

Mock Test Paper - Series II: September, 2024

Date of Paper: 5th October, 2024

Time of Paper: 2 P.M. to 5 P.M.

FINAL COURSE: GROUP - II

PAPER – 5: INDIRECT TAX LAWS

1. Question paper comprises of two parts – Part-I and Part-II.
2. Part-I comprises of Case Scenario based Multiple-Choice Questions (MCQs).
3. Part-II comprises of questions which require descriptive type answers.
4. Working Notes should form part of the answers. However, in answers to Questions in Part I, working notes are not required.
5. All questions should be answered on the basis of the position of (i) GST law as amended by significant notifications/circulars issued and by the amendments made by the Finance Act, 2023 which have become effective, till 30.04.2024 and (ii) Customs law as amended by the Finance Act, 2023 and significant notifications/circulars and other legislative amendments made upto 30.04.2024.

Case scenario 1

Abhivyakti Pvt Ltd. is engaged in the supply of food products under the brand name “Super Foods”. It has a plant at Howrah, West Bengal. It is a registered supplier under GST and is a monthly return filer. It has allotted residential quarters to its employees within the plant premises. The aggregate turnover of the company during the preceding financial year was ₹ 7.50 crore.

Following details are provided by the company for the month of September:

Particulars	Amount (₹)
Sale of ‘Super Foods’ food products (Note 2)	60,00,000
Purchase of raw material from the market	14,00,000
Rent received from its employees for residential quarters allotted to them for residence	10,000
Electricity charges paid to West Bengal State Electricity Board	1,60,000
Security services provided by M/s Suraksha Security, Kolkata (a partnership firm registered under GST)	1,00,000
Interest on delayed payment collected from customers	3,500
Interest on fixed deposit in a bank	8,600
Payment to Kolkata Chamber of Commerce (registered under GST) towards sponsorship for Investor Summit at Kolkata	25,000

Licence fee paid to Food & Safety Standard Authority of India (FSSAI)	25,000
Legal fee paid to advocate, Mr. Dhruv Banerjee	30,000
Transportation charges paid to an unregistered goods transport operator for transportation of raw material from mandi to factory	40,000
Transportation charges paid to a local truck owner (not a GTA) for transportation of finished products from factory to distributors	50,000

Following additional information has also been provided by the company:

- (1) Abhivyakti Pvt Ltd. procured the service of transportation of goods from M/s Techno Enterprises, a goods transport agency, having its places of business in Kolkata, Orissa and Assam. M/s Techno Enterprises is registered in all these States with same PAN. Abhivyakti Pvt Ltd. transported its food products to different customers located within Kolkata through M/s Techno Enterprises in the month of October. M/s Techno Enterprises prepared a consignment note containing the details of consignor and consignee, value of consignment, vehicle number, details of party paying the taxes etc.
- (2) Out of the total sales, food products worth ₹ 3,50,000 (10,000 kg) were supplied to Department of School Education, Govt. of West Bengal for further supply to affected families during flood in the State. A price-linked subsidy of ₹10 per kg was received from Govt. of West Bengal for the said supply which has not been considered in the total sales of ₹ 60,00,000.
- (3) The company had awarded a maintenance contract to Supreme Power Ltd., Delhi on 10th June, for repair of central air conditioner unit installed in the factory, for ₹ 60,000 with a completion period of 30 days. The maintenance work was completed on 8th July. However, due to some dispute regarding quality of work, invoice was issued by Supreme Power Ltd. only on 5th September and payment was released on 15th September.
- (4) The proper officer levied on the company a penalty of ₹ 5,000 for wrongful utilization of ITC of ₹ 5,000.
- (5) The company had deposited the tax liability for the month of August amounting to ₹ 3,30,730 on 28th September.

Note- All the above amounts are exclusive of GST, wherever applicable, unless specified otherwise.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 6 below, carrying 2 marks each:

1. The value of taxable outward supply made by Abhivyakti Pvt Ltd. in the month of September is -
 - (a) ₹ 61,48,100
 - (b) ₹ 59,03,500
 - (c) ₹ 61,39,500
 - (d) ₹ 59,35,500

2. The value of taxable supply received by Abhivyakti Pvt Ltd. in the month of September on which GST is payable under reverse charge is-
 - (a) ₹ 1,55,000
 - (b) ₹ 1,73,000
 - (c) ₹ 1,30,000
 - (d) ₹ 2,45,000
3. What is the time of supply of services provided by Supreme Power Ltd?
 - (a) 10th June
 - (b) 5th September
 - (c) 15th September
 - (d) 8th July
4. The amount of interest payable by Abhivyakti Pvt Ltd. under section 50 of the CGST Act, 2017 for delay in payment of tax for the month of August?
 - (a) ₹ 4,961
 - (b) ₹ 1,305
 - (c) ₹ 4,567
 - (d) ₹ 1,142
5. In the context of the imposition of penalty on Abhivyakti Pvt. Ltd. by the proper officer of ₹ 5,000, which of the following statements is correct?
 - (a) Penalty is leviable since the offence is not a “minor breach”.
 - (b) Penalty is not leviable since the offence is a “minor breach”.
 - (c) Penalty is leviable even though the offence is a minor breach.
 - (d) No penalty is leviable for such offence; only interest is payable by adding the ITC amount wrongfully utilized to the output liability.
6. M/s Techno Enterprises wishes to obtain a unique common enrolment number (referred hereafter as CEN) for generating e-way bills. Which of the following statements is true in this regard?
 - (a) M/s Techno Enterprises is not eligible for obtaining CEN as a transporter registered only in a single State is eligible for the same.
 - (b) M/s Techno Enterprises is eligible for obtaining CEN as a transporter registered in multiple States with same PAN is eligible for the same. After obtaining CEN, it can use either CEN or its GSTIN for generating e-way bills throughout the country.
 - (c) M/s Techno Enterprises is not eligible obtaining the CEN as only unregistered transporters are eligible for the same.
 - (d) M/s Techno Enterprises is eligible for obtaining the CEN as it is registered in multiple States with same PAN. After obtaining CEN, it can

use it for generating e-way bills and updating Part-B throughout the country.

Case scenario 2

Bhakti & Sons of Kolkata, a partnership firm registered under GST, deals in supply of electronic goods such as TV, refrigerator, washing machine etc. It also provides services of repair and maintenance of said goods. Its aggregate turnover during the preceding financial year was ₹ 4.2 crore. It furnishes following information for the month of December:

Outward supplies during the month of December are as under:

Particulars	Amount (₹ in lakh)
Supply of goods to unregistered persons residing in & around Kolkata	12
Supply of goods to a unregistered dealer of Bihar	6
Supply of goods to registered dealers in West Bengal	28
Repair & maintenance services provided to unregistered persons	4

Inward supplies during the month of December are as under:

Particulars	Amount (₹ in lakh)
Purchase of TV sets from registered dealers (Inter-State supply) [During unloading of said TV sets, one LED TV costing ₹ 25,000 was damaged, but the dealer refused to replace the same.]	30
Purchase of refrigerators from registered dealers (Intra-State supply)	4
Purchase of washing machine from unregistered dealers (Intra-State supply)	2
Transportation charges paid to Om Logistics (unregistered GTA)	2
Payment made to Star Security Services Pvt Ltd. (not registered under GST) for providing security services	0.50
Loading & unloading charges paid to labourer	0.10
Shop rent paid to Kolkata Municipal Corporation	0.30
Fee paid to Mr. Das, a Senior Advocate of Kolkata High Court for legal service	0.10

Following additional information is also provided:

- The Assistant Commissioner of Commercial Tax, Kolkata has issued a show cause notice (SCN), to Bhakti & Sons due to non-display of registration certificate in a prominent location & GSTIN on name board at the entry of its principal place of business. Bhakti & Sons' plea is that the display of GSTIN to general public is not mandatory as it is required for the knowledge of the customers only & the same is already mentioned in the tax invoice.

- (b) Bhakti & Sons paid the sponsorship fee of ₹ 5,00,000 to Finmin Ltd., registered in Kolkata, for an entertainment event organised by Finmin Ltd. in Assam, in the month of October.
- (c) GST rate on all inward and outward supplies is 18% (CGST @ 9%, SGST @ 9%, IGST @ 18%), except transportation of goods service which attracts GST @ 5% (CGST @ 2.5%, SGST @ 2.5%, IGST @ 5%).
- (d) There is no opening ITC available for the relevant tax period in the electronic credit ledger of Bhakti & Sons.
- (e) All the goods purchased by Bhakti & Sons is ex-shop and it arranges its own transportation through GTA.

Note: All the above amounts are exclusive of GST, wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 7 to 12 below, carrying 2 marks each:

7. Which of the following statements is true in respect of the sponsorship fee paid by Bhakti & Sons to Finmin Ltd.?
 - (a) Bhakti & Sons is liable to pay IGST of ₹ 90,000.
 - (b) Finmin Ltd. is liable to pay IGST of ₹ 90,000.
 - (c) Bhakti & Sons is liable to pay CGST and SGST of ₹ 45,000 each.
 - (d) Finmin Ltd. is liable to pay CGST and SGST of ₹ 45,000 each.
8. Assuming that Bhakti & Sons has an SEZ unit also located in Uttar Pradesh apart from the regular Domestic Tariff Area (DTA) unit located in Kolkata (both having same PAN). Assume additional turnover of its SEZ unit is ₹ 2 crore in the preceding financial year. Which of the following statements is correct in respect of e-invoicing requirements?
 - (a) E-invoicing is not applicable to both SEZ and DTA units.
 - (b) E-invoicing is applicable to both SEZ and DTA units.
 - (c) E-invoicing is applicable to SEZ unit and DTA unit is exempt from e-invoicing.
 - (d) E-invoicing is applicable to DTA unit and SEZ unit is exempt from e-invoicing.
9. The total value of inward supplies on which GST is payable by Bhakti & Sons under reverse charge for December is-
 - (a) ₹ 2.40 lakh
 - (b) ₹ 2.10 lakh
 - (c) ₹ 2.90 lakh
 - (d) ₹ 3.00 lakh

10. The total input tax credit that can be availed by Bhakti & Sons for December is:
- ₹ 6,97,500
 - ₹ 6,24,700
 - ₹ 6,86,700
 - ₹ 6,95,700
11. Total GST payable in cash by Bhakti & Sons for the month of December, assuming that no ITC is claimed/availed by it is:
- ₹ 9,17,200
 - ₹ 9,43,200
 - ₹ 9,26,200
 - ₹ 9,20,800
12. The penalty that may be leviable for failure to display registration certificate in a prominent location & GSTIN on name board at the entry of its principal place of business by Bhakti & Sons is:-
- ₹ 5000
 - ₹ 10,000
 - ₹ 25,000
 - Nil
13. Mr. Robert is registered under GST in the State of Maharashtra. He sells shoes to his customers locally within the same State. He has been appointed as an agent by Baba Shoes Ltd., a company registered under GST in the State of Karnataka. During a financial year, Baba Shoes Ltd., sends taxable goods worth ₹ 4.80 crore from its Bengaluru store to Mr. Robert who sells such goods for ₹ 5.00 crore by raising invoices using the GSTIN of Baba Shoes Ltd. Mr. Robert receives a commission of ₹ 60.00 lakh from Baba Shoes (P) Ltd., during the said financial year.
- Compute the value of supply of Baba Shoes (P) Ltd. and Mr. Robert for the financial year assuming that amounts given above are exclusive of GST, wherever applicable.
- Baba Shoes (P) Ltd.: Nil and Mr. Robert : ₹ 5.40 crore
 - Baba Shoes (P) Ltd.: ₹ 4.80 crore and Mr. Robert : ₹ 5.40 crore
 - Baba Shoes (P) Ltd.: ₹ 5 crore and Mr. Robert : ₹ 60 lakh
 - Baba Shoes (P) Ltd.: ₹ 5.40 crore and Mr. Robert : Nil **(2 Marks)**
14. Farhan Khan, an Indian resident who was on a visit to Japan, returned after 1 year for contesting in assembly elections of his State. He carried with him personal effects worth ₹ 68,000 and a laptop worth ₹ 88,000. He brought

jewellery of 15 grams from Japan of ₹ 48,000 and a music system of ₹ 50,000. The customs duty payable by Farhan Khan is _____. Ignore Agriculture infrastructure and development cess.

- (a) Nil
- (b) 90,860
- (c) 71,610
- (d) 53,130

(2 Marks)

15. Determine the total duties payable under the customs law if Mr. Gaurishankar imported rubber from Malaysia at landed price (exclusive of duties) of ₹ 25 lakh. It has been notified by the Central Government that share of imports of rubber from the developing country against total imports to India exceeds 5%. Safeguard duty notified on this product is 30% and basic customs duty is 10%. Ignore integrated tax and agriculture infrastructure and development cess.

- (a) ₹ 10,25,000
- (b) ₹ 10,00,000
- (c) ₹ 11,75,000
- (d) ₹ 9,00,000

(2 Marks)

Part-II – Descriptive Questions (70 Marks)

Question paper comprises of 6 questions. Answer Question No. 1 which is compulsory and any 4 questions out of the remaining 5 questions.

1. MS Ltd. is a company registered under GST. Its turnover in the previous financial year was ₹ 2 crores. During the month of October, the company has undertaken the following transactions and wants you to work out the amount of net GST payable in cash.

Applicable rate of IGST is 18%, CGST is 9% and SGST is 9% on all goods and services except transportation of goods services provided by Goods Transport Agency and restaurant service for which applicable CGST and SGST rate is 2.5% each and IGST rate is 5% and old and used vehicles for which applicable CGST and SGST rate is 6% each and IGST rate is 12%. The amounts indicated for all the items are exclusive of GST.

As the manager of the company, it informed you that the GST liability for October for their main product - Product Alpha is ₹ 54 lakh of CGST and SGST each and ₹ 72 lakh IGST and the eligible credit on the inputs and input services for October is ₹ 1.45 crore IGST and ₹ 20 lakh each towards CGST and SGST which can be straightaway taken for calculations.

Company has provided you following additional details:

S. No.	Details of the transaction
i.	During the month of October, the company offered its dealers a special festival offer of discount of 25% on Product Alpha sold during the month of September. Total discount given under said scheme was ₹ 45,00,000. All original supplies were inter-State supplies.
ii.	The company sold a van by auction; van was being used for travel of the director. The van was purchased at ₹ 3,20,000 and depreciation was claimed under section 32 of the Income-Tax Act, 1961. The depreciated value at the time of sale was ₹ 1,40,000. No ITC was taken on the same. The van was sold intra-State for an amount of ₹ 1,50,000 during the month of October.
iii.	The company has a policy of mandatorily charging transportation cost of their products from their dealers at the time of invoicing for the products sold to them. The amount collected during the month of October towards transportation in intra-State supply transactions is ₹ 6 lakh and inter-State supply transactions is ₹ 4 lakh.
iv.	Ball bearings of value ₹ 2.50 lakh bought in July has been stolen during the month of October.
v.	GST of ₹ 3,00,000 paid on cosmetic and plastic surgery of manager of the factory. Assume that it is intra-State supply transaction.
vi.	During the month of October, audit fees of ₹ 60,000 has been paid to Chartered Accountancy firm – Sudhakar Associates. Out of this, ₹ 35,000 is for statutory audit of preceding financial year and ₹ 25,000 as certification fee. Assume that it is intra-State supply transaction.
vii.	The company's registered office is located in a building which belongs to the local Municipality. The monthly rent is ₹ 1.50 lakh.
viii.	The whole-time director (located within same State) of the company was paid a salary of ₹ 5 lakh during the month. He was also paid ₹ 20,000 towards sitting fees for his participation in the board meeting.

Give a brief note to support your treatment for the items wherever required.

(14 Marks)

2. (a) Determine place of supply along with reasons in the following cases:
 - (i) Chitranjan, registered in Guwahati, has availed land-line services from BSNL. The telephone is installed in residential premises in Kolkata and the billing address is office of Chitranjan in Guwahati.
 - (ii) Digvijay, residing in Maharashtra, is travelling with 'Heera Airlines' aircraft and is provided with movie-on-demand service for ₹ 500 as on-board entertainment during Delhi- Maharashtra leg of a Bangkok-Delhi- Maharashtra flight.

- (iii) Kunwar of Delhi purchased online tickets for Chill water park in Mumbai
- (iv) Maldeo, an unregistered person of Orissa, sends a courier from New Delhi to his friend in Ahmedabad, Gujarat while he was on trip to New Delhi.
- (v) Rajyavardhan, a registered person in Ranchi, Jharkhand, buys shares from a broker in Patna on NSE, Mumbai. Determine the place of supply of brokerage service assuming that the location of the recipient of service is available in the records of the supplier of service. **(10 Marks)**

- (b) Product 'X' was imported by Mr. Shardul by air. The details of the import transaction are as follows:

Particulars	US \$
Price of 'X' at exporter's factory	8,500
Freight from factory of the exporter to load airport (airport in the country of exporter)	250
Loading and handling charges at the load airport	250
Freight from load airport to the airport of importation in India	4,500
Insurance charges	2,000

Though the aircraft arrived on 22nd January, the bill of entry for home consumption was presented by Mr. Shardul on 20th January.

The other details furnished by Mr. Shardul are:

	20 th January	22 nd January
Rate of basic customs duty	20%	10%
Exchange rate notified by CBIC	₹ 70 per US\$	₹ 72 per US\$
Exchange rate prescribed by RBI	₹ 71 per US\$	₹ 72 per US\$
Integrated tax leviable under section 3(7) of the Customs Tariff Act, 1975	18%	12%

Compute-

- (i) value of product 'X' for the purpose of levying customs duty
- (ii) customs duty and tax payable **(4 Marks)**

3. (a) Baruna Associates is the supplier of geysers. Baruna Associates supplied geysers to an unrelated party, Gulab Traders for consideration of ₹ 1,47,500 (inclusive of GST @ 18%). Gulab Traders also gave some materials to Baruna Associates [valuing ₹ 15,000 (exclusive of GST)] as an additional consideration for such supply.

At the same time, Baruna Associates has supplied the same goods to another unrelated person at price of ₹ 1,48,680 (inclusive of GST@18%).

You are required to:

- (1) Determine the value of goods supplied by Baruna Associates to Gulab Traders.
- (2) What would your answer be if price of ₹ 1,48,680 is not available at the time of supply of goods to Gulab Traders? Explain briefly.

(5 Marks)

- (b) Shanti Niwas Charitable Trust, a trust registered under section 12AB of the Income – tax Act, 1961, provides the following information relating to supply of its services for the month of December:

Particulars	Amount (₹)
Renting of residential dwelling for use as a residence	18,00,000
Renting of rooms for devotees (Charges per day ₹ 750)	6,00,000
Renting of kalyanamandapam (Charges per day ₹ 15,000)	12,00,000
Renting of community halls and open space (Charges per day ₹ 7,500)	10,75,000
Renting of shops for business (Charges per month ₹ 9,500)	4,75,000
Renting of shops for business (Charges per month ₹ 12,000)	7,50,000

Compute the GST liability of Shanti Niwas Charitable Trust for the month of December assuming that the above amounts are exclusive of GST and rate of GST, wherever applicable, is 18%.

Note: The rooms/ Kalyanamandapam/ halls/ open space/ shops owned by the trust are located within the precincts of a religious place, meant for general public, owned by the trust.

(5 Marks)

- (c) Shine & Star India Ltd. imported a consignment from U.S.A (by sea). The value of consignment was ₹ 7,50,000 and total duty payable was ₹ 1,50,000.

Company filed bill of entry for home consumption but before inspection and clearance for home consumption, it found that the goods were damaged.

On filing a representation to the Customs Department, proper officer refused the claim for abatement because goods were already unloaded. The proper officer is in agreement with the claim that the value of goods has come down to only ₹ 1,50,000.

Examine the issue with reference to the relevant statutory provisions and calculate the amount of total duty payable:

Would your answer be different in the above case, if the goods get deteriorated after unloading and examination but before clearance for home consumption, and value comes down to ₹ 7,00,000? **(4 Marks)**

4. (a) Bali Enterprises, registered in Delhi, is engaged in supply of various goods and services exclusively to Government departments, agencies etc. and persons notified under section 51 of the CGST Act, 2017. It has provided the information relating to the supplies made, their contract values and the payment due against each of them in the month of October, respectively as under:

S. No.	Particulars	Total contract value (inclusive of GST) (₹)	Payment due in November (₹)
(i)	Supply of stationery to Fisheries Department, Kolkata	2,60,000	15,000
(ii)	Supply of car rental services to Municipal Corporation of Delhi	2,95,000	20,000
(iii)	Supply of a heavy machinery to Public Sector Undertaking located & registered in Uttarakhand	5,90,000	25,000

You are required to determine amount of tax, if any, to be deducted from each of the receivable given above assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively. **(5 Marks)**

- (b) Holistic Cosmetics Ltd. has multiple wholesale outlets of cosmetic products in Mumbai, Maharashtra. It receives an order for cosmetics worth ₹ 1,20,000 (inclusive of GST leviable @ 18%) from Raman, owner of a retail cosmetic store in Delhi. While checking the stock, it is found that order worth ₹ 55,000 can be fulfilled from the company's Dadar (Mumbai) store and remaining goods worth ₹ 65,000 can be sent from its Malad (Mumbai) store. Both the stores are instructed to issue separate invoices for the goods sent to Raman. The goods are transported to Raman in Delhi, in a single conveyance owned by Teja Transporters.

You are required to advise Holistic Cosmetics Ltd. with regard to issuance of e-way bill(s). **(5 Marks)**

- (c) Mr. Joseph Brown, a resident and citizen of Germany, visits India on a business tour. He made declaration to the proper officer about his baggage under section 77 of the Customs Act, 1962 for the purpose of clearance. During the scrutiny of the declaration, proper officer found that some of the articles declared in baggage brought with him were prohibited to be entered in India and were detained by the officer.

Although Mr. Brown did not insist to clear those articles, value of those articles was very high and it was a difficult situation for him. You are required to advise any procedure prescribed under customs law to

overcome the situation. Give your advice on the basis of relevant statutory provisions. **(4 Marks)**

5. (a) Mr. Shashank intends to start a new manufacturing business in Jaipur. However, he is not able to determine the classification of the goods proposed to be manufactured and supplied by him since the classification of said goods has been contentious. Mr. Shashank read an article about advance ruling in the newspaper and decided to apply for advance ruling so as to avoid litigation later.

Mr. Prashank, who is friend of Mr. Shashank is also engaged in the supply of goods similar to which Mr. Shashank proposes to manufacture in Jaipur and Mr. Prashank advised him to apply the same classification as of his, since he has already taken advance ruling order regarding classification of the said goods.

Mr. Shashank's tax consultant also agreed with the advice given by Mr. Prashank. Mr. Shashank also thought it to be a good decision since he was unregistered and thought that he needed to be registered to apply for advance ruling in his name.

You are required to advise Mr. Shashank with respect to following:

- (i) Whether Mr. Shashank and his tax consultant are right and can classify the goods proposed to be supplied by Mr. Shashank on the basis of his friend Mr. Prashank's advance ruling order?
 - (ii) Whether Shashank needs to get registered to apply for advance ruling? **(5 Marks)**
- (b) State the types of offence (cognizable or non-cognizable), prosecution, arrest and bail implications, if any, in respect of the following independent cases pertaining to June:
- (i) 'Bhaskar' issues invoice without any underlying supply leading to wrongful availment of ITC. ITC availed on such invoice was ₹ 200 lakh.
 - (ii) 'Raghav' fraudulently obtains the refund of tax of ₹ 550 lakh. The said tax has been recovered from the buyer also.

Note: Assume that in above cases, offence, if any, has been committed for the first time. **(5 Marks)**

- (c) Elaborate the provisions relating to the owner's right to deal with warehoused goods under section 64 of the Customs Act, 1962.

(4 Marks)

6. (a) Briefly discuss the modes of recovery of tax available to the proper officer. **(6 Marks)**

- (b) Explain the scope of circulars and instructions issued by the Board.

(4 Marks)

OR

- (b) Discuss the power of the officer under GST law of access to business premises under section 71 of the CGST Act, 2017. **(4 Marks)**
- (c) Elaborate the meaning and historical background of "customs". Also elucidate the constitutional entries/provisions which provide the power to make laws relating to customs duty, and who possesses the power to make such laws. **(4 Marks)**

Mock Test Paper - Series II: September, 2024

Date of Paper: 5th October, 2024

Time of Paper: 2 P.M. to 5 P.M.

FINAL COURSE: GROUP – II

PAPER – 5: INDIRECT TAX LAWS

Part-I Multiple Choice Questions

Question No.	Answer
1	(b) ₹ 59,03,500
2	(a) ₹ 1,55,000
3	(d) 8 th July
4	(b) ₹ 1,305
5	(a) Penalty is leviable since the offence is not a “minor breach”.
6	(d) M/s Techno Enterprises is eligible for obtaining the CEN as it is registered in multiple States with same PAN. After obtaining CEN, it can use it for generating e-way bills and updating Part-B throughout the country.
7	(c) Bhakti & Sons is liable to pay CGST and SGST of ₹ 45,000 each.
8	(d) E-invoicing is applicable to DTA unit and SEZ unit is exempt from e -invoicing.
9	(a) ₹ 2.40 lakh
10	(b) ₹ 6,24,700
11	(a) ₹ 9,17,200
12	(c) ₹ 25,000
13	(c) Baba Shoes (P) Ltd.: ₹ 5 crore and Mr. Robert: ₹ 60 lakh
14	(a) Nil
15	(a) ₹ 10,25,000

1. Computation of net GST payable in cash of MS Ltd. for October

Particulars	CGST (₹ in lakh)	SGST (₹ in lakh)	IGST (₹ in lakh)
GST liability for Product Alpha	54	54	72
Post-supply discount on Product Alpha [In the given case, discount given after effecting the supply is not in	Nil	Nil	

terms of an agreement that existed at the time of supply. Therefore, discount is not allowed as deduction from value of supply.]			
Sale of van by auction used for travel of director [In case of a registered person who has claimed depreciation under section 32 of the Income-Tax Act, 1961 on the said goods, value = Consideration received - Depreciated value on the date of supply.]	0.006 [0.1 × 6%]	0.006 [0.1 × 6%]	
Transportation cost charged on the product [Supply of goods and transport service is a composite supply as the transportation cost is charged at a flat rate from all customers irrespective of the distance involved. Therefore, rate of principal supply (product) viz. 9% CGST and SGST each is charged on intra-State supply and 18% IGST is charged on inter-State supply.]	0.54 [6 × 9%]	0.54 [6 × 9%]	0.72 [4 × 18%]
Total output tax liability	54.546	54.546	72.72
Less: ITC set off ¹ [Refer working note (1) below] [IGST credit is first utilized for payment of IGST liability and then for payment SGST and CGST liability in equal proportion]	(35.915)	(35.915)	(72.72)
After exhausting IGST credit, CGST and SGST credit is to be utilized. ITC of CGST cannot be utilized for payment of SGST and vice versa.	(18.631)	(18.631)	
GST payable in cash [A]	Nil	Nil	Nil
GST under reverse charge payable in cash [Refer working note (2) below] [B]	0.153	0.153	

¹ Since ITC of IGST can be utilized for payment of CGST and SGST liability in any proportion and in any order, there can be multiple ways of utilizing IGST credit for payment of CGST and SGST.

[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.]			
Total GST payable in cash = [A]+ [B]	0.153	0.153	

Working notes:

(1) Computation of ITC available with MS Ltd. for October

Particulars	CGST (₹ in lakh)	SGST (₹ in lakh)	IGST (₹ in lakh)
Eligible credit on inputs and input services for the month	20	20	145
Ball bearings stolen [ITC on stolen goods is blocked. Hence, ITC taken on stolen ball bearings needs to be reversed.]			(0.45)
Input tax on cosmetic and plastic surgery of CEO of company [ITC on cosmetic and plastic surgery is blocked if the same are not used for making the same category of outward supply or as an element of a taxable composite/mixed supply. Hence, the same is not credited to the Electronic Credit Ledger]	Nil	Nil	Nil
Audit fee [Audit fee is a service used in the course or furtherance of business and thus, credit of input tax paid on such service will be available.]	0.054 [0.6 × 9%]	0.054 [0.6 × 9%]	
Rent paid to Municipality	0.135 [1.5 × 9%]	0.135 [1.5 × 9%]	
Sitting fee paid to whole time director	0.018 [0.20 × 9%]	0.018 [0.20 × 9%]	
Total	20.207	20.207	144.55

(2) Tax payable under reverse charge

Particulars	CGST (₹ in lakh)	SGST (₹ in lakh)	IGST (₹ in lakh)
Rent paid to Municipality	0.135	0.135	

[Tax on renting of immovable property services supplied by local authority to a registered person is payable under reverse charge.]			
Sitting fee paid to whole time director [Services provided by employee to employer in the course of his employment are not a supply. Hence, salary paid to director is not taxable. However, sitting fee is a consideration for the services provided beyond course of employment and hence, is taxable. Further, tax on sitting fee paid to director is payable under reverse charge.]	0.018	0.018	
Total tax payable under reverse charge	0.153	0.153	

2. (a) (i) The place of supply of services by way of fixed telecommunication line is the location where the telecommunication line is installed for receipt of services. Thus, the place of supply in the given case is Kolkata.
- (ii) The place of supply of services on board an aircraft is the location of the first scheduled point of departure of that aircraft or flight for the journey. Thus, the place of supply in the given case is Bangkok.
- (iii) The place of supply of services provided by way of admission to an amusement park is the place where the park is located. Thus, the place of supply in the given case is Mumbai.
- (iv) The place of supply of services by way of transportation of goods by courier to a person other than a registered person is the location at which such goods are handed over for their transportation. Thus, the place of supply in the given case is New Delhi.
- (v) The place of supply of stock broking services to any person shall be the location of the recipient of services on the records of the supplier of services. Thus, the place of supply in the given case is Ranchi, (Jharkhand).

(b) Computation of assessable value of product 'X'

Particulars	Amount
Ex-factory price of the goods	8,500 US \$

Freight from factory of the exporter to load airport (airport in the country of exporter)	250 US \$	
Loading and handling charges at the load airport	250 US \$	
Freight from load airport to the airport of importation in India	<u>4,500 US \$</u>	
Total cost of transport, loading and handling charges associated with the delivery of the imported goods to the place of importation	5,000 US \$	
<i>Add:</i> Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation (restricted to 20% of FOB value) [Note 1]		1,800 US \$
Insurance (actual)		<u>2,000 US \$</u>
CIF for customs purpose		12,300 US \$
Value for customs purpose		12,300 US \$
Exchange rate as per CBIC [Note 2]		₹ 70 per US \$
		Amount (₹)
Assessable value (₹ 70 x 12,300 US \$)		8,61,000
<i>Add:</i> Basic customs duty @ 10% [Note 3]		86,100
<i>Add:</i> Social Welfare Surcharge (SWS) @ 10%		<u>8,610</u>
Value for the purpose of levying integrated tax [Note 4]		9,55,710
<i>Add:</i> Integrated tax @ 12%		1,14,685.2
Total duty & tax payable (rounded off)		2,09,395

Notes:

- (1) In the case of goods imported by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation shall not exceed 20% of the FOB value of the goods.

FOB value in this case is the ex-factory price of the goods (8,500 US \$) plus the cost of transport from factory to load airport (250 US \$) plus loading and handling charges at the load airport (250 US \$) which is 9,000 US \$.

- (2) Rate of exchange determined by CBIC is to be considered
- (3) Section 15 of the Customs Act, 1962 provides that rate of duty shall be the rate in force on the date of presentation of bill of entry or the rate in force on the date of arrival of aircraft, whichever is later.

- (4) Integrated tax is levied on the sum total of the assessable value of the imported goods and customs duties. SWS leviable on integrated tax have been exempted.

3. (a) (1) In the given case, price is not the sole consideration for the supply. Apart from monetary consideration, the buyer has given some material to the supplier as consideration for such supply. Hence, the value of the supply cannot be determined on the basis of the transaction value in terms of section 15 of the CGST Act, 2017.

Here, the value will be determined with the help of rule 27 of the CGST Rules, 2017 which specifies that where the consideration for a supply is not wholly in money, the value will be the open market value.

Open market value of a supply means the full value in money, excluding the applicable GST, where the supplier and the recipient of the supply are not related and the price is the sole consideration, to obtain such supply at the same time when the supply being valued is made.

Therefore, in the given case, the open market value of the goods supplied is ₹ 1,26,000 ($₹ 1,48,680 \times 100/118$) and is therefore, the value of such goods.

- (2) Rule 27 of the CGST Rules, 2017 further provides that if open market value of the supply is not known, the value of the supply will be the consideration in money plus the money equivalent to the non-monetary consideration, if such amount is known at the time of supply.

Therefore, the value in the given case will be ($₹ 1,47,500 \times 100/118$) + ₹ 15,000, which is ₹ 1,40,000.

- (b) Renting of precincts of a religious place meant for general public, owned/managed by, *inter alia*, an entity registered as a charitable trust under section 12AA/12AB of the Income-tax Act are exempt from GST vide exemption notification. However, said exemption is not available if:

- (i) charges for rented rooms are ₹ 1,000 per day or more;
- (ii) charges for rented community halls, Kalyan mandapam, open area are ₹ 10,000 per day or more;
- (iii) charges for rented shops are ₹ 10,000 per month or more.

Further, services by way of renting of residential dwelling for use as residence are also exempt vide exemption notification.

**Computation of GST liability of Shanti Niwas Charitable Trust
for December**

Particulars	Value (₹)	GST @ 18% (₹)
Renting of residential dwelling for use as residence [Exempt vide exemption notification]	18,00,000	Nil
Renting of rooms for devotees [Exempt since charges per day are below ₹1,000]	6,00,000	Nil
Renting of Kalyanamandapam [Taxable since charges per day exceed ₹10,000]	12,00,000	2,16,000
Renting of community halls and open spaces [Exempt since charges per day are below ₹ 10,000]	10,75,000	Nil
Renting of shops for business [Exempt since charges per month are below ₹10,000]	4,75,000	Nil
Renting of shops for business [Taxable since charges per month exceed ₹ 10,000]	7,50,000	<u>1,35,000</u>
Total		3,51,000

- (c) The abatement of duty is allowed where it is shown to the satisfaction of the Assistant/Deputy Commissioner of Customs that, *inter alia*, any imported goods, other than warehoused goods, had been damaged at any time after the unloading thereof in India but before their examination, on account of any accident not due to any wilful act, negligence or default of the importer.

Thus, in view of the above-mentioned provisions, the stand taken by the proper officer of refusing the claim for abatement is not valid in law.

The duty to be charged on the damaged goods shall be reduced in proportion to the reduction in the value of goods on account of damage.

Thus, in the given case, the amount of total duty payable

$$= [\text{₹ } 1,50,000 / \text{₹ } 7,50,000] \times \text{₹ } 1,50,000 = \text{₹ } 30,000$$

The abatement of duty is allowed in case of deterioration only if such deterioration occurs before or during the unloading of goods. Since in this case, imported goods have deteriorated before clearance for home consumption but after unloading, abatement of duty will not be allowed and full duty will have to be paid.

4. (a) Following persons are required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/UTGST)] or IGST @ 2% from the payment made/credited to the supplier (deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds ₹ 2,50,000:

- (a) a department or establishment of the Central Government or State Government; or
- (b) local authority; or
- (c) Governmental agencies; or
- (d) an authority or a board or any other body, -
 - (i) set up by an Act of Parliament or a State Legislature; or
 - (ii) established by any Government,
 with 51% or more participation by way of equity or control, to carry out any function; or
- (e) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or
- (f) Public sector undertakings.

Further, for the purpose of deduction of tax, the value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess indicated in the invoice.

Since in the given case, Bali 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)	Supply of stationery to Fisheries Department, Kolkata (Note-1)	2,60,000	15,000	--		
(ii)	Supply of car rental services to Municipal Corporation of Delhi (Note-2)	2,95,000	20,000	--		
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand (Note-3)	5,90,000	25,000			500

Notes:

1. Being an inter-State supply of goods, supply of stationery to Fisheries Department, Kolkata is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:

$$= ₹ 2,60,000 \times 100 / 118$$

$$= ₹ 2,20,339 \text{ (rounded off)}$$

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

2. Being an intra-State supply of services, supply of car rental services to Municipal Corporation of Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

$$= ₹ 2,95,000 \times 100 / 118$$

$$= ₹ 2,50,000$$

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

3. Being an inter-State supply of goods, supply of heavy machinery to PSU in Uttarakhand is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:

$$= ₹ 5,90,000 \times 100 / 118$$

$$= ₹ 5,00,000$$

Since the total value of supply under the contract exceeds ₹ 2,50,000, PSU in Uttarakhand is required to deduct tax @ 2% of ₹ 25,000, i.e. ₹ 500.

- (b)** Holistic Cosmetics Ltd. would be required to prepare two separate e-way bills since each invoice value exceeds ₹ 50,000 and each invoice is considered as one consignment for the purpose of generating e-way bills.

The *FAQs on E-way Bill* issued by CBIC clarify that if multiple invoices are issued by the supplier to one recipient, that is, for movement of goods of more than one invoice of same consignor and consignee, multiple e-way bills have to be generated. In other words, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved. Multiple invoices cannot be clubbed to generate one e-way bill. However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.

- (c) Where the baggage of a passenger contains any prohibited article which has been declared by him under section 77 of the Customs Act, 1962, the proper officer may, at the request of the passenger, detain such article for the purpose of being returned to him on his leaving India.

In the given case, proper officer has detained the prohibited article declared and brought by Mr. Joseph Brown. Such articles shall be returned to him on his leaving India.

Further, if for any reason, he is not able to collect it at the time of his leaving India, the said article may be returned to him through any other passenger authorized by him and leaving India or as cargo consigned in his name.

5. (a) (i) No, Mr. Shashank and his tax consultant are not correct.
- An advance ruling is binding only on the applicant who had sought it and on the concerned officer. An advance ruling is not applicable to similarly placed other taxable persons in the State.
- Thus, Mr. Shashank cannot classify the goods to be supplied by him on the basis of his friend Mr. Prashank's advance ruling order.
- (ii) No, Mr. Shashank need not register to apply for advance ruling since advance ruling can be sought by a registered person or person desirous of obtaining registration. It is not mandatory for a person seeking advance ruling to be registered.

(b)

Person	Offence	Prosecution	Arrest	Bail
'Bhaskar'	Non-cognizable offence	Upto 1 year and with fine	No arrest	Bailable Offence
'Raghav'	Non-cognizable offence	Upto 5 years and with fine	No arrest	Bailable Offence

- (c) When the imported goods are warehoused, the temporary possession and the custody of the goods are passed on to the warehouse keeper. However, the remaining titular rights of the goods vest with the owner.

Thus, the owner has every access to the goods.

In the course of his dealings with the goods, he may:

- (a) inspect the goods;
- (b) ensure that the goods do not deteriorate or get damaged during storage in the warehouse;
- (c) sort the goods; or
- (d) show the goods for sale.
6. (a) The proper officer may recover the dues in following manner:
- (i) Deduction of dues from the amount owned by the tax authorities payable to such person.

- (ii) Recovery by way of detaining and selling any goods belonging to such person;
 - (iii) Recovery from other person, from whom money is due or may become due to such person or who holds or may subsequently hold money for or on account of such person, to pay to the credit of the Central or a State Government;
 - (iv) Distrain any movable or immovable property belonging to such person, until the amount payable is paid. If the dues not paid within 30 days, the said property is to be sold and with the proceeds of such sale the amount payable and cost of sale shall be recovered.
 - (v) Through the Collector of the district in which such person owns any property or resides or carries on his business, as if it was an arrear of land revenue.
 - (vi) By way of an application to the appropriate Magistrate who in turn shall proceed to recover the amount as if it were a fine imposed by him.
 - (vii) By enforcing the bond/instrument executed under this Act or any rules or regulations made thereunder.
 - (viii) CGST arrears can be recovered as an arrear of SGST and vice versa.
- (b)** Section 168 empowers the Board (CBIC) to issue orders, instructions or directions to the CGST officers for the purpose of uniformity in the implementation of the CGST Act. All officers and all other persons employed in the implementation of the Act observe and follow such orders, instructions or directions.

The binding nature of such orders, instructions and directions has been a matter of debate and scrutiny. The general understanding that prevails now is that a circular is binding on the officers, but not on the assessee. However, in case such circular states something contrary to the law, the law shall prevail over the circular.

OR

Alternative Answer

- (b)** Any officer under this Act, authorised by the proper officer not below the rank of Joint Commissioner, shall have access to any place of business of a registered person to inspect books of account, documents, computers, computer programs, computer software whether installed in a computer or otherwise and such other things as he may require and which may be available at such place, for the purposes of carrying out any audit, scrutiny, verification and checks as may be necessary to safeguard the interest of revenue.

Every person in charge of place referred above shall, on demand, make available to the officer so authorised or the audit party deputed by the proper officer or a cost accountant or chartered accountant nominated under section 66 of the CGST Act, 2017-

- (i) such records as prepared or maintained by the registered person and declared to the proper officer in such manner as may be prescribed;
- (ii) trial balance or its equivalent;
- (iii) statements of annual financial accounts, duly audited, wherever required;
- (iv) cost audit report, if any, under section 148 of the Companies Act, 2013 (18 of 2013);
- (v) the income-tax audit report, if any, under section 44AB of the Income-tax Act, 1961 (43 of 1961); and
- (vi) any other relevant record,

for the scrutiny by the officer or audit party or the chartered accountant or cost accountant within a period not exceeding fifteen working days from the day when such demand is made, or such further period as may be allowed by the said officer or the audit party or the chartered accountant or cost accountant.

- (c) The term 'customs' derives its colour and essence from the term 'custom', which means a habitual practice or course of action that characteristically is repeated in like circumstances.

Duties on import and export of goods were levied through legislations during the British period before which, during monarchical governance, said duty was collected at the city gates at the time of goods coming in and going out. The legislations of the British period were replaced by the enactment and promulgation of the Customs Act, 1962 and the Customs Tariff Act, 1975.

The power to make laws is conferred on the Parliament and the legislature of a State by Article 245 of the Constitution of India.

Further, entry 83 of the List I [Union List] of the Seventh Schedule to Article 246 of the Constitution of India grants the power to frame laws relating to customs duty.

The power to make laws relating to customs duty vests exclusively with the Parliament.

Corrigendum for Mock Test Paper, Series II: September, 2024

Final Course: Group-II, Paper-5: Indirect Tax Laws

Students are advised to refer the modified Multiple Choice Question No. 14 and modified descriptive Question 5(b)(i).