

MOCK TEST PAPER 1
FINAL (NEW) COURSE: GROUP – II
PAPER 8: INDIRECT TAX LAWS

Maximum Marks: 100 Marks**Time Allowed: 3 Hours**

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 31st October, 2019 and (ii) Customs law as amended by the Finance Act, 2019 and notifications/circulars issued till 31st October, 2019.
- (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

1. M/s. SV 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 primarily 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. Total sales during the month of February is given below:

A		B	
Inter-State (Rs.)	Intra-State(Rs.)	Inter-State(Rs.)	Intra-State(Rs.)
50,00,000/- (including branch transfers)	50,00,000/-	50,00,000/-	30,00,000/-

The company transferred product A to its branch situated in Mumbai for Rs. 10,00,000/-. 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. 12,00,000/-. Cost of product A is Rs. 8,00,000/-. Further, the branch also deals in product A and product B only.

The company purchases its raw material worth Rs. 60,00,000 taxable @18% for product A from a supplier located at Haryana and imported raw material worth Rs. 40,00,000 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. SV Enterprises (P) Ltd. through Electronic Cash Ledger?
 - a. IGST: Rs.1,00,000/-, CGST: Rs. 8,70,000/-, SGST: Rs. 8,70,000/-
 - b. IGST: Rs. 11,20,000, CGST: Rs. 8,70,000/-, SGST: Rs. 8,70,000/-
 - c. IGST: Rs. 12,20,000/-, CGST: Rs. 8,70,000/-, SGST: Rs. 8,70,000/-
 - d. IGST: Nil, CGST: Rs. 8,70,000/-, SGST: Rs. 8,70,000/-
 - ii. Suppose Product A is exempt from GST, what shall be the aggregate turnover of SV Enterprise?
 - a. Rs. 1,80,00,000
 - b. Rs. 80,00,000/-
 - c. Rs. 2,20,00,000/-
 - d. Rs. 1,40,00,000
 - iii. What shall be the value of supply of product "A" transferred to its branch in Mumbai?
 - a. Rs. 10,00,000/-
 - b. Rs. 12,00,000/-
 - c. Rs. 8,00,000/-
 - d. Rs. 8,80,000/-
 - iv. Suppose out of imported raw material amounting to Rs. 40,00,000/-, 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. 3,80,000/-, CGST-Rs. 8,70,000/-, SGST- Rs. 8,70,000/-
 - b. IGST- Rs. 1,00,000/-, CGST-Rs. 8,70,000/-, SGST-Rs. 8,70,000/-
 - c. IGST- Rs. 12,20,000/-, CGST-Rs. 8,70,000/-, SGST-Rs. 8,70,000/-
 - d. IGST- Rs. 20,60,000/-, CGST-Rs. 8,70,000/-, SGST-Rs. 8,70,000/-
 - v. If the payment for Product A was received on 25.02.20XX from one of the customers, goods supplied on 28.02.20XX and invoice issued on 3.03.20XX, what shall be the time of supply in this case?
 - a. 25.02.20XX
 - b. 28.02.20XX
 - c. 3.03.20XX
 - d. 20.03.20XX
2. Diwakar (P) Ltd., registered in Delhi, is engaged in trading of cement as well as providing services by way of renting of commercial properties. On 02.01.20XX, it received a contract of 1,000 kg cement from Pakija (P) Ltd., registered in Punjab. Pakija (P) Ltd. directed Diwakar (P) Ltd. to send the consignment to Gajab & Sons, registered in Gujarat. Diwakar (P) Ltd. prepared the consignment on 04.01.20XX and dispatched the same on the next day from his warehouse in Gurugram, Haryana. The invoice was also issued on 5.01.20XX. On 07.01.20XX, it received the cheque and accountant entered the payment in books of accounts. However, he presented the cheque in bank on 14.01.20XX which

was credited in bank account on 15.01.20XX. In the meanwhile, on 10.01.20XX, the rate of tax on cement was reduced from 28% to 18%.

On inspection of goods it was found that there is some deficiency in quality of goods and therefore, the deficit goods were returned to Diwakar (P) Ltd. Diwakar (P) Ltd. issued credit note for the same on 20.01.20XX.

Diwakar (P) Ltd. let out property and received rent for the month of January from Pakija (P) Ltd. on 10.01.20XX. However, as per the contract entered, the payments should have been received by 7th of every month.

Based on the above scenario, Diwakar (P) Ltd., wants to seek your advice on the following issues:

- i. What will be the time of supply and rate of tax to be charged in respect of 1,000 kg of cement?
 - (a) 05.01.20XX; 28%
 - (b) 07.01.20XX; 28%
 - (c) 14.01.20XX; 18%
 - (d) 15.01.20XX; 18%
- ii. What will be the time of supply and rate of tax to be charged if the payment is credited into bank account on 12.01.20XX?
 - (a) 05.01.20XX; 28%
 - (b) 07.01.20XX; 28%
 - (c) 12.01.20XX; 28%
 - (d) 12.01.20XX; 18%
- iii. What will be rate of tax to be charged for the credit note issued in respect of deficient goods?
 - (a) 28%
 - (b) 18%
 - (c) No tax to be charged on credit note
 - (d) Either (a) or (b)
- iv. What is the place of supply in respect of transaction between Diwakar (P) Ltd. and Pakija (P) Ltd, and Pakija (P) Ltd. and Gajab& Sons?
 - (a) Delhi, Punjab
 - (b) Punjab, Gujarat
 - (c) Haryana, Punjab
 - (d) Haryana, Gujarat
- v. Diwakar (P) Ltd. is not issuing any invoice in respect of the services provided by way of renting of commercial properties. What shall be the last date for issuance of invoice?
 - (a) 10.01.20XX
 - (b) 07.01.20XX
 - (c) Either (a) or (b) whichever is earlier

- (d) Either (a) or (b) whichever is later
3. Which of the following statements is true?
1. Services provided by Government ITIs to individual trainees are exempt from GST.
 2. Services provided by the State Governments and private service providers by way of transportation of patients in ambulance are exempt from GST.
 3. Services of renting of shops in a hospital are exempt from GST being health care services.
 4. Services provided by Police to PSUs are taxable.
- (a) 1, 2 & 4.
- (b) 2, 3 & 4.
- (c) 3 & 4.
- (d) 1, 2, 3 & 4. **(2 Marks)**
4. Where the National Anti-Profiteering Authority determines that a registered person has not passed on the benefit of input tax credit to the recipient by way of commensurate reduction in price, the Authority may order:
- i. reduction in prices
 - ii. imposition of prescribed penalty
 - iii. cancellation of registration
- Which of the above options are correct?
- (a) i. and ii.
- (b) i., ii. and iii.
- (c) i. and iii.
- (d) i. **(2 Marks)**
5. In which of the following cases, compounding of offence is not allowed under section 138 of the CGST Act, 2017?
- (a) a person who has been allowed to compound once in respect of any of the offences specified in clauses (a) to (f) of section 132(1) of the CGST Act, 2017.
 - (b) a person who has been convicted for an offence under GST law by a Court.
 - (c) a person who has been accused of committing an offence under GST law which is also an offence under any other law for the time being in force.
 - (d) All the cases covered in (a), (b) and (c) above **(1 Mark)**
6. Which of the following is correct for destroyed goods under section 23 of the Customs Act, 1962?
- (a) It is only applicable in case of total loss of goods even if the same can be recovered.
 - (b) The importer is not required to pay duty on such goods.
 - (c) The provisions are also applicable even if goods are destroyed after warehousing.
 - (d) The importer need not prove the loss to the proper officer. **(1 Mark)**

7. In which of the following cases, importer can claim pilferage and choose not to pay duty under section 13 of the Customs Act, 1962?
- Goods pilfered while on high seas;
 - Goods pilfered before unloading;
 - Goods pilfered after unloading but before order for home consumption given by proper officer;
 - Goods cleared for home consumption.
- (i) and (ii)
 - (i) and (iii)
 - Only (ii)
 - Only (iii)
- (1 Mark)**
8. In which of the following cases, can an importer claim abatement of duty under section 22 of the Customs Act, 1962?
- Goods pilfered during unloading;
 - Goods damaged by accident (due to negligence of the importer) after unloading but before examination for assessment by customs authorities;
 - Goods destroyed by accident while in warehouse(due to negligence of the importer);
 - Goods deteriorated by accident (not due to negligence of the importer) after unloading but before examination for assessment by customs authorities.
- Only (iv)
 - Only (iii)
 - Both (i) and (iii)
 - Only (ii)
- (1 Mark)**
9. Electric shaving machine is classifiable under following:
- 8510: Shavers and hair clippers with self-contained electric motors;
- 8509: Electro mechanical domestic appliances with self-contained electric motor
- As per rules of classification, electric shaving machine should be classifiable under
- 8510
 - 8509
 - More information is needed;
 - Can be classified under both
- (2 Marks)**

Division B: Descriptive Questions (70 Marks)

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

1. M/s XYZ, a registered supplier, supplies the following goods and services for construction of buildings and complexes -

- excavators for required period at a per hour rate
- manpower for operation of the excavators at a per day rate
- soil-testing and seismic evaluation at a per sample rate.

The excavators are invariably hired out along with operators. Similarly, excavator operators are supplied only when the excavator is hired out.

M/s XYZ receives the following services:

- Annual maintenance services for excavators;
- Health insurance for operators of the excavators;
- Scientific and technical consultancy for soil testing and seismic evaluation.

For a given month, the receipts (exclusive of GST) of M/s XYZ are as follows:

- Hire charges for excavators - Rs. 18,00,000
- Service charges for supply of manpower for operation of the excavator - Rs. 20,000
- Service charges for soil testing and seismic evaluation at three sites - Rs. 2,50,000

The GST paid during the said month on services received by M/s XYZ is as follows:

- Annual maintenance for excavators - Rs. 1,00,000
- Health insurance for excavator operators - Rs. 11,000
- Scientific and technical consultancy for soil testing and seismic evaluation - Rs. 1,00,000

Compute the net GST payable by M/s XYZ for the given month.

Assume the rates of GST to be as under:

Hiring out of excavators – 12%

Supply of manpower services and soil-testing and seismic evaluation services – 18%

Note: - Opening balance of input tax credit of GST is nil.

(14 Marks)

2. (a) PQR Company Ltd., a registered supplier of Bengaluru (Karnataka), is a manufacturer of goods. The company provides the following information pertaining to GST paid on input supplies during the month of April, 20XX:

Sl. No.	Items	GST paid in (Rs.)
(i)	Life Insurance premium paid by the company on the life of factory employees as per the policy of the company	1,50,000
(ii)	Raw materials purchased for which invoice is missing but delivery challan is available.	38,000
(iii)	Raw materials purchased which are used for zero rated outward supply.	50,000

(iv)	Works contractor's service used for repair of factory building which is debited in the profit and loss account of company.	30,000
(v)	Company purchased the capital goods for Rs. 4,00,000 and claimed depreciation of Rs. 44,800 (@ 10%) on the full amount of Rs. 4,48,000 under Income Tax Act, 1961.	48,000

Other Information:-

- (i) In the month of September, 20XX, of previous financial year, PQR Company Ltd. availed input tax credit of Rs. 2,40,000 on purchase of raw material which was directly sent to job worker's premises under a challan on 25-09-20XX of the same financial year. The said raw material has not been received back from the Job worker up to 30-04-20XX of the current financial year.
- (ii) All the above input supplies except (i) above have been used in the manufacture of taxable goods.

Compute the amount of net input tax credit available for the month of April, 20XX with necessary explanations for your conclusion for each item. You may assume that all the other conditions necessary for availing the eligible input tax credits have been fulfilled. **(9 Marks)**

- (b) A material was imported by air at CIF price of 5,000 US\$. Freight paid was 1,500 US\$ and insurance cost was 500 US\$. The banker realized the payment from importer at the exchange rate of Rs. 71 per dollar. Central Board of Indirect taxes and Customs notified the exchange rate as Rs. 70 per US\$. Find the value of the material for the purpose of levying customs duty.

(5 Marks)

3. (a) RST Inc., a corn chips manufacturing company based in USA, intends to launch its products in India. However, the company wishes to know the taste and sensibilities of Indians before launching its products in India. For this purpose, RST Inc. has approached ABC Consultants, Mumbai, (Maharashtra) to carry out a survey in India to enable it to make changes, if any, in its products to suit Indian taste.

The survey is to be solely based on the oral replies of the surveyees; they will not be provided any sample by RST Inc. to taste. ABC Consultants will be paid in convertible foreign exchange for the assignment.

With reference to the provisions of GST law, determine the place of supply of the service. Also, explain whether the said supply will amount to export of service? **(5 Marks)**

- (b) Chiku Traders is a registered supplier of plastic goods. On 10th April, 20XX, Chiku Traders received an order from Neelu Traders for supply of a consignment of plastic goods. Chiku Traders gets the consignment ready by 15th April, 20XX. The invoice for the consignment was issued the next day, 16th April, 20XX. Neelu Traders collects the consignment from the godown of Chiku Traders on 25th April, 20XX and hands over the cheque towards payment on the same date. The said payment is entered in the books of accounts of Chiku Traders on 26th April, 20XX and amount is credited in their bank account on 27th April, 20XX.

Determine the time of supply of the plastic goods supplied by Chiku Traders to Neelu Traders as per the provisions of CGST Act, 2017. **(4 Marks)**

- (c) Dream & Desire Industries has challenged the imposition of anti-dumping duty retrospectively from the date prior to the date of imposition of anti-dumping duty on the grounds that it is unconstitutional. Explain whether it would succeed in its contention. **(5 Marks)**

4. (a) Rajesh Dynamics, having its head office in Chennai, Tamil Nadu carries on the following activities with respective turnovers in a financial year:

Particulars	Rs.
Supply of petrol at Chennai, Tamil Nadu	18,00,000
Value of inward supplies on which tax is payable on reverse charge basis	9,00,000
Supply of transformer oil at Chennai, Tamil Nadu	2,00,000
Value of branch transfer from Chennai, Tamil Nadu to Bengaluru, Karnataka without payment of consideration	1,50,000
Value of taxable supply of goods at Manipur branch	11,50,000

It argues that it does not have taxable turnover crossing threshold limit of Rs.40,00,000 either at Chennai, Tamil Nadu or Bengaluru, Karnataka or at Manipur branch. It believes that the determination of aggregate turnover is not required for the purpose of obtaining registration, but is required for determining composition levy.

Based on the above facts:

- Determine the aggregate turnover of Rajesh Dynamics.
 - Specify all conditions that fulfil the requirements for registration under CGST Act, 2017 in the given circumstances. **(6 Marks)**
- (b) Wye Ltd. provides the following details for the month of September 20XX for computation of refund claim under rule 89(4) of the CGST Rules, 2017. Compute the eligible claim under the said rule assuming that other conditions are fulfilled.

Particulars	Amount(Rs.)
Opening balance of ITC	5,00,000
ITC availed during the period, which includes the claim for refund made of Rs.5,00,000 eligible under rule 89(4A)/89(4B) of the CGST Rules, 2007	25,00,000
Zero rated supply of goods made during the period without payment of tax under bond/ LUT, which include the supply of Rs. 1,00,00,000 for which refund claim is made under rule 89(4A)/89(4B) of the CGST Rules, 2017	6,00,00,000
Supply of goods other than zero rated supply	3,00,00,000

(3 Marks)

- (c) M/s. Pure Energy Ltd. is engaged in oil exploration and has imported software containing seismic data. The importer is entitled to exemption from customs duty subject to the condition that an "essentiality certificate" granted by the Director General of Hydrocarbons is produced at the time of importation of the goods. Though the importer applied for the certificate within the statutory time limit prescribed for the same, the certificate was not made available to the importer within a reasonable time by the Director General of Hydrocarbons. The customs department rejected the importer's claim for exemption.

Examine briefly whether the department's action is sustainable in law.

(5 Marks)

5. (a) Mr. Anant Kumar Gupta self-assessed his tax liability as Rs. 90,000 for the month of April 20XX but failed to make the payment.

Subsequently the Department initiated penal proceedings against Mr. Anant Kumar Gupta for recovery of penalty under section 73 of CGST Act, 2017 for failure to pay GST and issued show cause notice on 10-08-20XX which was received by Mr. Anant Kumar Gupta on 14-08-20XX.

Mr. Anant Kumar Gupta deposited the tax along with interest on 25-08-20XX and informed the department on the same day.

Department is contending that he is liable to pay a penalty of Rs. 45,000 (i.e. 50% of Rs. 90,000).

Examine the correctness of the stand taken by the Department with reference to the provisions of the CGST Act, 2017. **(5 Marks)**

- (b) Mr. A had filed an appeal before the Appellate Tribunal against an order of the Appellate Authority where the issue involved relates to place of supply. The order of Appellate Tribunal is also in favour of the Department. Mr.A now wants to file an appeal against the decision of the Appellate Authority as he feels the stand taken by him is correct.

You are required to advise him suitably with regard to filing of an appeal before the appellate forum higher than the Appellate Tribunal. **(4 Marks)**

- (c) Acme Sales' imports were being provisionally assessed pending a verification that the department was carrying out. Upon completion of the verification, the assessments were finalized, and Acme Sales was asked to pay Rs. 12 lakhs, which it paid. After six months, upon detailed scrutiny of the verification report and taking legal opinion on it, Acme Sales filed a claim for refund of Rs. 8 lakhs on the ground that the differential amount should be Rs. 4 lakhs only and that there were factual errors in the verification report. Is this the correct mode of redressal for Acme Sales? What will be the likely outcome of the claim? Discuss on the basis of case law, if any. . **(5 Marks)**

6. (a) When is an e-way bill required to be generated? **(5 Marks)**
- (b) Explain the difference between Audit by Tax Authorities under section 65 and Special Audit under section 66 of the CGST Act, 2017. **(4 Marks)**
- (c) Enumerate the various matters in respect of which policies and regulations are framed under FTP. **(5 Marks)**