

**ANSWERS OF MODEL TEST PAPER 5**  
**FINAL COURSE: GROUP – II**  
**PAPER – 5: INDIRECT TAX LAWS**  
**SOLUTIONS**

**Division A – Multiple Choice Questions**

Question No.	Answer
1	(a) ₹ 35,00,000
2	(b) Bhubaneshwar, Orissa
3	(b) ₹ 39,50,000
4	(b) Wednesday-Thursday at 12.00 midnight
5	(d) No; since it is an exempt supply.
6	(d) No, since service is provided to a business entity that is registered under GST in the preceding financial year as per the provisions of section 22 of the CGST Act, 2017. Further, tax shall be payable by Veranta India (P) Ltd. under reverse charge.
7	(a) ₹ 1,10,000
8	(c) For whole amount of ₹ 1,10,000: 5 <sup>th</sup> April
9	(d) ₹ 2,16,900
10	(a) ₹ 2,800
11	(c) ₹ 87,254
12	(d) Zoom Air is required to pay CGST of ₹ 45,000 and SGST of ₹ 45,000 and full credit shall be allowed to Amazing Pvt. Ltd.
13	(c) The article on which it is proposed to be imposed originates from more than one developing country and its aggregate share of imports from developing countries each with less than 3% share taken together does not exceed 9% of total imports of that article into India.

<b>14</b>	<b>(b)</b> Where goods are imported for non-personal use of an individual and he could not prove that there is no unjust enrichment.
<b>15</b>	<b>(a)</b> Mr. Pal should apply for a new registration under GST in the name M/s Spiceton Restaurant under his own PAN w.e.f. the date of succession and file Form GST ITC 02 for transfer of ITC to the new entity.

### Division B- Descriptive Questions

- 1. Computation of minimum net GST liability of XYZ Ltd. to be paid in cash for the month of October:**

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
	Output tax payable under forward charge				
(i)	Supply of consignment in territorial waters [Where supply is in territorial waters, place of supply is deemed to be in coastal State where nearest point of the appropriate baseline is located. Therefore, place of supply will be in Tamil Nadu and hence, supply will be intra-State supply]	5,00,000	45,000 [5,00,000 x 9%]	45,000 [5,00,000 x 9%]	
(ii)	Pure labour services [Since pure labour services provided for construction of only residential unit are exempt,	12,00,000			2,16,000 [12,00,000 x 18%]

	such services provided for construction of commercial unit are taxable. Further, it is an inter-State supply since place of supply is location of immovable property, viz. Delhi.]				
(iii)	Supply of 25 Televisions [Inter-State supply since place of supply is location as per the address of the unregistered recipient (name of the State) recorded in the invoice issued in respect of the supply, viz. Haryana.]	14,00,000			2,52,000 [14,00,000 x 18%]
(iv)	Corporate guarantee provided. [Deemed supply under Schedule-I of the CGST Act, 2017 even though made without any consideration. Inter-State supply since place of supply is Maharashtra (location of recipient). Further, value of supply is higher of: (i) 1% of the amount of such guarantee offered,	2,50,000			45,000 [2,50,000 x 18%]

	or (ii) actual consideration [Thus, value of supply is 1% of ₹ 2.5 crores, i.e. ₹ 2,50,000]				
	Total output tax		45,000	45,000	5,13,000
	Less: ITC available for set off [Refer note below.] [IGST credit is utilized for payment of IGST. CGST and SGST credit is first utilized for payment of CGST and SGST liability respectively and thereafter, for payment of IGST liability.]		(45,000) -CGST	(45,000) -SGST	(1,44,000) -IGST (36,000) -CGST (36,000) -SGST
	Net output tax payable in cash		Nil	Nil	2,97,000
GST payable under reverse charge					
	Tax on services provided by the arbitral tribunal is payable under reverse charge by the recipient of service. [Arbitral tribunal services to XYZ Ltd., a business entity with aggregate turnover exceeding the applicable threshold limit for registration [viz. ₹ 20 lakh] in the previous financial		54,000	54,000	

	year are liable to tax under reverse charge mechanism.]				
	Tax on silk yarn supplied by a person who manufactures it from raw silk to a registered person is payable under reverse charge.				1,44,000
	Minimum net GST payable for set off		54,000	54,000	4,41,000

**Working note - Computation of eligible ITC available for set off**

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Debit note received. [ITC on debit notes issued in a financial year (FY) can be availed, any time till 30 <sup>th</sup> November of the succeeding FY or the date of filing of the relevant annual return, whichever is earlier, based on date of issue of debit note, irrespective of the date of original invoice/ supply.]	3,00,000	27,000 [3,00,000 × 9%]	27,000 [3,00,000 × 9%]	
(ii)	Silk yarn purchased. [Inter-State supply since place of supply is location where movement of goods terminates, viz. Tamil Nadu. Further,	8,00,000			1,44,000 [8,00,000 × 18%]

	ITC on goods to be used in course or furtherance of business is available.]				
(iii)	Services of the Arbitral Tribunal availed. Such services are intra-State supply since place of supply is Tamil Nadu (location of recipient). Further, ITC on services used in course or furtherance of business is available.]	6,00,000	54,000 [6,00,000 × 9%]	54,000 [6,00,000 × 9%]	
(iv)	Raw Material purchased from ABK Ltd. [ITC cannot be claimed on the e-invoices without IRN since an e-invoice without IRN is not treated as valid document for claiming ITC.]	15,00,000			
(v)	Truck purchased. [ITC is not available since depreciation has been claimed on the GST component.]	14,00,000			

(vi)	Condition of payment of value of supply plus tax within 180 days does not apply to supplies on which tax is payable under reverse charge mechanism.				
	Total ITC available		81,000	81,000	1,44,000

**2. (a) Computation of net GST payable by YVPAY Bank Ltd.**

	<b>Particulars</b>	<b>GST @ 18% (₹)</b>
(i)	Discount earned on bills discounted [Exempt since consideration is represented by way of discount.]	-
(ii)	Interest on reverse repo transaction [Exempt since consideration is represented by way of interest paid to bank.]	-
(iii)	Penal interest on delayed payment of EMIs [Penal interest paid to bank is exempt]	-
(iv)	Services to merchants accepting credit/debit card payments [Exempt since such services are provided to merchants in relation to settlement of an amount upto ₹ 2,000 per transaction through credit/debit card.]	-
(v)	Commission for debt collection services [Not exempt, since it is not a service of extending deposits, loans or advances.]	2,16,000
(vi)	Interest charges for late payment of credit card dues [Not exempt, since specifically excluded.]	72,000
	Output tax payable	2,88,000
	Less: 50% of eligible ITC on input services and capital goods availed in October [(₹ 8,00,000 + ₹ 6,00,000) × 50%]	(7,00,000)

	[Blocked credit cannot be availed.]	
	<b>Net GST payable</b>	<b>Nil</b>

(b) (1) **Computation of taxable value of supply and total GST payable**

(i) **Value of supply** of online money gaming = Total amount deposited with the supplier by the player

= Initial deposit of ₹ 15,000 (inclusive of GST) by Mr. Anil with M/s Winhere 2407 after excluding GST = ₹ 11,719 (₹ 15,000 × 100/128) [rounded off]

GST payable = ₹ 11,719 × 28%  
= ₹ 3,281 (rounded off) – [A]

(ii) **Value of supply** of online bet = 100% of the face value of the bet = ₹ 12,000

GST payable = ₹ 12,000 × 28%  
= ₹ 3,360 – [B]

Total amount payable = [A] + [B] = ₹ 6,641

(2) **Computation of net amount transferred by Mr. Anil from the master wallet to his bank account**

Particulars	Amount (₹)
Initial Deposit	15,000
Less – GST on deposit	(3,281)
Less – Payment for virtual racing game	(2,500)
Add – Winning from virtual racing game	11,000
Less – Payment for bet placed on Win 90	(12,000)
Less – GST on the bet placed on Win 90	<u>(3,360)</u>
<b>Net balance transferred</b>	<b>4,859</b>

(c) **Computation of assessable value**

Particulars	Amount in \$	Amount in ₹
Cost of machine at port of importation	8,200	6,56,000



<i>Add:</i> Local agent's commission [Includible as not a buying commission.]	250 (₹ 20,000/₹ 80)	20,000
FOB as per customs	8,450	6,76,000
<i>Add:</i> Freight [Freight charges till port of importation are includible in assessable value.]	1,800	1,44,000
<i>Add:</i> Insurance charges @ 1.125% of FOB	95.0625	7,605
<i>Add:</i> Ship demurrage (₹ 15,000/₹ 80) [Includible in cost of transport.]	<u>187.50</u>	15,000
<b>Assessable Value</b> (in \$)	10,532.5625	
	<b>Amount (₹)</b>	
Assessable value (in ₹) [\$10,532.5625 × ₹ 80]	8,42,605	8,42,605

**Notes:**

1. Packing charges incurred by the buyer are includible in assessable value even though they are not paid as a condition of sale.
2. Engineering charges are not included in the assessable value as engineering work is undertaken in India.
3. (a) (I) In the given case, services provided by GAA to CCWL are advertisement services.  
  
The place of supply of such services made to a registered person is location of such person.  
  
Thus, place of supply for tax invoice to be raised by GAA to CCWL is location of CCWL, i.e. Mumbai, Maharashtra.
- (II) In case of supply of goods to an unregistered person over the counter (OTC), where address of such person is not recorded in the invoice, the place of supply is location of the supplier.

Since in the given case, the address of Mr. Sunil is not recorded in the invoice, place of supply is location of M/s ABC i.e. Arunachal Pradesh.

- (III)** In case of supply of goods to an unregistered person over the counter (OTC), where address of such person is recorded in the invoice (i.e. name of State of said person is recorded in invoice), the place of supply is location as per said address.

Thus, in the given case, since the address of Mr. Pintu is recorded in the invoice, place of supply is Karnal / Haryana.

- (b)** Since director and company are related persons in terms of Schedule I of the CGST Act, 2017, the activity of providing personal guarantee by a director to the banks/ financial institutions for securing credit facilities for their companies is to be treated as a supply of service, even when made without consideration.

Thus, the activity of providing personal guarantee by Mr. Sharma to the nationalized bank will qualify as supply.

Value of such supply will be the open market value (OMV) in terms of

rule 28 of the CGST Rules, 2017.

However, as per RBI Guidelines, no consideration by way of commission, brokerage fees or any other form, can be paid to the director by the company, directly or indirectly, in lieu of providing personal guarantee to the bank for borrowing credit limits, except in exceptional cases.

Thus, it is clarified that OMV of said supply may be treated as zero / Nil and therefore, no tax is payable on such supply of service by Mr. Sharma to VEE Ltd.

- (c)** The contention of GHN Limited is correct as per law. As per judicial ruling, if an exemption notification classifies a product under a specified Chapter heading from a specific date, the said classification can be accepted for the period prior to it being beneficial to the applicant.

- 4. (a) (i)** ROL is liable to collect tax at source under section 52 of the CGST Act, 2017 @ 1% under IGST of the net value of inter-State taxable supplies of goods (Value of taxable supplies

made less value of supplies returned) made through it by the electronic commerce operator (ECO) - A Ltd.

Net value of taxable supplies = ₹ 1,25,000 (₹ 1,47,500 × 100/118) – ₹ 1,40,000 = Nil / (Negative Value)

Thus, TCS to be collected is Nil.

- (ii) ROL is liable to collect TCS, since the tax on services, by way of transportation of passengers by an omnibus provided by a company through ECO, is not payable by ECO, under section 9(5) of the CGST Act, 2017.

= ₹ 1,50,000 × 0.5%

= ₹ 750 each under CGST and SGST

ROL is not required to collect TCS on transportation of passenger services by other motor vehicles supplied through it worth ₹ 4,00,000 as tax on the same is payable by ROL itself under section 9(5) of the CGST Act, 2017.

- (iii) ROL, being supplier side ECO is liable to collect TCS @ 0.5% under CGST and 0.5% under SGST of the net value of intra-State taxable supplies of accommodation services made through it by Raj Niwas Palace.

= ₹ 1,50,000 × 0.5%

= ₹ 750 each under CGST and SGST

- (b) As per rule 89(4) of the CGST Rules, 2017, in the given case, refund of ITC in the case of zero-rated supply of goods without payment of tax under bond/LUT is as follows:

$$\begin{aligned} \text{Refund Amount} &= \frac{\text{Turnover of zero-rated supply of goods}}{\text{Adjusted Total Turnover}} \times \text{Net ITC on inputs and input services} \\ &= \frac{[9,00,000^* + 2,00,000^{**}]}{[9,00,000 + 2,00,000 + 14,00,000]} \times [1,50,000 + 3,00,000] \\ &= ₹ 1,98,000 \end{aligned}$$

\*Turnover of goods 'Sun' = Lower of (i) ₹ 6,00,000 × 1.5 or (ii) ₹ 10,00,000, i.e. ₹ 9,00,000

\*\*Turnover of goods 'Moon' = Lower of (i) ₹ 1,50,000 × 1.5 or (ii) ₹ 2,00,000, i.e. ₹ 2,00,000

**Refundable amount is the least** of the following:

- (a) Refund as per rule 89(4) of the CGST Rules, 2017 [₹ 1,98,000]
- (b) Balance in ECL at the time of filing refund application, [₹ 1,50,000] and
- (c) Balance in ECL at the end of October for which refund is being filed after the return in Form GSTR-3B for the said period has been filed [₹ 3,25,000]

Thus, the refundable amount is ₹ 1,50,000.

ITC is on capital goods is not eligible for refund.

- (c) A person, who is engaged in a profession abroad shall, on return after a minimum stay of 1 year during the preceding 2 years, be allowed clearance free of duty, *inter alia*, personal and household articles, including specified articles upto an aggregate value of ₹ 2,00,000.

One of such specified articles is Microwave oven. However, the Indian passenger should not have availed this concession in the preceding 3 years.

Thus, Varun Goyal can bring Microwave oven duty free provided he had not availed this concession in the preceding 3 years.

- 5. (a) The amount of pre-deposit to be made by Sita Ram Pvt. Ltd. for filing the appeal to the GSTAT is as under-
  - (i) full amount of tax, interest and penalty as admitted by it, i.e. ₹ 230 (200+20+10) crores and
  - (ii) 20% of the remaining tax in dispute, i.e. ₹ 240 crore (20% of ₹ 1,200 crore) subject to a maximum of ₹ 100 crores (in case of IGST).  
= ₹ 330 crores

If the pre-deposit made by the appellant before the Tribunal is required to be refunded consequent to any order of the Tribunal, interest

@ 9% p.a. shall be payable from the date of payment of the amount till the date of refund of such amount.

Period of delay counted from 12<sup>th</sup> April is 186 days

Interest (rounded off) = ₹ 100 crore × 9% × 186/366 = ₹ 4,57,37,705

- (b) (1) Since Mr. Sahil has collected amount exceeding ₹ 5 crores as tax but failed to pay the same to the Government beyond a period of 3 months from the date on which such payment became due:
- (i) minimum amount for compounding is 50% of the tax evaded, i.e., ₹ 4 crore (50% of ₹ 8 crore).
  - (ii) maximum amount for compounding is 75% of the tax evaded i.e., ₹ 6 crore (75% of ₹ 8 crore).
- (2) Yes, the amount for compounding determined by the Commissioner i.e. ₹ 5.2 crore is within the above limits prescribed under the GST law.
- (3) Mr. Sahil has to pay the compounding amount ordered by the Commissioner within 30 days from the date of the receipt of the order.
- (c) Where Assistant/Deputy Commissioner of Customs is satisfied on an application of the importer that the imported goods, entered for home consumption / warehousing cannot be cleared within a reasonable time, such goods may, pending clearance/removal, be permitted to be stored in a public warehouse for a period not exceeding 30 days.

Such goods shall not be deemed to be warehoused goods for the purpose of the Customs Act, 1962 and accordingly warehousing provisions shall not apply to such goods. This is popularly known as warehousing without warehousing.

Thus, goods imported by Mr. Pandya can be stored in the public warehouse for a period of 30 days.

However, the stand taken by the Customs officer to insist him to execute an indemnity bond for goods to be deposited in warehousing is not valid in law since warehousing provisions are not applicable to such goods.

6. (a) The RA shall not exercise the power of revision if:
- (a) the order sought to be revised has been subject to an appeal before Appellate Authority (AA) or Tribunal or High Court or Supreme Court; or
  - (b) the period of 6 months (from the date of communication of order) has not yet expired or more than 3 years have expired after the passing of the decision/order sought to be revised; or
  - (c) the order has already been taken for revision at an earlier stage; or
  - (d) the order sought to be revised is itself a revisional order.
  - (e) Non appealable orders and decisions i.e. order covered under section 121.

The RA may still pass an order on any point which has not been raised and decided in an appeal before AA/Tribunal/High Court/Supreme Court, before the expiry of a period of 1 year from the date of the order in such appeal or before the expiry of a period of 3 years from the date of initial order, whichever is later.

- (b) A search warrant is a written authority to conduct a search.

The competent authority to issue a search warrant is an officer of the rank of Joint Commissioner or above.

A search warrant must indicate the existence of a reasonable belief leading to the search. Search warrant should contain the following details:

- the violation under the GST law,
- the premise to be searched,
- the name and designation of the person authorized for search,
- the name of the issuing officer with full designation along with his round seal,
- date and place of issue,
- serial number of the search warrant,
- period of validity i.e. a day or 2 days etc.

*Note – Any two points may be mentioned.*

**(b) Alternative Answer**

Under section 72 of the CGST Act, 2017, the following officers have been empowered and are required to assist CGST officers in the execution of CGST Act:

- (i) Police;
- (ii) Railways
- (iii) Customs;
- (iv) Officers of State/UT/ Central Government engaged in collection of GST;
- (v) Officers of State/UT/ Central Government engaged in collection of land revenue;
- (vi) All village officers;
- (vii) Any other class of officers as may be notified by the Central/State Government.

**(c) The National Trade Facilitation Action Plan aims to achieve:**

- Improvement in ease of doing business through reduction in transaction cost and time
- Reduction in cargo release time
- A paperless regulatory environment
- A transparent and predictable legal regime
- Improved investment climate through better infrastructure

*Note – Any two points may be mentioned.*

The following trade facilitation measures are provided under FTP:

- Free passage will be provided to export consignment
- There will not be any seizure of export related stock except in exceptional cases.
- Single window system to facilitate export of perishable agricultural produce.
- DGFT is implementing the Niryat Bandhu Scheme for mentoring new and potential exporter on the intricacies of

foreign trade through counseling, training and outreach programmes including the 'Districts as Export Hubs'.

- DGFT online customer portal provides information relating to export and import including Acts, rules, policy and procedures.
- Online facilities for e-RCMC/RC related processes, e-Certificate of Origin (e-CoO) and Quality Control and Trade Disputes (QCTD) are also available on said common digital platform.
- DGFT has undertaken a number of IT Initiatives to enable a paperless, contactless and transparent environment for availing benefits under the export promotion schemes.
- A dedicated 24 X 7 Helpdesk facility has been put in place to assist the exporters in filing online applications on the DGFT portal and other matters pertaining to FTP.
- A large number of Trade Facilitation measures have been taken by Customs Department.
- Authorised Economic Operator (AEO) Programme
- Towns of Export Excellence (TEE)
- Duty Free Entitlements to Select Sectors
- Special privileges granted to Status Holders
- DGFT is committed to function as a facilitator of exports and imports.
- Continuous efforts are being made for better collection, compilation and wider dissemination of Trade Data and Statistics to help the policy makers, researchers, exporters and importers to formulate their trade strategy.
- DGFT has in place a Citizen's Charter, giving time schedules for providing various services to clients.

*Note – Any four points may be mentioned.*