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**SUGGESTED ANSWERS**

**CA FINAL**

**Test Code – JKN-IDT-22**

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**Answers**

**Multiple Choice Questions**

**Q.1**

1. (c)
2. (c)
3. (b)
4. (d)
5. (c)
6. (d)
7. (a)
8. (b)
9. (a)
10. (b)

**(1 \* 10 = 10 Marks)**

**Q.2**

1. (a)
2. (c)
3. (c)
4. (b)
5. (b)

**(2 \* 5 = 10 Marks)**

## Q.3

1. (d)

**Case 1**

Date of payment as per proviso to section 14 = 25/3/20 (since the bank account is not credited within 4 days from the change in rate of tax)

Time of supply as per section 14 = 28/3 or 25/3, whichever is earlier

**Time of supply = 25/3**

**Case 2**

Date of payment as per proviso to section 14 = 10/4/20

(since the bank account credited is more than 4 days from the change in rate of tax)

**Time of supply as per section 14 = 1/3/20**

(2 Marks)

2. (c)

**Determine the value of taxable supply made by Quantum Private Limited**

Computation of VOS:	100000
List price of goods (exclusive of tax)	10,000
add: Municipal Tax 15(2)(a)	1,000
add: boxes used for packing machine ( 15(2)(c) )	
add: subsidy received from Delhi Govt on sale of such machinery (subsidy received from SG is not included in VOS.)	----
add: Subsidy received from Tata considered in price above	25,000
less: Subsidy received from Central Govt on sale of such machinery not considered in the price above (subsidy received from CG is not included in VOS.)	(15,000)
add: Subsidy received from RIL not considered in the price above	
add : Transportation charges	15,000
<b>Total</b>	<b>1,36,000</b>
less: discount@2% on 100000	(2,000)
Value of taxable supply	1,34,000

(3 Marks)

3. (b)

Purchase value under rule Proviso to Rule 32(5)

Purchase value = Purchase price (-) 5% per quarter or part thereof

$$= 6L (-) 5\% * 9 \text{ quarters}$$

$$= 6L (-) 45\%$$

$$= 3,30,000$$

**Value of Supply u/r 32(5) = Selling price – Purchase price**

$$= 4.9L (-) 3.3L$$

$$= 1.6L$$

**(3 Marks)**

4. (a)

**(1 Mark)**

5. (c)

**(1 Mark)**

## Division B - Descriptive Questions

## Q.4

## Computation of GST Liability of Power Engineering Pvt. Ltd., Bangalore for the month of November 20XX

S. No.	Particulars	₹
A.	Items sent in container truck to own location in Tamil Nadu - IGST @ 12% [Note 1] Container truck sent to own location in Tamil Nadu [Note 2]	36,000 -
B.	Stand-alone machine sent in container truck to client location in Tamil Nadu, for carrying out repairs [Note 3] Container truck sent to client location in Tamil Nadu [Note 3] Items sent in container truck to client location in Tamil Nadu, for carrying out repairs [Note 4]	- - -
C.	Container truck sent to client location in Karnataka [Note 3] Items sent in container truck to client location in Karnataka, for carrying out repairs [Note 4]	- -
D.	Invoices raised for repair work carried out in Tamil Nadu: IGST @ 18% [Note 5 and Note 6]	12,60,000
E.	Invoices raised for repair work carried out in Karnataka: CGST 9% + SGST 9% [Note 5 and Note 7]	2,16,000
<b>Total GST liability</b>		<b>15,12,000</b>

(4 Marks)

## Notes:

- (1) Movement of goods without any consideration to a 'distinct person' as specified in section 25(4) of the CGST Act, 2017 is deemed to be a supply in terms of Schedule I of the said Act. The purchase value is taken as taxable value, being the open market value in terms of rule 28(a) of the CGST Rules 2017. (However, if the regional office is eligible to take full input tax credit, any value may be declared in the tax invoice and that will be taken to be the open market value in terms of the second proviso to the same rule.)

In the given case-

- the location of the supplier is in Bangalore (Karnataka); and
- the place of supply of items contained in the truck is the location of such goods at the time at which the movement of goods terminates for delivery to the recipient i.e., Tamil Nadu in terms of section 10(1)(a) of the IGST Act, 2017.

Therefore, the given supply of items is an inter-State supply as the location of the supplier and the place of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply is leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

Since the activity is a supply, a tax invoice is to be issued by Power Engineering Pvt. Ltd. in terms of section 31(1)(a) of the CGST Act, 2017 for sending the items to its own location in Tamil Nadu.

**(2 Marks)**

- (2) As per section 25(4) of the CGST Act, 2017, a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons'.

Schedule I to the CGST Act, 2017 specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25 of the CGST Act, 2017, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

However, in view of the GST Council's recommendation, it has been clarified that the inter-State movement of various modes of conveyance between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST. Applicable CGST/SGST/IGST, however, shall be leviable on repairs and maintenance done for such conveyance [Circular No. 1/1/2017 IGST dated 07.07.2017].

Since the activity is not a supply, tax invoice is not required to be issued by Power Engineering Pvt. Ltd. However, a delivery challan is to be issued by the company in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the truck to its own location in Tamil Nadu.

**(2 Marks)**

- (3) Supply of goods without consideration is deemed to be a supply inter alia when the goods are supplied to a 'distinct person'. However, in this case, stand-alone machine and container truck are moved to client location and not between 'distinct persons'. Hence, the same will fall outside the scope of definition of supply and will not be leviable to GST.

Here again, a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the stand-alone machines and container truck to client location. **(1 Mark)**

- (4) As per section 2(119) of the CGST Act, 2017, 'works contract' means a contract for, inter alia, repair, maintenance of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract.

In this case, the supplier provides maintenance and repair services for power plants that are in the nature of immovable property and uses consumables and parts, wherever necessary, for the repairs. Hence, the contract is that of a works contract.

Further, as per section 2(30) of the CGST Act, 2017, a works contract is a 'composite supply' as it consists of taxable supplies of both goods and services which are naturally bundled and supplied in conjunction with each other. The composite supply of works contract is treated as supply of service in terms of para 6(a) of Schedule II to the CGST Act, 2017.

The items used in relation to the repair and maintenance work could be consumables or could be identifiable items/parts. In either case, the transfer of property in goods is incidental to a composite supply of works contract service. Thus, the value of the items actually used in the repairs will be included in the invoice raised for the service and will be charged to tax at that point of time.

Here again, a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the items for carrying out the repairs.

**(2 Marks)**

- (5) The activity is a composite supply of works contract, which is treated as supply of service. As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.

Since the activity is a supply of service, a tax invoice is to be issued by Power Engineering Pvt. Ltd. in terms of section 31(2) of the CGST Act, 2017.

**(1 Mark)**

- (6) In the given case-

- the location of the supplier is in Bangalore (Karnataka); and
- the place of supply of works contract services relating to the power plant (immovable property) is the location at which the immovable property is located i.e., Tamil Nadu in terms of section 12(3)(a) of the IGST Act, 2017.

Therefore, the given supply is an inter-State supply as the location of the supplier and the place of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply will be leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

(1 Mark)

- (7) In the given case, the location of the supplier and the place of supply of works contract services are within the same State. Therefore, the given supply is an intra-State supply in terms of section 8(1) of IGST Act, 2017 and thus, chargeable to CGST and SGST.

(1 Mark)

**Q.5**

(a)

**Computation of eligible input tax credit available with Pari Ltd. in the month of April, 2018**

S. No.	Particulars	Eligible input tax credit		
		CGST	SGST	IGST
<b>1.</b>	<b>Raw Material:</b>			
	Purchased from local registered suppliers [Note 1(i)] ( ₹ 1,06,250 x 9%)	9,562.50	9,562.50	
	Purchased from local unregistered suppliers [Note 1(ii)]	Nil	Nil	
	Purchased from Punjab from registered supplier [Note 1(i)] ( ₹ 1,00,000 x 18%)			18,000
	Raw material imported from USA [Note 1(iii)]			22,732
<b>2.</b>	Consumables [Note 2] [(1,56,250-31,250) x 9%]	11,250	11,250	
<b>3.</b>	Monthly rent for the factory building to the owner in Rajasthan [Note 3]	9,000	9,000	
<b>4.</b>	Salary paid to employees on rolls [Note 4]	Nil	Nil	Nil
<b>5.</b>	Premium paid on life insurance policies taken for specified employees [Note 5] ( ₹ 2,00,000 x 9%)	18,000	18,000	-
	<b>Total</b>	<b>47,812.50</b>	<b>47,812.50</b>	<b>40,732</b>
	Add: Opening balance of ITC on 01.04.2018	20,000	15,000	15,000



<b>Eligible ITC [Note 7]</b>	<b>67,812.50</b>	<b>62,812.50</b>	<b>55,732</b>
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(4 Marks)

Computation of net GST payable for the month of April, 2018

<b>Particulars</b>	<b>CGST</b>	<b>SGST</b>	<b>IGST</b>
Intra-State sales	78,750	78,750	
Inter-State sales			67,500
Exports under bond [Note 6]	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
Total output tax liability	78,750	78,750	67,500
Less: Eligible ITC	67,812.50	62,812.50	55,732
<b>Net GST payable</b>	<b>10,937.50</b>	<b>15,937.50</b>	<b>11,768</b>

(1.5 Marks)

**Notes:**

- Credit of input tax (CGST & SGST/ IGST) paid on raw materials used in the course or furtherance of business is available in terms of section 16 of the CGST Act.
  - All intra-State procurements made by a registered person from an unregistered supplier have been exempted from GST. Therefore, since no GST is paid on such raw material purchased, there does not arise any question of input tax credit (ITC) on such raw material.
  - IGST paid on imported goods qualifies as input tax in terms of section 2(62) of CGST Act, 2017. Therefore, credit of IGST paid on imported raw materials used in the course or furtherance of business is available in terms of section 16 of the CGST Act.
- ITC on consumables, being inputs used in the course or furtherance of business, is available. However, since levy of GST on high speed diesel has been deferred till a date to be notified by Government, there cannot be any ITC of the same.
- ITC on monthly rent is available as the said service is used in the course or furtherance of business.
- Services by employees to employer in the course of or in relation to his employment is not a supply in terms of section 7 read with Schedule III to the CGST Act. Therefore, since no GST is paid on such services, there cannot be any ITC on such services.
- ITC on life insurance service is available if the same is notified by the Government under section 17(5)(b)(iii)(A) of the CGST Act as being obligatory for an employer to provide to its employees under any law for the time being in force.

6. Export of goods is a zero rated supply in terms of section 16 of the IGST Act. A zero rated supply under bond is made without payment of IGST.
7. Since export of goods is a zero rated supply, there will be no apportionment of ITC and full credit will be available. **(3.5 Marks)**

**(b)**

Computation of assessable value –

CIF value	US \$ 5,000.0
<b>Less: Air freight</b>	US \$ 1,500.0
Insurance Charges	US \$ 500.0
<b>FOB value</b>	<b>US \$ 3,000.0</b>
<b>Add: Air Freight restricted to 20% of FOB value</b>	US \$ 600.0
Insurance charges (actual)	US \$ 500.0
<b>CIF VALUE (for customs purposes)</b>	<b>US \$ 4,100.0</b>
CIF Value in India ` (CIF value in US \$ x ` 60 per US \$)	2,46,000.0
being Assessable value	

**Q.6**

**(a)**

As per explanation to rule 33 of the CGST Rules, 2017, a “pure agent” means a person who-

- (a) enters into a contractual agreement with the recipient of supply to act as his pure agent to 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 so procured or supplied as pure agent of the recipient of supply;
- (c) does not use for his own interest such goods or services so procured; and
- (d) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

The supplier needs to fulfil all the above conditions in order to qualify as a pure agent. In the given case, Rudra Logistics has entered into a contractual agreement with recipient of supply, Rolly Polly Manufacturers Ltd., to incur, on behalf of such recipient, the expenses mentioned in S.No. (ii) to (vii) incurred in relation to clearance of the imported machine from the customs station and bringing the same to the

warehouse of the recipient. Further, Rudra Logistics does not hold any title to said services and does not them use for his own interest.

Lastly, Rudra Logistics receives only the actual amount incurred to procure such services in addition to agency charges. Thus, Rudra Logistics qualifies as a pure agent. Further, rule 33 of the CGST Rules, 2017 stipulates that notwithstanding anything contained in the provisions of Chapter IV – Determination of Value of supply, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely-

- (I) the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient;
- (II) the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and
- (III) the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

Since conditions (I) to (III) mentioned above are satisfied in the given case, expenses (ii) to (vii) incurred by Rudra Logistics as a pure agent of Rolly Polly Manufacturers Ltd. shall be excluded from the value of supply.

Accordingly, value of supply made by Rudra Logistics is as follows:

<b>Particulars</b>	<b>Amount (₹)</b>
Agency charges	5,00,000
Add: Unloading of machine at Kandla port, Gujarat	Nil
Add: Charges for transport of machine from Kandla port, Gujarat to its Rudra Logistics' godown in Ahmedabad, Gujarat	Nil
Add: Charges for transport of machine from Rudra Logistics' Ahmedabad godown to the warehouse of Rolly Polly Export Import House in Mumbai, Maharashtra	Nil
Add: Customs duty	Nil
Add: Dock charges	Nil
Add: Port charges	Nil
Add: Hotel expenses	45,000

Add: Travelling expenses	50,000
Add: Telephone expenses	2,000
<b>Value of supply</b>	<b>5,97,000</b>

Yes, our answer would be different. If lump sum amount of ₹ 13,00,000 is paid then the value of supply shall be ₹ 13,00,000 and tax shall be charged on value of supply since individual cost are not given.

**(b)**

Computation of GST liability payable by Z & Co. P firm

Legal Professional services provided to A, an advocate (WN 1)	Exempt
Legal Services to B & Co. P. firm of advocate (WN 1)	Exempt
Legal Services Provided to C, an Employee (WN 3)	Exempt
Legal Services Provided to D Ltd. (WN 4)	Exempt
Legal Services to E Ltd. total tax liability of Z & Co. a P. firm	Nil

**Note:**

1. Legal Service provided by P. firm to advocate & P. firm is exempt.
2. Legal Services provided by P. firm to a non-business entity is exempt.
3. Legal Services by P. firm of advocates to business entity whose turnover is P.F.Y in not exceeding threshold limit that makes him liable for registration then such service is exempt.
4. Service provided to business entity is taxable & shall be paid as per RCM & hence F Ltd. shall pay tax.

**Q.7**

**(a)**

**Supply No. 1**

Event Management Company registered in Delhi providing service to Miss Lasliya who is registered in Jaipur.

- In this case the Place of Supply shall be determined u/s 12(7) where recipient is registered person  
 $\therefore$  Location of supplier = Delhi  
 POS = Jaipur  
 Nature of supply = Inter  
 Hence IGST liability shall be  $10L \times 18\% = 1,80,000$

**Supply No. 2**

Hotel Sky Dine, registered in Chandigarh is supplying renting of immovable property service to Hasan Pvt. Ltd.

- In this case the Place of supply shall be determined as per Sec 12(3) i.e. POS = Chandigarh  
 $\therefore$  Location of Supplier and Place of Supply is Chandigarh it shall be an intrastate supply and  
 $\therefore$  This liability shall be  
 $\therefore$  CGST = 6L x 9% = 54,000  
 $\therefore$  UTGST = 6L x 9% = 54,000

**Supply No. 3**

Sakshita Dancer is giving admission to an event for ` 6,000 per ticket.

- This is taxable service as ticket amount is more than ` 500/ticket
- Place of supply shall be determined u/s 12(6) i.e. place where the event is held i.e. Chandigarh.
- Since Location & Place of supply is Chandigarh it is an intrastate supply.  
 $\therefore$  CGST = 36,00,000 x 9% = 3.24L  
 $\therefore$  UTGST = 36,00,000 x 9% = 3.24L

**(b)****(Amount in `)**

CIF Value of the consignment (in Indian `)[US \$ 45000 x 65] [Assessable Value]	29,25,000
Add: Basic Customs Duty @ 10%	2,92,500
Add: Social Welfare surcharge @ 10% on Basic Customs Duty	29,250
Landed Value	32,46,750
Add: Anti-dumping duty	6,53,250
Value for purpose of IGST	39,00,000
Add: IGST u/s 3(7) of the CTA, 1975 [18% of ` 39,00,000]	7,02,000
<b>Total duties payable [ ` 2,92,500 + ` 29,250 + ` 6,53,250 + ` 7,02,000]</b>	<b>16,77,000</b>

**Working Note**

<b>Computation of antidumping duty</b>	<b>Amount</b>
1000 kg. x US \$ 60 per kg. x ` 65 per dollar	39,00,000
<b>Less-</b> Landed Value – (AV + BCD + SWS)	<b>( 32,46,750)</b>
<b>Antidumping duty =</b>	<b>653250</b>

**Q.8****(a)**

As per section 126(1) of the CGST Act, 2017, no penalty shall be leviable under the Act for minor breaches of tax regulations. In terms of Explanation (a) to section 126(1), a breach shall be considered as “minor breach”, if tax involved is less than ` 5,000. Breach made by Mangeshwar is not a ‘minor breach’ since the amount involved is not less than ` 5,000. So, penalty is imposable.

Any omission or mistake in documentation which is easily rectifiable and made without fraudulent intent/gross negligence is not liable for penalty in terms of section 126(1) of the CGST Act, 2017. Thus, penalty is imposable in the present case, since the omission in the documentation is not easily rectifiable and has occurred due to gross negligence.

As per section 126(5) of the CGST Act, 2017, where there is a voluntary disclosure of breach, prior to its discovery by the officer, the proper officer may consider this fact as a mitigating factor when quantifying the penalty. Since Mangeshwar has voluntarily disclosed the breach of procedural requirement to the officer, the proper officer may consider this fact as a mitigating factor when quantifying the penalty. Therefore, the quantum of penalty will depend on the facts and circumstances of the case.

As per section 125 of the CGST Act, 2017, when no specific penalty has been specified for contravention of any of the provisions of the Act or any rules made there under, it shall be liable to a penalty which may extend to ` 25,000. Therefore, general penalty upto ` 25,000 may be imposed on Mangeshwaras when no specific penalty is provided for any contravention, a general penalty may be imposed.

**(b)**

GST Payable on dutiable goods @ 12%	12,000
Amount adjusted	12,000
Refund due = 36000 – 12000	24,000
(i) Either Refund to Mr. B or	
(ii) Credited to consumer welfare fund	

(c)

Calculation of amount admissible as drawback –

Description	FOB Value (₹)	Rate of Drawback	Drawback (₹)
Leather footwear Boots - 200 pairs @ ₹ 1,000 per pair	2,00,000	11% of FOB subject to max of ₹ 85 per pair	17,000
Leather chappals - 2,000 pairs @ ₹ 50 per pair	1,00,000	3% of FOB subject to max ₹ 5 per pair	3,000
Brass jewellery 200 kgs @ ₹ 200 per Kg – Brass content 50% of weight	-	₹ 22.50 per kg of Brass content	2,250
Plastic bangles with embellishment 200 Kgs - Plastic content 50%. Actual weight 190 Kgs only	-	₹ 5/Kg of plastic content	475
<b>Total duty Drawback</b>			<b>22,725</b>

Q.9

(a)

As per sec 75(2) - Where any Appellate Authority or Appellate Tribunal or court concludes that the notice issued by reason of fraud is **not sustainable** because it was found that person has not committed fraud etc. then proper officer shall determine the tax payable deeming notice issued u/s 73(1) (i.e. other than Fraud)

Hence demand can be determined

2019-20	4 crore
2021-22	6 crore

For For year 2017-18 and 2018 -19 - demand can't be made



**(b)****Case I**

In this case since the contract value is  $2,45,535 = \left( \frac{2.75 L \times 100}{112} \right)$

That is less than 2,50,000 and hence No TDS shall be deducted.

**Case II**

In this case since the value of contract supplied by Mudit Enterprises to Maharashtra State Govt is more than ` 2,50,000.

(i.e.  $\frac{3,10,000}{112} \times 100 = 2,76,785$ )

∴ TDS Shall be deducted & since the location & place of supply same state.

Nature of supply = Intrastate

**∴ TDS amount to deducted**

CGST = 60,000 x 6% = 3,600

SGST = 60,000 x 6% = 3,600

(Note: TDS shall always be deducted on payment made & not contract value).

**Case III**

In this case since location of supplier & place of supply is in one state & location & recipient is in another state.

Sec 51 specifically states that it No TDS shall be deducted.

**(c)**

(i) No. The exemptions extended by Foreign Trade Policy can be taken only when the exemption notification is issued under the relevant tax laws. The provisions of FTP cannot override tax laws.

**(1 Mark)**

(ii) Some of the categories of exports/sectors which are ineligible for duty credit scrip entitlement under MEIS are listed below:

- (a) Supplies made from DTA units to SEZ units
- (b) Exports through trans-shipment, i.e. exports that are originating in third country but trans-shipped through India
- (c) Deemed Exports
- (d) SEZ/EOU/EHTP/BPT/FTWZ products exported through DTA units
- (e) Export products which are subject to Minimum export price or export duty
- (f) Exports made by units in FTWZ

**(4 Marks)**