

92.50 marks

You can easily score good marks in these types of questions

Index

Full Syllabus Complete Test:-

Multiple Choice Questions

- Case (1)
- (i) A ✓
 - (ii) A ✓
 - (iii) A ✓
 - (iv) A ✓
 - (v) B ✓

- Case (2)
- (i) B ✓
 - (ii) C ✓
 - (iii) B ✓
 - (iv) A ✓
 - (v) C ✓

- 3 B ✓
- 4 C ✓
- 5 B ✓
- 6 B ✓
- 7 C ✓
- 8 A ✓
- 9 C ✓
- 10 D ✓

30 marks

Descriptive Questions:-

Answer to Question 1:-

1. Computation of eligible Input tax Credit of V Supply Pvt Ltd for the month of November 2021

Particulars	Sl. No.	Taxable Value	Input Tax Credit			Total
			(9) CGST	(9) SGST	(18) IGST	
(i) Raw material						
- Purchased from Bihar	1	80,000	-	-	14,400	14,400
- Imported from China	2	150,000	-	-	29,970	29,970
- From Unregistered	3	30,000	-	-	-	-
- Destroyed	4	5,000	-	-	-	-
- Balance		85,000	7650	7650	-	15,300
(ii) Consumables	5	100,000	9000	9000	-	18,000
(iii) Transportation	6	60,000	1500	1500	-	3000
(iv) Salary paid	7	500,000	-	-	-	-
(v) Life Insurance premium	8	160,000	14,400	14,400	-	28,800
(vi) Audit fee		50,000	4500	4,500	-	9,000
(vii) Telephone expenses		30,000	2700	2700	-	5,400
(ix) Bank charges		10,000	900	900	-	1800
Opening Balance			15,000	8000	10,000	33,000
Total ITC			55,650	48,650	54,370	158,670

Calculation of Output tax liability for the month of November 2021

Particulars	VAT No	Taxable Value	Output tax liability			Total
			CGST	SGST	IGST	
Sales						
- Intra-state		700,000	63,000	63,000	-	126,000
- Inter-state		300,000	-	-	54,000	54,000
- Exports	9	500,000	-	-	-	-
RCM liability		60,000	1500	1,500	-	3000
Total			64,500	64,500	54,000	183,000

Calculation of Net GST Payable by V-Supply Pvt Ltd for the month of November 2021:-

Particulars	VAT No	IGST	CGST	SGST	Total
Output tax liability		54,000	64,500	64,500	183,000
(-) RCM liability to be paid in cash (A)		+	(1500)	(1500)	(3000)
		54000	63,000	63,000	180,000
Input tax Credit	10	(54000)	(3750)		
			(55,650)	(48,650)	
Cash to be paid (B)		-	6,980	14,350	21,330
Total liability to be paid (A+B)			8480	15,850	24,330

(P.T.O)

Working Notes:-

1. ITC paid on raw materials used in course or furtherance of business is available as credit as per Section 16(1) of CGST Act, 2017.
2. Credit of ITC paid on import of goods used in course or furtherance of business is available as per Section 16(1) of CGST Act, 2017 as Integrated Tax Credit.
3. Purchase of goods from unregistered suppliers would attract the provisions of Reverse charge mechanism u/s 9(4) of the Act but since specified conditions are not satisfied, no GST is payable on the same & the same cannot be claimed as ITC.
4. No Input tax Credit is available on destroyed goods.
5. It is given that Consumables include a value of ₹25,000 (diesel) which is a non leviable component under GST. Therefore the balance amount i.e. 1,00,000 (1,25,000 - 25,000) is held taxable.
6. It has been mentioned that transportation charges include ₹60,000 paid to GTA. It is a service which qualifies the service recipient to pay tax under RCM if the tax is not paid as per forward charge.

The tax paid under RCM is available as ITC also but has to be paid mandatorily in cash. In this case, the output tax liability includes RCM. So, ITC has to be considered.

7. The services rendered by employees to the employer in course of employment are not taxable supply as per Schedule III of CGST Act, 2017
8. As per the notification of Government, the ITC paid on life insurance premium is available to the taxpayer.
9. The exports are considered as zero-rated supplies without payment of tax as per Section 16 of IGST Act, 2017. Therefore, no output tax liability is payable on the same.
10. There are rules for utilisation of GST laid down under the Act. As per those rules
 - IGST credit must first be utilised towards IGST tax liability and the balance if any can be utilised towards CGST & SGST
 - CGST credit must first be utilised towards CGST liability and the IGST if IGST credit is not available
 - The same would be the case with SGST as it is with CGST.

(P.T.O.)

14 marks

Good Attempt

Answer to Question 2:-

2(a) Calculation of GST payable on machinery by ABC Ltd

Particulars	WN No.	₹
(i) Price of Machinery	1	40,00,000
(ii) Handling & loading charges	2	10,000
(iii) Installation Charges	2	1,00,000
(iv) Transportation Cost	3	-
(v) Additional Warranty Cost	4	3,00,000
(vi) Grant from DEF Ltd	5	<u>2,00,000</u>
Total		46,10,000
(-) Cash discount @ 2% on 40,00,000	6	<u>(80,000)</u>
Value of supply		<u>45,30,000</u>
GST Payable (1% GST @ 12%) (A)		5,43,600
Tax liability of October 2020		
Interest collected @ 3% of 45,10,000	7	1,32,300
Cash discount		50,000
GST payable on & Interest & Cash (B)		
discount $\left[\frac{1,32,300 + 50,000}{112} \times 12\% \right]$		22,746
Cum Tax Value		
GST payable on machinery (A+B)		<u>5,66,346</u>

Working Notes:-

9 marks

Good Attempt

- The value of supply would be the price actually paid or payable for the transaction. The relation between parties is not considered. The price is the only factor to be taken into account.

2. All incidental expenses charged by the supplier to the recipient of a supply are includable in the value of supply.
3. Transportation cost shall not form part of value of supply if there is a separate service contract for the same. As such fact has been mentioned, ABC Ltd merely arranges for transport but does not provide the same.
4. Warranty cost is includible in value of supply since transaction value includes all elements of price excluding those that can be specifically excluded as per Section 15 of CGST Act 2017.
5. Subsidies / Grants directly linked to the price excluding those provided by Central / State Government are to be included in value of supply.
6. The cash discount is offered at the time of supply itself, so the same has been deducted.
7. Interest for delayed payment of any consideration for any supply is includible in value of supply. Interest is charged for 3 months @ 1% p.m.

Cash discount recovered is also to be included as the transaction cost actually paid is devoid of any discount.

2(b) Computation of Assessable Value and Customs duty payable

Particulars	Amount
FOB Value	£ 8000
Design & Development charges	£ 500
Total	£ 8500
Exchanger Rate	X 100
Total (£)	£ 850,000
(+) Commission (2% on FOB) X 100	16,000
FOB Value as per Customs (A)	£ 866,000
(+) Insurance @ 1.125% on (A)	£ 9,742.5
(+) Air Freight @ 20% on (A)	£ 1,73,200
Total CIF Value being AV	£ 10,48,942.5
(+) BCD @ 10% (1)	1,04,894.25
(+) SWS @ 10% (2)	10,489.43
Total for Integrated tax	£ 11,64,326.18
(+) IGST @ 12% (3)	1,39,719.14
Total Import Cost	£ 13,04,045.32
Total Customs duty & IGST payable (1+2+3)	<u>2,55,102.82</u>

5 marks
Good Attempt

Answer to Question 3

3(a) (i) General Exemption:-

The Central Government may in public interest notify certain goods as exempt from levy of tax. The exemption can be absolute or part exemption. Such notifications are published in official gazette along with conditions if any.

(ii) Special Exemption/ Adhoc exemption:-

If the Central Government thinks fit, it may notify certain goods as exempt from payment of any duty under certain circumstances by passing a special order. Such exemption by order is called special exemption. The effective date for such exemption would be the date issued by Government in its official Gazettee.

3(b) Determination of Place of Supply:-

- (1) As per Section 13 of IGST Act, 2017, place of supply of intermediary services is location of supplier of service. Thus, the place of supply would be the place where the commission agents provide services i.e. Jaipur.
- (2) Section 13(1) of IGST Act, 2017 does not apply in case of service supplied in respect of goods that are temporarily imported into India for repairs and are exported after repairs without being put to use in India. In such cases, as per Section 13(2), the place of supply will be location of receipt of services i.e. China.
- (3) The place of supply for hiring of vessels, aircrafts would be the location of receipt of services u/s 13(2) of IGST Act, 2017. Thus, in present case it would be Mumbai.

3 marks

(P.T.O)

3(c) (i) "If finished products are cleared for home consumption on payment of appropriate import duty of customs, then appropriate duty of customs should be levied on imported goods content in waste or refuse" is a ~~partly~~ valid statement.

(ii) "Relevant date" for determination of rate of duty leviable on the imported material content in waste or refuse would be the date of actual payment of duty.

2 marks

Answer to Question 5

5(a) (i) The penalty payable by the taxable person who fails to obtain registration shall be liable to a penalty higher of the following

— ₹10,000 or

— Amount equivalent to the tax evaded.

In the present case, the amount of penalty will be the tax evaded i.e. ₹126,000

(2) Section 122 of CGST Act, 2017 stipulates that any person who fails to appear before the officer when a summon has been issued ordering his presence or any documentary evidence shall be liable for a penalty of which may extend to ₹25,000. Therefore, penalty of upto ₹25,000 can be imposed on Rohit.

4 marks

5(b) Determination of tax, interest & penalty payable in each stage:-

Stage 1:- clearance of dues before issuance of SCN

Tax amount accepted as suppressed (A)	12,00,000
Due date of payment of tax	20.02.21
Actual date of payment	20.04.21
No. of days of delay	59
Interest @ 18% for 59 days (B)	34,915
Penalty @ 15% of Tax (C)	180,000

Stage 2:- Adverse Adjudication Order

Tax amount accepted as suppressed (A)	200,000
Due date of payment	20.2.21
Actual date of payment	27.6.21
No. of days of delay	127
Interest @ 18% for 127 days (B)	12,526
Penalty (100% of tax) (Note 1) (C)	200,000

Note 1:

Since the tax amount, along with interest paid after 30 days of communication of order, hence penalty shall be 100% of tax.

(P.T.O)

5 marks

Good Attempt

5(c) Calculation of Customs duty payable by Mr. Ram

Particulars	Amount
1. Used personal effects (Note 1)	5,000
2. Digital Video player	55,000
3. Music system	45,000
4. Air conditioner	28,000
5. Microwave Oven	52,000
6. Fax Machine	120,000
7. Domestic Refrigerator	75,000
8. Jewellery	3,80,000
Total value of goods imported	(1,50,000)
(-) Allowable limit (Note 2)	2,30,000
Leveable Import value	88,550
Customs duty payable @ 38.5% (incl. sws)	

Note 1: - The Goods eligible for General free allowance under Rule 3 includes used personal effects excluding Jewellery

Note 2:

- (i) As per Rule 6, duty free allowance of ₹100,000 is allowed on other than those mentioned in Annexure I, II, but including those in Annexure III.
- (ii) General free allowance of ₹50,000 is available on other articles other than those mentioned in Annexure I.

5 marks

Good Attempt

Answer to Question 4

4(c) Determination of maximum amount of Refund admissible on account of inverted duty structure

(i) Turnover of Inverted duty Structure	50,00,000
(ii) Adjusted Total Turnover (Note 1) [50,00,000 + 20,00,000]	70,00,000
(iii) Net ITC (Note 2)	5,40,000
(iv) Tax payable [50,00,000 × 5%]	2,50,000

Maximum Refund

$$= \left[\frac{\text{Turnover of Inverted duty Structure}}{\text{Adjusted Total Turnover}} \times \text{Net ITC} \right] - \text{Tax payable}$$

$$= \left[\frac{50,00,000}{70,00,000} \times 5,40,000 \right] - 2,50,000$$

$$= \underline{\underline{2,13,714}}$$

Note 1: Adjusted Total turnover shall include zero-rated supply of services but excludes the value of exempt supplies other than zero rate supplies

Note 2:

Net ITC shall mean ITC availed during relevant period other than the ITC availed for which refund is claimed under Rule 89(4A), (4B)

5 marks

Good Attempt

(P.T.O.)

4(b) Requirement for Registration:-

As per Section 22 of CGST Act, 2017, if a supplier of goods exceeds the following threshold limit, he is liable to get registered if turn in their respective states:-

- (i) ₹ 10,00,000 — Mizoram, Tripura, Manipur, Nagaland
- (ii) ₹ 20,00,000 — Arunachal Pradesh, Meghalaya, Sikkim, Telangana, Uttarakhand & Puducherry
- (iii) ₹ 40,00,000 — All other states.

The threshold limit in case of supply of services is as follows:-

- (i) ₹ 10,00,000 — Mizoram, Tripura, Manipur, Nagaland
- (ii) ₹ 20,00,000 — All other states.

Aggregate Turnover includes all taxable supplies, all exempt supplies, export of goods/services & all inter state supplies of persons having same PAN.

(1) On the basis of above mentioned provisions, the aggregate turnover of Arzoo Enterprises would be ₹ 57,50,000 and hence liable to take registration.

(2) (a) If Arzoo Enterprises is dealing in supply of goods only from Himachal Pradesh, then applicable threshold limit would be ₹ 40,00,000 while its aggregate turnover is ₹ 22,50,000. Therefore, no mandatory registration is required.

(b) If Arzoo enterprises is dealing in taxable supply of goods & services only from Himachal Pradesh then

- Applicable Threshold limit - ₹20,00,000
- Aggregate Turnover - ₹22,50,000
- Registration - Required

3 marks

Excellent

If Arzoo Enterprises is dealing in goods only & has also effected inter-state supplies of taxable goods amounting to ₹40,00,000 then it is required to get registered irrespective of its aggregate turnover.

4(c) Computation of Safeguard duty payable by X Ltd, Y Ltd, Z Ltd & A Ltd.

Importer	in Crores	% of Imports
X Ltd	70	2.80
Y Ltd	82	3.28
Z Ltd	52	2.08
A Ltd	50	2.00
Others	2.246	-
Total	2500	-

Safeguard duty is applicable when the total imports by a country exceed 3% of total imports of that article into India. In present case on Y Ltd imports exceed 3% i.e. 3.28%. therefore, Safeguard duty payable would be 24.6 Crores i.e. $[82 \text{ crores} \times 30\%]$

5 marks

Good Attempt