Test Series: March, 2018

MOCK TEST PAPER

INTERMEDIATE (IPC) COURSE

PAPER – 4: TAXATION

SECTION B - INDIRECT TAXES (50 MARKS)

Time Allowed – 3 Hours **Maximum Marks – 100**

QUESTIONS

Question no. 1 is compulsory. Attempt any four questions out of the remaining five questions.

(i) Working Notes should form part of the answers.

(ii) Wherever necessary, suitable assumptions may be made by the candidates, and disclosed by way of note.

(iii) All questions should be answered on the basis of the position of GST law as amended up to 31st October, 2017.

(iv) The GST rates for goods and services mentioned in various questions are hypothetical and may not necessarily be the actual rates leviable on those goods and services. Further, GST compensation cess should be ignored in all the questions, wherever applicable.

1. (a) Ayushman Medical Centre, a clinical establishment, offers the following services:

S.No.	Particulars	₹*
(i)	Reiki healing treatments. Such therapy is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010.	10,00,000
(ii)	Plastic surgeries. [One such surgery was conducted to repair cleft lip of a new born baby. Consideration of ₹ 1,00,000 was charged for the same.]	20,00,000
(iii)	Air ambulance services to transport critically ill patients from distant locations to Ayushman Medical Centre.	1,00,000
(iv)	Alternative medical treatments by way of Ayurveda. Such therapy is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010	2,50,000

*excluding GST

Ayushman Medical Centre also operates a cord blood bank which provides services in relation to preservation of stem cells. You are required to compute the value of supply and GST liability [CGST & SGST or IGST] of Ayushman Medical Centre, if any, in the light of relevant GST provisions.

Note – All the services provided by Ayushman Medical Centre are intra-State supplies. Assume the rates of CGST, SGST and IGST to be 9%, 9% and 18% respectively. ***(6 Marks)***

(b) Ramoplast Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps – 'Forever Glow' in Mumbai. It has provided the following information pertaining to purchases made/services availed in the month of January, 20XX:

Particulars	GST paid (₹)
Soap making machine	50,000
Motor vehicles for transportation of inputs	70,000

Membership of 'Fit and Fine' health and fitness centre for its employees	25,000
Inputs purchased, but stolen from the factory	40,000

You are required to compute the input tax credit (ITC) available with Ramoplast Soap Factory for the month of January, 20XX assuming that all the other conditions for availing ITC, wherever applicable, have been fulfilled. ***(4 Marks)***

2. (a) Quantum Plast Private Limited, Delhi supplies plastic granulation machine to Capscom Ltd., Delhi. It furnishes the following details in respect of such supply:

Particulars	**₹**
List price of the machine (exclusive of taxes and discounts)	1,00,000
Corrugated Boxes used for packing the machine (not included in price above)	1,000
Subsidy received from Delhi Government on sale of such machine (considered in price above)	5,000
Discount @ 2% is offered on list price of the machine (recorded in the invoice for the machine)	

Determine the value of taxable supply made by Quantum Plast Private Limited. ***(5 Marks)***

(b) Discuss the term 'composite supply' and its taxability under GST law. ***(5 Marks)***

3. (a) Kesar Maharaj, a registered supplier, gave a classical dance performance in an auditorium. The consideration charged for the said performance is ₹ 1,48,500. Is Kesar Maharaj liable to pay GST on the consideration received for the said performance if such performance is not for promotion of any product/services? If yes, determine his GST liability (CGST and SGST or IGST, as the case may be). Will your answer be different if:

(i) Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product?

(ii) the dance performance given by Kesar Maharaj is not a classical dance performance, but a contemporary Bollywood style dance performance?

(iii) consideration charged by Kesar Maharaj for the classical dance performance is ₹ 1,60,000?

Notes:

1. Services provided by Kesar Maharaj are intra-State supplies.
2. Wherever applicable, GST has been charged separately.
3. Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. ***(6 Marks)***

(b) Mehra Sons, a registered supplier, is a wholesale supplier of ready-made garments located in Bandra, Mumbai. On 5th September, 20XX, Subhadra, owner of Aura Boutique located in Dadar, Mumbai, approached Mehra Sons for supply of a consignment of customised dresses for ladies and kids.

Mehra Sons gets the consignment ready by 2nd December, 20XX and informs Subhadra about the same. The invoice for the consignment was issued the next day, 3rd December, 20XX.

Due to some reasons, Subhadra could not collect the consignment immediately. So, she collects the consignment from the premises of Mehra Sons on 18th December, 20XX and hands over the cheque for payment on the same date. The said payment is entered in the accounts on 20th December, 20XX and amount is credited in the bank account on 21st December, 20XX.

You are required to determine the time of supply of the readymade garments supplied by Mehra Sons to Subhadra elaborating the relevant provisions under the GST law. ***(4 Marks)***

4. (a) Explain the term 'aggregate turnover'. ***(4 Marks)***

(b) Discuss the time-limit for issuance of invoice in case of taxable supply of goods. ***(3 Marks)***

(c) What is an electronic cash ledger? Enumerate the modes of making deposit in the electronic cash ledger. ***(3 Marks)***

5. (a) Tirupati Box Manufacturing Co. started manufacturing corrugated boxes in Andhra Pradesh on 25.01.20XX. On 06.05.20XX, its aggregate turnover exceeded ₹ 10 lakh and on 01.11.20XX, its aggregate turnover exceeded ₹ 20 lakh. It applied for registration on 28.11.20XX and is granted registration certificate on 05.12.20XX. Determine the effective date of registration elaborating the relevant provisions. ***(4 Marks)***

(b) Examiner whether the following statements are true or false giving brief reasons:

(1) It is mandatory to issue a tax invoice in case a registered person has opted for composition levy scheme.

(2) A composition tax payer, who has not rendered any taxable supply during a quarter, is not required to file any return. ***(2 ×2 = 4 Marks)***

(c) Discuss any two significant benefits of GST. ***(2 Marks)***

6. (a) Examine whether the following activities would amount to supply under section 7 of the CGST Act:

(i) Sudhakar Charitable Trust, a trust that gets the eye treatment of underprivileged children done free of cost, donates clothes and toys to children living in slum area.

(ii) Rooplekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from the factory in Delhi to the Mumbai depot without consideration so that the same can be sold.

(iii) Daman is an interior decorator in Chennai. His brother who is settled in London is a well-known lawyer. Daman has taken legal advice from him free of cost with regard to his family dispute. ***(2 x 3 = 6 Marks)***

(b) Ramaswamy, a registered supplier, is an interior decorator. His registered office is located in Gujarat and he is not engaged in making any inter-State supply of services. His aggregate turnover in the FY 2016-17 is ₹ 90 lakh. With reference to the provisions of the CGST Act, 2017, examine whether Ramaswamy can opt for the composition scheme in the FY 2017-18?

Will your answer be different if Ramaswamy is engaged in supplying restaurant services and procures food items required for his restaurant from neighbouring State of Maharashtra?

(4 Marks)