

MOCK TEST PAPER 1
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. Mr. Viyaan, a practicing Chartered Accountant, based in Hyderabad, is registered under GST in the State of Telangana.

He undertook following transactions/activities during the current financial year:

- (1) He provided consultancy services to Kahani Tours, a UK based entity engaged in the business of e-commerce in the field of tour and travels, having its office at UK. Kahani Tours paid a sum of Euro 95,000 to Mr. Viyaan billed @ 75 per Euro. Mr. Viyaan made travel to UK several times during the year and incurred Euro 5,000 @ ₹ 75 as incidental expenses (including VAT paid ₹ 10,000) which was ultimately charged from Kahani Tours. Kahani Tours also paid a sum of EURO 5,000 @ ₹ 75 to Mr. Viyaan as interest on account of delay in payment of agreed consideration.

Mr. Viyaan also hired the services of a professional firm based in UK to complete the assignment of providing services to Kahani Tours and paid Euro 10,000 @ ₹ 75. This was not recovered from Kahani Tours.

- (2) Mr. Viyaan's taxable earnings for services provided in India for the financial year are ₹ 85,00,000. In addition to this, Mr. Viyaan also provided return filing services free of charge in the month of July to Indian residents who were economically weaker. Open market value of such services was ₹ 1,40,000.

- (3) In July, Mr. Viyaan also provided financial services to his real brother Mr. Kish who is working at an IT company and earning handsomely, for ₹ 75,000 (invoice value). However, Mr. Viyaan offered him 90% discount on the invoice raised to him. Therefore, Mr. Kish paid ₹ 7,500 only.

- (4) Thakar Electricals Ltd., registered under GST in Guwahati, Assam approached Mr. Viyaan to impart GST training to its accounts and finance personnel. Mr. Viyaan imparted the said training to 50 employees of Thakar Electricals Ltd. at a conference room of Sukh Ram Hotel located in Siliguri, West Bengal on 25th August.

Notes: The rates of tax are 9% (CGST), 9% (SGST) and 18% (IGST) on all inward/ outward supplies. All the amounts given above are exclusive of taxes, wherever applicable.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1.1 to 1.4 below:-

- 1.1 Compute the value of supply made by Mr. Viyaan to Kahani Tour (in Euros).
- (a) 120,000
(b) 105,000
(c) 115,000
(d) 125,000
- 1.2 Compute aggregate turnover of Mr. Viyaan for the current financial year.
- (a) ₹ 1,78,75,000
(b) ₹ 1,86,25,000
(c) ₹ 1,63,82,500
(d) ₹ 1,80,90,000
- 1.3 What is value of supply made by Mr. Viyaan to Mr. Kish if Mr. Kish is the son of Mr. Viyaan and not his brother, other facts remaining the same?
- (a) ₹ 7,500
(b) ₹ 75,000
(c) Not a supply since they are related
(d) Value cannot be determined
- 1.4 The place of supply of the GST training imparted by Mr. Viyaan to the accounts and finance personnel of Thakar Electricals Ltd. is _____.
- (a) Hyderabad, Telangana
(b) Guwahati, Assam
(c) Siliguri, West Bengal
(d) Either (a) or (b), at the option of Mr. Viyaan
2. Yogi, a registered supplier of Delhi, is engaged in supplying a bouquet of taxable goods and services. He has made the following supplies in the month of January:

S. No.	Particulars	Amount* (₹)
(i)	Supply of 20,000 packages at ₹ 30 each to Lovely Gift Shop in Punjab [Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons]	6,00,000
(ii)	500 packages each consisting of 1 chocolate and 1 fruit juice bottle given as free gift to Delhi customers on the occasion of Diwali [Cost of each package is ₹ 12, but the open market value of such package of	

	goods and of goods of like kind and quality is not available. Input tax credit has not been taken on the items contained in the package]	
(iii)	Catering services provided to elder brother free of cost for his business function in Delhi [Cost of providing said services is ₹ 55,000, but the open market value of such services and of services of like kind and quality is not available.]	

*excluding GST

Following additional information has been furnished by Yogi:

1. Penalty of ₹ 10,000 was collected in lumpsum in the month of March from Lovely Gift Shop since the payment was received with a delay of 60 days.
2. One of the old customers of Yogi – Mr. Muni - approached him requesting him to arrange the transportation of the goods purchased by him from a local supplier. Yogi arranged the transportation of said goods for Mr. Muni through a goods transport operator. Yogi did not issue a consignment note to Mr. Muni.
3. Assume the rates of GST to be as under:

Goods/services supplied	CGST	SGST	IGST
Chocolates	9%	9%	18%
Fruit juice bottles	6%	6%	12%
Toy balloons	2.5%	2.5%	5%
Catering service	9%	9%	18%

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 2.1 to 2.4 below:-

- 2.1 GST payable on packages supplied to Lovely Gift Shop in January and in March is (1) _____ and (2) _____ respectively.
 - (a) (1) IGST - ₹ 1,09,526; (2) nil
 - (b) (1) CGST - ₹ 54,763; SGST - ₹ 54,763; (2) nil
 - (c) (1) IGST - ₹ 1,08,000; (2) IGST - ₹ 1,526
 - (d) (1) CGST - ₹ 54,000; SGST - ₹ 54,000; (2) CGST - ₹ 763; SGST - ₹ 763
- 2.2 GST on services of transportation of goods provided by Yogi to Mr. Muni:
 - (a) is payable by Mr. Muni @ 5%.
 - (b) is payable by Yogi @ 12%.
 - (c) is payable by Mr. Muni @ 12%.
 - (d) is not payable at all.
- 2.3 Supply of 500 packages given as free gift to Delhi customers on the occasion of Diwali is _____ .
 - (a) a mixed supply
 - (b) not a supply
 - (c) a composite supply
 - (d) a separate supply of chocolate and fruit juice bottle

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- 2.4 For the purposes of GST law, value of supply of catering services provided by Yogi to his elder brother free of cost for his business function in Delhi is _____.
- ₹ 60,500
 - ₹ 55,000
 - ₹ 60,500 or ₹ 55,000, whichever is lower
 - nil as catering services provided by Yogi to his elder brother is not a supply.
3. During access to any business premises under section 71 of the CGST Act, 2017, which of the following records can be inspected by the officers:
- Trial balance
 - Statements of annual financial accounts, duly audited, wherever required;
 - Cost audit report
 - Income-tax audit report
- Choose the most appropriate option.
- (i) and (ii)
 - (i), (ii) and (iv)
 - (ii), (iii) and (iv)
 - (i), (ii), (iii) and (iv) **(2 Marks)**
4. Drishti Public School (DPS) situated in Bilaspur in the State of Chhattisgarh has planned to celebrate its sports day in Bilaspur Stadium located at a distance of 20 km from the school precincts on 15th April. DPS has invited quotes from various suppliers for arranging tent, security and catering for students and teachers. The price has to be quoted including all applicable taxes.
- X & Co., a supplier providing the services required above, is not sure of the GST impact on the above transactions. It seeks your help to determine whether GST is applicable on all the above services or not, so that it can quote the competitive price accordingly.
- Tent, security and catering services: All taxable
 - Tent, security and catering services: All exempt
 - Tent and security services: Taxable; Catering services: exempt
 - Tent: Taxable; Security and catering services: exempt **(2 Marks)**
5. D & Co., registered under GST in Rajasthan, issued an invoice of ₹ 5,00,00,000 (excluding GST) to P & Co. without supplying any goods or services, at the advice of its accountant – Mr. Sunil. GST @ 18% was charged in this invoice. P & Co. availed the ITC on the basis of said invoice and utilised it in the same month. Determine the amount of penalty leviable in this case.
- D & Co.: ₹ 90,00,000; P & Co.: ₹ 90,00,000; Mr. Sunil: Nil
 - D & Co.: ₹ 90,00,000; P & Co.: ₹ 90,00,000; Mr. Sunil: ₹ 90,00,000
 - D & Co.: Nil; P & Co.: Nil; Mr. Sunil: ₹ 90,00,000
 - D & Co.: ₹ 10,000; P & Co.: ₹ 10,000; Mr. Sunil: Nil **(2 Marks)**
6. Sachi Traders, registered in Maharashtra, purchased machinery two years back worth ₹ 2,00,00,000 and did not avail ITC on said machinery at the time of its purchase. After using the machinery for two years, it gave said machinery free of cost in the month of September (in the current year) to an

unrelated person in Punjab. On the date of transfer, open market value of the machinery was ₹ 1,25,00,000 and the written down value was ₹ 1,53,00,530.

In the month of September, it also supplied taxable goods worth ₹ 50,00,000 to Hike Oil Corporation Limited in the territorial waters. The said territorial waters are located at a distance of 5 nautical miles from the baseline of the State of Maharashtra and 7 nautical miles from the baseline of the State of Kerala.

All above amounts are exclusive of GST and rates of applicable CGST, SGST and IGST in above cases are 9%, 9% and 18%.

You are required to determine the amount of net CGST and SGST and/or IGST payable in the month of September.

(a) CGST: ₹ 4,50,000; SGST: ₹ 4,50,000; IGST: Nil

(b) CGST: Nil; SGST: Nil; IGST: ₹ 9,00,000

(c) CGST: Nil; SGST: Nil; IGST: Nil

(d) CGST: ₹ 4,50,000; SGST: ₹ 4,50,000; IGST: ₹ 22,50,000 **(2 Marks)**

7. M/s Fair Engineering Consultants, located and registered under GST in Gurugram, Haryana, provided architectural services to Mahal India Ltd., located and registered under GST in Mumbai, Maharashtra, for its hotel to be constructed on land situated in Dubai.

Determine the place of supply of architectural services provided by M/s Fair Engineering Consultants to Mahal India Ltd.:

(a) Gurugram, Haryana

(b) Mumbai, Maharashtra

(c) Dubai

(d) Either Maharashtra or Dubai, at the option of the recipient **(1 Mark)**

8. In which of the following cases, can an importer claim pilferage and choose not to pay duty under section 13 of the Customs Act, 1962 provided the goods are not restored to the importer after pilferage?

(i) Goods pilfered while on high seas

(ii) Goods pilfered before unloading

(iii) Goods pilfered after unloading but before order for home consumption given by proper officer

(iv) Goods cleared for home consumption

Choose the most appropriate option.

(a) (i) and (ii)

(b) (i) and (iii)

(c) Only (ii)

(d) Only (iii) **(2 Marks)**

9. In which of the following cases, can an importer claim abatement of duty under section 22 of the Customs Act, 1962?

(i) Goods pilfered during unloading

- (ii) Goods damaged by accident (due to negligence of the importer) after unloading but before examination for assessment by customs authorities
- (iii) Goods destroyed by accident while being removed from the warehouse after clearance for home consumption
- (iv) Goods damaged by accident (not due to negligence of the importer) after unloading but before examination for assessment by customs authorities

Choose the most appropriate option.

- (a) Only (iv)
- (b) Only (iii)
- (c) Both (i) and (iii)
- (d) (i), (ii), (iii) and (iv) (2 Marks)

10. What is the relevant date for determining rate of duty in case of warehoused goods cleared for home consumption?

- (a) Date of presentation of into-bond bill of entry
- (b) Date of presentation of ex-bond bill of entry i.e. bill of entry for home consumption
- (c) Date of payment of duty
- (d) Date of import of goods into India (1 Mark)

Division B: Descriptive Questions (70 Marks)

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

1. LMN Company Ltd. of Bengaluru is a manufacturer and registered supplier of machineries. It has provided the following details for a tax period:

Inward supplies	GST paid (₹)
Health insurance of factory employees as required by the Factories Act, 1948	20,000
Raw materials for which invoice has been received and GST has also been paid for full amount but only 50% of material has been received, remaining 50% will be received in next month	18,000
Work contractor's service used for installation of plant and machinery	12,000
Purchase of manufacturing machine sent directly to job worker's premises under delivery challan	50,000
Purchase of car used by director exclusively for the purpose of business meetings	25,000
Outdoor catering service availed for business meetings	8,000

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

Outward supply (exclusive of GST) for the tax period are as follows:

Particulars	1	Value (₹)
Hiring receipts for machine		5,25,000
Service charges for supply of manpower operators		2,35,000

Assume the rates of GST to be as under:

- (i) Service of hiring of machine 12%
- (ii) Supply of manpower operator service 18%

(Ignore CGST, SGST or IGST for the sake of simplicity)

Compute the amount of ITC available as also the net GST payable from the Electronic Cash Ledger for the tax period by giving necessary explanations for treatment of various items.

Note: Opening balance of ITC is Nil.

(14 Marks)

2. (a) RP Manufacturers Ltd., registered in Mumbai (Maharashtra), is a manufacturer of footwear. It imports a footwear making machine from USA. RP Manufacturers Ltd. enters into a contract with Kartik Logistics, a licensed customs broker with its office at Ahmedabad (Gujarat), to meet all the legal formalities in getting the said machine cleared from the customs station.

Apart from this, RP Manufacturers Ltd. authorises Kartik Logistics to incur, on its behalf, the expenses in relation to clearance of the imported machine from the customs station and bringing the same to the warehouse of RP Manufacturers Ltd. which shall be reimbursed by RP Manufacturers Ltd. to Kartik Logistics on the actual basis in addition to agency charges.

Kartik Logistics provided following details in the invoice issued by it to RP Manufacturers Ltd.:

S. No.	Particulars	Amount (₹)
(i)	Agency charges	5,00,000
(ii)	Unloading of machine at Kandla port, Gujarat	50,000
(iii)	Charges for transportation of machine from Kandla port, Gujarat to its Kartik Logistics' godown in Ahmedabad, Gujarat	25,000
(iv)	Charges for transportation of machine from Kartik Logistics' Ahmedabad godown to the warehouse of RP Export Import House in Mumbai, Maharashtra	28,000
(v)	Prepared and submitted Bill of Entry and paid customs duty	5,00,000
(vi)	Dock dues paid	50,000
(vii)	Port charges paid	50,000
(viii)	Hotel expenses	45,000
(ix)	Travelling expenses	50,000
(x)	Telephone expenses	2,000

Compute the value of supply made by Kartik Logistics with the help of given information.

Would your answer be different if Kartik Logistics has charged ₹ 13,00,000 as a lump sum consideration for getting the imported machine cleared from the customs station and bringing the same to the warehouse of RP Manufacturers Ltd.?

(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. 1
 - (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	10%
On 4 th May	1 US \$ = ₹ 72	8%

(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) Sabka 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 August:

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 Sabka Niwas Charitable Trust for the month of August 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)**

- (b) A Enterprises, supplier of sewing machines, is located in Kota (Rajasthan) and registered for purpose of GST in the said State. It receives an order from D Traders, located in Jalandhar (Punjab) and registered for the purpose of GST in the said State. The order is for the supply of 100 sewing machines with an instruction to ship the sewing machines to Jain Sons, located in Patiala (Punjab) and registered in the said State for purpose of GST. Jain Sons is a customer of D Traders. Sewing machines are being shipped in a lorry by A Enterprises.

Briefly explain the following:

- (a) the place of supply;
 (b) the nature of supply:- whether inter-State or intra-State and
 (c) whether CGST/SGST or IGST would be applicable in this case. **(4 Marks)**
- (c) M/s. AB, a 100% export oriented undertaking (100% E.O.U. in short) imported DG sets and furnace oil duty free for setting up captive power plant for its power requirements for export production. This benefit was available vide an exemptions notification. They used the power so generated for export production but sold surplus power in domestic tariff area.

Customs Department has demanded duty on DG sets and furnace oil as surplus power has been sold in domestic tariff area. The notification does not specifically restrict the use of imported goods for manufacture of export goods.

Do you think the demand of the Customs Department is valid in law. **(5 Marks)**

4. (a) Pink Enterprises, Kanpur started trading exclusively in ayurvedic medicines from July 1. Its turnover exceeded ₹ 40 lakh on October 3. The firm applied for registration on October 31 and was issued registration certificate on November 5.

Examine whether any revised invoice can be issued in the given scenario. If the answer to the first question is in affirmative, determine the period for which the revised invoices can be issued as also the last date up to which the same can be issued. **(5 Marks)**

- (b) Nature 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 Pankh, 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 Pankh. The goods are transported to Pankh in Delhi, in a single conveyance owned by R Transporters.

You are required to advise Nature Cosmetics Ltd. with regard to issuance of e-way bill(s). **(4 Marks)**

- (c) Radhey Shyam Industries has challenged the imposition of anti-dumping duty retrospectively on the grounds that it is unconstitutional. Explain whether it would succeed in its contention.

(5 Marks)

5. (a) A & Co. self-assessed its tax liability as ₹ 90,000 for the month of April, but failed to make the payment.

Subsequently the Department initiated penal proceedings against A & Co. for recovery of penalty under section 73 of the CGST Act, 2017 for failure to pay GST and issued show cause notice on 10th August which was received by A & Co. on 14th August.

A & Co. deposited the tax along with interest on 25th August and informed the department on the same day.

Department is contending that he is liable to pay a penalty of ₹ 45,000 (i.e. 50% of ₹ 90000).

Examine the correctness of the stand taken by the Department with reference to the provisions of the CGST Act. Explain the relevant provisions in brief. **(5 Marks)**

- (b) Mr. P had filed an appeal before the Appellate Tribunal against an order of the Appellate Authority where the issue involved relates to place of supply. The order of Appellate Tribunal is also in favour of the Department. Mr. P now wants to file an appeal against the decision of the Appellate Authority as he feels the stand taken by him is correct.

You are required to advise him suitably with regard to filing of an appeal before the appellate forum higher than the Appellate Tribunal. **(4 Marks)**

- (c) After visiting USA for a month, Mrs. and Mr. Bansal (Indian residents aged 35 and 40 years respectively) brought to India a laptop computer valued at ₹ 70,000, used personal effects valued ₹ 1,40,000 and a personal computer for ₹ 58,000.

Calculate the custom duty payable by Mrs. & Mr. Bansal, if any. **(5 Marks)**

6. (a) Discuss the liability to pay tax, interest or penalty on death of a person liable to pay tax, interest or penalty as per the provisions of section 93(1) of the CGST Act, 2017. **(5 Marks)**

- (b) Explain the provisions relating to rectification of errors apparent on the face of record under section 161 of the CGST Act, 2017. **(4 Marks)**

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- (c) Can the rate of drawback be granted provisionally to the exporter where amount or rate of drawback has not been determined? Briefly explain. **(5 Marks)**