

CA INTER INDIRECT TAXES



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QUESTION BANK **2.0**

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Q.1	Differentiate between direct and indirect taxes.						
Ans:	<p>Difference between direct taxes and indirect taxes:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">Direct Taxes</th> <th style="width: 50%; text-align: center;">Indirect Taxes</th> </tr> </thead> <tbody> <tr> <td>The person paying the tax to the Government directly bears the incidence of the tax.</td> <td>The person paying the tax to the Government collects the same from the ultimate consumer. Thus, incidence of the tax is shifted to the other person.</td> </tr> <tr> <td>Progressive in nature - high rate of taxes for people having higher ability to pay.</td> <td>Regressive in nature - All the consumer equally bear the burden, irrespective of their ability to pay.</td> </tr> </tbody> </table>	Direct Taxes	Indirect Taxes	The person paying the tax to the Government directly bears the incidence of the tax.	The person paying the tax to the Government collects the same from the ultimate consumer. Thus, incidence of the tax is shifted to the other person.	Progressive in nature - high rate of taxes for people having higher ability to pay.	Regressive in nature - All the consumer equally bear the burden, irrespective of their ability to pay.
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Q.2	Discuss the deficiencies in the existing indirect taxes which led to the need for ushering into GST regime.						
Ans:	<p>Deficiencies in the erstwhile indirect tax regime:</p> <ol style="list-style-type: none"> (a) Certain transactions were subject to double taxation and were taxed as both goods and services, since under the earlier regime, distinction between goods and services was often blurred. (b) CENVAT did not include chain of value addition in the distributive trade after the stage of production. Similarly, in the State-level VAT, CENVAT load on the goods was not removed leading to the cascading of taxes. (c) Though CENVAT and State-Level VAT were essentially value added taxes, set off of one against the credit of another was not possible as CENVAT was a central levy and State-Level VAT was a state levy. (d) There were several taxes in the States, such as, Luxury Tax, Entertainment Tax, etc. which were not subsumed in the VAT. Hence for a single transaction, multiple taxes in multiple forms were required to be paid. (e) VAT on goods was not integrated with tax on services, at the State level, to remove the cascading effect of service tax. With service sector being the fastest growing sector in the economy, the exclusion of services from the tax base of the States potentially eroded their tax- buoyancy. (f) CST was another source of distortion in terms of its cascading nature since it was non-VATABLE. Being an origin-based tax, CST was also against one of the basic principles of consumption taxes that tax should accrue to the jurisdiction where consumption takes place. 						
Q.3	List the Central and State levies which have been subsumed in GST in India.						
Ans:	<p>Central levies that are subsumed in GST are as follows:</p> <ul style="list-style-type: none"> • Central Excise Duty & Additional Excise Duties • Service Tax • Excise Duty under Medicinal & Toilet Preparation Act • CVD & Special CVD • Central Sales Tax • Central surcharges & cesses in so far as they relate to supply of goods & services <p>State levies that are subsumed in GST are as follows:</p> <ul style="list-style-type: none"> • State surcharges and cesses in so far as they relate to supply of goods & services • Entertainment Tax (except those levied by local bodies) • Tax on lottery, betting and gambling • Entry Tax (All Forms) & Purchase Tax • VAT/ Sales tax • Luxury Tax • Taxes on advertisements 						

<p>Q.4</p> <p>Ans:</p>	<p>Discuss the functions of the common GST portal.</p> <p>GST being a destination-based tax, the inter-State trade of goods and services (IGST) needed a robust settlement mechanism amongst the States and the Centre. A Common Portal was needed which could act as a clearing house and verify the claims and inform the respective Governments to transfer the funds. This was possible only with the help of a strong IT Infrastructure.</p> <p>Resultantly, Common GST Electronic Portal – www.gst.gov.in – a website managed by Goods and Services Network (GSTN) [a company incorporated under the provisions of section 8 of the Companies Act, 2013] is set by the Government to establish a uniform interface for the tax payer and a common and shared IT infrastructure between the Centre and States.</p> <p>The functions of the GSTN include <u>facilitating registration; forwarding the returns to Central and State authorities; computation and settlement of IGST; matching of tax payment details with banking network; providing various MIS reports to the Central and the State Governments</u> based on the taxpayer return information; providing <u>analysis of taxpayers' profile</u>.</p>
<p>Q.5</p> <p>Ans:</p>	<p>Elaborate the principles that were borne in mind while subsuming various central, State and local levies, under GST.</p> <p>The various central, state and local levies were examined to identify their possibility of being subsumed under GST. While identifying, the following principles were kept in mind:</p> <ul style="list-style-type: none"> (i) Taxes or levies to be subsumed should be primarily in the nature of indirect taxes, either on the supply of goods or on the supply of services. (ii) Taxes or levies to be subsumed should be part of the transaction chain which commences with import/ manufacture/ production of goods or provision of services at one end and the consumption of goods and services at the other. (iii) The subsuming of taxes should result in free flow of tax credit in intra and inter-State levels. The taxes, levies and fees that are not specifically related to supply of goods & services should not be subsumed under GST. (iv) Revenue fairness for both the Union and the States individually would need to be attempted.
<p>Q.6</p> <p>Ans:</p>	<p>List the advantages that GST accrues to the trade and industry.</p> <p>GST accrues following advantages to the trade and industry:</p> <ul style="list-style-type: none"> (i) Benefits to industry: GST has given more relief to industry, trade and agriculture through a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several Central and State taxes in the GST and phasing out of CST. The transparent and complete chain of set-offs which results in widening of tax base and better tax compliance also leads to lowering of tax burden on an average dealer in trade and industry. (ii) Mitigation of ill effects of cascading: By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it helps in mitigating the ill effects of cascading, improving competitiveness and improving liquidity of the businesses. (iii) Benefits to small traders and entrepreneurs: GST has increased the threshold for GST registration for small businesses. Further, single registration is needed in one State. Small businesses have also been provided the additional benefit of composition scheme. With the creation of a seamless national market across the country, small enterprises have an opportunity to expand their national footprint with minimal investment.

<p>Q.7</p> <p>Ans:</p>	<p>List some of the benefits that GST may accrue to the economy.</p> <p style="text-align: right;"><i>[TYK - Question 1]</i></p> <p>GST may accrue following benefits to the economy:</p> <ol style="list-style-type: none"> Creation of unified national market: GST aims to make India a common market with common tax rates and procedures and remove the economic barriers, thereby paving the way for an integrated economy at the national level. Boost to 'Make in India' initiative: GST may give a major boost to the Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market. This would make India a manufacturing hub. Boost to investments, exports and employment: Under the GST regime, the principle of exporting only the cost of goods or services and not taxes is being followed. This may boost Indian exports thereby improving the balance of payments position. Exporters are being facilitated by grant of provisional refund of 90% of their claims within 7 days of issue of acknowledgement of their application, thereby resulting in the easing of position with respect to cash flows. <p>Further, the subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input tax on goods and services and phasing out of Central Sales Tax (CST) may reduce the cost of locally manufactured goods and services. Resultantly, the competitiveness of Indian goods and services in the international market may increase to give boost to investments and Indian exports.</p> <p>With a boost in exports and manufacturing activity, more employment would be generated and GDP would increase.</p>
<p>Q.8</p> <p>Ans.</p>	<p>Explain with the help of examples how a particular transaction of goods and services is taxed simultaneously under Central GST (CGST) and State GST (SGST)?</p> <p style="text-align: right;"><i>[TYK - Question 2]</i></p> <p>The Central GST and the State GST is levied simultaneously on every intra-State supply of goods or services or both made by registered persons except the exempted goods and services as well as goods and services which are outside the purview of GST. Further, both are levied on the same price or transaction value. The same can be better understood with the help of following examples:</p> <p>Example I: Suppose that the rate of CGST is 10% and that of SGST is 10%. When a wholesale dealer of steel in Uttar Pradesh supplies steel bars and rods to a construction company which is also located within the same State for, say ₹100, the dealer would charge CGST of ₹10 and SGST of ₹10 in addition to the basic price of the goods. The CGST component will go into a Central Government account while the SGST portion into the account of the concerned State Government (viz. U.P.). It is important to note that he might not actually pay ₹20 (₹10 + ₹10) in cash as he would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (inputs, input services and capital goods) assuming that all his purchases are intra-State. However, for paying CGST, he would be allowed to use only the credit of CGST paid on his purchases while for SGST he can utilize the credit of SGST alone. CGST credit cannot be used for payment of SGST and vice versa.</p> <p>Example II : Suppose, again the rate of CGST is 10% and that of SGST is 10%. When an advertising company located in Mumbai supplies advertising services to a company manufacturing soap also located within the State of Maharashtra for, let us say ₹100, the ad company would charge CGST of ₹10 as well as SGST of ₹10 at the basic value of the service. The CGST component will go into a Central Government account while the SGST portion into the account of the Maharashtra Government. He might not actually pay ₹20 (₹10 + ₹10) in cash as it would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (say, of inputs such as stationery, office equipment, services of an artist etc.) assuming that all his purchases are intra-State. However, for paying CGST, he would be allowed to use only the credit of CGST paid on its purchase while for SGST, he can utilize the credit of SGST alone: CGST credit cannot be used for payment of SGST and vice versa.</p>

<p>Q.9</p> <p>Ans.</p>	<p>Why was the need to amend the Constitution of India before introducing the GST?</p> <p style="text-align: right;"><i>[TYK - Question 3]</i></p> <p>Earlier, the fiscal powers between the Centre and the States were clearly demarcated in the Constitution with almost no overlap between the respective domains. The Centre had the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States had the powers to levy tax on the sale of goods. In the case of inter-State sales, the Centre had the power to levy the Central Sales Tax but the tax was collected and retained entirely by the States. As for services, it was the Centre alone that was empowered to levy service tax.</p> <p>Introduction of the GST necessitated the amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax. The Constitution of India was amended by the Constitution (1015* Amendment) Act, 2016 for this purpose. Article 246A of the Constitution introduced thereby empowered the Centre and the States to simultaneously levy and collect the GST.</p>
<p>Q.10</p> <p>Ans.</p>	<p>GST is a destination-based tax on consumption of goods or services or both. Discuss the validity of the statement.</p> <p style="text-align: right;"><i>[TYK - Question 4]</i></p> <p>The given statement is valid. GST is a destination-based tax on consumption of goods or services or both. GST is known as destination-based tax since the tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.</p> <p>For example, if A in Delhi produces the goods and sells the goods to B in Haryana. In this case, the tax would accrue to the State of Haryana and not to the State of Delhi. On the other hand, under pre-GST regime, origin-based taxation was prevailing in such cases.</p> <p>Under origin-based taxation, the tax used to accrue to the State from where the transaction originated. In the given case, under origin-based taxation, the central sales tax would have been levied by Centre and collected by the State of Delhi and not by the State of Haryana.</p>
<p>Q.11</p> <p>Ans.</p>	<p>Discuss the livability of GST or otherwise on the following:</p> <p>(a) Alcoholic liquor for human consumption (b) Petroleum crude, diesel, petrol, Aviation Turbine Fuel (ATF) and natural gas (c) Tobacco (d) Opium, Indian hemp and other narcotic drugs and narcotics</p> <p style="text-align: right;"><i>[TYK - Question 5]</i></p> <p>a) Alcoholic liquor for human consumption: is outside the realm of GST. The manufacture/production of alcoholic liquor continues to be subjected to State excise duty and inter State /intra-State sale of the same is subject to CST/VAT respectively.</p> <p>b) Petroleum crude, diesel, petrol, ATF and natural gas: As regards petroleum crude, diesel, petrol, ATF and natural gas are concerned, they are not presently leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council.</p> <p>Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.</p> <p>c) Tobacco: Tobacco is within the purview of GST, i.e., GST is leviable on tobacco. However, Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India. Resultantly, tobacco is subject to GST as well as central excise duty.</p> <p>d) Opium, Indian hemp and other narcotic drugs and narcotics: Opium, Indian hemp and other narcotic drugs and narcotics are within the purview of GST, i.e., GST is leviable on them. However, State Governments have also retained the power to levy excise duties on such products manufactured in India.</p> <p>Resultantly, Opium, Indian hemp and other narcotic drugs and narcotics are subject to GST as well as State excise duties.</p>

<p>Q.12</p> <p>Ans.</p>	<p>Under Goods and Services Tax (GST), only value addition is taxed and burden of tax is to be borne by the final consumer. Examine the validity of the statement.</p> <p style="text-align: right;"><i>[TYK - Question 6]</i></p> <p>The statement is correct. Goods and Services Tax is a destination-based tax on consumption of goods and services. It is levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. Resultantly, only value addition is taxed and burden of tax is to be borne by the final consumer.</p>
<p>Q.13</p> <p>Ans.</p>	<p>Which are the commodities which have been kept outside the purview of GST Examine the status of taxation of such commodities after introduction of GST.</p> <p style="text-align: right;"><i>[TYK - Question 7]</i></p> <p>Article 366(12A) of the Constitution as amended by 101st Constitutional Amendment Act, 2016 defines the Goods and Services tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. Therefore, alcohol for human consumption is kept out of GST by way of definition of GST in the Constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out of the purview of GST; GST Council shall decide the date from which they shall be included in GST. The erstwhile taxation system (CST/VAT & central excise) still continues in respect of the said commodities.</p>
<p>Q.14</p> <p>Ans.</p>	<p>A dual GST has been implemented in India. Elaborate.</p> <p style="text-align: right;"><i>[TYK - Question 8]</i></p> <p>A dual GST has been implemented in India with the Centre and States simultaneously levying it on a common tax base. The GST levied by the Centre on intra-State supply of goods and I or services is called the Central GST (CGST) and that levied by the States/ Union territory is called the State GST (SGST)/ Union GST (UTGST). Similarly, Integrated GST (IGST) is levied and administered by Centre on every inter-State supply of goods and/or services.</p> <p>India is a federal country where both the Centre and the States have been assigned the powers to levy and collect taxes through appropriate legislation. Both the levels of Government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources. A dual GST, therefore, keeps with the Constitutional requirement of fiscal federalism.</p>
<p>Q.15</p> <p>Ans.</p>	<p>Write a short note on various Lists provided under Seventh Schedule to the Constitution of India.</p> <p>The constitutional provisions in India on the subject of distribution of legislative powers between the Union and the States are defined under several articles; the most important in this regard being specifically under articles 245 & 246 of the Constitution of India. The Seventh Schedule to the Constitution of India defines and specifies allocation of powers and functions between Union & States. It contains three lists; i.e. (1) Union List, (2) State List and (3) Concurrent list.</p> <p><u>Union List</u> The Union List is a list of 98 (Originally 97) numbered items as provided in the Seventh Schedule to the Constitution of India. The Union Government or Parliament of India has exclusive power to legislate on matters relating to these items.</p> <p><u>State List</u> The State List is a list of 61 (Originally 66) items in the Schedule Seven to the Constitution of India. The respective state governments have exclusive power to legislate on matters relating to these items.</p> <p><u>Concurrent List</u> There are 52 (Originally 47) items currently in the list: This includes items which are under joint domain of the Union as well as the respective States.</p>

Q.16	Discuss Article 269A pertaining to levy and collection of GST on inter-state supply. <p style="text-align: right;"><i>[TYK - Question 9]</i></p>
Ans.	<p>Article 269A of the Constitution stipulates that Goods and Services Tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.</p> <p>Here, supply of goods, or of services, or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce.</p> <p>The amount so apportioned to a State shall not form part of the Consolidated Fund of 'India. Where an amount collected as IGST has been used for payment of SGST or vice versa, such amount shall not form part of the Consolidated Fund of India/State respectively. This is to facilitate transfer of funds between the Centre and the States.</p> <p>Parliament is empowered to formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.</p>
Q.17	Discuss Article 246A which grants the power to make laws with respect to Goods and Services Tax. <p style="text-align: right;"><i>[TYK - Question 10]</i></p>
Ans.	<p>Article 246A stipulates that Parliament, and, the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.</p> <p>Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.</p> <p>However, in respect to petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel, the aforesaid provisions shall apply from the date to be notified by the Government on the recommendations by the GST Council.</p>

Q.1	Meghraj & Co. wishes to commence the business of supplying ready-made garments within Punjab and in the neighboring states of Delhi and Haryana. Kindly state as to what is the taxable event under GST and levability of CGST, SGST/UTGST and IGST on the same? <i>[TYK - Question 1]</i>
Ans:	Taxable event under GST is supply of goods or services or both. CGST and SGST/ UTGST will be levied on intra-State supplies. IGST will be levied on inter-State supplies.
Q.2	Damodar Private Ltd., registered in Delhi, has transferred some goods to its branch, registered in West Bengal, so that the goods can be sold from the branch. The goods have been transferred without any consideration. The company believes that the transaction undertaken by it does not qualify as supply as no consideration is involved. Ascertain whether the transfer of goods by Damodar Private Ltd. to its branch office qualifies as supply. <i>[TYK - Question 2]</i>
Ans:	As per Schedule I, supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business, is deemed as supply <u>even if made without consideration</u> . In the given case, since the Damodar Private Ltd. and its branch located in another State are distinct persons, supply of goods between them qualifies as supply.
Q.3	Prithvi Associates is engaged in supply of taxable goods. It enquires from its tax advisor as to whether any activity can be treated as supply even if made without consideration in accordance with the provisions. You are required to enumerate such activities, if any. <i>[TYK - Question 3]</i>
Ans:	Section 7(1)(a) stipulates that the supply should be for a consideration and should be in the course or furtherance of business. However, section 7(1)(c) read with Schedule I enumerates the cases where an activity is treated as supply, even if the same is without consideration. These are as follows: (i) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets. (ii) Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business. However, gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both. (iii) Supply of goods - a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal. (iv) Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business.
Q.4	Composite supply is treated as supply of that particular goods or services which attracts the highest rate of tax. Examine the validity of the statement. <i>[TYK - Question 4]</i>
Ans:	The statement is not correct . For considering tax liability, composite supply is treated as supply of the principal supply. It is the mixed supply that is treated as supply of that particular goods or services which attracts the highest rate of tax.

<p>Q.5</p>	<p>Transfer of title and/or possession is necessary for a transaction to constitute supply of goods. Examine. <i>[TYK - Question 5]</i></p>
<p>Ans:</p>	<p>Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II(1)(b). In some cases, possession may be transferred immediately, but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods.</p>
<p>Q.6</p>	<p>Examine whether the following activities would amount to supply under section 7 read with Schedule I:</p> <p>(a) Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.</p> <p>(b) Raman is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.</p> <p>(c) Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai? <i>[TYK - Question 6]</i></p>
<p>Ans:</p>	<p>(a) Schedule I, inter alia, stipulates that supply of goods or services or both between related persons or between distinct persons as specified in section 25, is supply even without consideration provided it is made in the course or furtherance of business. Further, a person who has obtained more than one registration, whether in one State/Union territory or more than one State/Union territory shall, in respect of each such registration, be treated as distinct persons [Section 25(4)]. In view of the same, factory and depot of Sulekha Manufacturers are distinct persons. Therefore, supply of goods from Delhi factory of Sulekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under section 7 read with Schedule I.</p> <p>(b) Schedule I, inter alia, stipulates that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. Explanation to section 15, inter alia, provides that persons shall be deemed to be "related persons" if they are members of the same family. Further, as per section 2(49), family means, -</p> <ol style="list-style-type: none"> i. the spouse and children of the person, and ii. the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person. <p>In the given case, Raman has received free of cost legal services from his brother. However, in view of section 2(49)(ii) above, Raman and his brother cannot be considered to be related as Raman's brother is a well-known lawyer and is not wholly/mainly dependent on Raman. Further, Raman has taken legal advice from him in personal matter and not in course or furtherance of business. Consequently, services provided by Raman's brother to him would not be treated as supply under section 7 read with Schedule I.</p> <p>(c) In the above case, if Raman has taken advice with regard to his business unit, services provided by Raman's brother to him would still not be treated as supply under section 7 read with Schedule I as although the same are provided in course or furtherance of business, such services have not been received from a related person.</p>

<p>Q.7</p>	<p>State whether the following supplies would be treated as supply of goods or supply of services as per Schedule-II:</p> <p>(a) Renting of immovable property. (b) Goods forming part of business assets are transferred or disposed of by/under directions of person carrying on the business. (c) Transfer of right in goods without transfer of title in goods. (d) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.</p> <p style="text-align: right;"><i>[TYK - Question 7]</i></p>
<p>Ans:</p>	<p>(a) Supply of services (b) Supply of goods (c) Supply of services (d) Supply of goods</p>
<p>Q.8</p>	<p>Determine whether the following supplies would be treated as supply of goods or supply of services as per Schedule II:</p> <p>(a) Temporary transfer or permitting use or enjoyment of any intellectual property right. (b) Any treatment or process which is applied to another person's goods. (c) Transfer of title in goods.</p> <p style="text-align: right;"><i>[TYK - Question 8]</i></p>
<p>Ans:</p>	<p>(a) Supply of services (b) Supply of services (c) Supply of goods</p>
<p>Q.9</p>	<p>The goods supplied on hire purchase basis will be treated as supply of services. Examine the validity of the statement.</p> <p style="text-align: right;"><i>[TYK - Question 9]; [MTP - May 23]</i></p>
<p>Ans:</p>	<p>The statement is not correct. Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.</p>
<p>Q.10</p>	<p>Examine whether the activity of import of service in the following independent cases would amount to supply under section 7:</p> <p>(i) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from Mr. Racheal of Sydney (Australia). The amount paid for the said service is 5,000 Australian dollar. (ii) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia) [wholly dependent on Miss Shriniti]. Further, Miss Shriniti did not pay any consideration for the said service. (iii) Will your answer change if in the above case, if Miss Shriniti has taken interior decoration services with regard to her business premises and not her residence?</p> <p style="text-align: right;"><i>[TYK - Question 10]</i></p>
<p>Ans:</p>	<p>(i) Supply, under section 7, inter alia,</p> <ul style="list-style-type: none"> ➤ includes import of services for a consideration ➤ even if it is not in the course or furtherance of business. <p>Thus, although the import of service for consideration by Miss. Shriniti Kaushik is not in course or furtherance of business [as the interior decoration services have been availed in respect of residence], it would amount to supply.</p> <p>(ii) Schedule I, inter alia, stipulates that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it <u>is provided in the course or furtherance of business</u>. Explanation to section 15, inter alia, provides that persons shall be deemed to be “related persons” if they are members of the same family.</p>



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