

MEPL CLASSES

COURSE NAME: CMA Final

SUBJECT NAME: Indirect Tax Laws and Practice

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(Time allowed: 3 hours)

(Total marks: 100)

**INDIRECT TAX LAWS AND PRACTICE
(100 MARKS)**

All Questions are compulsory

Section: A

Question 1

Choose the correct alternative from the four alternatives given:

[2 × 15 = 30 Marks]

1. What is the time limit to file intimation for withdrawal from the composition scheme, if person who availing composition scheme under GST laws during financial year 2024-2025, crosses the turnover of ₹ 150 lakh?

- (A) Within 30 days from date of crossing limit.
- (B) Within 7 days from the end of the month in which limit crossed.
- (C) Up to the last date of the month in which limit crossed.

(D) Within 7 days from date of crossing limit.

2. Schedule III of the CGST Act, 2017 does not include:

- (A) Funeral, Burial or Crematorium
- (B) Functions performed by MP's, MLA's
- (C) Services by any court or tribunal

(D) Services by Government of India for transportation of passengers

3. Annual Audit Report Form GSTR-9C is required to be certified by practicing:

- (A) CA
- (B) CMA
- (C) CA or CMA

(D) none of the above.

4. A member of AAR shall not be below the rank of:

- (A) Deputy Commissioner
- (B) Assistant Commissioner

(C) Joint Commissioner

(D) Commissioner

5. Once a _____ is cleared for home consumption, the bond submitted by the importer gets debited automatically in the customs automated system and the details shall be made available electronically to the Jurisdictional Custom Officer.

(A) Bill of Entry

(B) Shipping Bill

(C) Entry inwards

(D) Entry outwards

6. Identical goods means that the goods must be same in all aspects, including physical quantity. The method is applicable if

(A) the goods must be valued at a price which is produced by the same manufacturer.

(B) the price is not available, then the price of other manufacturers of the same country is to be taken into account.

(C) more than one identical goods are available, lowest of value shall be taken.

(D) All of the above

7. Which of the following transactions does not qualify as supply under GST law?

(A) Disposal of car without consideration and the supplier has not claimed input tax credit on such car.

(B) A principal makes supplies to his agent who is also registered under GST and is situated within the same State and the invoice for further supply is issued by the agent in his name.

(C) Head Office makes a supply of services to its own branch outside the State.

(D) A person imports services without consideration for the purposes of his business from his elder son living outside India.

8. Mr. Karan a second-hand car dealer purchased a second-hand car for ₹ 2,50,000. He sold the same car to Mr. Arjun for ₹ 3,00,000. Determine value of supply.

(A) ₹ 3,00,000

(B) ₹ 2,50,000

(C) ₹ 50,000

(D) None of the above

9. Maximum time limit for availing ITC is

(A) the date of filing of annual return for the year.

(B) 30th November of the following financial year.

(C) Earliest of above two

(D) Later of above two

10. Minimum value addition required to be achieved under DFIA is;

- (A) 10%
- (B) 15%
- (C) 20%**
- (D) 5%

11. Which of the following is not 'deemed export' as per FTP?

- (A) Supply of goods against Advance Authorization
- (B) Supply of goods to units in EHTP
- (C) Supply of capital goods under EPCG authorization
- (D) Supply of non-capital goods under EPCG authorization**

12. Preservation of physical and digital records by the licensees, namely owner of warehoused goods needs to maintain update the records and accounts accurately and preserve for a minimum 5 years from the date of

- (A) removal of goods from the facility.**
- (B) import of goods.
- (C) export of goods.
- (D) removal of goods from the place of worker.

13. In the context of Customs, Annexure I include:

- (A) Firearms**
- (B) Cloths
- (C) Radio
- (D) Watch.

14. Bona fide baggage means:

- (A) used personal effects, travel souvenirs and articles other than those mentioned in Annexure I.**
- (B) used personal effects, travel souvenirs and articles other than those mentioned in Annexure II.
- (C) used personal effects, travel souvenirs and articles other than those mentioned in Annexure III.
- (D) None of the above.

15. Trading Units undertaking to export may be set up under EOU, EHTP, STP or BTP Scheme for:

- (A) Rendering of services
- (B) Agriculture including agro-processing
- (C) bio-technology
- (D) None of these.**



Section B

Question 2

A. State with reason whether the following supplies are mixed or composite:

- (i) When goods are packed and transferred with insurance.
- (ii) Mr. Varun booked a Rajdhani train ticket, which includes meal.

(7 Marks)

SOLUTION

(i) When goods are packed and transported with insurance, the supply of goods packing materials transport and insurance is a composite supply

Reason:

As per Section 2(30) of the CGST Act, composite supply consists of two or more supplies that are naturally bundled and supplied together in the ordinary course of business, where one of them is a principal supply.

Packing and insurance are ancillary to the supply of goods and are naturally bundled with the main supply. Supply of goods is a principal supply.

(ii) It is a bundle of supplies. It is a composite supply where the products cannot be sold separately.

Reason:

The provision of meals is ancillary to the main service of passenger transport.

The meal is not provided as a standalone service but is naturally bundled with the transportation service, making it part of a composite supply.

The transportation of passenger is, therefore, the principal supply.

B. With reference to GST law define Non-resident taxable person (NRTP) and also analyse the provision relating to filling of returns by non-resident taxable persons.

(7 Marks)

SOLUTION

Non-resident taxable person|| means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India.

Filing of Returns by Non-Resident Taxable Persons (NRTP) [Section 39(5) read with Rule 63 of CGST Rules]:

(A) Monthly return

A registered NRTP is not required to file separately the Statement of Outward Supplies, Statement of Inward Supplies and Return like a normal tax Payer. In place of the same, a simplified monthly tax return has been prescribed in Form GSTR-5 for a NRTP for every calendar month or part thereof.

NRTP shall incorporate the details of outward supplies and inward supplies in GSTR-5

(B) Last date of filing return

The details in GSTR-5 should be furnished within 13 days after the end of the calendar month or within 7 days after the last day of validity period of the registration. Whichever is earlier.

(C) Payment of Interest, penalty fee or any other amount payable.

NRTP shall pay the interest, penalty, fees or any other amount payable under the CGST Act or rule thereunder if return is not furnished as per the above time limit.

Question 3

A. Compute the cost of production and valuation for the under mentioned product as per Rule 30 of the CGST Rules, 2017:

Particulars	(₹)
1. Cost of material (Inclusive of CGST & SGST at 12%)	1,12,000
2. Direct wages	47,000
3. Other direct materials	13,500
4. Computer use for office purpose	41,000
5. Quality control test incurred for production process	17,000
6. Engineer charges paid for installation of machinery	12,750
7. Other factory overhead	27,000

8. Salary of staff appointed for office duty	84,000
9. Sale of scrap realized	1,800
10. Actual profit margin	15%
11. Administrative overhead (100% related to administrative Works)	1,00,000
12. Selling and distribution overhead	30,000

(7 Marks)**SOLUTION**

Transaction cost	Assessable value ₹	Remarks
Cost of material	1,00,000	$1,12,000 \times 100/112$
Direct wages	47,000	
Other direct material	13,500	
Computer office	Nil	Not addable
Quality control test	17,000	
Engineering charges for installation of machinery	Nil	Not addable
Other factory overheads	27,000	
Salary	Nil	Not addable
Sale of scrap	-1,800	
Cost of production	2,02,700	
Add: 10% profit margin	20,270	$2,02,700 \times 10\%$
Assessable value	2,22,970	

B. Mayur, a registered person received goods (i.e. Bidi leaves) from Abhijit, an unregistered dealer. Abhijit issues invoice on 1st July 2024.

Identify the time of supply of goods in following independent cases:

(i) Mayur received goods on 15th July 2024, payment of which is not made yet.

(ii) Mayur received goods on 3rd August 2024 & made payment for the same on 4th August 2024.

(iii) Mayur made payment on 8th July and received goods on the same date.

(iv) Mayur received goods on 10th July 2024 & made payment for the same on 9th July 2024.

(7 Marks)**SOLUTION**

(i) Time of supply of goods = 15-07-2024

Earliest of the following:

Receipt of Goods = 15-07-2024

Date of Payment = not paid

Date immediately following 30 days from the date of invoice = 01-08-2024

(ii) Time of supply of goods = 01-08-2024

Earliest of the following:

Receipt of Goods = 03-08-2024

Date of Payment = 04-08-2024

Date immediately following 30 days from the date of invoice = 01-08-2024

(iii) Time of supply of goods = 08-07-2024

Earliest of the following:

Receipt of Goods = 08-07-2024

Date of Payment = 08-07-2024

Date immediately following 30 days from the date of invoice = 01-08-2024

(iv) Time of supply of goods = 09-07-2024

Earliest of the following:

Receipt of Goods = 10-07-2024

Date of Payment = 09-07-2024

Date immediately following 30 days from the date of invoice = 01-08-2024

Question 4

A. Parekh traders, registered under GST in Gujarat and a monthly return filer, is engaged in making taxable supplies of goods and services. It furnished the details of its outward supplies in Form GSTR-1 for the month of February on 11th March.

However, on 14th March, the accountant of Parekh Traders noticed that one invoice issued to Modi Traders (registered in Gujarat) for supply of goods of value of ₹ to 2,80,000 (taxable at 18%) pertaining to February has been inadvertently missed be declared in Form GSTR-1 furnished for February.

He has approached you for advice before furnishing Form GSTR-3B for the said month. You are required to briefly discuss whether Parekh Traders can amend the details of outward supply furnished in Form GSTR-1 of February.

If such amendment is permitted and details of Form GSTR-1 are amended, whether the details of said invoice will be available in Form GSTR-2B of Modi Traders for the month of February.

(7 Marks)

SOLUTION

As per proviso to rule 59(1), a registered person may, after furnishing the details of outward supplies of goods or services or both in Form GSTR-1 for a tax period but before filing of return in Form GSTR-3B for the said tax period, at

his own option, amend or furnish additional details of outward supplies of goods or services or both in Form GSTR-1A for the said tax period.

Thus, in light of the above we can say in the given case:

Yes, Parekh Traders can amend the details of outward supply furnished in Form GSTR 1 of February.

Parekh Traders has the option to furnish the details of the invoice issued to Modi Traders in Form GSTR-1A on or after 11th March (or 14th March in our case) but before filing Form GSTR-3B for February.

The corresponding effect of the changes made through Form GSTR-1A on the liability of Parekh Trader shall be reflected in Form GSTR-3B for February.

Restriction on Amendments:

GSTR-1A does not allow the amendment of documents related to changes in the recipient's GSTIN.

Impact on GSTR-2B:

Rule 60 (7) (iia) provides that the additional details or amendments in details of outward supplies furnished by his supplier in FORM GSTR-1A filed between the day immediately after the due date of furnishing of FORM GSTR-1 for the previous tax period to the due date of furnishing of FORM GSTR-1 for the current tax period shall be reflected in Form GSTR-2B for the current tax period.

OR

The GSTR-2B of the recipient will include all the supplies declared or amended in GSTR-1A by the supplier. However, these changes will only appear in the subsequent open GSTR-2B.

Thus, in the given case the details of missing invoice of Modi Traders will not be available in its Form GSTR-2B for the month of February'

OR

Will be available in its Form GSTR-2B for the month of March

B. Determine the taxability or otherwise of the following services provided by Indian Railways:

- (i) Cloakroom services provided to passengers at Chennai Central for the long route passengers
- (ii) Service of transportation of passengers in second class travel

- (iii) Platform tickets sold to passengers
- (iv) Renting of warehouse located in Kolkata railway station to Sree Leathers Traders, registered in West Bengal
- (v) Service of transportation of passengers in air-conditioned coaches for 1st class AC, 2nd AC and 3rd AC
- (vi) Service of transportation of relief materials meant for victims of flood affected area at Bhubaneswar, Orissa
- (vii) Service of transportation of organic manure to Tirunelveli, Tamil Nadu

(7 Marks)

SOLUTION

- (i) Cloak room services provided to passengers

Exempt / Not Taxable

[since services provided by Ministry of Railways (Indian Railways) to individuals by way of cloak room services are exempt.]

- (ii) Service of transportation of passengers in second class

Exempt / Not Taxable

[since service of transportation of passengers by railways in a class other than first class or an air- conditioned coach is exempt.]

- (iii) Platform tickets sold to passengers

Exempt / Not Taxable

[since services provided by Ministry of Railways (Indian Railways) to individuals by way of sale of platform tickets are exempt.]

- (iv) Renting of warehouse located in Kolkata railway station to Sree leathers Traders, registered in West Bengal

Taxable / Not Exempt

[Since services supplied by the Ministry of Railways (Indian Railways) by way of renting of immovable property to a person registered under GST law are not exempt. Further, tax on said services is payable by the Railways under forward charge.

OR

not covered under RCM

- (v) Service of transportation of passengers in air-conditioned coaches

Taxable / Not Exempt

[Service of transportation of passengers by railways in a class other than first class or an air- conditioned coach is exempt. Thus, service of transportation of passengers in air-conditioned coaches is taxable.]

(vi) Service of transportation of relief materials meant for victims of flood affected area

Exempt / Not Taxable

[since service of transportation of relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap by rail is exempt.]

(vii) Service of transportation of organic manure

Exempt / Not Taxable

[since service of transportation of organic manure by rail is exempt.]

Question 5

A. Who are the persons exempted from the entity level for E – Invoice? Who are not exempted from entity level?

(7 Marks)

SOLUTION

The following are the persons who are exempted from issuing E-Invoice at entity level:

- (a) Insurance Company
- (b) Banking Company/
- (c) Financial Institution
- (d) NBFC (Non-Banking Finance Company)
- (e) Goods Transport Agency
- (f) Persons supplying passenger transport service
- (g) Person supplying services by way of admission to exhibition of cinematography films in multiplex screens –
- (h) A SEZ unit
- (i) A Government department
- (j) A Local authority

Persons not exempted from complying with E – invoice provision at the entity level.

- (a) A SEZ developer
- (b) An Input service distributor (ISD)
- (c) A Domestic Tariff Area (DTA) unit even though SEZ unit of the same entity is exempt.

B. Mrs. & Mr. Nair visited Spain and brought following goods while returning to India after 6 days stay abroad on 8th March 2025.

- (i) Their personal effects like clothes, etc., valued at 2,70,000.
- (ii) A personal computer bought for 2,72,000.

- (iii) A laptop computer bought for 1,90,000.
- (iv) Two litres of liquor bought for 3,200.
- (v) A new camera bought for 174,800.
- (vi) Plasma T.V. for 2,50,000

Calculate the amount of customs duty payable?

(7 Marks)

SOLUTION

Particulars	₹
Personal effects, cloths etc.	Exempt
A personal Computer	₹2,72,000
A laptop	Exempt
Two Liters of liquor bought for	₹3,200
New Camera bought for	₹1,74,800
Total	₹4,50,000
Less: General free allowance (₹50,000 + ₹50,000)	₹1,00,000
Baggage taxable	₹3,50,000
Plasma TV – Fully taxable @ 100%	₹2,50,000
Total	₹6,00,000

Question 6

A. Briefly explain the Remission of Duties and Taxes on Exported Products (RODTEP) Scheme Operating Principles.

(7 Marks)

SOLUTION

RODTEP Scheme Operating Principles are:

1. RoDTEP support will be available to eligible exporters at a notified rate as a percentage of Freight On Board (FOB) value. Rebate on certain export products will also be subject to value cap per unit of the exported product.

However, for the purpose of calculation of duty credit, value of exported shall be least of the following:

- (a) FOB value of said goods, or
- (b) 1.5 times of the market price of the goods.

2. Identified export sectors and rates under RoDTEP cover 8555 tariff lines in addition to similar support being extended to apparel and made-ups exports under RoSCTL scheme of Ministry of Textiles.

3. Employment Oriented Sectors like Marine, Agriculture, Leather, Gems & Jewellery etc. are covered under the Scheme. Other sectors like Automobile, Plastics, Electrical / Electronics, Machinery etc. also get support. The entire value chain of textiles also gets covered through RoDTEP & RoSCTL.

4. Rebate under the Scheme shall not be available in respect of duties and taxes already exempted or remitted or credited.

5. The determination of ceiling rates under the scheme will be done by a Committee in the Department of Revenue/Drawback Division with suitable representation of the DoC/DGFT, line ministries and experts, on the sectors prioritized by Department of Commerce and Department of Revenue.

6. No provision for remission of arrears or contingent liabilities is permissible under the Scheme to be carried over to the next financial year.

7. The rebate allowed is subject to the receipt of sale proceeds within time allowed under the Foreign Exchange Management Act, 1999 failing which such rebate shall be deemed never to have been allowed. The rebate would not be dependent on the realisation of export proceeds at the time of issue of rebate. However, adequate safeguards to avoid any misuse on account of non-realisation and other systemic improvements as in operation under Drawback Scheme, IGST and other GST refunds relating to exports would also be applicable for claims made under RoDTEP Scheme.

B. Describe Advance Authorisation Scheme. Who are the eligible applicants, and what supplies are eligible under the scheme?

(7 Marks)

SOLUTION

Advance Authorisation is issued to allow duty free import of input, which is physically incorporated in export product (making normal allowance for wastage). In addition, fuel, oil, catalyst which is consumed/utilized in the process of production of export product, may also be allowed.

Advance Authorisation is issued for inputs in relation to resultant product, on the following basis:

- As per Standard Input Output Norms (SION) notified); or
- On the basis of self declaration; or
- Applicant-specific prior fixation of norm by the Norms Committee or
- On the basis of Self Ratification Scheme

Eligible Applicant/Export:

- Advance Authorisation can be issued either to a manufacturer exporter or merchant exporter tied to supporting manufacturer.
- Advance Authorisation for pharmaceutical products manufactured through Non-Infringing (NI) process shall be issued to manufacturer exporter only.

Eligible Supply:

Advance Authorisation is issued for procurement of inputs for the following kinds of supply: -

- Physical export (including export to SEZ)
- Intermediate supply; and/or
- Deemed exports
- Supply of 'stores' on board of foreign going vessel/aircraft, subject to condition that there is specific SION in respect of item supplied.

