



CA Test Series.org (Since 2015)

CA Final | CA Inter | CA IPCC | CA Foundation Online Test Series

Question 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.

Legal: Material provided by catestseries.org is subject to copyright. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher. For permission requests, write to the publisher, addressed "Attention: Permissions Coordinator," at exam@catestseries.org. If any person caught of copyright infringement, strong legal action will be taken. For more details check legal terms on the website: catestseries.org

PAPER 8: INDIRECT TAX LAWS

Notes:

- (i) Working Notes should form part of the answer. However, in answers to Question in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note.
- (iii) All questions should be answered on the basis of position of (i) GST law as amended up to 30th November, 2021 and (ii) Customs law as amended by the Finance Act, 2021 and notifications/circulars issued till 30th November, 2021.
- (iv) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. The rates of customs duty are also hypothetical and may not necessarily be the actual rates. Further, GST compensation cess should be ignored in all the questions, wherever applicable.

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

M/s. PQR Enterprises (P) Ltd. is a pharmaceuticals company engaged in the manufacturing of medicines. It has its head office in Rajasthan being registered under GST. It primary sells two products in the market which are as under:

- I. A (Taxable at 18%)
- II. B (Taxable at 28%)

From head office (HO) it makes sales on the basis of orders received from dealers and its branches. A total sale during the month of February is given below:

A		B	
Inter- State (Rs.)	Intra -State (Rs.)	Inter- State (Rs.)	Intra -State (Rs.)
55,00,000/- (including branch transfers)	55,00,000/-	55,00,000/-	33,00,000/-

The company transferred product A to its branch situated in Mumbai for Rs. 11,00,000/-. The open market value of product A was not known at the time of transfer, but the goods of like kind and quantity were sold at Rs. 13,20,000/-. Cost of product A is Rs. 8,80,000/-. Further, the branch also deals in product A and product B only. The company purchases its raw material worth Rs. 66,00,000/- taxable @ 18% for product A from a supplier located at Haryana and imported raw material worth Rs. 44,00,000/- taxable @ 28% for product B from U.S.A based vendor.

Based on above, answer following questions: -

(i) What shall be the GST paid by M/s. PQR Enterprises (P) Ltd. through Electronic Cash Ledger?

- A. IGST: Rs. 110,000/-, CGST: Rs. 957,000/-, SGST: Rs. 957,000/-
- B. IGST: Rs.12,32,000, CGST: Rs. 957,000/-, SGST: Rs. 957,000/-
- C. IGST: Rs.13,42,000/-, CGST: Rs. 957,000/-, SGST: Rs. 957,000/-
- D. IGST: Nil, CGST: Rs. 957,000/-, SGST: Rs. 957,000/-

(ii) Suppose Product A is exempt from GST, what shall be the aggregate turnover of PQR Enterprise?

- A.** Rs. 1,98,00,000/-
- B.** Rs. 88,00,000/-
- C.** Rs. 2,42,00,000/-
- D.** Rs. 1,54,00,000/-

(iii) What shall be the value of supply of product "A" transferred to its branch in Mumbai?

- A.** Rs. 11,00,000
- B.** Rs. 13,20,000
- C.** Rs. 8,80,000
- D.** Rs. 9,68,000

(iv) Suppose out of imported raw material amounting to Rs. 44,00,000/-, raw material amounting to Rs. 10,00,000/- was sold to another local customer before clearance for home consumption. What shall be the net GST liability in this case?

- A.** IGST- Rs. 3,52,000/-, CGST- Rs. 957,000/-, SGST- Rs. 9,57,000/-
- B.** IGST- Rs. 1,10,000/-, CGST- Rs. 957,000/- SGST- Rs. 957,000/-
- C.** IGST- Rs. 13,42,000/-, CGST- Rs. 957,000/-, SGST- Rs. 957,000/-
- D.** IGST- Rs. 22,66,000/-, CGST- Rs. 957,000/-, SGST- Rs. 957,000/-

(v) If the payment for Product A was received on 25-02-2021 from one of the customers, goods supplied on 28-02-2021 and invoice issued on 03-03-2021, what shall be the time of supply in this case?

- A.** 25-02-2021
- B.** 28-02-2021
- C.** 03-03-2021
- D.** 20-03-2021

(5 × 2 = 10 Marks)

Case Study 2

Ms. Dupinder is a multi-faceted business personality. She is registered under GST from April, 2021. She supplied a package consisting of stapler, calculator and charger at a single price of Rs. 300/-. Rate of GST for stapler, calculator and charger is 5%, 12% and 18% respectively.

She wants to opt for composition levy.

She received following payments during the month of May, 2021:

- Earned Rs. 160,000/- by performing in western music in a cultural event at a Resort
- Earned Rs. 50,000/- by providing services by way of renting of residential dwelling for use as boutique.
- Received Rs. 70,000/- by way of rent for letting of agro machinery

Ms. Dupinder made a supply during June, 2021, details of which are as follows:-

- Basic price of the product — Rs. 45,000/-
- Tax collected at source under Income-tax Act, 1961—Rs. 2,500/-
- She received a subsidy of Rs. 3,500 from Green Foundation Pvt. Ltd for usage of green energy and the subsidy was linked to saving energy

Ms. Dupinder provides the following information regarding receipt of inward supply during July, 2021:

- Received invoice for goods having GST Component of Rs. 30,000. Goods were to be delivered in 5 lots, out of which three lots were received in the current month.
- purchased a car having GST component of Rs. 1,50,000 for the usage in a driving school owned by her
- availed health insurance service for her employees on her own and paid GST of Rs. 7,000 thereon

Transactions referred above are intra-State only. Conditions necessary for claiming input tax credit (ITC) have been fulfilled subject to the information given above.

From the information given above, choose the most appropriate answer for the following questions:-

(i) What would be the nature of supply and the applicable rate of GST for the supply of package made by Ms. Dupinder (when not registered under composition scheme) :-

- A. composite Supply & applicable rate 12%
- B. mixed Supply & applicable rate 18%
- C. composite Supply & applicable rate 18%
- D. mixed Supply & applicable rate 12%

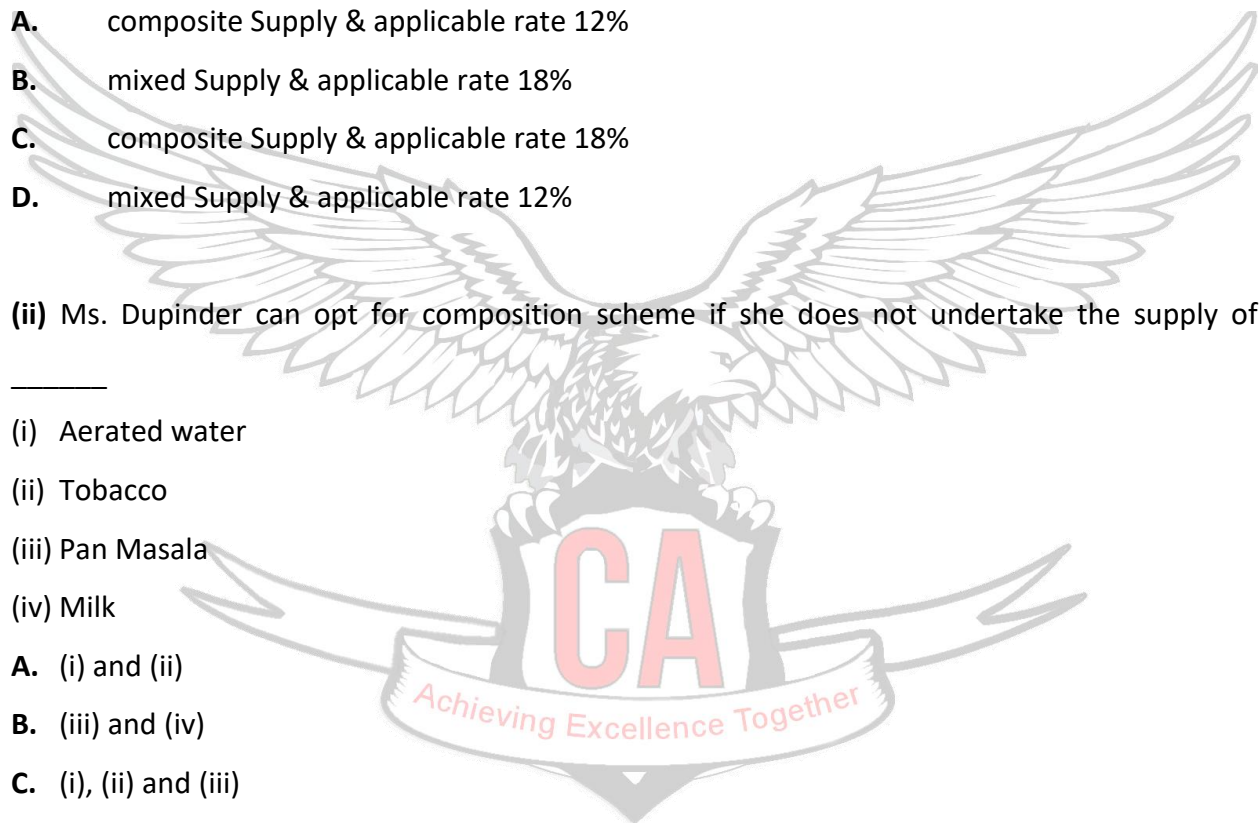
(ii) Ms. Dupinder can opt for composition scheme if she does not undertake the supply of _____

- (i) Aerated water
- (ii) Tobacco
- (iii) Pan Masala
- (iv) Milk

- A. (i) and (ii)
- B. (iii) and (iv)
- C. (i), (ii) and (iii)
- D. (ii), (iii) and (iv)

(iii) Out of payments received by Ms. Dupinder in month of May 2021, exempt Supply amounts to _____

- A. Rs. 50,000/-
- B. Rs. 70,000/-



- C. Rs. 120,000/-
- D. Rs. 160,000/-

(iv) In respect of supply made by Ms. Dupinder, the value of supply under section 15 of CGST Act, 2017 is-

- A. Rs. 45,000/-
- B. Rs. 47,500/-
- C. Rs. 48,500/-
- D. Rs. 51,000/-

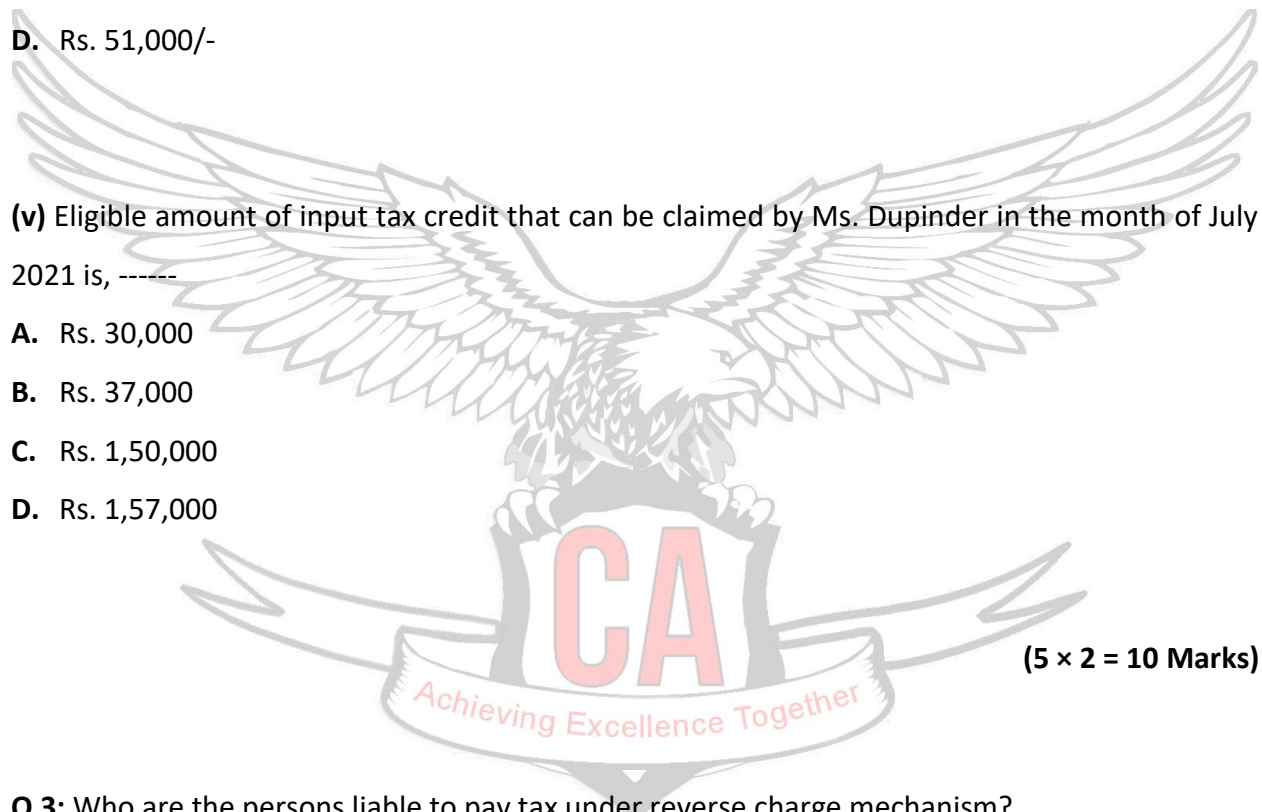
(v) Eligible amount of input tax credit that can be claimed by Ms. Dupinder in the month of July 2021 is, -----

- A. Rs. 30,000
- B. Rs. 37,000
- C. Rs. 1,50,000
- D. Rs. 1,57,000

Q 3: Who are the persons liable to pay tax under reverse charge mechanism?

- A. Registered Supplier
- B. Registered Recipient
- C. Unregistered Supplier
- D. Unregistered Recipient

(1 marks)



(5 × 2 = 10 Marks)

Q 4: The Appellate Authority or the Appellate Tribunal shall not take any additional evidence produced unless the adjudicating Authority or an officer authorised in this behalf by the said authority has been allowed a reasonable opportunity _____

- A.** To examine the evidence or documents or to cross-examine any witness produced by the appellant.
- B.** To produce any evidence or any witness in rebuttal of the evidence produced by the appellant under sub-rule
- C.** Either (a) or (b)
- D.** None of the above

(1 marks)

Q 5: Shagun started supply of goods in Vasai, Maharashtra from 01.01.20XX. Her turnover exceeded Rs. 20 lakh on 25.01.20XX. However, she didn't apply for registration. Determine the amount of penalty, if any, that may be imposed on Shagun under section 122(1) of the CGST Act, 2017 on 31.03.20XX, if the tax evaded by her, as on said date, on account of failure to obtain registration is Rs. 1,26,000:

- A.** Rs. 10,000
- B.** Rs. 1,26,000
- C.** Rs. 12,600
- D.** None of the above

(1 marks)

Q 6: Mr. Tapas has exported goods valuing Rs. 8,00,000 to UK by a vessel. He filed the shipping bill for export on 28-2-2020 (rate of duty 5%). The order permitting clearance and loading of the goods for exportation was made by the proper officer on 1-3-2020 (rate of duty 15%). The ship left for UK on 04-3-2020 (rate of duty 10%) and the ship crossed the territorial waters of India

on 8-3-2020 (goods were made exempt from duty). The amount of duty payable by Mr. Tapas is_____

- A. Rs. 40,000
- B. Rs. 1,20,000
- C. Rs. 80,000
- D. Nil

(1 marks)

Q 7: What is prescribed amount of general penalty can be imposed on a person, who contravenes any of the provisions of CGST Act, 2017 or any rules made thereunder for which no penalty is separately provided for in this Act?

- A. Rs. 10,000
- B. Rs. 20,000
- C. Rs. 25,000
- D. Rs. 50,000

(1 marks)

Q 8: Where any taxable person collects any amount as tax but fails to pay the same to the Government beyond a period of_____ from the date on which such payment becomes due, he shall be liable to penalty under Section 122 of the CGST Act, 2017.

- A. 3 months
- B. 7 days
- C. One month
- D. 6 months

(1 marks)

Q 9: Moris Lal has imported goods from germany and is finally re-assessed u/s 18(2) of the Customs Act, 1962 for consignments Particulars are as follows:
follows:

Date of provisional assessment	12 th December, 2020
Date of final re-assessment	2 nd February, 2021
Duty Demand for the consignment	Rs. 1,80,000
Date of payment of duty demanded	5 th February, 2021

Determine the interest payable, if any, by Moris Lal on the final re-assessment.

- A. Nil
- B. Rs. 4943
- C. Rs. 4956
- D. Rs. 5947

(2 MARKS)

Q 10: Which one of the following cannot be a reason for cancellation of registration?

- (a) There is a change in the constitution of business from partnership firm to proprietorship.
- (b) The business has been discontinued.
- (c) A composition taxpayer has not furnished returns for three consecutive tax periods.
- (d) A registered person, other than composition taxpayer, has not furnished returns for three consecutive tax periods.

(2 marks)

Division B: Descriptive Questions (70 Marks)

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

Q 1: V-Supply Pvt. Ltd. is a registered manufacturer of auto parts in Kolkata, West Bengal. The company has a manufacturing facility registered under Factories Act, 1948 in Kolkata. It procures its inputs indigenously from inputs both registered and unregistered suppliers located within as well as outside West Bengal as also imports some raw material from China.

The company reports the following details for the month of November, 2021.

Payments	Rs.	Receipts	Rs.
Raw material	3,50,000	Sales	15,00,000
Consumables	1,25,000		
Transportation charges for bringing the raw material to factory	70,000		
Salary paid to employees on rolls	5,00,000		
Premium paid on life insurance policies taken for specified employees	1,60,000		
Audit fee	50,000		
Telephone expenses	30,000		

Bank charges	10,000		
--------------	--------	--	--

All the above amount are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by the company.

Further, following additional details are furnished by the company in respect of the payments and receipts reported by it:

(1) Raw material amounting to Rs.80,000 is procured from Bihar and Rs.1,50,000 is imported from China. Basic customs duty of Rs. 15,000, SWS of Rs.1,500 and integrated tax of Rs.29,970 are paid on the imported raw material. Remaining raw material is procured from suppliers located in West Bengal. Out of such raw material, raw material worth Rs. 30,000 is procured from unregistered suppliers; the remaining raw material is procured from registered suppliers.

Further, raw material worth Rs.5,000 purchased from registered supplier located in West Bengal has been destroyed due to seepage problem in the factory and thus, could not be used in the manufacturing process

(2) Consumables are procured from registered suppliers located in Kolkata and include diesel worth Rs.25,000 for running the generator in the factory.

(3) Transportation charges comprise of Rs.60,000 paid to Goods Transport Agency (GTA) in Kolkata and Rs. 10,000 paid to horse pulled carts. GST applicable on the services of GTA is 5%.

(4) Life insurance policies for specified employees have been taken by the company to Fulfill a statutory obligation in this regard. The Government has notified such life insurance service under Section 17(5)(b)(i). The life insurance service provider is registered in West Bengal

(5) Audit fee is paid to M/s. Goyal & Co., a firm of Chartered Accountants registered in West Bengal, for the statutory audit of the preceding financial year.

(6) Telephone expenses pertain to bills for landline phone installed at the factory and mobile phones given to employees for official use. The telecom service provider is registered in West Bengal.

(7) Bank charges are towards company's current account maintained with a Private Sector Bank registered in West Bengal.

(8) The breakup of sales in as under:

Sales in West Bengal	Rs.7,00,000
Sales in State other than West Bengal	Rs. 3,00,000
Export under bond	Rs. 5,00,000

The balance of ITC with the company as on 01-11-2021 is: CGST – Rs.15,000; SGST – Rs.8,000 and IGST – Rs.10,000.

Compute eligible input tax credit and net GST payable [CGST, SGST or IGST, as the case may be] by V-Supply Pvt. Ltd. for the month of November 2021.

Note:

(i) CGST, SGST and IGST rates to be 9, 9% and 18% respectively, wherever applicable.

(ii) The necessary conditions for availing input tax credit have been complied with by V-Supply Pvt. Ltd., wherever applicable.

You are required to make suitable assumptions, wherever necessary.

(14 marks)

Q 2 (a): ABC Ltd., Noida (Uttar Pradesh) is a supplier of machinery used for making bottle caps. The supply of machinery is effected as under:

(1) The wholesale price of the machinery (excluding all taxes and other expenses) at which it is supplied in the ordinary course of the business to various customers is Rs.42,00,000. However, the actual price at which the machinery is supplied to an individual customer varies within a range of $\pm 10\%$ depending upon the terms of contract of supply with the particular customer.

(2) Apart from the price of the machinery, ABC Ltd. charges from the customer the following incidental expenses:

a. Associated handling and loading charges of Rs.10,000

b. Installation and commissioning charges of Rs.1,00,000

The machinery can be dismantled and erected at another site, if required. The above charges and compulsorily levied in every case of supply of machinery.

(3) Transportation of machinery to the customer's premises is arranged by ABC Ltd. through a third-party service provider [Goods Transport Agency (GTA)]. The customer enters into a separate service contract with the GTA and pays the freight directly to it.

(4) The company provides one year free warranty for the machinery. However, the company also provides an extended two-year warranty on payment of additional charge of Rs.3,00,000.

(5) A cash discount of 2% on the price of the machinery is offered at the time of supply, if the customer agrees to make the payment within 15 days of the receipt of the machinery at his premises. In the event of failure to make the payment within the stipulated time, the company

—

a. recovers the discount given; and

b. charges interest @ 1% per month or part of the month on the total amount due from the customer (towards the machinery supplied) from the date of making the supply till the date of payment. However, no interest is charged on the tax dues.

(6) For every machinery supplied, ABC Ltd. receives a grant of Rs. 2,00,000 from its holding company DEF Ltd.

ABC Ltd. has supplied a machinery to D Pvt. Ltd. on August 1, 2021 at a price of Rs.40,00,000 (excluding all taxes). D Pvt. Ltd has its corporate office in New Delhi. However, the machinery has been installed at its manufacturing unit located in Gurugram (Haryana). D Pvt. Ltd. has paid the freight directly to the GTA and opted for two year warranty. Discount @ 2% was given to D Pvt. Ltd. as it agreed to make the payment within 15 days. However, D Pvt. Ltd. paid the consideration on 31st October, 2021.

Assume the rates of taxes to be as under:

Goods/ Services supplied	CGST	SGST	IGST
(i) Bottle cap making machine	6%	6%	12%
(ii) Service of transportation of goods	2.5%	2.5%	5%
(iii) Other services involved in the above supply	9%	9%	18%

You are required to make suitable assumptions, wherever necessary.

Calculate the GST payable [CGST & SGST or IGST, as the case may be] on the machinery and support your conclusions with legal provisions in the form of explanatory notes.

Make suitable assumptions, wherever needed.

(9 marks)

Q 2 (b):

Compute the assessable value and Custom duty payable from the following information:

- (i) FOB value of machine - 8,000 UK Pounds
- (ii) Freight paid (air) - 2,500 UK Pounds
- (iii) Design and development charges paid in UK – 500 UK Pounds
- (iv) Commission payable commission to local agent @2% of FOB in Indian Rs.
- (v) Date of bill of entry-24-10-2021 (Rate BCD 10%, Exchange rate as notified by CBIC Rs.100 per UK Pound)
- (vi) Date of arrival of aircraft- 20-10-2021 (Rate BCD 18%, Exchange rate as notified by CBIC Rs. 95 per UK pound)
- (vii) Integrated tax leviable under Section 3(7) of CTA, 1975 - @ 12%
- (viii) Insurance charges actually paid but details not available.

(5 Marks)

Q 3 (a):

Referring to Section 25 of the Customs Act, 1962 discuss the following –

- (i) General exemption
- (ii) Special Exemption/Adhoc Exemption

(5 Marks)

Q 3(b):

What would be the place of supply of service in the following independent cases?

- (1) Tradeget of Jaipur are appointed as commission agents by a foreign company for sale of its goods to Indian customers. In lieu of their services, Tradeget receives a fixed percentage of commission from the concerned foreign company.
- (2) Kamal Repair Centre of Mumbai has temporarily imported certain goods from its customer located in China for repairs. The said goods have been re-exported to China after carrying out the necessary repairs without being put to any use in Mumbai.
- (3) SCI, a shipping company located in Mumbai, has hired vessels from a foreign shipping line of Japan for a period of 25 days.

(4 Marks)

Q 3(c):

In the context of Section 65 of the Customs Act, 1962 dealing with wastes or refuse arising during the manufacturing operations or other processes done in the warehouse:

- (i) Examine the validity of the following statement with brief reasons: "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 the imported goods content in the waste or refuse."
- (ii) Explain briefly the "relevant date" for determination of rate of duty leviable on the imported material content in the waste or refuse.

(5 Marks)

Q 4(a): From the following information you are required to determine the maximum amount of refund admissible on account of inverted duty structure.

Particulars	Rs.
(i) Input tax credit availed on inputs	5,40,000
(ii) Input tax credit availed on input services	60,000
(iii) Turnover of inverted rated supply of goods (taxable @5%)	50,00,000
(iv) Turnover of other supplies of goods	20,00,000

(5 Marks)

Q 4(b): Arzoo Enterprises, a sole proprietorship firm, opened a shopping complex dealing in supply of goods at multiple locations, i.e. in Himachal Pradesh, Uttarakhand and Tripura in the month of June.

It has furnished the following details relating to the sale made at such multiple locations for the month of June:-

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

* excluding GST

With the help of the above mentioned information, answer the following questions giving reasons:

(1) Determine whether Arzoo Enterprises is liable to be registered under GST law and what is the threshold limit of taking registration in this case.

(2) Explain with reasons whether your answer in (1) will change in the following independent cases:

- a) If Arzoo Enterprises is dealing in taxable supply of goods only from Himachal Pradesh;
- b) If Arzoo Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh;
- c) If Arzoo Enterprises is dealing in taxable supply of goods only from Himachal Pradesh and has also effected inter - State supplies of taxable goods amounting to Rs.4,00,000.

(4 Marks)

Q 4(c):

Determine the safeguard duty payable by X Ltd., Y Ltd., and Z Ltd., and A Ltd. under section 8B of the Customs Tariff Act, 1975 from the following:

Import of Sodium Nitrite from developing and developed countries from 26th February, 2021 to 25th February, 2022 (both days inclusive) are as follows:

Importer	Country of Import	Rs. in crores
X Ltd.	Developing country	70

Y Ltd.	Developing country	82
Z Ltd.	Developing country	52
A Ltd.	Developing country	50
Others	Developed country	2,246
Total		2,500

Note: Safeguard duty 30%.

(5 Marks)

Q 5(a):

(1) Rahul started supply of goods in Pune, Maharashtra from 01-01-2021. Her turnover exceeded Rs 40 lakhs on 25-01-2021. However, she didn't apply for registration. Determine the amount of penalty, if any, that may be imposed on Rahul on 31-03-2021, if the tax evaded by her, as on said date, on account of failure to obtain registration is Rs. 1,26,000.

(2) Rohit, managing director of Telecom Solutions Ltd., is issued a summon to appear before the central tax officer to produce the books of accounts of Telecom Solutions Ltd. in an inquiry conducted on said company. Determine the amount of penalty, if any that may be imposed on Rohit, if he fails to appear before the central tax officer.

(4 Marks)

Q 5 (b): A taxpayer has suppressed certain facts resulting in short payment of tax. The mistake is pointed out by the Department, but no Show-Cause Notice (SCN) has been issued. As per the taxpayer, suppression is accepted at Rs. 12,00,000 and he agrees that the suppression has

taken place in the month of January, 2021. He clears the dues on 20th April, 2021. However, the Department, on verification, identifies additional suppression of Rs. 2,00,000 in the same month of January, 2021. SCN is issued and the taxpayer represents before the proper officer, which results into an adverse order against the taxpayer. The order is passed on 25-05-2021 and the taxpayer complies with the adverse adjudication order on 27-06-2021.

Determine the tax, interest and penalty payable at each stage.

(5 Marks)

Q 5(c): Mr. Ram, an Indian resident and an engineer by profession was engaged in his profession in USA for 9 months, brought with him on 10-04-2021 the following used items his return to India:

- (1) Used personal effects like clothes etc. of Rs.1,00,000
- (2) Digital Video Disc player of Rs.5,000
- (3) Music System of Rs.55,000
- (4) Air-Conditioner of Rs.45,000
- (5) Microwave Oven of Rs.28,000
- (6) Fax Machine of Rs.52,000
- (7) Domestic Refrigerator of capacity of 285 liters of Rs.1,20,000
- (8) Jewellery (18 grams) of Rs.75,000

Calculate the custom duty payable by him.

(5 Marks)

Q 6(a): Explain the provisions relating to rectification of errors apparent on the face of record.

OR

Explain, with reference to decided case law, whether clearances from Domestic Tariff Area (DTA) to Special Economic Zone is chargeable to export duty under the SEZ Act, 2005 or the Customs Act, 1962.

(4 Marks)

Q 6(b): What are the provisions with respect to denomination and realisation of export contracts?

(5 Marks)

Q 6(b): Explain briefly the provisions regarding drawback allowable on re-export of duty paid goods as such.

(5 Marks)

