

PAPER 18 - INDIRECT TAX LAWS AND PRACTICE

Answer to MTP_Final_Syllabus 2016_Dec2023_Set1

Paper 18- Indirect Tax Laws and Practice

Full Marks: 100

Time allowed: 3 hours

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

Working notes should form part of the answer.

Section – A

Answer Question No. 1 which is compulsory and any four from the rest of this section.

1. Choose the correct answer with justification/ workings wherever applicable: [7×2=14]

- (i) The GST return form to be filed by a Composition dealer/supplier is _____ and the same had to be furnished _____.
- GSTR-1, Monthly
 - GSTR-1, Quarterly
 - GSTR-4, Monthly
 - GSTR-4, Annually
- (ii) Under GST Act a supply of assortment of sweets, chocolates and firecrackers packed in a gift hamper is:
- Joint supply
 - Composite supply
 - Mixed supply
 - Assorted supply
- (iii) The due date to file GSTR-7 (Return for authorities deducting tax at source) is:
- 10th of the next month
 - 13th of the next month
 - 18th of the next month
 - 20th of the next month.
- (iv) Mr. C of Chennai supplied goods to M/s Smart Jet Airlines of Chennai flying between Delhi-Mumbai. The goods are loaded in the aircraft in Delhi. The place of supply of goods will be:
- Chennai
 - Delhi
 - Mumbai
 - None of the above.

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- (v) ABC Ltd. has income from renting of vacant land to a stud farm of ₹1,00,000 and leasing of vacant land to a cattle farm of ₹50,000. The value of taxable supply will be:
- ₹1,00,000
 - ₹50,000
 - ₹1,50,000
 - Nil
- (vi) Which state became the first state of India to ratify GST bill?
- Bihar
 - Telangana
 - Assam
 - Andhra Pradesh:
- (vii) For an E-commerce operator registration threshold limit is _____.
- ₹20 lakhs
 - ₹ 50 lakhs
 - ₹ 75 lakhs
 - None of above.

Answer:

- d
- c
- a
- b
- a
- c
- d

2. (a) (i) Crown Beers India Pvt. Ltd., supplies raw material to a job worker Kareena Ltd. for manufacture of alcoholic liquor for human consumption. After completing the job-work, the finished product of 5,000 beer bottles are returned to Crown Beers India Pvt. Ltd., putting the retail sale price as ₹200 on each bottle (inclusive of duties and taxes). Kareena Ltd., charged 100 per bottle as job work charges of carrying out of intermediate production process of alcoholic liquor for human consumption from Crown Beers India Pvt. Ltd. Find the GST liability if rate is 18% (CGST 9% and SGST 9%) in the hands of Kareena Ltd. [4]
- (ii) A contract awarded by Bombay Municipal Corporation (BMC) for repair of a particular road to M/s B Ltd., with terms and conditions that the entire work should be completed within 30 days. However, there is a delay of 10

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days to complete the work. BMC charged liquidated damages of ₹1,20,000 and the same recovered from M/s B Ltd. Applicable rate of CGST 9% and SGST 9%. Previous year turnover of M/s B Ltd. ₹2 crores. Find the following:

- (1) Is it taxable supply?
- (2) Who is liable to pay GST and on what amount?
- (3) Total tax liability, if any. [3]

- (b) (i) M/s X Ltd., being a manufacturer, sold goods to M/s Y Ltd., wholesaler, and issued invoice for the sale on 01-08-20XX.

Find the time of supply of goods in each of the following independent cases:

- (I) M/s X Ltd., removes the goods for delivery to M/s Y Ltd., on 16th August 20XX.
- (II) M/s. Y Ltd., collects the goods from premises of M/s X Ltd., on 10th August 20XX.
- (III) M/s Y Ltd., made full payment on 26th July 20XX.
- (IV) M/s Y Ltd., credited the payment in bank account of M/s X Ltd., on 28th July 20XX for 3/4th of goods, M/s X Ltd., recorded the same as receipts in his books on 3rd August 20XX. The goods were dispatched on 1st August 20XX from the warehouse. [5]

- (ii) Bharat Gas sells cooking gas cylinders. Subsidy directly transferred to the account of the customer. Selling price per cylinder is ₹ 800. Customer received subsidy ₹ 200 directly from Government to his bank account. Net outflow of the buyer is ₹ 600. Find the value of supply of goods (per cylinder) in the hands of Bharat Gas. [2]

Answer:

- (a) (i) Carrying out of intermediate production process of alcoholic liquor for human consumption on job work basis attract GST.

CGST (5,000 bottles x ₹100 x 9%)	₹ 45,000
SGST (5,000 bottles x ₹100 x 9%)	₹ 45,000
Total tax liability of Kareena Ltd.	₹ 90,000

Note: GST not attract on manufacture of alcoholic liquor. Since, it is the State subject, which will attract State Excise Duty.

- (a) (ii) (1) It is not taxable supply of service.

(2) M/s B Ltd. being recipient of service is liable to pay GST if it is taxable supply. In this case it is exempted supply. Since, main service is exempt and hence ancillary service is also exempt (vide CBIC Circular No. 178/10/2022 GST dt. 03.08.2022). Since, the contractor has performed the contract, but there is a delay of 10 days.

(3) tax liability is nil.

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- (b) (i) (I) 1st August 20XX is the time of supply of goods. i.e. Earlier of the following:
- Date of Invoice - 1st August 20XX
- or
- Date on which invoice is required to be issued - 16th August 20XX.
- (II) 1st August 20XX is the time of supply of goods. i.e. Earlier of the following:
- Date of Invoice - 1st August 20XX
- or
- Date on which goods is delivered - 10th August 20XX.
- (III) 1st August 20XX is the time of supply of goods
- Date of Invoice - 1st August 20XX
- (b) (ii) Since, the amount of subsidy is directly credited to the account holder and not received by the Bharat Gas making the supply. Therefore, such subsidy will not be considered as part of transaction value as it is not received by the Bharat Gas making the supply.
Hence, transaction value is ₹ 800 per cylinder.
3. (a) (i) **Write down the procedures for registration under GST as per sec. 25 of the CGST Act.** [5]
- (ii) **State the persons who are not liable for registration.** [3]
- (b) **Mr. X has cleared goods from his factory on 20th May 2017 for sale to Mr. Y for ₹ 5,00,000. Effective rate of E.D@12.5%. However, E.D ₹ 62,500 has been paid on 6th June 2017. The consignment received by Mr. Y on 5th July 2017.**
Find the following:
- (A) **Whether Mr. Y is eligible for ITC and if so for what amount?**
- (B) **Time limit within which receipt of inputs should record in the books of account of Mr. Y.**
- (C) **Mr. Y recorded receipt of inputs in the books of account on 15-8-2017, if so can be avail the ITC?** [6]

Answer:

- (a) (i) Registration Procedure under GST [u/s 25 of CGST Act]:

Every person who is liable to be registered shall apply for registration within 30 days from the date on which he becomes liable to registration, before applying for registration declare his:

1. Legal name of business
2. PAN,
3. Mobile number,
4. e-mail address,
5. State or Union territory

in Part A of Form GST REG -01 on Common Portal.

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On successful verification of these numbers, a reference number will be generated.

Applicant shall submit Part B of Form GST REG-01, duly signed, along with documents specified in the said Form at the Common Portal.

Form GST REG – 02: Acknowledgement of Application

If these documents are found to be in order, the Proper Officer shall approve the registration within 3 working days from the date of submission.

(a) (ii) The persons who are not liable for registration:

Sec 23(1)(a) of CGST Act: Any person engaged exclusively in the business of supplying of goods or services or both they are not liable to tax or wholly exempt from tax under CGST or IGST.

Sec 23(1)(b): An agriculturist, to the extent of supply of produce out of cultivation of land.

Sec. 23(2): The Government may, on the recommendation of the GST Council.

(b) (A) Yes. Mr. Y is eligible to avail the ITC of ₹ 62,500 provided he deals with taxable supplies being registered person.

(B) Inputs or Input Services recorded in the books of account \leq 30 days from 1-7-2017. Therefore, Mr. Y should be account for by 30th July 2017.

(C) Since, period of 30 days may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding 30 days.

In the given Mr. Y can take credit on inputs on 15th Aug 2017, provided permission granted by the Commissioner for extension not exceeded 30 days.

4. (a) (i) X Ltd. received a protective demand notice from the department Assistant Commissioner of Central Tax on 1.9.2022 under Section 73 of the CGST Act, 2017 where

	Amount ₹
CGST & SGST due =	5,00,000
Interest =	@15% p.a. for no. of days delay.
Penalty =	10% of tax due or ₹ 10,000 whichever is higher

The assessee went for appeal and filed the case in the Appellate Authority on 25.9.2022. This appeal has been taken up for hearing on 06-10-2022.

Case 1: How much has to pay as pre-deposit of duty under section 107(6) of the CGST Act, 2017 and date of pre- deposit of duty by X Ltd. to entertain appeal by the Appellate Authority (i.e. Commissioner (Appeals)).

Case 2: Whether your answer is different if the assessee appeals only part of the amount say ₹ 3,00,000 is in dispute arising from the said order. [4]

(ii) Considered the previous question where Appellate Authority passed the order against the assessee, if so how much has to pay as pre-deposit of duty

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under section 112(8) of the CGST Act, 2017 to entertain appeal by the Goods and Services Tax Appellate Tribunal (GSTAT). [3]

- (b) **Raman Hotels supplying only accommodation services in Chennai. Turnover of Raman Hotels is less than 20 Lakhs. Raman Hotels listed hotel on online platform namely Makemytrip.**

The following categories of rooms get booked by the Makemytrip company who pay to Raman Hotels after deducting their commission.

- (A) Declared value per room (category 1), Non AC Room ₹950 per Night.
(B) Declared value per room (category 2), AC Room ₹1,800 per Night.
(C) Declared value per room (category 3), AC Room ₹7,000 per Night, where additional bed ₹1,800 per Night.
(D) Declare value per room (category 4), AC Room ₹10,000 per Night, but amount charged is ₹7000.

You are required to answer:

- (1) Who is liable to pay GST and
(2) Net GST liability. [7]

Answer:

- (a) (i) Case 1: Pre-deposit is ₹ 50,000 ($₹5,00,000 \times 10\%$) is to deposit on or before 6th October 2022.

Case 2: Disputed amount ₹ 3,00,000:

Pre-deposit is ₹ 2,00,000 plus ₹ 30,000 ($₹ 3,00,000 \times 10\%$) together is ₹ 2,30,000. It should be deposited on or before 6th October 2022.

- (a) (ii) Pre-deposit is ₹ 1,00,000 ($5,00,000 \times 20\%$) it is in addition to pre-deposit of ₹ 50,000.

Case 2: Disputed amount ₹ 3,00,000:

Pre-deposit is ₹ 2,00,000 plus ₹ 60,000 ($₹ 3,00,000 \times 20\%$) together is ₹ 2,60,000, it is in addition to pre-deposit of ₹ 30,000.

(b)

Particulars	Value in ₹	GST ₹	Remarks
(A) Declared tariff ₹ 950	Nil		Since, declared tariff less than ₹ 1,000. It is exempted supply of service.
(B) Declared tariff ₹ 1,800	1,800	216	Taxable supply. GST @12% is applicable
(C) Declared tariff ₹ 7,000	8,800	2,464	Taxable supply. Since, declared value exceeds ₹ 7,500, applicable rate is 28%. GST will be charged on transaction value.
(D) Declared value ₹ 10,000	7,000	1,260	Taxable supply. Since, declared value not exceeds ₹7,500,

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			applicable rate is 18%. GST will be charged on transaction value.
Total		3,940	

5. (a) Describe the power and duties of Anti-profiteering committee. [6]
- (b) (i) M/s Navatha a transporter registered under GST, located in Vijayawada. M/s C Ltd. of Chennai registered under GST, received services from M/s Navatha for transport of goods from its warehouse in Vijayawada to Guntur. M/s Navatha delivered goods at Guntur. Find the place of supply of service and GST? Whether your answer is different, if M/s C Ltd. of Chennai is not a registered person under GST? [4]
- (ii) Admission to True Theater is ₹ 90 per ticket for a Tamil Movie as well as for a Hindi Movie plus entertainment tax ₹ 10% on Tamil Movie and 20% on other languages. In the month of November, True Theater sold 2000 tickets of Tamil Movie and 1500 tickets of Hindi Movie. Find the value of taxable supply of service. Applicable rate of GST 18% & 28%. Find the GST liability if any? [4]

Answer:

(a) Duties & Powers of Anti-profiteering committee:

The Authority referred to in sub-section (2) shall exercise such powers and discharge such functions as may be prescribed.

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.

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;

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- imposition of penalty; and
- Cancellation of registration.

w.e.f. 1-8-2019, as per section 171(3A) of the CGST Act, 2017, where the Authority referred to in sub-section (2), after holding examination as required under the said sub-section comes to the conclusion that any registered person has profiteered under sub-section (1), such person shall be liable to pay penalty equivalent to ten per cent of the amount so profiteered:

Provided that no penalty shall be leviable if the profiteered amount is deposited within thirty days of the date of passing of the order by the Authority.

(b) (i) If the recipient is registered person:

POS = Chennai (i.e. location of recipient). M/s C Ltd., is liable to pay IGST.

If the recipient is not a registered person:

POS = Vijayawada (i.e. Location at which such goods are handed over for their transportation). M/s C Ltd., of Vijayawada is liable to pay CGST & SGST.

(b) (ii) Statement showing value of taxable supply of service and GST liability:

Value of taxable services:		
Tamil Movie	₹ 1,98,000	(₹ 99 x 2000 tickets)
Hindi Movie	₹ 1,62,000	(₹ 108 x 1500 tickets)

Particulars	9% CGST	9% SGST	14%CGST	14% SGST
GST liability (₹)	17,820	17,820	22,680	22,680

Working note:

Particulars	Tamil Movie (₹)	Hindi Movie (₹)
Rate per ticket	90	90
Add: Entertainment tax	9	18
Value of taxable supply	99	108
Applicable GST rate	18%	28%

6. (a) Write in details about the consequences of transportation of goods without issue of invoice. [6]

(b) Y Ltd. manufactures taxable and exempted goods. Y Ltd. also simultaneously provides taxable as well as exempted output services. Raw material 10,000 units were purchased @ ₹ 100 per unit used commonly during the month of January 2023 to produce all final products. GST paid on inputs 12%. Input services commonly used for all goods and services in the month of January 2023. Total ITC on inputs and input services taken into books of account in the relevant tax period is ₹ 1,74,000. Turnover for the month of January 2023 (excluding all taxes)

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Particulars	Value of finished goods (₹)
Taxable supply of goods	2,00,000
Exempted supply of goods (₹ 80 per unit)	1,00,000
Taxable supply of services	1,00,000
Exempted supply of services	50,000
Total	4,50,000

You are required to compute the amount of reversal of input tax credit as per rule 42(1)(i) of the CGST Rules, 2017 of the month of January 2023.

Note: Each unit of exempted final product needs 2 units of raw materials.

Assumed that there is no process loss.

[8]

Answer:

(a) The consequences of transportation of goods without issue of invoice:

(1) Cases where delivery challan can be issued instead of invoice: The consigner issue a delivery challan, serially numbered not exceeding 16 characters, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following purposes:

- (i) supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known,
- (ii) transportation of goods for job work
- (iii) transportation of goods for other than by way of supply, or
- (iv) such other supplies as may be notified by the board

(2) Number of copies of delivery challan: The delivery challan shall be prepared in triplicate.

(3) Declaration: Where goods are being transported on a delivery challan in lieu of invoice, the same shall be declared as specified in E-way bill.

(4) tax invoice to be issued after delivery of goods: [rule 55(4)] where the goods are being transported are for the supply to the recipient but the tax invoice could not be issued at the time removal of goods for the purpose of supply, the supplier shall issue a tax invoice after delivery of goods.

(5) Goods transported in CKD/SKD condition or in batches /lots: Where the goods are being transported in a semi knocked down or completely knocked down condition or in batches or lots:

- The supplier shall issue the complete invoice before dispatch of the first consignment.
- The supplier shall issue a delivery challan for each of the subsequent consignment, giving reference of the invoice.
- Each consignment shall be accompanied by copies of the corresponding delivery challan along with a duly certified copy of the invoice.
- The original copy of the invoice shall be sent along with last consignment.

(b) Step 1: Calculate common input tax credit on inputs and input services which are used to supply taxable as well as exempted output supplies:

Particulars	Value in ₹	Working note
Total ITC on inputs and input services	1,74,000	rule 42(1)(a)
Less: ITC on supplies exclusively used for	Nil	rule 42(1)(b)

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the purpose other than business		
Less: ITC on supplies exclusively used for providing exempted supplies	(30,000)	2,500u x ₹ 100 x 12% [rule 42(1)(c)]
Less: ITC not available u/s 17(5) of the CGST Act, 2017	Nil	rule 42(1)(d)
Input tax credit which are used to supply taxable as well as exempted output supplies	1,44,000	rule 42(1)(e).
Less: ITC on supplies used exclusively for taxable supply including Zero rated supply (i.e. ITC on normal supplies)	(90,000)	(10,000u – 2,500u) x 12% As per rule 42(1)(f)
Common ITC, which are used to supply taxable as well as exempted output supplies (denoted as “C2”)	54,000	As per rule 42(1)(h)

Step 2: Amount of reversal of input tax credit attributable towards exempted supplies rule 42(1)(i) of the CGST Rules, 2017 is as follows:

$$(\text{₹ } 1,50,000/4,50,000) \times \text{₹ } 54,000 = \text{₹ } 18,000/-$$

Working Note:

- (i) Number of units of exempted final products 1,250 units (i.e. ₹ 1,00,000/₹ 80 per unit = 1,250 units)
- (ii) Since, each unit of exempted final product needs 2 units of raw materials. Raw material used exclusively for exempted final product 2,500 units (i.e. 1,250 units x 2 units = 2,500 units).

7. Answer the following:

[7+7=14]

- (a) **Whether the benefit of zero rated supply can be allowed to all procurements by a SEZ developer or a SEZ unit such as event management services, hotel and accommodation services, consumables etc.?**
- (b) **Write a brief note on Special Audit under Section 66 of the CGST Act, 2017.**

Answer:

- (a) As per section 16(1) of the IGST Act, “zero rated supplies” means supplies of goods or services or both to a SEZ developer or a SEZ unit. Whereas, section 16(3) of the IGST Act provides for refund to a registered person making zero rated supplies under bond/LUT or on payment of integrated tax, subject to such conditions, safeguards and procedure as may be prescribed. Further, as per the second proviso to rule 89(1) of the Central Goods and Services Tax Rules, 2017 (CGST Rules in short), in respect of supplies to a SEZ developer or a SEZ unit, the application for refund shall be filed by the:
- (A) supplier of goods after such goods have been admitted in full in the SEZ for authorised operations, as endorsed by the specified officer of the Zone;
 - (B) supplier of services along with such evidences regarding receipt of services for authorised operations as endorsed by the specified officer of the Zone.

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A conjoint reading of the above legal provisions reveals that the supplies to a SEZ developer or a SEZ unit shall be zero rated and the supplier shall be eligible for refund of unutilized input tax credit or integrated tax paid, as the case may be, only if such supplies have been received by the SEZ developer or SEZ unit for authorized operations. An endorsement to this effect shall have to be issued by the specified officer of the Zone.

Therefore, subject to the provisions of section 17(5) of the CGST Act, if event management services, hotel, accommodation services, consumables etc. are received by a SEZ developer or a SEZ unit for authorised operations, as endorsed by the specified officer of the Zone, the benefit of zero rated supply shall be available in such cases to the supplier.

Definition of turnover of zero-rated supplies of goods amended [Rule 89(4)(C)]

[Notification No.16/2020 CT dated 23.03.2020]

Lower of the two shall be taken:

- Zero Rated Value of supply of goods as per GST Invoice or
- 1.5 times the value of like goods domestically supplied by the same or, similarly placed supplier

The formula is as follows:

Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) × Net ITC Adjusted Total Turnover.

- (b) **Special Audit under Section 66 of the CGST Act, 2017:** The law provides that Special audit under section 66 may be directed irrespective of any other audit have been conducted under any other provision of this Act or any other law for the time being in force or otherwise.
Example: If an audit has been conducted by tax authorities under section 65 of The GST act, special audit under section 66 can still be directed irrespective of any Audit covered under any provisions of this Act or under any Act. The audit of accounts under any other provision or law will not have any relevance in conduct of special audit.
Example: Suppose Tax Audit of a Company u/s 44AB of the Income Tax Act, 1961 was concluded. But if Assistant/ Deputy Commissioner during the course of scrutiny or investigation comes across any doubt regarding the nature and complexity of the case in respect to the Interest of Revenue, then also irrespective of any Audit covered under any provisions of this Act or under any Act, Special Audit u/s 66 of the CGST Act can be directed.

The features of this Audit can be as follows:

- (1) It is conducted by Chartered Accountant/ Cost Accountant nominated by the commissioner.
- (2) Audit reports should be shown to Deputy/ Assistant Commissioner.

Section - B

Answer Question No. 8 which is compulsory and any two from the rest of this section.

- 8. Choose the correct answer with justification/ workings wherever applicable: [3×2=6]**

- (i) _____ means vessel or cargo which is abandoned in sea without any hope of recovering it.
a. Derelict

- b. Jetsam
 - c. Flotsam
 - d. Wreck
- (ii) The type of bill of entry which is used for ex-bond clearance for home consumption from the warehousing, is:
- a. Form I (white)
 - b. Form II (yellow)
 - c. Form III (green)
 - d. None of the above
- (iii) Under Foreign Trade Policy export and import goods are broadly categorized. Which of the following statements is correct?
- a. Free i.e. general goods are allowed to be imported without payment of any customs duty.
 - b. Restricted goods are banned and not allowed to import or export.
 - c. Restricted goods are allowed to be imported only if used for re-export.
 - d. Restricted goods are allowed to be imported or exported only with authorization.

Answer:

- (i) a
- (ii) c
- (iii) d

9. (a) XYZ Industries Ltd., has imported certain equipment from Japan at an FOB cost of 2,00,000 Yen (Japanese). The other expenses incurred by M/s. XYZ Industries in this connection are as follows:
- (i) Freight from Japan to India Port 20,000 Yen
 - (ii) Insurance paid to Insurer in India ₹ 10,000
 - (iii) Designing charges paid to Consultancy firm in Japan 30,000 Yen
 - (iv) M/s. XYZ Industries had expended ₹ 1,00,000 in India for certain development activities with respect to the imported equipment.
 - (v) XYZ Industries had incurred road transport cost from Mumbai port to their factory in Karnataka ₹ 30,000.
 - (vi) The Central Board of Indirect Taxes and Customs had notified for purpose of section 14(3)* of the Customs Act, 1962 exchange rate of 1 Yen = ₹ 0.3948. The interbank rate was 1 Yen = ₹ 0.40.
 - (vii) M/s XYZ Industries had effected payment to the Bank based on exchange rate 1 Yen = ₹ 0.4150

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(viii) The commission payable to the agent in India was 5% of FOB cost of the equipment in Indian Rupees. Arrive at the assessable value for purposes of customs duty under the Customs Act, 1962 providing brief notes wherever required with appropriate assumptions. [8]

(b) An importer imported some goods in February, 2023 and the goods were cleared from Mumbai port for warehousing on 8th February, 2023 after assessment. Assessable value was ₹ 4,86,000 (US \$ 10,000 at the rate of exchange ₹ 78.60 per US \$). The rate of duty on that date was 20% (assume that no additional duty is payable). The goods were warehoused at Pune and were cleared from Pune warehouse on 4th March, 2023, when rate of duty was 12% and exchange rate was ₹ 48.75 = 1US \$. What is the duty payable while removing the goods from Pune on 4th March, 2023? (Applicable rate of Social Welfare Surcharge @ 10%). [4]

Answer:

(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 x 5% = 10,000
FOB value of the Customs	2,40,000		
	Amount in Rupees		
Total	94,752	Exchange rate of the Central Board of Excise and Customs (CBIC) is relevant	2,40,000 Yen x 0.3948
Insurance	10,000	Addable into the assessable value	
Freight	7,896	Addable into the assessable value	20,000 x 0.3948
Total CIF value/ Assessable Value			1,12,648

(b) The rate of exchange will be ₹ 78.60 per USD

Assessable value (i.e. US \$ 10,000 at ₹ 78.60 per US \$) = ₹ 7, 86,000

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Rate of duty = @ 12%.

Basic customs duty payable = ₹ 94,320

Social Welfare Surcharge @ 10% = ₹ 9,432

Total Duty payable = ₹ 1,03,752.

10. (a) The assessee-respondent had been importing “Orange Shock Tube” from the exporter at a unit price of US\$0.0150 per ft till November, 2022 when the price was reduced to US\$0.0141 per ft. However, in June, 2001, the importer declared the value of the imported tubes at a unit price of US\$0.0100 per ft. Revenue contended that declared value was substantially lower than the actual value i.e. the assessee had under-valued the goods. Therefore, the value had to be determined as per erstwhile rule 5 of Customs Valuation Rules, 1988 [now rule 4 of Customs Valuation (Determination of value of Imported Goods) Rules, 2007], viz., transactional value of identical goods. In this regard, the assessee provided the explanation that the reduction in price was subject to mutual agreement that he would purchase 100% of its annual requirement from the same exporter. Justify. [3]
- (b) Mention the supplies which can be considered as deemed export under Foreign Trade Policy 2023. [9]

Answer:

- (a) There is no undervaluation and hence, transactional value should be accepted as assessable value.

[CCus. v Initiating Explosives Systems (I) Ltd. 2008 (224) ELT 343 (SC)]

- (b) The following supplies considered as deemed exports: Goods supplied by a manufacturer:

1. Supply of goods against Advance Authorisation/Advance Authorisation for Annual Requirement/ DFIA.
2. Supply of goods to units located in EOU/STP/BTP/EHTP.
3. Supply of capital goods against EPCG authorization.
4. Supply of marine freight containers by 100% EOU provided said containers are exported within 6 months by another 100% EOU.

Goods supplied by a Main contractor/sub-contractor:

1. Supply of goods to projects or turnkey contracts financed by multilateral or bilateral agencies/Funds notified by Department of Economic Affairs (DEA), under International Competitive Bidding.
2. Supply of goods to any project where import is permitted at zero customs duty.
3. Supply of goods to mega power projects against International Competitive Bidding.
4. Supply to goods to UN or international organisations.

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5. Supply of goods to nuclear projects through competitive bidding (need not be international competitive bidding).

11. (a) Mr. X an importer imported certain goods CIF value was US \$ 20,000 and quantity 1,000 Kgs. Exchange rate was 1 US \$ = ₹ 50 on date of presentation of Bill of Entry. Customs Duty rates are — (i) Basic Customs Duty 12%(ii) SWS @ 10% There is no excise duty payable on these goods if manufactured in India. As per Notification issued by the Government of India, anti-dumping duty has been imposed on these goods. The anti-dumping duty will be equal to difference between amount calculated @ US \$ 30 per kg and 'landed value' of goods. Compute Customs Duty liability and anti-dumping liability. [7]
- (b) Write down a comparative study on RoDTEP (Remission of Duties and Taxes on Exported Products) and Merchandise Exports from India Scheme (MEIS). [5]

Answer:

(a) Part I

	₹
Total CIF Price/Assessable Value US \$ 20,000 x ₹ 50	= 10,00,000
Basic duty @ 12%	= 1,20,000
Sub-total	= 11,20,000
Add: SWS 10% on ₹ 1,20,000	= 12,000
Value of imported goods	= 11,32,000
Total Customs Duty payable is ₹ 1,32,000.	

Part II

Rate as per Anti-Dumping Notification is ₹ 15,00,000 [US \$ 30 per kg x 1,000 Kgs x ₹ 50]

Part III

Computation of anti-dumping duty:

Rate as per Anti-Dumping Notification = ₹ 15,00,000

Less: Value of imported goods as computed above = ₹ (11,32,000)

Anti-Dumping Duty payable = ₹ 3,68,000

(b) RoDTEP vs Merchandise Export from India Scheme (MEIS):

Feature	RoDTEP	MEIS
Incentive Scheme	Refund of indirect taxes on inputs used in the manufacture of exported products that are not being currently reimbursed in any other existing schemes.	Incentive on exports of goods in form of transferable scrips
Mode of issue	Issued in the form of transferable duty credit/ electronic scrip, which will be maintained in electronic ledger	Issued in the form of transferable scrips (physical copy)
WTO compliant	Yes. It is as per WTO norms.	No.

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Incentive	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.	As a % of realised FOB value of exports in free foreign exchange or FOB value of exports as per shipping Bill, whichever is lower.
Transferable	Transferable in open market.	Transferable in open market.