

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

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

Maximum Marks: 100 Marks

Time Allowed: 3 Hours

Note:

- (i) Working Notes should form part of the answer.
 - (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 April, 2018 and (ii) customs law as amended by the Finance Act, 2017 and notifications/circulars issued till 30th April, 2018.
 - (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.
1. (a) Manoharlal Company Ltd. of Bengaluru is a manufacturer and registered supplier of machine. It has provided the following details for the month of November, 2017.

Details of GST paid on inward supplies during the month:

Items	GST paid (Rs.)
Health insurance of factory employees.	20,000
Raw materials for which invoice has been received and GST has also been paid for full amount but only 50% of material has been received, remaining 50% will be received in next month.	18,000
Work contractor's service used for installation of plant and machinery.	12,000
Purchase of manufacturing machine directly sent to job worker's premises under challan.	50,000
Purchase of car used by director for the business meetings only.	25,000
Outdoor catering service availed for business meetings.	8,000

Manoharlal Company Ltd. also provides service of hiring of machines along with man power for operation. As per trade practice machines are always hired out along with operators and also operators are supplied only when machines are hired out.

Receipts on outward supply (exclusive of GST) for the month of November, 2017 are as follows:

Items	Receipts (Rs.)
Hiring receipts for machine	5,25,000
Service charges for supply of man power operators	2,35,000

Assume all the transactions are inter State and the rates of IGST to be as under:

- (i) Sale of machine 5%
- (ii) Service of hiring of machine 12%

- (iii) Supply of man power operator service 18%

Compute the amount of input tax credit available and also the net GST payable for the month of November 2017 by giving necessary explanations for treatment of various items.

Note: Opening balance of input tax credit is Nil. **(10 Marks)**

- (b) Determine the place of supply for the following independent cases under the IGST Act, 2017:

- (i) Mega Events, an event management company at Kolkata, organises two award functions for Shagun Jewellers of Chennai (Registered in Chennai) at New Delhi and at Singapore.
- (ii) Crown Planners (Bengaluru) is hired by Dr. Banta (unregistered person based in Kochi) to plan and organise his son's wedding at Mumbai.

Will your answer be different if the wedding is to take place at Malaysia? **(5 Marks)**

- (c) Ganesh Enterprises, India imported a machine costing US \$ 17,000 from Sheraton Corp., US through a vessel. Determine the assessable value of the said machine under the Customs Act, 1962 with the help of the additional information given below:

	US \$
(i) Transport charges from the factory of Sheraton Corp. to the port for shipment	850
(ii) Freight charges from US to India	1,700
(iii) Handling charges paid for loading the machine in the ship	85
(iv) Buying commission paid by Ganesh Enterprises	85
(v) Exchange rate to be considered: 1\$ = Rs. 60	
(vi) Actual insurance charges paid are not ascertainable	(5 Marks)

2. (a) Niwas Sadan Charitable Trust is registered under section 12AA of the Income Tax Act, 1961. It owns and manages a temple located at Mathura meant for general public. The temple compound has residential dwellings, rooms, Kalyan Mandapam, Halls and shops. It provides the following information relating to supply of its services for the month of August 2017. You are required to compute the total taxable value of supply for the month of August 2017 assuming that the given amounts are exclusive of GST:-

	Rs.
Renting of residential dwellings for use as a residence	18,00,000
Renting of rooms for pilgrims (Charges per day Rs. 1,200)	8,00,000
Renting of rooms for devotees (Charges per day Rs. 750)	6,00,000
Renting of kalyana mandapam (Charges per day Rs. 15,000)	12,00,000
Renting of halls (Charges per day Rs. 7,500)	10,75,000
Renting of shops for business (Charges per month Rs. 9,500)	4,75,000
Renting of shops for business (Charges per month Rs. 12,000)	7,50,000

(7 Marks)

- (b) Cool Trade Links Pvt. Ltd. is a registered manufacturer of premium ceiling fans. It sells its fans exclusively through distributors appointed across the country. The maximum retail price (MRP) printed on the package of a fan is Rs. 10,000. The company sells the ceiling fans to distributors at Rs. 7,000 per fan (exclusive of applicable taxes). The applicable rate of GST on ceiling fans is 18%.

The stock is dispatched to the distributors on quarterly basis - stock for a quarter being dispatched in the second week of the month preceding the relevant quarter. However, additional stock is dispatched at any point of the year if the company receives a requisition to that effect from any of its distributors. The company charges Rs. 1,000 per fan from distributors towards packing expenses.

The company has a policy to offer a discount of 10% (per fan) on fans supplied to the distributors for a quarter, if the distributors sell 500 fans in the preceding quarter. The discount is offered on the price at which the fans are sold to the distributors (excluding all charges and taxes).

The company appoints Gupta Sales as a distributor on 1st April and dispatches 750 fans on 8th April as stock for the quarter April-June. Gupta Sales places a purchase order of 1,000 fans with the company for the quarter July-September. The order is dispatched by the company on 10th June and the same is received by the distributor on 18th June. The distributor makes the payment for the fans on 26th June and avails applicable input tax credit. The distributor reports sales of 700 fans for the quarter April-June and 850 fans for the quarter July-September.

Examine the scenario with reference to section 15 of the CGST Act, 2017 and compute the taxable value of fans supplied by Cool Trade Links Pvt. Ltd. to Gupta Sales for the quarter July-September.

Note: The supplier and the recipient of supply are not related and price is the sole consideration for the supply. Make suitable assumptions, wherever necessary. **(8 Marks)**

- (c) Discuss briefly the similarities and differences between Advance Authorisation (AA) and DFIA (Duty Free Import Authorisation) Schemes. **(5 Marks)**

OR

Indicate five benefits available to "Status Holders" under the reward scheme of Foreign Trade Policy 2015-2020. There is no need to define the term "status holder". **(5 Marks)**

3. (a) Maahi Ltd. of Bhopal (Madhya Pradesh) is a supplier of machinery. Maahi Ltd. has supplied machinery to ABC Enterprises in Indore (Madhya Pradesh) on 1st October, 2017. The invoice for supply has been issued on 1st October, 2017. Maahi Ltd. and ABC Enterprise are not related and price is the sole consideration for the supply.

Following information is provided:

Basic price of machinery excluding all taxes is Rs. 20,00,000. In addition to the basic price, Maahi Ltd. has collected the design and engineering charges of Rs. 10,000 and loading charges of Rs. 20,000 for the machinery.

Maahi Ltd. provides 1 year mandatory warranty for the machinery on payment of additional charges of Rs. 1,00,000.

Maahi Ltd. has collected consultancy charges in relation to pre-installation planning of Rs. 10,000 and freight and insurance charges from place of removal to buyer's premises of Rs. 20,000.

Maahi Ltd. received subsidy of Rs. 50,000 from Central Government for supplying the machinery to backward region since receiver was located in a backward region. Maahi Ltd. also received Rs. 50,000 from the joint venture partner of ABC Enterprises for making timely supply of machinery to the recipient.

A cash discount of 1% on the basic price of the machinery is offered at the time of supply, if ABC Enterprises agrees to make the payment within 30 days of the receipt of the machinery at his premises. Discount @ 1% was given to ABC Enterprises as it agreed to make the payment within 30 days.

The machinery attracts CGST and SGST @ 18% (9% + 9%) and IGST @18%.

Compute the CGST and SGST or IGST payable, as the case may be, on the machinery. **(10 Marks)**

- (b) Determine the value of supply and the GST liability, to be collected and paid by the owner, with the following particulars:

	Rs.
Rent of the commercial building	18,00,000
Maintenance charges collected by local society from the owner and reimbursed by the tenant	2,50,000
Owner intends to charge GST on refundable advance, as GST is applicable on advance	6,00,000
Municipal taxes paid by the owner	3,00,000

Rent and maintenance charges are exclusive of GST.

GST rates applicable on renting of business premises is as follows:

CGST 9%

SGST 9%

Provide suitable explanations where required.

(5 Marks)

- (c) Shyam Lal has imported goods from Germany and is finally re-assessed u/s 18(2) of the Customs Act, 1962 for two such consignments. Particulars are as follows:

Date of provisional assessment	12 th December, 2017
Date of final re-assessment	2 nd February, 2018
Duty demand for 1 st consignment	Rs. 1,80,000
Refund for the 2 nd consignment	Rs. 4,20,000
Date of refund made by the department	28 th April, 2018
Date of payment of duty demanded	5 th February, 2018

Determine the interest payable and receivable, if any, by Shyam Lal on the final re-assessment of the two consignments, with suitable notes thereon.

(5 Marks)

4. (a) (i) Alpha Pvt. Ltd., Pune provides house-keeping services. The company supplies its services exclusively through an e-commerce website owned and managed by Clean Indya Pvt. Ltd., Pune. The turnover of Alpha Pvt. Ltd. in the current financial year is Rs. 18 lakh.

Advise Alpha Pvt. Ltd. as to whether they are required to obtain GST registration. Will your advice be any different if Alpha Pvt. Ltd. sells readymade garments exclusively through the e-commerce website owned and managed by Clean Indya Pvt. Ltd.?

(6 Marks)

- (ii) LMN Enterprises, Kanpur started trading in ayurvedic medicines from July 1, 20XX. Its turnover exceeded Rs. 20 lakh on October 3, 20XX. The firm applied for registration on October 31, 20XX and was issued registration certificate on November 5, 20XX.

Examine whether any revised invoice can be issued in the given scenario. If the answer to the first question is in affirmative, determine the period for which the revised invoices can be issued as also the last date upto which the same can be issued.

(4 Marks)

- (b) Discuss briefly provisions of CGST Act, 2017 regarding questions for which advance ruling can be sought.

(5 Marks)

- (c) Alpha Corporation has imported goods and the following particulars are available for claiming duty drawback under sections 74 & 75 of Customs Act, 1962:

(i)	Custom duty has been paid on goods imported for use and have been out of customs control for 14 months	Rs. 14,00,000
(ii)	Baadshah exports manufactured goods having FOB value of Rs. 86,000. Rate of duty drawback on FOB value of exports Market value of the export product	40% Rs. 96,000

Determine duty drawback with explanations in the above cases.

(5 Marks)

5. (a) (i) Richmond has self-assessed tax liability under IGST Act, 2017, as Rs. 80,000. He fails to pay the tax within 30 days from the due date of payment of such tax.

Determine the interest and penalty payable by him explaining the provisions of law, with the following particulars available from his records:

Date of collection of tax 18th December, 2017

Date of payment of tax 26th February, 2018

No Show Cause Notice (SCN) has been issued to him so far, while he intends to discharge his liability, even before it is issued to him, on the assumption that no penalty is leviable on him as payment is made before issue of SCN.

(4 Marks)

- (ii) Tripathi, registered under the CGST Act, 2017 has made a breach in payment of tax amounting to Rs. 6,100. Assessing Authority has imposed a penalty as per law applicable to the breach. Invoking the provisions of section 126, Tripathi argues that it is a minor breach and therefore, no penalty is imposable.

In another instance, Tripathi has omitted certain details in documentation that is not easily rectifiable. This has occurred due to the gross negligence of his accountant and he makes a plea that he was unaware of it and therefore no penalty should be levied.

Tripathi voluntarily writes accepting a major procedural lapse from his side and requests the officer to condone the lapse as the loss caused to the revenue was not significant.

Also a lapse on the part of Tripathi has no specific penalty provision under the CGST Act, 2017. He is very confident that no penalty should be levied without a specific provision under the Act.

Discuss, what action may be taken by the Assessing Authority under law for each of the above breaches.

(6 Marks)

- (b) With reference to the provisions of CGST Act, 2017, explain the liability of partners of firm to pay tax?
- (c) Write a brief note on rule 1 of the Rules of Interpretation of the First Schedule to Customs Tariff Act, 1975.

(5 Marks)

(5 Marks)

6. (a) (i) What is the validity period of the registration certificate issued to a casual taxable person and non- resident taxable person?

(4 Marks)

- (ii) With reference to the provisions of section 120 of the CGST Act, 2017, list the cases in which appeal is not to be filed.

(6 Marks)

- (b) Discuss briefly the procedure for issue of adjudication order under section 74(9) & (11) and the time limit for passing adjudication order under section 74(10) of the CGST Act, 2017.
- (c) An importer imported certain inputs for manufacture of final product. A small portion of the imported inputs were damaged in transit and could not be used in the manufacture of the final product. An exemption notification was in force providing customs duty exemption in respect of specified raw materials imported into India for use in manufacture of specified goods, which was applicable to the imports made by the importer in the present case.

(5 Marks)

Briefly examine with the help of a decided case law whether the importer could claim the benefit of the aforesaid notification in respect of the entire lot of the imported inputs including those that were damaged in transit.

(5 Marks)