Chapter 22

Offences & Penalties & Ethics under GST

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01. Sec 122:- Penalty for certain offences

MCQ 22.01.01.00

Shagun started supply of goods in Vasai, Maharashtra from 01.01.20XX. Her turnover exceeded ₹ 20 lakh on 25.01.20XX. However, she didn't apply for registration. Determine the amount of penalty, if any, that may be imposed on Shagun under section 122(1) of the CGST Act, 2017 on 31.03.20XX, if the tax evaded by her, as on said date, on account of failure to obtain registration is ₹ 1,26,000: (Study Mat Sample Question)

a.₹ 10,000 b.₹ 1,26,000
c.₹ 12,600 d. None of the above

[[Hint:- Refer Sec 122(1)- penalty is higher of ₹10,000 or tax evaded ₹1,26,000]]

MCQ 22.01.02.00

Mr. Topinath, an unregistered person in Delhi, who has an aggregate turnover of ₹ 16 lakh sells mobile phones to Mr. Gopinath, a person registered under GST in Uttar Pradesh. Whether any penalty is leviable on Mr. Topinath, for such supply and if yes, what is the maximum amount of penalty that can be levied on Mr. Topinath:- [CA Final RTP May 19]

a. No penalty, since there is no default on part of Mr. Topinath as his turnover is below threshold limit.
b. Yes; an amount equivalent to the tax evaded or ₹ 10,000/-, whichever is lower.
c. Yes; an amount equivalent to the turnover or ₹ 10,000/-, whichever is higher.
d. Yes; an amount equivalent to the tax evaded or ₹ 10,000/-, whichever is higher.

[Hint:- 1) Topinath is compulsorily required to obtain registration on account of inter-state supply of goods but he failed to do so.
2) Penalty u/s 122(1) is payable]

MCQ 22.01.03.00

D & Co., registered under GST in Rajasthan, issued an invoice of ₹ 5,00,00,000 (excluding GST) to P & Co. without supplying any goods or services, at the advice of its accountant – Mr. Sunil. GST @ 18% was charged in this invoice. P & Co. availed the ITC on the basis of said invoice and utilised it in the same month. Determine the amount of penalty leviable in this case. [CA final MTP Mar 22]

a. D & Co.: ₹ 90,00,000; P & Co.: ₹ 90,00,000; Mr. Sunil: Nil
b. D & Co.: ₹ 90,00,000; P & Co.: ₹ 90,00,000; Mr. Sunil: ₹ 90,00,000
c. D& Co.: Nil; P & Co.: Nil; Mr. Sunil: ₹ 90,00,000
d. D & Co.: ₹ 10,000; P& Co.: ₹ 10,000; Mr. Sunil: Nil

[Hint:- Refer Sec 122 for penalty]

02. Sec 126 :- General Disciplines related to Penalty

MCQ 22.02.04.00

Sukanya, a supplier registered under GST, failed to pay the GST amounting to ₹ 5,000 for the month of January. The proper officer imposed a penalty on Sukanya for failure to pay tax. Sukanya believes that it is a minor breach and in accordance with the provisions of section 126 of the CGST Act, 2017, no penalty is imposable for minor breaches of tax regulations. In this regard, which of the following statements is true? (Study Mat)

a. Penalty is leviable on Sukanya, since the breach is considered as a 'minor breach' only if amount of tax involved is less than ₹ 5,000.
b. Penalty is leviable on Sukanya, since the breach is considered as a 'minor breach' if amount of tax involved is less than ₹ 2,500.
c. Penalty is not leviable on Sukanya, since the breach is considered as a 'minor breach' only if amount of tax involved is upto ₹ 5,000.
d. Penalty is leviable on Sukanya, since the breach is considered as a 'minor breach' only if amount of tax involved is nil.

[Hint: Refer Sec 126, case of minor breach]

03. Sec 129:- Detention, seizure and release of goods and conveyances in transit

MCQ 22.03.05.00

The transporter/owner of goods is required to pay the penalty to release the detained/seized goods/conveyance within----

a. 7 days from date of receipt of copy of order,
b. 15 days from date of receipt of copy of order
c. There is no such limit
d. They will only be released on the Court order

[Hint:- Refer Sec 129(6)]

04. Sec 130- Confiscation of goods or conveyances and levy of penalty

MCQ 22.04.06.00

Redemption fine in lieu of confiscation shall not exceed -

a. ₹. 10,000

b. The taxable value of goods

c. The market price of the goods confiscated, less the tax chargeable thereon

d. The amount of tax payable on goods

[Hint: Refer Sec 130(2)]

05. Sec 132: Punishments for certain offences

MCQ 22.05.07.00

'X' collects ₹ 245 lakh as tax from its clients and deposits ₹ 241 lakh with the Central Government. It is found that he has falsified financial records with an intention to evade payment of tax due and has not maintained proper records. In this regard, which of the following statements is true? Choose the most correct option. [CA Final MTP Mar 23]

a. X' is punishable with imprisonment up to 6 months or with fine or both and the said offence is bailable.

b. X' is punishable with imprisonment up to 1 year or with fine or both and the said offence is bailable.

c. X' is punishable with imprisonment up to 1 year or with fine or both and the said offence is not bailable.

d. X' is punishable with imprisonment up to 6 months or with fine or both and the said offence is not bailable

[Hint: Refer Sec 132]

06. Sec 138 - Compounding of offences

MCQ 22.06.08.00

In which of the following cases, compounding of offence is not allowed under section 138 of the CGST Act, 2017?

(i) A person who has been allowed to compound once in respect of any of the offences specified in clauses (a) to (f), (h), (i) and (l) of section 132(1);

(ii) A person who has been convicted for an offence under GST law by a Court

(iii) A person who has been accused of committing an offence under u/s 132(1)(b);

Choose the most appropriate option (Study Mat)

a. (i), (ii) b. (i), (iii)

c. (ii), (iii) d. (i), (ii), (iii)

[Hint: Refer Sec 138]

MCQ 22.06.09.00

Minimum and maximum limit for amount for compounding of offences under section 138 of the CGST Act, 2017 are: (Study Mat)[CA Final MTP Nov 21]

a. Minimum: 25% of tax involved; Maximum: 100% of tax involved

b. Minimum: Higher of 50% of tax involved, or ₹ 10,000; Maximum: Higher of 150% of tax involved, or ₹ 30,000

c. There are no such limits

d. None of the above

[Hint:- Refer Sec 138(2)]

07. Ethics

MCQ 22.07.10.00

Ethical conduct leads to which of the following:-

a. Increased regulatory compliance

b. Reduced tax-related disputes & litigations

c. Increased Govt. revenue collection

d. Reduced tax evasion

e. All of the above

[Hint:- Refer "Benefits of ethics under GST" in notes]

MCQ 22.07.11.00

Bogus invoice issue without underlying supply is _____which _____.

a. an unethical practice, undermine the tax revenues & create an uneven playing field for honest taxpayers

b. an ethical practice, increases Government's revenue

c. a common practice, helps people to increase sales

d. None of the above

[Hint:- Refer "Effects of unethical practices" in notes]

MCQ 22.07.12.00

Which of the following are the responsibility of a CA?

a. To ensure GST compliance within their clients' organizations

b. To ensure the maintenance of accurate and detailed records of all GST-related transactions

c. To act as a tax advisor to their clients

d. To act as an authorised representative of client before GST officials, if he is a practicing CA

e. All of the above

[Hint:- Refer "Role of CA in ensuring ethics under GST" in notes]

MCQ 22.07.13.00

CA do not have to exercise utmost care and due diligence while granting certifications by complying with ethical requirements of Code of Ethics issued by ICAI, Standard on Quality Control (SQC - 1), Quality Control for Firms that Perform Audits & Reviews of Historical Financial Information, & Other Assurance and Related Services Engagements. State whether the statement is true or false.

a. True

b. false

[Hint:- Refer "Certifications/ reports to be furnished under GST by CAT" in notes]

Answers :-

22.01.01	b
22.01.02	d
22.01.03	b
22.02.04	a
22.03.05	b
22.04.06	c
22.05.07	a
22.06.08	d
22.06.09	a
22.07.10	e
22.07.11	a
22.07.12	e
22.07.13	b