

MOCK TEST PAPER 2
FINAL 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 upto 31st October, 2021 and (ii) Customs law as amended by the Finance Act, 2021 and notifications/circulars issued till 31st October, 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

1. Chilly Hot Private Limited (hereinafter referred to as 'Chilly Hot') is engaged in providing multidimensional services to its clients through its office in Haryana, registered under GST. During the month of July, following transactions were undertaken by Chilly Hot:
 - (i) Import of certain cloud services from Moon.com for an amount of ₹ 50,00,000. There is an additional charge of 2% as equalisation levy on such services in India which is recovered from the offshore service supplier by the Government. Moon.com passes the taxes to its customers by charging them, as its internal policy.
 - (ii) Chilly Hot pays sitting fee of ₹ 25,000 each to its 4 directors per month. Further, there are two directors who are in the executive roles and are withdrawing ₹ 2,00,000 each per month as salary from the company and the applicable TDS amount, under section 192 of the Income-tax Act, 1961, is deducted from such salary.
 - (iii) Chilly Hot paid for life insurance of its employees in compliance of its internal policy. The amount of premium was ₹ 5,00,000.
 - (iv) Chilly Hot provided consultancy services to its client, Sun Corp. based in Bangalore and issued an invoice of ₹ 30,00,000.
 - (v) Empowering India is a non-government organisation located in Haryana. It aims at empowering the eligible companies to grow their business in India. Chilly Hot, being one of the eligible companies, received a subsidy of ₹ 5,00,000 in lumpsum from Empowering India for the month of July.

- (vi) Chilly Hot provided sponsorship services to Mr. X, an individual, for an event organised by it in the State of Haryana. The amount agreed for such sponsorship services is ₹ 5,00,000.

All the amounts given above are exclusive of GST unless otherwise provided. There is no other outward or inward supply transaction apart from aforesaid transactions in the month of July.

The opening balance of input tax credit for the relevant tax period for the company is nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

GST is applicable on all inward and outward supplies at the following rates:

- I. Intra-State supply – 9% CGST and 9% SGST
- II. Inter-State supply – 18% IGST

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos 1.1 to 1.5 below:

- 1.1 The liability to pay GST for cloud services procured by Chilly Hot from Moon.com shall be:
- (a) on Moon.com since the services are online information and database access or retrieval services and GST of ₹ 9,00,000 shall be paid by Moon.com.
 - (b) nil. There will not be any GST liability on the transaction since Moon.com is located outside India and services are provided electronically.
 - (c) on Moon.com under forward charge and GST of ₹ 9,18,000 shall be paid by Moon.com.
 - (d) on Chilly Hot under reverse charge and GST of ₹ 9,18,000 shall be paid by Chilly Hot.
- 1.2 Chilly Hot seek your advice on the taxability of the sitting fee payable to directors and salary payable to the executive directors. The correct advice is:
- (a) Sitting fees paid to the directors is liable to GST under reverse charge and the salary paid to executive directors shall not be liable to GST.
 - (b) Total amount payable to directors (sitting fees as well as salary) is exempt from GST.
 - (c) Total amount payable to directors (sitting fees as well as salary) is liable to GST under reverse charge in hands of Chilly Hot.
 - (d) Total amount payable to directors (sitting fees as well as salary) is liable to GST under forward charge in the hands of the directors as professional income.
- 1.3 What shall be the amount of input tax credit available with Chilly Hot for the month of July?
- (a) ₹ 10,26,000
 - (b) ₹ 11,16,000
 - (c) ₹ 9,36,000
 - (d) ₹ 1,96,000
- 1.4 Compute the value of outward supplies made by Chilly Hot in the month of July.
- (a) ₹ 30,00,000
 - (b) ₹ 25,00,000
 - (c) ₹ 35,00,000
 - (d) ₹ 40,00,000

1.5 Compute the amount of GST to be deposited in cash by Chilly Hot for the month of July.

- (a) Nil
- (b) ₹ 7,20,000
- (c) ₹ 9,36,000
- (d) ₹ 14,76,000

2. Mr. Shorya, proprietor of M/s Grand-New Enterprises, is engaged in trading of office stationery items in its stationery store located at Salt Lake City, Kolkata. The said store is taken on lease from Kolkata Municipal Corporation (KMC).

During the previous financial year, the turnover of M/s Grand-New Enterprises was ₹ 14 lakh. Mr. Shorya supplies goods within the State of West Bengal only, but purchases stationery items mostly from Delhi & Mumbai. He owns a duplex house in New Town, Kolkata. He stays on the ground floor & has let out the first floor to an employee of IDICI Bank, Delhi for residential purposes. The rent for the same is paid by IDICI Bank to Mr. Shorya.

During the current financial year, he applied for GST registration on voluntary basis on 2nd April, 2021 and the registration was granted to him w.e.f. 9th April, 2021.

The details of his stock position during current financial year is as under:

Particulars	2 nd April, 2021	8 th April, 2021
Office stationery items purchased from a registered dealer	₹ 1 lakh	₹ 1 lakh
Books, periodicals, journals, newspaper, maps etc.	₹ 0.20 lakh	₹ 0.30 lakh

The details of transactions carried out by Mr. Shorya during the current financial year is furnished hereunder:

Particulars	1 st April, 2021 to 8 th April, 2021 (₹ in lakh)	9 th April, 2021 to 31 st March, 2022 (₹ in lakh)
Sale of office stationery items (Intra-State supply to registered person)	3	84
Sale of office stationery items (Intra-State supply to unregistered person)	2	14
Legal fees paid to advocate	-	0.10
Purchase of stationery items (Intra-State supply received from registered person)	3	74
Purchase of furniture for use in own office (from an unregistered dealer of Kolkata)	-	1
Purchase of stationery items from a registered dealer of Delhi	1	18
Lease rent of the stationery store paid to Kolkata Municipal Corporation (KMC)	-	1.20
Transportation charges paid to M/s Jagat Transporters, a GTA (tax is not payable @ 12%)	0.10	1.50
Interest paid on borrowings from BBI Bank	0.20	1.80

Accrued interest on Fixed deposit with BBI Bank	-	0.16
Rent received from IDICI Bank for its employee	-	2.40

Mr. Shorya went to Mumbai, Maharashtra for a business meeting in February, 2022 and stayed in Hotel Blue Pines for a week. Hotel charged ₹ 1,00,000 (taxable value) for the stay.

All the amounts given above are exclusive of GST, wherever applicable, unless otherwise provided. Assume that there is no other outward or inward supply transaction apart from aforesaid transactions in the current financial year. GST is applicable on all inward and outward supplies, except on services of transportation of goods, at the following rates:

- I. Intra-State supply – 6% CGST and 6% SGST
- II. Inter-State supply – 12% IGST

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 2.1 to 2.5 below:-

2.1 The value of outward supply which shall be subject to GST for the current financial year is _____.

- (a) ₹ 98 lakh
- (b) ₹ 100 lakh
- (c) ₹ 102.40 lakh
- (d) ₹ 108 lakh

2.2 Which of the following statements is correct in terms of the facts of the case scenario given above?

- (a) Mr. Shorya cannot opt to pay tax in the FY - 2022-23 under composition scheme under section 10(1) and 10(2) of the CGST Act, 2017.
- (b) Mr. Shorya is entitled to take the ITC of inputs held in stock on 1st April, 2021.
- (c) Mr. Shorya shall be liable to pay GST under reverse charge under section 9(4) of the CGST Act during the current financial year in respect of purchases made from unregistered persons.
- (d) Mr. Shorya is entitled to take the ITC of inputs held in stock on 8th April, 2021.

2.3 The value of supply on which Mr. Shorya is liable to pay GST under reverse charge for the current financial year is _____.

- (a) ₹ 1,60,000
- (b) ₹ 2,80,000
- (c) ₹ 1,30,000
- (d) ₹ 2,70,000

2.4 Which of the following inward supply is not subject to payment of tax under reverse charge mechanism?

- (i) Shop rent paid to KMC
- (ii) Legal fee paid to advocate
- (iii) Purchase of stationery items from unregistered person
- (iv) Transportation charges paid to M/s Jagat Enterprises

Choose the most appropriate option.

- (a) (i) and (ii)
- (b) (iii)
- (c) (ii) and (iii)
- (d) (i) and (iii)

2.5 Whether input tax credit is available on the GST paid by Mr. Shorya on the taxable value of ₹ 1,00,000 charged by Hotel Blue Pines located in Mumbai, Maharashtra, for his stay? If yes, please specify the amount of input tax credit available.

- (a) Yes, ₹ 3,000 - CGST and ₹ 3,000 - SGST
- (b) Yes, ₹ 12,000 - IGST
- (c) Yes, ₹ 6,000 - CGST and ₹ 6,000 - SGST
- (d) No input tax credit is available.

3. Which of the following statements is incorrect while issuing a tax invoice?

- (i) Place of supply in case of inter-State supply is not required to be mentioned.
- (ii) A registered person whose annual turnover is greater than ₹ 5 crores in the preceding financial year is not required to mention HSN code for goods or services, supplied by it to an unregistered person.
- (iii) Quantity is not required to be mentioned in case of goods when goods are sold on "as is where is basis".
- (iv) Description of goods is not required to be given in case of mixed supply of goods.

Choose the most appropriate option.

- (a) (ii), (iii)
- (b) (i), (ii), (iii)
- (c) (i), (ii), (iii), (iv)
- (d) (i), (iii), (iv)

(2 Marks)

4. State which of the following statements is incorrect:

- (i) Services by any artist by way of performance in folk or classical art forms of music, dance, or theatre as a brand ambassador where the consideration charged for such performance is not more than ₹ 1,50,000 is exempt.
- (ii) Services of life insurance business under Life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having minimum amount of cover of ₹ 2,00,000 is exempt.
- (iii) Service by an acquiring bank, to any person in relation to settlement of an amount upto ₹ 2,500 in a single transaction transacted through credit card, debit card, charge card or other payment card service is exempt.
- (iv) Services provided by a goods transport agency by way of transport in a goods carriage of, goods, where gross amount charged for the transportation of goods on a consignment transported in a single carriage is ₹ 2,250 is exempt.

Choose the most appropriate option.

- (a) (i)

(b) (ii), (iii)

(c) (ii), (iii), (iv)

(d) (i), (ii), (iii), (iv)

(2 Marks)

5. Mr. Sohan, a registered person under GST, was the proprietor of M/s Food Paradise Restaurant.

He died and left behind his wife and son, on 15th August.

His son – Mr. Rohan - wants to continue the business of the deceased father.

The GST consultant of M/s Food Paradise Restaurant gives advice to Mr. Rohan as to how he can continue the business of his deceased father.

Which of the following options is correct in accordance with the provisions of GST law?

(a) Mr. Rohan should apply for a new registration under GST in the name M/s Food Paradise Restaurant under his own PAN w.e.f. the date of succession and file Form GST ITC 02 for transfer of ITC to the new entity.

(b) Mr. Rohan can get the authorized signatory changed by approaching to the Proper Officer and can continue the same business.

(c) Mr. Rohan should close the old firm and start new business under different name.

(d) Mr. Rohan should do the business with his mother as the new proprietor of the M/s Food Paradise Restaurant, and Mr. Rohan should act as a Manager.

(1 Mark)

6. Yami Ltd. sent certain goods abroad for repairs. Yami Ltd. has been advised by their consultants that they will have to pay customs duty (i.e. basic customs duty, IGST & GST compensation cess) only on fair cost of repairs, cost of materials used in repairs (whether such costs are actually incurred or not), freight and insurance charges, both ways, on re-import of exported goods under *Notification No. 45/2017 Cus dated 30.06.2017* provided they fulfill following conditions:

(i) The re-importation is done within 3 years from date of export or, if time is extended, within 5 years.

(ii) The exported and re-imported goods are same.

(iii) The ownership of goods should not have changed.

Which one of the above-mentioned conditions is/are correct? Choose the most appropriate option.

(a) (i), (ii) and (iii)

(b) (ii) and (iii)

(c) (i) and (iii)

(d) Only (ii)

(2 Marks)

7. Arpan Enterprises Ltd. had imported goods after paying the customs duty of ₹ 25,00,000 at the time of import. These goods were used and later re-exported after 19 months of import. The amount of duty drawback that M/s Arpan Enterprises Ltd. is eligible to claim on such re-export made is _____.

(a) nil

(b) 23,75,000

(c) 20,00,000

(d) 24,00,000

(2 Marks)

8. For the purposes of rule 7 (Deductive Value) of the Customs (Determination of Value of Imported Goods) Rules, 2007, determine the unit price in greatest aggregate quantity:

A Ltd. makes two sales to unrelated buyers. In the first sale, 500 units are sold at a price of ₹ 95. In the second sale, 400 units are sold at a price of ₹ 100.

- (a) ₹ 95
 (b) ₹ 100
 (c) Average of ₹ 95 and ₹ 100 i.e. $(₹ 95 + ₹ 100)/2 = ₹ 97.5$
 (d) Data is insufficient to determine the unit price in greatest aggregate quantity (1 Mark)

Division B: Descriptive Questions (70 Marks)

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

1. Pihu Ltd. of Jodhpur (Rajasthan) is a registered manufacturer of cosmetic products. Pihu Ltd. has furnished following details for a tax period:

Particulars		(₹)
Details of Outward supplies		
(i)	Supplies in Rajasthan	8,75,000
(ii)	Supplies in States other than Rajasthan	3,75,000
(iii)	Export under LUT	6,25,000
Details of expenses		
(i)	Raw materials purchased from registered suppliers located in Rajasthan	1,06,250
(ii)	Raw materials purchased from unregistered suppliers located in Rajasthan	37,500
(iii)	Raw materials purchased from Punjab from registered supplier	1,00,000
(iv)	Integrated tax paid on raw materials imported from USA	22,732
(v)	Consumables purchased from registered suppliers located in Rajasthan including high speed diesel (Excise and VAT paid) valuing ₹ 31,250 for running the machinery in the factory	1,56,250
(vi)	Monthly rent for the factory building to the owner in Rajasthan	1,00,000
(vii)	Salary paid to employees on rolls	6,25,000
(viii)	Premium paid on life insurance policies taken for specified employees. Life insurance policies for specified employees have been taken by Pihu Ltd. to fulfill a statutory obligation in this regard. The life insurance service provider is registered in Rajasthan.	2,00,000
All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by Pihu Ltd.		
The opening balance of ITC with Pihu Ltd. for the given tax period is-		
CGST ₹ 20,000		
SGST ₹ 15,000		
IGST ₹ 15,000		

Assume CGST, SGST and IGST rates to be 9%, 9% and 18% respectively, wherever applicable.

Assume that all the other necessary conditions to avail the ITC have been complied with by Pihu Ltd., wherever applicable.

Compute (i) ITC available with Pihu Ltd. for the tax period; and (ii) Net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by Pihu Ltd. for the tax period. **(14 Marks)**

2. (a) Bansiwala Electronics Ltd. (hereinafter referred to as BEL) is engaged in manufacturing televisions. It is registered in the State of Haryana. It has appointed distributors across the country who sell the televisions manufactured by it. The maximum retail price (MRP) printed on the package of a television is ₹ 12,000. The applicable rate of GST on televisions is 18%. BEL dispatches the stock of televisions to its distributors ordered by them on a quarterly basis.

In order to promote its sales, the Sales Head of BEL has formulated a sales promotion scheme on 1st April. Under this scheme, BEL offers a discount of 10% (per television) on televisions supplied to the distributors if the distributors sell 500 televisions in a quarter. The discount is offered on the price at which the televisions are sold to the distributors (excluding all charges and taxes).

It appoints Relish Electronics (an unrelated party as per GST Law) as its distributor in Haryana on 1st April and dispatches 750 televisions on 8th April as stock for the quarter April-June. BEL has sold the televisions to distributor - Relish Electronics at ₹ 8,400 per television (exclusive of applicable taxes). Relish Electronics has requested BEL for a special packing of the televisions delivered to it for which BEL has charged ₹ 1,200 per television.

Relish Electronics places a purchase order of 1,000 televisions with BEL for the quarter July-September. The distributor reports sales of 700 televisions for the quarter April-June and 850 televisions for the quarter July-September. The discount policy offered by BEL as explained above is also available to Relish Electronics as per the distributorship agreement.

While Relish Electronics reverses the input tax credit availed for the quarter July-September, it has failed to reverse the input tax credit availed for the quarter April-June.

Examine the scenario with reference to section 15 and compute the taxable value of televisions supplied by BEL to Relish Electronics during the quarters April-June and July-September assuming the rate of tax applicable on the televisions as 18%. **(9 Marks)**

- (b) Compute export duty from the following data:

- (i) FOB price of goods: US \$ 1,00,000.
- (ii) Shipping bill presented electronically on 26th April.
- (iii) Proper officer passed order permitting clearance and loading of goods for export (Let Export Order) on 4th May.
- (iv) Rate of exchange and rate of export duty are as under:

	Rate of Exchange	Rate of Export Duty
On 26 th April	1 US \$ = ₹ 70	12%
On 4 th May	1 US \$ = ₹ 75	10%

- (v) Rate of exchange is notified for export by Central Board of Indirect taxes and Customs.

(Make suitable assumptions wherever required and show the workings.) **(5 Marks)**

3. (a) Determine whether GST is payable in respect of each of the following independent services provided by the registered persons:
- (1) Fees of ₹ 10,000 charged from office staff for in-house soft skills development course conducted by Elite College providing education as part of a curriculum for obtaining a qualification recognised by Indian law.

- (2) Bus fees of ₹ 2,500 per month collected from students by Richfold College providing education as part of a curriculum for obtaining a qualification recognised by Indian law.
- (3) Housekeeping service provided by M/s. Spick Brothers to First step school, a play school, for cleaning its playground and classrooms - ₹ 25,000 per month.
- (4) Sach link supplied 'Tracing Alphabets', an online educational journal, to students of UKG class of Fun Thrill School - ₹ 2,000. **(5 Marks)**
- (b) Mr. Rajat Chawla, an interior decorator provides professional services to Mr. Aman Malhotra in relation to two of his immovable properties.

Determine the place of supply in the transactions below as per provisions of GST law in the following independent situations:

Case	Location of Mr. Rajat Chawla	Location of Mr. Aman Malhotra	Property situated at
I	Delhi	Maharashtra	New York (USA)
II	Delhi	New York	Pihus (France)

Explain the relevant provisions of law to support your conclusions. **(4 Marks)**

- (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 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.

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

(5 Marks)

4. (a) Discuss the provisions relating to issue of an invoice/document in the following circumstances:
- Advance payment is received against a supply, but subsequently no supplies are made.
 - Goods are sent on approval for sale or return and are removed before the supply takes place.
 - Miss Dhanvi provides continuous supply of services to her client, where the due date of payment for such services is not ascertainable. No advance has been received in this behalf. **(5 Marks)**
- (b) Deva Ltd. exported service valued at US \$ 1,00,000. Supply of service was completed on 15th January. Payment for this service was received on 28th February. Refund claim was filed by Deva Ltd. in respect of tax paid on inputs and inputs services for ₹ 6,00,000 on 31st March. The refund claim was sanctioned on 30th June. What is the amount of refund Deva Ltd. will get in accordance with law? What is the relevant date and rate of interest as per GST law? **(4 Marks)**
- (c) What will be the dates of commencement of the definitive anti-dumping duty in the following cases under section 9A of the Customs Tariff Act, 1975 and the rules made thereunder:
- where no provisional duty is imposed;
 - where provisional duty is imposed;
 - where anti-dumping duty is imposed retrospectively from a date prior to the date of imposition of provisional duty. **(5 Marks)**

5. (a) Raksha Enterprises collected GST on the goods supplied by it from its customers on the belief that said supply is taxable. However, later it discovered that goods supplied by it are exempt from GST.

The accountant of Raksha Enterprises advised it that the amount mistakenly collected by Raksha Enterprises representing as tax was not required to be deposited with Government. Raksha Enterprises has approached you for seeking the advice on the same. You are required to advise it elaborating the relevant provisions. **(5 Marks)**

- (b) Sonak intends to start selling certain goods in Delhi. However, he is not able to determine (i) the classification of the goods proposed to be supplied by him [as the classification of said goods has been contentious] and (ii) the place of supply if he supplies said goods from Delhi to buyers in U.S.

Sonak's tax advisor has advised him to apply for the advance ruling in respect of these issues. He told Sonak that the advance ruling would bring him certainty and transparency in respect of the said issues and would avoid litigation later. Sonak agreed with his view, but has some apprehensions.

In view of the information given above, you are required to advise Sonak with respect to following:

- (i) The tax advisor asks Sonak to get registered under GST law before applying for the advance ruling as only a registered person can apply for the same. Whether Sonak needs to get registered?
- (ii) Sonak is apprehensive that if at all advance ruling is permitted to be sought, he has to seek it every year. Whether Sonak's apprehension is correct?
- (iii) The tax advisor is of the view that the order of Authority for Advance Ruling (AAR) is final and is not appealable. Whether the tax advisor's view is correct?
- (iv) Sridhar- Sonak's friend - is a supplier registered in Delhi. He is engaged in supply of the goods, which Sonak proposes to supply at the same commercial level that Sonak proposes to adopt.

He intends to apply the classification of the goods as decided in the advance ruling order to be obtained by Sonak, to the goods supplied by him in Delhi. Whether Sridhar can do so?

(4 Marks)

- (c) An importer filed a bill of entry after 60 days of filing Import General Manifest. The Deputy Commissioner of Customs imposed a penalty of ₹ 10,000 for late filing of the bill of entry. Since, importer wanted to clear the goods urgently, he paid the penalty. Can penalty be imposed for late filing of the bill of entry? Can bill of entry be filed in advance? Examine the issue regarding period available for filing bill of entry in the light of relevant statutory provisions? **(5 Marks)**

6. (a) With reference to the provisions of CGST Act, 2017, explain the liability of partners of firm to pay tax? **(5 Marks)**
- (b) Explain the scope of circulars and instructions issued by the Board. **(4 Marks)**
- (c) Write a short note on "interest on drawback" with reference to section 75A of the Customs Act, 1962. **(5 Marks)**