

GST - PRACTICE TEST PAPER - SET 1 (Series A)

(SATC GST TEST SERIES - 12th Edition)

APPLICABLE FOR CA INTER - 2024 EXAM

SOURCE: CA INTERMEDIATE RTP - NOVEMBER 2022

[Solutions are updated for exam in Year 2024 (Amended)]

For Admission / Inquiry - WhatsApp at 8527230445 (11am to 5pm)

1. [Composition Scheme + Time of Supply + Exemption]

M/s. Delight Brothers, a partnership firm, is engaged in restaurant business. It is registered under the composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 for the current financial year. Its turnover in the State for the month of April was ₹ 12,00,000.

It received new orders in the month of May to run a mess facility for supplying food at: **[Exemption chapter]**

- (i) Vishwas Public School, a higher secondary school;
- (ii) Knowledge Institute of Technology, an engineering college, approved by AICTE and UGC; and
- (iii) Frontline Hospital

It also provided catering services to a Coral limited company for their Annual General Meeting. Service was provided on 3rd July. But invoice was not issued by the firm to the company. However, payment was received on 25th July for which bank account was credited on 28th July. The turnover of restaurant business for the current financial year is ₹ 48,00,000.

From the inception of next financial year, M/s. Delight Brothers will close down the restaurant business and will provide service of repairing of air conditioners.

M/s Delight Brothers undertakes intra-State transactions only.

Based on the information given above, choose the most appropriate answer for the following questions-

A. Compute the tax liability of M/s. Delight Brothers for the month of April?

- (a) CGST & SGST of ₹ 6,000 each
- (b) CGST & SGST of ₹ 12,000 each
- (c) CGST & SGST of ₹ 30,000 each
- (d) CGST & SGST of ₹ 60,000 each

B. Out of new orders received by the firm in May, which of the following services are exempt from GST?

- (i) Service provided to Vishwas Public School
- (ii) Service provided to Knowledge Institute of Technology
- (iii) Service provided to Frontline Hospital
- (a) (i) and (iii)
- (b) (ii) and (iii)
- (c) only (i)
- (d) (i) and (ii)

C. Time of supply of catering services provided to a Coral limited company is

- (a) 3rd July
- (b) 25th July
- (c) 28th July
- (d) 2nd August

D. Which of the following statements is most appropriate in respect of next financial year for M/s Delight Brothers?

- (a) M/s Delight Brothers can continue to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
- (b) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017.
- (c) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.
- (d) M/s Delight Brothers can neither avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 nor under section 10(2A) of the CGST Act, 2017.

E. Rate of GST applicable for service of repairing of air conditioners made by M/s Delight Brothers will be _____, assuming that it intends to pay the tax at the minimum rate available?

- (a) 1%
- (b) 5%
- (c) 6%
- (d) 12%

Solution:

Question No.	Answer
A	(c) CGST & SGST of ₹ 30,000 each [Hint: ₹ 12,00,000 x 2.5% - CGST]
B	(c) only (i) [Page 6.29 & 6.38 of GST 12 th Edition Book]
C	(a) 3rd July
D	(c) M/s Delight Brothers is not eligible to avail composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017, but can avail benefit of composition levy under section 10(2A) of the CGST Act, 2017.
E	(c) 6% [Hint: Section 10(2A)]

2. **[ITC + EXEMPTION + PAYMENT OF TAX + TIME OF SUPPLY]**

Neelkanth Pvt. Ltd., a registered supplier of goods and services at Kolkata has furnished the following information for the month of February:

S. No.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods including ₹ 1,00,000 received as advance in January, the invoice for the entire sale value is issued on 15th February	4,00,000
(ii)	Purchase of goods from a composition dealer, registered in Kolkata	5,50,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
(iv)	Membership of a club availed for employees working in the factory (It is an intra-State transaction)	1,75,000
(v)	Inter-State services provided by way of training in recreational activities relating to sports	10,000
(vi)	Inter-State security services provided to ABC higher secondary school for their annual day function organised in Fintex Auditorium outside the School campus	15,000
(vii)	Inputs to be received in 4 lots, out of which 2nd lot was received during the month	40,000

The company has following ITCs with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	50,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Neelkanth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Neelkanth Pvt. Ltd. for the month of February. Make suitable assumptions as required.

Solution:

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 4,00,000 [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided by way of training in recreational activities relating to sports [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to ABC higher secondary school for their annual day function to be held in Fintex Auditorium. [Note-4]	Nil	Nil	2,700	2,700
	Total GST payable	45,000	45,000	4,500	94,500

Notes

1. As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods **at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.**

Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.

2. **[Page 6.51]** Services by way of pure labour contracts of construction, erection, commissioning, or installation of **original works** pertaining to a single residential unit otherwise than as a part of a residential complex **are exempt** vide Notification No. 12/2017 CT(R) dated 28.06.2017. **Labour contracts for repairing are thus, taxable.**
3. **[Page 6.6]** Services by way of training or coaching in recreational activities relating to sports **is exempt under GST** vide Notification No. 12/2017 CT(R) dated 28.06.2017, **only if provided by charitable entities registered under Section 12AA or Section 12AB of the Income-tax Act.** Thus, in the given case, said service is taxable.
4. **[Page 6.29]** Security services provided to ABC higher secondary School for Annual Day function organised **outside the school campus will be taxable as** only the security services performed within the premises of the higher secondary school are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017.

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods from a composition dealer [No tax is payable on the goods purchased under composition scheme]	Nil	Nil	Nil
Add: Membership of a club [Blocked credit]	Nil	Nil	Nil
Add: Inputs to be received in 4 lots, out of which 2nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
Total ITC	57,000	Nil	50,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	45,000	45,000	4,500	94,500
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(500) IGST (3)	(45,000) IGST (2)	(4,500) IGST (1)	50,000
	(44,500) CGST			44,500
Minimum GST payable in cash	Nil	Nil	Nil	Nil

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow.

3. **[ITC CHAPTER]** - Rimjhim Sales, a registered supplier, receives 100 invoices (for inward supply of goods/services) involving GST of ₹ 10 lakh, from various suppliers during the month of January, 20XX. Out of 100 invoices, details of 80 invoices involving GST of ₹ 6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and such details have also been duly communicated to the recipients of such invoices in Form GSTR-2B.

Compute the ITC that can be claimed by Rimjhim Sales in its GSTR-3B for the month of January, 20XX to be filed by 20th February assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.

[Page 12.5 of GST 12th Edition Book]

Solution:

ITC to be claimed by Rimjhim Sales in its GSTR-3B for the month of January to be filed by 20th February will be computed as under-

Invoices	Amount of ITC involved in the invoices (₹)	Amount of ITC that can be availed (₹)
80 invoices furnished in GSTR-1	6 lakh	6 lakh [Refer Note 1]
20 invoices not furnished in GSTR-1	4 lakh	Nil [Refer Note 2]
Total	10 lakh	6 lakh

Notes:

- (1) 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1.
- (2) Input tax credit in respect of any supply of goods or services or both is available to a registered person only, inter alia, if the details of the invoice/debit note in respect of said supply has been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such invoice/debit note in the manner specified under section 37.

Thus, in respect of 20 invoices not furnished in GSTR-1s, no ITC is available.

4. **[REGISTRATION CHAPTER]** - Examine whether the supplier of goods is liable to get registered in the following independent cases:

- (i) Rudra Builders of Rohini, Delhi is exclusively engaged in intra-State taxable supply of building bricks. It's aggregate turnover in the current financial year is ₹ 23 lakh.
- (ii) Heera of Himachal Pradesh is exclusively engaged in intra-State taxable supply of footwear. His turnover in the current financial year (FY) from Himachal Pradesh showroom is ₹ 32 lakh. He has another showroom in Nagaland with a turnover of ₹ 11 lakh in the current FY.

[Page 3.4 of GST 12th Edition Book]

Solution:

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to get registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.

The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- (a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:

- (a) The benefit of enhanced threshold limit of registration of ₹ 40 lakh is not applicable for Rudra brothers even though it is exclusively engaged in intra-State taxable supply of goods in Delhi as it is engaged in making supplies of building bricks.

Thus, the applicable threshold limit for registration for Rudra Builders in the given case is ₹ 20 lakh. Thus, it is liable to get registered under GST as its turnover is more than the threshold limit.

- (b) Heera could have been eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Heera is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to ₹ 10 lakh.

Thus, Heera is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States.

5. **New Amendment TAX INVOICE CHAPTER** - Fashion Queen Ltd., registered under GST and dealing in baby products has an aggregate turnover of ₹ 15 crore in the preceding financial year. The tax consultant of Fashion Queen Ltd. advised it to issue e-invoices mandatorily. However, Fashion Queen Ltd. is of the view that since its aggregate turnover is less than the threshold limit applicable for e-invoicing, it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.

[Page 9.8 of GST 12th Edition Book]

Solution:

With effect from 01.08.2023, e-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than ₹ 5 crore, in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports.

Thus, the advice given by tax consultant of Fashion Queen Ltd. for issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Fashion Queen Ltd. has exceeded the threshold limit i.e. ₹ 5 crore in the preceding financial year.

6. **New Amendment TAX INVOICE CHAPTER** - Ministry of Communications and Information Technology, a Government Department registered under GST has an aggregate turnover of ₹ 52 crore in the preceding financial year. You are required to comment whether Ministry of Communications and Information Technology is required to issue e-invoices in the current financial year?

[4 Marks]

[Page 9.8 of GST 12th Edition Book]

Solution:

Following entities are exempt from the mandatory requirement of e-invoicing:

- Special Economic Zone units
- Insurer or banking company or financial institution including NBFC
- GTA supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of passenger transportation service
- Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- Government Department and a local authority

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ₹ 5 crore (effective from 01.08.2023) in the preceding financial year from 2017-18 onwards.

Thus, Ministry of Communications and Information Technology, being a Government Department is not required to issue e-invoices in the current financial year.

7. **REGISTRATION CHAPTER** - "Aadhaar authentication is not required for persons who are already registered under GST." Examine and discuss the correctness of the statement. You are required to elaborate the relevant legal provisions.

[5 Marks]

[Page 3.17 & 3.28 of GST 12th Edition Book]

Solution:

The given statement is incorrect. Aadhaar authentication has been made mandatory for the new registrants as well as for the existing registrants.

With regard to existing registrants, section 25(6A) of the CGST Act, 2017 stipulates that every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in the prescribed form, manner and time.

Rule 10B of the CGST Rules, 2017 prescribes the manner in which aadhaar authentication needs to be done by a registered person.

A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

- Proprietor, in the case of proprietorship firm,
- Any partner, in the case of a partnership firm,
- Karta, in the case of a Hindu undivided family,
- Managing director or any whole-time director, in the case of a company,
- Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or
- Trustee in the Board of Trustees, in the case of a Trust;

and of the Authorized Signatory, in order to be eligible for the following purposes:

- ✓ for filing of application for revocation of cancellation of registration
- ✓ for filing of refund application in Form RFD-01
- ✓ for refund of the IGST paid on goods exported out of India

It is not mandatory for every authorized signatory, promoter or partner to get Aadhaar authenticated for an existing GST registration. The Aadhaar authentication will be needed only for 1 Primary Authorized Signatory and 1 Promoter/ Partner/ Karta/ Director/ Member.

Further, section 25(6A) of the CGST Act, 2017 provides that if an Aadhaar number is not assigned to an existing registered person, **such person shall be offered alternate and viable means of identification in the prescribed manner.**

Such manner has been prescribed by rule 10B of the CGST Rules, 2017 as follows:

If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely: –

(a) his/ her Aadhaar Enrolment ID slip; and

(b)

- ✓ Bank passbook with photograph; or
- ✓ Voter identity card issued by the Election Commission of India; or
- ✓ Passport; or
- ✓ Driving license issued by the Licensing Authority

However, once Aadhaar number is allotted to such person, **he shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.**

The afore-said Rule 10B shall not be applicable to persons notified under section 25(6D) of the CGST Act, 2017, i.e. to persons exempt from Aadhaar authentication.