



FOR CA FINAL EXAM PREPARATION

CA Final 2019 Question Paper · Paper 8 Indirect Tax Laws

EXAM	YEAR	TYPE	SUBJECT
CA Final	2019	Question Paper	Paper 8 Indirect Tax Laws
DATE			
November 2019			

(Old Syll)

Indirect Tax

GXD2

11/11/19

Roll No.

Total No. of Printed Pages – 12

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 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 question.
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 significant notifications/circulars issued till 30th April, 2019 and (ii) Custom law as amended by Finance Act 2018 and significant notifications/circulars issued till 30th April, 2019.

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1. Sukhdev is a mining engineer. He has crossed the threshold limit for registration under the GST Law and is duly registered in the State of Maharashtra. He effects the following transactions in the month of March, 2019 and wants you to compute the tax payable in cash. He has filed bond/LUT to claim benefits from zero-rated supplies. The following are the particulars furnished by him. 14

Sl. No	Particulars	Value of supply in ₹
(a)	Sukhdev being an operating member in mining and exploration services at Mumbai High, has provided certain services to the Joint Venture (JV) in which he is also a participant. He believes that the consideration received from the JV is 'Cost Petroleum' and not taxable.	12,00,000
(b)	He has purchased certain machinery from outside the State, to render services to the JV at Mumbai High.	6,00,000
(c)	He has obtained legal opinion from a local firm of advocates to enter into the contract with the JV, for providing services to it.	1,00,000
(d)	He has obtained accommodation from the State Government to locate his office close to the sea shore.	2,00,000

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(e)	He gets a portion of the petroleum silt as part of the compensation while exploring the petroleum reserves in the Bombay High- which as per the contract with the Government is part of 'Cost Petroleum'.	6,00,000
(f)	He sells the petroleum silt to a SEZ Developer in Mumbai	6,80,000
(g)	Consideration is received towards transfer of tenancy rights, which according to Sukhdev is not liable to GST as it has suffered stamp duty.	8,00,000
(h)	On violation of the terms in production sharing agreement, Sukhdev has paid liquidated damages to the Government.	3,00,000
(i)	He has been assigned the right to collect royalty on behalf of Maharashtra Government, as 'Excess Royalty Collection Contractor'. He has noticed that the mining lease holders have short paid ₹ 2,00,000 as IGST from what had been exempted to him under the assignment.	—
(j)	He has sold self-fabricated machinery through his agent in Mumbai, that has been used for 2 years, the value of which is not available in the open market. The agent sells it immediately to an unrelated customer in Mumbai.	10,00,000

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(k)	Opening Balance and brought forward tax credits are as follows:	
	- Electronic Cash Ledger - CGST	12,000
	- Electronic Credit Ledger - CGST	18,000
	- Electronic Credit Ledger - SGST	12,000
	- Electronic Credit Ledger - IGST	60,000
(l)	Supply value is exclusive of taxes. Supply of services are taxable at CGST 9%, SGST 9% and IGST 18% and supply of goods are taxable at CGST 2.5%, SGST 2.5% and IGST 5%. Determine the tax payable in cash. Provide suitable notes where required.	

2. (a) BODMAS Ltd., providing educational services, furnishes you with the following information for the various service provided by it for the month of March, 2019. 9

Particulars	₹
Receipts from running a Boarding School (including receipts for providing residential dwelling service ₹14,00,000)	30,00,000

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Receipts of 'Gyan Uday' an Industrial Training Institute (ITI) affiliated to the National Council for Vocational Training (NCVT)	2,00,000
Receipts of 'Lakshya', an institute, registered with Directorate General of Employment and Training (DGET), Union Ministry of Labour and Employment, running a Modular Employable Skill Course (MESC) approved by the National Council for Vocational Training (NCVT)	1,00,000
Receipts of 'Wizard' a Commercial Coaching Institute providing commercial coaching in the field of arts and science (no certificate was issued on completion of the training)	80,000
Fees from prospective employers for campus interview	4,00,000
Renting of furnished flats for temporary stay to different persons	5,00,000
Receipts of 'Concepts', a Commercial coaching institute providing coaching in the field of commerce (a certificate was awarded to each trainee after completion of the training)	1,40,000
Receipts of Gurukul School providing education upto higher secondary	5,00,000

Compute the value of taxable supply assuming that all the above receipts are exclusive of GST.

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- (b) Mr. X has imported a machine from Japan in June 2018 for ₹ 50 lakhs. . 5
However, the machine was exported back in December 2018 for repairs. The supplier has agreed to carry out the repairs as the machine was still in warranty period, which would normally take 6 months. The fair cost of the repairs will cost ₹ 10 lakhs. In the mean-time, Mr. X has requested the supplier to provide him another machine so that he can carry out his operations without hindrance. Acceding to the request, the supplier has provided him with another machine which was imported during February 2019. The value of the new machine is ₹ 55 lakhs. Freight charges incurred were ₹ 2 lakhs. You are required to compute the Assessable value and Total duty payable for the above transaction of replacement.

Customs duty is 10% and IGST is 12%. Social Welfare Surcharge to be taken at 10%.

3. (a) Mr. Rajbeer, a registered person at Delhi, is in the business of selling 5
goods relating to interior decoration under the Firm name M/s. Rajbeer & Sons. He has opted for Composition scheme for the Financial Year (FY) 2018-19
His turnover for FY 2018-19 is ₹ 80 lacs and is expected to achieve ₹130 lacs in FY 2019-20. Discuss whether M/s Rajbeer & Sons can still enjoy the benefits of Composition Scheme in FY 2019-20.

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His son Karan wants to start business of providing services relating to interior decoration, after completing post-graduation course in interior decoration under same firm name M/s Rajbeer & Sons with effect from 1.4.2019 and wants to enjoy the benefits of composition scheme under GST.

Advise Mr. Rajbeer and his son Karan.

- (b) Surya Agencies has agreed to supply goods to customer's premises. 4
 Goods valued ₹ 80,000 are taxable at 5% IGST as it is an Inter-State supply. It also pays freight and transit insurance of ₹ 12,000. GTA is a registered entity and has charged GST (6% CGST and 6% SGST) under forward charge.
- (i) Compute the Invoice value of supply including IGST.
 (ii) What will be the Invoice value of supply including IGST, if the supply was under ex-factory basis instead of door-delivery basis ?
- (c) During the year 2018, the Customs Authorities have noticed that there 5
 is an increased quantity of Product XYZ being imported into the Country. Determine whether the Central Government should consider levying Safeguard duty or Antidumping duty with appropriate reasons. Also enumerate any exemptions/reliefs available from such duty.

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4. (a) The following particulars are furnished by Delight Exporters, Karnataka, which is duly registered under the GST Act. The entity has also filed bond/LUT in order to export goods without payment of any taxes. You are required to calculate the refund amount in respect of input tax credit on inputs and input services relating to goods exported in the relevant tax period. 5

Sl. No.	Particulars of Supply	Value of Supply in ₹
1.	Turnover – excluding supply of services, but includes exempt supplies of ₹ 8,00,000 and inward supplies of ₹ 2,00,000	76,00,000
2.	Zero-rated supply of goods under bond/LUT	12,00,000
3.	Export services under bond/LUT	48,00,000
4.	Non zero-rated supply of services	10,00,000
5.	Payments received towards zero-rated supply, which includes ₹ 12,00,000 against which services are yet to be supplied.	48,00,000
6.	Advance received in the past, against which zero-rated supplies have been made in the current tax period	14,00,000
7.	Turnover on which suppliers have claimed refund under rule 89 (4A) and rule 89 (4B)	
	– Goods	6,00,000
	– Services	6,00,000

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8.	ITC on inputs and input services during the tax period including those under rule 89(4A) and rule 89(4B)	12,00,000
9.	ITC relating to rule 89(4A) and rule 89(4B)	2,40,000

- (b) Dharma Dutta has taken voluntary registration and has not opted for the composition scheme of levy. He is aggrieved by the cancellation of his registration under GST, although he is filing NIL returns, as he has not conducted any business for the past 8 months. He wants to know the circumstances under which the proper officer can cancel registration on his own. **4**
- (c) Mr. X imported certain goods from a related person Mr. Q of US and transaction value has been rejected. Rules 4 and 5 of the Import Valuation Rules are found inapplicable, as no similar/ identical goods are imported in India. Mr. X furnishes cost related data of imports and requests Customs Authorities to determine value accordingly as per Rule 8. The relevant data are **5**
- (1) Cost of materials incurred by Mr. Q \$ 2000
 - (2) Fabrication charges incurred by Mr. Q \$ 1000
 - (3) Other chargeable expenses incurred by Mr. Q \$ 400
 - (4) Other indirect costs incurred by Mr. Q \$ 250

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- (5) Freight from Mr. Q's factory to US port \$ 250
- (6) Loading charges at US port \$ 100
- (7) Normal net profit margin of Mr. Q is 20% of FOB
- (8) Air freight from US port to Indian port \$ 1,500
- (9) Insurance from US port to Indian port \$ 50
- (10) Exchange Rate 70 per \$

The Customs Authorities are of the opinion that since value as per Rule 7 can be determined at ₹ 4,00,000, there is no need to apply Rule 8.

Can the request of Mr. X be legally acceptable? If so compute the Assessable value under the Customs Act, 1962.

5. (a) A taxpayer has suppressed certain facts resulting in short payment of tax. The mistake is pointed out by the Department, but no Show-Cause Notice (SCN) has been issued. As per the taxpayer, suppression is accepted at ₹ 12,00,000 and he agrees that the suppression has taken place in the month of January, 2019. He clears the dues on 20th April, 2019. However, the Department, on verification, identifies additional suppression of ₹ 2,00,000 in the same month of January, 2019. SCN is issued and the taxpayer represents before the proper officer, which results into an adverse order against the taxpayer. The order is passed on 25.05.2019 and the taxpayer complies with the adverse adjudication order on 27.06.2019.

Determine the tax, interest and penalty payable at each stage.

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(b) Ganesh Enterprises, a registered supplier under the GST Law, has committed an offence that is compoundable. The Department has instituted prosecution against the proprietor of Ganesh Enterprises and he is of the opinion that he shall not be able to apply for compounding the offence as the prosecution has been launched. He seeks your advice whether he has the opportunity to apply for compounding the offence and the consequences arising therefrom. 4

(c) Mrs. X, an Indian resident who was on a visit to China, returned after 6 months. She was carrying with her the following items : 5

(i) Personal Effects	₹ 75,000
(ii) Laptop Computer	₹ 60,000
(iii) Jewellery – 25 grams (purchased in China)	₹ 75,000
(iv) Music System	₹ 50,000

Compute the Customs duty payable by Mrs. X with reference to Baggage Rules, 2016.

6. (a) Mr. Pankaj, an unregistered person under GST purchases the goods supplied by Mr. Raman, who is a registered person without receiving a tax invoice from Mr. Raman and thus helps in tax evasion by Mr. Raman. What disciplinary action may be taken by tax authorities to curb such type of cases and on whom ? 4

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- (b) Neurological Systems Private Limited has been subject to confiscation of goods on the ground that it has not accounted for the goods that are liable to tax under the CGST Act, 2017. The directors would like to know from you as to how such goods are to be got released from the Department. You are required to advise the directors the provisions of law on this matter. 5

OR

Enumerate any five matters on which the GST Council may make recommendations under Article 279A of the Constitution of India.

- (c) M/s PQR has imported used wearing apparel from USA in April 2019. 5
After receipt, PQR is doubtful that the apparel may not be saleable in India and want to re-export back to USA, without use, which the supplier has accepted. Will PQR be eligible to take Drawback of duty paid on imports ? Also list out the conditions for duty drawback.

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