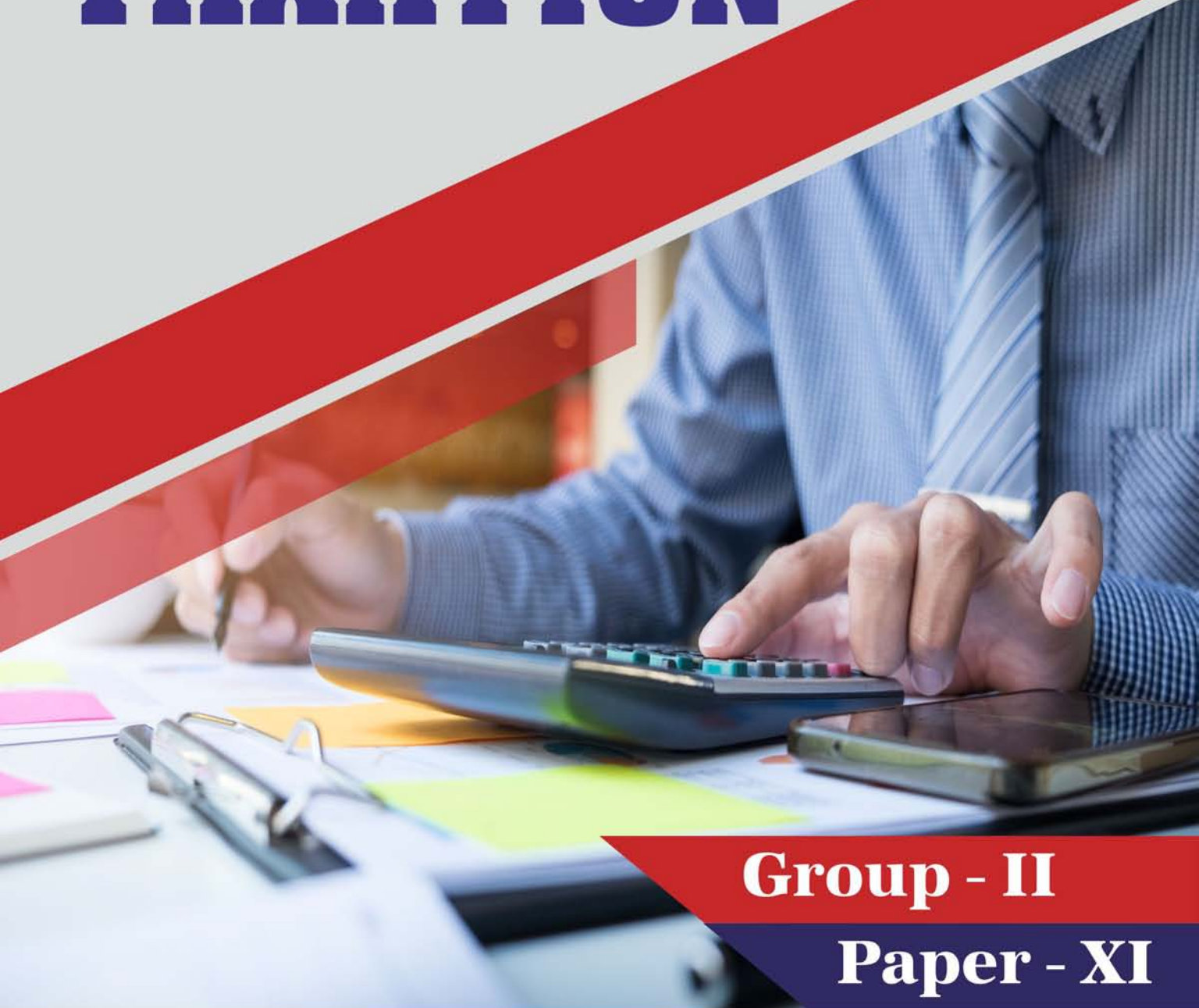


INDIRECT TAXATION



Group - II

Paper - XI



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
www.icmai.in

SYLLABUS - 2016

WORK BOOK

INDIRECT TAXATION

INTERMEDIATE

GROUP – II

PAPER – 11



The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

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Preface

Professional education systems around the world are experiencing great change brought about by the global demand. Towards this end, we feel, it is our duty to make our students fully aware about their curriculum and to make them more efficient.

Although it might be easy to think of the habits as a set of behaviours that we want students to have so that we can get on with the curriculum that we need to cover. It becomes apparent that we need to provide specific opportunities for students to practice the habits. Habits are formed only through continuous practice. And to practice the habits, our curriculum, instruction, and assessments must provide generative, rich, and provocative opportunities for using them.

The main purpose of this volume is to disseminate knowledge and motivate our students to perform better, as we are overwhelmed by their response after publication of the first edition. Thus, we are delighted to inform our students about the **e-distribution of the second edition of our 'Work book'**.

This book has been written to meet the needs of students as it offers the practising format that will appeal to the students to read smoothly. Each chapter includes unique features to aid in developing a deeper understanding of the chapter contents for the readers. The unique features provide a consistent reading path throughout the book, making readers more efficient to reach their goal.

Discussing each chapter with illustrations integrate the key components of the subjects. In the second edition, we expanded the coverage in some areas and condensed others.

It is our hope and expectation that this second edition of work book will provide further an effective learning experience to the students like the first edition.

The Directorate of Studies,

The Institute of Cost Accountants of India



Work Book

INDIRECT TAXATION

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SUGGESTED MARKS DISTRIBUTION FROM EXAMINATION POINT OF VIEW

Only for Practice Purpose

		Paper-5/6/7/8/11	Paper-9/10/12
Total 100 Marks	[3 Hours]	Objective = 25 Marks	= 28 Marks
		Others = 75 Marks	= 72 Marks

Objective Question

25 Marks/28 Marks (1 Mark each questions)	MCQ	1 mark
	Match	1 mark
	True/False	1 mark
	Fill in the Blanks	1 mark

Short Notes / Case Study

Minimum Marks for each Questions	4 Marks
Maximum Marks for each Questions	10 Marks

Practical Problem

Minimum Marks for each Questions	4 Marks
Maximum Marks for each Questions	15 Marks



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SECTION – A : GOODS AND SERVICES TAX

Study Note – 1 & 2

Introduction & Levy and Collection of Tax

Learning Objective:

- *To understand the implications of Goods & Services Tax (GST) and also the levy and collection on it.*
- *GST is being implemented from 1st July, 2017 and proposed to be a unified tax for the entire nation and ensuring that the cascading effect of tax on tax will be eliminated,*
- *The intended objective of GST 2017 is to replace a lot of other indirect and direct taxes like the VAT, service tax, luxury tax etc.*
- *GST improves the competitiveness of the original goods and services, thereby improves the GDP rate too,*
- *GST also ensures the availability of input credit across the value chain and helps to reduce the complications in tax administration and compliance,*
- *Taxable event under GST is supply of goods or services or both and which means no supply no GST.*

I. Multiple choice questions

1. Choose the correct option from the four alternative given –

- (i) One of the main features of Composite supply is
- (a) Supply of two or more goods at a special discount
 - (b) Mixing of various products as suitable for customers
 - (c) Goods are naturally bundle and supply with conjunction with each other.
 - (d) Supply of same product in bundle with special price
- (ii) Reverse charge means
- (a) The reversal of tax liability in case of return of goods
 - (b) The liability to pay tax by the recipient of supply of goods and services
 - (c) Reversal of tax due to mistake detected later
 - (d) The liability to pay tax where only services provided.



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(iii) Tax liability for mixed supply of two or more items will be

- (a) same tax rate
- (b) lowest tax rate
- (c) individual tax rate
- (d) highest tax rate

(iv) Return to be filed under composition levy in the form –

- (a) GSTR-3
- (b) GSTR-4
- (c) GSTR-5
- (d) GSTR-6

(v) GST for Renting of agro machinery will be

- (a) @ 5%
- (b) @ 12%
- (c) @ 18%
- (d) Exempted from GST

Answer:

- (i) (c)
- (ii) (b)
- (iii) (d)
- (iv) (b)
- (v) (d)

2. Match the following:

	Column A		Column B
1	Burden of GST borne by	A	Related person
2	Acupressure treatment	B	Exempted from GST
3	Plantation of coffee	C	Zero rated tax
4	Persons member of same family	D	Taxable
5	Services by Court or Tribunal	E	Taxable supply of services
		F	Non taxable supply
		G	Final consumer



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Answer:

Q	1	2	3	4	5
A	G	E	B	A	F

3. **State whether true or false**

- (i) IGST enacted by the respective State Government.
- (ii) GST offers comprehensive and continuous chain of tax credit.
- (iii) Tour conducted through luxury trains are covered as Tour Operators Service.
- (iv) GST payable for cultivation of ornamental flower.
- (v) A supply of goods or services or both which is liable to tax under GST Act is taxable supply.

Answer:

Q	(i)	(ii)	(iii)	(iv)	(v)
A	F	T	T	F	T

4. **Fill in the blanks**

- (i) _____ is to make recommendation to the Central Government and the State Government on tax rate.
- (ii) Residential house takes on rent for commercial purpose is _____ supply.
- (iii) Services by way of sponsorship of sporting event organized by a national sports federation where GST is _____.
- (iv) Service by way of right to admission to a theatrical performance is taxable under GST Act if the consideration is more than _____.
- (v) Electronics Commerce Operator mean any person who own, operate or manage _____ or _____ facility or platform for electronics commerce.

Answer:

- (i) GST Council
- (ii) taxable
- (iii) exempted
- (iv) ₹ 250.
- (v) digital , electronic



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II. Short Answer type questions

1. State briefly the advantages of GST.

Answer:

The advantages of GST are as follows –

- (a) One Nation One Tax
- (b) Removal of bundled indirect taxes such as VAT, CST, Service Tax, CAD, SAD and Excise
- (c) Removal of cascading effect of taxes i.e. removes tax on tax
- (d) Increased ease of doing business
- (e) Lower cost of production, increases demand will lead to increase supply. Hence this will ultimately lead to rise in the production of good resultantly boost to make in India initiative.
- (f) It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive growth.

2. Who is Casual Taxable Person under GST act?

Answer:

As per Section 2(20) a person who occasionally undertakes transactions involving supply of goods or services or both in the course of furtherance of business, whether as principal, agent or in any other capacity, in a State or Union territory where he has no fixed place of business.

3. What are the activities to be treated as supply even if made without consideration as per Schedule I?

Answer:

The activities to be treated as supply even if made without consideration are as below –

1. Permanent transfer or disposal of business assets where input tax credit availed on such assets.
2. Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course of furtherance of business.

Provided that gifts not exceeding ₹ 50,000/- in value in a financial year by an employer to employee shall not be treated as supply of goods or services both.

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3. Supply of goods –
 - (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal or
 - (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
4. Import of services by a person (omitted vide CGST Amendment Act, 2018) from a related person or from any of his other establishment outside India, in the course of furtherance of business

4. **Mrs. Nafisa is a registered dealer of gifts and stationeries items is a registered person under GST furnished the following transactions for the month of June 2018**

		₹
a)	Sale of Sugar Confectioneries	10,000
b)	Sale of table clocks	20,000
c)	Sale of non roasted coffee beans	15,000
d)	Sale of hair oil, toothpaste & cosmetics	40,000
e)	Sale of articles of wood	12,000
f)	Sale of ceramic products	18,000
g)	sale of leather goods	56,000

Ascertain the GST liability assuming GST for taxable supply is 12% (CGST – 6% & SGST – 6%)

Answer:

Statement showing GST liability of Mrs. Nafisa

	Particulars	Amount (₹)	Taxability	CGST @ 6%	SGST @ 6%
a)	Sale of Sugar Confectioneries	10,000	Exempted		
b)	Sale of table clocks	20,000	Taxable	1,200	1,200
c)	Sale of non roasted coffee beans	15,000	Exempted		
d)	Sale of hair oil, toothpaste & cosmetics	40,000	Taxable	2,400	2,400
e)	Sale of articles of wood	12,000	Exempted		
f)	Sale of ceramic products	18,000	Exempted		
g)	sale of leather goods	56,000	Taxable	3,360	3,360
	Total tax liability			6,960	6,960

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5.

Calculate the taxable service from the followings		
		₹
a)	Advertisement through hoardings	1,00,000
b)	Performances of a folk dance artist	80,000
c)	Hotel room tariff @ ₹ 2,500/- per room	1,50,000
d)	Rent received for residential dwelling use as residence per month	20,000
e)	Received from outdoor catering service	1,50,000
f)	Received by a professional training centre	1,80,000
g)	Received from service by way of transportation of passengers by inland waterways	50,000
Assuming GST @ 18% i.e. CGST - 9% & SGST - 9%		

Answer:

Statement showing GST liability against taxable supply					
	Particulars	Amount (₹)	Taxability	CGST @ 9%	SGST @ 9%
a)	Advertisement through hoardings	1,00,000	Taxable	9,000	9,000
b)	Performances of a folk dance artist	80,000	Exempted		
c)	Hotel room tariff @ ₹ 2,500/- per room	1,50,000	Taxable	13,500	13,500
d)	Rent received for residential dwelling use as residence per month	20,000	Exempted		
e)	Received from outdoor catering service	1,50,000	Taxable	13,500	13,500
f)	Received by a professional training centre	1,80,000	Taxable	16,200	16,200
g)	Received from service by way of transportation of passengers by inland waterways	50,000	Exempted		
	Total tax liability			52,200	52,200

Note: Service relating to transportation of passengers covered under NIL rate of GST (exempt). Notification No. 12/2017-CT (Rates) and 9/2017-IT (Rates) both dt. 26.06.2017 effective from 01.07.2017.

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6. M/s Hariharan is dealer of old car and engaged in purchase and sale of old cars in Bihar, furnishes the details of following transactions for the month of August 2018
1. Purchased old car for ₹ 80,000/- and sold for ₹ 1,20,000/- in Bihar
 2. Purchased old car for ₹ 75,000/- and sold for ₹ 65,000/- in Bihar
 3. Purchased old car for ₹ 90,000/- but unable to sell during the month of August '18
 4. Purchased old car for ₹1,00,000/- and sold for ₹ 1,30,000/- in Orissa

Calculate the GST payable in above cases assuming tax rate is 18% & IGST – 18%

Answer:

M/S Hariharan							
Calculation of GST payable for month of August 2018							
Sl. No	Particulars		Profit / Loss	CGST @ 9%	SGST @ 9%	IGST @ 18%	
	Purchase	sale					
1	80,000	1,20,000	40,000	3,600	3,600		
2	75,000	65,000	-10,000				note (i)
3	90,000						note (ii)
4	1,00,000	1,30,000	30,000			5,400	note (iii)
	GST payable			3,600	3,600	5,400	
Note:							
(i) No GST is payable in negative margin							
(ii) No GST is payable on unsold goods							
(iii) IGST to be paid for sale outside the state							

7. Mr. Naidu an advocates handles company related matter in Chennai provided the services related to incorporation of a company to Mr. Chandrakant in Bengaluru. Mr. Naidu charges fees as follows –
1. Professional and consultation fees for incorporation of company ₹ 80,000/-
 2. Filing fees, registration charges etc paid to Register of Companies ₹ 40,000/-
 3. Reimbursement of travelling expenses ₹ 80,000/-
 4. Incidental and out of pocket expenses on actual basis ₹ 7,000/-
- Calculate the tax liability considering GST rate 18%

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Answer:

Calculation of tax payable by Mr Naidu			
Sl No	Particulars	Amount (₹)	Remarks
1	Professional Fees	80,000	Received as pure agent, so not includable in the value
2	Filing fees, registration charges		Not in the hands of Mr Naidu
3	Travelling expenses		Reimbursement of expenses as actual basis
4	Incidental or out of pocket expenses		Reimbursement of expenses as actual basis
	Total taxable output	80,000	

As the recipient of services is outside of the state Integrated tax (IGST) is payable @ 18%. Hence IGST payable 18% on ₹ 80,000/- i.e. ₹ 14,400/-.

- 8. M/s Super Agro Ltd furnishes the following details of various services provided for the month of April 2018**

		₹
1)	Plantation of tea and coffee	260000
2)	Processing of tomato ketchup	210000
3)	Sale of rice on commission basis	250000
4)	Rearing of silkworm and horticulture	330000
5)	Rent of vacant land for various ceremony	540000
6)	Sale of wheat on commission basis	80000
7)	Rent of agro machinery	325000

Determine the tax liability of each transaction



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Answer:

M/s Super Agro Ltd			
Calculation of Tax Liability			
	Particulars	Tax Liability (₹)	Remarks
1)	Plantation of tea and coffee	Nil	Non taxable, agricultural product
2)	Processing of tomato ketchup	2,10,000	This is not agriculture produce, as further processing is done. Hence subject to tax
3)	Sale of rice on commission basis	2,50,000	Rice is not a agriculture produce as further processing is not done by cultivator or produce, so GST is payable.
4)	Rearing of silkworm and horticulture	Nil	Income related to agriculture, so non taxable.
5)	Rent of vacant land for various ceremony	5,40,000	Taxable (exempt if only use for agricultural purpose)
6)	Sale of wheat on commission basis	Nil	Wheat is a agricultural product. Hence non taxable.
7)	Rent of agro machinery	Nil	Renting of agriculture machines is exempt.

9. Write short notes on the followings in relation to GST Act:

- 1. Fringe benefits**
- 2. Disposal**
- 3. Exempt supply**
- 4. Air Travel Agent**

Answer:

- 1. Fringe Benefits** are supply of goods or services and are liable to tax if not exempted as per CBEC clarification.

The fringe benefits are transactions in furtherance of business."Even if supplied without consideration, the same are deemed supply" and will attract GST.

The compensation to employee in the form of money is not supply.



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2. **Disposal** normally considered as selling of assets when the organisation is about to close down and various assets are required to be disposed of. Such transactions will also be considered as supply and liable to tax under GST Law.
3. **Exempted supply** – As per section 2(47) of CGST Act 2017 “exempted supply” means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Act, and includes non taxable supply.

Exempted supply includes the supply of following type of goods and services:

- (a) Supplying attracting nil rate of tax
 - (b) Supplies wholly exempt from tax
 - (c) Non taxable supply
-
4. Air travel agents are the mediator of between the ultimate customer and the airlines e.g. Makemytrip.com, PayTM are all examples of Air travel agents because they acts as a mediator between the customer and the airline companies like air India, Indigo etc Air Travel Agents are not entitled for any exemption.



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Study Note – 3 & 4

Time, Value and Place of Supply under GST & Input Tax Credit (ITC)

Learning Objective:

- To know that under GST, 'Place Of Supply' defines whether the transaction will be counted as intra-state or inter-state and accordingly, SGST, CGST & IGST are levied,
- To learn that under GST, the point of taxation, i.e., the liability to pay GST will arise at the time of supply as determined for goods and services,
- To know about certain conditions which needs to be met to be entitled to Input Tax Credit under the GST scheme, like- one must be a registered taxable person,
- To learn that one can claim Input Tax Credit only if the goods and services received is used for business purposes,
- Input Tax Credit can be claimed on exports/zero-rated supplies and are taxable.

- I. Choose the correct option from the four alternative given –
- (i) If the supplies is not identifiable the time of supply will be –
- (a) Date of issue of voucher
 - (b) The date of redemption of voucher
 - (c) When the goods actually receive
 - (d) When the actual payment receive
- (ii) What will be the place of supply in case of catering services
- (a) Registered office of the catering services
 - (b) Where cooking is done
 - (c) From where the order receive
 - (d) Location where the services are actually performed
- (iii) GST rate for the restaurant within hotel room tariff more than ₹ 7500/- is
- (a) 5%
 - (b) 12%
 - (c) 18%
 - (d) 28%
- (iv) For export of goods or services or both
- (a) GST is 12%
 - (b) GST is 18%
 - (c) Exempted supply
 - (d) Zero rated supply



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- (v) In case goods disposed off by way of free sample
(a) recipient can claim ITC
(b) Supplier can claim ITC
(c) Supplier cannot claim ITC
(d) ITC can be claimed if value is more than ₹ 500/-

Answer:

- (i) (b)
(ii) (d)
(iii) (c)
(iv) (d)
(v) (c)

II. Match the followings:

	Column A		Column B
1	Due date for tax collected at source	a	No GST is payable
2	Payment made by a businessman for medical services availed in USA	b	Deemed receipt of supply
3	Supply of goods and services to Special Economic Zone	c	Recipient of credit
4	The supplier of goods and services or both having same Permanent Account Number as that of the Input Service Distributor	d	Exempted
5	The recipient of goods can issue direction to deliver the goods to third parties	e	10th of the following month
		f	10th of every month
		g	Zero rated tax

Answer:

Q	1	2	3	4	5
A	e	a	g	c	b



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III. State whether true or false

- (i) Due date for payment of GST under the Composition scheme is 15th of the month following the quarter.
- (ii) No GST on advance payment received for supply of goods by small taxpayers having aggregate annual turnover of up to ₹ 1.50 crore.
- (iii) Services provided by a Recovery Agent is call intermediary services.
- (iv) GST element will not be considered for the purpose of determining the cost of Acquisition.
- (v) ITC will be allowed for stolen and destroyed goods.

Answer:

- (i) False
- (ii) True
- (iii) True
- (iv) True
- (v) False

IV. Fill in the blanks:

- (i) GST is a _____ based tax, means tax will be levied where goods and services are consumed and will accrue to that state.
- (ii) Sole consideration means by paying GST on such consideration there is no _____ loss to the department.
- (iii) As per Section 2(34) _____ include a vessel, an aircraft and vehicle.
- (iv) ITC will not be eligible for Input Tax paid goods and services used for _____ consumption.
- (v) Membership of a club, health and fitness centre are _____ for ITC. (eligible/not eligible)

Answer:

- (i) destination
- (ii) revenue
- (iii) conveyance
- (iv) personal
- (v) not eligible

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V. Short Answer type questions:

1. State briefly the meaning of 'intermediary' and give at least two example of intermediary services.

Answer:

As per section 2(13) of the integrated Goods and Services tax Act, 2017 intermediary means a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more person, but does not include a person who supplies such goods or services or both securities on his own account

Intermediary services includes the followings –

- a) Travel agent (any mode of travel)
- b) Tour operator
- c) Commission agent for a service (including an agent for buying or selling of goods)
- d) Recovery agent etc.

2. As per the CGST Act 2017 who are the person shall be deemed to be 'related person'?

Answer:

As per the CGST Act 2017 –

(a) persons shall be deemed to be "related persons" if –

- (i) such persons are officers or directors of one another's business
- (ii) such persons are legally recognized partners in business
- (iii) such persons are employer or employee
- (iv) any person directly or indirectly owns, controls or holds 25% or more of the outstanding voting stock or shares of both of them
- (v) one of them directly or indirectly controls the other
- (vi) both of them are directly or indirectly controlled by third person
- (vii) together they directly or indirectly control a third person, or
- (viii) they are member of the same family

(b) the term "person" also includes legal person

(c) persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.



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3. **What will be the value of supply where the transaction values are not available as per CGST Rule 2017?**

Answer:

Value of supply where the transaction values are not available as per Section 15(4) read with Rules, 2017 as below –

Rule 27 : Value of supply of goods or services where the consideration is not wholly money

(a) Open market value of such supply

(b) Sum total consideration equal to money, if such amount is known at the time of supply provided (a) not applicable

(d) the value of like kind and quality if (a) and (b) not applicable

(e) Based on cost as per rule 30.if not a per residual method rule 31 in that order, provided (a) and (c) not applicable

Rule 28 : value of supply of goods or services or both between distinct or related persons, other than through an agent

Rule 29 : value of supply of goods made or received through an agent

Rule 30 : value of supply of goods or services on both based on cost

Rule 31 : Residual method for determination of value of supply of goods or services or both

4. **What are the events where ITC already availed by registered person of input supplies been reversed?**

Answer:

Under GST a registered person can use input tax on purchase to pay output GST tax on supply/sale

Apart from the general ITC rule and list of ineligible ITC, availed ITC input supplies needs to be reversed on subsequent occurrence of the below mentioned event

1. Recipient of supply does not pay to the supplier within 180 days of issue of invoice.
2. Recipient of supply uses input goods / services for any purpose other than business or for supplying exempted supplies (like personal use)



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3. Recipient of supply uses capital goods for any purpose other than business or for supplying exempted supplies
 4. A person transfer his regular GST registration into composite scheme [u/s 18(14) or cancels GST registration u/s 29(5)]
 5. A person sells Capital good or Plant and Machinery [u/s 18(6)]
5. **Mr. Gupta is a registered dealer and manufacturer furnishes the following details of his transactions**
- (a) **Received advance of ₹ 40,000/- from Mr. Murli on 08.08.2018 for goods worth ₹ 1,50,000/- to be supplied in the month of October 18 (P.Y turnover ₹ 2.20 crores). Find the value of supply**
 - (b) **Find the time of supplies in the in the below mentioned cases**
 - (i) **Sold goods to Aircon Ltd for ₹ 25,000/- and issued invoice for sale on 06.09.18
Aircon Ltd collect the goods from warehouse of Mr. Gupta on 14.09.2018.**
 - (ii) **Aircon Ltd made the full payment on 26.09.2018**
 - (iii) **Received goods from Mr. Suman an unregistered person for ₹ 2,20,000/- on 12.05.2018 who issued the invoice on 02.05.2018.Mr Gupta made payment for the Sale on 19.05.2018.**

Answer:

- (a) Advance received from Mr. Murli ₹ 40,000/- will be treated as deemed supply.

Therefore, Mr. Murli has made a supply of ₹ 40,000/- on 08.08.2018

(b)

- (i) Time of supply will be earlier of the following –

Date of Invoice	06.09.2018
-----------------	------------

Or

Date on which goods are delivered	14.09.2018
-----------------------------------	------------

Hence the time of supply is 06.09.2018

- (ii) Time of supply will be earlier of the following –

Date of invoice	06.09.2018
-----------------	------------

Date of payment	26.09.2018
-----------------	------------

The time of supply is 06.09.2018

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- (iii) Time of supply will be the earliest of the following –
- | | |
|----------------------------------------------------------------|------------|
| Receipt of goods | 12.05.2018 |
| Date of payment | 19.05.2018 |
| Date immediately following 30 days
From the date of invoice | 01.06.2018 |
- Time of supply of goods is 12.05.2018

6. Mr. Sahoo located at Bhubaneswar provide H.R Training at Bhubaneswar to the following company

(i) M/s Goodhope Ltd registered at Patna who is also registered person under GST

(ii) M/s Sunny Ltd located at Assam who is not registered person under GST

Find the place of supply and GST liability

Answer:

(i) M/s Goodhope Ltd is a registered person under GST

Place of supply is Patna

Mr. Sahoo is liable to pay IGST

(ii) M/s Sunny Ltd is not a registered person under GST

Place of supply is Bhubaneswar

Mr. Sahoo is liable to pay CGST and SGST

7. M/s Nanda Bakery sells a special type of fruit cake for New Year with MRP ₹ 200/- per pound. The customer being offered a discount @ 10% per cake. In the month of January 2018 M/s Nanda Bakery sold 600 nos, cakes.

Find the GST liability considering rate of tax is 18%

Answer:

M/s Nanda Bakery	
Calculation of GST liability	
Particulars	₹
Transaction Value (taxable supply)	1,08,000
Add : CGST @ 9% on 1,08,000	9,720
Add : SGST @ 9% on 1,08,000	9,720
Invoice price (taxable supply)	1,27,440

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Working Notes	
Calculation of transaction value	
Particulars	₹
MRP ₹ 200*600	1,20,000
Less : Discount 10% on ₹ 1,20,000/-	12,000
Transaction value	1,08,000

8. **Satyam enterprises a manufacturer of washing machine manufactured 1500 nos. washing machines during the month of October 18. He furnishes the following details**
- (a) **Assessable value of each washing machine is ₹ 9,000/-**
 - (b) **purchase materials from registered dealer for ₹ 90,00,000/-**
 - (c) **Sold 1200 washing machines within India**
 - (d) **Sold 300 washing machines to Russia**

Calculate SGST and CGST payable considering GST rate is 18%

Answer:

Satyam enterprise				
Calculation of tax payable				
	Particulars	CGST @ 9%	SGST @ 9%	
(a)	Tax payable for supply of washing machines within India	9,72,000	9,72,000	Note 1
(b)	Tax payable for export of 300 nos washing machines to Russia	NIL	NIL	Note 2
(c)	Total	9,72,000	9,72,000	
(d)	Less : Input tax credit on taxes paid for local purchase	8,10,000	8,10,000	Note 3
(e)	Tax payable	1,62,000	1,62,000	

Notes		₹
1	Total tax (1200*₹ 9000/-)*18%	19,44,000
	CGST - 972000/- & SGST - ₹ 9,72,000/-	
2	No tax on export sales	
3	Input tax credit @ 18% on ₹ 90,00,000/-	16,20,000
	CGST - 810000/- & SGST - ₹ 8,10,000/-	

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9. M/s Favourite Driving Agency provide training given the following details for the month of April 2018

		₹
(a)	Received for providing training on driving plus GST @ 18%	12,00,000
(b)	Purchase a new Maruti Alto for ₹ 430000/- plus GST @ 28%	4,30,000

State the GST liability of M/s Favourite Driving Agency

If M/s Favourite Driving Agency purchased a goods vehicle for ₹ 28,00,000/- plus 28% GST then what will be the GST liability.

Answer:

The GST payable by M/s Favourite Driving Agency

Particulars	₹
GST on output supply	2,16,000
Less : ITC on purchase of Maruti Alto	120400
GST payable	95600

GST liability when M/s Favourite Agency purchased a goods vehicle for ₹ 28,00,000/-

Particulars	₹	₹
GST on output supply		2,16,000
Less : ITC on purchase of Maruti Alto	1,20,400	
ITC on goods vehicle	7,84,000	9,04,400
Net Excess ITC c/f		-6,88,400

10. Opportunity Finance Ltd a Non Banking Financial Company furnishes the following details for the month of June 2018

	₹
Interest Income	2,80,00,000
Loan processing fees	16,00,000
Other Incomes	30,00,000
Total Input credit availed during the period	22,00,000
Input credit availed for non business purpose	8,00,000

Opportunity Finance Ltd opted for availing ITC an amount equal to 50% of eligible credit.

Calculate the Input Tax Credit available to Opportunity Finance Ltd.

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Answer:

Opportunity Finance Ltd	
Calculation of total ITC for June 2018	
	₹
Total ITC availed	22,00,000
Less Input credit availed for non banking purpose	8,00,000
Total ITC	14,00,000
ITC allowed for June 2018 50% of ₹ 14,00,000/-	7,00,000

Notes:

ITC availed for non business purpose not allowed

Total ITC allowed in Form no GSTR2

11. **M/s Aircon Ltd is a registered person under GST is dealer of second hand electronics products. M/s Aircon Ltd supplies 6 nos used TV to consumer at Lucknow for ₹10,000/- each. The second hand used TV was purchased for ₹ 5000/- from a registered dealer in Ranchi by paying GST @ 28% in both CGST and SGST M/s Aircon Ltd charged IGST @ 28% on inter-state supply.**

Find the net GST payable in the following cases –

- (i) If input tax credit available**
- (ii) If input tax credit not availed**

Answer:

(i)

M/s Aircon Ltd			
Net GST liability in case of Input tax credit availed			
particulars		Value (₹)	IGST @ 28%
Outward supply		60,000	16,800
Less : Input tax credit		30,000	
Net output supply		30,000	
CGST @ 14%	4,200		
SGST @ 14%	4,200		8,400
Net GST liability			8,400

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(ii)

M/s Aircon Ltd		
Net GST liability in case of Input tax credit not availed		
Particulars	Value (₹)	IGST @ 28%
Outward supply	60,000	
Less : Purchase price	38,400	
Value of margin	21,600	6,048

Notes:

1. Total outward supply $6 \times 1000/-$ = ₹ 60,000/-
2. Total inward supply (purchase) $6 \times 5000/-$ = ₹ 30,000/-
3. CGST – $30000 \times 28/100 \times 1/2$ = ₹ 4,200/- (14%)
 SGST – $30000 \times 28/100 \times 1/2$ = ₹ 4,200/- (14%)
4. Purchase price ₹ 30,000
 Add : IGST @ 28% ₹ 8,400
 Total purchase ₹ 38,400
5. GST to be charged on the margin of profit earned on the goods i.e., $21,600/- \times 28\%$
 = ₹ 6,048/-

12. M/s Unicorn Ltd agreed to do the job work for M/s Techno Ltd

(i) M/s Techno Ltd supplied the following to M/s Unicorn Ltd for completion of job

Work

	₹
Raw materials	8,00,000
Packing materials	80,000

(ii) M/s Unicorn Ltd agreed to supply services for the purpose of performing the activities as required by M/s Techno Ltd for ₹ 2,50,000/-

(iii) Job worker profit ₹ 1,60,000

(iv) Materials consumed ₹ 28,000

Find the transaction value to levy GST in the hands of M/s Unicorn Ltd

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Answer:

M/s Unicorn Ltd	
Calculation of transaction value	
Particular	₹
Service charges	2,50,000
Add : Materials consumed	28,000
Add : Job worker profit	1,60,000
Transaction value	4,38,000
Taxable value of supply of services in the hands of M/s Unicorn Ltd	4,38,000

Note:

Though materials cost of ₹ 28,000/- included, still the entire supply including value of materials would be treated as service.

13. Write short notes on the following in relation to GST law:

(i) Pure Agent

(ii) Export of Service

(iii) Deemed supply

Answer:

(i) Pure Agent means a person

(a) enters into a contractual agreement with the recipient of supply to act on their behalf and incur expenditure or costs in the course of supply of goods or services or both.

(b) neither intends to hold nor holds any title to the goods or services (or both) procured on behalf of or provided to the recipient of supply

(c) does not use the goods or services, so procured for his own interest, and

(d) receives only the actual amount incurred to procure such goods or services.

(ii) Section 2(6) of the IGST Act, 2017 export of services means the supply of any services when

(a) the suppliers of service located in India

(b) the recipient of service is located outside India

(c) the place of supply of service is outside India



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- (d) the payment of such service has been received by the supplier of service in convertible foreign exchange, and
- (e) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 section 8.
- (iii) Deemed supply-
- As per section 143(3) and 143(4) of the CGST Act, 2017 makes provision for payment of tax when the inputs or capital goods respectively are not returned back by the job worker.
- The inputs after processing shall be returned back within One year of their being sent out. Otherwise it will be treated as deemed supply (i.e. supplied by the principal to the job worker on the way when the said inputs were sent out).Therefore the principal will have to pay tax along with interest.



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Study Note – 5 & 6

Registration under GST & Tax Invoice, Credit and Debit Notes

Learning Objective:

- To learn what is GST Registration.
- In the GST Regime, businesses whose turnover exceeds a certain limit, is required to register as a normal taxable person.
- This process of registration is called GST registration. For certain businesses, registration under GST is mandatory.
- In this chapter you will also come to know what is Debit Note and Credit Note?
- When goods supplied are returned or when there is a revision in the invoice value due to goods (or services) not being up to the mark or extra goods being issued a Debit Note or Credit Note is issued by the supplier and receiver of goods and services.

I. Choose the correct option from the four alternative given –

- (i) Which of the following is the special category State as per Section 22 of CGST Act 2017
- (a) Telengana
 - (b) Chattisgarh
 - (c) Uttaranchal
 - (d) Himachal Pradesh
- (ii) Person not liable for registration under GST Act
- (a) Supplier of medicine
 - (b) Outdoor catering services
 - (c) An agriculturist
 - (d) Professional training centre
- (iii) Acknowledgement of application for registration under section 25 of GST is received in Form
- (a) GST REG 01
 - (b) GST REG 02
 - (c) GST REG 03
 - (d) GST REG 04



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- (iv) An Input Services Distributor will have to file return in GSTR 6
(a) Monthly
(b) Quarterly
(c) Every six month
(d) Annually
- (v) A dealer may issue single credit note for
(a) For one invoice
(b) For two invoices
(c) For three invoices
(d) For multiple invoices

Answer:

- (i) (d)
(ii) (c)
(iii) (b)
(iv) (a)
(v) (d)

II. Match the followings:

	Column A		Column B
1	The turnover of a registered person will be computed	a	Supplier of herbal products
2	Registration under GST is compulsory for	b	Credit note issued
3	Casual taxable person can apply for registration in Form	c	GSTR - 5
4	The non resident taxable person shall furnish return in Form	d	PAN wise
5	The tax liability of the registered person will be adjusted in accordance with the	e	Electronics commerce operator
		f	GSTR - 1

Answer:

Q	1	2	3	4	5
A	d	e	f	c	b



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III. State whether true or false:

- (i) Multiple registration is permitted for separate business vertical.
- (ii) Nonresident taxable person making taxable supply need not require to be registered under GST.
- (iii) The legal heir of a registered person are allowed to cancel GST registration.
- (iv) A bill of supply be issued by the supplier not require to mention HSN code of goods or Accounting codes for services
- (v) Certificate of registration for GST is generated in form REG 06

Answer:

- (i) True
- (ii) False
- (iii) True
- (iv) False
- (v) True

IV. Fill in the blanks:

- (i) GST registration is the most fundamental requirements for _____ of tax payer ensuring tax compliances in the economy.
- (ii) Compulsory registration is required for persons who are to pay tax under _____.
- (iii) GST registration of a person can be cancelled by a proper GST officer if a normal registered person do not file returns consecutively for _____.
- (iv) Under GST a tax invoice is an essential document for the recipient to avail _____.
- (v) In case of a revised invoice the word _____ wherever applicable indicated prominently.

Answer:

- (i) identification
- (ii) reverse charge
- (iii) six month
- (iv) Input tax credit
- (v) Revised Invoice

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V. Short Answer type questions:

1. (a) State briefly the advantages of GST registration.

(b) Please state the meaning of 'special category states'. Mentioned at least five special category states under GST.

Answer:

(a) The advantages of obtaining GST Registration by a taxpayer are as follows –

- (i) He is legally recognized as supplier of goods or services or both
- (ii) He is legally authorized to collect taxes from his customer and pass on the credit of the taxes paid on the goods or services supplied to the purchasers / recipients.
- (iii) He can claim Input Credit Tax of taxes paid can utilize the same for payment of taxes due on supply of goods or services.
- (iv) Seamless flow of Input Tax Credit from supplies to recipient at the national level.
- (vi) Registered person is eligible to apply for Government bids or contracts or assignments.
- (vii) Registered person under GST can easily gain trust from customers.

(b) As per explanation (3) of Section 22 of CGST Act, 2017, "special category States" shall mean the States as specified in sub clause (g) of clause (4) of article 279A of the Constitution. List of which as follows -

- (a) Arunachal Pradesh
- (b) Assam
- (c) Jammu & Kashmir
- (d) Manipur
- (e) Meghalaya
- (f) Mizoram
- (g) Nagaland
- (h) Sikkim
- (i) Tripura
- (j) Himachal Pradesh
- (k) Uttarakhand



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2. State the meaning and provisions of distinct person under GST Act.

Answer:

Distinct persons are persons with different GSTINs belonging to one legal entity (single PAN) situated within the same state or in two different states or in a different country.

Provisions of Distinct Person under the CGST (Amendment) Act [u/s 25(2),(4) and 25]

A person seeking registration under this Act shall be granted a single registration in a State or Union territory. Provided that a person having multiple business verticals in a State or Union territory may be granted a separate registration for each business vertical, subject to such conditions as may be prescribed.

A person who has obtained or is required to obtain more than one registration whether in one State or Union territory or more than one States or Union territory shall in respect of each such registration, be treated as distinct person for the purpose of this Act.

Where a person who has obtained or is required to obtain registration in a State or Union territory in respect of an establishment in another State or Union territory, then such establishment shall be treated as establishments of distinct persons for the purpose of this Act.

3. State the contents of Revised Tax Invoice.

Answer:

The contents of Revised Tax Invoice are as follows –

- (a) The word “Revised Invoice”, wherever applicable, indicated prominently
- (b) Name, address and GSTIN of the supplier
- (c) Nature of document
- (d) a consecutive serial number containing alphabets or numerals or special or special character like hyphen or dash and slash symbolized as “-“ and “/” respectively, and any combination thereof, unique for a financial year
- (e) Date of issue of the document
- (f) Name, address and GSTIN or UIN, if registered, of the recipient
- (g) Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un registered

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- (h) Serial number and date of the corresponding tax invoice or, as the case may be, bill of supply
- (i) Value of taxable supply of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient.
- (j) Signature or digital signature of the supplier or his authorized representative.

4. **M/s Kanu Fabrication having its head office at Kolkata and branch offices at Patna & Ranchi furnishes the following details with respective turnover for F.Y 20XX**

		₹
a)	Supply of ceramic products at Kolkata (earthen pot and clay lamps)	15,00,000
b)	Inward supplies on which tax is payable on reverse charge basis	6,00,000
c)	Supply of machine parts to Kolkata	3,00,000
d)	Value of taxable supply to Patna branch	4,00,000
e)	Value of branch transfer taxable items to Ranchi without any consideration (payment)	2,50,000

Find the aggregate turnover of M/s Kanu Fabrication

Answer:

Aggregate Turnover of M/s Kanu Fabrication		
	Particulars	₹
a)	Supply of ceramic products at Kolkata (earthen pot and clay lamps)	15,00,000
b)	Inward supplies on which tax is payable on reverse charge basis	—
c)	Supply of machine parts to Kolkata	3,00,000
d)	Value of taxable supply to Patna branch	4,00,000
e)	Value of branch transfer taxable items to Ranchi without any consideration (payment)	2,50,000
	Aggregate Turnover	24,50,000

Notes:

- Supply of ceramic products (earthen pot and clay lamps) is non taxable items i.e. included in the definition of exempt supply. Hence includable.
- value of inward supply on which tax is payable on reverse charge basis is not supply made by him and hence not includable in aggregate turnover and specially excluded from the definition of aggregate turnover.



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3. Supply of machine parts to Kolkata includable in aggregate turnover
4. Value of taxable supplies to Patna branch includable in aggregate turnover
5. Value of branch transfer by Kolkata to Ranchi without any payment consideration
Includable in aggregate turnover. (clause 2 of schedule 1 of CGST Act)

5. **Mr Prakash a dealer made the inter-state supply of goods and services based at Indore furnishes the following information for the Financial Year 2018 – 19**

		₹
(i)	sale of taxable goods from Head office located at Delhi	2,50,000
(ii)	Supply of taxable services by branch office at Jalandhar	80,000
(iii)	Supply of goods exempted from GST	30,000
(iv)	Export of goods and services	1,50,000
(v)	Sale of goods by acting as an agent on behalf of principal	17,00,000

Find out the aggregate turnover for the F.Y 2018-19.

Answer:

Aggregate Turnover of Mr Prakash		
	Particulars	₹
(i)	sale of taxable goods from Head office located at Delhi	2,50,000
(ii)	Supply of taxable services by branch office at Jalandhar	80,000
(iii)	Supply of goods exempted from GST	30,000
(iv)	Export of goods and services	1,50,000
(v)	Sale of goods by acting as an agent on behalf of principal	17,00,000
(vi)	Aggregate Turnover	22,10,000

As the aggregate turnover exceeds the threshold limit of ₹ 20 lakhs, Mr Prakash is required to register under GST Act if not registered already.

6. **Mr. Anil Yadav practicing as an Advocate in Noida Uttar Pradesh is an unregistered person under GST Act, supplied the taxable services to M/s Decan Ltd at Chennai a registered person under GST.**

Answer the followings –

(i) Is it inter- state supply or intra state supply?

(ii) Is Mr. Anil Yadav is liable to pay IGST?

The turnover of Mr. Yadav for P.Y is ₹ 16,50,000/-



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Answer:

- (i) It is inter state supply.
- (ii) Mr. Anil Yadav is not liable to pay IGST as registration is not made mandatory for him.

Notes:

1. Any person making inter-state supply has to compulsorily obtain registration and therefore in such cases section 5(4) of IGST will not come into play.
2. In this case the aggregate supplies including inter state service of Mr. Anil Yadav the service provider is not crossing the limit of ₹ 20 lakhs, hence exempted from GST (vide Notification No 10/2017 – integrated Tax Dt 13th October,2017)

7. M/s Allied Engineering Ltd commenced its business on 1st June 2018 furnishes the following details –

1. It's turnover exceeds ₹ 20,00,000/- on 10th June, 2018.
2. it applied for registration under GST on 30th June, 2018
3. The registration granted 9th July, 2018

Advise M/s Allied Engineering Ltd in the following cases –

- (i) Invoice to be issued between 10th June,2018 to 9th July,2018 to registered dealer
- (ii) M/s allied Engineering Ltd also made certain supplies to unregistered dealer during that period.

Answer:

M/s allied engineering Ltd should issue revised Invoice against the invoices issued earlier with tax within 30 days from 09.07.2018 i.e. before 08.08.2018.

- (i) For the supplies made to registered dealers, their GSTN should be indicated in Supplementary Invoice which should be uploaded for the period 10.06.2018 to 09.07.2018 in the GSTR – 1 Return, so that the recipient can take the Input Tax Credit.
- (ii) For supplies made to unregistered dealer Revised Invoice is required for the period 10.06.2018 to 09.07.2018.

8. M/s Oxygen Pvt. Ltd having it's head office at Pune is registered as Input Service Distributor (ISD).It has another two units in different states namely Jaipur and Amritsar which are operational in current year. M/s Oxygen Pvt. Ltd furnishes the following information for the month of May 2018



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		₹
(i)	CGST and SGST paid on services used only in Pune	4,00,000
(ii)	IGST,CGST & SGST paid on services used by three units	24,00,000

Total turnover of the units for the Financial Year 2017 – 18 are as follows -

Unit	₹
Pune	10,00,000
Jaipur	6,00,000
Amritsar	4,00,000
Total turnover	20,00,000

You are required to distribute the Input Tax Credit from the above informations.

Answer:

M/s Oxygen Pvt Ltd					
Statement showing distribution of Input Tax Credit					
Sl No	Particulars	Total credit available	Pune	Jaipur	Amritsar
(i)	CGST and SGST paid on services used only by Pune unit	4,00,000	4,00,000		
(ii)	IGST,CGST & SGST paid on services used in all unit distribution pro rata basis to all units which are operational in the current year	24,00,000	12,00,000	7,20,000	4,80,000
	Total	28,00,000	16,00,000	7,20,000	4,80,000

Working Notes:

1. CGST & SGST paid on services used only for Pune unit should be distributed only to that unit.
- 2.

Credit distributed pro rata basis of the all the units is as under		
	Unit	₹
a)	Pune $(1000000/2000000)*2400000$	12,00,000
b)	Jaipur $(600000/2000000)*2400000$	7,20,000
c)	Amritsar $(400000/2000000)*2400000$	4,80,000
	Total	24,00,000

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9. Write short notes on the followings:
- (i) Voluntary registration
 - (ii) Cancellation of registration
 - (iii) Time limit for issue of tax invoice for service
 - (iv) Period of Retention of Accounts under GST

Answer:

(i) Voluntary Registration

A person, though not liable to be registered under section 22 or 24, may get himself registered voluntarily, and all provision of the CGST Act, as are applicable to a registered person, shall apply to such person [section 25(3) of the CGST Act]

Voluntary registration can be cancelled any time. Tax must be paid once registered even if annual turnover is less than ₹ 20 lakhs.

(ii) Cancellation of registration

The proper officer may, either of his own motion or an application filed by registered person or his legal heir (in case of death of such person) cancel the registration, in prescribed manner and within prescribed period – section 29(1) of CGST and SGST Act.

The proper officer will have regard to the following, while cancelling the registration

- (a) whether the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of, or
- (b) whether there is any change in the constitution of the business, or
- (c) whether the taxable person, other than the person registered under section 25(3)[voluntary registration], is no longer liable to be registered under section 22 or 24 of CGST or SGST Act.

(iii) Time limit for issue of tax invoice for service

The invoice in case of taxable supply of services, shall be issued within a period of thirty days from the date of supply (Rule 47 of CGST and SGST Rules, 2017)

If the supplier of service is an insurer or a banking company or a financial institution, or NBFC, invoice can be issued within forty five days from the date of supply of service (first proviso to Rule 47 of CGST and IGST Rules, 2017)



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(iv) Period of Retention of Accounts under GST

As per the section 36 of the CGST Act, 2017 every registered taxable person must maintain the accounts books and records for at least 72 months (6 years) from the due date of furnishing of annual return for the year pertaining to such accounts and records. The period will be counted from the last date of filing of Annual Return for that year.

The last date of filing Annual Return is 31st December of the following year.



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Study Note – 7 & 8 Accounts and Records under GST & Payment of Tax

Learning Objective:

- *In this chapter Accounts and Records under GST & Payments of Tax are discussed.*
- *Every registered person shall keep and maintain an account, containing the details of tax payable including tax payable under reverse charge, tax collected and paid, input tax, input tax credit claimed, together with a register of Tax Invoice, Credit Notes, Debit Notes, Delivery Challan issued or received during any transactions made.*

- I. Choose the correct option from the four alternative given –
- (i) Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by
- (a) Only by a Chartered Accountant
 - (b) Only by a Cost Accountant
 - (c) Only by a Company Secretary
 - (d) By a Chartered Accountant or a Cost Accountant
- (ii) The last date for filing the Annual return
- (a) 30th June of the following year
 - (b) 30th September of the following year
 - (c) 31st December of the following year
 - (d) 31st March of the following year
- (iii) The amount utilized for payment from the balance in electronics credit or cash ledger will be shown in
- (a) GST PMT – 1
 - (b) GST PMT – 2
 - (c) GST PMT – 3
 - (d) GST PMT - 4
- (iv) As per section 54(14) of the CGST Act,2017 no refund shall be granted if refund amount is less than
- (a) ₹ 500
 - (b) ₹ 1,000
 - (c) ₹ 1,500
 - (d) ₹ 2,000



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- (v) The document (chalan) generated for payment of tax, penalty, fees will be valid for
- (a) 7 days
 - (b) 10 days
 - (c) 12 days
 - (d) 15 days

Answer:

- (i) (d)
- (ii) (c)
- (iii) (a)
- (iv) (b)
- (v) (d)

II. Match the followings:

	Column A		Column B
1	Under GST the tax to be paid is mainly divided into	a	Electronics cash ledger
2	E commerce operator is required collect and pay	b	Output tax payable and paid
3	Every deposit made towards tax, interest, penalty through	c	Serially numbered
4	Every registered person is required to maintain a true account of	d	TCS
5	each volume of books of accounts maintain manually by the registered person shall be	e	IGST,CGST and SGST

Answer:

Q	1	2	3	4	5
A	e	d	a	b	c



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III. State whether true or false:

- (a) Every registered person are not bound to produce the books of accounts which is required to maintain under any law for the time in force.
- (b) the recipient is required to maintain books of accounts in relation to the goods stored at the godown of the transporter.
- (c) As per the CGST Act 2017 the Central tax can be utilized towards payment of State tax or Union territory tax.
- (d) Any person or persons on his behalf shall generate a challan in Form GST PMT – 6 on the common portal for payment of tax, interest etc.
- (e) Credit of SGST / UTGST can be used for payment of IGST only after exhausting credit of IGST and CGST

Answer:

- (a) False
- (b) True
- (c) False
- (d) True
- (e) True

IV. Fill in the blanks:

- (a) Every registered person is required to _____ the taxes payable and furnish return for each tax period.
- (b) Every registered person shall keep the particular of names and _____ of the person to whom he has supplied goods or services.
- (c) Place of business includes a _____ a _____ or any other place where a taxable person stores it's goods, supplies or services both.
- (d) Question of interest on late payment arises when Input tax credit has been claimed in _____ or where it was not _____ to be claimed, tax liability has been shown to be less than the actual.
- (e) Any discrepancy in the _____ electronic liability register, shall be informed to jurisdictional officer in Form _____ electronically.



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Answer:

- (a) self assess
- (b) complete address
- (c) warehouse, godown
- (d) excess, eligible
- (e) GST TMT – 4

V. Short Answer type questions

1. **What are the details a registered person required to maintain depicting true and correct accounts.**

Answer:

As per section 35(1) of the CGST Act, 2017 every registered person is required to maintain a true and correct account of the following

- (a) Production or manufacture of goods
- (b) Inward and outward supply of goods or services, or both
- (c) Stock of goods
- (d) Input tax credit availed
- (e) Output tax payable and paid
- (f) any other particulars deemed necessary

The above records must be maintained at each place of business registered under GST.

2. **What are the particulars every registered person executing works contract by maintaining separate accounts for works contract.**

Answer:

Rule 56(14) of the CGST Rules, 2017, every registered person executing works contract shall keep separate accounts for works contract showing –

- (a) the name and address of the persons on whose behalf the works contract is Executed;
- (b) description, value and quantity (wherever applicable) of goods or services received for the execution of works contract;

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- (c) description, value and quantity (wherever applicable) of goods or services utilised for the execution of works contract;
- (d) the details of payment received in respect of each works contract; and
- (e) the name and address of the suppliers from whom he received goods

3. When a taxpayer is liable to pay interest on late payment

Answer:

As per the Section 50 of the CGST Act, 2017 a tax payer is liable to pay interest on late payment are:

1. Delayed payment of tax
2. Input tax credit has been claimed in excess or where it was not eligible to be claimed / tax liability has been shown to be less than the actual.

4. PQR a registered supplier of service at Kolkata (West Bengal) has furnished the following information for the month of August 2018, which are exclusive of taxes

		₹
(i)	Intra state taxable supply of service	7,60,000
(ii)	Legal fees paid to an advocate located within the state of West Bengal	30,000
(iii)	Rent paid State Government for his office building	40,000
(iv)	He received for service towards conduct of exam to S P University at Trichi (recognised by law)	25,000

Compute the net GST liability for the month of August 2018, considering rate of GST is 18% i.e. CGST – 9%, SGST – 9% and IGST – 18%

Answer:

Net GST liability of PQR for the month of August 2018				
	Particulars	CGST @ 9%	CGST @ 9%	Remarks
(i)	Intra state taxable supply of service	68,400	68,400	18% on ₹ 7,60,000/-
(ii)	Legal fees paid to an advocate located within the state of West Bengal	2,700	2,700	Tax payable under reverse charge
(iii)	Rent paid State Government for his office building	3,600	3,600	Tax payable under reverse charge

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(iv)	He received for service towards conduct of exam to S P University at Trichi (recognised by law)	-	-	No tax ,exempted
	Gross tax payable	74,700	74,700	
	Less : Input Tax Credit			
	Legal fees paid	2,700	2,700	
	Rent paid to state Government	3,600	3,600	
	Total Input Credit	6,300	6,300	
	Net Tax liability	68,400	68,400	

Note:

Credit can be taken on basis of GSTR 3B. Therefore PQR can take ITC in the same month.

5. Mr. Makhanlal has furnishes the following details –

(a) Output tax liability for	₹
CGST & SGST	1,50,000
IGST	30,000
(b) Interest payable	2,700

Explain how the liability can be discharged by Mr. Makhanlal in the following two independent cases –

- 1. Input Tax Credit available ₹ 37,500 of CGST and SGST each and IGST ₹ 37,500.**
- 2. Input Tax Credit not available.**

Answer:

Case – 1

In case Input Tax Credit available						
Ledger	Particulars	CGST	SGST	IGST	Interest payable	Total
Electronic Credit Ledger	Output tax payable	75,000	75,000	30,000	2,700	1,82,700
	Net output liability	37,500	37,500	37,500	-	1,12,500
	IGST credit set off	7,500				7,500
Electronic Cash Ledger	cash to be deposited	30,000	37,500	-	2,700	70,200

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Notes:

1. IGST credit can be adjusted against CGST and SGST.
2. Interest cannot be adjusted with Input Tax Credit.

Case - 2

In case Input Tax Credit not available						
Ledger	particulars	CGST	SGST	IGST	Interest payable	Total
Electronic Liability Ledger	Output tax payable	75,000	75,000	30,000	2,700	1,82,700
Electronic Cash Ledger	Amount to be deposited	75,000	75,000	30,000	2,700	1,82,700

6. **Gopal babu furnishes the following particulars relating to the services supplied to his different clients for the month of June 2018**
1. **Total invoice raised for ₹ 15,00,000/- out of which tax invoice for ₹ 3,00,000/- was raised to SEZ unit for service supplied.**
 2. **Amount of ₹ 2,36,000/- which was inclusive of tax was received from Magnum Agency as an advance on 22.06.18 to whom service was supplied in August '18**

You are required to compute

- (a) Value of taxable service
- (b) Amount of tax payable
- (c) Due date for tax payment
- (d) The document to be issued

Assume the rate of GST is 18% i.e. CGST – 9%, SGST – 9% and IGST – 18%

Answer:

		Value of taxable supply	SGST @ 9%	CGST @ 9%
(a)	Value of taxable supply	12,00,000	1,08,000	1,08,000
(b)	Net amount of advance	2,00,000	18,000	18,000

- (c) Due date for tax payment is 20.07.2018
- (d) Tax invoice to be raised for taxable suppliers. In case of supply to SEZ tax invoice should contain specified marking that supply to SEZ.
In case of advance received a receipt voucher should be issued.

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Notes –

		₹
(a)	Total invoice raised	15,00,000
	Less : Supply made to SEZ for which no tax is payable	3,00,000
	Value of taxable supply	12,00,000
(b)	Total advance	2,36,000
	Less : Tax included	36,000
	Taxable amount for which tax to be calculated	2,00,000

7. M/s NG Enterprise furnishes the following information

- (i) Supplied goods to M/s Bitra & Co for ₹ 15,00,000/- in the month of May 2018 plus GST 18%**
 - (ii) M/s NG Enterprise paid the GST on 12th October 2018**
 - (iii) The amount of input tax credit is ₹ 1,00,000/- is available in the books.**
- Calculate the interest payment if any under section 50 of the CGST Act, 2017.**

Answer:

In the books of M/s NG Enterprise	
	₹
Tax	2,70,000
Less : Input Tax Credit	1,00,000
Tax payable	1,70,000

Interest shall be calculated from the day of the due date of payment from 21st June 2018 to the actual date of payment i.e. 12th October 2018

$$\text{Interest} = ₹ 1,70,000 \times 18/100 \times 114/365 = ₹ 9,557.26 \text{ (R/o ₹ 9,557/-).}$$

8. Write short notes on the following related to GST law:

- (i) Manner of issuing invoice**
- (ii) Refund voucher**
- (iii) Debit note**
- (iv) Compulsory audit**

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Answer:

- (i) As per the Rule 48 of the CGST Act, 2017 manner of issuing invoice as below –
- (1) The invoice shall be prepared in triplicate, in the case of supply of goods, in the following manner, namely by marking on face of the invoice
 - (a) Original for recipient
 - (b) Duplicate for transporter; and
 - (c) Triplicate for supplier.
 - (2) The invoice shall be prepared in duplicate, in the case of the supply of services, in the following manner namely
 - (a) Original for recipient
 - (b) Duplicate for supplier
 - (3) The said number of invoices issued during a tax period shall be furnished electronically through the common portal in Form GSTR – 1
- (ii) **Refund Voucher**
Where any such receipt voucher is issued, but subsequently no supply is made and no tax invoice is issued, the registered person who has received the advance payment can issue a refund voucher against such payment as per Rule 51 of the CGST Rules, 2017.
- (iii) **Debit Note**
As per Sec 34(3) & (4) of CGST ACT in cases where tax invoice has been issued for a supply and subsequently it is found that the value or tax charged in that invoice is less than that what is actually payable / chargeable, the supplier can issue a debit note to the recipient. Any registered person who issues a debit note in relation to a supply of goods or services or both, shall declare the details of such debit note in the return for the month during which such debit note has been issued and the tax liability shall be adjusted in such manner as may be prescribed.
- (iv) **Compulsory Audit**
Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a Chartered Accountant or a Cost Accountant.



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As per Rule 80(3) of the CGST Rules 2017 every registered person whose aggregate turnover during a financial year exceeds Rupee Two crore shall get his accounts audited as specified under sub section (5) of section 35 and he shall furnish a copy of audited annual accounts and a reconciliation statement duly certified in FORM GSTR – 9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.



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Study Note – 9, 10, 11, 12 & 13

TDS & TCS, Returns, Matching Concept, Audit and E-waybills under GST

Learning Objective:

- One will come to know about Audit under GST which involves examination of records, returns and other documents maintained by a GST registered person.
- It also ensures maintained by a GST registered person. It also ensures correctness of turnover declared, taxes paid, refund claimed, input tax credit availed and assess other such compliances under GST Act to be checked by an authorized expert.

- I. Choose the correct option from the four alternative given –
- (i) Supply of goods and / or services from a PSU to another PSU, whether a distinct person is exempt from
- (a) Submitting monthly return
 - (b) Payment of tax
 - (c) Payment of interest and penalty
 - (d) TDS
- (ii) return for Input Service Distributor to be submitted in
- (a) GSTR – 5
 - (b) GSTR – 6
 - (c) GSTR – 7
 - (d) GSTR - 8
- (iii) As per GST Act late fee per day for CGST is
- (a) ₹ 100
 - (b) ₹ 200
 - (c) ₹ 300
 - (d) ₹ 500
- (iv) transaction where the ITC is duplicated by the recipient shall be communicated to the registered person in
- (a) GSTR – 3B
 - (b) GSTR – 11
 - (c) GST – MIS 1
 - (d) GST – MIS 2



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- (v) E waybill be generated when there is a movement of goods in a vehicle / conveyance of value more than
- (a) ₹ 30,000
 - (b) ₹ 50,000
 - (c) ₹ 75,000
 - (d) ₹ 1,00,000

Answer:

- (i) (d)
- (ii) (b)
- (iii) (a)
- (iv) (c)
- (v) (b)

II. Match the followings:

	Column A		Column B
1	Post audit authorities under Ministry of Defence exempted from	a	GSTR -3B
2	As per Rule 66 the deductor shall furnish TDS certificate to deductee in Form	b	GSTR - 9C
3	A monthly self declaration has to be filed by registered dealer	c	Within 300 days
4	GST Auditor shall furnish a copy of the audited annual accounts and a reconciliation statement along with annual return duly certified in Form	d	TDS compliance
5	On conclusion of audit the proper officer inform the registered person about the finding	e	in form GSTR - 7A

Answer:

Q	1	2	3	4	5
A	d	e	a	b	c



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III. State whether true or false:

- (a) The GST Council provide the guidelines for deduction on Deposit of TDS by the DDO under GST.
- (b) Return for supplies effected through e commerce operator and the amount of tax collected to be submitted in Form GSTR – 3B.
- (c) Late fee for filing NIL return have been reduced to ₹ 20/- per day delay for tax payer having Nil tax liability.
- (d) Unregistered person are not required to generate E waybill.
- (e) for conducting Audit by Authorities the registered person needs to inform not less than 15 working days prior to the conduct of audit.

Answer:

- (a) True
- (b) False
- (c) True
- (d) False
- (e) True

IV. Fill in the blanks:

- (a) In the GST regime any regular business has to fill _____ return and one annual return.
- (b) The Government of India made it mandatory to file all return _____.
- (c) Taxpayer who have a turnover up to _____ shall be considered as small tax payer.
- (d) Where the amount of input tax credit is _____ than the output tax paid on such invoice shall be considered matched.
- (e) GSTR 2A is an _____ read only document which is for information purpose only.

Answer:

- (a) two monthly
- (b) electronically
- (c) ₹ 5.00 crores
- (d) equal or less
- (e) auto generated



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V. Short Answer type questions:

1. **Mentioned the details to be included by a registered dealer while filing the GST return.**

Answer:

Under GST, a registered dealer has to file GST return that include;

- (i) Purchases
 - (ii) Sales
 - (iii) Output GST (On sales)
 - (iv) Input tax credit (GST paid on purchase)
2. **State what are the things a registered person shall keep and maintain his accounts for facilitating the audit.**

Answer:

Every registered person for facilitating the audit, shall keep and maintain his accounts to show the correct value in regards to

- (i) Production or manufacture of goods
 - (ii) Inward supply of goods or services or both
 - (iii) Outward supply of goods or services or both
 - (iv) Stock of goods
 - (v) Input tax credit availed
 - (vi) Output tax payable and paid
 - (vii) Books of accounts
3. **M/s Puneet Pvt. Ltd furnishes the following information for the month of April 2018**
- (a) He is liable to make payment of tax CGST – ₹ 3,00,000/- and SGST – ₹ 3,00,000/- against the taxable supply.**
 - (b) Tax was deposited on 12th July 2018 on his own without department taking any action.**
 - (c) M/s Punnet Pvt. Ltd has shown the amount payable in his return on 26.05.2018**

Now answer the following:

- (i) Compute the amount of interest payable by Puneet Pvt Ltd**
 - (ii) Calculate penalty payable**
 - (iii) Calculate late fee payable**
- Assume rate of GST is 18%**

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Answer:

- (i) Due date for payment of tax was 20.05.2018
Total delay in payment 53 days
Interest for CGST – ₹ 3,00,000/- *18/100*53/365 = ₹ 7,841.09
Interest for SGST – ₹ 3,00,000/- *18/100*53/365 = ₹ 7,841.09
- (ii) Penalty payable under CGST is 10% of ₹ 3,00,000/- = ₹ 30,000/-
Penalty payable under SGST is 10% of ₹ 3,00,000/- = ₹ 30,000/-
- (iii) Due date for filing of return was 20.05.2018, but it was filed 6 days after due date.
Therefore late fee payable under Section 47(1) CGST Act = ₹150/- and SGST Act = ₹150/- .

Notes –

- (i) Delay in payment = May – 11 days + June - 30 days + July – 12 days = 53 days
(ii) As per section 73(11) of CGST Act penalty equal to 10% of tax payable If self assessed tax is not paid within 30 days from due date. This is not withstanding any relaxation in penalty given under Section 73(6) and 73 (8).
(iii) Late fee payable ₹ 50/- per day i.e. for CGST ₹ 25/- & SGST ₹ 25/- per day for six days.

4. **Anil Associates a taxable person filed return after 260 days beyond due date. On that day he paid tax and filed return.**

Calculate penalty and late fee payable.

Answer:

Penalty under Section 73(11) is not payable
Late fee for 260 days delay CGST – 260*₹25/- = ₹ 6,500/-
Late fee for 260 days delay SGST – 260*₹25/- = ₹ 6,500/-
But maximum limit of late fee is ₹ 5,000/-
Hence total late fee payable is ₹ 10,000/- (CGST – ₹ 5,000/- and SGST – ₹ 5,000/-)

5. **Mr. Pravin Mittal has self assessed tax liability under IGST ACT as ₹ 1,60,000/-. He fails to pay the tax within 30 days from the due date of payment of such tax. Determine the Interest and Penalty payable by him with the following particulars available in his records**

Date of collection of tax	12.06.2018
Date of payment of tax	22.08.2018
(IGST rate 18%)	



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Answer:

(a) **Calculation of Interest**

Due date of payment of tax is	20.07.2018	
The delay of payment was as follows -	JULY '18	11
	August '18	<u>22</u>
		<u>33</u> days (total)

Interest payable under IGST = ₹ 1,60,000*18/100*33/365 = ₹ 2,603.84

Rounded off ₹ 2,604.00

(b) **Calculation of Penalty**

Penalty payable under IGST is ₹ 1,60,000/-*10/100 = ₹ 16,000/- (10% of ₹ 1,60,000/-)

Notes:

As per section 73(11) of CGST Act penalty equal to 10% of tax is payable if self assessed tax is not paid within 30 days from due date. This is notwithstanding any relaxation in penalty gives under 73(b) and 73(8) of CGST Act for voluntary payment of tax.



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SECTION – B : CUSTOMS LAWS

Study Notes – 1, 2 & 3

Basic Concepts, Types of Duties and Valuation under Customs

Learning Objective:

- *To learn how to restrict the imports to conserve foreign exchange.*
- *To learn to protect and regulate the imports, exports and revenue resources of goods and comply with the policy objectives of the Government.*
- *To learn how to co-ordinate legal provisions with other laws dealing with the import & export.*
- *To learn to protect the industries of the country from unfair competition.*
- *To prevent the unlawful trade & business practices, to promote export, safeguard domestic trade and to prevent the dumping of goods.*

1. Choose the correct option among the four option given
- (a) The territorial water extended into the sea from the base line
- (i) 10 nautical miles
 - (ii) 12 nautical miles
 - (iii) 15 nautical miles
 - (iv) 24 nautical miles
- (b) An area beyond 200 nautical miles from the base line called
- (i) Import zone
 - (ii) Export zone
 - (iii) Free zone
 - (iv) High seas
- (c) As per Indian Foreign Trade Policy (2015-2020) all import into India measured in terms of-
- (i) CIF value
 - (ii) FOB value
 - (iii) BCD
 - (iv) Rate of foreign exchange

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- (d) No duty shall be collected if the amount of duty leviable is equal to or less than
- (i) ₹ 50
 - (ii) ₹ 100
 - (iii) ₹ 150
 - (iv) ₹ 200
- (e) Transaction value means the value of export goods within the meaning of Section (1) of section 14 of
- (i) Indian Contract Act
 - (ii) GST Act
 - (iii) Customs Act
 - (iv) Negotiable Instrument Act

Answer:

- (a) (ii)
- (b) (iv)
- (c) (i)
- (d) (ii)
- (e) (iii)

2. An importer import some materials @ \$20000 USD on CIF basis. Following dollar rate are available on the date of presentation of bill of entry –

		₹
a)	RBI Floor rate	54.26
b)	Interbank closing rate	54.30
c)	Rate notified by CBIC under Section 14(3)(a)(i) of Customs Act	54.41
d)	Rate at which bankers realised the payment from importer	54.48

Find the assessable value for customs purpose

Answer:

The relevant exchange rate is ₹ 54.41

CIF value of goods is ₹ 10,88,200/- (\$ 20000*₹ 54.41)

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3. Lucky an importer imported some goods for subsequent sale in India at \$ 12000 on assessable value basis. Relevant exchange rate and rate of duty are as follows –

Particulars	Date	Exchange rate declared by CBIC	Rate of Basic Customs Duty
Date of submission of Bill of Entry	18th June 2018	₹ 60 /USD	10%
Date of Entry inwards granted to the vessel	4th August 2018	₹ 60.25 /USD	12%

Calculate assessable value and customs duty in Indian rupee.
Assume IGST – 18%

Answer:

Relevant rate of duty for the imported goods is 12% (i.e. date of submission of Bill of Entry by the importer) Exchange rate is ₹ 60 per USD (i.e. the rate CBIC as on the date of submission of Bill of Entry by the importer)

Particulars		₹
Assessable value	USD 12000*₹ 60	7,20,000
Basic Customs Duty	₹ 7,20,000*12%	86,400
10% Social Welfare Charge	₹ 86,400*10%	8,640
Total		8,15,040
IGST @ 18%		1,46,707
Total customs duty including GST (86400+8640+146707)		2,41,747

4. Lucky Ltd have imported a machine from USA. From the following particulars furnished by Lucky Ltd determine the assessable value for the purpose of customs duty payable –

1	FOB cost of the machine	15000 USD
2	Freight (air)	4000 USD
3	Engineering and design charges paid to a firm in USA	600 USD
4	Licence fee relating to imported goods payable by the buyer as condition of sale	20% FOB value
5	Materials and components supplied by the buyer free of cost valued	₹ 25000
6	Insurance paid to the insurer of India	₹ 7000
7	buying commission paid by the buyer to his agent in USA	200 USD



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Other Particulars		
(i)	Interbank exchange rate as arrived by the authorised dealer	₹ 56.50/USD
(ii)	CBIC had notified for purpose of section 14 of the Customs Act 1944 exchange rate	₹ 56.25/USD
(iii)	Importer paid demurrage charges for delay in clearing the machine from the Airport	₹ 6000

Answer:

Determination of Assessable value		
Particulars		USD
FOB Value		15000
Add : engineering and Design charges paid in USA		600
Add : Licence Fee (20% of 15000 USD)		3000
Sub Total		18600

	Value (₹)
Sub Total Value (18600 USD * ₹ 56.25)	10,46,250
Add : Materials supplied by the buyer free of cost	25,000
FOB Value as per Custom	10,71,250
Add : air Freight (1071250*20%)	2,14,250
Add : Insurance	7,000
CIF Value / Assessable Value	12,92,500

5. Who are the person in charge as per Customs Act?

Answer:

As per section 2(31) person in charge means

- (a) Vessel - Master
- (b) Aircraft – commander or Pilot in Charge
- (c) Train – Conductor or Guard
- (d) Vehicle – Driver
- (e) Other conveyance – Person in Charge

6. **State briefly**
- (i) **Protective duties**
 - (ii) **Safeguard Duty**

Answer:

- (i) **Protective Duties**

A duty imposed on imported goods for the protection of the interest of any industry established in India on the recommendation of Tariff Commission. It is effective only and inclusive of the date, if any, specified in the First schedule of the Tariff.

- (ii) **Safeguard Duty**

Safeguard duty is product specific. The duty imposed under this section shall be in force for a period of 4 years from the date of its imposition and can be extended with total period of levy not exceeding 10 years.

Safeguard duty shall not apply to articles imported by a 100% EOU undertaking or a unit in a FTZ in a SEZ unless specially made applicable.

7. **Write short notes on**
- (i) **Deemed Export**
 - (ii) **Negative list of Duty drawback**

Answer:

- (i) **Deemed Export**

The term Deemed Export an export without actual export, it means goods and services are sold and provide respectively within India and payment also received in the Indian Rupees. As per the Foreign Trade Policy the following few transactions can be considered as deemed export.

- (i) Sale of goods to units situated in Export Oriented Units, Software Technology Park, and electronic Hardware Technology Park etc.
- (ii) Sale of capital goods to fertilizer plants
- (iii) Sale of goods to United Nations Agencies
- (iv) Sale of goods to projects financed by bilateral Agencies etc.

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(ii) **Negative list of Duty drawback**

Negative list of Duty Drawback (Section 76)

- (1) DDB amount is less than ₹ 50
- (2) In case of negative sales
- (3) If CENVAT CREDIT availed (except BCD)
- (4) DDB amount is more than 1/3rd of market value of exports
- (5) Export of Nepal and Bhutan and the export proceeds are not received in hard currency (it means USD, GBP or Pounds).
- (6) DDB as % on FOB less than 1% unless amount of DDB is more or equal to ₹ 500
- (7) Duty drawback is not allowed if the exporter has already availed the Duty Entitlement Pass Book (DEPB) or other export incentives.
- (8) if the proceeds not received within the time period allowed by Reserve Bank of India .
- (9) Duty Drawback amount exceeds the market value of exported goods.

8. Surya Engineering Co, Chennai imported some offset printing Machines from Germany by sea, has furnished the following details

		₹
(i)	CIF value of the machine	6,49,890.00
(ii)	Freight incurred from Port of entry to the Inland Container Depot	35,000.00
(iii)	Unloading and handling charges paid at Germany	56,000.00
(iv)	Designing charges paid to consultancy firm at Bengaluru	12,000.00

From the above information calculate

- (a) Assessable value of the machines
- (b) Customs duty payable

Consider the followings –

- (i) Basic Custom Duty leviable 10% ad velorem
- (ii) Integrated tax leviable under section 3(7) of the Custom tariff act 1975 is 18%
- (iii) Ignore GST compensation cess.

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Answer:

M/S Surya Engineering Co					
	Particulars	Duty %	Amount (₹)	Customs Duty (₹)	
a)	CIF value		6,49,890.00		Note - 1
b)	Freight incurred from Port of entry to the Inland Container Depot	-	-		Note - 2
c)	Unloading and handling charges paid at Germany	-	-		Note - 2
d)	Designing charges paid to consultancy firm at Bengaluru	-	-		Note - 2
e)	Basic customs duty	10	64,989.00	64,989.00	
f)	Social Welfare Surcharge	10	6,498.90	6,498.90	
	Sub-total for IGST		7,21,377.90		
	IGST on ₹ 7,21,377.90	18	1,29,848.02	1,29,848.02	
	Total Customs Duty Payable			2,01,335.92	
	Rounded off			2,01,336.00	

(a) Assessable Value = CIF value = ₹ 6,49,890.00

(b) Customs Duty Payable = ₹ 2,01,336.00

Notes :

1. CIF value is to be considered as Assessable Value
2. items b), c) and d) are not includable. Expenses incurred at load port are includable but not incurred at place of importation w.e.f 26.09.2017.

9. M/s Prakash Equipment Ltd imported certain machineries from Denmark considering the payment mode in Euro, has furnished the following details for the month of September 2018:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------|------------|
| (i) FOB value of machines | 12000 Euro |
| (ii) Freight paid (Air) | 4000 Euro |
| (iii) Design and development charges paid at Denmark | 700 Euro |
| (iv) Commission payable to local agent @2% on FOB in Indian Rupee. | |
| (v) Date of Bill of Entry is 18.09.2018 (Basic Customs Duty rate is 10% and exchange rate as notified by CBIC is ₹ 75 per Euro) | |

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- (vi) Date of Entry Inward is ₹14.09.2018 (Basic Customs Duty rate is 18% and exchange rate as notified by CBIC is ₹ 75 per Euro)
- (vii) IGST @ 18%
- (viii) Social Welfare Surcharge at applicable rate.
- (ix) Insurance Charges – details not available

Calculate the Assessable value and Customs Duty payable by M/s Prakash Enterprise Ltd for the month of September 2018.

Answer:

M/S Prakash Equipment Ltd		
Calculation of Assessable Value		
Particulars	Euro	Amount (₹)
FOB value of machine	12000	9,00,000.00
Add: Design and Development charges paid at Denmark	700	52,500.00
Add : Selling Commission (commission to local agent)	240	18,000.00
FOB value as per Custom	12940	9,70,500.00
Add : Freight charges (20% of ₹ 9,70,500.00)	2588	1,94,100.00
Add : Insurance (1.125% of ₹ 9,70,500.00)	145.575	10,918.13
Assessable Value	15673.575	11,75,518.13
Rounded off		11,75,518.00

Calculation of Customs Duty Payable			
Particulars	Duty %	Amount (₹)	Customs Duty (₹)
Assessable Value		11,75,518.00	
Basic Customs Duty	10	1,17,551.80	117551.80
Sub total		12,93,069.80	
Add: Social Welfare Surcharge(10% on BCD)	10	11,755.18	11,755.18
Balance		13,04,824.98	
Add: IGST (18% of ₹ 13,04,824.98)	18	2,34,868.50	2,34,868.50
Landed Value		15,39,693.48	
Total Custom Duty			3,64,175.48

Total Customs Duty = ₹ 3,64,175/- (Rounded off)



Work Book : Indirect Taxation

10. M/S Lion King Agency imported a machine from China, furnishes the following information for the month of July 2018

		Chinese Yuan
(i)	Cost of Machine at China (factory of exporter)	80000
(ii)	transport charges from the factory of exporter to the port of shipment	3200
(iii)	Handling charges paid for loading the machine in the ship	200
(iv)	Buying commission paid by M/s lion King Agency	400
(v)	Lighterage charges paid by importer	800
(vi)	Freight incurred from port of entry to Inland Container Depot	4000
(vii)	Ship demurrage charges	1600
(viii)	freight charges from China to India	20000
(ix)	Date of Bill of Entry is 28.07.2018 (rate of BCD is 20% and exchange rate as notified by CBIC is ₹ 10.10 per China Yuan)	
(x)	Date of Entry Inward is 22.07.2018 (rate of BCD is 12% and exchange rate as notified by CBIC is ₹ 10.50 per China Yuan)	
(xi)	IGST payable @12%	
(xii)	Social welfare Charges at applicable rate	

From the above information compute the followings –

- (a) Assessable Value
- (b) Total Custom Duty
- (c) Eligible Input Tax Credit to M/s Lion King Agency

Answer:

(a)

M/S Lion King Agency	
Calculation of Assessable Value	
Particulars	Chinese Yuan
Cost of machine	80000.00
Add : Transport charges from factory of exporter to the port for shipment	3200.00
Add : Handling charges	200.00
FOB	83400.00



Work Book : Indirect Taxation

Add : Buying commission (note 1)	-
FOB to the customer	83400.00
Add : Insurance (note 2)	938.25
Add : Freight	20000.00
Add : Lighterage charges	800.00
Add : Ship demurrage charges	1600.00
Assessable Value / CIF Value	106738.25

Notes -

1. Buying commission not addable into the assessable value because these are post shipment expenses.
2. Insurance is 1.125% of FOB i.e. $83400 * 1.125\% = 938.25$ Chinese Yuan.

(b)

Calculation of Custom Duty Payable	
Particulars	Amount (₹)
Assessable value (106738.25 Chinese Yuan * ₹ 10.10)	10,78,056.32
Add : BCD @ 20% on ₹ 10,78,056.32	2,15,611.26
Add : Social Welfare Surcharge (10% on ₹ 215611.26)	21,561.13
Balance	13,15,228.71
Add : IGST (12% on ₹ 13,15,228.71)	1,57,827.44
Landed value of Imported goods	14,73,056.15
Total Custom Duty (BCD+SWS+IGST)	3,94,999.83
Custom Duty payable (r/o)	3,95,000.00

- (c) M/s Lion King Agency is eligible to avail Input Tax Credit on IGST portion i.e. ₹ 1,57,827.44 under GST law, provided he is using the machine for his business.



Work Book : Indirect Taxation

Study Notes – 4 & 5

Import & Export Procedure and Customs (Import of Goods at concessional Rate of Duty) Rule 2017

Learning Objective:

- To learn, which procedures are to be followed for import and export under Customs Law.
- To acquire knowledge about warehousing and important features under it.
- To learn how to avail benefit of exemption notification under the Customs (Import of goods at concessional rate of duty) Rules, 2017.

1. Choose the correct option among the four alternative given

- (a) Interest for late payment of duty for goods cleared for home consumption is
- (i) 5%
 - (ii) 10%
 - (iii) 15%
 - (iv) 20%
- (b) when the goods are removed from the custom station of import for warehousing the Proper Officer on the container or means of transport affix –
- (i) Details of stock
 - (ii) Details of duty paid
 - (iii) One time lock
 - (iv) Destination of goods
- (c) Any registered person availing the option to supply goods or services for export without payment of integrated tax shall furnish prior to export a bond or a letter of undertaking in form
- (i) GST – RFD 8
 - (ii) GST – RFD 9
 - (iii) GST – RFD 10
 - (iv) GST – RFD 11
- (d) Duty drawback will be in Negative list if the amount is less than
- (i) ₹ 50
 - (ii) ₹ 100
 - (iii) ₹ 150
 - (iv) ₹ 200

Work Book : Indirect Taxation

- (e) **Payment of IGST for authorized operations in connection with SEZ shall be**
- (i) **taxable @ 12%**
 - (ii) **refunded**
 - (iii) **exempted**
 - (iv) **added to Social Welfare Charges**

Answer:

- (a) (iii)
- (b) (iii)
- (c) (iv)
- (d) (i)
- (e) (iii)

2. What is Bill of Entry? State the types of Bill of Entry.

Answer:

Bill of Entry is a very vital and important document which every importer has to submit to customs officer in respect of imported goods other than goods intended for transit or transshipment. It should include all goods mentioned in Bill of Lading or other receipt given by carrier to consignor. Bill of Entry should be submitted in prescribed form and manner. It should be submitted electronically on the customs automated system. Bill of Entry can be either for home consumption or for warehousing.

Bill of Entry is of three types out of these two types are for clearance from customs and third is for clearance from warehouse.

(a) **Bill of Entry for Home Consumption**

This form called 'Bill of Entry for Home Consumption', is used when the imported goods are to be cleared on payment of full duty i.e. for use within India

(b) **Bill of Entry for Warehousing**

If the imported goods are not required immediately, importer may like to store the goods in a warehouse without payment of duty under a bond and then clear from warehouse when required on payment of duty. This will enable him to defer payment of customs duty till goods are actually required by him. In such case, he will have to submit 'Bill of Entry for Warehousing'. It is also called 'Into Bond Bill of Entry' as bond is executed for transfer of goods in warehouse without payment of duty.



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(c) **Bill of entry for ex-bond clearance**

The third type is for Ex-Bond clearance from the warehouse on payment of duty. The goods are classified and value is assessed at the time of clearance from custom port. Thus, value and classification is not required to be determined in this bill of entry. The columns in this bill of entry are similar to other bill of entry. However, declaration by importer is not required as the goods are already Assessed.

3. What is warehousing? State the features of warehousing.

Answer:

w.e.f 14.05.2016, As per Section 2(43) of the Customs Act,1962,"warehousing" means a public warehouse licensed under section 57 of a private warehouse licensed under section 58 or Special Warehouse license u/s 58A.

Features of Warehousing as below –

1. Importer can defer payment of import duties by storing the goods in a safe place.
2. Importer allowed doing manufacturing in bonded warehouse and then re-exporting from it.
3. The importer can be allowed to keep the goods up to One year without payment of duty from the date he deposited the goods into warehouse.
4. This time period is extended to Three years for Export Oriented units and the time period still be extended to Five years if the goods are capital goods.
5. The importer minimizes the charges by keeping in a warehouse, otherwise the demurrage charges of port is heavy.
6. Assistant Commissioner of Customs or Deputy Commissioner of Customs are competent to appoint a warehouse as public bonded warehouse.
7. The Assistant Commissioner of customs or Deputy Commissioner of Customs may license private warehouse. The license to private warehouse can be cancelled by giving One month notice.
8. Only dutiable goods can be deposited in the warehouse.
9. Green Bill of Entry has to be submitted by the importer to clear goods from warehouse for home consumption.
10. Rate of duty is applicable as on the date of presentation of Bill of Entry (i.e. sub-bill of entry or ex-bond bill of entry) for home consumption.
11. Reassessment is not allowed after the imported goods originally assessed and warehoused.



Work Book : Indirect Taxation

12. The exchange rate is the rate at which the Bill of Entry (i.e. 'into bond') is presented for warehousing.
13. If the goods which are not removed from warehouse within the permissible period then subsequent removal called as importer removal. The rate of BCD which is applicable as on the last date on which the goods should have been removed but not removed is applicable.

4. Write short note on Lighterage Charges.

Answer:

Lighterage Charges

In some cases, the ship is not brought upto jetty. Goods are discharged at outer anchorage. This may be various reasons like

- (a) Deep draught at port
- (b) Ports are busy
- (c) Odd dimensional or heavy lifts or hazardous cargo discharged at anchorage.

Charges for bringing the goods from outer anchorage are known as 'lighterage/barging charges'

5. Rakesh Giri has imported goods from England and finally re-assessed under section 18(2) of the Custom Act, 1962 for two such consignments. Details as follows –

(a) Date of provisional assessment	19.06.2018
(b) Date of final Assessment	06.08.2018
(c) Duty Demand for 1 st consignment	₹ 2,90,000.00
(d) Refund for 2 nd consignment	₹ 1,40,000.00
(e) Date of refund made by the department	24.09.2018
(f) Date of payment of duty demanded	11.08.2018

Determine whether any Interest payable or receivable by Rakesh Giri on the final re-assessment of two consignments.

Answer:

Interest Payable

Interest payable to Government is ₹ 2,90,000*15/100*72/365 = ₹ 8,580.82

Rounded off = ₹ 8,581.00



Work Book : Indirect Taxation

Notes:

In case of duty after provisional assessment, interest is payable from first day of the month in which duty is provisionally assessed till the date of payment at rate specified in section 28AA and 28AB of Custom Act, which is 15% on ₹ 2,90,000/- (1st consignment)

Total days -

June 18	30
July 18	31
August 18	<u>11</u>
	<u>72</u>

Interest Receivable

Interest payable by Government is ₹ 1,40,000*6/100*24/365 = ₹ 552.52

Rounded off = ₹ 552.00

Notes:

1. In case of refund of ₹ 1,40,000/-, interest is payable by Government if refund is not granted within 3 months.
2. Interest will be at the rate specified in section 27A of Custom Act, which is 6% at present.
3. Date of final assessment is 06.08.2018. Therefore the refund should have been granted on 06.08.2018, (section 10 of General Clauses Act). It was disbursed on 30.08.2018. Hence delay is 24 days.

6. **Mr. Sriman Chowdhury imported goods from South Africa on May 2018 and were cleared from Kolkata Port for warehousing at Siliguri on 8th May, 2018 after assessment.**

1. **Assessable value was ₹ 2,60,000/- calculated on the basis of rate of exchange of ₹ 56.40 – 1 US Dollar.**
2. **The rate of duty on that date was 25% (assume that no additional duty is payable)**
3. **The goods were warehoused at Siliguri and were cleared from Siliguri warehouse on 4th June, 2018, when the rate of duty was 15% and exchange rate was ₹ 56.70 = 1 UD Dollar.**

What is the duty payable while removing the goods from Siliguri on 4th June, 2018.

Answer:

Duty is payable @ 15% of ₹ 2,60,000/- = ₹ 39,000/-

Notes:

As per section 14(1) the rate of exchange relevant is consumption as in force on the date on which bill of entry is presented under section 46 for home or warehousing. Thus any subsequent change in rate of exchange will not effect the valuation already done.

Work Book : Indirect Taxation

7. M/s Nazim Engineering Ltd having a unit of 100% EOU located at Kolkata sold goods to M/S Satyam Pvt. Ltd located at Delhi for ₹ 30,00,000/-. If M/s Nazim Engineering Ltd being EOU imported these goods exempted from BCD @ 10%, IGST 12% is applicable.
Find the total GST is liable to pay by M/s Nazim Engineering Ltd.
How much Input Tax Credit M/s Satyam Pvt. Ltd can avail?

Answer:

(a)

M/s Nazim Engineering Ltd		
Particulars (w.e.f. 01.07.2017)	Value (₹)	Working
Assessable value	30,00,000.00	
Add : Basic Custom Duty	3,00,000.00	$30,00,000 \times 10/100$
Add : Social Welfare Charges	30,000.00	10% of BCD i.e. ₹ 3,00,000/- *10/100
Total	33,30,000.00	
Add : IGST @ 12%	3,99,600.00	$33,30,000 \times 12/100$
Sub Total	37,29,600.00	
Total Duty Payable	7,29,600.00	$3,00,000 + 30,000 + 3,99,600$

(b)

Input Tax Credit allowed to M/s Satyam Pvt. Ltd	
Particulars	Value (₹)
BCD	Nil
IGST	3,99,600
Total	3,99,600

M/s Satyam Pvt. Ltd can only avail ITC on IGST paid.



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