



FOR CA FINAL EXAM PREPARATION

CA Final 2021 Question Paper · Paper 8 Indirect Tax Laws

EXAM	YEAR	TYPE	SUBJECT
CA Final	2021	Question Paper	Paper 8 Indirect Tax Laws
DATE			
January 2021			

Final New Syllabus
Paper - 8
Indirect Tax Laws

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JAN 2021

Roll No.
 Total No. of Questions – 6

Total No. of Printed Pages – 15
 Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No bar code sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 marks

- (1) Question paper Comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
- (2) Working notes should form part of the answer.
- (3) Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
- (4) All the questions should be answered on the basis of position of (i) GST laws as amended by the provisions of the Finance (No. 2) Act, 2019, which have become effective till 30th April, 2020 and significant notifications/circulars issued till 30th April 2020 and (ii) Custom law as amended by Finance (No. 2) Act, 2019 and significant notifications/circulars issued till 30th April, 2020.

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PART – II

1. M/s. Cash and Credit Ltd. is registered with GST department in the state of Maharashtra. It has its registered office at Mumbai. It is engaged in the business of production, manufacture and supply of fresh fruits, vegetables, fresh juices and fruit pulp etc. It has made the following intra-state supplies during the month of April, 2020 : 14

S. No.	Particular	Amount in ₹ Lakhs
1.	Fresh fruits	11,00
2.	Vegetables	11,00
3.	Fresh juices	20,00
4.	Carbonated Fruit Drink	2,00

GST Rate as applicable on above supplies is as follows :

S. No.	Particular	CGST	SGST	IGST
1.	Fresh fruits	Nil	Nil	Nil
2.	Vegetables	Nil	Nil	Nil
3.	Fresh juices	6%	6%	12%
4.	Carbonated Fruit Drink	14%	14%	28%

Further, for making the supplies of Fruit Juices, it has used the services of Goods Transport Agency (“GTA”) based in Ahmedabad who have charged them ₹ 20 Lakhs as charges for their services. Such GTA have not charged any tax on their invoices. Rate of tax on GTA under reverse charge is 5%.

In respect of the above supply, the Company has received the following inward supplies :

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S. No.	Particular	Amount of Purchase in ₹ (in Lakhs)	Amount of Input Tax Credit thereon in ₹ (in Lakhs)		
			CGST	SGST	IGST
1.	Fresh fruits for supply	8,00	Nil	Nil	Nil
2.	Vegetables for supply	12,00	Nil	Nil	Nil
3.	Fruit Pulp used for fruit juice and carbonated drink	2,00	20	20	Nil
4.	Sugar used for fruit juice and carbonated drink	1,00	6	6	Nil
5.	Preservatives for fruit juice and carbonated drink	1,00	Nil	Nil	12
6.	Water for fruit juice and carbonated drink	20	Nil	Nil	Nil
7.	Administrative Expenses (Common)	40	2	2	Nil
8.	Marketing Expenses (Common)	50	Nil	Nil	10
9.	Purchase of Machinery (Capital Goods) for Fruit drink Manufacture	40	Nil	Nil	8
10.	Motor Vehicle for Director official use	100	14	14	Nil

Compute the output GST liability, available ITC, and payment to be made from Electronic Cash and Credit Ledger for the month of April, 2020 (considering that the entire ITC shall be utilized for payment of tax).

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2. (a) Determine Place of Supply along with reasons in the following cases : **9**

- (i) Mr. X, an architect (Kolkata), provides interior decorator services to Mr. Y of New York (USA) in relation to his immovable property located in New Delhi.
- (ii) Mr. A (a Chartered Accountant registered in Kolkata) supplies services to his client in Bhubaneswar (Registered in Bhubaneswar, Odisha)
- (iii) ABC Ltd. of Patna imported certain goods from XYZ Inc. of USA. The goods were imported through vessel and delivery of goods was taken at Kolkata, whereafter the movement terminates and the goods are stored.
- (iv) Mr. X, 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 Mr. X in Guwahati.
- (v) Mr. X residing in Chennai is travelling with an Indian Airline aircraft and is provided with movie-on-demand service for ₹ 100 as on board entertainment during Delhi-Chennai leg of a Bangkok-Delhi-Chennai flight.
- (vi) Mr. X of Kolkata purchased online tickets for Aquatica water park in Mumbai.

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(vii) Mr. Z, an unregistered person of Kolkata sends a courier from New Delhi to his friend in Chennai, Tamil Nadu while he was on trip to New Delhi.

(viii) Mr. X, a registered person in Ranchi, Jharkhand buys shares from a broker in Patna on NSE, Mumbai. Determine the place of supply of brokerage service.

(ix) XYZ Ltd. New Delhi entered into contract with an Indian airline for the supply of biscuit packets for further supply by airline to the passengers in Kolkata-Guwahati route. The biscuits were loaded on board in Lucknow.

(b) ABC Trade International Limited has imported one machine from USA. It has given the following particulars : **5**

(i) Price of the machine 10,000 USD

(ii) Freight paid (air) 2,500 USD

(iii) Design and development charges paid to Supplier in USA 500 USD

(iv) Commission payable to local agent of exporter, paid by ABC Trade International Limited ₹ 14,000

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- (v) Date of bill of entry 24-10-2019
- Rate of Basic Customs Duty (BCD) 10%
 - Exchange rate as notified by CBIC: ₹ 70 per USD
 - Inter-bank Exchange rate on the date of bill of entry : ₹ 72 per USD
- (vi) Date of arrival of aircraft 20-10-2019
- Rate of Basic Customs Duty (BCD) 20%
 - Exchange rate as notified by CBIC ₹ 68 per USD
 - Inter-bank Exchange rate on the date of arrival of aircraft : ₹ 71 per USD
- (vii) IGST Rate : 12%
- (viii) Insurance charges have been actually paid but details are not available

Compute the total customs duty and IGST payable by ABC Trade International Limited

Note: Ignore GST Compensation Cess and Social welfare surcharge.

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3. (a) M/s. ABC Manufacturers, registered in West Bengal, sold air-conditioner to a retail seller in Bhubaneswar, at a value of ₹ 49,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of air-conditioning machine to the retail seller in Bhubaneswar. You are required to advise M/s. ABC Manufacturers on the following issues along with suitable explanations :
- (i) Whether e-way bill is mandatorily required to be generated ? 5
- (ii) What will be the consequence for non-issuance of e-way bill ?
- (b) (i) Explain the provisions of Customs Act, 1962 relating to computation of limitation for submission of refund application. 2
- (ii) Would the period of limitation for claiming refund applicable to refund of amount paid on account of duty paid twice under mistake ? Briefly discuss with reference to legal provisions and case law. 3
- (c) (i) Briefly discuss Article 246A of the Constitution of India. 2
- (ii) Whether the transporters, who are not registered under the GST, are required to maintain any records under the provisions of CGST Act, 2017 ? Also explain, if any other unregistered persons who are required to maintain records under GST. 2

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4. (a) M/s. ABC Ltd., a registered supplier, is engaged in the manufacture of Dyeing Machines. The company provides the following information pertaining to GST paid on the purchases made / input services availed by it during the month of September 2020 :

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	Particulars	GST Paid ₹
(i)	Purchase of 10 Apple i-pads which were given as gift to employees.	1,85,000
(ii)	Payment for Club Membership availed by employees as per terms of employment.	90,000
(iii)	Purchase of Maxi Cab for transport of its employees to and fro from Home to office.	70,000
(iv)	Purchase of calendars and diaries for distribution as new year compliments to customers and distributors.	25,000
(v)	Works Contract services availed for erection and Installation of RO Treatment Plant in Factory.	35,000

Determine the amount of ITC available to M/s. ABC Ltd. for the month of September, 2020 by giving necessary explanations for treatment of various items. None of expenses incurred for staff was under statutory obligation and seating capacity of the Maxi Cab was 13 excluding driver.

Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.

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- (b) Anirudh Ltd. is registered in Telangana and paid IGST on a transaction considering the same to be inter-state supply on the basis that the customer is situated in Delhi.

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However GST authorities have raised a dispute and have issued a show cause notice that since the services are rendered within Telangana, it is an intra-state supply leviable to CGST and SGST.

Anirudh Ltd. has lost the case before the proper officer and also in first appeal before the Departmental Appellate Authority.

Advise Anirudh Ltd. regarding the following :

- (i) Can Anirudh Ltd. file an appeal against the order of the first Appellate Authority ? If yes, before which forum can Anirudh Ltd. file the said appeal ?
- (ii) Once a valid appeal is filed by Anirudh Ltd. before the appropriate forum, can the authorities insist Anirudh Ltd. to deposit the CGST and SGST which the authorities are claiming that Anirudh Ltd. ought to have paid but has not paid.
- (iii) If Anirudh Ltd. loses at the 2nd appellate stage as well, is there any other Statutory forum available for Anirudh Ltd. to file another appeal ? If yes, before which forum ?
- (iv) Assuming Anirudh Ltd. loses at all levels, would there be any interest liability on Anirudh Ltd. ?

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- (c) M/s. Precise Finishing Ltd. imported consignment of graphic design system and one electronic flat knitting machine. The graphic design system is a computer system required to design the artwork which shall be knitted by the flat knitting machine. Graphic design system is not an integral part of electronic flat knitting machine. 5

In exercise of the powers conferred by sub-section (1) of Section 25 of the Customs Act, an exemption had been granted in respect of electronic flat knitting machine and falling within Chapter 85 of the First Schedule to the Customs Tariff Act, 1975. The exemption does not include any specific mention of accessories to the machine. M/s. Precise Finishing Ltd. has claimed exemption of the said notification in respect of Graphic Design System also as accessory of Flat Knitting Machine.

The Customs department rejected the importer's claim for exemption on Graphic Design System. Examine whether the department's action is sustainable in law.

5. (a) GER Ltd. of Germany supplies luxurious car worth ₹ 1 Crore to IND Ltd. of India. Before the car reached Indian port but after crossing of the territorial waters of India, IND Ltd. sells it to T1 Ltd. by way of transfer of documents of title. 5

T1 Ltd. clears the said car for warehousing and stores the said goods in customs bonded warehouse.

T1 Ltd. sells the said car from warehouse to T2 Ltd., and T2 Ltd., clears the said car from the customs bonded warehouse.

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Answer the following with brief reasons :

- (i) Is GST leviable on import of goods from GER Ltd. by IND Ltd. ?
- (ii) Is GST leviable on supply of goods by IND Ltd. to T1 Ltd. ?
- (iii) Is GST leviable on supply of goods by T1 Ltd. to T2 Ltd. ?
- (iv) Is GST leviable on clearance of goods by T2 Ltd. from the Customs bonded warehouse ?

- (b) 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. 5
- (c) Why was there a need for making a Constitutional amendment for introduction of GST ? Discuss significant provisions of Constitution (101st Amendment) Act, 2016. 4

OR

Elaborate about Cognizable and non-cognizable offences under the CGST Act, 2017. What is the difference between these two while exercising powers by the GST authorities ? 4

- 6. (a) M/s. X Ltd., a manufacturer of heavy machines registered at Mumbai (Maharashtra), supplied one machine to M/s. Y Ltd. in Pune (Maharashtra) on 19-02-2020 under an invoice of the same date. Using the information given below, compute the value of machine and the GST payable (CGST, SGST and IGST as the case may be) in cash for the month of February 2020 by M/s. X Ltd. with appropriate working notes. 5

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Assume Rate of CGST, SGST and IGST on the machine to be 9%, 9% and 18% respectively.

Sl. No.	Particulars	Amount (₹)
1.	The Basic price of the machine (exclusive of taxes and discount)	18,00,000
2.	Trade Discount is allowed at 10% on the basic price and is shown in the invoice.	1,80,000
3.	Secondary packing (in iron sheets) charged for safe transportation of the machine on the request of buyer.	30,000
4.	Design and Engineering charges of the machine paid by M/s. Y Ltd. To M/s. X Ltd.	90,000
5.	Pre-delivery inspection charges paid by Y Ltd. to an independent agency "Inspection India". In terms of the Agreement for supply, it was the discretion of the buyer 'Y Ltd.' to appoint, if it so desires, any agency for pre-delivery inspection, and also to itself pay to such agency.	22,000
6.	Interest amount paid by M/s. Y Ltd. for delay in payment of the machine, said interest was paid by Y Ltd. in April 2020	12,000

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INWARD SUPPLY : IGST paid on food items for consumption by employees working in the factory. The said food items are provided as per the declared company policy which is duly informed to the employees while they are recruited and forms part of their appointment letter, though there is no such obligation in law.	10,000
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M/s. X Ltd. has no Input Tax Credit balance at the beginning of February 2020. All the other conditions necessary for availing the eligible Input Tax Credit have been fulfilled. There is no other transaction of supplies during the month of February 2020. M/s. X Ltd. and M/s. Y Ltd. are not related persons.

Provide your answers with reasons and with reference to the provisions of law.

- (b) From the following information of independent cases, your expert advice, with appropriate reasoning, is sought on the applicability of TDS/TCS provisions of CGST Act, 2017. You shall also quantify the amount of TDS/TCS, as the case be, if the same is applicable. 4
- (i) Top Fashions, a designer cloth dealer and registered in the state of West Bengal, effected supply through 'QUICK DEAL', an Electronic Commerce Operator. Net Value of taxable intra-state supplies effected for the month of October 2019 was ₹ 1,50,000.

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- (ii) M/s. Super Builders, a registered supplier in Tamil Nadu, was awarded a works contract by Government of Tamil Nadu amounting to ₹ 4,30,000. Of this, value of exempt supply was ₹ 1,00,000.
- (iii) Tasty Caterers, a registered supplier of Kerala, provided Catering services in Kochi, Kerala to Government of Andhra Pradesh for its annual training camp held for its Staff. Value of said services was ₹ 4,50,000.
- (c) M/s Great Year Ltd., imported a offset printing machine from Germany for ₹ 5.00 Crores and the bill of entry for home consumption was cleared in October, 2019 on payment of duty. However, due to certain technical glitches the said machine could not be started functioning and the said machine was sent-back to the supplier for repairs in November, 2019. The manufacturer of machinery in Germany had made necessary repairs and had sent back the machine again to M/s Great Year Ltd. Accordingly, M/s Great Year Ltd. re-imported the machine without any re-manufacturing or re-processing in March 2020. Since the machine was having manufacturing defect, the repairs were carried out by the machine manufacturer without charging any amount for the repairs. However, the fair cost of repairs carried out including cost of material consumed during repairs for ₹ 70 lakh, would have been ₹ 90 lakh. Actual insurance and freight charges incurred were ₹ 7.5 lakh each side from India to Germany and from Germany to India. Assume the rate of basic customs duty is 10%, social welfare surcharge is 10% and integrated tax is 18%. 5

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You are required to Compute the amount of customs duty payable (if any) on re-importation of the machine. Make the necessary assumptions, if required. Also, provide the exemption, if any, with regard to re-importation of goods which had been exported for repairs abroad.

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