

MOCK TEST PAPER 2
FINAL COURSE: GROUP – II
PAPER 8: INDIRECT TAX LAWS
SUGGESTED ANSWERS

Division A

Answer Key

Question No.	Answer
1.1	(d) ₹ 2,30,000
1.2	(a) ₹ 50,000 under inverted duty structure
1.3	(b) ₹ 50,000
1.4	(d) MS and WS jointly and severally liable
1.5	(c) exempted from GST.
2.1	(b) Kolkata office ₹ 10,000, Mumbai office ₹ 3,660
2.2	(c) ₹ 40,000
2.3	(a) ₹1,78,000
2.4	(d) ₹ 50 crores
2.5	(d) ₹ 10,000 or tax evaded, whichever is higher
3	(c) ₹ 14,70,000
4	(d) Korelal Printon (P) Ltd. has entered into an agreement of printing books. Therefore, he is liable to pay tax on the net value of ₹ 1.50 lakh.
5	(a) 5 years from the date specified for furnishing of the annual return for the financial year to which the tax not paid relates.
6	(a) nil
7	(a) (i), (ii), (iii) and (iv)
8	(a) Only (i)

Division B

1. Computation of net GST payable in cash for the month of January

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
A.	GST liability on outward supply				
(i)	Computers supplied without consideration [Not a supply as it is made without consideration and is also not covered in Schedule I because computers have been supplied to an unrelated person and ITC has also not been availed on the same.]	Nil	-	-	-
(ii)	Consignment of laptops supplied at the instruction of third person	6,00,000			1,08,000

	[Since supply is a bill to ship to supply where the goods are delivered on the direction of a third person-ZX Computers, goods are deemed to be received by ZX Computers and thus, the place of supply is Tamil Nadu. Hence, it is an inter-State supply.]				[6,00,000 × 18%]
(iii)	Stock counting service to M/s XY Impex of Gujarat [Intra-State supply as the place of supply is the location of recipient, viz. Mumbai. Godown at Mumbai being a fixed establishment is the location of recipient.]	80,000	7,200 [80,000 × 9%]	7,200 [80,000 × 9%]	NIL
(iv)	Service apartment rented in Mumbai [Taxable, since services of renting of residential dwelling to a registered person are not exempt. Intra-State supply since place of supply is Maharashtra as property is located in Mumbai.]	30,000	2,700 [30,000 × 9%]	2,700 [30,000 × 9%]	
(v)	Recovery agent services provided to an NBFC [Tax is payable by the NBFC under reverse charge.]	2,00,000	-	-	-
(vi)	Advance received for intra-State supply [Tax on advance received for supply of goods of ₹ 5,00,000 will be payable at the time of issuance of invoice.]	4,00,000	36,000 [4,00,000× 9%]	36,000 [4,00,000 × 9%]	
(vii)	Finished goods sold from the premises of the job worker [Supply of goods by principal from the job worker's premises is regarded as supply by principal only irrespective of the location of job worker. Therefore, since the place of supply is the location where movement of goods terminates for delivery to recipient, i.e., Maharashtra, it is an intra-State supply.]	1,00,000	9,000 [1,00,000× 9%]	9,000 [1,00,000× 9%]	
<i>Total tax liability on outward supplies</i>			54,900	54,900	1,08,000
B.	GST liability on inward supplies under reverse charge				
(i)	GTA services availed from M/s Speed Trans [Tax is payable under reverse charge on the GTA services received by a registered person since GTA has not opted to pay tax itself. Further, it is	1,00,000			5,000 [1,00,000 × 5%]

	an inter-State supply since supplier is located in Kolkata and place of supply is Maharashtra (location of registered recipient)]				
C.	Input tax credit				
	Import of computer accessories [Input tax, <i>inter alia</i> , includes IGST charged on import of goods]	5,00,000 ¹			90,000 [5,00,000 × 18%]
	GTA services availed	1,00,000			5,000
	IGST on invoices received during the month [ITC can be claimed only on the invoices uploaded by supplier in Form GSTR-1 and reflected in GSTR-2B.]				95,000
	Less: Input tax reversed [Outward supply, tax on which is payable under reverse charge is considered as exempt supply for the purpose of reversal of ITC. = ₹ 1,90,000 × ₹ 2,00,000/ ₹ 19,10,000 (₹ 1,90,000 × turnover of exempt supply/ total turnover) [The condition for making the payment for the supply within 180 days so that the ITC availed does not get added to the output tax liability does not apply to reverse charge supplies. Thus, ITC on ₹ 4,00,000 will not be affected.]				(19,895)
	<i>Total ITC of IGST available for set off</i>		-	-	1,70,105
D.	Computation of net GST payable in cash				
	Total tax liability on outward supplies		54,900	54,900	1,08,000
	Less: ITC of IGST		(54,900)	(7,205)	(1,08,000)
	Forward charge liability on outward supplies payable in cash after set off of ITC		-		
	Reverse charge liability on inward supplies payable in cash without set off of ITC [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]				5,000
	Total net GST liability payable in cash		-	47,695	5,000

¹ It has been assumed that the value of imported computer accessories is inclusive of basic customs duty and social welfare surcharge and consequently, the IGST has been computed on the same.

2. (a) Section 15(3)(a) allows discounts to be deducted from the value of taxable supply if the same is given before or at the time of the supply and if such discount has been duly recorded in the invoice issued in respect of such supply. In other words, pre-supply discounts recorded in invoices are allowed as deduction.

Further, post supply discounts are also allowed as deduction from the value of supply under section 15(3)(b) if-

- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.

In the given case, Shah Electronics is entitled for 10% discount on televisions supplied by BEL for the quarters April-June as well as July-September as it has sold more than 500 televisions in each of these quarters. However, since the sales targets are achieved after the entire stock for the respective quarters of April-June and July-September has been dispatched, the discounts on the televisions supplied to Shah Electronics for the quarters of April-June and July-September is a post-supply discount.

Such post-supply discount will be allowed as a deduction from the value of supply since the discount policy was known before the time of such supply and the discount can be specifically linked to relevant invoices (invoices pertaining to televisions supplied to Shah Electronics for the quarters of April-June and July-September) provided Shah Electronics reverses the input tax credit attributable to the discount on the basis of document issued by BEL.

The value of supply for the quarters of April-June and July-September will thus, be computed as under:

Computation of value of supply for the quarter - April-June

Particulars	Amount (₹)
Price at which the televisions are supplied to Shah Electronics [Note 1]	8,400
Add: Packing expenses [Note 2]	1,200
Less: Discount [Note 3]	Nil
Value of taxable supply of one unit of television	9,600
Value of taxable supply of televisions for the quarter April-June [₹ 9,600 x 750]	72,00,000

Notes:

- (1) The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of section 15(1) presuming that the supplier and the recipient of supply are not related and price is the sole consideration for the supply as the supplier and recipient are not related parties.
- (2) The value of supply includes incidental expenses like packing charges in terms of section 15(2)(c).
- (3) Since Shah Electronics has not reversed the input tax credit attributable to such discount on the basis of document issued by BEL, the conditions specified in section 15(3)(b) have not been fulfilled. Thus, the post-supply discount will not be allowed as deduction from the value of supply.

Computation of value of supply for quarter - July-September

Particulars	Amount (₹)
Price at which the televisions are supplied to Shah Electronics [Note 1]	8,400
Add: Packing expenses [Note 2]	1,200
Less: Discount [Note 3]	<u>(840)</u>
Value of taxable supply of one unit of television	8,760
Value of taxable supply of televisions for the quarter July-September [₹ 8,760 x 1,000]	87,60,000

Notes:

- (1) The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of section 15(1) presuming that the supplier and the recipient of supply are not related and price is the sole consideration for the supply as the supplier and recipient are not related parties.
- (2) The value of supply includes incidental expenses like packing charges in terms of section 15(2)(c).
- (3) Since all the conditions specified in section 15(3)(b) have been fulfilled, the post-supply discount will be allowed as deduction from the value of supply. The input tax credit to be reversed will work out to be ₹1,51,200 [1,000 x (8,400 x 10%) x 18%].

(c) Computation of export duty

Particulars	Amount (US \$)
FOB price of goods [Note 1]	1,00,000
	Amount (₹)
Value in Indian currency (US \$ 1,00,000 x ₹ 70) [Note 2]	70,00,000
Export duty @ 8% [Note 3]	5,60,000

Notes:

1. As per section 14(1) of the Customs Act, 1962, assessable value of the export goods is the transaction value of such goods which is the price actually paid or payable for the goods when sold for export from India for delivery at the time and place of exportation.
 2. As per third proviso to section 14(1) of the Customs Act, 1962, assessable value has to be calculated with reference to the rate of exchange notified by the CBIC on the date of presentation of shipping bill of export.
 3. As per section 16(1)(a) of the Customs Act, 1962, in case of goods entered for export, the rate of duty prevalent on the date on which the proper officer makes an order permitting clearance and loading of the goods for exportation, is considered.
3. (a) Section 2(13) of the IGST Act, 2017 defines "intermediary" to mean a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his own account.

In this case, since ABC Pvt. Ltd. is arranging or facilitating supply of goods between the foreign customer and the Indian vendor, the said services can be classified as intermediary services.

If the location of the supplier of services or the location of the recipient of service is outside India, the place of supply is determined in terms of section 13. Since, in the given case, the recipient of supply is located outside India, the provisions of supply of intermediary services will be determined in terms of section 13.

As per section 13(8)(b) of the IGST Act, 2017, the place of supply in case of intermediary services is the location of the supplier, i.e. the location of ABC Pvt. Ltd. which is New Delhi.

As per section 2(6) of the IGST Act, 2017, export of services means the supply of any service when,–

- (a) the supplier of service is located in India;
- (b) the recipient of service is located outside India;
- (c) the place of supply of service is outside India;
- (d) the payment for such service has been received by the supplier of service in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and
- (e) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8.

Since, in the given case, place of supply is in India, this transaction does not tantamount to export of service.

- (b) The explanation to section 14 of the CGST Act, 2017 lays down that the date of receipt of payment is the date on which the payment is entered in the books of account of the supplier or the date on which the payment is credited to his bank account, whichever is earlier. However, the date of receipt of payment is the date of credit in the bank account if such credit in the bank account is after 4 working days from the date of change in the rate of tax.

In the given case, the payment has been credited in the bank account within 4 working days from the date of change in the rate of tax. Therefore, the date of receipt of payment is 15th October being the date of entry in the books of account of the supplier which is earlier than the date of credit of the payment in the bank account (18th October).

As per section 14(a)(iii) of the CGST Act, 2017, in case of change in rate of tax, if the service is supplied before the change in rate of tax and the invoice is issued after the change in rate of tax but the payment is received before such change in rate of tax, the time of supply is the date of receipt of payment.

Therefore, applying the provisions of section 14(a)(iii) to the given case, the time of supply is 15th October.

(c) **Computation of total duties payable under the Customs Act**

S. No.	Particulars	(₹)
1	Landed price	25,00,000
2	Add: Basic customs duty @ 10%	2,50,000
3	Add: Safeguard duty @ 30% on ₹ 25,00,000	7,50,000
4	Add: Social welfare surcharge (SWS) @ 10 % on ₹ 2,50,000 [While calculating SWS, safeguard duty is excluded]	25,000
5	Add: Integrated tax	4,23,000

	12% of ₹ 35,25,000 (₹ 25,00,000 + ₹ 2,50,000 + ₹ 7,50,000 + ₹ 25,000) [Integrated tax is levied on the sum total of the assessable value of the imported goods, customs duties and applicable SWS]	
6	Total customs duties and tax payable [₹ 2,50,000 + ₹ 7,50,000 + ₹ 25,000 + ₹ 4,23,000]	14,48,000

4. (a) A supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.

The threshold limit for a person making taxable supply of both goods and services is as under:-

- ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- ₹ 20 lakh for the rest of India.

Aggregate turnover includes the aggregate value of:

- all taxable supplies,
- all exempt supplies,
- exports of goods and/or services and
- all inter-State supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess.

Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

In the given question, since Rishabh Enterprises is engaged in making taxable supplies of goods and services from Maharashtra and non-taxable supplies from Uttarakhand, the threshold limit for obtaining registration is ₹ 20 lakh.

In the light of the afore-mentioned provisions, the aggregate turnover of Rishabh Enterprises is computed as under:

Computation of aggregate turnover of Rishabh Enterprises

Particulars	Turnover of February (₹)	Cumulative turnover of February & March (₹)
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	5,50,000	12,00,000 [₹ 5,50,000 + ₹ 6,50,000]
<i>Add:</i> Sale of alcoholic liquor for human consumption in Uttarakhand [Exempt supply includes non-taxable supply. Thus, supply of alcoholic liquor for human consumption in Uttarakhand, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.]		5,00,000
<i>Add:</i> Supply of packed food items from restaurant in Maharashtra	1,50,000	3,50,000 [₹ 1,50,000 + ₹ 2,00,000]
Aggregate Turnover	7,00,000	20,50,000

Rishabh Enterprises was not liable to be registered in the month of February since its aggregate turnover did not exceed ₹ 20 lakh in that month. However, since its aggregate turnover exceeds ₹ 20 lakh in the month of March, it should apply for registration within 30 days from the date on which it becomes liable to registration. Further, he is not liable to be registered in Uttarakhand since he is not making any taxable supply from Uttarakhand. It should obtain registration in Maharashtra.

- (b) Since in the given case, Manihaar Enterprises is supplying goods and services exclusively to Government departments, agencies etc. and persons notified under section 51, applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

S. No.	Particulars	Total contract value (₹)	Payment due (₹)	Tax to be deducted		
				CGST (₹)	SGST (₹)	IGST (₹)
(i)	Interior decoration of Andhra Bhawan located in Delhi (Note-1)	12,39,000	12,39,000	--		
(ii)	Supply of printed books and printed post cards to a West Delhi Post Office (Note-2)	9,72,000		--		

Notes:

- No tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient. The place of supply of services, directly in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi.

Since the location of the supplier (Manihar Enterprises) and the place of supply is Delhi and the State of registration of the recipient i.e. Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.

- If the contract is made for both taxable supply and exempted supply, tax shall be deducted if the total value of taxable supply in the contract exceeds ₹ 2,50,000. Being an intra-State supply of goods, supply of printed post cards to a West Delhi Post Office is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

$$= ₹ 2,72,000 \times 100 / 118$$

$$= ₹ 2,30,509 \text{ (rounded off)}$$

Since the total value of taxable supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.

The answer will remain unchanged even if Manihar Enterprises is registered under composition scheme. Tax will be deducted in all cases where it is required to be deducted under section 51 of the CGST Act, 2017 including the scenarios when the supplier is registered under composition scheme.

(c) (1) **Computation of interest payable to Mr. A on duty drawback claimed**

Particulars	(₹)
Duty drawback claimed	50,000
No. of days of delay [31 st August to 28 th October]	59 days
Rate of interest	6%
Quantum of interest (rounded off) [₹ 50,000 x 59/365 x 6/100]	485

Note: Since the claim of duty drawback is not paid to claimant within 1 month from the date of filing such claim, interest @ 6% per annum is payable from the date after the expiry of the said 1 month period till the date of payment of such drawback.

(2) **Computation of interest chargeable from Mr. X on excess duty drawback paid**

Particulars	
Duty drawback erroneously refunded	₹ 20,000
No. of days of delay [21 st June to 20 th October]	122 days
Rate of interest	15%
Quantum of interest (rounded off) [₹ 20,000 x 122/365 x 15/100]	1,003

Note: Interest is payable by the claimant on erroneous refund of duty drawback @ 15% per annum for the period beginning from the date of payment of such drawback to the claimant, till the date of recovery of such drawback.

5. (a) Section 81 of the CGST Act, 2017 stipulates that where a person, after any amount has become due from him, creates a charge on or parts with the property belonging to him or in his possession by way of sale, mortgage, exchange, or any other mode of transfer whatsoever of any of his properties in favour of any other person with the intention of defrauding the Government revenue, such charge or transfer shall be void as against any claim in respect of any tax or any other sum payable by the said person.

However, such charge or transfer shall not be void if it is made for adequate consideration, in good faith and without notice of the pendency of such proceedings under this Act or without notice of such tax or other sum payable by the said person, or with the previous permission of the proper officer.

In view of the above provisions, in the given case, transfer of property by Mr. Arihant to his wife Soma is void and the property will still be considered in the hands of Mr. Arihant under GST law for the purpose of recovery of dues under GST from him.

- (b) The decision of the adjudicating authority is not correct in law.

The provisions of section 73(11) of the CGST Act, 2017 can be invoked only when the provisions of section 73 are invoked and the provisions of section 73 are generally not invoked in case of delayed filing of the return in Form GSTR-3B because tax along with applicable interest has already been paid.

Thus, penalty under the provisions of section 73(11) is not payable in such cases although a general penalty may be imposed since the tax has been paid late in contravention of the provisions of the CGST Act, as clarified vide *Circular No. 76/50/2018 GST dated 31.12.2018*.

- (c) As per rule 3 of the Baggage Rules, 2016, tourist of foreign origin, excluding infant, is allowed duty free clearance of:
- used personal effects and travel souvenirs; and
 - Articles up to the value of ₹ 15,000 (excluding, *inter alia*, firearms, tobacco exceeding 125

gms and cigars exceeding 25), if carried on in person or in the accompanied baggage of the passenger.

In view of the said provisions, customs duty shall be computed as follows

Particulars	₹
Used personal effects	Nil
Travel souvenirs	Nil
Laptop [One laptop computer is exempt when imported into India by a passenger ≥ 18 years of age]	Nil
Tobacco [₹ 5 × 125 gm] [125 gms tobacco can be accommodated in General Free Allowance (GFA)]	625
Cigars [₹ 100 × 25] [25 cigars can be accommodated in GFA]	2,500
Total value	3,125
Less: GFA	<u>15,000</u>
Baggage on which duty is payable	<u>Nil</u>
Duty payable on baggage	<u>Nil</u>

Note: Firearms, cigars exceeding 25 and tobacco exceeding 125 gms are not chargeable to rate applicable to baggage. These items are charged @ 100% applicable to baggage under Heading 9803 of the Customs Tariff.

6. (a) The difference between zero rated supplies and exempted supplies is as follows:

Exempted Supplies	Zero rated supplies
Exempt supply means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax and includes non-taxable supply.	Zero-rated supply means (i) export of goods and/or services or (ii) supply of goods and/or services to SEZ unit/SEZ developer.
No tax is payable on the outward exempted supplies, however, the input supplies used for making exempt supplies are to be taxed	No tax is payable on the outward supplies; Input supplies are also to be tax free (by way of refund of ITC)
Credit of input tax needs to be reversed, if taken. No ITC is allowed on the exempted supplies.	Credit of input tax may be availed for making zero-rated supplies, even if such supply is an exempt supply. ITC is allowed on zero rated supplies.
Value of exempt supplies, for apportionment of ITC, shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.	Value of zero rated supplies shall be added along with the taxable supplies for apportionment of ITC.
Any person engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax under the CGST or IGST Act shall not be liable to registration.	A person exclusively making zero rated supplies needs to register as refund of unutilized ITC or IGST paid shall have to be claimed.

A registered person supplying exempted goods and/or services shall issue, instead of a tax invoice, a bill of supply.	Normal tax invoice shall be issued.
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- (b) The GST Council shall consist of the following members, namely: —
- (a) the Union Finance Minister is the Chairperson;
 - (b) the Union Minister of State in charge of Revenue or Finance is the Member;
 - (c) the Minister in charge of Finance or Taxation or any other Minister nominated by each State Government are the Members.

The recommendations that can be made by GST Council are as under: -

- (i) the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in GST;
- (ii) the goods and services that may be subjected to, or exempted from GST;
- (iii) model GST Laws, principles of levy, apportionment of GST levied on supplies in the course of inter-State trade or commerce and the principles governing the place of supply;
- (iv) the threshold limit of turnover below which goods and services may be exempted from GST;
- (v) the rates including floor rates with bands of GST;
- (vi) any special rate(s) for a specified period, to raise additional resources during any natural calamity/disaster;
- (vii) special provision with respect to Special Category States;
- (viii) the date on which the GST be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel;
- (ix) any other matter relating to the GST, as the Council may decide.

Note: Any two points may be given.

- (c) Status holders are granted certain benefits like:
- (1) Authorisation and custom clearances for both imports and exports on self-declaration basis.
 - (2) Fixation of Input Output Norms (SION) on priority i.e. within 60 days by Norms Committee.
 - (3) Exemption from compulsory negotiation of documents through banks. The remittance/receipts, however, would continue to be received through banking channels.
 - (4) Exemption from furnishing of Bank Guarantee in Schemes under FTP.
 - (5) Two Star Export Houses and above are permitted to establish export warehouses.
 - (6) Manufacturers who are also status holders (Three Star/ Four Star/ Five Star) will be enabled to self-certify their manufactured goods (as per their IEM/ IL/ LOI) as originating from India with a view to qualify for preferential treatment under different preferential trading agreements (PTA), Free Trade Agreements (FTAs), Comprehensive Economic Cooperation Agreements (CECA) and Comprehensive Economic Partnership Agreements (CEPA).
 - (7) Status holders shall be entitled to export freely exportable items (excluding Gems and Jewellery, Articles of Gold and precious metals) on free of cost basis for export promotion subject to a certain annual limit specified for each sector separately.

Note: Any five points may be given.