Rule 89(4A)/(4B) or both; and

**(b) “Adjusted Total turnover”** shall have the same meaning as assigned to it Rule 89(4) i.e. Adjusted Total Turnover” means the sum total of the value of-

**(i)** The turnover in a State or a Union territory, as defined under section 2(112), excluding the turnover of services; and

**(ii)** The turnover of zero-rated supply of services determined in terms of clause (D) above and non-zero rated supply of services,

**Excluding-**

- The value of exempt supplies other than zero-rated supplies; and
- The turnover of supplies in respect of which refund is claimed under rule 89(4A)/(4B) or both, if any,

during the relevant period.

The maximum amount of refund admissible on account of inverted duty structure is computed as under **(amount in Rs.)**

(i) Net ITC i.e. input tax credit availed on inputs during the relevant period	5,40,000
(ii) Turnover of inverted rated supply of goods	50,00,000
(iii) Adjusted Total Turnover [Turnover of inverted rated supply of goods + Turnover of other supplies of goods] [Rs. 50,00,000 + Rs. 20,00,000]	70,00,000
(iv) Tax payable on such inverted rated supply of goods [Rs. 50,00,000 × 5%]	2,50,000
(v) Maximum refund = [Item (ii) ÷ Item (iii)] × Item (i) -Item(iv)]	1,35,714

(5 Marks)

**ANS 4 (b):**

**Registration requirements :** As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07-03-2019, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:

- (i) Rs.10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (ii) Rs.20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (iii) Rs.40 lakh for rest of India.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and is as under:

- (i) Rs.10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (ii) Rs.20 lakh for the rest of the India.

**Aggregate turnover:** 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.

In the light of the afore-mentioned provisions, the aggregate turnover of Arzoo Enterprises is computer under:

**Computation of State-wise aggregate turnover of Arzoo Enterprises:**

Particulars	Himachal Pradesh(Rs.)	Uttarakhand(Rs.)	Tripura(Rs.)
Intra- State sale of taxable goods	22,50,000	-	7,00,000
Intra-State sale of exempted goods	-	-	6,00,000
Interest received from banks on the fixed deposits	-	-	60,000
Intra-State sale of non-taxable goods	-	21,00,000	40,000
<b>Aggregate Turnover</b>	<b>22,50,000</b>	<b>21,00,000</b>	<b>14,00,000</b>

### Working Notes:

**(1)** Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) is exempt vide Notification No. 12/2017-CT (R) dated 28.06.2017. Since aggregate turnover includes exempt supply, interest received from banks on the fixed deposits, being exempt supply, is included in the aggregate turnover.

**(2)** As per section 2(47) of the CGST Act, 2017, exempt supply includes non-taxable supply. Thus, intra-State supply of non-taxable goods in Uttarakhand, being a non-taxable supply, is an exempt supply and is, therefore, included in the aggregate turnover.

In the given case, Arzoo Enterprises is engaged in exclusive intra-State supply of goods from Himachal Pradesh and Uttarakhand and in supply of both goods and exempted services from Tripura, the threshold limit for registration will be Rs. 40 lakh, Rs.20 lakh and 10 lakh respectively.

Further, since Arzoo Enterprises also makes taxable supply of goods from one of the specified Special Category States (i.e. Tripura), the threshold limit for registration will be reduced to Rs.10 lakh.

**(1)** Thus, in view of the above-mentioned provisions, Arzoo Enterprises is liable to be registered under GST law with the aggregate turnover amounting to Rs.57,50,000 (computed on all India basis). The applicable threshold limit of registration in this case is Rs.10 lakh.

**(2) (a)** If Arzoo Enterprises is dealing in supply of goods only from Himachal Pradesh, the applicable threshold limit of registration would be Rs. 40 lakh. Thus, Arzoo Enterprises will not be liable for registration as its aggregate turnover would be Rs. 22,50,000.

**(b)** If Arzoo Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh then higher threshold limit of Rs.40 lakh will not be applicable as the same applies only in case of exclusive supply of goods. Therefore, in this case, the applicable threshold limit will be Rs.20 lakh and hence, Arzoo Enterprises will be liable to registration.



(c) In case of inter-State supplies of taxable goods, section 24 of the CGST Act, 2017 requires compulsory registration irrespective of the quantum of aggregate turnover. Thus, Arzoo Enterprises will be liable to registration.

(4 Marks)

**ANS 4 (c):**

According to Section 8B of Customs Tariff Act, 1975, in case of articles originating from a developing country (i.e. a country notified by the Government of India for purpose of levy of such duty), this duty cannot be imposed under following circumstances,

- (a) If the imports of such article from developing country does not exceed 3% of the total imports of that article into India,
- (b) Where the article is originating from more than one developing countries (each with less than three percent import share), then the aggregate of imports from all such countries taken together **does not exceed 9%** of the total imports of that article into India.

Hence, the computation of Safeguard duty is as under –

**Computation of Safeguard duty payable by X Ltd., Y Ltd., and Z Ltd., and A Ltd.:**

Importer	Country of Import	Rs. in crores	% of imports	
X Ltd.	Developing country	70	2.8%	
Y Ltd.	Developing country	82		3.28%
Z Ltd.	Developing country	52	2.08%	
A Ltd.	Developing country	50	2%	



Others	Developed country	2,246		
<b>Total</b>		<b>2,500</b>	<b>6.88%</b>	<b>3.28%</b>

**Safeguard duty is as follows:**

Importer	Rs. in crores	Safeguard duty	
<b>X Ltd.</b>	70	30%	Nil
<b>Y Ltd.</b>	82	30%	24.6
<b>Z Ltd.</b>	52	30%	Nil
<b>A Ltd.</b>	50	30%	Nil
<p>Articles originating from more than one developing countries (each with less than 3% import share), then the aggregate of imports from all such countries taken together does not exceed 9% (i.e., in the given case 6.88%) of total imports of that article into India. Therefore, Safeguard duty is not applicable to X Ltd., Z Ltd., and A Ltd.</p>			

**(5 Marks)**

**ANS 5(a):**

**(1) Penalty for failure to obtain registration:** Where the aggregate turnover of a supplier making supplies from a State/UT exceeds Rs. 40 lakhs in a financial year the threshold limit in a financial year, he is liable to be registered in the said State/UT. The said supplier must apply for registration within 30 days from the date on which he becomes liable to registration. However,

in the given case, although Rahul became liable to registration on 25-01-2021, she didn't apply for registration within 30 days of becoming liable to registration.

Section 122(1)(xi) of the CGST Act, 2017 stipulates that a taxable person who is liable to be registered under the CGST Act, 2017 but fails to obtain registration shall be liable to pay a penalty of:

(a) Rs.10,000, or

(b) an amount equivalent to the tax evaded [ Rs.1,26,000 in the given case],  
whichever is higher.

Thus, the amount of penalty that can be imposed on Rahul is Rs.1,26,000.

**(2) Penalty for non-compliance of summon:** Section 122(3)(d) of the CGST Act, 2017 stipulates that any person who fails to appear before the officer of central tax, when issued with a summon for appearance to give evidence or produce a document in an inquiry is liable to a penalty which may extend to Rs.25,000. Therefore, penalty upto Rs.25,000 can be imposed on Rohit, in the given case.

(4 Marks)

**ANS 5(b):**

Section 74 of the CGST Act, 2017 provides an opportunity to the person chargeable with tax to pay tax, interest and penalty equivalent to 15% of such tax, before the issuance of notice. Such voluntary payment can be made even if the mistake is pointed out by the Department, before issue of SCN. In this question the suppression amount is presumed to be the tax amount.

**Stage I: Clearance of dues as accepted by tax payer before issuance of show cause notice (amount in Rs.):**

Tax accepted on suppression for the month of January 2021	12,00,000
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Due date of payment of tax	20-02-2021
Date of payment of tax	20-04-2021
No. of days of delay [21-02-2021 to 20-04-2021]	59 days
Rate of interest	18%
<b>Quantum of interest (rounded off) [Rs. 12,00,000 × 59 ÷ 365 × 18%]</b>	<b>34,915</b>
<b>Quantum of penalty payable [15% of tax]</b>	<b>1,80,000</b>

**Stage II: Payment of tax as determined by the department in adjudication order after 30 days of adjudication order:**

Tax accepted on suppression for the month of January 2021	2,00,000
Due date of payment of tax	20-02-2021
Date of payment of tax	27-06-2021
No. of days of delay [21-02-2021 to 20-04-2021]	127 days
Rate of interest	18%
<b>Quantum of interest (rounded off) [Rs. 200,000 × 127 ÷ 365 × 18%]</b>	<b>12,526</b>
<b>Quantum of penalty payable [100% of tax][Since the tax amount, alongwith the interest, paid after 30 days of communication of order, hence penalty shall be 100% of the tax]</b>	<b>2,00,000</b>

**(5 Marks)**

**ANS 5(c):**

Duty free allowances allowed to Mr. Ram are as follows –

**(a)** Under Rule 3, goods eligible for General free allowance are:

- (i)** used personal effects (excluding jewellery); and
- (ii)** Other articles (other than those mentioned in Annexure I) upto Rs.50,000.

**(b)** Under Rule 6, Duty free allowance of Used personal and household articles, other than those mentioned in Annexure I or Annexure II but including articles mentioned in Annexure III, upto an aggregate value of Rs.1,00,000.

Under Rule 5, No duty free allowance in case of jewellery of Rs. 50,000 will be available, since he was not residing abroad for more than one year prior to his return to India.

**Computation of Customs duty payable by Mr. Ram (amount in Rs.):**

<b>(1)</b> Used personal effects like clothes etc.	Nil
<b>(2)</b> Digital Video Disc player	5,000
<b>(3)</b> Music System	55,000
<b>(4)</b> Air-Conditioner	45,000
<b>(5)</b> Microwave Oven	28,000
<b>(6)</b> Fax Machine	52,000
<b>(7)</b> Domestic Refrigerator	1,20,000
<b>(8)</b> Jewellery (18 grams)	75,000
<b>Total dutiable goods imported</b>	<b>3,80,000</b>

<b>Less:</b> Total allowance [(i.e., Rs. 50,000 (GFA) + Rs.1,00,000 (Transfer of residence)]	<b>1,50,000</b>
<b>Value of goods on which duty is payable</b>	<b>2,30,000</b>
<b>Customs duty @ 38.5% (inclusive of SWS)</b>	<b>88,550</b>

**(5 Marks)**

**ANS 6(a):**

**Rectification of errors apparent on the face of record [Section 161]:** This Section provides for rectification of mistakes/errors apparent on the face of record by any authority. It may be noted that this section overrides the entire Act, except for the provisions of Section 160 (discussed above).

<b>Documents covered u/s 161</b>	<ul style="list-style-type: none"> <li>✓ Decision</li> <li>✓ Order</li> <li>✓ Any notice</li> <li>✓ Certificate</li> <li>✓ Any other document</li> </ul>
<b>Rectifying Authority</b>	Any authority who has passed or issued any decision or order or notice or certificate or any other document may rectify any error which is apparent on the face of record in such documents.
<b>Type of mistakes or errors which can be rectified</b>	Errors or mistakes which are apparent on the face of record may be rectified. Rectification

	<p>can only be of error apparent from record. It is a settled law that a decision on a debatable point of law is not a mistake apparent from the record.</p>
<p><b>When does the Authority rectify the mistakes/errors</b></p>	<p><b>The authority may rectify the mistake/error : -</b></p> <ul style="list-style-type: none"> <li>✓ suo moto</li> <li>✓ when such error or mistake is brought to its notice by a GST officer</li> <li>✓ when such error or mistake is brought to notice by the affected person <b>within a period of 3 months</b> from the date of issue of such decision or order or notice or certificate or any other document, as the case may be</li> </ul>
<p><b>Time limit for rectification</b></p>	<p><b>No rectification can be done after a period of 6 months</b> from the date of issue of such decision/order/notice/certificate/any other document.</p> <p>However, such time limit does not apply in cases where the rectification is purely in the nature of correction of a clerical or arithmetical error or mistake, arising from any accidental slip or omission.</p>
<p>Hearing if rectification goes adverse to assessee</p>	<p>Principles of natural justice should be followed by the authority carrying out such rectification, if such rectification adversely affects any</p>



	person.
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(4 Marks)

**ANS 6 (b):**

In the case of **Advait Steel Rolling Mills Pvt. Ltd. v. UOI [2012] 286 ELT 535 (Mad.)**, it is held that the clearances of goods from DTA to Special Economic Zone are not chargeable to export duty either under the SEZ Act, 2005 or under the Customs Act, 1962 on the basis of the following observations –

- ✓ The charging section needs to be construed strictly. If a person is not expressly brought within the scope of the charging section, he cannot be taxed at all.
- ✓ SEZ Act does not contain any provision for levy and collection of export duty on goods supplied by a DTA unit to a unit in a SEZ for its authorised operations. Since there is no charging provision in the SEZ Act providing for the levy of customs duty on such goods, export duty cannot be levied on the DTA supplier.
- ✓ Reading Section 12(1) of the Customs Act, 1962 makes it apparent that customs duty can be levied only on goods imported into or exported beyond the territorial waters of India.

Since both the SEZ unit and the DTA unit are located within the territorial waters of India, supplies from DTA to SEZ would not attract Section 12(1).

(4 Marks)

**ANS 6 (c):**

**The relevant provisions are as under –**

**(1) Denomination of Export Contracts:**



(a) All export contracts and invoices shall be denominated **either in freely convertible currency rupees** but export proceeds shall be realized in freely convertible currency.

(b) However, export proceeds against specific exports may also be realized in rupees, provided it is through a **freely convertible Vostro account** of a non resident bank situated in any country other than a member country of Asian Clearing Union (ACU) or Nepal or Bhutan. Additionally, rupee payment through Vostro account must be against payment in free foreign currency by buyer in his non-resident bank account. Free foreign exchange remitted by buyer to his non-resident bank (after deducting bank service charges) on account of this transaction would be taken as export realization under export promotion schemes of FTP.

(c) Contracts (for which payments are received through Asian Clearing Union (ACU)) shall be denominated in **ACU Dollar**. Central Government may relax provisions of this paragraph in appropriate cases. Export contracts and invoices can be denominated in Indian rupees against EXIM Bank/Government of India line of credit.

(2) **Non-Realisation of Export Proceeds:** If an exporter fails to realise export within time specified by RBI, he shall, without prejudice to any liability or penalty under any law in force, be liable to action in accordance with provisions FT(D&R) Act, rules and orders made thereunder and provisions of FTP.

(5 Marks)

**ANS 6 (d):**

**Drawback allowable on re-export of duty paid goods [Section 74]:** Duty drawback is allowed of custom duty paid on goods imported into India and which are subsequently re-exported. The provisions of Section 74 are as follows:

(1) **Drawback only on duty paid imported goods:** Only imported goods on which duty has been paid on importation are eligible for drawback.

**(2) Order for exportation:** The goods so imported must have been entered for exportation either-

- (a) under section 51; or
- (b) under section 77 as baggage; or
- (c) under Section 84(a) by post,

and the proper officer must have been an order for permitting clearance of goods for exportation.

The goods shall be deemed to have been entered for export on the date with reference to which the rate of duty is calculated under section 16.

**(3) The goods should be capable of being easily identified:** Such goods are identified to the satisfaction of the Assistant or Deputy Commissioner as the goods which were imported.

**(4) Drawback is allowed equal to 98% of the import duty:** 98% of the import duty paid is allowed as drawback in case the goods are exported out of India without being put to use. In case the goods are taken into use and then exported, duty drawback shall be allowed at notified rates under section 74(2) having regard to the duration of use, the depreciation in value and other relevant circumstances.

**(5) Re-export within 2 years:** The goods must be entered for export within 2 years from the date of payment of duty on the importation thereof. However, extension can be granted by the Board on sufficient cause been shown. In case of goods assessed to duty provisionally under section 18, the date of payment of the provisional duty shall be deemed to be the date of payment of duty.

For the purpose of this section Re-export of Imported Goods (Drawback of Customs Duties) Rules, 1995 has been framed by the Central Government.

**(5 Marks)**