

MOCK TEST PAPER 2
FINAL COURSE: GROUP – II
PAPER 8: INDIRECT TAX LAWS

Maximum Marks: 100 Marks

Time Allowed: 3 Hours

Notes:

- (i) Working Notes should form part of the answer. However, in answers to Question in Division A, working notes are not required.
- (ii) Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note.
- (iii) All questions should be answered on the basis of position of (i) GST law as amended by the Finance Act, 2022 including significant notifications and circulars and other legislative amendments made, up to 30th April, 2023 and (ii) Customs law as amended by the Finance Act, 2022 including significant notifications and circulars and other legislative amendments made, up to 30th April, 2023.

Division A: Multiple Choice Questions (30 marks)

Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.

Each MCQ under Question No. 1 & 2 carries 2 Marks each

- I. Vijayant Tours and Travels Ltd. (hereinafter referred to VTTL) is registered under GST in Surat, Gujarat, providing service of tours and travels.

Following details of VTTL are available for the current financial year:

Total outward supply during the year: ₹ 1,95,00,000

Total inward supply during the year: ₹ 1,65,00,000

Total interest income earned on fixed deposit (not included in above figure of ₹ 1,95,00,000): ₹ 5,00,000

Following details relating to additional transactions (over and above the afore-mentioned information) are also available:

VTTL provided a holiday package for 3 days in Lakshadweep and Lonawala (Maharashtra) to his customer - Mr. Vijay - a resident of Surat, Gujarat. The package included travel from Surat, Gujarat to Lakshadweep and from Lakshadweep to Lonawala, Maharashtra and accommodation and complimentary breakfast in the hotels at both the places. The stay in Lakshadweep was for 2 nights and in Lonawala for 1 night. For the above service, VTTL charged a total of ₹ 10,000.

On return journey, Mr. Vijay arranged his travel on his own. Mr. Vijay bought two tickets of Air India over internet from Mumbai to Surat. He boarded the flight at Mumbai airport.

During the year, VTTL gave a tour package worth ₹ 65,000 to its employee, Mr. Sandip, free of cost on the occasion of his marriage.

VTTL booked a ticket for air travel for Mr. Ishwar for travelling to Delhi from Surat. The value of the air ticket was ₹ 8,000, out of which ₹ 7,500 was towards basic fare. For valuation of such services, VTTL has opted for the most beneficial option.

VTTL hired a security agency w.e.f. 1st April, M/s Five Star Security, a partnership firm, registered under GST in Surat, Gujarat to deploy security guards at its corporate office in Surat, Gujarat. M/s Five Star Security issues monthly invoice for ₹ 15,000.

During the year, security office located at the entry gate has been renovated for ₹ 1,50,000 and the same has been capitalized in the books of accounts.

Note:

1. All the amounts given above are exclusive of GST, wherever applicable.
2. Rates of tax applicable on all inward and outward supplies are CGST and SGST - 9% each and IGST - 18%.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 5 below:-

1. The place of supply in case of service provided by VTTL to Mr. Vijay (assuming that he is unregistered) is _____.
 - (a) both Lakshadweep and Mumbai, Maharashtra as service is received at both the places
 - (b) Lakshadweep as service is started at this place.
 - (c) Lakshadweep as service is ended at this place.
 - (d) Surat, Gujarat
 2. The place of supply in case of return journey of Mr. Vijay assuming that:
 - (i) he is registered under GST in Gujarat and
 - (ii) he is not registered under GST.
 - (a) (i) Mumbai, Maharashtra and (ii) Surat, Gujarat
 - (b) (i) Surat, Gujarat and (ii) Mumbai, Maharashtra
 - (c) Mumbai, Maharashtra in both the cases
 - (d) Surat, Gujarat in both the cases
 3. What will be the GST liability of VTTL in case of air ticket booking for Mr. Ishwar?
 - (a) ₹ 1,350.00
 - (b) ₹ 67.50
 - (c) ₹ 1,440.00
 - (d) ₹ 90.00
 4. What will be the gross tax liability of VTTL for the current financial year?
 - (a) ₹ 35,23,657.00
 - (b) ₹ 35,57,340.00
 - (c) ₹ 35,55,967.50
 - (d) ₹ 35,56,057.50
 5. Which of the following statements is correct?
 - (a) Total aggregate turnover of VTTL is ₹ 2,00,75,375.
 - (b) Total aggregate turnover of VTTL is ₹ 2,00,83,000.
 - (c) Total aggregate turnover of VTTL is ₹ 2,00,10,375.
 - (d) Total aggregate turnover of VTTL is ₹ 1,95,75,375.
- II. Vispute Textile Pvt. Ltd. (hereinafter referred to as VTPL) is engaged in manufacturing and trading of textile products. Its head office is located in Surat, Gujarat. Besides, it has three other units – Darsh, Kunj and Nitya located in Mumbai (Maharashtra), Surat (Gujarat) and Pune (Maharashtra) respectively.

The head office (hereinafter referred to as VTPL-HO) and Units Kunj and Nitya are registered under GST. Unit Darsh is not registered under GST as it is exclusively engaged in supply of exempt goods. Further, VTPL-HO in Surat, Gujarat is also separately registered under GST as Input Service Distributor (ISD).

VTPL-HO purchased goods worth ₹ 5,00,000 from Mr. Jayesh. However, such goods were directly sent to the premises of registered job worker, Mr. Dinesh, without being first received at VTPL's manufacturing unit.

Goods were cleared by supplier – Mr. Jayesh - on 10th April, but were received by the job worker on 16th April. The job worker carried out the job work and supplied the goods to M/s Mahendra Enterprises on 13th April of next year on payment of tax on the direction of VTPL-HO. VTPL-HO has not declared Mr. Dinesh's premises as additional place of business in registration details on GSTN portal.

VTPL-HO bought a new motor vehicle worth ₹ 12,00,000 in exchange of old motor vehicle (Exchange value of old motor vehicle is ₹ 4,50,000) on 5th July, having seating capacity of 13 persons excluding the driver for the daily transport of its employees. Old motor vehicle was purchased 2 years before on 1st September for ₹ 8,00,000. Seating capacity of the old motor vehicle was 10 persons including driver. Rate of GST on motor vehicle is 18%.

On 25th July, VTPL-HO engaged Bahubali Ltd., a company (registered under GST in Mumbai, Maharashtra) dealing in textile machineries, to supply machineries worth ₹ 30,00,000 for a spinning unit to be set up at Satara, Maharashtra. Machineries are supplied in completely knocked down condition at the Satara unit and assembled by the engineers of Bahubali Ltd. Satara unit is yet to be registered under GST.

Following information is available in respect of the units for which VTPL is registered under GST as an ISD, for month of July:

Input Service	CGST (₹)	SGST (₹)	IGST (₹)	Remarks
X	50,000	50,000	-	Used in Unit Darsh
Y	-	-	1,20,000	Used in Unit Nitya and Darsh
Z	4,000	4,000	-	Used in Unit Kunj [Input Service Z is in respect of servicing of motor bike (with engine capacity of 120 cc) used in Kunj Unit for business purpose]

Total turnover of the units for the last financial year are given under.

Unit	Turnover (₹)
Darsh	15,00,000
Kunj	8,00,000
Nitya	10,00,000

Note:

1. Applicable rate of CGST and SGST is 6% each and IGST is 12% on all inward and outward supplies, unless otherwise specified.
2. All the units are operational during the year unless specifically mentioned otherwise in the question.
3. All the amounts given above are exclusive of GST, wherever applicable.
4. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 6 to 10 below:-

6. Which of the following statements is/are correct in respect of the goods sent for job work to Mr. Dinesh?
1. VTPL is not eligible to take input tax credit as it has not declared the premises of the job worker as its additional place of business.
 2. VTPL is required to reverse the input tax credit as job worker returned the goods after 1 year from 10th April.
 3. VTPL is not required to reverse the input tax credit as job worker returned the goods before 1 year from 16th April.
 4. VTPL cannot directly sell the goods to M/s Mahendra Enterprises from job worker's premises as VTPL has not declared the premises of the job worker as its additional place of business.
- (a) 1st and 4th
(b) 2nd and 4th
(c) Only 3rd
(d) Only 4th
7. Which of the following statements is true in context of input tax credit to be distributed by ISD VTPL-HO to Unit Kunj?
- (a) CGST and SGST credit of ₹ 54,000 each and IGST credit of ₹ 1,20,000 will be distributed as IGST credit, to Unit Kunj in proportion to its turnover of preceding financial year to the total turnover of all the three units of the preceding financial year.
 - (b) Ineligible credit of CGST and SGST of ₹ 4,000 each will be distributed as ineligible credit of IGST of ₹ 8,000 to Unit Kunj.
 - (c) Credit of CGST and SGST of ₹ 4,000 each will be distributed as credit of IGST of ₹ 8,000 to Unit Kunj.
 - (d) Ineligible credit of CGST and SGST of ₹ 4,000 each will be distributed as ineligible credit of CGST and SGST of ₹ 4,000 each to Unit Kunj.
8. Amount to be distributed by VTPL-HO to Unit Darsh is-
- (a) CGST and SGST credit of ₹ 50,000 each; IGST credit of ₹ 72,000.
 - (b) CGST and SGST credit of ₹ 50,000 each; IGST credit of ₹ 54,545.
 - (c) IGST credit of ₹ 1,72,000.
 - (d) nil, as Unit Darsh is not registered under GST and is exclusively engaged in supply of exempt goods.
9. Place of supply of the machinery supplied by Bahubali Ltd. on 25th July and the tax charged thereon is:
- (a) Surat, Gujarat; CGST and SGST
 - (b) Satara, Maharashtra; CGST and SGST
 - (c) Mumbai, Maharashtra; IGST
 - (d) Surat, Gujarat; IGST

10. Amount of ITC available on purchase of new motor vehicle in exchange of old motor vehicle as on 5th July is _____.
- (a) nil as ITC is blocked on motor vehicle under section 17(5) of the CGST Act, 2017
 (b) ₹ 2,16,000
 (c) ₹ 1,35,000
 (d) ₹ 2,97,000

11. Jolly Electronics (P) Ltd., an authorized dealer of GG Micro Ltd., is located and registered under GST in Lucknow, Uttar Pradesh. It has sold following items to Mr. Rakesh (a consumer):

Product	Amount (₹)
Refrigerator (500 litres) taxable @ 18%	40,000
Stabilizer for refrigerator taxable @ 12%	5,000
LED television (42 inches) taxable @ 12%	30,000
Split air conditioner (2 Tons) taxable @ 28%	35,000
Stabilizer for air conditioner taxable @12%.	5,000
Total value	1,15,000

Jolly Electronics (P) Ltd. has given a single invoice indicating price of each item separately to Mr. Rakesh. Mr. Rakesh has given a single cheque of ₹ 1,00,000 for all the items as a composite discounted price. State the type of supply and the tax rate applicable on the same.

- (a) Composite supply; highest tax rate applicable to split air conditioner, i.e. 28%
 (b) Mixed supply; highest tax rate applicable to split air conditioner, i.e. 28%
 (c) Supply other than composite and mixed supply; highest tax rate applicable to split air conditioner, i.e., 28%
 (d) Supply other than composite and mixed supply; respective tax rate applicable to each item.

(2 Marks)

12. Banke Bihari (Pedewala) owns a famous sweets shop located and registered under GST in Mathura, Uttar Pradesh. He received an order for 200 kg of sweets on 2nd May from Ghoomghoom Travels (P) Ltd., located in same locality of Mathura and registered under GST, for a total consideration of ₹ 1,00,000. Complete order of sweets was delivered to Ghoomghoom Travels (P) Ltd. on 5th May but without invoice, as accountant of Mr. Banke Bihari was on leave on that day. However, the invoice was raised for the same on 6th May, when the accountant joined the office after leave. Payment in full was made on 7th May.

Determine the time of supply of goods in this case.

- (a) 2nd May
 (b) 5th May
 (c) 6th May
 (d) 7th May

(2 Marks)

13. GST compliance rating shall be assigned to:

- (a) only a person who is liable to deduct TDS/ collect TCS.
 (b) only a composition dealer.
 (c) only an input service distributor.
 (d) every registered person.

(1 Mark)

14. In which of the following cases, can an importer claim pilferage and choose not to pay duty under section 13 of the Customs Act, 1962 provided the goods are not restored to the importer after pilferage?
- Goods pilfered while on high seas
 - Goods pilfered before unloading
 - Goods pilfered after unloading but before order for home consumption given by proper officer
 - Goods cleared for home consumption
- Choose the most appropriate option.
- (i) and (ii)
 - (i) and (iii)
 - Only (ii)
 - Only (iii)
- (2 Marks)**
15. Which of the following duties are excluded while computing social welfare surcharge (SWS)?
- Safeguard duty
 - Countervailing duty
 - Social welfare surcharge itself
 - Anti-dumping duty to protect domestic industry
- Choose the most appropriate option.
- (i), (ii), (iii) and (iv)
 - (i), (ii) and (iv)
 - (i), (iii) and (iv)
 - (i), (ii) and (iii)
- (2 Marks)**
16. The relevant date for determining the rate of exchange in case of imported goods is:
- date when the vessel leaves the exporter's port for India.
 - date of presentation of bill of entry.
 - date of examination of goods by proper officer.
 - date of deposit of duty.
- (1 Mark)**

Division B: Descriptive Questions (70 marks)

Question paper comprises of 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.

1. XYZ Pvt. Ltd. is a manufacturing company registered under GST in the State of Uttar Pradesh. It manufactures two taxable products 'Alpha' and 'Beta' and one exempt product 'Gama'. On 1st October, while product 'Beta' got exempted through an exemption notification, exemption available on 'Gama' got withdrawn on the same date. The turnover (exclusive of taxes) of 'Alpha', 'Beta' and 'Gama' in the month of October was ₹ 9,00,000, ₹ 10,00,000 and ₹ 6,00,000 respectively.

XYZ Pvt. Ltd. has furnished the following details:

S. No.	Particulars	Price (₹)	GST (₹)
(a)	Machinery 'U' purchased on 1 st October for being used in manufacturing all the three products	2,00,000	36,000

(b)	Machinery 'V' purchased on 1 st October for being used in manufacturing product 'Alpha' and 'Gama'	1,00,000	18,000
(c)	Machinery 'W' purchased on 1 st October for being exclusively used in manufacturing product 'Beta'	3,00,000	54,000
(d)	Machinery 'Y' purchased on 1 st October four years ago for being exclusively used in manufacturing product 'Beta'. From 1 st October, such machinery will also be used for manufacturing product 'Gama'.	4,00,000	72,000
(e)	Machinery 'Z' purchased on 1 st October two years ago for being used in manufacturing all the three products	3,00,000	54,000
(f)	Raw Material used for manufacturing 'Alpha' purchased on 5 th October	1,50,000	27,000
(g)	Raw Material used for manufacturing 'Beta' purchased on 10 th October	2,00,000	36,000
(h)	Raw Material used for manufacturing 'Gama' purchased on 15 th October	1,00,000	18,000

Compute the following:

- Amount of ITC to be credited to Electronic Credit Ledger, for the month of October
- Amount of aggregate value of common credit (T_c)
- Common credit attributable to exempt supplies, for the month of October
- GST liability of the company payable through Electronic Cash Ledger, for the month of October if opening balance of ITC is nil.

Note: Assume that all the procurements made by the company are from States other than Uttar Pradesh. Similarly, the company sells all its products in States other than Uttar Pradesh. Rate of IGST is 18%. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Ignore interest, if any and make suitable assumptions wherever required. **(14 Marks)**

- (a) Vividh Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka, having turnover of ₹ 200 lakh in the last financial year. It has furnished the following information for the month of June.

Particulars	Amount (₹) excluding GST
Services provided by way of a labour contract for repairing a single residential unit otherwise than as a part of residential complex	13,00,000
Fee received from students of a competitive exam training academy run by Vividh Pvt. Ltd.	5,40,000
4 buses each with a seating capacity of 72 passengers given on hire to State Transport Undertaking	6,00,000
Rent paid to Local Municipal Corporation for premises taken on rent for competitive exam training academy	2,50,000
Goods transport services received from a registered GTA which has opted to pay tax itself @ 12%	1,80,000

Compute gross GST liability including tax payable under reverse charge (ignoring ITC provisions) of Vividh Pvt. Ltd. for the month of June assuming that the above amounts are exclusive of GST and rate of GST, wherever applicable, is 18% unless otherwise mentioned. **(9 Marks)**

- (b) Compute export duty from the following data:
- FOB price of goods: US \$ 1,00,000.
 - Shipping bill presented electronically on 26th April.
 - Proper officer passed order permitting clearance and loading of goods for export (Let Export Order) on 4th May.
 - Rate of exchange and rate of export duty are as under:

	Rate of Exchange	Rate of Export Duty
On 26 th April	1 US \$ = ₹ 70	10%
On 4 th May	1 US \$ = ₹ 72	8%

- (v) Rate of exchange is notified for export by Central Board of Indirect taxes and Customs.

(Make suitable assumptions wherever required and show the workings.) **(5 Marks)**

3. (a) RST Inc., a corn chips manufacturing company based in USA, intends to launch its products in India. However, the company wishes to know the taste and sensibilities of Indians before launching its products in India. For this purpose, RST Inc. has approached ABC Consultants, Mumbai, (Maharashtra) to carry out a survey in India to enable it to make changes, if any, in its products to suit Indian taste.

The survey is to be solely based on the oral replies of the surveyees; they will not be provided any sample by RST Inc. to taste. ABC Consultants will be paid in convertible foreign exchange for the assignment.

With reference to the provisions of GST law, determine the place of supply of the service. Also, explain whether the said supply will amount to export of service? **(5 Marks)**

- (b) Mint Industries Ltd., a registered supplier, imports business support services from Green Inc. of USA on 13th August. The relevant invoice for \$ 1,20,000 is raised by Green Inc on 18th August. Mint Industries Ltd. makes the payment against the said invoice as follows:

Case I	22 nd September
Case II	27 th December

Determine time of supply in each of the aforesaid cases. **(4 Marks)**

- (c) Rock & Rock India Ltd. imported a consignment from U.S.A (by sea). The value of consignment was ₹ 7,50,000 and total duty payable was ₹ 1,50,000.

Company filed bill of entry for home consumption but before inspection and clearance for home consumption it found that the goods were damaged.

On filing a representation to the Customs Department, proper officer refused the claim for abatement because goods were already unloaded. The proper officer is in agreement with the claim that the value of goods has come down to only ₹ 1,50,000.

Examine the issue with reference to the relevant statutory provisions and calculate the amount of total duty payable:

Would your answer be different in the above case if the goods get deteriorated after unloading and examination but before clearance for home consumption, and value comes down to ₹ 7,00,000 ? **(5 Marks)**

4. (a) Rajesh Dynamics, having its head office in Chennai, Tamil Nadu carries on the following activities with respective turnovers in a financial year:

	₹
Supply of petrol at Chennai, Tamil Nadu	18,00,000
Value of inward supplies on which tax is payable on reverse charge basis	9,00,000
Supply of transformer oil at Chennai, Tamil Nadu	2,00,000
Value of branch transfer from Chennai, Tamil Nadu to Bengaluru, Karnataka without payment of consideration	1,50,000
Value of taxable supplies at Manipur branch	11,50,000

It argues that it does not have taxable turnover crossing threshold limit of ₹ 40,00,000 either at Chennai, Tamil Nadu, Bengaluru, Karnataka or Manipur branch. Further, it believes that the determination of aggregate turnover is not required for the purpose of obtaining registration but is required for determining the eligibility for composition levy.

Determine the aggregate turnover of Rajesh Dynamics. You are also required to review the technical veracity of the arguments of Rajesh Dynamics. **(5 Marks)**

- (b) X booked a Hotel in Udaipur, Rajasthan through an e-commerce portal for an amount of ₹ 25,000. As per the terms and conditions, the amount was payable at the hotel at the time of check in. Whether TCS provisions shall apply in the present case? **(4 Marks)**
- (c) Gregory Peg of foreign origin has come on travel visa, to tour in India. He carries with him, as part of baggage, the following:

Particulars	Value in ₹
Travel Souvenir	85,000
Other articles carried on in person	1,50,000
120 sticks of cigarettes of ₹100 each	12,000
Fire arm with 100 cartridges (value includes the value of cartridges at @ ₹ 500 per cartridge).	1,00,000

Determine customs duty payable, if the effective rate of customs duty is 38.50% inclusive of social welfare surcharge, with short explanations where required. Ignore Agriculture infrastructure and development cess. **(5 Marks)**

5. (a) Subharti Enterprises collected GST on the goods supplied by it from its customers on the belief that said supply is taxable. However, later it discovered that goods supplied by it are exempt from GST.

The accountant of Subharti Enterprises advised it that the amount mistakenly collected by Subharti Enterprises representing as tax was not required to be deposited with Government. Subharti Enterprises has approached you for seeking the advice on the same. You are required to advise it elaborating the relevant provisions. **(5 Marks)**

- (b) Genie Engineers had a mould delivered directly to a job worker from the supplier for making certain precision parts for use in the factory of Genie Engineers. As per agreement, the mould was to remain with the job worker as long as work was being sent to him.

After four years a departmental audit team that visited the job worker noticed the mould and traced it to Genie Engineers. GST was demanded from Genie Engineers for taking ITC without receiving the mould and furthermore for not bringing the mould back after three years of delivery to the job worker.

How should they respond to this? **(4 Marks)**

- (c) Acme Sales' imports were being provisionally assessed pending a verification that the department was carrying out. Upon completion of the verification, the assessments were finalized, and Acme Sales was asked to pay ₹ 12 lakh, which it paid. After six months, upon detailed scrutiny of the verification report and taking legal opinion on it, Acme Sales filed a claim for refund of ₹ 8 lakh on the ground that the differential amount should be ₹ 4 lakh only and that there were factual errors in the verification report. Was this the correct mode of redressal for Acme Sales? What will be likely outcome of the claim? Discuss on the basis of case law on the subject. **(5 Marks)**
6. (a) Essel Groups has started making taxable supplies and gets registered under GST law. You are required to advise it about the accounts and records required to be maintained by it as required under section 35(1). **(5 Marks)**
- (b) Explain the safeguards provided under section 69 to a person who is placed under arrest. **(4 Marks)**
- (c) Discuss the privileges granted under FTP to Status Holders. **(5 Marks)**