



Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.

Answer Question No. 1 and 8 are compulsory; Answer any four from Question No. 2, 3, 4, 5, 6 & 7.

**SECTION - A****1. (a)**

Sl. No.	Answer	Justification
(i)	(b)	As per sec. 2(52), goods means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply
(ii)	(d)	As per Section 52 of the CGST Act, 2017 the e-commerce operator, not being an agent, is required to collect an amount calculated at the rate not exceeding one per cent, as notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it, where the consideration with respect to such supplies is to be collected by such operator.
(iii)	(a)	As per sec. 10(1)(b) of the IGST Act, where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person;
(iv)	(b)	The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply – Sec. 15(1)



## INDIRECT TAX LAWS AND PRACTICE

(v)	(c)	Where a recipient fails to pay to the supplier of goods or services or both (other than the supplies on which tax is payable on reverse charge basis), the amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in such manner as may be prescribed [Rule 37].
(vi)	(b)	Validity of the E-Way bill for the first day ends by the midnight of the following day.
(vii)	(d)	As per 54(3), in the following situations, a registered person may claim refund of any unutilised input tax credit at the end of any tax period: i. zero rated supplies made without payment of tax; ii. where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies)
(viii)	(b)	Customs duty is applicable only on the value of goods imported to India
(ix)	(c)	Laptop and personal effects are not liable to duty. Further, Value of personal computer as reduced by GFA of ₹ 50,000 is liable for duty @ 38.5% i.e., [(₹ 72,000 - ₹ 50,000) x 38.5%]
(x)	(a)	<ul style="list-style-type: none"><li>• Date of issue of invoice: 15th November</li><li>• Last date on which invoice should have been issued: 20th November</li><li>• Therefore, time of supply of goods [earlier of above] = 15th November</li><li>• Date of receipt of payment (i.e. Advance) is not relevant in case of supply of goods</li></ul>
(xi)	(a)	Banquet hall provided to a Member of the society on hire for the purpose of celebrating his son birthday party for ₹ 25,000 is not an exempted supply. Hence entire value is taxable
(xii)	(d)	As per entry 78 of the exemption notification, following services by an artist by way of a performance in folk or classical art forms of: a) music, or b) dance, or c) theatre, if the consideration charged for such performance is not more than ₹ 1,50,000, shall be exempt



## SECTION – B

2. (a) Statement showing Assessable Value for 800 units:

Transaction cost	Assessable value in ₹	Remarks
Material cost	2,00,000	$2,36,000 \times 100/118$
Labour cost	1,60,000	
Overheads	40,000	
Research and Development	25,000	
Administrative overheads	60,000	$80,000 \times 75\%$
Input received from sister unit	35,000	
Abnormal loss	Nil	Not considered
VRS compensation	Nil	Not considered
Resale value of scrap	-20,000	
Cost of production for 1000 u	<b>5,00,000</b>	
<b>Transaction value of 800 units</b>	<b>4,40,000</b>	$(5,00,000 \times 800u/1000u) \times 110\%$

- (b) Statement showing ITC & refund of X Ltd. (a unit of SEZ)

S. No.	Particulars	Value of input services (₹)	ITC (₹)	Refund mount (₹)	Remarks
1	Input services	5,00,000	Nil	Since, no tax paid on inputs no refund is allowed	Input services used exclusively for authorized operations
2	DTA as well as Zero rated supply	8,00,000	54,000	90,000	$(₹ 8L \times 18\%) \times 100L/160L$
3	Input services only for DTA	3,00,000	54,000	Nil	$3,00,000 \times 18\%$
	Total		<b>1,08,000</b>	<b>90,000</b>	

3. (a) Duties & Powers of Anti-profiteering committee-Section 171(3) and (3A)

The Authority can determine the methodology and procedure for determination as to whether the reduction in the rate of tax on the supply of goods or services or the benefit of input tax credit has been passed on by the registered person to the recipient by way of commensurate reduction in prices.



## INDIRECT TAX LAWS AND PRACTICE

The Authority would have the following duties:

- (i) to determine whether any reduction in the rate of tax on any supply of goods or services or the benefit of input tax credit has been passed on to the recipient by way of commensurate reduction in prices;
- (ii) to identify the registered person who has not passed on the benefit of reduction in the rate of tax on supply of goods or services or the benefit of input tax credit to the recipient by way of commensurate reduction in prices;
- (iii) to order,—
  - reduction in prices;
  - return to the recipient, an amount equivalent to the amount not passed on by way of commensurate reduction in prices along with interest at the rate of eighteen per cent. from the date of collection of the higher amount till the date of the return of such amount or recovery of the amount not returned, as the case may be, in case the eligible person does not claim return of the amount or is not identifiable, and depositing the same in the Consumer Welfare Fund;
  - imposition of penalty; and
  - cancellation of registration.

**Power to levy penalty [Sec. 171(3A)]**

Where the Authority, after holding examination, comes to the conclusion that any registered person has profiteered, such person shall be liable to pay penalty equivalent to 10% of the amount so profiteered. However, no penalty shall be leviable if the profiteered amount is deposited within 30 days of the date of passing of the order by the Authority.

It is to be noted that “profiteered” shall mean the amount determined on account of not passing the benefit of reduction in rate of tax on supply of goods or services or both or the benefit of input tax credit to the recipient by way of commensurate reduction in the price of the goods or services or both.’.

**(b)**

- (a) Mr. Vijay is not eligible for SEIS Scheme as his net foreign exchange earnings are less than USD 10,000 (minimum limit for individuals).
- (b) X& Co., being a partnership firm eligible for SEIS Scheme as their net foreign exchange exceeds the limit of USD 15,000 (minimum limit for firms).
- (c) Foreign exchange earned through credit cards is counted for the purpose of computing the limit of minimum net foreign exchange required for being eligible to SEIS Scheme. Thus, Mr. Roshan is eligible for SEIS Scheme.



## INDIRECT TAX LAWS AND PRACTICE

- (c) (1) RoDTEP support will be available to eligible exporters at a notified rate as a percentage of Freight On Board (FOB) value. Rebate on certain export products will also be subject to value cap per unit of the exported product. However, for the purpose of calculation of duty credit, value of exported shall be least of the following:
- (a) FOB value of said goods, or
  - (b) 1.5 times of the market price of the goods.
2. Identified export sectors and rates under RoDTEP cover 8555 tariff lines in addition to similar support being extended to apparel and made-ups exports under RoSCTL scheme of Ministry of Textiles.
  3. Employment Oriented Sectors like Marine, Agriculture, Leather, Gems & Jewellery etc. are covered under the Scheme. Other sectors like Automobile, Plastics, Electrical / Electronics, Machinery etc. also get support. The entire value chain of textiles also gets covered through RoDTEP & RoSCTL.
  4. Rebate under the Scheme shall not be available in respect of duties and taxes already exempted or remitted or credited.
  5. The determination of ceiling rates under the scheme will be done by a Committee in the Department of Revenue/Drawback Division with suitable representation of the DoC/DGFT, line ministries and experts, on the sectors prioritized by Department of Commerce and Department of Revenue.
  6. No provision for remission of arrears or contingent liabilities is permissible under the Scheme to be carried over to the next financial year.
  7. The rebate allowed is subject to the receipt of sale proceeds within time allowed under the Foreign Exchange Management Act, 1999 failing which such rebate shall be deemed never to have been allowed. The rebate would not be dependent on the realisation of export proceeds at the time of issue of rebate. However, adequate safeguards to avoid any misuse on account of non-realisation and other systemic improvements as in operation under Drawback Scheme, IGST and other GST refunds relating to exports would also be applicable for claims made under RoDTEP Scheme.



## INDIRECT TAX LAWS AND PRACTICE

4. (a) Amazon is required to deduct 1% tax (TCS) on the amount, excluding the money paid as commission and GST. Amazon would thus be deducting tax for ₹ 80 (1% of ₹ 8000).

<b>Working note:</b>	₹
Supply of goods	= 12,000
Less: sales returns	= (2,000)
Balance	=10,000
Less: GST 18%	= (1,800)
Less: Commission	= (200)
Net value of taxable supplies	= 8,000
Tax Collected at Source 1%	= 80

- (b) (i) The amount of duty drawback is ₹ 4,40,000 (i.e. ₹ 5,00,000 @ 88%), since these goods are used in India.
- (ii) Duty drawback is ₹ nil, assumed that wearing apparels are re-exported after being used.
- (iii) Duty drawback is ₹ 49,00,000 (i.e. 50,00,000 × 98%), since these good are re-exported without being used.
- (c) Answer to the various queries raised by the company are as under

	Particulars	Date	Remarks
(i)	Date of commencement of Audit	5th January 2023	- Date on which documents made available to the Department (i.e. 15th December 2022); or - Date on actual institution of audit at the place of business (i.e. 5th January 2023), whichever is later
(ii)	Date by which audit should be completed in normal course	4th April 2023	As per section 65(4), the audit shall be completed within a period of 3 months from the date of commencement of the audit.
(iii)	Date by which audit should be competed (including extended period)	4th October 2023	However, where the Commissioner is satisfied that audit in respect of such registered person cannot be completed within 3 months, he may, for the reasons to be recorded in writing, extend the period by a further period not exceeding 6 months.



## INDIRECT TAX LAWS AND PRACTICE

5. (a) The government offers many incentives for companies and businesses established in SEZs. Some of the important ones are as under:
- Duty-free import or domestic procurement of goods for developing, operating and maintaining SEZ units.
  - 100% Income tax exemption on export income for SEZ units under the Income Tax Act, 1961 for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
  - Units are exempted from Minimum Alternate Tax (MAT) under the Income-tax Act.
  - They were exempted from GST. Supplies to SEZs are treated as zero-rated under the IGST Act, 2017.
  - Single window clearance for Central and State level approvals.
  - There is no need for a license for import.
  - In the manufacturing sector, barring a few segments, 100% Foreign Direct Investment (FDI) is allowed.
  - Profits earned are permitted to be repatriated freely with no need for any dividend balancing.
  - There is no need for separate documentation for customs and export-import policy.
  - SEZ units are eligible for MEIS, SEIS and RoDTEP duty credit scripts.
- (b) (i) As per Section 126(1) a breach shall be considered a 'minor breach' if the amount of tax involved is less than ₹ 5,000; no penalty is imposed on such minor breach.  
In the given case it is ₹ 7,200, hence, it is not minor breach. Therefore, argument of Nandini is not correct.
- (ii) As per Section 126(1) of the CGST Act, 2017, an omission or mistake in documentation shall be considered to be easily rectifiable if the same is an error apparent on the face of record and made without fraudulent intent or gross negligence. No penalty is imposed on such omission or mistake in documentation.  
In the given case Nandini has omitted certain details in documentation that is not easily rectifiable. Hence, penalty will be imposed.
- (iii) As per Section 126(5) of CGST Act, 2017, when a person voluntarily discloses to an officer under this Act the circumstances of a breach of the tax law, regulation or procedural requirement prior to the discovery of the breach



## INDIRECT TAX LAWS AND PRACTICE

by the officer under this Act, the proper officer may consider this fact as a mitigating factor when quantifying a penalty for that person.

In the given case proper officer may consider condoning the lapse.

- (iv) Section 126(6) of CGST Act, 2017, the provisions of this section shall not apply in such cases where the penalty specified under this Act is either a fixed sum or expressed as a fixed percentage. In the given case as per section 126 penalty can be imposed.

6. (a) Statement showing computation of Assessable Value for the imported goods

Particulars	Amount in Yen	Remarks	Working note
Free on Board (FOB)	2,00,000		
Designing charges	30,000	Addable into the assessable value	
Development charges	—	Not addable into the assessable value, because these are post shipment expenses	
Road transport charges	—	Not addable into the assessable value, because these are post shipment expenses	
Commission	10,000	Addable into the assessable value	$2,00,000 \times 5\% = 10,000$
<b>FOB value of the Customs</b>	<b>2,40,000</b>		
	<b>Amount in (₹)</b>		
Total	94,752	Exchange rate of the (CBI&C) is relevant	$2,40,000 \text{ Yen} \times 0.3948$
Insurance	10,000	Addable into the assessable value	
Freight	7,896	Addable into the assessable value	$20,000 \times 0.3948$
<b>Assessable Value</b>	<b>1,12,648</b>		





(b)

(a) It is non-cognizable Offence.

(b) Quantum of punishment:

Section	Tax amount involved	Quantum of punishment by imprisonment	Cognizable or non-cognizable	Bailable or non-bailable
132(1)(ii)	> ₹ 200 lakhs ≤ ₹ 500 lakhs	Upto 3 years with fine	Non-cognizable	Bailable

**Note:**

- (i) Minimum imprisonment is 6 months unless special or adequate reasons are noticed by the Judiciary.
- (ii) If the assessee committed second and subsequent time then irrespective of evasion of tax, maximum imprisonment upto 5 years.

7. (a) GSTN Portal has the following advantages:

1. Enable the user to lodge his complaint and raise tickets himself.
2. To provide all required information and reducing to and fro communication between helpdesk and the taxpayers, helping to reach a faster resolution.
3. Enable the taxpayer to check the progress of resolution of his complaint by using the ticket number (acknowledgement number generated after a complaint is lodged).
4. Check the resolution comments in case the complaint/ticket is closed.
5. Based on selection of category/subject and sub-category, portal provides relevant FAQ/pages of User manual to help the user resolve the problem faced by him.

(b) **Computation of customs duty payable**

Particulars	(₹)
Personal effects like clothes, etc.	Exempt
Personal computer	1,36,000
Laptop computer	Exempt
Two liters of liquor	1,600
New camera	87,400
Total	2,25,000
Less: General Free Allowance ₹ 50,000 + ₹ 50,000	1,00,000
Taxable Baggage	1,25,000
<b>Customs Duty on above @ 38.50% [A]</b>	<b>48,125</b>



## INDIRECT TAX LAWS AND PRACTICE

Plasma T.V. (fully taxable i.e. duty 100% of value)	1,25,000
<b>Customs Duty on above @ 100% [B]</b>	<b>1,25,000</b>
<b>Total duty payable [A + B]</b>	<b>1,73,125</b>

**(c) Import of Samples**

In the International trade it is considered often necessary that samples of the goods manufactured in one country be sent to another country for being shown or demonstrated for Customer appreciation. There are duty free imports of genuine commercial samples into the country for smooth flow of trade.

The commercial samples are basically specimens of goods that may be imported by the traders or representatives of manufacturers. However, goods which are prohibited under Foreign Trade (Development and Regulation) Act, 1992 are not allowed to be imported as samples (i.e. wild animals, wild birds and parts of wild animals, arms and ammunitions and so on).

Samples can be imported by the traders, industry, individuals, research institutes and so on. These samples can also be brought by the persons as part of their personal baggage or through port or in courier.

The current limit of ₹ 3 lakh per annum for duty free import of samples.

**SECTION – C**

8. (a) Duty draw back amount for all the products are as follows:

**Product A:**

Drawback amount =  $2,50,000 \times 30\% = ₹ 75,000$  or  $₹ 1,80,000 \times 1/3 = ₹ 60,000$

Allowable duty draw back does not exceed 1/3 of the market value. Hence, the amount of duty drawback allowed is ₹ 60,000

**Product B:**

Drawback amount allowed is ₹ 750 (i.e.  $₹ 1,00,000 \times 0.75\%$ ). Since, the amount is more than ₹ 500 even though the rate is less than 1%.

**Product C:**

No duty drawback is allowed, since the value of export is less than the value of import (i.e. negative sale)

**Product D**

No duty drawback is allowed, since the duty drawback amount is ₹ 30 (which is less than ₹ 50). Though rate of duty drawback is more than 1%, no duty drawback is allowed.



## INDIRECT TAX LAWS AND PRACTICE

- (b) Statement showing amount to be paid by Royal Ltd. as on 15th November 20XX

S.N.	Particulars	Amount to be paid (₹)	Workings
(i)	Inputs lying in stock	17,366	₹ 1,44,720 × 12/100 = ₹ 17,366
(ii)	Inputs in process (i.e. Work in Progress)	9,262	₹ 77,184 × 12/100 = ₹ 9,262
(iii)	Inputs contained in finished goods lying in stock	28,944	₹ 4,82,400 × 50% × 12/100 = ₹ 28,944
(iv)	Capital goods	51,333	Useful life as per rule 44(1)(b) = 5 years (i.e. 60 months). No. of months capital goods have been in use = 4 months 5 days (i.e. 5 months) The useful remaining life in months = 55 months 2,00,000 × 28% × 55/60 = ₹ 51,333
	<b>Amount to be paid by Royal Ltd.</b>	<b>1,06,905</b>	
	Less: ITC Receivable	(2,79,104)	
	Excess ITC in electronic credit ledger shall lapse on 15th November 2017	<b>(1,72,199)</b>	

If the balance in electronic credit ledger as on 15th November 20XX is ₹ 29,104, then amount payable is as follows:

	₹
Amount payable by Royal Ltd.	1,06,905
Less: ITC Receivable	(29,104)
Amount payable by electronic cash ledger	<b>₹ 77,801</b>