



FOR CA FINAL EXAM PREPARATION

CA Final 2022 Question Paper · Paper 8 Indirect Tax Laws

EXAM

CA Final

YEAR

2022

TYPE

Question Paper

SUBJECT

Paper 8 Indirect Tax Laws

DATE

November 2022

**Final New Syllabus
Paper - 8
Indirect Tax Laws**

JEL2

NOV 2022

Roll No.

Total No. of Printed Pages – 11

Total No. of Questions – 6

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 MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book 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 answer book.**
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, and (b) the answer book in respect of descriptive answer book with OMR cover page 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 law as amended by significant Notifications / Circulars issued till 30th April, 2022 and (ii) CGST Act, 2017 and IGST Act, 2017 as amended by the Finance Act, 2021 and which have become effective upto 30th April, 2022 and (iii) Customs law as amended by the Finance Act, 2021 including significant Notifications and Circulars issued and other legislative amendments made upto 30th April, 2022.

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PART – II

1. The details of transactions of J Ltd, Vadodara (Gujarat), a registered taxable person, during the month of February, 2022, are as under : 14

S. No.	Particulars
1	Purchased goods from a manufacturer in Maharashtra as a merchant exporter (on payment of 0.1% IGST) and exported the same directly to an importer of Spain under LUT. FOB value is ₹ 7,00,000. Invoice for the supply to J Ltd was received on 5/2/22 and payment was made on 8/2/22.
2	Imported goods from China with CIF value of ₹ 5,00,000. The goods were sold for ₹ 5,10,000 as high sea sales to an indian party on 21/2/22.
3	Purchased goods from a party in Taiwan. Sold the goods to a party in Turkey without bringing the goods to India. Purchase value was ₹ 5,00,000 and the sale price was ₹ 7,00,000. J Ltd paid sales commission of ₹ 50,000 to Mrs. T, their agent in connection with this transaction. The transaction was completed in the third week of February. (The figures in rupees have been given after conversion though transaction was in convertible foreign currency).
4	J Ltd has agreed to provide technical services to Mr. K of Ahmedabad who is an unregistered person in connection with the manufacturing operations to be undertaken by him for a consideration of ₹ 5,00,000 and has received an advance of ₹ 1,00,000 for the same on 2/2/22.

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5	It has imported raw materials from China. CIF Value of the goods for the purpose of customs included ₹ 1,00,000 as ocean freight paid by J Ltd. The value for the purpose of levy of IGST worked out by Customs was ₹ 6,00,000. Clearance of the goods took place on 4/2/22.
6	Locally purchased taxable raw material stored in the factory got spoiled due to rain water in the factory and became unusable. J Ltd claimed and received insurance amount of ₹60,000 for the same. Value of the raw material at the time of receipt was ₹ 70,000. Raw material was purchased from a party in Gujarat on 3/2/22 and payment was made on 7/2/22.
7	Company purchased a three wheeler having capacity of 2 persons including driver (engine capacity 20CC) at a cost of ₹ 2,50,000 which is being used for transportation of staff of company from residence to factory and back. The vehicle was received on 5/2/22 and payment was made on the same date.
8	It has paid inward transportation expense of ₹ 30,000 to Mr. Z, a tempo owner who has not issued any consignment notes. He has issued a consolidated bill only on 3/2/22 and payment was made on 4/2/22.
9	It has supplied goods of value of ₹ 50,00,000 to V Ltd, Padra, Gujarat (includes ₹ 10,00,000 supplied to SEZ unit of V Ltd).
10	It has purchased goods from X Impex Ltd, Kadi, Gujarat for use as raw materials in its factory. The value of the goods is ₹ 30,00,000. Invoice is dated 2/2/2022.

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11	It has availed supply of manpower security services from Y Ltd Vadodara, Gujarat, a registered taxable person. The amount paid is ₹ 1,00,000. The invoice was received on 1/2/2022 and payment was made on the same day.
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Assume the CGST and SGST rates to be 9% each and IGST rate to be 18% excepting the supply received as a merchant exporter. Ignore compensation cess. J Ltd had an opening balance of ITC of CGST ₹ 20,000 and SGST ₹ 20,000 as on 1/2/2022. In respect of all the inward supplies, suppliers have uploaded their invoices in respective GSTR1 and the supplies are reflected in GSTR 2A/2B. All the figures given above are exclusive of GST, wherever applicable.

Work out the admissible ITC and GST liability [CGST, SGST or IGST, as the case may be] payable in cash, by J Ltd, Vadodara (Gujarat), for February, 2022.

Ensure that all the items in the table are covered in your answer. Provide supporting explanatory note for your conclusion wherever required.

2. (a) RAM Company Ltd., a registered supplier of Prayagraj (Uttar Pradesh), is a manufacturer of goods. The company provides the following information pertaining to GST paid on inward supplies during the month of April (current financial year) : 9

Serial No.	Items	GST paid in (₹)
(i)	Life Insurance premium paid by the company for the life insurance cover of factory employees as per the policy of the company. There is no legal obligation to provide insurance cover for employees.	1,50,000

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(ii)	In the month of September of previous financial year, RAM Company Ltd. availed ITC of ₹ 2,40,000 on purchase of raw material which was directly sent to job worker's premises under a challan on 25 th September (previous financial year). The said raw material has not been received back from the job worker upto 30 th April (current financial year).	
(iii)	Raw materials purchased which are used for exempted goods supplied as zero rated supply.	50,000
(iv)	Works contractor's service used for repair of factory building which is debited in the profit and loss account of company.	30,000
(v)	Company purchased the capital goods for ₹ 4,00,000 and claimed depreciation of ₹ 44,800 (@ 10%).	48,000
(vi)	Raw materials purchased from Neha Traders (Invoice of Neha Traders is received in the month of April but goods were received in month of June)	20,000
(vii)	Car purchased for making further supply of such car. Such car is destroyed in accident while being used for test drive by potential customers.	30,000
(viii)	Goods used for setting up tele-communication towers	50,000

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JEL2**Other information :**

All the above inward supplies except at S. No. (iii) above have been used in the manufacture of taxable goods.

Compute the amount of net ITC available to RAM Company Ltd. for the month of April with necessary explanations for the treatment of all the items in the table as per the provisions of the CGST Act. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

- (b) Mr. X, a chemical manufacturer, imports a machine from Germany on 12th January, 2019 for ₹ 20 Lakhs. Mr. X is eligible for concessional rate of customs duty on capital goods imported by him subject to the condition that he follows the Customs (Import of goods at concessional rate of duty) Rules, 2017. Machinery was put to use on 1st February, 2019. On 5th April, 2022, Mr. X wants to clear the machine for home consumption after having used the machine for the specified purpose for which it was imported. Mr. X requires your help in calculating the customs duty he will be liable to pay for such clearance as per rule 7 of Customs (Import of goods at concessional rate of duty) Rules, 2017. Concessional rate of basic customs duty is 5%. Normal rate of basic customs duty is 20%. Calculate the basic customs duty payable by Mr. X on clearance of such capital goods for home consumption on 5th April, 2022. Ignore interest calculation.

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JEL23. (a) Determine the place of supply for the following independent cases : **5**

I. Festival Event, an event management company at Mumbai, organises two business promotion events for Prabhu Enterprises (Registered in Ahmedabad, Gujarat) at New Delhi and in Malaysia.

II. Global Planners (Jodhpur, Rajasthan) is hired by Mr. John (unregistered person based in Kochi, Kerala) to plan and organize his son's wedding at Mumbai, Maharashtra. Will your answer be different if the wedding is to take place in Singapore ?

(b) XYZ Consultancy, registered in Bangalore, supplies technical consultancy services to its clients. It has been providing technical services to BA Ltd, Mumbai since past two years. Consideration is settled by BA Ltd assignment wise. BA Ltd paid ₹ 37 lakhs to XYZ Consultancy on 10th January, 2022 on XYZ Consultancy for agreeing not to provide similar technical services to any other business entity in India or abroad for a period of 8 years. XYZ Consultancy is of the view that ₹ 37 lakh is not chargeable to GST. **4**

You are required to examine whether the view taken by XYZ Consultancy is valid in law. Calculate GST liability of XYZ Consultancy, in case you feel that GST is chargeable. Round off the tax amount if due in accordance with law. The technical services provided by XYZ consultancy is otherwise chargeable to IGST at the rate of 18% and XYZ have been discharging the GST liability on consultancy charges. It may be noted that BA Ltd is not ready to pay any further amount to XYZ Consultancy in addition to the amount already agreed.

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- (c) KIP Chemical, Ahmedabad, Gujarat supplies goods to ACCP, Bharuch, situated in Dahej SEZ (Gujarat). Examine with reference to decided case law, whether such supply is chargeable to export duty under the provisions of Customs Act, 1962. 5

4. (a) BSA Corporation is a Public Sector Undertaking registered in Karnataka. For entertainment events in Bengaluru and at Mumbai, BSA has given contract to Mr. A, a renowned artist, registered person in Maharashtra, to perform on contemporary Bollywood songs. BSA Corporation agreed to pay ₹ 12,39,000 and ₹ 18,29,000, inclusive of GST, for Mumbai and Bengaluru events respectively. BSA Corporation seeks your advice regarding amount of TDS to be deducted assuming GST Rate @ 18% (CGST @ 9%, SGST @ 9%, IGST @18%). 5

- (b) Khurania Filling Station, having its head office in Faridabad, Haryana has given details of transactions as under in a financial year : 4

Supply of petrol at Faridabad, Haryana	₹ 14,00,000
Value of inward supplies on which tax is payable on reverse charge basis	₹ 11,00,000
Supply of transformer oil at Faridabad, Haryana	₹ 2,50,000
Value of branch transfer from Faridabad, Haryana to Ludhiana, Punjab without payment of consideration	₹ 3,00,000
Value of taxable supplies at Mizoram branch	₹ 12,40,000

It argues that it does not have taxable turnover crossing threshold limit of ₹ 40,00,000 either at Faridabad, Haryana or Ludhiana, Punjab and including turnover at Mizoram branch. Therefore there is no need to take registration.

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Compute the aggregate turnover of Khurania Filling Station and indicate whether the firm is required to take registration. Give reasons for your conclusion.

- (c) Mission Life, an NGO, from Indore, M. P. has imported 800 MT of food products from Australia for free distribution to needy people in backward area of Sagar, M. P. under a Central Government scheme. Exporter from Australia has charged only US\$ 20 per MT to cover costs towards freight, insurance etc. and none towards cost of food products. Customs Department found that at or about the same time of importation, following imports of said food products of Australian origin have been made :

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S. No	Quantity imported in MT	Unit CIF price in US\$
1.	40	270
2.	100	220
3.	500	200
4.	900	180
5.	400	190
6.	760	160

Discuss the various principles to determine the transaction value of aforesaid transaction under Customs Act, 1962 and determine the CIF price that can be considered for assessment in this case.

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5. (a) Arjun has committed offence under CGST Act which can be compounded as per provisions of section 138(1) of the CGST Act, 2017. He has paid the tax amount of ₹ 10 lakhs involved in the offence. He wishes to apply to Commissioner for compounding the said offence. You are required to compute minimum and maximum compounding amount as per provisions of Section 138(2) of the CGST Act, 2017 payable by Arjun. What are the consequences, if Arjun pays such compounding amount as may be determined by Commissioner. 5
- (b) Comet Chem of Ahmedabad handed over goods to transporter Ram Roadways to carry the same from Ahmedabad to Bharuch in Gujarat. The value of the goods is ₹ 80,000 which is chargeable to tax @ 18 % GST (9% SGST + 9% CGST) and in transit, proper officer intercepted the vehicle under Section 68 of CGST Act and seized the goods. Calculate the penalty payable under Section 129 of CGST Act, 2017 for release of the goods : 4
- If Comet Chem; Owner of goods comes forward for payment of penalty;
 - If Comet Chem, Owner of goods does not come forward for payment of penalty.

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- (c) Kiara of Indian origin, came to India on tour with her baby of 1 year. She brought following goods :

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1.	Personal effects	50,000
2.	Used personal effects of infant	10,000
3.	New camera	45,000
4.	Mobile phone	12,500
5.	Cigarette sticks 70	1,000
6.	Wine – 2 litres	18,000
7.	Travel souvenirs	5,000
8.	Laptop	90,000

Indicate the taxability or taxable value in respect of each item in the table and calculate customs duty payable rounded off to the nearest rupee in accordance with law. There is no need for any notes to support the conclusions regarding taxability or taxable amount.

- (a) Can Mr. Venkat obtain advance ruling for the issue related to place of supply ? Also list all issues for which advance ruling can be sought.

4**OR**

Mr. Mahendra, a registered person came to know about QRMP (Quarterly Return-Monthly Payment) scheme but was unable to make a decision whether to opt for the same or not. Describe the eligibility criteria and benefits of QRMP Scheme to help Mr. Mahendra make a decision regarding the same.

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- (b) Explain in what cases, assessment order passed by proper officer may be withdrawn under CGST Act, 2017 in cases of summary assessment and best judgements assessment ?

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- (c) What are the exceptions provided under sub-section 2 of section 27 of Customs Act, 1962 in which refund of duty and interest may be paid to the applicant ?

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