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CA FINAL

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Answers

Multiple Choice Questions

Q.1

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

Q.2

1. (d)
2. (b)
3. (a)
4. (b)

Q.3

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

Division B - Descriptive Questions**Q.4****(a)****1) Computation of ITC to be availed by HUL Ltd.:**

1. Inputs contained in Stock = $2L = \frac{12L}{120} \times 20$
2. Inputs contained in FG = $15 \times 10\% = 1.5L$
3. Total = 3.5L

Notes:

ITC shall not be allowed on capital goods u/s 18 (1) (a) when a person is becoming liable to register.

Further, according to Section 18 (2), ITC shall be allowed only on those inputs whose credit is availed within 1 year of DOI. Hence ITC shall not be allowed w.r.t. inputs contained in WIP.

2) Yes, it can avail ITC on capital goods also

Date of issue of invoice = 26/6/17

Date when exemption notification is withdrawn = 1/4/18

No of Quarters = 4 Quarters

= ITC available (-) 5% per quarter

= 20 Lacs (-) (5% x 4 quarters)

= 20 Lacs (-) 20%

= 20 Lacs (-) 4 lacs

= 16 lacs

Total ITC available $3.5 + 16L = 19.50L$

(4 Marks)

(b)

Computation of amount payable by XYZ ltd

Inputs contained in stock=30,000 (WN1)

Inputs contained in FG=1.2lacs (WN2)

Capital goods =16.2lacs (WN3)

Working note

WN1- Inputs contained in stock

ITC availed = 25000

Or

Output tax payable = 30000

} **W.I.H**

WN2-Inputs contained in FG

ITC availed-120000

Or

Output tax payable = 100000

} **W.I.H**

WN3- Capital goods

= ITC availed*remaining useful life

60 months

= 18lacs *54months

60 months

= 16.2lacs

OR

Transaction value * rate of tax

= 80lacs*18%

= 14.4lacs

} **W.I.H**

(6 Marks)

Q.5**(a)****E cash ledger shall be utilised as follows:**

Particulars	Amount (₹)
Tax liability of CGST/SGST/UTGST of Aug. 2018	1,25,000
Interest and penalty on delayed payment on taxes and filing return	20,000
Tax liability of CGST/SGST/UTGST of Sept 2018	1,50,000
Interest, penalty on delayed payment on tax and filing return	25,000
Demand raised u/s 73/74 of CGST Act, 2017	6,00,000
Total output tax Payable	9,20,000
Balance in E Cash Ledger with PQR Ltd	10,50,000
Excess amt. in E- Cash Ledger	1,30,000

(5 Marks)**(b)****E cash ledger shall be utilised as follows:**

Particulars	Amount (₹)
Rent of the commercial building	18,00,000
Maintenance charges collected by the local society from the owner and reimbursed by the tenant	
[Incidental or ancillary charges relating to supply of renting service shall form part of value of renting services u/Sec 15(2). Further, such re-imburements cannot be said to be re-imburements of expenses incurred by landlord in the capacity of pure agent of recipient tenant. Thus, they will remain includable in value	2,50,000
Refundable advance	
Being refundable, the advance is in the nature of security deposit which does not constitute 'consideration' as defined in Section 2(31) of the CGST Act, 2017. Such payment not being consideration of supply shall not be includible in the value]	Nil

Municipal taxes paid by the owner	
It can be presumed that these are not already included in the rent given above. If so, then these shall be added to the rental amount to arrive at value of renting service. Payment of these taxes by the landlord cannot be said to be re-imburements of expenses incurred by landlord in the capacity of pure agent of recipient- tenant. Thus, they will remain includible in value]	1,00,000
Value of supply	21,50,000
CGST @ 9%	1,94,500
SGST @ 9%	1,94,500

Note: Rent and maintenance charges are assumed to be exclusive of GST

(5 Marks)

Q.6

(a)

GST Laws provide for tax deduction at source (TDS) by the certain persons/ entities (herein after referred to as 'the deductor') from the payment made or credited to the supplier of taxable goods or services or both (herein after referred to as 'the deductee') @ 2%.

As per section 51, this provision is meant for certain specified entities and certain notified entities making contractual payments to suppliers where total value of supply of taxable goods or services under a contract exceeds ` 2.5 Lakhs.

While making any payments under such contracts, the concerned entity shall deduct 2% of the total payment made (1% under each CGST and SGST/UTGST and 2% in case of IGST) and remit it into the appropriate GST account.

Keeping in mind above legal provisions, requirement of TDS in given situations has been discussed below:

Situations / Contracts	Nature of Supply	Contract Value (exclusive of GST)	Deduction required YES / NO	Remarks
Supply of Computer stationery to Public Sector Undertaking (PSU)	Interstate Supply [supply	2,42,857 [2,72,000 *	No	Since the total contract value of taxable supply is

located in Mumbai. Total contract value is ` 2,72,000 (inclusive of GST)	with IGST liability] (WN-1)	100/112]		not more than 2.5 lakhs TDS is mandatory
Supply of Air Conditioner to GST Department located in Delhi. Total contract value is ` 2,55,000 (exclusive of GST)	Interstate supply [supply with IGST liability] [WN-2]	2,25,000	Yes	Deduction is mandatory in case the total value of taxable supply under the contract exceeds ` 2,50,000. IGST TDS @2% i.e. ` 5,100 shall be deposited.
Supply of Generator to Municipal Corporation of Jaipur. Total contract value is ` 3,50,000 (inclusive of GST).	Intrastate supply [supply with CGST and Raj GST liability] [WN-3]	3,12,500 [=3,50,000 * 100/112]	Yes	Deduction is mandatory in case the total value of taxable supply under the contract exceeds 2,50,000. CGST TDS @ 1% (i.e. ` 3,125) and Rajasthan GST TDS @ 1% (i.e. ` 3,125) shall be deposited.

Working Notes:

1. Location of Supplier is Rajasthan State. In respect of supply of computer stationary (goods) to PSU, Maharashtra, the Oa of supply is Maharashtra in terms of Sec 10(1) of IGST Act, 2017. The location of supplier and place of supply

being into two different states, the supply is inter-state supply in terms of Sec 7 of IGST Act, 2017. This supply transaction attracts IGST@12%.

2. Location of Supplier is Rajasthan State. In respect of supply of air conditioner (goods) to GST Department, Delhi, the place of supply is Delhi in terms of Sec 10(1) of IGST Act, 2017. The location of supplier and place of supply being into two different states, the supply is inter-state supply in terms of Sec 7 of IGST Act, 2017. This supply transaction attracts IGST@12%.
3. Location of Supplier is Rajasthan State. In respect of supply of generator renting service (service) to Municipal Corporation, Jaipur (Rajasthan), the place of supply is location of recipient (presuming Municipal corporation is registered under GST) in terms of Sec 12(2) of IGST Act, 2017. Thus, place of supply is Rajasthan State. The location of supplier and place of supply being into same state, the supply is intrastate supply in terms of Sec 8 of IGST Act, 2017. This supply transaction attracts CGST@6% and Rajasthan GST@6%.

(6 Marks)

(b)

As per the given facts, assessee importer had imported 3,000 MT of metal scrap. The total quantity imported was unloaded into India and went into the custody of Custodian. As an acknowledgment of receipt of 3000 MT quantity, the Custodian has also issued a "weighment certificate" to that effect. Subsequently, when after payment of duty in relation to 3,000 units and after obtaining order for clearance for home consumption, the importer approached Custodian for delivery of goods, then only 2,500 MT were made available to him. 500 MT of Imported metal scrap were lost while in the custody of custodian. It is in respect of these lost 500 MT units importer wishes to claim remission with the consequential refund of duty.

Under Customs Laws, the Importer has been provided relief In respect of loss of goods in certain situations. If the loss of goods occurs on account of pilferage, then the relief is provided in term of Sec 13 of the Customs Act, 1962 and if loss occurs on account of any reason other than pilferage then the relief is provided in terms of Sec 23 of the Customs Act. As far as given situation is concerned, considering the quantum of loss (roughly 16.67% of total consignment quantity) it can reasonably be taken as other than pilferage. Thus, Importer can seek relief under Sec 23 which provides for remission of duty in respect of goods lost otherwise than by way of pilferage at any time before clearance for home consumption of such goods.

Further, since In this question he has already paid Import duty, so post remission order, he shall apply for refund of duty already paid. (4 Marks)

Q.7

(a)

Status of goods	Delayed period	Prescribed late fees
Dutiable goods		
Case 1:	0	NIL (within 1 day)
Case 2:	3	$(5000 \times 3) = 15,000$ Or 1,00,000 = 15,000
Case 3:	7	$(5000 \times 3) = 15,000$ $(10,000 \times 4) = 40,000$ i.e. 55,000 Or 1,00,000 = 55,000
Exempted goods		$(5000 \times 3) = 15,000$ $(10,000 \times 1) = 10,000$ i.e. 25,000 Or 50,000 = 25,000

(5 Marks)

(b)

In the given scenario, only one e-way bill is required to be issued.

Part A can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorisation.

Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in Part A, or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in the e-way bill on the common portal in Part B.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, who has filled Part A of the e-way bill, or Mehta Transporter can, before the transfer and further movement of goods, update the details of conveyance in Part B of the e-way bill.

Further, the consignor or the recipient, who has furnished the information in Part A, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment. Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, or Mehta Transporter can assign the said e-way bill to Parikh Transporter who will thereafter update the details of conveyance in Part B.

However, upon updation of the details of the conveyance by Parikh transporter in Part B, Mr. Shah or recipient, as the case may be, who has furnished the information in Part A shall not be allowed to assign the e-way bill number to another transporter.

(5 Marks)

Q.8

(a)

Computation of value of taxable service and GST Payable by Robinson Bank Ltd.

	Particulars	Amount (₹)
(i)	Amount of commission received for debt collection service	10,00,000
(ii)	Discount earned on bills discounted (Exempt vide Entry 27 of N/N 12/2017-CT (Rate))	Nil
(iii)	Inter se sale or purchase of foreign currency amongst banks (Exempt vide Entry 27 of N/N 12/2017-CT (Rate))	Nil
(iv)	Charges received on credit card and debit card facilities extended	3,80,000
(v)	Penal interest recovered from the customers (interest on interest) Case since late fees charged on account of delayed payment of EMI of the loan given by the bank as per the reason clarification given by CBIC even this interest shall be covered under entry 27 and will be exempt Note: Penal interest recovered from customer on delay payment of EMI has been recently clarified by CBIC that it is exempt.	Nil
(vi)	Commission received for service rendered to Government for tax collection	6,00,000
	Total	22,40,000

(6 Marks)

(b)

Determination of prosecution & Fine, arrest and bail implication

	Tax involved	Whether bailable or nonbailable	Arrest made	Imprisonment and fine
Supply of goods without invoice	6 crore	C + NB	Yes	5 years + fine
Supply of goods without invoice	3 crore	NC + B	Yes	3 years + fine
Invoice issued without supply of goods or service leading to wrong credit availment by recipient	1.5 crore	NC + B	No	1 year + fine
Produced fake account or false information	3 crore	NC+ B	No	6 month or and fine

(4 Marks)**Q.9****(a)**

Cruch bakery shall not be allowed to reduce additional discount from VOS because the discount was not agreed before or at the time of supply. Thus it cannot be reduced.

(4 Marks)

(b)

According to Section 8B of CTA, 1975 in case of articles originating from a developed country i.e. country notified by government of India for the purpose of levy of such duty this duty cannot be imposed under following circumstances-

- (a) If the import of such articles from developing countries does not exceed 3% of the total import of that article into India.
- (b) Where the article is originating from more than one developing country (each with less than 3% import share), then the aggregate of imports from all such countries taken together does not exceed 9% of the total imports of the article into India. Here the computation of safeguard duty is as under

Computation of Safeguard duty payable by Black ltd, White ltd, and Green Ltd.

Importer	Country of import	In crores	% of imports	
Black Ltd.	Developing country	66	2.64%	
White Ltd.	Developing country	86		3.44%
Red Ltd.	Developing country	52	2.08%	
Green Ltd.	Developing country	50	2%	
Baby pink Ltd	Developing country	2246		
Total	Developing country	2500	6.72%	3.44%

Safeguard duty is as follows:

Importer	in crores	Safeguard duty	in crores
Black Ltd.	66	30%	-
White Ltd.	86	30%	25.8
Red Ltd.	52	30%	-
Green Ltd.	50	30%	-

Articles originating from more than one developing countries (each with less than 3% import share), then the aggregate of import from all such countries taken together does not exceed 9% i.e. in the given case 6.72% of the total imports of that article into India. Therefore, safeguard duty is not applicable to Black ltd., Red ltd., and Green Ltd.

(6 Marks)

Q.10

As per section 10(3) of the CGST Act, 2017 read with Notification No.14/2019 CT dated 07.03.2019 as amended, the option availed of by a registered person to pay tax under composition scheme shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds ` 1.5 crore [` 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir].

As per section 2(6) of the CGST Act, 2017, aggregate turnover means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same PAN, to be computed on all India basis but excludes CGST, SGST/UTGST, IGST and GST Compensation Cess. In the given case, the firm is registered under the composition scheme in the State of Maharashtra. The aggregate turnover of the firm exceeds ` 1.5 crore on 03.10.20XX [aggregate of both taxable and exempt turnover from 01.04.20XX to 03.10.20XX, i.e. ` 1,50,05,000 (` 1,44,65,000 + ` 2,03,000 + ` 1,38,250 + ` 1,06,250 + ` 92,500)]

The inward supplies of goods transportation services in respect of which the firm has to pay tax under reverse charge have not been included in the aggregate turnover in terms of section 2(6) of the CGST Act, 2017. The tax is payable under reverse charge on such services as the applicable rate of tax on such services is given as 5% and not 12%, in which case the GTA would have been liable to pay tax under forward charge [Notification No. 13/2017 CT (R) dated 28.06.2017 as amended]. Thus, the firm will have to pay tax under regular scheme (Section 9 of the CGST Act, 2017) from 03.10.20XX.

Output tax liability of B & D Company under composition scheme

During the period when the firm pays tax under composition scheme, i.e. from 01.04.20XX to 02.10.20XX, tax will be payable on quarterly basis and no ITC will be available [Section 10(4) read with sub-sections (2) and (7) of section 39 of the CGST Act, 2017]. Further, since the firm is trading in goods, tax will be payable @ ½% [Effective rate - 1% (½% CGST + ½% SGST)] of the turnover of taxable supplies of goods and services (i.e. 'P') in the State [Section 10(1) read with rule 7 of CGST Rues, 2017].

The tax liability for the quarters ended June, 20XX, September, 20XX and December, 20XX under composition scheme will be computed as under

Particulars	Quarter ended 30.06.20XX (₹)	Quarter ended 30.09.20XX (₹)	Quarter ended 31.12.20XX (₹)
Turnover of 'P' (Taxable supplies)	60,00,000	50,00,000	4,03,000 [2,00,000 +1,36,000+ 67,000]
CGST @ 0.5% [A1]	30,000	25,000	2015
SGST @ 0.5% [B1]	30,000	25,000	2015
Inward supply on which tax is payable under reverse charge [Service of goods transportation availed from a GTA @ 5%]	60,000 [(1,40,000/7) x 3]	60,000 [(1,40,000/7) x 3]	Nil [Paid on 10th day for goods transported between 11th to 20th day of the month, so the same will be assessed under regular scheme]
CGST @ 2.5% [A2]	1,500	1,500	-
SGST @ 2.5% [B2]	1,500	1,500	-
Total CGST [A1 + A2]	31,500	26,500	2015
Total SGST [B1 + B2]	31,500	26,500	2015
Total CGST liability for the period from 01.04.20XX to 02.10.20XX	Total CGST liability for the period from 01.04.20XX to 02.10.20XX		
Total SGST liability for the period from 01.04.20XX to 02.10.20XX	60,015 [31,500 + 26,500 + 2015]		