

CA/CS/CMA

INTER

GST

QUESTION

BANK

Relevant for Nov 23/May 24

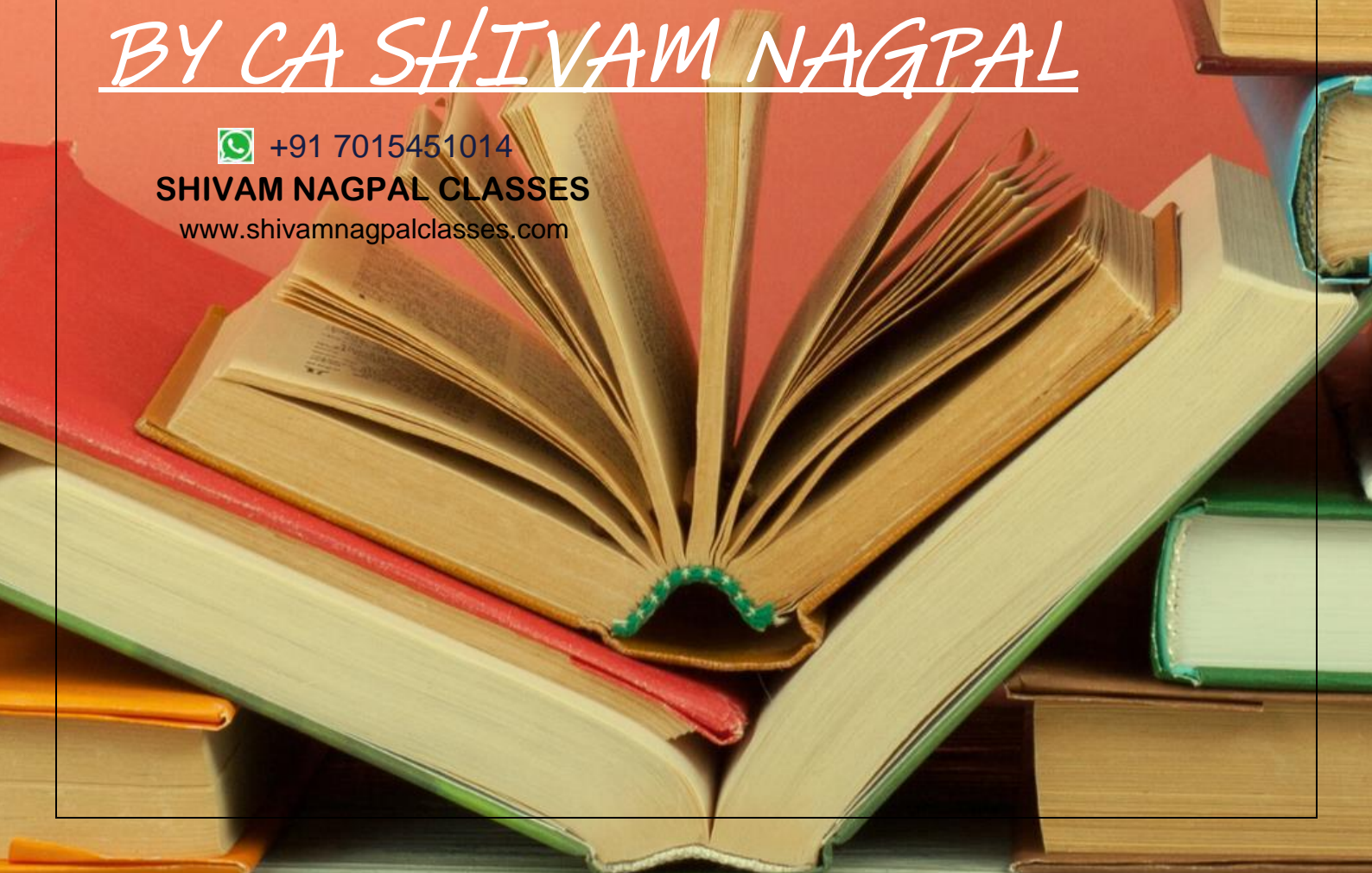
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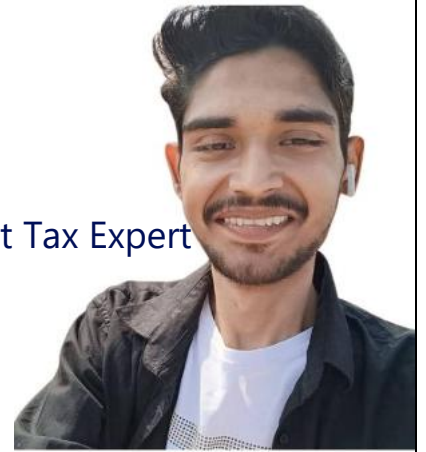
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Important Instructions

before we read this book...

- This book covers ALL QUESTION for CA/CS/CMA INTER GST relevant for Nov -23 & May- 24 attempts.
- IMP. QUESTION is Marked
- Reference to each question is given

ALL QUESTION ARE COVERD

- **ICAI STUDY MATERIAL**
- **RTP up to May 23**
- **MTP up to May 23**
- **PEQ up to nov 22**
- **Relevant ques from old PM**

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CHAPTER 1: - INTRODUCTION

ICAI Study Material Questions

Q1. Differentiate between direct and indirect taxes.

[ICAI IPCC Nov 2018 – 2 Marks]

Solution:

Difference between direct taxes and indirect taxes:

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 consumers equally bear the burden, irrespective of their ability to pay.

Q2. Enumerate major direct and indirect taxes.

Solution:

Major indirect taxes are goods and services tax and customs duty and direct tax is income tax.

Q3. Explain the salient features of indirect taxes.

Solution:

Salient features of indirect taxes are:

- An important source of revenue:** Indirect taxes are a major source of tax revenues for Governments worldwide and continue to grow as more countries move to consumption-oriented tax regimes. In India, indirect taxes contribute more than 50% of the total tax revenues of Central and State Governments
- Tax on commodities and services:** It is levied on commodities at the time of supply or manufacture or purchase or sale or import/export thereof. Hence, it is also known as commodity taxation. It is also levied on supply of services.
- Shifting of burden:** There is a clear shifting of tax burden in respect of indirect taxes. For example, GST paid by the supplier of the goods is recovered from the buyer by including the tax in the cost of the commodity.
- No perception of direct pinch:** Since, value of indirect taxes is generally inbuilt in the price of the commodity, most of the time the tax payer/consumer pays the same without actually knowing that he is paying tax to the Government. Thus, tax payer does not perceive a direct pinch while paying indirect taxes.
- Inflationary:** Tax imposed on commodities and services causes an all- round price spiral. In other words, indirect taxation directly affects the prices of commodities and services and leads to inflationary trend.
- Wider tax base:** Unlike direct taxes, the indirect taxes have a wide tax base. Majority of the products or services are subject to indirect taxes with low thresholds.

7. **Promotes social welfare:** Higher taxes are imposed on the consumption of harmful products (also known as 'sin goods') such as alcoholic products, tobacco products etc. This not only checks their consumption but also enables the State to collect substantial revenue.
8. **Regressive in nature:** Generally, the indirect taxes are regressive in nature. The rich and the poor have to pay the same rate of indirect taxes on certain commodities of mass consumption. This may further increase the income disparities between the rich and the poor

Q4. Write a short note on various Lists provided under Seventh Schedule to the Constitution of India.

Solution:

Seventh Schedule to Article 246: It contains three lists which enumerate the matters under which the Union and the State Governments have the authority to make laws

Union list – List I (Parliament)	State list – List II (State legislature)	Concurrent list - List III
It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws.	It contains the matters in respect of which the State Government has the exclusive right to make laws.	It contains the matters in respect of which both the Central & State Governments have power to make laws.

Q5. Discuss the deficiencies in the existing indirect taxes which led to the need for ushering into GST regime.

Solution:

Deficiencies in the erstwhile indirect tax regime:

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.

Q6. Discuss the dual GST model as introduced in India.**Solution:**

India has adopted a Dual GST model in view of the federal structure of the country. Consequently, Centre and States simultaneously levy GST on taxable supply of goods or services or both, which takes place within a State or Union Territory. Thus, tax is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services. Now, the Centre also has the power to tax intra-State sales & States are also empowered to tax services. GST extends to whole of India including the State of Jammu and Kashmir.

Q7. List the Central and State levies which have been subsumed in GST in India**(ICAI Inter Nov 2018 – 2 Marks]****Solution:**

List of Central and State levies to be subsumed GST are as under: -

Central Taxes to be subsumed		State taxes to be subsumed	
1)	Central Excise Duty & Additional Excise Duty	1)	VAT/Sales tax
2)	Service tax	2)	State surcharges and cesses in so far they relate to supply of goods & services
3)	CVD & Special CVD (these were levied on import of goods in lieu of excise and VAT if similar goods had been sold in India)	3)	Entertainment tax (except those levied by local bodies)
4)	Central Sales tax	4)	Tax on lottery, betting and gambling
5)	Surcharges and Cesses in so far, they relate to supply of goods & services	5)	Entry tax (all forms) & Purchase tax
		6)	Luxury tax
		7)	Tax on advertisements

Q8. Discuss the need & functions of the common GST portal.**CA INTER MOCK TEST PAPER-2018[2 MARKS]****Solution:**

1. 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.
2. 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.

3. The functions of the GSTN include 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 based on the taxpayer return information; providing analysis of taxpayers' profile.

Q9. Briefly explain the leviability of GST or otherwise on petroleum crude, diesel, petrol, Aviation Turbine Fuel (ATF) and natural gas.

Solution:

Petroleum crude, diesel, petrol, ATF and natural gas are presently not leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council. 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.

Q10. Elaborate the principles that were borne in mind while subsuming various central, State and local levies, under GST.

Solution:

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:

- (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.

Q11. GST is a simplified tax structure. Justify the statement.

Solution:

GST is a simplified tax structure. The statement is justified. Simpler tax regime with fewer exemptions along with reduction in multiplicity of taxes under GST has led to simplification and uniformity in tax structure. The uniformity in laws, procedures and tax rates across the country makes doing business easier. Common system of classification of goods and services across the country ensures certainty in tax administration across India.

Q12. List the advantages that GST accrues to the trade and industry.

Solution:

GST accrues following advantages to the trade and industry

- (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
- (iii) 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.
- (iv) 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.

Q13. List the special category States as prescribed in Article 279A of the Constitution of India.

Solution:

There are 11 Special Category States, namely, States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.

Q14. Discuss the leviability of GST or otherwise on tobacco.

Solution:

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.

Q15. List the taxes, which are not subsumed in GST (IMP.)

Solution:

- (a) Basic Customs Tax
- (b) Property tax and stamp duty
- (c) Electricity duty
- (d) Excise duty on alcohol
- (e) Excise duty on petrol, diesel etc.
- (f) Entertainment tax charged by local bodies (municipality)

Student note

CHAPTER 2: - SUPPLY UNDER GST

ICAI Study Material Questions

Q1. 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 leviability of CGST, SGST/UTGST and IGST on the same?

Solution:

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.

Q2. 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.

Solution:

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 even if made without consideration. 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.

Q3. 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.

Solution:

Section 7 stipulates that the supply should be for a consideration and should be in the course or furtherance of business. However, Schedule I enumerates the cases where an activity is treated as supply, even if the same is without consideration. These are as follows:

- (a) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
- (b) 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.

- (c) Supply of goods —
 - by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
 - by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

- (d) 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.

Q4. 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.

Solution:

The statement is not correct. 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.

Q5. Transfer of title and/or possession is necessary for a transaction to constitute supply of goods.

Examine. (IMP.)

Solution:

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.

Q6. Examine whether the following activities would amount to supply under section 7 read with Schedule I: (IMP)

- 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.
- 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.
- c) Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?

Solution:

- 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.

- 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, —

- (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.

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.

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.

Q7. State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II: (IMP)

- (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.

Solution:

- (a) Supply of services
- (b) Supply of goods
- (c) Supply of services
- (d) Supply of goods

Q8. Determine whether the following supplies would be treated as supply of goods or supply of services as per Schedule II:

- (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.

Solution:

- a. Supply of services
- b. Supply of services
- c. Supply of goods

Q9. The goods supplied on hire purchase basis will be treated as supply of services. Examine the validity of the statement.

Solution:

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.

Q10. Examine whether the activity of import of service in the following independent cases would amount

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to supply under section 7: **(IMP)**

- (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 dollars.
- (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?

Solution:

- (i) Supply, under section 7, inter alia,
 - includes import of services for a consideration
 - even if it is not in the course or furtherance of business.

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.

- (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 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, —
 - (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.

In the given case, Miss Shriniti Kaushik has received interior decoration services from her brother. In view of section 2(49)(ii) above, Miss Shriniti and her brother shall be considered to be related as Miss Shriniti’s brother is wholly dependent on her.

However, Miss Shrinti has taken interior decoration services for her residence and not in course or furtherance of business. Consequently, services provided by Miss Shrinti’s brother to her would not be treated as supply under section 7 read with Schedule I.

- (iii) In the above case, if Miss Shriniti has taken interior decoration services with regard to her business premises, services provided by Miss Shriniti’s brother to her would be treated as supply under section 7 read with Schedule I.

Q11. Determine whether the following supplies amount to composite supplies:

- a. A hotel provides 4 days-3 nights package wherein the facility of breakfast and dinner is provided along with the room accommodation.
- b. A toothpaste company has offered the scheme of free soap along with the toothpaste.

Solution:

Under composite supply, two or more taxable supplies of goods or services or both, or any combination thereof, are naturally bundled and supplied in conjunction with each other, in the ordinary course of business, one of which is a principal supply [Section 2(30)]. In view of the same,

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- (a) since supply of breakfast and dinner with the accommodation in the hotel are naturally bundled, said supplies qualify as 'composite supply'.
- (b) since supply of soap along with the toothpaste are not naturally bundled, said supplies do not qualify as 'composite supply'.

Q12. Dumdum Electronics has sold the following electronic items to Akbar Retail Store. (imp)

- (i) Refrigerator (500 litres) taxable @ 18%
- (ii) Stabilizer for refrigerator taxable @ 12%
- (iii) LED television (42 inches) taxable @ 12%
- (iv) Split air conditioner (2 Tons) taxable @ 28%
- (v) Stabilizer for air conditioner taxable @12%

Dumdum Electronics has issued a single invoice, indicating price of each of the above items separately in the same. Akbar Retail Store has given a single cheque of Rs 1,00,000/- for all the items as a composite discounted price. State the type of supply and the tax rate applicable in this case.

Solution:

In the given case, the items supplied by Dumdum Electronics are not naturally bundled in the ordinary course of business. Therefore, such supply is not a composite supply. Further, although Akbar Retail Store has paid a composite discounted price for these goods, Dumdum Electronics has not charged a single price for the said supply. Therefore, said supply is also not a mixed supply.

Supply of these goods is, therefore, supply of individual items which are taxable at the respective rates applicable to them.

Q13. Manikaran, a registered supplier of Delhi, has supplied 20,000 packages at RS 30 each to Mukhija Gift Shop in Punjab. Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons. Determine the rate(s) of GST applicable in the given case assuming the rates of GST to be as under:

<i>Goods/services supplied</i>	<i>GST rate</i>
<i>Chocolates</i>	<i>18%</i>
<i>Fruit juice bottles</i>	<i>12%</i>
<i>Toy balloons</i>	<i>5%</i>

Solution:

As per section 2(74), mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply. Supply of a package containing chocolates, fruit juice bottles and a packet of toy balloons is a mixed supply as each of these items can be supplied separately and is not dependent on any other. Further, as per section 8(b), the mixed supply is treated as a supply of that particular supply which attracts the highest rate of tax. Thus, in the given case, supply of packages is treated as supply of chocolates [since it attracts the highest rate of tax] and the rate of GST applicable on the package of RS 6,00,000 (20,000 × RS 30) is 18%.

Q14. Gagan Engineering Pvt. Ltd., registered in Haryana, is engaged in providing maintenance and repair services for heavy steel machinery. For carrying out the repair work, Gagan Engineering Pvt. Ltd. sends its container trucks equipped with items like repair equipment's, consumables, tools, parts etc. from Haryana workshop to its own repairing centers (registered under GST law) located in other States across India where the clients' machinery are being brought and are being repaired.

Discuss the levability of GST on the inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. in Haryana to its own repairing center's located in other States across India. (IMP)

Solution:

As per section 25(4)27, a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons.

Schedule I to the CGST Act specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

However, as per CBIC circular, the inter-State movement of various modes of conveyance including, inter alia, trucks, carrying goods or passengers or both or for repairs and maintenance, between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST. Applicable CGST/SGST/IGST, however, shall be leviable on repairs and maintenance done for such conveyance [Circular No. 1/1/2017 IGST dated 07.07.2017].

Thus, in the given case, inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. located in Haryana to its repair centers located in other States is 'neither a supply of goods nor supply of service'.

Q15. PTL Pvt. Ltd. is a retail store of merchandise located in 25 States/UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched scheme of "Buy One Get One Free" for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. Determine how the taxability of the goods supplied under "Buy One Get One Free" scheme is determined. (IMP.)

Solution:

As per section 7(1)(a), the goods or services which are supplied free of cost (without any consideration) are not treated as "supply" except in case of activities mentioned in Schedule I. Under "Buy One Get One Free" scheme, it may appear at first glance that in case of offers like "Buy One, Get One Free", one item is being "supplied free of cost" without any consideration. However, it is not an individual supply of free goods, but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one.

Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined accordingly.

Q16. Sarvanna & Sons wishes to start supplying alcoholic liquor in the State of Tamil Nadu. Therefore, it applies for license to the Tamil Nadu Government for selling liquor for which the State Government has charged specified fee from it. Examine whether the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons qualifies as supply.

Solution:

Services by way of grant of alcoholic liquor license by the State Governments have been notified to be treated neither as a supply of goods nor as a supply of service. Such license is granted against consideration in the form of license fee or application fee or by whatever name it is called.

This special dispensation is applicable only to supply of service by way of grant of liquor licenses by the State Governments as an agreement between the Centre and States and is not applicable/has no precedence value in relation to grant of other licenses and privileges for a fee in other situations, where GST is payable.

Thus, in the given case, the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons is neither a supply of goods nor a supply of service

ICAI Past year Papers, RTPs and MTPs

Q17. List the activities to be treated as supply under CGST Act, 2017 even if made without consideration.

(ICAI IPCC May 2018 – 5 Marks)

Solution:

As per section 7(1)(c), the four activities mentioned in Schedule I shall be treated as supply even if they are made without consideration. These are: -

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
2. 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

Exception: - 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.

3. 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.
4. 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.

Q18. Mrs. Pragati received legal advice for her personal problems & paid 1,000 pound as a legal fee to Miss Unnati of U.K. (London). Explain whether the above activity of import of service would amount to supply u/s 7 of the CGST Act, 2017?

If in above case both of them are real sisters & no consideration is paid then will it change your answer? Further in the above case if both of them are real sisters & Mrs. Pragati receives legal advice for her business & she doesn't pay any consideration then what will be your answer?

(ICAI IPCC May 2018 – 5 Marks)

Solution:

Relevant Provisions of law

Sec 7(1)(b) provides that 'Supply' shall include import of services for a consideration even if it is not in the course or furtherance of business.

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Sec 7(1)(c) Schedule I provides 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.

The term 'related person' includes brother, sister or parents of an individual only when they are wholly or mainly dependent on that individual

Taxability in different cases

Case	Taxability
Import from Miss. Unnati for personal purposes for 1000 pounds	Since consideration is involved in this case, it shall be treated as 'supply' u/s 7(1)(b) even if it is not in the course and furtherance of business and it is not from related person
Import without consideration from real sister for personal purposes	It is assumed that Ms. Unnati is wholly or mainly dependent on Mrs. Pragati and hence she will be treated as 'related person'. However, since services are used for personal purposes and not for business purposes, Schedule I cannot be applied. Hence, it shall not amount to 'supply'
Import without consideration from real sister for business purposes	Assuming Ms. Unnati is wholly or mainly dependent on Mrs. Pragati, she would be treated as related person. Further, since legal services are being used for business purpose of Mrs. Pragati, it would amount to supply under Schedule I even if there is no consideration involved.

Q19. Sahab Sales, an air-conditioner dealer in Janakpuri, Delhi, needs 4 air -conditioners for his newly constructed house in Safdarjung Enclave. Therefore, he transfers 4 air conditioners [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply under section 7 of the CGST Act, 2017.

Further, a Janakpuri resident, Aakash, approached Sahab Sales. He sold an air conditioner to Sahab Sales for Rs 5,000. Aakash had bought the said air-conditioner six months before, for his residence. Does sale of the air conditioner by Aakash to Sahab Sales amount to supply under section 7 of the CGST Act, 2017?

(ICAI RTP May 2018)

Solution:

Provisions of law

Section 7(1)(a) stipulates that in order to qualify as supply, following three conditions should be satisfied: -

- 1) Supply should be of goods and/or services.
- 2) Supply should be made for a consideration.
- 3) Supply should be made in the course or furtherance of business

Further, Sec 7(1)(c) Schedule I of the CGST Act, 2017 illustrates the activities to be treated as supply even if

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made without consideration. One such activity is permanent transfer or disposal of business assets where input tax credit has been availed on such assets, i.e. said activity is to be treated as supply even if made without consideration.

Taxability in given cases

Transfer of AC by Sahab Sales	Since ITC has been availed by Sahab Sales on air conditioners, their permanent transfer by Sahab Sales from its stock for personal use at its residence, though without consideration, would amount to supply under Schedule I
Sale of AC by Aakash to Sahab Sales	Sale of air-conditioner by Aakash to Sahab Sales will not qualify as supply under section 7 of the CGST Act, 2017 as although it is made for a consideration, but it is not in the course or furtherance of business.

Q20. Explain the meaning of supply as per provisions of Section 7(1) of Central Goods and Service Tax Act, 2017 (ICAI Inter Nov 18 – 5 marks)

Solution:

As per section 7(1) of CGST Act, 2017, the term supply includes –

all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental,

1. lease or disposal made or agreed to be made for a consideration by a person, in the course or furtherance of business;
 2. Import of services for a consideration whether or not in the course or furtherance of business; he activities specified in Schedule I, made or agreed to be made without a consideration; and
 3. Activities or transaction by a person (other than individual) to its member for cash/defer payment/other valuable consideration
 4. As per section 7(1)(c), the four activities mentioned in Schedule I shall be treated as supply even if they are made without consideration. These are: -
 - 1) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
 - 2) 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
- Exception:** - 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.
- 3) 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
 - 4) 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.

Q21. State whether the following supplies would be treated as supply of goods or supply of services as per Schedule of CGST Act:

1. Renting of immovable property

2. **Transfer of right in goods without transfer of title in goods.**
3. **Works contract services**
4. **Temporary transfer of permitting use or enjoyment of any intellectual property right**
5. **Sale of personal car to dealer. (ICAI IPCC Nov 2018 – 5 Marks)**

Solution:

1. Renting of immovable property would be treated as supply of services in terms of Schedule-II of CGST Act, 2017.
2. As per Schedule-II of CGST Act, 2017, transfer of right in goods without transfer of title in goods would be treated as supply of services.
3. As per Schedule-II of CGST Act, 2017, works contract services would be treated as supply of services.
4. As per Schedule-II of CGST Act, 2017, temporary transfer of permitting use or enjoyment of any intellectual property right would be treated as supply of services.
5. As per Schedule-II of CGST Act, 2017, sale of personal car to dealer is not a supply as supply is not made by the individual in the course or furtherance of business

Q22. Explain the services provided by way of tolerating non-performance of a contract and its chargeability under the provisions of the CGST Act, 2017. (ICAI IPCC May 2019 – 4 Marks) (IMP.)

Solution:

Meaning: - Non-performance of a contract is the failure to fulfill the obligations under a contract. It is generally one of the conditions stipulated in any contract for supply of goods/services. The agreement entered into between the parties stipulates that both the service provider and service recipient abide by the terms and conditions of the contract. In case any of the parties breach the contract for any reason including non-performance of the contract, then such person is liable to pay damages in the form of fines or penalty to the other party.

Supply as per section 7: - Tolerating non-performance of a contract in lieu of damages or fines is a supply in terms of section 7 of the CGST Act, 2017 as it is made for a consideration by a person in the course or furtherance of business.

Supply of Services as per Schedule II: - Further, tolerating non-performance of a contract is treated as a supply of service in terms of section 7 read with Schedule II of CGST Act, 2017.

Exemption in certain case: - However, in case of supplies to Government, non-performance of contract by the supplier of service for which consideration in the form of fines or liquidated damages is payable is exempt from GST.

Q23. With reference to provisions of the CGST Act, 2017 discuss in brief, when "Importation of services" is to be considered as supply and when it is not to be considered as supply.

(CA Inter Nov 2020 – 5 Marks)

Solution:

Importation of services for a consideration whether or not in the course or furtherance of business is to be considered as supply.

Importation of services by a person without consideration is deemed as supply provided the following two conditions are satisfied: -

1. such import is from related person or from his establishments located outside India, and

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2. such import is in the course or furtherance of business.

In case any or both of the above two conditions is/are not satisfied, the import of services without consideration shall not be deemed as supply.

Q24. Whether supply of G&S by a club/association/society to its members will be treated as supply or not?

Solution:

Yes. Provision of facilities by a club, association, society or any such body to its members shall be treated as supply

Student note

CHAPTER 3: - CHARGE OF GST & RCM

ICAI Study Material Questions

Q1. State the person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:

- Services provided by an arbitral tribunal to any business entity.
- Sponsorship services provided by a company to an individual.
- Renting of immovable property service provided by the Central Government to a registered business entity.

Solution:

- Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory is payable under reverse charge, in the given case, GST is payable by the recipient - business entity.
- GST on sponsorship services provided by any person to anybody corporate or partnership firm located in the taxable territory is payable under reverse charge. Since in the given case, services have been provided to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier – company.
- GST on services supplied by Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under CGST Act, 2017 is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered business entity

Q2. Vivek Goyal, an independent director of A2Z Pvt. Ltd., has received sitting fee amounting to ₹ 1 lakh from A2Z Pvt. Ltd for attending the Board meetings. Who is the person liable to pay tax in this case?

Solution:

GST on supply of services by director of a company to the said company located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., A2Z Pvt. Ltd.

Q3. Raghu Associates provided sponsorship services to WE-WIN Cricket Academy, an LLP. Determine the person liable to pay tax in this case. (also asked in ICAI Inter Nov 2018 – 3 marks)

Solution:

In case of services provided by any person by way of sponsorship to a body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory. Further, for the reverse charge purposes, Limited Liability Partnership formed and registered under the provisions of the Limited Liability Partnership Act, 2008 is also be considered as a partnership firm. Therefore, in the given case, WE-WIN Cricket Academy is liable to pay GST under reverse charge.

Q4. 'Safe Trans', a Goods Transport Agency, transported goods of Kapil & Co., a partnership firm, which is not registered under GST. Determine the person liable to pay tax in this case.

Solution:

In case of services provided by Goods Transport Agency (GTA) in respect of transportation of goods by road to, inter alia, any partnership firm whether registered or not under any law; GST is liable to be paid by such partnership firm. Therefore, in the given case, Kapil & Co. is liable to pay GST under reverse charge.

Q5. Legal Fees is received by Sushrut, an advocate, from M/s. Tatva Trading Company having turnover of ₹ 50 lakh in preceding financial year Who is the person liable to pay tax in this case?

Solution:

GST on legal services supplied by an advocate [Mr. Sushrut] to any business entity [M/s. Tatva Trading Company] located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Tatva Trading Company

Q6. State the person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:

- a) Services supplied by an insurance agent to an insurance company.
- b) Services supplied by a recovery agent to a car dealer.
- c) Security services (services provided by way of supply of security personnel) provided to a registered person.

Solution:

- a) GST on services supplied by an insurance agent to any person carrying on insurance business located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – Insurance Company.
- b) GST on services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company located in the taxable territory is payable under reverse charge. However, since, in the given case, services are being supplied by a recovery agent to a car dealer, GST is payable under forward charge by the service provider - recovery agent.
- c) GST on security services (services provided by way of supply of security personnel) provided to a registered person, located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered person receiving the services.

ICAI Past year Papers, RTPs and MTPs

Q7. Mr. Priyam, director of Sun Moon Company Private Limited, provided service to the company for remuneration of ₹ 1,25,000. Briefly answer whether GST is applicable in the below mentioned independent cases? If yes, (imp.) who is liable to pay GST?

1. Mr. Priyam is an independent director of Sun Moon Company Private Limited and not an employee of the company.
2. Mr. Priyam is an executive director, i.e. an employee of Sun Moon Company Private Limited. Out of total remuneration amounting to ₹ 1,25,000, ₹ 60,000 has been declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, ₹ 65,000 has been declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services. **(ICAI RTP May 2021)**

Solution:

As per Para I of Schedule III of the CGST Act, services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e. they are neither supply of goods nor supply of services. Services provided by the independent directors who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III of the CGST Act and are therefore taxable. Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis.

Thus, GST is applicable in this case and Sun Moon Company Private Limited is liable to pay GST.

The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, the part of employee director's remuneration which is declared separately other than salaries in the company's accounts and subjected to TDS under section 194J of the IT Act as fees for professional or technical services are treated as consideration for providing services which are outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the company, is liable to discharge the applicable GST on it on reverse charge basis.

In lieu of the above provisions, ₹ 60,000 declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, ₹ 65,000 declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e. the Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis

Q8. State, with reason, person liable to pay GST in each of following independent cases. Assume recipient is located in taxable territory.

- (i) Rental income received by Tamil Nadu State Government from renting an immovable property to Mannappa Pvt. Ltd. (it is registered under GST law)
- (ii) Legal Fees received by Mr. Sushrut, a senior advocate, from M/s. Tatva Trading Company having turnover of ₹ 50 lakhs in preceding F.Y.

(ICAI IPCC May 2018 - 3 Marks)

Solution:

(i) GST is payable on reverse charge basis on renting of immovable service supplied by the State Government to a registered business entity located in taxable territory, Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., Mannappa Pvt Ltd.

(ii) GST on legal services supplied by a senior advocate [Mr. Sushrut] to any business entity [M/s. Tatva Trading Company] located in the taxable territory and having aggregate turnover exceeding the applicable threshold limit in immediately preceding FY, is payable on reverse charge basis. Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Tatva Trading Company.

Q9. Mr. Vicky Frankyn, an unregistered famous author, received ₹ 3 crore of consideration from Shiv Bhawan Publications (SBP) located in Indore for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. He finished his work & made available the book to the publisher, but has yet not raised the invoice. (IMP.)

Mr. Vicky Frankyn is of the view that SBP is liable to pay tax under reverse charge on services provided by him. SBP does not concur with his view and is not ready to deposit the tax under any circumstances.

Examine whether the view of Mr. Vicky Frankyn is correct. Further, if the view of Mr. Vicky Frankyn is correct, what is the recourse available with Mr. Vicky Frankyn to comply with the requirements of GST law as SBP has completely refused to deposit the tax. (ICAI RTP May 2020)

Solution:

Yes, the view of Mr. Vicky Frankyn is correct. GST is payable under reverse charge in case of supply of services by an author by way of transfer/permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary work to a publisher located in the taxable territory in terms of reverse charge Notification No. 13/2017 CT(R) dated 28.06.2017. Therefore, in the given case, person liable to pay tax is the publisher – SBP.

However, since SBP has completely refused to deposit the tax on the given transaction, Mr. Vicky Frankyn has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfill the following conditions:

since he is unregistered, he has to first take registration under the CGST Act, 2017, he needs to file a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) of the CGST Act and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he

shall not withdraw the said option within a period of 1 year from the date of exercising such option; he has to make a declaration on the invoice, which he would issue to SBP, in prescribed form

Q10. A Ltd. consignor of goods has taken the services of GTA to send these goods to Mr. B, a businessman running a sole proprietorship business that is unregistered under GST and Factories Act. GTA charged Rs. 70,000 for its services. Explain who would be liable to pay GST in the following cases: - (IMP.)

- a) Freight is payable by A Ltd, the consignor
- b) Freight is payable by Mr.B, the consignee

Solution:

In case A Ltd, being the consignor, is liable to pay freight, he shall be treated as service recipient. In this case,

Option 1 GTA can opt to pay GST @12% and also get ITC for In this case, GTA shall be liable to pay GST goods/services used by it for providing transportation services

Option 2 GTA can opt to pay GST @5% but in this case no ITCIn this case, GTA shall be liable to pay GST shall be allowed for goods/services used by it for providing transportation services

GTA shall have three options: -

In Option 1 & Option 2 above, GTA will have to satisfy the following conditions:

GTA should be registered under GST law and it has exercised the option of paying GST under forward charge on or before 15th of the preceding FY

GTA has issued tax invoice to the recipient charging tax @12% or 5% and also made a declaration in prescribed format on such invoice.

Option 3	If GTA doesn't opt for paying tax under forward charge under Option 1 or Option 2 above	A Ltd. shall be liable to discharge GST under reverse charge @5%
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In case Mr. B, being the consignee of the goods, is liable to pay freight, then the services would be exempt from GST since Service recipient is an unregistered person

Q11. In the following independent cases, decide, who is liable to pay GST, if any. You may assume that recipient is located in the taxable territory.

- A) 'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is registered under GST
- B) Mr. Kamal Jain, an unregistered famous author, received ₹ 20 lakh of consideration from PQR Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book.

Solution:**(CA Inter Nov 2020 – 2 + 2 Marks)**

A) Applicable Provisions of Law: -

In case of services provided by Goods Transport Agency (GTA) in respect of transportation of goods by road to, inter alia, any sole proprietorship firm registered under GST; tax is liable to be paid service recipient under reverse charge. However, reverse charge shall not be applicable if the following conditions are satisfied:-

Such GTA has taken registration under GST Act and exercised the option to pay tax on the services of GTA under forward charge (this option needs to be exercised on or before 15th March of the preceding FY)

Such GTA has issued a tax invoice to the recipient charging GST at applicable rates (5% or 12%) and has made a declaration in prescribed format on such invoice issued by him.

Conclusion

In the present case, 'Veer transport' has undertaken to pay GST @12%. Assuming that GTA has exercised the option of paying tax under forward charge on or before 15th March of preceding FY and it has also given prescribed declaration on its invoices, reverse charge shall not be applicable here. Hence, Veer transport would be liable to pay GST

B) Supply of services by an author by way of transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory is taxable under reverse charge mechanism.

Thus, in the given case, the recipient of service, i.e. PQR Publications Ltd. is liable to pay GST. The tax can be paid by the author under forward charge if the author is a registered person. Since in the given case, the author is an unregistered person, the said option is not available to him.

Q12. State the person liable to pay GST in the following independent services provided:

- Siddhi Builders, registered in Haryana, rented out 20 residential units owned by it in Sanskriti Society to Rudra Technologies, an IT based firm registered in the State of Haryana, for accommodation of its employees.**
- M/s. Purohit Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of ₹ 70,000 at a seminar organized by a private NGO (a partnership firm) in Delhi. R**
RTP MAY 23

Solution:

1. Services provided by way of renting of residential dwelling for use as residence is exempt from GST. However, where the residential dwelling is rented to a registered person, said exemption is not available. Further, tax on service provided by way of renting of residential dwelling to a registered person is payable by the recipient under reverse charge.

Therefore, in the given case, Rudra Technologies is liable to pay GST on the residential dwellings taken on rent by it from Siddhi Builders, under reverse charge mechanism.

2. In case of services provided by any person by way of sponsorship to anybody corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory.

Since in the given case, sponsorship services are being provided by the private NGO to a partnership firm – M/s. Purohit Consultants, GST is payable by Purohit Consultants on said services under reverse charge.

Student note

CHAPTER:4 - COMPOSITION LEVY

ICAI Study Material Questions

Q1. Taxpayer 'Tolaram' is a manufacturer who has opted for composition levy for goods, having one unit – A1 in UP and another unit – A2 in MP. Total turnover of two units in last FY was ₹ 115 lakh (₹ 85 lakh + ₹ 30 lakh). Turnover of units A1 and A2 in the first quarter of current financial year is ₹ 5 lakh and ₹ 10 lakh respectively. Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Tolaram'.

Solution:

Unit	Location	Turnover in previous FY	Turnover in 1st quarter of this FY	Total tax (@1%)
A1	U.P.	₹ 85 lakh	₹ 5 lakh	₹ 5,000
A2	M.P.	₹ 30 lakh	₹ 10 lakh	₹ 10,000
Total		₹ 115 lakh	₹ 15 lakh	₹ 15,000

Q.2 Taxpayer 'Bholaram' is a trader (who has opted for composition levy for goods) of both taxable and exempted goods (goods exempted by way of a notification).

It has one retail showroom – A1 in Punjab and another retail showroom – A2 in Rajasthan, both selling taxable as well as exempted goods. Total turnover (including taxable and exempted goods) of the two showrooms in last FY was ₹ 115 lakh (₹ 85 lakh + ₹ 30 lakh).

Turnover of showrooms A1 and A2 in the first quarter of current financial year is ₹ 35 lakh [A1 - ₹ 15 lakh (₹ 5 lakhs from sale of taxable goods and ₹ 10 lakh from sale of exempted goods) and A2 - ₹ 20 lakh (₹ 10 lakhs from sale of taxable goods and ₹ 10 lakh from sale of exempted goods)]. Compute the amount payable under composition levy under section 10(1) & 10(2) of the CGST Act, 2017 by 'Bholaram'.

Solution:

Retail showroom	Location	Turnover in previous FY	Taxable turnover* in 1st quarter of this FY	Total tax (@1%)
A1	Punjab	₹ 85 lakh	₹ 5 lakh	₹ 5,000
A2	Rajasthan	₹ 30 lakh	₹ 10 lakh	₹ 10,000
Total		₹ 115 lakh	₹ 15 lakh	₹ 15,000

Q3. Taxpayer 'Padmavati' is a salon stylist, who has opted for composition levy for services, having one branch – B1 in Vasant Kunj, Delhi and another branch – B2 in Gurgaon, Haryana. Total turnover of two

branches in last FY was ₹ 45 lakh (₹ 25 lakh + ₹ 20 lakh). Turnover of branches B1 and B2 in the first quarter of current financial year is ₹ 5 lakh and ₹ 10 lakh respectively. Compute the amount payable under composition levy under section 10(2A) of the CGST Act, 2017 by 'Padmavati'.

Solution:

Branch	Location	Turnover in previous FY	Turnover in 1st quarter of this FY	Total tax (@6%)
B1	Delhi	₹ 25 lakh	₹ 5 lakh	₹ 30,000
B2	Haryana	₹ 20 lakh	₹ 10 lakh	₹ 60,000
Total		₹ 45 lakh	₹ 15 lakh	₹ 90,000

Q4. Sultan & Sons, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification, in the State of Maharashtra. Its aggregate turnover in the preceding financial year is ₹ 130 lakh. The firm wishes to opt for composition scheme under sub-sections (1) & (2) of section 10. However, its accountant is of the view that a person engaged in making supply of exempt goods is not eligible for the said scheme. Discuss. (IMP.)

Note: Assume that Sultan & Sons is not engaged in manufacture of goods as notified under section 10(2)(e).

Solution:

The view taken by the accountant of Sultan & Sons is not valid in law. A registered person with an aggregate turnover in a preceding financial year up to ₹ 1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Further, such person must not be engaged in making any supply of goods or services which are not leviable to tax under this Act and must not be engaged in making any inter-State outward supplies of goods or services, for being eligible to pay tax under said scheme.

In the given case, the aggregate turnover of Sultan & Sons does not exceed ₹ 1.5 crore. Further, it is engaged in making only intra-State supply of goods and Product P supplied by it is taxable and Product Q supplied by it is leviable to tax, though exempted by way of notification. Therefore, it is eligible for composition levy under section 10(1) & 10(2) in the current year.

Q5. A person availing composition scheme, under sub-sections (1) & (2) of section 10, in Haryana during a financial year crosses the turnover of ₹ 1.5 crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March? Please advise.

Solution:

No. The option to pay tax under composition scheme lapses from the day on which the aggregate turnover of the person availing composition scheme for goods during the financial year exceeds the specified limit (₹ 1.5 crore). Once he crosses the threshold, he is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days of the occurrence of such event.

Every person who has furnished such an intimation, may electronically furnish at the common portal, a statement in prescribed form containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date on which the option is withdrawn, within a period of 30

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days from the date from which the option is withdrawn.

Q6. Determine whether the suppliers in the following cases are eligible for composition levy, under section 10(1) & 10(2), provided their turnover in preceding year does not exceed ₹ 1.5 crore:

- (i) Mohan Enterprises is engaged in trading of pan masala in Rajasthan and is registered in the same State.
- (ii) Sugam Manufacturers has registered offices in Punjab and Haryana and supplies goods in neighboring States.

Solution:

- (i) A supplier engaged in the manufacture of goods as notified under section 10(2)(e), during the preceding FY is not eligible for composition scheme under section 10(1) and 10(2). Ice cream and other edible ice, whether or not containing cocoa, pan masala, Tobacco and manufactured tobacco substitutes and aerated waters are notified under this category. However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed ₹ 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.
- (ii) Since supplier of inter-State outward supplies of goods or services is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

Q7. Subramanian Enterprises has two registered places of business in Delhi. Its aggregate turnover for the preceding year for both the places of business was ₹ 120 lakh. It wishes to pay tax under composition levy, under section 10(1) & 10(2), for one of the places of business in the current year while under normal levy for other. You are required to advise Subramanian Enterprises whether he can do so?

Solution:

A registered person with an aggregate turnover in a preceding financial year up to ₹ 1.5 crore is eligible for composition levy, under section 10(1) & 10(2), in Delhi. Since the aggregate turnover of Subramanian Enterprises does not exceed ₹ 1.5 crore, it is eligible for composition levy in the current year. However, all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme. Thus, Subramanian Enterprises either have to opt for composition levy for both the places of business or under normal levy for both the places of business.

Q8. Mr. Ajay has a registered repair center where electronic goods are repaired/serviced. His repair center is located in State of Rajasthan and he is not engaged in making any inter-State supply of services. His aggregate turnover in the preceding financial year (FY) is ₹ 45 lakh. (IMP.)

With reference to the provisions of the CGST Act, 2017, examine whether Mr. Ajay can opt for the composition scheme under section 10(1) & 10(2) in the current financial year? Or whether he is eligible to avail benefit of composition scheme under section 10(2A)? Considering the option of payment of tax available to Mr. Ajay, compute the amount of tax payable by him assuming that his aggregate turnover in the current financial year is ₹ 35 lakh.

Will your answer be different if Mr. Ajay procures few items required for providing repair services from neighboring State of Madhya Pradesh?

Solution:

Section 10(1) provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore (₹ 75 lakhs in Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir), may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates. However, as per proviso to section 10(1), person who opts to pay tax under composition scheme may supply services other than restaurant services, of value not exceeding 10% of the turnover in a State or Union

territory in the preceding financial year or ₹ 5 lakh, whichever is higher.

In the given case, since Mr. Ajay is an exclusive supplier of services other than restaurant services [viz. repair services], he is not eligible for composition scheme under section 10(1) & 10(2).

However, section 10(2A) provides an option to a registered person (subject to certain conditions) whose aggregate turnover in the preceding financial year is up to ₹ 50 lakh and who is not eligible to pay tax under composition scheme under section 10(1) & 10(2), to pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State or Union territory.

Thus, in view of the above-mentioned provisions, Mr. Ajay is eligible to avail the composition scheme under section 10(2A) as his aggregate turnover in the preceding FY does not exceed ₹ 50 lakh and he is not eligible to opt for the composition scheme under section 10(1) & 10(2).

Thus, the amount of tax payable by him as per the composition scheme under section 10(2A) is ₹ 2,10,000 [6% of ₹ 35 lakh].

A registered person cannot opt for composition scheme under section 10(2A), if, inter alia, he is engaged in making any inter-State outward supplies. However, there is no restriction on inter-State procurement of goods. Hence, answer will remain the same even if Mr. Ajay procures few items from neighboring State of Madhya Pradesh.

Q9. M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Their aggregate turnover in the preceding financial year by way of supply of appliances was ₹ 120 lakh (IMP.)

The firm also expects to provide repair and maintenance service of such appliances from the current financial year.

With reference to the provisions of the CGST Act, 2017, examine:

- (i) Whether the firm can opt for the composition scheme, under section 10(1) and 10(2), for the current financial year, as the turnover may include supply of both goods and services?**
- (ii) If yes, up to what amount, the services can be supplied?**

Solution:

- (i) The registered persons, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay tax under composition levy, under section 10(1) and 10(2).
The scheme can be availed by an intra-State supplier of goods and supplier of restaurant service. However, the composition scheme permits supply of marginal services (other than restaurant services) for a specified value along with the supply of goods and restaurant service, as the case may be. Thus, M/s United Electronics can opt for composition scheme for the current financial year as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is not engaged in inter-State outward supplies.
- (ii) The registered person opting for composition scheme, under section 10(1) and 10(2), can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher, in the current financial year.
Thus, M/s United Electronics can supply repair and maintenance services up to a value of ₹ 12 lakh [10% of ₹ 120 lakh or ₹ 5 lakh, whichever is higher] in the current financial year.

ICAI Past year Papers, RTPs and MTPs

Q10. M/s. Ginny and John Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was ₹ 80 lakh in the immediately preceding financial year. Receipts of the interior decorator's service was ₹ 6.5 Lakh in the current financial year. With reference to the provisions of the CGST Act, 2017, examine whether firm can opt and continue in composition scheme under section 10(1) & 10(2) throughout the year (IMP.)

Will your answer change, if the turnover of the showroom was ₹ 45 lakh in the immediately preceding financial year and receipts of the interior decorator's service was ₹ 8 Lakh in the current financial year?

(ICAI IPCC May 2018 – 5 marks)

Solution:**Relevant Provisions of law**

A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore [₹ 75 lakhs in case of specified States], may opt for composition scheme under section 10(1) & 10(2) of CGST Act, 2017. However, he shall not be eligible to opt for composition scheme u/s 10(1) & 10(2) if, he is engaged in the supply of services in the current financial year and value of such services exceeds the higher of following two: -

10% of turnover in the State in the preceding financial year or
₹ 5,00,000

In the given value of services (₹ 6.5lacs) is less than 10% of 80 lakhs and hence assessee is eligible for composition scheme u/s 10(1) & 10(2). He can continue with the scheme throughout the year

What if Value of services is ₹ 8 lakhs

In this case, maximum limit for supply of services shall be ₹ 5 lacs (being higher of ₹ Lacs and 10% of 45 Lacs). Since, total value of services in the current financial year has exceeded this maximum limit, firm shall become ineligible for composition scheme u/s 10(1) & 10(2) from the date value of services exceed ₹ 5 lacs. From the date of crossing 5 lacs limit, following consequences would follow: -

Firm would have to file intimation in form CMP-04 within 7 days from the date of exceeding maximum limit
It shall issue tax invoices from the immediately next day

It may file details of stock in ITC-01 within a period of 30 days to claim deemed ITC under section 18

Q11. M/s Sai Trading Company, an eligible registered dealer in goods making intra-state supplies within the state of Assam, has reported an aggregate turnover of ₹ 78 Lakhs in the preceding financial year. Determine whether Sai Trading Company will be eligible for composition levy u/s 10(1) & 10(2) in the current financial year.

Will your answer be different, if in the above scenario, M/s Sai Trading Company is making intra state supply within the state of Meghalaya? (ICAI CA Inter May 2018 – 3 marks)

Solution:**Provisions of law**

Section 10(1) of CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore may opt for composition scheme. The turnover limit is ₹ 75 lakh in case of 8 specified States.

In the given case, since the operations are in the State of Assam (which is not a specified State) the applicable threshold limit shall be ₹ 1.5 crores. Further, since the aggregate turnover of the registered person in the given case does not exceed ₹ 1.5 crore and it satisfies other conditions of composition scheme namely, not making inter-State supplies of goods, it is eligible for composition levy u/s 10(1) and 10(2)

Since Meghalaya is a specified State for ₹ 75 lacs limit, Sai Trading Company will not be eligible for composition levy u/s 10(1) and 10(2), even if all other conditions (like not making inter-State supplies of goods) are being fulfilled

Q12. Examine in relation to composition levy scheme under section 10(1) and 10(2) of the CGST Act, 2017 and the rules made thereunder in the following individual cases: (IMP.)

(1) Ketu is a manufacturer of ice-cream and pan masala in State of Maharashtra. His turnover for the year does not exceed ₹ 1.5 Crore. He wants to register for composition levy scheme. Is he eligible for it?

(2) Jadhu of Gujarat opts for composition scheme during a financial year 2022-23. But on 10-02-2023 his turnover crosses ₹ 1.5 Crore, can he continue under composition levy scheme.

(3) X Ltd. has 2 branches K & L in Delhi, having same PAN. Both branches are separately registered under GST Act. Branch K opts for normal scheme. X Ltd. want to continue composition levy u/s 10(1) & 10(2) in case of its branch L. Can X Ltd. continue composition levy only for branch L?

(ICAI IPCC May 2019 – 5 marks)

Solution:

- 1) A registered person who is engaged in manufacture of, inter alia, ice cream and pan masala, is not eligible to opt for composition levy u/s 10(1) & 10(2) even if his aggregate turnover does not exceed ₹ 1.5 crore. Therefore, in the given case, Ketu is not eligible to opt for composition levy u/s 10(1) & 10(2).
- 2) The option to pay tax under composition levy u/s 10(1) & 10(2) availed of by a registered person lapses with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of ₹ 1.5 crore. He needs to pay tax under normal scheme from that day. Since in the given case, the turnover of Jadhu crosses ₹ 1.5 crore on 10.02.2023, he cannot continue under composition scheme u/s 10(1) & 10(2) from that day.
- 3) Where person having the same Permanent Account Number, has more than one registration, the registered person shall not be eligible to opt for composition scheme unless all such registered persons opt to pay tax under composition scheme. In other words, all the registrations under the same PAN have to opt for composition scheme.

In view of the same, in the given case, X Ltd. cannot continue with composition scheme only for branch L.

Q13. Enumerate the persons who are not eligible to opt for Composition Scheme under section 10(2) of the CGST Act, 2017. (ICAI Inter May 2019- 5 marks)

Solution:

A registered person shall not be eligible to opt for composition scheme if: -

- 1) he is engaged in supply of services other than restaurant

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- 2) he is engaged in supply of goods or services not leviable to tax
- 3) he is engaged in inter-State outward supplies of goods or services
- 4) he is engaged in supply of goods or services through an electronic commerce operator
- 5) he is a manufacturer of notified goods, namely, (manufacturer of ice cream, pan masala and tobacco, aerated waters, fly ash bricks or Fly ash aggregate, fly ash blocks, Bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles

Q14. Mr. Zafar of Assam, provides the following information for the preceding financial year 2022-23. You are required to find out the aggregate turnover for the purpose of eligibility of composition levy scheme and determine whether he is eligible for composition levy scheme u/s 10(1) & 10(2) or not, for the F.Y. 2023-24. (imp.)

Particulars	Amount in lakhs
Value of taxable outward supplies. (out of which ₹ 10 lakhs was in course of inter-state transactions).	50.00
Value of exempt supplies (which include ₹ 30 lakhs was received as an interest on loans & advances	70.00
Value of inward supplies on which he is liable to pay tax under reverse charge	5.00
Value of exports	5.00

All the amounts are exclusive of GST (ICAI Inter Nov 2019 – 6 Marks)

Solution:

Calculation of Aggregate turnover for the purpose of composition levy

S No.	Particulars	Amount in lakhs
(i)	Value of taxable outward supplies (both Intra State and Inter State supplies are covered under the definition of 'aggregate turnover' as per section 2)	50.00
(ii)	Value of exempt supplies (70lacs – 30lacs) (As per section 2, value of exempt supplies is included in aggregate turnover. However as per explanation to Sec 10, for the purpose of calculating aggregate turnover for composition scheme purposes, any services by way of extending loans and advances in so far consideration is represented by interest or discount, are not includible)	40.00
(iii)	Value of inward supplies on which he is liable to pay tax under reverse charge (not to be included in definition of aggregate turnover)	-
(iv)	Value of exports (includible in aggregate turnover in accordance with the definition under	5.00

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section 2)	
Value of Aggregate turnover	95.00

Eligibility for the purpose of Composition Levy scheme u/s 10(1) & 10(2)

As per section 10(1), any person having an aggregate turnover of less than 150 lakhs can opt for composition scheme subject to fulfillment of other conditions (In case of specified states, the limit is ₹ 75 lakhs but Assam is not a specified State). However, section 10(2) also stipulates that any person who makes Inter State supply of goods in relevant FY shall become ineligible for composition scheme.

In the given case, assuming that he is not engaged in making any Inter-State outward supply of goods in FY 2023-24, Mr. Zafar is eligible to opt for composition levy for FY 2023-24 since his aggregate turnover does not exceed ₹ 1.5 Crore in proceeding FY 2022-23

Q15. Chanchal started providing beauty and grooming services and inaugurated “Care & Care Beauty Centre” in Janak Puri, Delhi on 01st April, 2023. She opted to pay tax under Composition scheme u/s 10(2A) in the said financial year. (IMP.)

The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 2023 was ₹ 20 lakh. Further, for the half year ending 30th September, 2023, the turnover reached ₹ 50 lakh.

Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹ 70 lakh by the end of October, 2023. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 2023.

Note: Rate of GST applicable on such services is 18%.

Will Care & Care Beauty Centre be eligible composition scheme u/s 10(2A) in FY 2024-25

Solution:

(ICAI May 2020 RTP)

Section 10(2A) of CGST Act, provides an option to a registered person to pay CGST @ 3% [Effective rate 6% (CGST+ SGST/ UTGST)] on supplies of goods and/or services up to an aggregate turnover of ₹ 50 lakh made on/after 1st April in any financial year, subject to specified conditions.

It is clarified by Explanation to Section 10 that in respect of persons who have taken fresh registration, value of supplies from 1st April up to the date when person becomes liable for registration: - shall be included in Aggregate turnover for the purposes of determining eligibility for composition scheme shall not be included in Aggregate turnover for the purposes of determining tax payable under composition scheme Thus, Care & Care Beauty Centre is eligible to pay tax under section 10(2A) up to the turnover of ₹ 50 lakh. The total tax payable by it is as under: -

Period	Tax Rate	Turnover (₹)	Tax liability (₹)
I Quarter	Since turnover did not exceed ₹ 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	20 Lakh	Nil
II Quarter	Effective rate is 6% (CGST+ SGST/ UTGST)] under section 10(2A)	30 Lakh [(50-20) lakh]	1,80,000
For the month of	Normal rate of GST of 18% is to be applied	20 lakhs	3,60,000

October, 2023		[(70-50) lakh]	
Total tax payable			5,40,000

Any person is eligible for composition scheme u/s 10(2A) in a FY only when aggregate turnover is not more than 50 Lakhs in immediately preceding FY. In the given case, for the purpose of checking eligibility, the aggregate turnover in FY 2023-24 is 70 lakhs (i.e. more than 50 lakhs). Therefore, Care & Care Beauty Centre shall not be eligible for composition scheme u/s 10(2A) in FY 2024-25

Q16. “Wedding Bells”, a wedding photographer, has commenced providing pre-wedding shoot services in Jaipur from the beginning of current financial year 2023-2024. It has provided the following details of turnover for the various quarters till December, 2023 (IMP.)

	Quarter	Amount in Lakhs
1.	April,2023-June,2023	20
2.	July,2023-September,2023	30
3.	October,2023-December,2023	40

You may assume the applicable tax rate as 18%. Wedding Bells wishes to pay tax at a lower rate and opts for the composition scheme. You are required to advise whether it can do so and calculate the amount of tax payable for each quarter? (ICAI RTP May 2021)

Solution:

Section 10(2A) of the CGST Act, 2017 provides the turnover limit of ₹ 50 lakh in the preceding financial year for becoming eligible for composition levy for services. Wedding Bells has started the supply of services in the current financial year (FY), thus, it's aggregate turnover in the preceding FY is Nil. Consequently, in the current FY, Wedding Bells is eligible for composition scheme for services. A registered person opting for composition levy for services shall pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State.

Further, Wedding Bells becomes eligible for the registration when the aggregate turnover exceeds ₹ 20 lakh (the threshold limit of obtaining registration). While registering under GST, Wedding Bells can opt for composition scheme for services.

The option of a registered person to avail composition scheme for services shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of ₹ 50 lakh. However, for the purposes of determining the tax payable under composition scheme, the expression “turnover in State” shall not include the value of supplies from the first day of April of a FY up to the date when such person becomes liable for registration under this Act.

Thus, for determining the turnover of the State for payment of tax under composition scheme for services, turnover of April,2023

– June,2023 quarter [₹ 20 lakhs] shall be excluded. On next ₹ 30 lakh [turnover of July,2023 – September, 2023 quarter], it shall pay tax @ 6% [3% CGST and 3% SGST].

For the purposes of computing aggregate turnover of a registered person for determining his eligibility to pay tax under this section, aggregate turnover includes value of supplies from the 1st April of a FY up to the date of his becoming liable for registration.

Thus, while computing aggregate turnover for determining Wedding Bells's eligibility to pay tax under

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composition scheme, value of supplies from the first day of April of a financial year up to the date when it becomes liable for registration under this Act (i.e. turnover of April, 2023 – June, 2023 quarter), are included.

By the end of July, 2023 – September, 2023 quarter, the aggregate turnover reaches ₹ 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 2023 – September, 2023 quarter and thereafter, it is required to pay tax at the normal rate of 18%.

Considering the above provisions, the tax payable for each quarter is as under: -

S No.	Quarter	GST rate (CGST + SGST)	Turnover (in Lakhs)	GST Payable (in Lakhs)
1	April 2023 – June 2023	-	20	-
2	July 2023- September 2023	6%	30	1.8
3	October 2023 – December 2023	18%	40	7.2

Q17. M/s United Electronics, a registered dealer, is supplying all types of electronic appliances in the State of Karnataka. Its aggregate turnover in the preceding financial year by way of supply of appliances is ₹ 120 lakh.

The firm also expects to provide repair and maintenance service of such appliances from the current financial year.

With reference to the provisions of the CGST Act, 2017, examine:

1) Whether the firm can opt for the composition scheme, under section 10(1) and 10(2), for the current financial year, as the turnover may include supply of both goods and services?

2) If yes, up to what amount, the services can be supplied? MTP MAY 23

Solution:

(i) The registered person, whose aggregate turnover in the preceding financial year does not exceed ₹ 1.5 crore, may opt to pay tax under composition levy, under section 10(1) and 10(2).

The scheme can be availed by an intra-State supplier of goods and supplier of restaurant service.

However, the composition scheme permits supply of marginal services (other than restaurant services) for a specified value along with the supply of goods and restaurant service, as the case may be.

Thus, M/s United Electronics can opt for composition scheme for the current financial year as its aggregate turnover is less than ₹ 1.5 crore in the preceding financial year and it is not engaged in inter-State outward supplies.

(ii) The registered person opting for composition scheme, under section 10(1) and 10(2), can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher, in the current financial year.

Thus, M/s United Electronics can supply repair and maintenance services up to a value of ₹ 12 lakh [10% of ₹ 120 lakh or ₹ 5 lakh, whichever is higher] in the current financial year.

CHAPTER 5: - TIME OF SUPPLY(TOS)

ICAI Study Material Questions

Q1. A machine has to be supplied at site. It is done by sourcing various components from vendors and assembling the machine at site. The details of the various events are:

17 th September	Purchase order with advance of ₹ 50,000 is received for machine worth ₹ 12 lakh and entry duly made in the seller's books of account
20 th October	The machine is assembled, tested at site, and accepted by buyer
23 rd October	Invoice raised
4 th November	Balance payment of ₹ 11,50,000 received

Determine the time of supply in the above scenario for the purpose of payment of tax.

Solution:

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) i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

Therefore, the time of supply for the purpose of payment of tax for the entire amount of ₹ 12,00,000 is 20th October which is the date on which the goods were made available to the recipient as per section 31(1)(b), and the invoice should have been issued on this date [Section 12(2)(a)].

Q2. Gas is supplied by a pipeline to the recipient. The supply is to be made for a period of one year. Monthly payments are to be made by the recipient as per the contract. The details of the payment made are:(IMP.)

July 5, August 5, September 5	Payments of ₹ 2 lakh made in each month
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Determine the time of supply for the purpose of payment of tax.

Solution:

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), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

As per section 31(4), in case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice is issued before or at the time of each such statement is issued or, as the case may be, each such payment is received. Therefore, invoices should be issued for ₹ 2 lakh each on or before July 5, August 5 and September 5, when monthly payments of ₹ 2 lakh are received.

Thus, assuming that the invoice is issued on July 5, August 5 and September 5, the time of supply for the purpose of payment of tax will be July 5, August 5 and September 5 respectively for goods valued at ₹ 2 lakh each.

Q3. Determine the time of supply from the given information.

May 4	Supplier invoices goods taxable on reverse charge basis to Bridge & Co. (30 days from the date of issuance of invoice elapse on June 3)
May 12	Bridge & Co receives the goods
May 30	Bridge & Co makes the payment

Solution:

Here, May 12 will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)].
(Here, date of invoice is relevant only for calculating thirty days from that date.)

Q4. Determine the time of supply from the given information.

May 4	Supplier invoices goods taxable on reverse charge basis to Pillar & Co. (30 days from the date of issuance of invoice elapse on June 3)
June 12	Pillar & Co receives the goods, which were held up in transit
July 3	Payment made for the goods

Solution:

Here, June 4, 31st day from the date of supplier's invoice, will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)].

Q5. Determine the time of supply from the following particulars: (IMP)

6 th May	Booking of convention hall, sum agreed ₹ 15000, advance of ₹ 3000 received
15 th September	Function held in convention hall
27 th October	Invoice issued for ₹ 15000, indicating balance of ₹ 12000 payable
3 rd November	Balance payment of ₹ 12000 received

Solution:

As per section 31(2) read with rule 47 of CGST Rules, the tax invoice is to be issued within 30 days of supply of service. In the given case, the invoice is not issued within the prescribed time limit. As per section 13(2)(b), in a case where the invoice is not issued within the prescribed time, the time of supply of service is the date of provision of service or receipt of payment, whichever is earlier.

Therefore, the time of supply of service to the extent of ₹ 3,000 is 6th May as the date of payment of ₹ 3000 is earlier than the date of provision of service. The time of supply of service to the extent of the balance ₹ 12,000 is 15th September which is the date of provision of service.

Q6. Investigation shows that ABC & Co carried out service of cleaning and repairs of tanks in an apartment complex, for which the Apartment Owners' Association showed a payment in cash on 4th April to them against work of this description. The dates of the work are not clear from the records of ABC & Co. ABC & Co have not issued invoice or entered the payment in their books of account.

Solution:

The time of supply cannot be determined vide the provisions of clauses (a) and (b) of section 13(2) as neither the invoice has been issued nor the date of provision of service is available as also the date of receipt of payment in the books of the supplier is also not available. Therefore, the time of supply will be determined vide clause (c) of section 13(2) i.e., the date on which the recipient of service shows receipt of the service in his books of account.

Thus, time of supply will be 4th April, the date on which the Apartment Owners' Association records the receipt of service in its books of account.

Q7. Determine the time of supply from the given information. (Assume that service being supplied is taxable under reverse charge)

May 4	The supplier of service issues invoice for service provided. There is a dispute about amount payable, and payment is delayed.
August 21	Payment made to the supplier of service

Solution:

Here, July 4 will be the time of supply, being the earliest of the two stipulated dates namely, date of payment and date immediately following 60 days since issue of invoice.

Q8. Determine the time of supply from the given information

May 4	A German company issues email informing its associated company ABC Ltd. of the cost of technical services provided to it.
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July 2	ABC Ltd transfers the amount to the account of the German company
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Solution:

As there is no prior entry of the amount in the books of account of ABC Ltd., July 2 will be the time of supply, being the date of payment in terms of second proviso to section 13(3).

Q9. Explain the significance of time of supply under GST law.**Solution:**

GST is payable on supply of goods or services. Time of supply indicates the point in time when the liability to pay tax arises. However, it is important to note that though the liability to pay tax arises at the time of supply, the same can be paid to the Government by the due date prescribed with reference to the said 'time of supply'. The CGST Act provides separate provisions for time of supply for goods and services vide sections 12 and 13.

Q10. GST is payable on advance received for supply of goods and services taxable under forward charge. Do you agree with the statement? Support your answer with legal provisions**Solution:**

The statement is not correct. While GST is payable on advance received for supply of services taxable under forward charge, the same is not payable in case of advance received for supply of goods taxable under forward charge.

As per section 13, the time of supply of services taxable under forward charge is –

- Date of issue of invoice or date of receipt of payment, whichever is earlier, if the same is issued within 30 days from the date of supply of service;
OR
- Date of provision of service or date of receipt of payment, whichever is earlier, if the invoice is not issued within 30 days from the date of supply of service.

Thus, in case of services, if the supplier receives any payment before the provision of service or before the issuance of invoice for such service, the time of supply gets fixed at that point in time and the liability to pay tax on such payment arises. However, the tax can be paid by the due date prescribed with reference to such time of supply.

As regards time of supply of goods taxable under forward charge is concerned, Notification No. 66/2017 CT dated 15.11.2017 provides that a registered person (excluding composition supplier) should pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Therefore, in case of goods, tax is not payable on receipt of advance payment.

Q11. Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

S. No.	Date of receipt of goods	Date of payment by recipient of goods	Date of issue of invoice by supplier of goods
(i)	July 1	August 10	June 29
(ii)	July 1	June 25	June 29
(iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29
(iv)	July 5	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1
(v)	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29
(vi)	August 1	August 10	June 29

Solution:

S No.	Date of receipt of goods	Date of payment by recipient of goods	Date of issue of invoice by supplier of goods	Date immediately following 30 days from date of invoice	Time of supply of goods
(i)	July 1	August 10	June 29	July 30	July 1
(ii)	July 1	June 25	June 29	July 30	June 25
(iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29	July 30	June 30 for part payment made and July 1 for balance amount
(iv)	July 5	Payment is entered in the books of account on June 28 and debited in recipient's	June 1	July 2	June 28 (i.e. when payment is entered in the books of accounts

		bank account on June 30			of recipient)
(v)	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29	July 30	June 26 (i.e. when payment is debited in the recipient's bank account)
(vi)	August 1	August 10	June 29	July 30	July 30 (i.e. 31st day from issuance of invoice)

Q12. Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

S. No.	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services
i)	August 10	June 29
ii)	August 10	June 1
iii)	Part payment made on June 30 and balance amount paid on September 1	June 29
iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1
v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	Jun 29

Solution:

S No.	Date of payment by recipient for supply of service	Date of issue of invoice by supplier of services	Date immediately following 60 days from invoice	Time of supply of goods
(i)	August 10	June 29	August 29	August 10
(ii)	August 10	June 1	August 1	August 1
(iii)	Part payment made on June 30 and balance amount paid on Sep 1	June 29	August 29	June 30 for part payment and August 29 for balance amount

(iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1	August 1	June 28 (i.e. when payment is entered in the books of accounts of the recipient)
(v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29	August 29	June 26 (i.e. when payment is debited in the recipient's bank account)

Q13. Kabira Industries Ltd engaged the services of a transporter for road transport of a consignment on 17th June and made advance payment for the transport on the same date, i.e. 17th June. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July. Invoice was received from the transporter on 22nd July.

What is the time of supply of the transporter's service?

Solution:

Time of supply of service taxable under reverse charge is the earlier of the following two dates in terms of section 13(3):

- Date of payment
- 61st day from the date of issue of invoice

In this case, the date of payment precedes 61st day from the date of issue of invoice by the supplier of service. Hence, the date of payment, i.e. 17th June, will be treated as the time of supply of service [Section 13(3)(a)].

Q14. Raju Pvt Ltd. receives the order and advance payment on 5th January for carrying out an architectural design job. It delivers the designs on 23rd April. By oversight, no invoice is issued at that time, and it is issued much later, after the expiry of prescribed period for issue of invoice.

When is the time of supply of service?

Solution:

Since the invoice has not been issued within the prescribed time period, time of supply of service will be the earlier of the following two dates in terms of section 13(2)(b):

- Date of provision of service
- Date of receipt of payment

The payment was received on 5th January and the service was provided on 23rd April. Therefore, the date of payment, i.e. 5th January is the time of supply of the service in this case.

Q15. Investigation shows that 150 cartons of ceramic capacitors were dispatched on 2nd August but no invoice was raised and the transaction (dispatch of cartons) were not entered in the accounts. There was no evidence of receipt of payment.

What is the time of supply of 150 cartons for the purpose of payment of tax?

Solution:

As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier)

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has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

In this case since the invoice has not been issued, the time of supply for the purpose of payment of tax will be the last date on which the invoice is required to be issued.

The invoice for supply of goods must be issued on or before the dispatch of goods, i.e. on 2nd August. Therefore, the time of supply for the purpose of payment of tax for the goods will be 2nd August, the date when the invoice should have been issued.

Q16. An order is placed on Ram & Co. on 18th August for supply of a consignment of customized shoes. Ram & Co. gets the consignment ready and informs the customer and issues the invoice on 2nd December. The customer collects the consignment from the premises of Ram & Co. on 7th December and electronically transfers the payment on the same date, which is entered in the accounts on the next day, 8th December.

What is the time of supply of the shoes for the purpose of payment of tax?

Solution:

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), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, the time of supply for the purpose of payment of tax is the date of issue of invoice, which is 2nd December.

Q17. Meal coupons are sold to a company on 9th August for being distributed to the employees of the said company. The coupons are valid for six months and can be used against purchase of food items. The employees use them in various stores for purchases of various edible items on different dates throughout the six months.

What is the date of supply of the coupons?

Solution:

As the coupons can be used for a variety of food items, which are taxed at different rates, the supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption in terms of section 12(4).

Q18. A firm of advocates issues invoice for services to ABC Ltd. on 17th Feb. The payment is contested by ABC Ltd. on the ground that on account of negligence of the firm, the company's case was dismissed by the Court for non-appearance, which necessitated further appearance for which the firm is billing the company. The dispute drags on and finally payment is made on 3rd November. (IMP.) Identify the time of supply of the legal services.

Solution:

Tax on services supply by a firm of advocates by way of legal services to any business entity is payable under reverse charge by such firm of advocates. Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13(3):

- Date of payment [3rd November]
- 61st day from the date of issue of invoice [19th April]

The date of payment comes subsequent to the 61st day from the issue of invoice by the supplier of service. Therefore, the 61st day from the date of supplier's invoice has to be taken as the time of supply. This fixes

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19th April as the time of supply.

Q19. Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4th and 5th September but could not raise invoice till 19th November because of some dispute about the condition of the devices on return. The payment was made in December.

What is the method to fix the time of supply of the service?

Solution:

The time of supply of services, if the invoice is not issued in time, is the date of payment or the date of provision of service, whichever is earlier [Section 13(2)(b)]. In this case, the service is provided on 5th September but not invoiced within the prescribed time limit. Therefore, 5th September, the date of provision of service, being earlier than the date of payment, will be the time of supply.

Q20. XYZ & Co., a firm of Chartered Accountants, issued invoice for services rendered to Mr. A on 7th September. Determine the time of supply in the following independent cases: (IMP.)

- 1) The provision of service was completed on 1st August and payment was received on 28th September.
- 2) The provision of service was completed on 14th August and payment was received on 28th September.
- 3) Mr. A made the payment on 3rd August. However, provision of service was remaining to be completed at that time.
- 4) Mr. A made the payment on 15th September. However, provision of service was remaining to be completed at that time.

(ICAI IPCC Nov 2018 – 5 Marks)

Solution:

The time of supply of services is the date of issue of invoice if the same is issued within 30 days from the date of supply of service OR the date of receipt of payment, whichever is earlier [Section 13(2)(a)].

In case the invoice is not issued within 30 days from the date of supply of service, time of supply is the date of provision of service OR the date of receipt of payment, whichever is earlier [Section 13(2)(b)].

In accordance with the aforesaid provisions, the time of supply in the four independent cases will be:

- 1) 1st August since the invoice is not issued within 30 days of supply of service.
- 2) 7th September since the invoice is issued within 30 days of supply of service and the payment is received after the issuance of invoice.
- 3) 3rd August viz., earlier of date of issuance of invoice (7th September) or date of receipt of payment (3rd August)
- 4) 7th September viz., earlier of date of issuance of invoice (7th September) or date of receipt of payment (15th September)

Q21. M/s Pranav Associates, a partnership firm, provided recovery agent services to Newtron Credits Ltd., a non-banking financial company and a registered supplier, on 15th January. Invoice for the same was issued on 7th February and the payment was made on 18th April by Newtron Credits Ltd. Bank account of the company was debited on 20th April.

Determine the following:

- (i) Person liable to pay GST
- (ii) Time of supply of service

Solution:

- (i) Tax on services supplied by a recovery agent to, inter alia, a non-banking financial company (NBFC) is payable under reverse charge by such non-banking financial company.
Therefore, in the given case, person liable to pay GST is the NBFC - Newton Credits Ltd.
- (ii) As per section 13(3), the time of supply of service on which GST is payable under reverse charge is earlier of the following: -
- Date of payment as entered in the books of account of the recipient (18th April) or the date on which the payment is debited in his bank account (20th April), whichever is earlier;
 - Date immediately following 60 days since issue of invoice by the supplier, i.e. 9th April.
- Thus, time of supply of service is 9th April.

Q22. Mr. X supplied goods for ₹ 50,000 to its customer Miss Diyana on 1st January on the condition that payment for the same will be made within a week. However, Miss Diyana made payment for the said goods on 2nd February and thus, paid interest amounting to ₹ 2,000.

What is the time of supply with regard to addition in the value by way of interest in lieu of delayed payment of consideration?

Solution:

As per section 12(6), the time of supply with regard to an addition in value on account of interest, late fee or penalty or delayed payment of consideration is the date on which the supplier received such additional consideration.
Thus, time of supply in respect of interest would be the date on which the supplier has received such additional consideration, i.e. 2nd February.

Q23. Mansh & Vansh Trading Company, a registered supplier, is liable to pay GST under forward charge. It has furnished the following information:

- (i) Goods were supplied on 3rd October
- (ii) Invoice was issued on 5th October
- (iii) Payment received on 9th October

Determine the time of supply of goods for the purpose of payment of tax.

Solution:

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), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Further, a registered person is required to issue a tax invoice before or at the time of removal of goods for supply to the recipient. Thus, in the given case, the invoice for supply of goods should have been issued on or before the removal of goods i.e., on 3rd October.

However, since the invoice has not been issued within the prescribed time, the time of supply for the purpose of payment of tax will be the last date on which the invoice is required to be issued i.e., 3rd October.

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Q24. On 4th September, 2023, V.R. Mehman a famous music composer, received ₹ 3 crore of consideration from Zilmil Music Co. Ltd. for sale of copyright of his original music album. He finished his work & made available the CD to the music company on 20th July, 2023 & raised the invoice on 24th July, 2023. What will be the time of supply as per CGST Act, 2017? (ICAI IPCC May 18 – 3 Marks)

Solution:

Services by way of allowing temporary use of copyrights provided by music composer to any music company is notified under reverse charge i.e. in respect of such service, Music Company shall be liable to pay tax

As per section 13 of CGST Act, 2017, the time of supply of service on which GST is payable on reverse charge basis is earlier of the following:

- Date of payment (04.09.2023), or
- Date immediately following 60 days since issue of invoice by the supplier (23.09.2023)

Thus, time of supply of services is 04.09.2023

Q25. Examine the following independent cases of supply of goods and services and determine the time of issue of invoice under each of the cases as per the provisions of CGST Act, 2017:

Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods on 31st October, 2023. The goods were removed from the factory at Kolkata on 11th October, 2023. As per the agreement, the goods were to be delivered by 31st October, 2023. Suraj Enterprises has received the goods on 14th October, 2023.

Trust and Fun Ltd, an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5th June, 2023. Payment for the event was made on 19th June, 2023.

(ICAI Inter May 2019 – 4 Marks)

Solution:

A registered person supplying taxable goods shall issue a tax invoice, before or at the time of removal of goods for supply to the recipient, where the supply involves movement of goods.

Therefore, in the given case, invoice has to be issued on or before, 11th October 2023 (the time of removal of goods).

A registered person [other than an insurer/banking company/financial institution, including an NBFC] supplying taxable services shall issue a tax invoice before or after the provision of service, but within a period of 30 days from the date of supply of service.

Thus, in the given case, invoice has to be issued within 30 days of 5th June 2023 (date of supply of service), i.e. on or before, 5th July 2023.

Q26. Know & Grow Publishers, a registered dealer in India, paid an advance ₹ 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1) (a) of the Copyright Act, 1957, of his original literary work on 5-9-2023. It made the balance payment ₹ 1,50,000 on 2-12-2023. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on (IMP.)

- 6-10-2023, or
- 17-12-2023 (ICAI Inter Nov 2019 – 4 Marks)

Solution:

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Provisions of Law

As per Notification under section 9(3) of CGST Act, any services by an author by way of transferring or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of Copyright Act relating to original literary works to a publisher shall be covered under reverse charge. In other words, in respect of such supply, the service recipient (i.e. the publisher) shall be liable to pay GST.

Section 13 of CGST Act provides that in case of services covered under reverse charge, time of supply shall be earlier of the following: -

Date of payment (date of recording of payment in books or date of debit from recipient's bank account whichever is earlier)

61st day from the date of invoice

Time of Supply in both cases

In this case, since payments have been made on different dates, time of supply would have to be determined separately for ₹ 50,000 and ₹ 1,50,000.

Particulars	For ₹ 50,000 advance payment	For remaining ₹ 1,50,000 payment
a) Date of payment	05-09-2023	12-12-2023
b) 61 st date from date of invoice (06-10-2023)	06-12-2023	06-12-2023
Time of Supply [being earlier of (a) and (b)]	05-09-2023	06-12-2023

In this case also, separate 'time of supply' would have to be determined for ₹ 50,000 and ₹ 1,50,000.

Particulars	For ₹ 50,000 advance payment	For remaining ₹ 1,50,000 payment
a) Date of payment	05-09-2023	12-12-2023
b) 61 st date from date of invoice (17-12-2023)	16-02-2024	16-02-2024
Time of Supply [being earlier of (a) and (b)]	05-09-2023	12-12-2023

Q27. Mahak Sons is a registered supplier of electronic items and pays GST under regular scheme. On 15th July 20XX, Mahak Sons received an order from Sunder Trader for supply of a consignment of electronic items. Mahak Sons gets the consignment ready by 20th July 20XX. The invoice for the consignment was issued the next day, 21st July 20XX. Sunder Trader could not collect the consignment immediately. Sunder Trader collects the consignment from the premises of Mahak Sons on 30th July 20XX and hands over the

cheque towards

payment on the same date. The said payment is entered in the books of accounts of Mahak Sons on 31st July, 20XX and amount is credited in their bank account on 1st August 20XX.

You are required to determine the time of supply of the electronic items for the purpose of payment of tax.

(ICAI Nov 2019 RTP)

Solution:

As per section 12(2) of the CGST Act, 2017, the time of supply in respect of goods shall be the earlier of the following two dates: -

- Date of issue of invoice/last date on which the invoice is required to be issued as per section 31 of the CGST Act, 2017
- Date of receipt of payment

Further, 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) i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. As per section 31(1), the invoice needs to be issued either before or at the time of removal (where supply involves movements of goods) of goods/delivery of goods/ making goods available to the recipient.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, time of supply for the purpose of payment of tax is the date of issue of invoice, which is 21st July, 20XX.

Q28. Explain the meaning of the term “date of receipt of payment” as per section 13 of the CGST Act, 2017.

(ICAI Nov 2018 RTP)

Solution:

“Date of receipt of payment” in terms of section 13 of CGST Act, 2017 refers to the date on which the payment is recorded in the books of account of the entity (supplier of service) that receives the payment, or the date on which the payment is credited to the entity’s bank account, whichever is earlier.

Q29. An order is placed to T & Co; Sholapur on 18th August, 2023 for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 2023 and after completion of the order issued the invoice on 15th September, 2023. The payment against the same was received on 30th September, 2023. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations.

HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May, 2023. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July 2023. Invoice was received from the transporter on 20th June 2023 and payment was made on 25th August 2023. What is the time of supply of the transporter’s service assuming it has not opted for payment of tax under forward charge? **(CA Inter Dec 21 – 5 marks)**

Solution:

The time of supply of goods (where movement of goods involve) (fabric) for the purpose of payment of tax is the date of issue of invoice or the last date when the invoice ought to have been issued.

Further, a registered person is required to issue a tax invoice before or at the time of delivery of goods or making available thereof to the recipient.

Thus, in the given case, time of supply is 4th September, 2023.

Tax on supply of transportation of goods by road services provided by a Goods Transport Agency (GTA) to a body corporate is payable under reverse charge by such body corporate.

Time of supply of services taxable under reverse charge is earliest of: -

- date of making payment, or
- 61st day from the date of issue of invoice by supplier

Thus, in the given case, time of supply is earlier of

- 25th August or
- 20th August 2021 (61st day from 20th June)

Thus, in the given case, time of supply 20th August 2023

Student note

CHAPTER 6: - VALUE OF SUPPLY (VOS)

ICAI Study Material Questions

Q1.

Black and White Pvt. Ltd. has provided the following particulars relating to goods sold by it to Colorful Pvt. Ltd.

Particulars	Rs
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
Packing charges (not included in price above)	1,000

Black and White Pvt. Ltd. received ₹2,000 as a subsidy from an NGO on sale of such goods. The price of ₹50,000 of the goods is after considering such subsidy. Black and White Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods.

Determine the value of taxable supply made by Black and White Pvt. Ltd.

Solution:

Computation of value of taxable supply

Particulars	RS
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
[Includible in the value as per section 15(2)(a)]	
Packing charges [Includible in the value as per section 15(2)(c)]	1,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15(2)(e)]	2,000
Total	58,000
Less: Discount @ 2% on ₹50,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15(3)(a)]	1,000
Value of taxable supply	57,000

Q2. Samriddhi Advertisers conceptualised and designed the advertising campaign for a new product launched by New Moon Pvt Ltd. for a consideration of ₹ 5,00,000. Samriddhi Advertisers owed ₹ 20,000 to one of its vendors in relation to the advertising service provided by it to New Moon Pvt Ltd. Such liability of Samriddhi Advertisers was discharged by New Moon Pvt Ltd. New Moon Pvt Ltd. delayed the payment of consideration and thus, paid ₹ 15,000 as interest. Assume the rate of GST to be 18%. (IMP.)

Determine the value of taxable supply made by Samriddhi Advertisers.

Solution:

Computation of value of taxable supply

Particulars	₹
Service charges	5,00,000
Payment made by New Moon Pvt. Ltd to vendor of Samriddhi Advertisers [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15(2)(b)]	20,000
Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d) – Refer note below] (rounded off)	12,712
Value of taxable supply	5,32,712

Note: The interest for delay in payment of consideration will be includible in the value of supply but the time of supply of such interest will be the date when such interest is received in terms of section 13(6). Such interest has been assumed to be inclusive of GST and thus, the value has been computed by making back calculations $\frac{\text{Interest}}{100 + \text{tax rate}} \times 100$. It is also possible to assume the interest to be

exclusive of GST. In that case, the value of supply will work out to be ₹ 5,35,000.

Q3. Are post-supply discounts eligible for deduction from the value of supplies in all situations? Explain.

Solution:

No, the post-supply discounts are not eligible for deduction from the value of supplies in all situations. Such discounts are allowed as a deduction from the value of supply only in the situations where the following two conditions are satisfied:

- (i) The discount is in terms of an agreement that existed at the time of supply and can be worked out invoice-wise; and
- (ii) Proportionate input tax credit (ITC) is reversed by the recipient - The buyer would have availed ITC of GST payable on the gross value specified in the invoice. Thus, when a credit note is issued to him by the supplier for the discount, the buyer will reverse the proportionate credit; consequent to which, the supplier's output tax liability will be reduced by the same amount.

If any of the above conditions are not satisfied, post-supply discount is not allowed as a deduction from the value of supply and consequently, GST liability of the supplier does not get reduced.

Q4. 'Consideration under GST law includes both monetary and non-monetary considerations.' Discuss the correctness or otherwise of the statement with reference to the definition of term 'consideration' provided under the CGST Act.

Solution:

The statement is correct. As per the definition of the term 'consideration' provided under the CGST Act, consideration under the GST law includes both payment in money or otherwise made by the recipient or any other person and also takes within its sweep the monetary value of any act or forbearance for the supply by the recipient or any other person. Further, it includes within its ambit any deposit which is applied as a consideration for the supply but excludes the subsidies provided by the State or Central Government.

The term money has also been defined under the CGST Act and it not only includes cash (Indian as well as foreign currency) but also cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveler's cheque, money order, postal/electronic remittance or any such similar instrument recognized by RBI. Non-monetary consideration essentially means consideration in kind.

Q5. Sharp Minds Institute provides coaching for engineering entrance examinations. Monthly fee charged by the Institute from a student is 10,000. The Institute is known for its commitment to provide education to underprivileged children. It trains 10 students every year for entrance examinations free of cost.

The Institute has received ₹ 3,00,000 as coaching fees during a month. Nav Jeevan, an NGO working in the area of education for underprivileged children, has given a subsidy of ₹ 10,000 (in lumpsum) during the month to the Institute as it is serving the cause of underprivileged children.

Determine the value of supply of education services made by Sharp Minds Institute during the month.

Solution:

As per section 15(2)(e), the value of a supply includes subsidies directly linked to the price, excluding subsidies provided by the State Governments and the Central Government.

In the given case, though the subsidy is given by a non-Government body, the same is not includible in the value as it is given in lumpsum and not directly linked to the price of the supply being valued. Therefore, the value of supply made by Sharp Minds during the month is ₹ 3,00,000.

Q6. Furniture Wala is a chain of retail showrooms selling both modern and classic furniture. In order to build strong customer association, the showroom provides free delivery of the furniture at the premises of the customers if the distance between the showroom and the customer's premises is up to 20 kms. Where the distance is more than 20 kms, the showroom charges a concessional freight of ₹ 10 for every additional km. (IMP.)

Ms. Leena Kapoor purchases a double bed, a dressing table and a centre table for ₹ 2,00,000 from Furniture Wala. Ms. Leena gets free delivery of the furniture as her residence is located at a distance of 18 km from the showroom. The showroom incurs an expenditure of ₹ 1000 for delivering the furniture at Ms. Leena's residence.

Determine the value of taxable supply made by Furniture Wala. Will your answer change if residence of Ms. Leena is 50 km away from the showroom?

Solution:

In the given case, the showroom is not charging any amount towards freight from Ms. Leena but incurring the same out of its own pocket. Therefore, the same should not be added to the value. Hence, the value of supply will be 2,00,000.

However, the answer will change in the second case when the showroom will charge ₹ 300 for freight [(50km – 20 km) x ₹ 10] from Ms. Leena. In this case, the supply will be a composite supply (principle supply being the supply of furniture) and value thereof will be ₹ 2,00,300.

Q7. AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten and specified chemical residues. AKJ Foods Pvt. Ltd. does the testing before the supply and charges a testing fee for the same from the customer. AKJ Foods Pvt. Ltd. argues that such testing fess should not form part of the consideration for the sale as it is a separate activity.

Is the company's argument correct in the light of section 15?

Solution:

Section 15(2) mandates addition of certain elements in the value of supply. Clause (c) of section 15(2) specifies that amount charged for anything done by the supplier in respect of the supply at the time of or before delivery of goods or supply of services shall be included in the value of supply.

Since AKJ Foods Pvt. Ltd. does the testing before the delivery of goods, the charges therefor will be included in the value of the consignment. Therefore, AKJ Foods Pvt. Ltd.'s argument is not correct. The testing fee should be added to the price to arrive at value of the consignment.

Q8. A philanthropic association makes a substantial donation each year to a reputed private management institution to subsidize the education of low-income group students who have gained admission there. The fee for these individuals is reduced thereby coming to ₹ 3 lakh a year compared to ₹ 5 lakh a year for other students.

What would be the value of the service of coaching and instruction provided by the institution to the low-income group students?

Solution:

As per section 15(2)(e), the value of a supply includes subsidies directly linked to the price, excluding State Government and Central Government subsidies. In this case, the subsidy is not received from the Government but from a philanthropic association. Therefore, the subsidy is to be added back to the price to arrive at the value, which comes to ₹ 5 lakh a year.

Q9. Mezda Banners, an advertising firm, gives its customers an interest-free credit period of 30 days for payment. Its customer ABC paid for the supply 32 days after the supply of service. Mezda Banners waived the interest payable for delay of two days.

The Department wants to add interest for two days to the value of supply. Should notional interest be added to the value?

Solution:

This is a supply that is valued as per transaction value under section 15(1) as the price is the sole

consideration for the supply and the supply is made to unrelated person. The value of a supply includes certain elements like interest which are actually payable. Once waived, the interest is not payable and is therefore, not to be added to the value.

Q10. Crunch Bakery Products Ltd sells biscuits and cakes through its dealers, to whom it charges the list price minus standard discount and pays GST accordingly. When goods remain unsold with the dealers, it offered additional discounts on the stock as an incentive to push the sales.

Can this additional discount be reduced from the price at which the goods were sold, and concomitant tax adjustments made?

Solution:

The discounts were not known or agreed for at the time of supply of goods to the dealers. Therefore, in terms of section 15(3), such discounts cannot be reduced from the price on which tax had been paid.

Q.11 Red Pepper Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March. (IMP.)

Particulars	Amount in ₹
(i) List price of taxable goods supplied intra-state (exclusive of taxes)	15,00,000
(ii) Subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	2,10,000
(iii) Subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv) Tax levied by Municipal Authority	20,000
(v) Packing charges	15,000
(vi) Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay ₹ 6,000 in lump sum and no additional amount is payable by him)	6,000

The list price of the goods is net of the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price.

Calculate the total value of taxable supplies made by Red Pepper Ltd. during the month of March. Rate of IGST is 18%.

Solution:

Computation of total value of taxable supplies made by Red Pepper Ltd. during the month of March

Particulars	Amount (₹)
List price of the goods	15,00,000

Subsidy amounting to ₹ 2,10,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e)]	NIL
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e)]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a)]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c)]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15(2)(d) - As the amount of interest received is a lump sum amount, the same has to be taken as inclusive of GST] [₹ 6,000 x 100/118] rounded off	5,085
Total value of taxable supplies	15,90,085

Q12. M/s. Flow Pro, a registered supplier, sold a machine to BP Ltd. It provides the following information in this regard: -

(IMP.)

	Particulars	Amount in ₹
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	25,000
(ii)	Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flo Pro.]	5,000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,000
(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	500

Note: Price of the machine is net of the subsidy received.

Determine the value of taxable supply made by M/s Flow Pro to BP Ltd.

Solution:

Computation of value of taxable supply made by M/s. Flo Pro to BP Ltd.

Particulars	Amount (₹)
Price of the machine [Since the subsidy is received from the State Government, the same is not includible in the value of supply in terms of section 15(2)(e)]	25,000
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	5,000
Freight charges for delivery of the machine [Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	2,000
Total	32,000
Less: Discount @ 2% on ₹ 25,000 being price charged to BP Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply in terms of section 15(3)(a)]	500 —
Value of taxable supply	31,500

Q13. Shri Krishna Pvt. Ltd., a registered supplier, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd.- (IMP.) (ICAI CA IPCC May 2018 – 4 marks)

S No.	Particulars	Amount
(i)	Price of the goods [excluding taxes and other charges mentioned at S Nos. (iii), (v) and (vi)]	1,00,000
(ii)	Municipal tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidies received from Shri Ram Trust (Subsidy is directly linked to the goods supplied)	50,000
(v)	Late fees for delayed payment. (Shri Balram Pvt. Ltd. paid the late fees. However, these charges were ultimately waived by Shri Krishna Pvt. Ltd. and the amount was refunded to Shri Balram Pvt. Ltd. during the same month]	1,000
(vi)	Weightment charges. [Such charges were paid by Shri Balram Pvt. Ltd. to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd.]	2,000

Note: Price of the goods is net of the subsidy received.

Determine the value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.

Solution:

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Computation of value of taxable supply made by Shri Krishna Pvt. Ltd.;

Particulars	Amount in ₹
Price of the goods;	1,00,000
Municipal Tax (<i>Working Note 1</i>)	2,000
Inspection charges (<i>Working Note 2</i>)	15,000
Subsidy received from Shri Ram Trust (<i>Working Note 3</i>)	50,000
Late fees for delayed payment [<i>Working Note 4</i>]	Nil
Weighment charges paid to Radhe Pvt. Ltd. by Shri Balram Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd. (<i>Working Note 5</i>)	2,000
Value of Supply	1,69,000

Working Notes

- 1) Section 15(2)(a) prescribes that any tax, other than GST, that is charged separately by the supplier should be added to the transaction value
- 2) As per section 15(2)(c), any incidental expenses charged by the supplier or anything else done by the supplier in relation to the supply at the time of or before the delivery of goods or supply of services must be added to transaction value
- 3) As per section 15(2)(e), any subsidy received from any person (other than Central or State Government) and which is directly related to price, shall be added to transaction value.
- 4) As per section 15(2)(d), where any interest or penalty is payable for delayed payment of consideration for supply, such interest or penalty shall be added to transaction value. However, this interest or penalty is to be added only when it is actually charged by the supplier from the recipient. In the present case, late fees was waived off and hence not includible
- 5) As per section 15(2)(b), any payments to third parties by the recipient on behalf of the supplier in relation to supply, should be added to transaction value

Q14. Koli Ltd., a registered supplier, has supplied machinery to Ghisa Ltd. (a supplier registered in the same State). It provides following particulars regarding the same: (IMP.)

(ICAI IPCC May 2019- 5 Marks)

S. No.	Particulars	Amount
1.	Price of machinery (exclusive of taxes and discounts)	5,50,000
2.	Part fitted in the machinery at the premises of Ghisa Ltd. [Amount has been paid by Ghisa Ltd. directly to the supplier. However, it was Koli Ltd.'s liability to pay the said amount. The said amount has not been recorded in the invoice issued by Koli Ltd.]	20,000
3.	Installation and testing charges for machinery, not included in price	25,000
4.	Discount @ 2% on price of the machinery mentioned at S. No. (i) above (recorded in the invoice)	
5.	Koli Ltd. provides additional discount @ 1% at year end, based on additional purchase of other machinery for which adjustment is made at the end of the financial year without any change in individual transactions.	

Determine the value of taxable supply made by Koli Ltd. to Ghisa Ltd.

Solution:

Computation of value of taxable supply made by Koli Ltd. to Ghisa Ltd.

Particulars	Amount (₹)
Price of machinery (exclusive of taxes and discounts)	5,50,000
Amount paid by Ghisa Ltd. directly to the supplier for the part fitted in the machinery [Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply in terms of section 15(2)(b).]	20,000
Installation and testing charges [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply in terms of section 15(2)(c).]	25,000
Less: Discount on the price machinery [₹ 5,50,000 x 2%] [Since discount is given at the time of supply of machinery and recorded in the invoice the same is deductible from the value of the supply in terms of section 15(3)(a).]	11,000
Less: Additional 1% discount at year end [Though the additional discount is established before/at the time of supply, it is not deductible from the value of supply in terms of section 15(3)(b) as the same is not linked to any specific transaction and is adjusted by the parties at the end of the financial year.]	<u>Nil</u>
Value of taxable supply	5,84,000

ICAI Past year Papers, RTPs and MTPs

Q15. Candy Blue Ltd., Mumbai, a registered supplier, is manufacturing Chocolates and Biscuits. It provides the following details of taxable inter-state supply made by it for the month of October, 20XX

S No.	Particulars	Amount
	List price of goods supplied inter-state	12,40,000
	Items already adjusted in the price given in (i) above:	
(i)	Subsidy from Central Government for supply of biscuits to Government School	1,20,000
(ii)	Subsidy from Trade Association for supply of quality biscuits	30,000
	Items not adjusted in the price given in (i) above:	

(iii)	Tax levied by Municipal Authority	24,000
(iv)	Packing Charges	12,000
(v)	Late fee paid by the recipient of supply for delayed payment of invoice	5,000

Calculate the value of taxable supply made by M/s Candy Blue Ltd. for the month of October, 20XX.
(ICAI CA Inter May 2018 – 5 marks)

Solution:

Computation of value of taxable supply made by Candy Blue Ltd.

Particulars	Amount in ₹
List Price of the goods	12,40,000
Add: - Subsidy amounting to ₹ 1,20,000 received from Central Government [Since subsidy is received from Government, the same is not includible in the value in terms of section 15 of the CGST Act, 2017.] - Working Note 1	Nil
Add: - Subsidy received from Trade Association [Since subsidy is received from a non-Government body, the same is includible in the value in terms of section 15 of the CGST Act, 2017 - Working Note 1	30,000
Add: - Tax levied by the Municipal Authority – Working Note 2	24,000
Add: - Packing charges – Working Note 3	12,000
Add: - Late fees paid by recipient of supply for delayed payment – Working Note 4	5,000
Value of Taxable Supply	13,11,000

Working notes

- As per section 15(2)(e), any subsidy received from any person (other than Central or State Government) and which is directly related to price, shall be added to transaction value
- Section 15(2)(a) prescribes that any tax, other than GST, that is charged separately by the supplier should be added to the transaction value
- As per section 15(2)(c), any incidental expenses charged by the supplier or anything else done by the supplier in relation to the supply at the time of or before the delivery of goods or supply of services must be added to transaction value
- As per section 15(2)(d), where any interest or penalty is payable for delayed payment of consideration for supply, such interest or penalty shall be added to transaction value.

Q16. Raman Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Sahil Traders and Jaggi Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Raman Ltd. has furnished the following details for the current month:(IMP)

S. No.	Particulars	Sahil Traders (Rs.)	Jaggi Motors Ltd. (Rs.)
(i)	Price of the goods (excluding GST)	20,000	15,000
(ii)	Packing charges	600	
(iii)	Commission	400	

(iv)	Weighment charges	1,000
(v)	Discount for prompt payment (recorded in the invoice)	500

Items given in points (ii) to (v) have not been considered while arriving at price of the goods given in point (i) above. Compute the GST liability [CGST & SGST or IGST, as the case may be] of Raman Ltd. for the given month. Assume the rates of taxes to be as under:

Particulars	Rate of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary.

Note: The supply made to Sahil Traders is an inter-State supply.

(ICAI RTP for May 2018 exams)

Solution:

Computation of GST liability

S No.	Particulars	Sahil Trader	Jaggi Motors
(i)	Price of Goods	20,000	15,000
(ii)	Add: - Packing Charges (Note 1)	600	-
(iii)	Add: - Commission (Note 1)	400	-
(iv)	Add: - Weighment Charges (Note 1)	-	1,000
(v)	Less: - Discount for prompt payment (Note 2)	-	500
	Value of taxable supply;	21,000	15,500
	IGST payable @ 18% (Note 3)	3,780	-
	CGST payable @ 9% (Note 4)	-	1,395
	SGST payable @ 9% (Note 4)	-	1,395

Notes: -

- Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weighment charges are also incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].
- Since discount is known at the time of supply, it is deductible from the value in terms of section 15 of the CGST Act, 2017.
- Since supply made to Sahil Traders is an inter-State supply, IGST is payable in terms of section 5 of the IGST Act, 2017.

Since supply made to Jaggi Motors Ltd. is an intra-State supply, CGST & SGST is payable on the same

Q17. Ms. Achintya, a registered supplier in Kochi (Kerala State) has provided the following details in respect of her supplies made Intra-State for the month of March 20XX:

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Particulars	Amount in Rs.
(i) List price of goods supplied intra-state (exclusive of items given below from ii to v)	3,30,000
(ii) Swachh Bharat cess levied on sale of the goods	12,500
(iii) Packing expenses charged separately in the invoice	10,800
(iv) Discount of 1% on list price of goods was provided (recorded in the invoice of goods)	
(v) Subsidy received from State Govt. for encouraging women entrepreneurs	5,000

Compute the value of taxable supply and the gross GST liability of Ms. Achintya for the month of March 20XX assuming rate of CGST to be 9% and SGST to be 9%. All the amounts given above are exclusive of GST (ICAI Inter Nov 2018 – 5 marks)

Solution:

Computation of value of taxable supply and gross GST liability of Ms. Achintya for the month of March, 2020

Particulars	₹
List price of the goods	3,30,000
Add: Swachh Bharat Cess (SBC) levied on sale of goods [Note-1]	12,500
Add: Packing expenses [Note-2]	10,800
Add: Subsidy received from State Government [Note-3]	Nil
Less: Discount @ 1% on list price [Note-4]	<u>(3,300)</u>
Value of taxable supply	3,40,000
CGST @ 9%	30,600
SGST @ 9%	30,600
Gross GST liability	61,200

Notes: -

As per section 15 of CGST Act, 2017,

- Any taxes, duties and cesses levied under any law other than CGST, SGST is includible in the value. Accordingly, Swach Bharat cess has been included in value.
- Packing expenses being incidental expenses, are includible in the value.
- Since subsidy is received from State Government, the same is not includible in the value.
- Since discount is known at the time of supply, it is deductible from the value.

Important Note: In the above answer, the term “exclusive” mentioned in the question has been taken to be as “not adjusted in the list price”, i.e. the list price given in the question is before adjusting the amount of discount.

Q18. Kamal Book Depot, a wholesaler of stationery items, registered in Mumbai, has received order for supply of stationery items worth Rs. 2,00,000/- on 12th November, 20XX from another local registered

dealer, Mr. Mehta, Mumbai. Kamal Book Depot charged the following additional expenses from Mr. Mehta: (IMP.)

	Particulars	Amount (₹)
(i)	Packing charges	5,000
(ii)	Freight & Cartage	2,000
(iii)	Transit insurance	1,500
(iv)	Extra designing charges	6,000
(v)	Taxes by Municipal Authority	500

The goods were delivered to Mr. Mehta on 14th November, 20XX. Since Mr. Mehta was satisfied with the quality of the goods, he made the payment of goods the same day and simultaneously placed another order on Kamal Book Depot of stationery items amounting to ₹ 10,00,000 to be delivered in the month of December, 20XX**. On receipt of second order, Kamal Book Depot allowed a discount of ₹ 20,000 on the first order placed by Mr. Mehta.

Compute the GST liability of Kamal Book Depot for the month of November, 20XX assuming the rates of GST on the goods supplied as under:

CGST 9%

SGST 9%

Note: -

- (i) All the amounts given above are exclusive of GST.
- (ii) Kamal Book Depot and Mr. Mehta are not related persons and price is the sole consideration of the supply.

**Payment and invoice for the second order will also be made in the month of December, 20XX only

(ICAI RTP May 2019)

Solution:

Computation of value of taxable supply and tax liability

	Particulars	Amount (₹)
	Price of the goods [Note-1]	2,00,000
(i)	Packing charges [Note-2]	5,000
(ii)	Freight & Cartage [Note-3]	2,000
(iii)	Transit Insurance [Note-3]	1,500
(iv)	Extra Designing charges [Note-4]	6,000
(v)	Taxes by Municipal Authority [Note-5]	<u>500</u>
	Value of taxable supply	2,15,000
	CGST @ 9%	19,350
	SGST @ 9%	19,350

Notes: -

1. As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e. the price actually paid or payable for the said supply.
2. All incidental expenses including packing charged by the supplier to the recipient are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.

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3. The given supply is a composite supply involving supply of goods (stationery items) and services (transit insurance and freight) where the principal supply is the supply of goods. As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.
4. Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; is includible in the value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.
5. The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.

Treatment of Discount given

In the given case, Mr. Mehta is allowed a discount of Rs. 20,000 on the goods supplied to him in the month of November, 20XX. Since the said goods have already been delivered by Kamal Book Depot, this discount will be a post-supply discount. Further, value of supply shall not include any discount which is given after the supply has been affected, if—

- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017].

However, in the given case, post-supply discount given to Mr. Mehta will not be allowed as a deduction from the value of supply **since the discount policy was not known before the time of such supply although the discount can be specifically linked to relevant invoice** (invoice pertaining to stationery items supplied to Mr. Mehta in November, 20XX).

Q19. Following are the particulars, relating to one of the machines sold by SQM Ltd. to ACD Ltd. in the month of February 2023 at list price of ₹ 9,50,000. (exclusive of taxes and discount) Further, following additional amounts have been charged from ACD Ltd: (IMP.)

No.	Particulars	Amount (₹)
(i)	Municipal taxes chargeable on the machine	45,000
(ii)	Outward freight charges (Contract was to deliver machine at ACD Ltd.'s factory i.e. F.O.R. contract)	65,000

Additional information:

- (i) SQM Ltd. normally gives an interest-free credit period of 30 days for payment, after that it charges interest @ 1% p.m. or part thereof on list price. ACD Ltd. paid for the supply after 45 days, but SQM Ltd. waived the interest payable SQM Ltd. received ₹ 50,000 as subsidy, from one non-government organization (NGO) on sale of such machine. This subsidy was not linked to the price of machine and also not considered in list price of ₹ 9,50,000.
- (ii) ACD Ltd. deducted discount of ₹ 15,000 at the time of final payment, which was not as per agreement.
- (iii) SQM Ltd. collected ₹ 9,500 as TCS (tax collected at source) under the provisions of the Income Tax Act, 1961.

Compute the value of taxable supply as per the provision of GST laws, considering that the price is the sole consideration for the supply and both parties are unrelated to each other.

Note: Correct legal provision should form part of your answer. (CA Inter Nov 20 – 6 Marks)

Solution:

Computation of value of taxable supply

S. No.	Particulars	Amount (Rs.)
	List price (exclusive of taxes and discount)	9,50,000
(i)	Municipal taxes [Note-1]	45,000
(ii)	Outward freight charges [Note-2]	65,000
	Value of taxable supply	10,60,000

Notes:

- 1) Tax other than GST, if charged separately, are includible in the value in terms of section 15.
- 2) Since contract is to deliver machine at buyer's factory, it is a composite supply wherein the freight charges will be added to the value of principal supply of machine.
- 3) Value of supply includes interest charged for delayed payment. However, since the interest on delayed payment has been waived off, the same has not been added to the value.
- 4) Subsidy provided by non-Government bodies is includible in the value in terms of section 15 provided the same is directly linked to the price. Since subsidy received from NGO is not directly linked to the price of the machine, the same has not been added to the value.
- 5) Since the discount was not known or agreed to at the time of supply of goods to the buyers, such discount cannot be reduced from the price, in terms of section 15.
- 6) TCS is not includible in the value of supply as it is an interim levy not having the character of tax.

Q20. Guru Enterprises (Delhi), a registered taxpayer, made a taxable supply to Y Ltd. (Delhi). The details of the said supply are as follows: (IMP.)

Particulars	Amount (₹)
Price of the goods (excluding any tax or discounts)	10,00,000
Tax levied by the Municipal Authority	10,000
Subsidy received from Jiva Enterprises Pvt Ltd. (The price above is after consideration of such subsidy amount)	1,00,000
Amount incurred by Y Ltd. for post-delivery inspection. (Charges incurred post receipt of goods by Y Ltd.)	5,000

In respect of above supply, Guru Enterprises had procured some raw material from X Ltd., for which it owed ₹ 25,000. The said amount was directly paid by Y Ltd. to X Ltd. and was not included in the price of goods of ₹10,00,000 mentioned above.

The payment of consideration for above supply was delayed by Y Ltd. Hence, an interest amount of ₹ 20,000 (in lumpsum) was also charged by Guru Enterprises.

The applicable tax rates are - CGST - 6%, SGST - 6% and IGST - 12%. You are required to determine the taxable value as well as the applicable tax liability for the said supply transaction. **MTP MAY 23**

Solution:

Computation of taxable value and tax liability

Particulars	Amount (₹)
Price of goods (exclusive of tax and discounts)	10,00,000
<i>Add:</i> Tax levied by Municipal Authority [Tax other than GST, if charged separately, are includible in the value.]	10,000
<i>Add:</i> Subsidy received from Jiva Enterprises Pvt. Ltd. [Subsidy provided by non-Government bodies and which is directly linked to the price is includible.]	1,00,000
<i>Add:</i> Post-delivery inspection charges [Anything done by the supplier in respect of the supply of goods after the delivery of goods is not includible in value.]	-
<i>Add:</i> Amount directly paid by Y Ltd. to X Ltd. [Liability of the supplier, in relation to the supply being valued, if discharged by the recipient of supply and not included in the price, is includible in the value.]	25,000
<i>Add:</i> Interest [Interest for delayed payment of consideration is includible in the value. Since interest is received in lumpsum, amount is inclusive of GST [$\text{₹ } 20,000 \times 100/112$ (rounded off).]	<u>17,857</u>
Value of taxable supply	11,52,857
CGST @ 6%	69,171
SGST @ 6%	69,171

CHAPTER 7: - EXEMPTION FROM GST

ICAI Study Material Questions

Q1. Exempt supply includes supply of any goods or services or both which attracts nil rate of tax and which may be wholly exempt from tax, but excludes non-taxable supply. Discuss the validity of the statement.

Solution:

The statement is not fully valid in law. Exempt supply has been defined as supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax and includes non-taxable supply.

Q2. Examine which of the following independent services are exempt from GST:

- a) Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.
- b) An RWA, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member.

Solution:

- a) Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. Food supplied to the in-patients by a canteen run by the hospital, as advised by the doctor/nutritionists, is a part of composite supply of healthcare and not separately taxable. Thus, said services are exempt from GST.
- b) Supply of service by an RWA (unincorporated body or a non-profit entity registered under any law) to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹ 7500 per month per member for providing services and goods for the common use of its members in a housing society/a residential complex are exempt from GST. Hence, in the given case, services provided by the RWA are exempt from GST since the maintenance charges collected per month per member do not exceed ₹ 7500.

Q3. An individual act as a referee in a football match organized by Sports Authority of India. He has also acted as a referee in another charity football match organized by a local sports club, in lieu of a lump sum payment. Discuss whether any GST is payable on the activities undertaken by him.

Solution:

Services provided to a recognized sports body by an individual, inter alia, as a referee in a sporting event organized by a recognized sports body is exempt from GST.

Since in the first case, the football match is organized by Sports Authority of India, which is a recognized sports body, services provided by the individual as a referee in such football match will be exempt

However, when he acts as a referee in a charity football match organized by a local sports club, he would not be entitled to afore-mentioned exemption as a local sports club is not a recognized sports body and thus, GST will be payable in this case.

Q4. RXL Pvt. Ltd. manufactures a beauty soap with the brand name 'Forever Young'. RXL Pvt. Ltd. has organized a concert to promote its brand. Ms. Ahana Kapoor, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert worth ₹ 1,20,000 will be donated to a charitable organization.

Solution:

Services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre are exempt from GST, if the consideration charged for such performance is not more than ₹ 1,50,000. However, such exemption is not available in respect of service provided by such artist as a brand ambassador.

Since Ms. Ahana Kapoor is the brand ambassador of 'Forever Young' soap manufactured by RXL Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by RXL Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST. The fact that the proceeds of the concert will be donated to a charitable organization will not have any bearing on the eligibility or otherwise to the above-mentioned exemption.

Q5. Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons (IMP.)

Particulars	Gross amount charged
Fees charged for yoga camp conducted by a charitable trust registered under section 12AA of the Income tax Act, 1961	50,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	5,20,000

Solution:

Computation of value of taxable supply

Fees charged for yoga camp conducted by a charitable trust [Note-1]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-2]	Nil
Amount charged by cord blood bank for preservation of stem cells [Note-3]	5,00,000
Service provided by commentator to a recognized sports Body [Note-4]	5,20,000
Value of Taxable Supply	10,20,000

Notes:

1. Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
2. Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST
3. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are no longer exempt from GST. They have been made taxable w.e.f 18th July 2022
4. Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.

Q6. Examine whether GST is exempted on the following independent supplies of services:

1. Service provided by a private transport operator to Scholar Boys Higher Secondary School in relation to transportation of students to and from the school.
2. Services provided by way of vehicle parking to general public in a shopping mall.

Solution:

1. Yes. Services provided TO an educational institution by way of transportation of students are exempted from GST.
2. No. Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, GST is payable on the same.

Q7. A State Transport Undertaking has hired motor vehicles meant to carry 8 - 10 passengers from Fast Cab Renting, a motor vehicle renting company. Give your comments as to whether any GST is payable in this case.**Solution:**

Services by way of giving on hire, inter alia, to a State Transport Undertaking, a motor vehicle meant to carry more than 12 passengers is exempt from GST.
Since the motor vehicles given on hire by Fast Cab Renting to the State Transport Undertaking are meant to carry 8-10 passengers, the same would not be eligible for exemption and would thus, be liable to GST.

Q8. Examine whether GST is payable in the following independent supply of services:

1. Indiana Engineering College, a recognized educational institution, has conducted an entrance test examination for various courses run by it and charged entrance fees from the applicants.
2. Ramfal Lalaji, an agriculturist, has stored sugarcane in a warehouse. He has taken fumigation services in the said warehouse from Gupta Pest Control Co. for which he paid the consideration of ₹ 6,000.

(also asked in ICAI Nov 2018 RTP)

Solution:

1. **Applicable Provisions of law:** - Services provided by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended.

Conclusion in the present case: - Since in the given case, services provided by Indiana Engineering College, an educational institution are by way of conduct of entrance examination against entrance fee, the same is exempt and thus, GST is not payable in this case.

2. Services by way of fumigation in a warehouse of agricultural produce are no longer exempt from GST. This exemption entry was deleted w.e.f 18th July 2022 and hence it would be taxable. In the present case, since Gupta Pest Control Co. provides services by way of fumigation in the warehouse of sugarcane [being an agricultural produce], GST shall be payable on such services

Q9. Poorva acts as a team manager for Indian Sports Authority (ISA), a recognised sports body, for a tennis tournament organised by a multinational company and received a remuneration of ₹ 2,00,000. Determine whether GST is payable on the remuneration received by Poorva.

Solution:

Services provided by a team manager to a recognized sports body for participation in a sporting event are exempt from GST provided said sporting event is organized by a recognized sports body.

In the given case, the services are being provided by a team manager to a recognized sports body, but the sporting event is not organized by a recognized sports body. Therefore, the services provided by Poorva are not exempt from GST

Q10. Ekta Charitable trust, registered under section 10(23C)(v) of the Income-tax Act, 1961, manages a temple in Rohini, Delhi. It has given on rent a community hall, located within temple premises, to public for celebration of Teej Mela. Rent charged is ₹ 9,500. You are required to determine whether the services provided by Ekta Charitable trust are liable to GST.

Solution:

Applicable Provisions of law: - Services by a person by way of renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a trust or an institution under section 10(23C)(v) of the Income-tax Act are exempt provided renting charges of premises, community halls, Kalyan mandapam or open area are not ₹ 10,000 or more per day.

Conclusion in the present case: - Thus, in the given case, renting of community hall by Ekta Charitable Trust is exempt from GST, as rent is less than ₹ 10,000 per day

Q11. ST Ltd. has given on hire 5 trucks to Titu Transporters of Delhi (a goods transport agency) for transporting goods in Central and West Delhi. The hiring charges for the trucks are ₹ 7,500 per truck per day. Examine whether GST is payable in the given case.

Solution:

GST is not payable in case of hiring of trucks to Titu Transporters. Services by way of giving on hire, inter alia, to a goods transport agency, a means of transportation of goods are exempt.

Q12. Good Health Medical Centre, a clinical establishment, offers the following services: (IMP.)

- 1) Reiki healing treatments.
- 2) Plastic surgeries. One such surgery was conducted to repair cleft lip of a new born baby.
- 3) Air ambulance services to transport critically ill patients from distant locations to the Medical Centre.
- 4) Palliative care for terminally ill patients. On request, such care is also provided to patients at their homes. (Palliative care is given to improve the quality of life of patients who have a serious or life-threatening disease but the goal of such care is not to cure the disease).
- 5) Alternative medical treatments by way of yoga.

Good Health Medical Centre also operates a cord blood bank which provides services in relation to preservation of stem cells.

Good Health Medical Centre is of the view that since it is a clinical establishment, all the service provided by it as well as all the services provided to it are exempt from GST.

You are required to examine the situation in the light of relevant statutory provisions.

Solution:

Health care services provided by a clinical establishment, an authorized medical practitioner or para-medics are exempt from GST under Entry 74. In light of the same, the eligibility to exemption in respect of each service offered by Good Health Medical Centre is examined below:

- 1) Not Exempt. Since reiki healing is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010, it would not be exempt and thus, GST would be payable thereon.
- 2) Exempt. Health care service does not include, inter alia, cosmetic or plastic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.
Therefore, plastic surgeries will not be entitled to the said exemption and thus, GST would be payable thereon. However, plastic surgery conducted to repair a cleft lip will be eligible for exemption as it reconstructs anatomy or functions of body affected due to congenital defects (cleft lip).
- 3) Exempt. Health care service includes services by way of transportation of the patient to and from a clinical establishment. Thus, air ambulance service to transport critically ill patients to Good Health Medical Centre would be eligible for exemption under the said notification.
- 4) Exempt. Health care service means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognized system of medicines in India. It is immaterial whether such service is provided at the clinical establishment or at the home of the patient or at any other place. Thus, palliative care for terminally ill patients is exempt.
- 5) Exempt. Since Yoga is a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010, the same would be eligible for exemption under the said notification.

Further, services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are NOT exempt from GST.

It is important to note that Entry 74 of the exemption notification grants exemption to health care services provided BY a clinical establishment and not to services provided TO a clinical establishment. Therefore, Good Health Medical Centre's contention that since it is a clinical establishment, all the services provided to it are also exempt from GST is not correct in law.

Q13. M/s. Apna Bank Limited, a Scheduled Commercial Bank has furnished the following details for the month of August, 20XX: (IMP.)

- Extended Housing Loan to its customers
- Processing fees collected from its customers on sanction of loan
- Commission collected from its customers on bank guarantee
- Interest income on credit card issued by the bank
- Interest received on housing loan extended by the bank
- Minimum balance charges collected from current account and saving account holder

Amount [₹ in crores](excluding GST)
100
20
30
40
25
01

Compute the value of taxable supply. Give reasons with suitable assumptions

(ICAI Inter May 19 – 6 Marks)

Solution:

Computation of value of taxable supply of M/s. Apna Bank Limited for the month of

Particulars	Amount in crores (₹)
Housing loan extended to customers [the given transaction of extending housing loan constitutes merely transaction in money. Since money does not constitute goods or services, it is not a supply.]	Nil
Processing fee collected on sanction of loan [Interest does not include processing fee on sanction of the loan. Hence, the same is taxable.]	20
Commission collected on bank guarantee [Any commission collected over and above interest on loan, advance or deposit are not exempt.]	30
Interest income on credit card issued by the bank [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax. However, interest involved in credit card services is not exempt.]	40
Interest received on housing loan [Services by way of extending loans in so far as the consideration is represented by way of interest are exempt from tax.]	Nil
Minimum balance charges collected from current account and saving account holder [Any charges collected over and above interest on loan, advance or deposit are not exempt. Minimum balance charges represent toleration of act and hence they are taxable supply]	01
Value of taxable supply	91

ICAI Past year Papers, RTPs and MTPs**Q14 Examine whether GST is exempted on the following independent supply of services: (IMP.)**

- 1) Teja & Co, a tour operator, provides services to a foreign tourist for tour conducted in Jammu & Kashmir and receives a sum of ₹ 3,00,000.
- 2) Ms. Poorva acts as a Team Manager for Indian Sports League (ISL), a recognised sports body, for a Tennis tournament organised by Multi brand retail company and received a remuneration of ₹ 2,00,000.

(ICAI CA-Inter May 2018 - 3 Marks)**Solution:****Applicable Provisions of law: -**

Services provided by a tour operator to a foreign tourist are exempt from GST provided such services are in relation to a tour conducted wholly outside India.

Further, in respect of tours partially conducted in India and partially outside India, exemption is available only to the extent of value of tour operator services provided to foreign tourist, outside India

However, there is no exemption in respect of tours wholly conducted within India.

Conclusion in the present case: -

Since in the given case, services provided by Teja & Co. are in relation to a tour conducted within India, the same are not exempt from GST.

Services provided by a team manager to a recognized sports body for participation in a sporting event are exempt from GST provided said sporting event is organized by a recognized sports body. Since in the given case, the sporting event is not organized by a recognized sports body, the services provided by Ms. Poorva are not exempt from GST

Q15. M/s. Pradyumn Corporation Pvt. Ltd., a registered dealer of Mumbai furnishes you following information for the month of October, 20XX (IMP.)

S No.	Particulars	Amount in ₹
(i)	Intra state sale of taxable goods (out of above ₹ 50,000 was received as advance in September, 20XX)	2,00,000
(ii)	Goods purchased from unregistered dealer (purchase on 20th October, 20XX) (10,000 in case of Inter-State & Balance Intra-State)	50,000
(iii)	Received for services by way of labour contracts for constructing a single residential unit otherwise than as a part of residential complex (It is Intra-State transaction)	50,000
(iv)	Professional fees paid to Ms. Udadhi located in a non-taxable territory (It amounts to Inter- State transaction)	50,000

Compute GST liability (CGST, SGST or IGST, as the case may be) of M/s Pradyumn Corporation Pvt. Ltd. for the month of October, 20XX. Assume the rates of GST as under: CGST 9% , SGST 9% , IGST 18%

Note: Turnover of M/s. Pradyumn Corporation Pvt. Ltd. was ₹ 2 crore in the previous financial year & the company has not opted for QRMP scheme in this FY. (ICAI IPCC May 2018 – 4 Marks)

Solution:

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Computation of GST liability of M/s. Pradyumn Corporation Pvt. Ltd. for the month of October, 20XX

Particulars	Value of Supply	CGST	SGST	IGST
Intra State sale of taxable goods [Note-1]	2,00,000	18,000	18,000	-
Goods purchased from unregistered dealer on 20th October, 20XX [Note-2]	Nil	Nil	Nil	-
Receipt for services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-3]	50,000	-	-	-
Professional fees paid to Ms. Udadhi located in a non-taxable territory [Note-4]	50,000	-	-	9,000
Total GST liability for the month of October, 20XX		18,000	18,000	9,000

- 1) As per CBIC notification, no tax is payable in case of advances received in respect of goods. Although, ₹ 50,000 advance has been received in the month of Sep 20XX but such advance amount would not have been taxable in that month. Accordingly, Time of Supply of entire ₹ 2,00,000 will fall in the month of Oct 20XX.
- 2) In respect of supplies by unregistered persons to registered person, reverse charge under section 9(4) is applicable only when such supply is notified by the government. In the absence of any notification under 9(4), no tax is payable under reverse charge
- 3) 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. Labour contracts for repairing are thus, taxable.
- 4) In case of import of services, IGST is payable under reverse charge. Further this tax cannot be paid through E-credit ledger, this liability is mandatorily required to be paid through E-cash ledger only

Q16. Decide with reason whether the following independent services are exempt under CGST Act, 2017:

M/s Fast Trans, a goods transport agency, transported relief materials meant for victims of Kerala floods being a natural disaster, by road from Delhi to Ernakulam, for a Limited Co.

Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of organizing business exhibition at Pragati Maidan in New Delhi as part of Make in India initiative.

(ICAI Inter Nov 18 – 3 marks)

Solution:

Services provided by a goods transport agency, by way of transport in a goods carriage of, inter alia, relief materials meant for victims of inter alia natural or man-made disasters are exempt from GST. Therefore, services provided by M/s Fast Trans will be exempt from GST.

Services provided by an organiser to any person in respect of a business exhibition held outside India is exempt from GST. Since in the given case, the exhibition is organized in India, the services of organization of event by Keyan Enterprises will not be exempt from GST.

Q17. Worldwide Pvt. Ltd. (a registered taxable person) having the gross receipt of ₹ 50 lakh in the previous financial year provides the following information relating to their services for the month of July, 20XX. (IMP.)

Sr. No.	Particulars	Amount (₹)
(1)	Running a boarding school	2,40,000
(2)	Fees from prospective employer for campus interview	1,70,000
(3)	Education services for obtaining the qualification recognized by law of foreign country	3,10,000
(4)	Renting of furnished flats for temporary stay to different persons (Rent per day is less than ₹ 1,000 per person)	1,20,000
(5)	Conducting Modular Employable Skill Course, approved by National Council of Vocational Training	1,40,000
(6)	Conducting private tuitions amount	3,00,000

Compute the value of taxable supply and the amount of GST payable. The above receipts don't include the GST amount. Rate of GST is 18%. (ICAI IPCC Nov 18 – 6 Marks)

Solution:

Computation of value of taxable supply and amount of GST payable

S.No	Particulars	₹
(1)	Running a boarding school [Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil
(2)	Fees from prospective employer for campus interview [Since these services have not been provided to students, staff and faculty, they shall be taxable]	1,70,000
(3)	Education services for obtaining the qualification recognized by law of foreign country [An institution providing education services for obtaining qualification recognized by a foreign country does not qualify as educational institution. Thus, said services are not exempt.]	3,10,000
(4)	Renting of furnished flats for temporary stay of different persons [Since the flat have been given for temporary stay, they cannot be said to be "used as residence" and hence exemption not available. Further, exemption relating to hotels, inn & other commercial places where tariff < ₹ 1000/day has also been deleted w.e.f. 18 th July 2022]	1,20,000
(5)	Conducting Modular Employable Skill Course [An institution providing Modular Employable Skill Course qualifies as educational institution. Services provided by an educational institution to its students, faculty and staff are exempt.]	Nil
(6)	Conducting private tuitions [Since private tuitions doesn't lead to any qualification recognized by any law in force, the same does not qualify as education institution. Accordingly, the services are taxable]	3,00,000
	Value of taxable supply	9,00,000
	GST payable @ 18%	1,62,000

Q18. Decide with reason whether the following independent services are exempt under CGST Act, 2017 Gokul Residents' Welfare Association received ₹ 9,000 per month as contribution from each member for

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sourcing of goods and services from third persons for common use of its members.

Mr. Vikalp, a performing artist, has received ₹ 1,58,000 from performance of classical dance and ₹ 90,000 from acting in TV Serial during the month of June 2018. (ICAI Inter May 19 – 4 Marks)

Solution:

Relevant Provision of law

Service by an unincorporated body or a registered non-profit entity, to its own members by way of share of contribution up to an amount of ₹ 7,500 per month per member for sourcing of goods/services from a third person for the common use of its members in a housing society or residential complex, is exempt. Further, CBIC circular has clarified that where monthly contribution exceeds ₹ 7,500 the entire amount is taxable (and not just the amount in excess of ₹ 7,500)

Conclusion in the given case

In the given case, monthly contribution per month per member received by Gokul Residents' Welfare Association exceeds ₹ 7,500. Therefore, entire ₹ 9,000 p.m. will be subjected to GST

Relevant Provisions of law

Services by an artist by way of a performance in folk or classical art forms of music, dance, or theatre, if the consideration charged for such performance is not more than ₹ 1,50,000 are exempt from GST.

Conclusion in the given case

In the given case, since the consideration received by the performing artist - Mr. Vikalp for performance of classical dance is more than ₹ 1,50,000, said services are not exempt.

Further, consideration received for acting in TV serial is also not exempt since said performance is not in folk/classical art forms of theatre.

Q19. State with reasons, whether GST is payable in the following independent cases: -

- 1) **Services provided to recognized sports body as curator of national team.**
- 2) **Services provided by way of transportation of passenger in Metered Cab.**
- 3) **Services by way of public conveniences such as provision of facilities of washrooms.**
- 4) **Services provided by a player to a franchisee which is not a recognized sports body**

(ICAI Nov 2019 RTP)

Solution:

- 1) Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is payable in case of services provided to a recognized sports body as curator of national team.
- 2) Service of transportation of passengers, with or without accompanied belongings, inter alia, by metered cabs are specifically exempt from GST vide Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is not payable in this case.
- 3) Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets are not liable to GST as it is specifically exempt as per Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is not payable in this case.

- 4) Services provided by a player to a franchisee which is not a recognized sports body is taxable as it is not exempt under Notification No. 12/2017 CT(R) dated 28.06.2017. Thus, GST is payable in this case.

Q20. Examine whether supply of food and drink in the following independent cases is exempt from GST:

-

“Smart Kids” is a Play School located in Delhi. Smart Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to BTV Caterers, Delhi for a consideration of ₹ 8,00,000 per annum.

Wellness Hospital, a clinical establishment located in Tirupati, is specialized in diabetic treatment. The hospital has its own canteen – Tasty Foods. The canteen serves the food and drink to the in-patients as advised by the doctors/nutritionists of the hospital. Apart from this, other patients (who are not admitted) or attendants or visitors of the in-patients also take food and drink from the canteen.

(ICAI May 2019 RTP)

Solution:

Services provided to an educational institution providing services by way of pre-school education an education up to higher secondary school or equivalent, by way of catering is exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended. Thus, in the given case, services provided by BTV Caterers to Smart Kids are exempt from GST.

Services by way of health care services provided by a clinical establishment, an authorized medical practitioner or para-medics are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended.

In this regard, CBIC has clarified that food supplied by the hospital canteen to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare services and is not separately taxable. Thus, it is exempt from GST. However, other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable.

In view of the same, GST is exempt on the food supplied by Tasty Foods to the in-patients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or attendants/visitors of the in-patients is taxable.

Q21. The temple of ancestral deity of Mr. Aman Goel and his family is located at Beri, Haryana. The temple is run by a charitable organisation registered under section 12AA of the Income Tax Act, 1961. The family has got unshakeable faith in their ancestral deity. Mr. Aman is a big entrepreneur having flourishing business of tiles in Gurugram. Upon the birth of their first child, he donated ₹ 10 lakh to the said temple for construction of a sitting hall in the temple. On the main door of the sitting hall, a name plate was placed stating “Donated by Mr. Aman Goel upon birth of his first child”.

You are required to examine the levability of GST on the donation received from Mr. Aman Goel?

(ICAI May 2020 RTP)

Solution:

It has been clarified vide Circular No. 116/35/2019 GST dated 11.10.2019 that when the name of the donor is displayed in the religious institution premises, by placing a name plate or similar such acknowledgement, which can be said to be an expression of gratitude and public recognition of donor’s act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). There is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service). Therefore, there is no GST liability on such consideration.

In the given case, there is no reference or mention of any business activity of the donor which otherwise would have got advertised. Thus, since the gift or donation is made to a charitable organization, the payment has the character of gift or donation and the purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement, hence GST is not leviable

Q22. Holiday Guest House, situated at Shimla, provides boarding & lodging services to tourists at economical cost. The charges of a single deluxe room per day are ₹ 999. Mr. X has booked one deluxe room for two days during Christmas holidays. You are required to determine whether GST is payable by Holiday Guest House on the above booking. If yes, determine the amount of GST so payable. (IMP.)

Will your answer change, if the charges of a single deluxe room per day charged by Holiday Guest House are ₹ 1,000?

M/s Damodar Ltd. provides services by way of storage of seasonal fruits and vegetables in Bhatinda, Punjab. The monthly rental for a godown is ₹ 15,000. Examine whether GST is payable by M/s Damodar Ltd. (ICAI May 2020 RTP)

Solution:

Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, are fully taxable. The earlier exemption related to these services if Tariff < ₹ 1,000 per day, has now been deleted

Hence, Boarding & lodging services provided by Holiday Guest House to tourists shall be taxable whether tariff charged is ₹ 999 or ₹ 1,000

Services by way of storage/ warehousing of agricultural produce, rice, minor forest produce, cereals, pulses, fruits, and vegetables have been exempted from GST under NN 12/2017.

Thus, no GST is payable on the services provided by M/s Damodar Ltd. by way of storage of seasonal fruits and vegetables in Bhatinda, Punjab.

Q23. Mutiservices Private Ltd., registered in Punjab, is engaged in supplying a variety of services. Its turnover was 35 lakhs in the preceding financial year. It has provided the following information for the month of April: (IMP.)

Particulars	Amount in ₹
Fee for the coaching provided to students for competitive exams. The coaching centre is run by Mutiservices Private Ltd. in Punjab (Intra-State transaction)	6,24,000
Receipts for services provided in relation to conduct of examination in Pureit University, Delhi (providing education recognized by Indian law), being an inter-State transaction	19,200
Amount received for transportation of students and faculty from their residence to Lotus Public School - a higher secondary school – and back (Intra-State transaction)	24,000
Amount received for providing the security and housekeeping services in Dhaani Public School – a pre-school (Intra-State transaction)	36,000

Note: Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amount given above are exclusive of taxes.

Compute the total GST liability of Multiservice Private Ltd. for the month of April (ICAI Nov 2020 RTP)

Solution:

Computation of net GST liability of Multi-services Private Ltd. For the month of April

Particulars	Value of Supply	CGST @9%	SGST @9%	IGST@18%
Fee for the coaching provided to students for competitive exams [Note-1]	6,24,000	56,160	56,160	-
Services towards conduct of examination in Pureit University, Delhi [Note-2]	19,200	-	-	-
Services of transportation of students and faculty from their residence to Lotus Public School and back [Note-3]	24,000	-	-	-
Security and housekeeping services in Dhaani Public School [Note-4]	36,000	-	-	-
Total GST Liability		56,160	56,160	-

Notes: -

- 1) Coaching centre run by Mutiservices Private Ltd. is not an educational institution since competitive exam coaching does not lead to grant of a qualification recognized by law. Therefore, fee received for coaching provided at such coaching centre is taxable.
- 2) Since Pureit University provides qualification recognized by law, it is an educational institution and services provided to an educational institution, in relation to conduct of examination by such institution are exempt from GST.
- 3) Since Lotus Public School provides education up to higher secondary school, it is an educational institution and services of transportation of students, faculty and staff provided to an educational institution are exempt.
- 4) Since Dhaani Public School provides pre-school education, it is an educational institution. Security and housekeeping services provided within the premises of an educational institution are exempt

Q24. 'Big Agro Handlers' furnishes the following details with respect to the activities undertaken by them in the month of December, 20XX: (IMP.)

Sl. No	Particulars	Amount in (₹)
(i)	Supply of farm labour	58,000
(ii)	Warehousing of biscuits	1,65,000
(iii)	Commission on sale of paddy	68,000
(iv)	Training of farmers on use of new pesticides and fertilizers developed through scientific research	10,000
(v)	Renting of vacant land to a stud farm	1,31,500
(vi)	Testing undertaken for seeds	1,21,500
(vii)	Leasing of vacant land to a poultry farm	83,500

Compute the GST Liability of 'Big Agro Handlers' for the month of December, 2023.

Assume that the time of supply in respect of all the activities mentioned above falls in the month of December, 20187 itself and all the amounts mentioned above are exclusive of GST. Assume rates of CGST 9% and GST 9%.

(adapted from old ICAI Practice Manual)

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Solution: Computation of GST Liability of Big Agro Handlers for December, 20XX

SI. No	Particulars	Amount in (₹)
(i)	Supply of farm labour	Exempt
(ii)	Warehousing of biscuits (since biscuits are not covered in definition of 'agricultural produce')	1,65,000
(iii)	Commission on sale of paddy (Paddy is 'agricultural produce' since it is in raw form and no procession is done on that)	Exempt
(iv)	Training of farmers on use of new pesticides and fertilizers developed through scientific research (covered under 'agricultural extension services')	Exempt
(v)	Renting of vacant land to a stud farm (Renting of vacant land is exempt only when it is used for agricultural purposes. Rearing of horses is not covered under definition of agriculture))	1,31,500
(vi)	Testing undertaken for seeds (Testing can be said to be an operation directly related to cultivation of agricultural produce)	Exempt
(vii)	Leasing of vacant land to a poultry farm (rearing of all forms of animals other than horses are covered in definition of agriculture)	Exempt
	Total value of Supply	2,96,500
	CGST @ 9%	26,685
	SGST @ 9%	26,685

Working Notes

Exemption Notification exempts warehousing services only when they are provided in related to agricultural produce and certain other specified goods. The term 'agricultural produce' is defined as any produce of agriculture on which either no further processing is done or such processing is done as is usually done by a cultivator or producer which does not alter its essential characteristics but makes it marketable for primary market.

The term 'agriculture' includes not just cultivation of plants but also rearing of all life-forms of animals (except the rearing of horses)

Exemption notification refers to Agricultural extension services. It means application of scientific research and knowledge to agricultural practices through farmer education or training

Q25. 'Rock Farmer Association' is engaged in providing services relating to agriculture. It furnishes the following

details with respect to the activities undertaken by them in the month of December, 20XX:

SI. No.	Particulars	Amount(₹)
(i)	Cultivation of ornamental flowers	42,000

(ii)	Packing of tomato ketchup	54,000
(iii)	Warehousing of potato chips	1,65,000
(iv)	Sale of tea leaves (agricultural produce) on commission basis	68,000
(v)	Packaging of pulses in the agricultural field	42,000
(vi)	Training of farmers on use of scientific tools and agro machinery	10,000
(vii)	leasing of vacant land to a stud farm	1,63,000
(viii)	Grading of wheat according to its quality	42,000
(ix)	Testing of samples from plants for pest detection	1,21,500
(x)	Rearing of silk worms	83,500

Compute the GST liability of 'Rock Farmer Association' for the month of December, 20XX. Assume that the time of supply in respect of all the activities mentioned above falls in the month of December, 20XX itself and all the amounts mentioned above are exclusive of GST. Assume CGST and SGST rate of 9% (adapted from old ICAI Practice Manual)

Solution:

Computation of GST payable by Rock Farmer Association for December, 20XX

Sl. No.	Particulars	Amount (₹)
(i)	Cultivation of ornamental flowers (Floriculture is covered in definition of agriculture)	Exempt
(ii)	Packing of tomato ketchup (It is not covered in definition on agricultural produce since such processing is done on tomatoes that changes their essential character)	54,000
(iii)	Warehousing of potato chips (they are not covered in definition of 'agricultural produce')	1,65,000
(iv)	Sale of tea leaves on commission basis (Tea leaves would be covered in definition of 'agricultural produce' since no further processing is done on them)	Exempt
(v)	Packaging of pulses (Since most of the pulses, other than whole grain pulses, are processed in a manner that changes their essential character, they won't get covered in definition of 'agricultural produce')	42,000
(vi)	Training of farmers on use of scientific tools and agro machinery (agricultural extension services)	Exempt
(vii)	leasing of vacant land to a stud farm (rearing of horses not covered in definition of 'agricultural produce')	1,63,000
(viii)	Grading of wheat according to its quality (subsequent operations to make the produce marketable but that do not change their essential character)	Exempt
(ix)	Testing of samples from plants for pest detection (directly related to cultivation)	Exempt
(x)	Rearing of silk worms (rearing of all forms of animals other than horses covered in the definition of 'agricultural produce')	Exempt

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Total	4,24,000
CGST @ 9%	38,160
SGST @ 9%	38,160

Working Notes

- 1) The term '**agricultural produce**' is defined as any produce of agriculture on which either no further processing is done or such processing is done as is usually done by a cultivator or producer which does not alter its essential characteristics but makes it marketable for primary market.
- 2) The term 'agriculture' includes not just cultivation of plants but also rearing of all life-forms of animals (except the rearing of horses)
- 3) Exemption notification refers to Agricultural extension services. It means application of scientific research and knowledge to agricultural practices through farmer education or training

Q26. Robinson Bank Ltd. furnishes the following information relating to services provided and the gross amount received during the month of December, 20XX. Compute the value of taxable service and GST payable

S No.	Particulars	Amount in Lakhs
1.	Amount of commission received for debt collection service	10.00
2.	Discount earned on bills discounted	4.50
3	Inter se sale or purchase of foreign currency amongst banks	5.70
4	Charges received on credit card and debit card facilities extended	3.80
5	Penal interest recovered from the customers for the delay in repayment of loan	2.60
6	Commission received for service rendered to Government for tax collection	6.00
7	Interest earned on term loans given to corporates	25.00
8	Charges recovered on ATM services provided to saving account holders: -	
	- Under Jan Dhan Yojana	7.80
	- Other Saving accounts	5.20

Presume all the above amounts are exclusive of GST and also presume that applicable rate of CGST and SGST is 9% (adapted from old ICAI Practice Manual)

Solution:

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

Sl. No	Particulars	Amount in (₹)
(i)	Amount of commission received for debt collection service	10,00,000
(ii)	Discount earned on bills discounted –exempt from tax (See working note 2)	Nil
(iii)	Inter se sale or purchase of foreign currency amongst banks - exempt from tax (See working note 4)	Nil

(iv)	Charges received on credit card and debit card facilities extended	3,80,000
(v)	Penal interest recovered from the customers for the delay in repayment of loan – <i>exempt from tax (See working note 3)</i>	Nil
(vi)	Commission received for service rendered-to Government for tax collection	6,00,000
(vii)	Interest earned on reverse repo transaction	Nil
(viii)	ATM charges recovered in respect of: - Basic savings accounts under Jan Dhan Yojana Other savings accounts	Exempt 5,20,000
	Value of Taxable services	25,00,000
	CGST @ 9%	2,25,000
	SGST @ 9%	2,25,000

Working Notes

Any transaction which merely constitutes transaction in money shall neither be treated as 'goods' nor 'services'. Hence there shall be no levy of GST on such transactions.

Services of extending loans and advances where consideration is received by banks in form of interest or discount are covered in definition of 'services' but they have been exempted by Exemption Notification. However, this exemption shall not be applicable in case of Interest on credit cards

CBIC circular has clarified that penal interest shall also be exempt from tax like normal interest.

Conversion of money from one currency to another for which separate consideration charged is covered in definition of 'service'. However, if this service involves conversion of foreign exchange amongst banks and authorized dealers, then this service is exempt from tax

Q27. Desai Coatwala is an advocate who is providing legal consultancy services to following clients during April 2023: - (IMP.)

- Consultancy to Mrs. B, a housewife in relation to a divorce case
- Consultancy to XYZ Ltd, a company which had a turnover of ₹ 80 lakhs during FY 2022-23
- Consultancy to M/s Bajaj Associates, another law firm in the city having turnover of ₹ 30 lakhs in FY 2022-23
- Consultancy to M/s Ram Kirana Store (exclusive supplier of goods) in Haryana, a businessman having turnover of ₹ 35 lakhs in FY 2022-23

Solution:

Taxability of services being provided by Desai Coatwala shall be as under:-

Services to	Taxability	Reason
Mrs. B	Exempt	Advocate services to non-business entity are exempt
XYZ Ltd	Taxable. XYZ Ltd. shall be liable to pay GST under reverse charge	Since the Company has aggregate turnover exceeding the applicable threshold limit in immediately preceding FY, exemption will not be applicable in such case. Further, this case shall be covered under reverse charge
M/s Bajaj &	Exempt	Since the services are being provided to another firm of advocates, they

Associates		shall be exempt. This exemption will be applicable irrespective of the turnover of recipient firm
Ram Kirana Store	Exempt	Since the turnover of the service recipient is less than the applicable threshold limit (₹ 40 lakhs in the present case) in immediately preceding FY, these services shall be exempt

Q28. Satya Sai Residents Welfare Association, a registered person under GST has 30 members each paying ₹ 8,000 as maintenance charges per month for sourcing of goods and services from third persons for common use of its members. (IMP.)

The Association purchased a water pump for ₹ 59,000 (inclusive of GST of ₹ 9,000) and availed input services for ₹23,600 (inclusive of GST of ₹ 3,600) for common use of its members during February 2023. Compute the total GST payable, if any, by Satya Sai Residents Welfare Association, for February 2023.

GST rate is 18%. All transactions are intra-State. There is no opening ITC and all conditions for ITC are fulfilled (CA Inter- Jan21 - 4 Marks)

Solution:

Computation of total GST payable by Satya Sai Residents Welfare Association

Particulars	Value (₹)	GST (₹)
Maintenance charges received [₹ 8,000 × 30 members] [Services by RWA to its members for sourcing of goods or services from a third person for the common use of its members in a housing society are exempt provided the share of contribution per month per member is up to 7,500. Otherwise, entire amount is taxable.]	2,40,000	
Total GST payable [It has been logically presumed that maintenance charges are exclusive of GST.]		43,200

Note: Residents Welfare Association is entitled to take ITC of GST paid by them on capital goods, goods and input services, used by it for making supplies to its members and use such ITC for discharge of GST liability on such supplies where the amount charged for such supplies is more than ₹7,500 per month per member. Thus, Satya Sai Residents Welfare Association can avail ITC of GST paid on water pump purchased (₹ 9,000) and input services availed (₹ 3,600). Net GST payable in that case will come out ₹ 30,600.

Q29. XYZ Pvt. Ltd. manufactures beauty soap with the brand name 'Forever beauty'. XYZ Pvt. Ltd. has organized a concert to promote its brand. Ms. Mahima, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert.

The proceeds of the concert is ₹ 1,25,000.

Explain with relevant provisions of GST, whether Ms. Mahima will be required to pay any GST.

What will be the answer if the proceeds of the concert is donated to a charitable organization?

(CA Inter July 2021 – 4 Marks)

Solution:

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Relevant Provisions of law

Services by an artist by way of a performance in folk or classical art forms of music, dance, or theatre, if the consideration charged for such performance is not more than ₹ 1,50,000 are exempt from GST. However, such exemption is not available in respect of service provided by such artist as a brand ambassador

Conclusion in the given case

Since Ms. Mahima is the brand ambassador of 'Forever Beauty' soap manufactured by XYZ Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by XYZ Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST.

Even if the proceeds of the concert will be donated to a charitable organization, she will be liable to GST.

Q30. AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October, 2023 (IMP.)

Particulars	Amount (₹)
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com.	2,50,000
Online monthly magazine containing question bank and latest updates in law to students of PQR Law College offering degree courses in LLB and LLM	1,00,000
Housekeeping services to T Coaching Institute	50,000
Security services to N Higher Secondary School	3,25,000
Services of providing breakfast, lunch and dinner to students of ABC Medical College offering degree courses recognized by law in medical field	5,80,000

All the above amounts are exclusive of GST. Compute the taxable supplies of AB Ltd. for the month of October

2023 with necessary explanations.

(CA Inter Dec 2021 – 6 Marks)

Solution:

Computation of value of taxable supplies of AB Ltd.

Particulars	Amount (₹)
Services of transportation of students, faculty and staff to Commerce College [Not exempt, since transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	2,50,000
Online monthly magazine to students of PQR Law College	
[Services of supply of online educational journals provided to an educational institution providing qualification recognized by law are exempt.]	Nil
Housekeeping services to T Coaching Institute [Not exempt]	50,000
Security services to N Higher Secondary School [Security services provided to an educational institution providing education up to higher secondary	Nil

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school is exempt.]	
Services of providing breakfast, lunch and dinner to students of ABC Medical College [Not exempt, since catering services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	5,80,000
Value of taxable supplies	8,80,000

Q31. Determine whether GST is payable in each of the following independent transactions:

- (i) Dhruv Developers sold a plot of land in Greater Noida after levelling, laying down of drainage lines, water lines and electricity lines.
- (ii) Deccan Shipping Pvt. Ltd., registered under GST in Andaman and Nicobar Islands, provided the passenger transportation services to the local residents in the ferries owned by it from Neil Island to Havelock Island. **RTP MAY 23**

Solution:

- (i) GST is not payable by Dhruv Developers on sale of plot of land. Circular No. 177/09/2022 GST dated 03.08.2022 clarifies applicability of GST on sale of land after levelling, laying down of drainage lines etc. As per Para 5 of Schedule III of the CGST Act, 2017, 'sale of land' is neither a supply of goods nor a supply of services. Therefore, the sale of land does not attract GST. Land may be sold either as it is or after some development such as levelling, laying down of drainage lines, water lines, electricity lines, etc. It is clarified that sale of such developed land is also sale of land and is covered by Para 5 of Schedule III and accordingly, does not attract GST.
- (ii) Transportation of passenger services provided by the private operator - Deccan Shipping Pvt. Ltd. - are exempt from GST. Circular No. 177/09/2022 GST dated 03.08.2022 clarifies the applicability of GST on private ferry tickets. Transportation of passengers by public transport, other than predominantly for tourism purpose, in a vessel between places located in India is exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017. It is clarified that this exemption would apply to tickets purchased for transportation from one point to another irrespective of whether the ferry is owned or operated by a private sector enterprise or by a PSU/Government.
It is further clarified that, the expression 'public transport' used in the said exemption notification only means that the transport should be open to public. It can be privately or publicly owned. Only exclusion is on transportation which is predominantly for tourism, such as services which may combine with transportation, sightseeing, food and beverages, music, accommodation such as in shikara, cruise etc.

Q32. State with reasons, whether GST is payable in the following independent cases: -

- 1) Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors.
- 2) An RWA in a housing society, registered under GST, collects the maintenance charges of ₹ 6,500 per month per member. **MTP MAY 23**

Solution:

- (i) Services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. Food supplied to the in-patients by a canteen run by the hospital, as advised by the doctor/nutritionists, is a part of composite supply of healthcare and not separately taxable. Thus, said services are exempt from GST.

(ii) Supply of service by a RWA (unincorporated body or a non-profit entity registered under any law) to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹ 7500 per month per member for providing services and goods for the common use of its members in a housing society/a residential complex are exempt from GST. Hence, in the given case, services provided by the RWA are exempt from GST since the maintenance charges collected per month per member do not exceed ₹ 7500.

Q33. Miss. P, a registered supplier of Rajasthan, has received the following amounts in respect of the activities undertaken by her during the month of April:

S. No.	Particulars	Amount (in ₹)
1	Amount received for warehousing of sugarcane	50,000
2	Commission received as business facilitator for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts	20,000
3	Amount received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex	10,000

All the transactions stated above are inter-State transactions and all amounts are exclusive of GST. You are required to compute total GST payable by Miss. P for the month of April assuming the rate of GST to be 18%. MTP MAY 23

Solution:

Computation of value of taxable supply on which GST is to be paid by Miss. P

Particulars	IGST* (₹)
Amount received for warehousing of sugarcane [Warehousing of agricultural produce is exempt from GST.]	Nil
Commission received as business facilitator [Services provided by a business facilitator to a banking company with respect to accounts only in its rural area branch are exempt from GST. In the given case since services are being provided to urban branch of the bank, they are taxable. However, the tax payable thereon is to be paid by the recipient of services i.e. banking company, under reverse charge. Hence, Miss P will not be liable to pay GST on commission received for said services.]	Nil
Amount received for services by way of labour contracts [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 from GST. Since such services are being provided for repairing the residential unit, they are not eligible for exemption.]	1,800 [10,000 X 18%]
Total IGST payable	1,800

*Note: IGST is payable on inter-State supply.

Student note

CHAPTER 8: - REGISTRATION

ICAI Study Material Questions

Q1. Determine the effective date of registration in following cases:

- a) The aggregate turnover of Dhampur Footwear Industries of Delhi has exceeded the applicable threshold limit of ₹ 40 lakh on 1st September. It submits the application for registration on 20th September. Registration certificate is granted to it on 25th September.
- b) Mehta Teleservices is an architect in Lucknow. Its aggregate turnover exceeds ₹ 20 lakh on 25th October. It submits the application for registration on 27th November. Registration certificate is granted to it on 5th December.

Solution:

- a) Every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit [₹ 40 lakhs in this case] in a financial year [Section 22 read with Notification No. 10/2019 CT dated 07.03.2019]. Since in the given case, the turnover of Dhampur Industries exceeded ₹ 40 lakh on 1st September, it becomes liable to registration on said date.
Further, since the application for registration has been submitted within 30 days from such date, the registration shall be effective from the date on which the person becomes liable to registration [Section 25 read with rule 10]. Therefore, the effective date of registration is 1st September.
- b) Since in the given case, the turnover of Mehta Teleservices exceeds the applicable threshold limit [₹ 20 lakhs] on 25th October, it becomes liable to registration on said date.
Further, since the application for registration has been submitted after 30 days from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration. Therefore, the effective date of registration is 5th December.

Q2. In order to be eligible for grant of registration, a person must have a Permanent Account Number issued under the Income- tax Act, 1961. State one exception to it. (IMP.)

Solution:

A Permanent Account Number is mandatory to be eligible for grant of registration. One exception to this is a non-resident taxable person. A non- resident taxable person may be granted registration on the basis of other prescribed documents instead of PAN. He has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory who is an Indian Resident having valid PAN and application will be submitted in a different prescribed form [Section 25(6) & (7)].

Q3. State which of the following suppliers are liable to be registered:

- a) Agent supplying taxable goods on behalf of some other taxable person and its aggregate turnover does not exceed the applicable threshold limit during the financial year.
- b) An agriculturist who is only engaged in supply of produce out of cultivation of land and its aggregate turnover exceeds the applicable threshold limit during the financial year.

Solution:

- a) Section 22 stipulates that every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit in a financial year. However, as per section 24, a person making taxable supply of goods/services or both on behalf of other taxable persons whether as an agent or not is liable to be

compulsorily registered even if its aggregate turnover does not exceed the applicable threshold limit during the financial year.

- b) As per section 23, an agriculturist who is only engaged in supply of produce out of cultivation of land is not required to obtain registration even if his turnover exceeded the applicable threshold limit for registration.

Q4. What is the advantage of taking registration in GST?

Solution:

Registration will confer following advantages to the business:

- 1) Legally recognized as supplier of goods or services.
- 2) Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
- 3) Legally authorized to collect tax from his purchasers and pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.
- 4) Become eligible to avail various other benefits and privileges rendered under the GST laws.

Q5. Can a person without GST registration collect GST and claim ITC?

Solution:

No, a person without GST registration can neither collect GST from his customers nor can claim any input tax credit of GST paid by him.

Q6. Pure Oils, Delhi has supplied machine oil and high-speed diesel in the month of April as per the details given in table below. Pure Oils is not yet registered (IMP.)

S No.	Particulars	Amount excluding GST
(i)	Supply of machine oil in Delhi	15,00,000
(ii)	Supply of high-speed diesel in Delhi	10,00,000
(iii)	Supply of machine oil made in Punjab by Pure Oils from its branch located in Punjab	10,00,000

Determine whether Pure Oils is liable for registration

Solution:

Relevant Provisions of law

As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be 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 ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under

- a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- b) ₹ 20 lakh for the rest of India

As per section 2(6), aggregate turnover includes the aggregate value of:

- (i) all taxable supplies,
- (ii) all exempt supplies,
- (iii) exports of goods and/or services and
- (iv) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not considered for calculation of 'aggregate turnover'.

Section 9(2) provides that CGST is not leviable on five petroleum products i.e. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. As per section 2(47), exempt supply includes non-taxable supply. Thus, supply of high-speed diesel in Delhi, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.

Computing value of Aggregate turnover

In the backdrop of the above-mentioned discussion, the aggregate turnover of Pure Oils for the month of April is computed as under:

Particulars	Amount
(i) Supply of machine oil in Delhi	15,00,000
(ii) Add: - Supply of high-speed diesel in Delhi	10,00,000
Add: - Supply of machine oil made in Punjab by Pure Oils from its branch located in	
(iii) Punjab	10,00,000
Aggregate turnover	35,00,000

Conclusion about registration requirement

Pure Oils is making exclusive supply of goods and hence the threshold limit for registration would be ₹ 40,00,000. Since the aggregate turnover does not exceed ₹ 40,00,000, Pure Oils is not liable to be registered

Q7. What will be your answer if in question above, in S.No. (ii), Pure Oils supplies the high-speed diesel in Delhi in the capacity of an agent of Mixed Oils Ltd.? (IMP.)

Solution:

In case Pure Oils makes the supply in capacity of an agent of Mixed Oils Ltd.:

Section 24 provides that an agent who is engaged in making taxable supplying of goods on behalf of other taxable persons, shall be liable to obtain registration irrespective of the threshold turnover limit. However, in the present case, if Pure Oils supply high speed diesel on behalf of Mixed Oil Ltd. in Delhi as its agent, it shall still not be liable to obtain registration in Delhi since section 24 comes into play only when agent is making taxable supply of goods on behalf of principal whereas in the given case, Pure Oils is supplying non-taxable goods on behalf of Mixed Oils Ltd.

Q8. If a person is making taxable supplies from different States, with the same PAN number, can he

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operate with a single registration?**Solution:**

No. Every person who is liable to take a registration will have to get registered separately for each of the States where he has a business operation (and making taxable supplies) provided his aggregate turnover exceeds applicable threshold limit.

Q9. Examine whether the supplier of goods is liable to get registered in the following independent cases:

- (i) Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is ₹ 33 lakh. He has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY. **(IMP.)**
- (ii) Pulkit of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh.
- (iii) Harshit of Himachal Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 24 lakh. **(also asked in ICAI RTP Nov 2019)**

Solution:

As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be 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 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: -

- (i) Raghav is eligible for higher threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Raghav is engaged in supplying readymade garments from a Special Category State i.e. Tripura, the threshold limit gets reduced to ₹ 10 lakh. Thus, Raghav is liable to get registered under GST as his turnover exceeds ₹10 lakh. Further, he is required to obtain registration in both Assam and Tripura as he is making taxable supplies from both the States.
- (ii) The applicable threshold limit for registration for Pulkit in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods in Goa. Thus, he is not liable to get registered under GST as his turnover is less than the threshold limit.
- (iii) Harshit being exclusively engaged in supply of pan masala is not eligible for higher threshold limit of ₹40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Harshit is liable to get registered under GST.

Q10. Can a person having multiple places of business in a State obtain separate registrations for each place of business?**Solution:**

Yes. In terms of the proviso to sub-section (2) of section 25, a person having multiple places of business in a State may obtain a separate registration for each place of business, subject to such conditions as may be prescribed.

Q11. Examine whether the supplier is liable to get registered in the following independent cases: -

- (i) Ankit of Assam is exclusively engaged in intra-State supply of taxable services. His aggregate turnover in the current financial year is ₹ 25 lakh.
- (ii) Sanchit of Assam is engaged in intra-State supply of both taxable goods and services. His aggregate turnover in the current financial year is ₹ 30 lakh.

Solution:

As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be 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 taxable supply of services or supply of both goods and services is as under: -

- a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
 - b) ₹ 20 lakh for the rest of India.
- (i) Though Ankit is dealing in Assam, he is not entitled for higher threshold limit for registration as the same is applicable only in case of exclusively supply of goods and he is exclusively engaged in providing services. Thus, the applicable threshold limit for registration in this case is ₹ 20 lakh and hence, Ankit is liable to get registered under GST.
- (ii) Since Sanchit is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in his case is ₹ 20 lakh. Thus, Sanchit is liable to get registered under GST as his turnover is more than the threshold limit.

Q12. Is there a provision for a person to get himself voluntarily registered though he may not be liable to pay GST?

Solution:

Yes. In terms of sub-section (3) of section 25, a person, though not liable to be registered under sections 22 or 24 may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered taxable person, shall apply to such person.

Q13. Can the Department, through the proper officer, suo-moto proceed to register a person under GST?

Solution:

Yes. In terms of sub-section (8) of section 25, where a person who is liable to be registered under GST law fails to obtain registration, the proper officer may, without prejudice to any action which may be taken under CGST Act, or under any other law for the time being in force, proceed to register such person in the manner as is prescribed in the CGST Rules.

Q14. Whether the registration granted to any person is permanent?

Solution:

Yes, the registration certificate once granted is permanent unless surrendered, cancelled, suspended or revoked.

Q15. Is it necessary for the UN bodies to get registration under GST?

Solution:

In terms of section 25(9), all notified UN bodies, Consulate or Embassy of foreign countries and any other class of persons so notified would be required to obtain a unique identification number (UIN) from the GST portal.

The structure of the said ID would be uniform across the States in conformity with GSTIN structure and the same will be common for the Centre and the States. This UIN will be needed for claiming refund of taxes paid on notified supplies of goods and services received by them, and for any other purpose as may be notified.

Q16. What is the responsibility of the taxable person making supplies to UN bodies?**Solution:**

The taxable supplier making supplies to UN bodies is expected to mention the UIN on the invoices and treat such supplies as supplies to another registered person (B2B).

Q17. What is the validity period of the registration certificate issued to a casual taxable person and non-resident taxable person?**Solution:**

In terms of section 27(1) read with proviso thereto, the certificate of registration issued to a "casual taxable person" or a "non-resident taxable person" shall be valid for a period specified in the application for registration or 90 days from the effective date of registration, whichever is earlier. However, the proper officer, at the request of the said taxable person, may extend the validity of the aforesaid period of 90 days by a further period not exceeding 90 days.

Q18. What happens when the registration is obtained by means of willful mis-statement, fraud or suppression of facts?**Solution:**

In such cases, the registration may be cancelled with retrospective effect by the proper officer [Section 29(2)(e)].

Q19. Is there an option to take centralized registration for services under GST Law?**Solution:**

No, the tax payer has to take separate registration in every State from where he makes taxable supply of services.

Q20. What could be the liabilities (in so far as registration is concerned) on transfer of a business?**Solution:**

The transferee or the successor shall be liable to be registered with effect from such transfer or succession and he will have to obtain a fresh registration with effect from the date of such transfer or succession [Section 22(3)].

Q21. At the time of registration, will the assessee have to declare all his places of business?**Solution:**

Yes. The principal place of business and place of business have been separately defined under section 2(89) & 2(85) respectively. The taxpayer will have to declare the principal place of business as well as the details of additional places of business in the registration form.

Q22. Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled?**Solution:**

Yes, as per section 29(5), every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.

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Q23. Determine the effective date of registration under CGST Act in respect of the following cases with proper explanation:

- a) The aggregate turnover of Varun Industries of Mumbai has exceeded ₹ 40 lakh on 1st August. Varun Industries manufactures LED TVs in Mumbai and sells them in Pune. It submits the application for registration on 20th August. Registration certificate granted on 25th August
- b) Sweta InfoTech Services is the provider of internet services in Pune. Its aggregate turnover exceeds ₹ 20 lakh on 25th September. It submits the application for registration on 27th October. Registration certificate is granted on 5th November. **(ICAI IPCC May 18- 4 Marks)**

Solution:

As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be 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 States of Mizoram, Tripura, Manipur and Nagaland.
- b) ₹ 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- c) ₹ 40 lakh for rest of India. However, the higher threshold limit of ₹ 40 lakh is not available to persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under: -

- (a) ₹10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹20 lakh for the rest of India.

As per rule 10, where a person submits the application for registration within 30 days of becoming liable for registration, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.

In the light of the above provisions, in the given cases, the applicable turnover limit for registration will be ₹ 40 lakh and ₹ 20 lakh respectively in case (i) and (ii).

- (i) Since Varun Industries applied for registration within 30 days of becoming liable to registration, the effective date of registration is 1st August.
- (ii) Since Sweta InfoTech Services applied for registration after the expiry of 30 days from the date of becoming liable to registration, the effective date of registration is 5th November.

Q24. State with reason whether following statement is true or false:

"When the change in constitution of business results in change in PAN, the business entity can apply for amendment of registration in prescribed manner within 15 days. (ICAI IPCC May 18- 2 Marks)

Solution:

The said statement is FALSE.

When a change in constitution of a business results in change of PAN of the registered person, the said person shall apply for fresh registration. The reason for the same is that GSTIN is PAN based. Any change in PAN would warrant a new registration

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Q25. List the inclusions and exclusions for computing the "Aggregate Turnover" under CGST Act, 2017.

(ICAI Inter May 18 – 5 Marks)

Solution:

Aggregate turnover includes the aggregate value of all:

- taxable supplies,
- exempt supplies,
- exports of goods and/or services and
- Inter-State supplies of persons having the same PAN., to be computed on all India basis

Aggregate turnover excludes: -

- value of inward supplies on which tax is payable by a person on reverse charge basis,
- central tax, State tax, Union territory tax, integrated tax and cess

Q26. Determine with brief reasons, whether the following statements are True or False:

“Registration under the CGST Act, 2017 can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within three months from the date of registration.”

(ICAI Inter Nov 2018 - 1.5 marks)

Solution:

The said statement is False.

Registration under the CGST Act, 2017 can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within six months from the date of registration.

Q27. State the persons who are not liable for registration as per provisions of Section 23 of Central Goods and Service Tax Act, 2017. (ICAI Inter Nov 2018 – 5 Marks)

Solution:

As per provisions of Section 23 of CGST Act, 2017, the persons who are not liable for registration are as under–

- Person engaged exclusively in supplying goods/services/both that are wholly exempt from tax.
- Person engaged exclusively in supplying goods/services/both that are not liable to tax.
- Agriculturist to the extent of supply of produce out of cultivation of land.
- Persons only engaged in making supplies of taxable goods or services or both liable to reverse charge.
- Persons making inter-State supplies of taxable services up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakhs in case of Mizoram, Manipur, Nagaland, Tripura).
- Casual Taxable Persons making taxable supplies of specified handicraft goods up to an aggregate turnover of R. 20 lakh (₹ 10 lakhs in case of Mizoram, Manipur, Nagaland, Tripura) subject to specified conditions.
- Persons making inter-State supplies of specified handicraft goods up to an aggregate turnover of ₹ 20 lakh (₹ ₹ 10 lakh in case of Mizoram, Manipur, Nagaland, Tripura) subject to specified conditions.
- Persons making supplies of services through an electronic commerce operator (other than supplies specified under section 9(5) of the CGST Act) up to an aggregate turnover of ₹ 20 lakh (₹ 10 lakhs in case of Mizoram, Manipur, Nagaland, Tripura).

[Note Any 5 points may be mentioned]

Q28. Mr. Allan, a non-resident person, wishes to provide taxable supply of goods. He has no fixed place of business or residence in India. He seeks your advice on the following aspects, relating to CGST Act, 2017:

1) When shall he apply for registration? (IMP.)

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- 2) Is PAN mandatory for his registration?
- 3) What is the period of validity of RC granted to him?
- 4) Will he be able to extend the validity of his registration? If yes, what will be the period of extension?

(ICAI Inter Nov 2018 – 5 Marks)

Solution:

- 1) Mr. Allan, being a non-resident person, should apply for registration, irrespective of the threshold limit, at least 5 days prior to the commencement of business.
- 2) No, PAN is not mandatory for his registration. He has to submit a self-attested copy of his valid passport along with the application signed by his authorized signatory who is an Indian Resident having valid PAN. However, in case of a business entity incorporated or established outside India, the application for registration shall be submitted along with its tax identification number or unique number on the basis of which the entity is identified by the Government of that country or its PAN, if available.
- 3) Registration Certificate granted to Mr. Allan will be valid for:
Period specified in the registration application, or
90 days from the effective date of registration whichever is earlier.
- 4) Yes, Mr. Allan can get the validity of his registration extended. Registration can be extended further by a period not exceeding 90 days.

Q29. There is a dairy farm selling milk and milk products in Delhi. The turnover of his dairy farm is as below:

Milk (Exempted): ₹ 19,90,000

Butter (Taxable): ₹ 50,000

What is the registration liability under GST for the above-mentioned person assuming he has same PAN? Amit, a taxable person, is operating in Tamil Nadu, Punjab and West Bengal, with the same PAN. Can he operate with a single registration in West Bengal? (ICAI IPCC Nov 2018 – 2 + 2 Marks)

Solution:

Every supplier becomes liable to registration if his aggregate turnover in a financial year exceeds the applicable threshold limit. As per section 22 read with Notification No.10/2019, the applicable threshold limit in the present case shall be ₹ 40 lakhs (since dairy farm is exclusively engaged in supply of goods)

Further, aggregate turnover, inter alia, means the aggregate value of all taxable supplies as well as exempt supplies. Thus, in the given case, aggregate turnover:

$$= ₹ 19,90,000 + ₹ 50,000 = ₹ 20,40,000$$

Since aggregate turnover of the dairy farm in Delhi does not exceed ₹ 40 lakh, it is not liable to get registered.

No, Amit cannot operate with a single registration in West Bengal if he is making taxable supplies from Tamil Nadu and Punjab also. Every person who is liable to take a registration will have to get registered separately for each of the States where he has a business operation and is liable to pay GST.

However, if he is not making taxable supplies from Tamil Nadu and Punjab, he can operate with a single registration in West Bengal.

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Q30. The aggregate turnover of Vikas Enterprise of Mumbai (Maharashtra), which is engaged in supplying services, has exceeded ₹ 20 lakh on 25th January, 20XX. It submits the application for registration on 15th February, 20XX. Registration certificate is granted on 20th February, 20XX. Determine the effective date of registration under CGST Act, 2017. (ICAI IPCC Nov 2018 – 2 Marks)

Solution:

A supplier of service whose aggregate turnover in a financial year exceeds ₹ 20 lakh in a State/UT [₹10 lakh in case of Manipur, Mizoran, Nagaland and Tripura] is liable to apply for registration within 30 days from the date of becoming liable to registration.

Where the application is submitted within said period, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.

Since Vikas Enterprise applied for registration within 30 days of becoming liable to registration, the effective date of registration is 25th January, 20XX.

Q31. State with brief reason, whether following suppliers of taxable goods are required to register under the GST Law

(i) Mr. Raghav is engaged in wholesale cum retail trading of medicines in the State of Assam. His aggregate turnover during the financial year is ₹ 9,00,000 which consists of ₹ 8,00,000 as Intra-State supply and ₹ 1,00,000 as Inter-State supply.

(ii) Mr. S.N Gupta of Rajasthan is engaged in trading of taxable goods on his own account and also acting as an agent of Mr. Rishi of Delhi (who is registered under GST). His turnover in the financial year 2022-23 is of ₹ 12 lakhs on his own account and ₹ 9 lakhs on behalf of principal. Both turnovers are Intra-State supply. (ICAI Inter May 2019 – 4 marks)

Solution:

(i) Relevant provisions of law

As per section 24, Person making any inter-State taxable supply of goods is required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

Conclusion in the present case

Thus, in the given case Mr. Raghav is required to obtain registration compulsorily under GST laws even though his aggregate turnover does not exceed the threshold limit of ₹ 40 lakhs

(ii) Relevant provisions of law

As per section 24, Persons who make taxable supply of goods on behalf of other taxable persons whether as an agent or otherwise are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover. Aggregate turnover includes all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

Conclusion in the present case

In the present case, aggregate turnover of Mr. SN Gupta shall be ₹ 21 lakhs which doesn't exceed the applicable threshold limit of ₹ 40 lakhs. However, since Mr. S.N Gupta is also acting as an agent of Mr. Rishi of Delhi (who is a taxable person), he is required to obtain registration compulsorily under section 24.

Q32. Answer the following questions with respect to casual taxable person under the CGST Act, 2017:

(IMP.)

- 1) Who is a casual taxable person?
- 2) Can a casual taxable person opt for the composition scheme?
- 3) When is the casual taxable person liable to get registered?
- 4) What is the validity period of the registration certificate issued to a casual taxable person?
- 5) Can the validity of registration certificate issued to a casual taxable person be extended? If yes, what will be the period of extension **(ICAI Inter May 2019 – 5 marks)**

Solution:

- 1) Casual taxable person means a person who occasionally undertakes transactions involving supply of goods and/or services in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State/UT where he has no fixed place of business.
- 2) No, a casual taxable person cannot opt for the composition scheme.
- 3) As per Section 24, A casual taxable person (CTP) is liable to obtain registration compulsorily under GST laws (irrespective of his aggregate turnover), at least 5 days prior to commencement of business. However, threshold limit of ₹ 20 lakh (₹ 10 lakhs in case of Manipur, Mizoram, Nagaland and Tripura) is available in case of CTP making taxable supplies of specified handicraft goods.
- 4) The registration certificate issued to a casual taxable person will be valid for: the period specified in the registration application, or 90 days from the effective date of registration whichever is earlier.
- 5) Yes, the validity of registration certificate issued to a casual taxable person can be extended. It can be extended by a further period not exceeding 90 days.

Q33. Explain the registration requirements under GST law in the following independent cases:

Mr. Ahmad of Jammu engaged in the business of supplying tobacco based Pan Masala with an aggregate turnover of ₹ 24 lacs.

Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of ₹ 13 lacs.

Will your answer be different if Mr. Lepcha is located in Meghalaya (ICAI Inter Nov 2019 – 5 Marks)

Solution:

Provisions of law

As per section 22 of CGST Act read with Notification 10/2019, a supplier is liable to be registered in the State from where he makes the 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 exclusively making intra-state supplies of goods is as under: -

In the States of Mizoram, Tripura, Manipur and Nagaland	₹ 10 lakhs
In the States of Arunachal Pradesh, Meghalaya, Pondicherry, Sikkim, Telangana and Uttrakhand	₹ 20 lakhs
For rest of India	₹ 40 lakhs

However, the benefit of threshold of ₹ 40 lacs shall not be available in case of persons engaged in the supply of following goods: -

Ice cream and other edible ice (whether or not containing cocoa) Pan Masala

Tobacco and manufactured tobacco substitutes

In the above cases, limit of ₹ 20 lakhs shall be applicable

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Registration requirements considering the above provisions

In the given case, since Mr. Ahmad is engaged in supplying tobacco-based Pan Masala and he is located in State of J&K, hence applicable threshold limit will be ₹ 20 lakhs. Since his aggregate turnover is more than threshold limit, he shall be required to get GST registration.

In this case, product being supplied is paper and Mr. Lepcha is located in State of Mizoram. Hence the applicable threshold limit in this case shall be ₹ 10 lakhs. Since his aggregate turnover is more than the threshold limit, he shall be required to get GST registration.

Q34. M/s Siya Ram is a trader of decorative items in Hauz Khas, Delhi. His aggregate turnover exceeded ₹ 20 lakh in the month of October, 20XX. He applied for registration on GST portal, but missed to submit the details of his bank account. His tax consultant advised him that prior submission of bank details is mandatory to obtain registration. Examine whether the advice of Mr. Siya Ram's tax consultant is correct.

(ICAI RTP May 2020)

Solution:

The advice of Mr. Siya Ram's consultant that prior submission of bank details is mandatory to obtain registration is not valid in law. Rule 10A of CGST Rules, 2017 allows the registered person to furnish information with respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision, soon after obtaining certificate of registration and a GSTIN, but not later than: -

45 days from the date of grant of registration or

the date on which the return required under section 39 is due to be furnished, whichever is earlier.

This relaxation is however not available for those who have been granted registration as TDS deductor/ TCS collector under rule 12 or who have obtained suo-moto registration under rule 16.

Q35. BBD Pvt. Ltd. of Gujarat exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'Z' only within Gujarat and is not registered under GST laws. The turnover of the company in the previous year 2018-19 was ₹ 50 lakh. The company expects the sales to grow by 10% in the current year 2019-20.

However, effective 01.01.2020, exemption available on 'Z' was withdrawn by the Central Government and GST@ 5% was imposed thereon. The turnover of the company for the nine months ended on 31.12.2019 was 42 lakhs. BBD Pvt. Ltd. is of the opinion that it is not required to get registered under GST for current financial year 2019-20

Examine the above scenario and advise BBD Pvt. Ltd. whether it needs to get registered under GST or not.

(CA Inter Nov 2020 – 4 Marks)

Solution:

For a supplier exclusively engaged in intra-State supply of goods, the threshold limit of turnover to obtain registration in the State of Gujarat is ₹ 40 lakh. However, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration.

Therefore, since BBD Pvt. Ltd. was engaged exclusively in supplying exempted goods till 31.12.2019, it was not required to be registered till that day; though voluntary registration was allowed.

The position, however, will change from 01.01.2020 as the supply of goods become taxable from that day and the turnover of BBD Pvt. Ltd. is more than ₹ 40 lakh. Since the aggregate turnover limit of ₹ 40 lakh includes exempt turnover also, turnover of 'Z' till 31.12.2019 will be considered for determining the threshold limit even though the same was exempt from GST. Therefore, BBD Pvt. Ltd. needs to register within

30 days from 01.01.2020

Q36. (IMP.)

P Ltd, a registered person provided following information for the month of October, 2020:

Particulars	Amount
Intra-State outward supply	8,00,000
Inter-State exempt outward supply	4,00,000
Turnover of exported goods	20,00,000
Payment of IGST	1,20,000
Payment of CGST and SGST	45,000 each
Payment of custom duty on export	40,000
Payment made for availing GTA services	3,00,000

GST is payable on Reverse Charge for GTA services.

Explain the meaning of aggregate turnover u/s 2(6) of the CGST Act and compute the aggregate turnover of P Ltd. for the month of October, 2020. All amounts are exclusive of GST. (CA Inter July 2021 – 5 Marks)

Solution:

Definition of Aggregate Turnover

The term aggregate turnover means the aggregate value of:

all taxable supplies

exempt supplies,

exports of goods or services or both and

inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis

but excluding

central tax, State tax, Union territory tax, integrated tax and cess.

the value of inward supplies on which tax is payable by a person on reverse charge basis

Computation of Aggregate Turnover of P Ltd. for the month of October 2020

Particulars	Amount
In terms of the definition of the aggregate turnover given above, the aggregate turnover of P Ltd. has been computed as follows:	
Intra-State outward supply	8,00,000
Inter-State exempt outward supply	4,00,000
Turnover of exported goods	20,00,000
Payment of IGST	Nil
Payment of CGST and SGST	Nil
Payment of custom duty on export	40,000
Payment made under reverse charge for availing GTA services	Nil
Aggregate Turnover	32,40,000

Q37. Examine the following cases and explain with reasons whether the supplier of goods is liable to get registered in GST

- (i) Krishna of Himachal Pradesh is exclusively engaged in intra-State taxable supply of readymade suits. His turnover in the current financial year from Himachal Pradesh showroom is ₹ 25 lakh. He has two more showrooms one in Manipur & another in Sikkim with a turnover of ₹15 lakh and ₹ 18 lakh respectively in the current financial year.
- (ii) Ankit of Telangana is exclusively engaged in intra-State taxable supply of footwear. His aggregate turnover in the current financial year is ₹ 25 lakh:
- (iii) Aakash of Uttar Pradesh is exclusively engaged in intra-State supply of pan masala. His aggregate turnover in the current financial year is ₹ 30 lakh. **(CA Inter July 2021 – 5 Marks)**

Solution:

Provisions of Law

Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds ₹ 20 lakh in a financial year. An enhanced threshold limit for registration of ₹ 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States.

- (i) The applicable threshold limit for registration gets reduced to ₹ 10 lakh in case a person is engaged in making taxable supply from a Special Category State. Since Krishna is making taxable supply from Manipur – a Special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- (ii) Since Ankit is exclusively engaged in intra-State supply of goods in Telangana, which is not a specified State for enhanced threshold limit, the applicable threshold limit for registration is ₹ 20 lakh. Thus, Ankit is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- (iii) Though the enhanced threshold limit for registration of ₹ 40 lakh is available to Uttar Pradesh, the same will not be applicable if the person is engaged in supply of pan masala. In view of the same, the applicable threshold limit for Aakash is ₹ 20 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.

Q38. Q Ltd. is engaged exclusively in supply of taxable goods from the following states. The particulars of intra-state supplies for the month of May 2023 are as follows:

State	Turnover (₹)
Madhya Pradesh	5,00,000
Gujarat	14,00,000
Tripura	12,00,000

Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.

Will your answer be different if Q Ltd. supplies only petrol & diesel from Tripura instead of any other taxable goods? **(CA Inter Dec 2021 – 4 Marks)**

Solution:

Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds ₹ 20 lakh in a financial year. An enhanced threshold limit for registration of ₹ 40 lakh is available to persons engaged exclusively in intra-State supply of goods in specified States. However, the applicable threshold limit for registration gets reduced to ₹ 10 lakh in case a person is engaged in making supply from a specified Special Category State provided such supply is a taxable supply.

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Since Q Ltd. is making supply of taxable goods⁵ from Tripura – a specified Special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh. Thus, it is liable to be registered under GST as its aggregate turnover [₹ 31 lakhs] exceeds the said threshold limit.

In case Q Ltd. is making supply of non-taxable goods [petrol and diesel] from Tripura, the applicable threshold limit will not be reduced to ₹ 10 lakh; enhanced threshold limit of ₹ 40 lakh will be applicable. Thus, it is not liable to be registered under GST as its aggregate turnover [₹ 31 lakhs] does not exceed the said threshold limit.

Q39. Mr. Q, a casual taxable person of Gujarat state is a trader of taxable notified handicraft goods. It makes supplies to the states of Maharashtra, Rajasthan and Andhra Pradesh. Turnover for October, 2023 is ₹ 18 Lakh.

Explain the provisions of registration for casual taxable person under GST. Examine whether Mr. Q is liable for registration or not?

What will be the answer if Mr. Q makes trading in taxable notified products instead of taxable notified handicraft goods which involves 75% making on machine and 25% by hand?

(CA Inter Dec 2021 – 5 Marks)

Solution:

A casual taxable person is required to obtain compulsory registration under GST irrespective of the quantum of its aggregate turnover. However, a threshold limit of ₹ 20 lakh (₹ 10 lakhs in case of specified Special Category States) is available for registration to a casual taxable person who:

is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods, is availing the benefit of exemption from registration available to inter-State supply of above-mentioned goods up to the aggregate turnover of ₹ 20 lakh (₹ 10 lakhs in case of specified Special Category States), and has obtained a PAN and has generated an e-way bill.

In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover⁶ does not exceed ₹ 20 lakh, he will not be liable to registration provided he fulfills other conditions specified herein.

In case Mr. Q is engaged in trading of notified products which are predominantly made by machine, he will not be eligible for the exemption from registration under aforesaid provisions and needs to take compulsory (mandatory) registration

Q40. Examine, with reason, whether registration is required, under CGST Act, in the following independent cases:

- (i) Aadhav Computers of Gujarat is providing computer maintenance service. Aggregate turnover of Aadhav Computers is ₹ 15 lakh which comprises both inter-State and intra-State supply.**
- (ii) Soft Wings of West Bengal, exclusively trading in garments, supplies its taxable goods in various States of India from its outlet in West Bengal. Aggregate turnover of Soft Wings is ₹ 35 lakh.**

Solution:

- (i)** Registration is compulsory for suppliers engaged in inter-State supply. However, as per Notification No. 10/2017 IT dated 13.10.2017, threshold exemption of ₹ 20 lakh [₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland] is available in case of inter-State supply of taxable services.

Therefore, Aadhav Computers (aggregate turnover ₹ 15 lakh) is not required to obtain registration even though it is engaged in inter-State supply of taxable services.

- (ii) The threshold limit for registration in the State of West Bengal for the persons engaged exclusively in supply of goods, is ₹ 40 lakh. However, registration is compulsory if the supplier is engaged inter-State supply of goods irrespective of the quantum of aggregate turnover. The threshold exemption is not available in case of inter-State supply of taxable goods. Thus, Soft Wings is required to obtain registration.

Q41. Briefly enumerate the contraventions which make a registered person liable to cancellation of registration, as prescribed under rule 21 of the CGST Rules, 2017 RTP MAY 23

Solution:

Rule 21 of the CGST Rules, 2017 prescribes the contraventions which make a registered person liable to cancellation of registration. As per said rule, the registration granted to a person is liable to be cancelled, if the said person -

- 1) does not conduct any business from the declared place of business.
- 2) issues invoice/bill without supply of goods/services in violation of the provisions of this Act, or the rules made thereunder.
- 3) violates the provisions of section 171 of the CGST Act. Section 171 contains provisions relating to anti-profiteering measure.
- 4) violates the provision of rule 10A of the CGST Rules relating to furnishing of bank account details.
- 5) avails input tax credit in violation of the provisions of section 16 of the CGST Act or the rules made thereunder.
- 6) furnishes the details of outward supplies in Form GSTR-1 under section 37 of the CGST Act for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods.
- 7) being a registered person required to file return under section 39(1) of the CGST Act for each month or part thereof (i.e. monthly return filer), has not furnished returns for a continuous period of 6 months.
- 8) being a registered person required to file return under proviso to section 39(1) of the CGST Act for each quarter or part thereof (i.e. quarterly return filer), has not furnished returns for a continuous period of 2 tax periods.

Q42. Nesamani started his business activities in the month of February 2022 in the State of Orissa. He provided the following details:

<i>Particulars</i>	<i>Amount in ₹</i>
<i>(i) Outward supply of petrol (Intra State)</i>	<i>4,00,000</i>
<i>(ii) Transfer of exempt goods to his branch in Rajasthan (Inter-State)</i>	<i>2,00,000</i>
<i>(iii) Outward supply of taxable goods by his branch in Uttar Pradesh (Intra State)</i>	<i>5,00,000</i>
<i>(iv) Outward supply of services on which tax is payable under RCM by the recipient of services (Intra-State)</i>	<i>6,00,000</i>
<i>(v) Inward supply of services on which tax is payable under RCM (Intra- State)</i>	<i>2,00,000</i>

From the information given above, compute the aggregate turnover of Nesamani and also decide whether

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he is required to get registration under GST. Assume that the amounts given above are exclusive of taxes

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Solution:

Particulars	Amount (₹)
Computation of aggregate turnover of Nesamani	
Outward supply of petrol [Supply of petrol being a non-taxable supply is an exempt supply. Value of exempt supply is includible in aggregate turnover.]	4,00,000
Inter-State stock transfer of exempt goods [Supply of taxable/exempt goods between distinct persons is inculdible.]	2,00,000
Outward supply of taxable goods from Uttar Pradesh branch [Value of outward supplies under same PAN are includible.]	5,00,000
Outward supply of services taxable under reverse charge [Includible in aggregate turnover.]	6,00,000
Inward supply of services taxable under reverse charge [Excludible from the aggregate turnover.]	--
Aggregate turnover	17,00,000

For a supplier engaged in supply of goods and services from the States of Orissa and Uttar Pradesh, the threshold limit of aggregate turnover to obtain registration is ₹ 20 lakh. However, a person required to pay tax under reverse charge has to obtain registration compulsorily irrespective of the quantum of turnover. Since in the given case, Nesamani is required to pay tax under reverse charge, it is liable to obtain registration compulsorily irrespective of his quantum of turnover.

Student note

CHAPTER 9: - INPUT TAX CREDIT (ITC)

ICAI Study Material Questions

Q1. Can a person take ITC without payment of consideration for the supply along with tax?

Solution:

Yes, the recipient can take ITC. However, he is required to pay the consideration along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis

Q2. What is the ITC entitlement of a newly registered person?

Solution:

A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

In case of voluntary registration, ITC of such goods held in stock on the day immediately preceding the date of registration can be taken.

Q3. What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

Solution:

In case of supply of capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to higher of the following

ITC taken on the said capital goods or plant and machinery reduced by 5% per quarter or part thereof from the date of invoice OR

tax on the transaction value of such capital goods,

However, in case of refractory bricks, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

Q4. A registered person transfers its business to another person.

Is such registered person allowed to transfer the unutilized ITC lying in its electronic credit ledger to such transferred business? Discuss.

Solution:

As per section 18(3), in case of sale, merger, demerger, amalgamation, transfer or change in ownership of business etc., the ITC that remains unutilized in the electronic credit ledger of the registered person can be transferred to the new entity, provided there is a specific provision for transfer of liabilities in such change of constitution.

The registered person should furnish the details of change in constitution on the common portal and submit

a certificate from practicing Chartered Account/Cost Accountant certifying that the change in constitution has been done with a specific provision for transfer of liabilities.

Upon acceptance of such details by the transferee on the common portal, the unutilized ITC gets credited to his electronic credit ledger. The transferee should record the inputs and capital goods so transferred in his books of account

Q5. Swastik Pvt. Ltd. is a manufacturer of taxable goods. It purchased a machinery for ₹ 8,00,000 on which IGST of ₹ 14,400 is paid. The company has claimed depreciation under the Income-tax Act, 1961 on the full value of the machine, i.e. including the IGST component as also availed ITC of ₹ 14,400 paid by it as IGST. Examine if the stand taken by the company is correct in law (IMP.)

Solution:

Applicable Provisions of law

As per section 16(3), if the person taking the ITC on capital goods and plant and machinery has claimed depreciation on the tax component of the cost of the said items under the Income-tax Act 1961, the ITC on the said tax component shall not be allowed.

Conclusion in the present case

Since in the given case, Swastik Pvt. Ltd. has claimed depreciation on the tax component of the cost of the machine, it cannot claim ITC of IGST of ₹ 14,400 paid by it on the machine. It can either claim depreciation on the tax component or avail ITC of such tax but cannot avail both the benefits simultaneously.

Q6. Sigma Consultants, an LLP of finance professionals, provides financial consultancy services. It made an advance payment of ₹ 1,18,000 (inclusive of IGST @ 18%) in the month of October to Azuro Computer Services for developing a software. The software would be used by the LLP to enhance the precision of the financial advice given by it to various clients. The balance payment is to be made after the successful test run of the software in the month of December. Sigma Consultants has availed ITC of IGST of ₹ 18,000 in the month of October.

Do you think Sigma Consultants can avail such ITC? Examine the scenario with reference to the relevant legal provisions

Solution:

Applicable Provisions of law

As per section 16(2)(b), tax paid on supply of goods and/or services can be availed as ITC only if such goods and/or services are received by the registered person.

Conclusion in the present case

In the given case, Sigma Consultants has paid IGST of ₹ 18,000, in the month of October, on advance for IT services intended to be used in the course or furtherance of business. However, it cannot avail ITC of such tax in the month of October as the services in relation to which the advance payment has been made have not been received in that month.

Q7. A taxable person is in the business of information technology. He buys a motor car (maximum seating capacity – 5 persons) for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such motor car?

Solution:

No. ITC on motor vehicles for transportation of persons with seating capacity of up to 13 persons (including driver), can be availed only if the taxable person is in the business of transport of passengers or is providing the services of imparting training on driving such motor vehicles or is in the business of supply of such motor vehicles.

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Q8. A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ without payment of GST as these supplies are not taxable. The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments.

Solution:

ITC is disallowed only to the extent it pertains to supplies used for non-business purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units are zero rated supplies in terms of section 16(1) of the IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

Q9. Babla & Bros. is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1st October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla & Bros. was ₹ 50 lakh. Examine the eligibility of Babla & Bros. for availing ITC, if any. Mamta Sales trades in exempt goods and provides taxable services. It is registered under GST. On 1st October, the exemption available on its goods gets withdrawn

Analyze the scenario and determine the eligibility of Mamta Sales for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods. (also asked in ICAI RTP Nov 2020)

Solution:

Since the exemption available on goods being supplied by Babla & Bros. is withdrawn, it becomes liable to registration as its turnover has crossed the threshold limit (for registration) on the day when the exemption is withdrawn.

Assuming that Babla & Bros. applies for registration within 30 days of 1st October and it obtains such registration, it will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30th September [Section 18(1)(a) of the CGST Act, 2017]. Input tax paid on capital goods will not be available as input tax credit in this case.

If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) of the CGST Act, 2017 become applicable. In the given case, since Mamta Sales is a registered person, section 18(1)(d) will be applicable. As per section 18(1)(d), Mamta Sales will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e. 30th September. Input tax credit on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice

Q10. Harshgeet Pvt. Ltd., a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of July: (IMP.)

Sr. No	Particulars	GST paid
(1)	Raw Material (to be received in September)	2,50,000
(2)	Membership of a club availed for employees working in the factory	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	80,000

(4)	Trucks used for transport of raw material	40,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on that item is ₹ 80,000)	1,50,000

Determine the amount of tax credit available with Harshgeet Pvt. Ltd. for the month of July by giving the necessary explanation for treatment of various items. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled. (also asked in ICAI IPCC Nov 2018 – 5 Marks)

Solution:

Computation of ITC available with Harshgeet Pvt. Ltd. for the month of July

Particulars	₹
Raw Material [ITC not available as raw material is not received in July]	Nil
Membership of a club availed for employees working in the factory [Blocked credit in terms of section 17(5) of the CGST Act, 2017]	Nil
Inputs to be received in 5 lots, out of which 3rd 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
Trucks used for transport of raw material [ITC of GST paid on motor vehicles is allowed only when used, inter alia, for transportation of goods in terms of section 17(5) of the CGST Act, 2017]	40,000
Capital goods [ITC of GST paid on items for which invoice is missing is not available. So, ITC of ₹ 80,000 is not available]	70,000
Total ITC available	1,10,000

Q11. Jamku Ltd. a registered person is engaged in the business of spices. It provides following details in relation to GST paid on inward supplies procured by it during the month of October.

No.	Particulars	GST Paid (₹)
1.	Raw spices purchase	
	- Raw spices used for furtherance of business	50,000
	- Raw spices used for personal use of Directors	20,000
2.	Electric machinery purchased to be used in the manufacturing process.	25,000
3.	Motor car used for transportation of the employee	55,000
4.	Payment made to contractor for construction of staff quarter.	1,25,000

Determine the amount of ITC available with Jamku Ltd. for the month October by giving the necessary explanation for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled. (also asked in ICAI IPCC May 2019 – 4 Marks)

Solution:

Computation of ITC available with Jamku Ltd. for the month of October

Particulars	GST paid ₹
Purchase of raw spices for furtherance of business [Note-1]	50,000

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Purchase of raw spices for personal use of directors [Note-2]		Nil
Electric machinery purchased to be used in the manufacturing process [Note-1]		25,000
Motor car used for transportation of employee [Note-3]		Nil
Payment made for material and to contractor for construction of staff quarter [Note-4]		Nil
Total ITC		75,000

Notes: -

- Every registered person is entitled to take credit of input tax charged on any supply of goods to him which are used or intended to be used in the course or furtherance of his business.
- ITC is not available on goods used for personal consumption.
- As per section 17(5), ITC on motor vehicles (having seating capacity of less than 13 passengers) can be availed, inter alia, when they are used for making the taxable supply of transportation of passengers. In the given case, since the supplier is in the business of spices, it cannot avail credit on motor vehicle used for transportation of the employee. Thus, ITC on motor car (it is reasonable to assume that car has seating capacity of less than 13 passengers) used for transportation of the employee is blocked credit.
- ITC is not available on goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business

Q12. Dina Ltd., a registered supplier from Maharashtra, is engaged in the manufacture of passenger autos. The company provides the following details of purchases made/services availed by it during the month of March

Sr. No	Particulars	GST paid
(1)	Purchase of iron which is used as a raw material [Goods were received in two instalments - first in March and the second in April]	2,50,000
(2)	Purchase of accessories which were delivered directly to the dealers of the company on the direction of Dina Ltd. [Only invoice was received by Dina Ltd.]	90,000
(3)	Purchase of bus (seating capacity 15) for the transportation of employees from their residence to company and back	1,97,000
(4)	General insurance taken on a car used by executives of the company for official purposes	5,200

You are required to determine the ITC available with Dina Ltd. for the month of March, by giving brief explanations for treatment of various items. Subject to the information given, above, all the other conditions necessary for availing ITC have been fulfilled

Solution:**Computation of ITC available with Dina Ltd. for the month of March**

Particulars	GST paid ₹
Purchase of iron used as a raw material [Note-1]	Nil

Purchase of accessories delivered directly to the dealers of the company [Note-2]	90,000
Bus for the transportation of employees [Note-3]	1,97,000
General insurance taken on car used by executives of the company for official purpose [Note-4]	Nil
Total ITC	2,87,000

Notes: -

1. When inputs are received in instalments, ITC can be availed only on the receipt of last instalment. Hence, since last instalment is received in April, ITC cannot be availed in March
2. Goods delivered to another person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. Thus, ITC is available to the registered person, on whose order/direction the goods are delivered to a third person.
3. ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles.
4. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles. Since, the car is not used for any of the eligible purposes, ITC thereon is blocked and thus, ITC on general insurance taken on such car is also blocked

Q13. Comfortable (P) Ltd. is registered under GST in the State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from High-Fi Infotech (P) Ltd. for ₹ 11,00,000/- (excluding GST @ 18%) on 28th October. Invoice for service rendered was issued on 5th November.

Comfortable (P) Ltd. made part payment of ₹ 4,20,000/- on 30th November. Being unhappy with service provided by High-fi Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by High-Fi Infotech (P) Ltd. by 15th April of next year. Comfortable (P) Ltd. made the balance payment on 6th July of next year.

Examine the availability of ITC with Comfortable (P) Ltd. in respect of IT engineering services received by it from High-Fi Infotech (P) Ltd.

Solution:

Every registered person is entitled to take credit of input tax charged on any supply of goods and/or services which are used or intended to be used in the course or furtherance of his business if, inter alia, he is in possession of a tax invoice issued by a supplier and he has received the goods and/or services.

The registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. In the event of failure to do so, the corresponding credits availed by the registered person would be added to his output tax liability, with interest.

However, once the recipient makes the payment of value of goods and/or services along with tax, he will be entitled to avail the credit again without any time limit. In case part-payment has been made, proportionate credit would be allowed.

Conclusion in the present case

In the given case, High-fi Infotech (P) Ltd. provides the service in the month of October and Comfortable (P) Ltd. receives the invoice in the month of November. Therefore, in view of the above provisions and assuming

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all other conditions required for availing ITC having been fulfilled, ITC of ₹ 1,98,000 (₹ 11,00,000 x 18%) will be availed by Comfortable (P) Ltd. in the month of November when it receives the invoice issued by High-fi Infotech (P) Ltd.

However, proportionate ITC amounting to ₹ 1,33,932 $\Rightarrow [(\text{₹ } 12,98,000 - \text{₹ } 4,20,000)/118] \times 18$ will be added to the output tax liability of Comfortable (P) Ltd. as full payment has not been made within 180 days of issuance of the invoice, i.e. by 4th May of next year.

ITC of ₹ 1,33,932 can, however, be availed again by Comfortable (P) Ltd. in the month of July next year when it makes the balance payment.

Q14. M/s. Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ ₹ 50 per kg (exclusive of GST) on M/s. Karim & Bros. of Noida, U.P. M/s. Karim & Bros. has agreed to deliver the goods at the warehouse of M/s. Diwan & Sons at New Delhi.

While the order was getting packed at the factory of M/s. Karim & Bros., M/s. Diwan & Sons got an order from Shubhkamna Sales of Hapur, U.P. for 250 kg of plastic granules @ ₹ 60 per kg (exclusive of GST). In order to save on transportation cost, M/s. Diwan & Sons asks M/s. Karim & Bros. to directly deliver the plastic granules to Shubhkamna Sales at its godown located in Hapur. Accordingly, M/s. Karim & Bros. has delivered the plastic granules at the godown of Shubhkamna Sales at Hapur.

Examine the availability of ITC with M/s. Diwan & Sons & M/s. Karim & Bros

Solution:

Applicable provisions of law

One of the conditions for availing ITC is that the registered person taking the ITC must have received the goods and / or services.

However, goods delivered to a third person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person.

Conclusion in the present case

So, ITC is available to the registered person, on whose order the goods are delivered to a third person even though the registered person does not receive the goods. In the given case, goods have been delivered by M/s. Karim & Bros. (supplier) to Shubhkamna Sales (third person) on the direction of M/s. Diwan & Sons (registered person).

Therefore, in view of the above provisions, ITC of ₹ 2,250 (₹ 50 x 250 x 18%) will be available to M/s. Diwan & Sons (registered person) on the purchase of 250 kg of plastic granules @ 50 per kg.

Further, in this case there is another supply between Diwan & Sons (supplier) and Shubhkamna Sales (recipient). Therefore, Shubhkamna Sales can avail ITC of ₹ 2,700 (₹ 60 x 250 x 18%) on the purchase of 250 kg of plastic granules @ 60 per kg.

Q15. Paritosh & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

It has also furnished the following information in respect of purchases made by him in that tax period:

Particulars	Amount
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Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

Paritosh & Co. has following ITCs with it at the beginning of the tax period:

Particulars	Amount
CGST	57,000
SGST	60,000
IGST	1,40,000

Note:

1. Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
2. Both inward and outward supplies are exclusive of taxes, wherever applicable.
3. All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Paritosh & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required

Solution:

Computation of GST payable on outward supplies

S No.	Particulars	CGST	SGST	IGST
(i)	Intra-State supply of goods (9% on ₹ 10,00,000)	90,000	90,000	Nil
(ii)	Inter-State supply of goods (18% on ₹ 8,00,000)	Nil	Nil	1,44,000
Total		90,000	90,000	1,44,000

Computation of Total ITC

Particulars	CGST	SGST	IGST
Opening ITC	57,000	60,000	1,40,000
Add; - ITC on Intra-State purchase of goods valuing ₹ 3,00,000	27,000	27,000	Nil
Add; - ITC on Inter-State purchase of goods valuing ₹ 2,50,000	Nil	Nil	45,000
Total ITC	84,000	87,000	1,85,000

Computation of minimum GST payable from Cash Ledger

Particulars	CGST	SGST	IGST
GST payable	90,000	90,000	1,44,000
Step 1: - Adjustment of IGST credit against IGST output tax liability	-	-	(1,44,000)
Step 2: - Adjustment of unutilized IGST credit against CGST and SGST output tax liability	(38,000)	(3,000)	-
Step 3: - Adjustment of CGST credit against CGST output tax liability	(52,000)	-	-
Step 4: - Adjustment of SGST credit against SGST output tax liability	-	(87,000)	-
Net GST payable through cash ledger	Nil	Nil	Nil
ITC to be carried forward	32,000	Nil	Nil

Note: The above computation is one of the many ways to set off the ITC of IGST (₹ 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. To illustrate, IGST of

₹ 10,000 can be set off against SGST payable and IGST of ₹ 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be ₹ 25,000 and ₹ 7,000 (totaling to ₹ 32,000) respectively. However, if the entire ITC of ₹ 41,000 is set off against CGST payable, then SGST of ₹ 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable

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Q16. Mr. Nimit, a supplier of goods, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies in the month of August, 20XX

Particulars	Amount
Intra-State supply of goods	6,00,000
Inter-State supply of goods	2,00,000

He has also furnished following information in respect of purchases made by him from registered dealers during August, 20XX

Particulars	Amount
Intra-State purchase of goods	4,00,000
Inter-State purchase of goods	50,000

Balance of ITC available at the beginning of; August 20XX: -

Particulars	Amount
CGST	15,000
SGST	35,000
IGST	20,000

Note:

Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively, on both inward and outward supplies. Both inward and outward supplies given above are exclusive of taxes, wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum GST payable through cash ledger by Mr. Nimit for the month of August, 20XX

(ICAI IPCC May 2018 – 6 Marks)

Solution:

Computation of GST payable by Mr. Nimit on outward supplies

S No.	Particulars	CGST	SGST	IGST
(i)	Intra-State supply of goods (9% on ₹ 6,00,000)	54,000	54,000	Nil
(ii)	Inter-State supply of goods (18% on ₹ 2,00,000)	Nil	Nil	36,000
Total		54,000	54,000	36,000

Computation of Total ITC

Particulars	CGST	SGST	IGST
Opening ITC	15,000	35,000	20,000
Add; - ITC on Intra-State purchase of goods valuing ₹ 4,00,000	36,000	36,000	Nil
Add; - ITC on Inter-State purchase of goods valuing ₹ 50,000	Nil	Nil	9,000
Total ITC	51,000	71,000	29,000

Computation of minimum GST payable from Cash Ledger

Particulars	CGST	SGST	IGST
Output GST payable	54,000	54,000	36,000
Step 1: - Adjustment of IGST credit against IGST output tax liability	-	-	(29,000)
Step 2: - Adjustment of CGST credit against CGST output tax liability	(51,000)	-	-
Step 3: - Adjustment of SGST credit against SGST output tax liability	-	(54,000)	-
Step 4: - Adjustment of unutilized SGST credit against output IGST	-	-	(7,000)
Net GST payable through cash ledger	3,000	Nil	Nil
ITC to be carried forward	Nil	10,000	

Note: Credit of SGST cannot be used for payment of CGST liability, accordingly it shall be carried forward

Q17. Mr. Ajay, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 20XX:

Particulars	Amount
Inter-State supply of goods	10,00,000
Intra-State supply of goods	2,00,000
Intra state purchase of taxable goods	5,00,000

He has the following input tax credit at the beginning of August 20XX:

Particulars	Amount
CGST	20,000
SGST	30,000
IGST	25,000

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively. Both inward and outward supplies are exclusive of taxes wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled. Compute the minimum GST payable through cash ledger by Mr. Ajay for the month of August 20XX.

(ICAI CA-Inter May 2018 – 6 Marks)

Solution:

Computation of GST payable by Mr. Ajay on outward supplies

S No.	Particulars	CGST	SGST	IGST
(i)	Intra-State supply of goods (9% on ₹ 2,00,000)	18,000	18,000	Nil
(ii)	Inter-State supply of goods (18% on ₹ 10,00,000)	Nil	Nil	1,80,000
Total		18,000	18,000	1,80,000

Computation of Total ITC

Particulars	CGST	SGST	IGST
Opening ITC	20,000	30,000	25,000
Add; - ITC on Intra-State purchase of goods valuing ₹	45,000	45,000	Nil

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5,00,000			
Total ITC	65,000	75,000	25,000

Computation of minimum GST payable from Cash Ledger

Particulars	CGST	SGST	IGST
Output GST payable	18,000	18,000	1,80,000
Step 1: - Adjustment of IGST credit against IGST output tax liability	-	-	(25,000)
Step 2: - Adjustment of CGST credit against CGST output tax liability	(18,000)	-	-
Step 3: - Adjustment of SGST credit against SGST output tax liability	-	(18,000)	-
Step 4: - Adjustment of unutilized CGST credit against output IGST liability	-	-	(47,000)
Step 5: - Adjustment of unutilized SGST credit against output IGST liability	-	-	(57,000)
Net GST payable through cash ledger	Nil	Nil	51,000
ITC to be carried forward	Nil	Nil	Nil

Q18. Fun Pharma Private Limited, a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information of GST paid on the purchases made/input services availed by it during the month of September 20XX: -

S No.	Particulars	GST Paid
(i)	Purchase of cabs used for the transportation of its employees	3,30,000
(ii)	Inputs consisting of three lots, out of which first lot was received during the month	1,25,000
(iii)	Capital Goods (out of three items, invoice for one item was missing and GST paid on that item was ₹ 25,000)	2,50,000
iv)	Outdoor catering service availed on Women's day	72,000

Determine the amount of input tax credit available with M/s Fun Pharma Private Limited for the month of September, 20XX by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.

(ICAI CA-Inter May 2018 – 4 Marks)

Solution:

Computation of input tax credit (ITC) available with Fun Pharma Private Limited for the month of September, 20XX

Particulars	Amount in ₹
Purchase of cabs used for the transportation of its employees [Note-1]	Nil
Inputs consisting of three lots, out of which first lot was received during the month [Note-2]	Nil
Capital goods [Note-3]	2,25,000
Outdoor catering service availed on Women's day [Note-4]	Nil
Total ITC	2,25,000

Working Notes

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1. Section 17 of CGST Act, 2017 provides that ITC on motor vehicles can be availed, inter alia, when they are used for making the taxable supply of transportation of passengers i.e., if the taxable person is in the business of transport of passengers. In the given case, since the supplier is a manufacturer, it cannot avail credit on cabs used for transportation of its employees.
2. When inputs are received in instalments, ITC can be availed only on receipt of last instalment in terms of section 16 of CGST Act, 2017.
3. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC vide section 16 of CGST Act, 2017.
4. ITC on outdoor catering is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply in terms of section 17 of CGST Act, 2017.

Q19. Explain the meaning of the term "recipient of supply of goods and/or services" under the CGST Act, 2017. (ICAI CA-Inter May 2018 – 5 Marks)

Solution:

Recipient of supply of goods or services or both, means—

where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;

where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and

where no consideration is payable for the supply of a service, the person to whom the service is rendered, and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied

Q20. Bharat Associates Pvt. Ltd. purchased machinery worth ₹ 9,00,000 (excluding GST) on 20-07-2020 on which it paid GST @ 18% and availed the ITC. On 05-03-2021, it sold the machinery for ₹7,00,000 (excluding GST) to Hindustan Associates Pvt. Ltd. The GST rate on sale is 18%. What will be the course of action for Bharat Associates Pvt. Ltd. to follow under CGST Act, 2017? (ICAI IPCC May 2018 – 4 Marks)

Solution:

If capital goods or plant and machinery on which input tax credit (ITC) has been taken are supplied outward by a registered person, he must pay an amount that is higher of the following:

ITC taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods or Tax on transaction value.

Accordingly, the amount payable on supply of machinery by Bharat Associates Pvt. Ltd. shall be computed as follows:

Particulars	Amount in ₹
ITC taken on the machinery (₹ 9,00,000 × 18%)	1,62,300
Less: ITC pertaining to the period of usage of the capital goods	(24,300)
= (₹ 1,62,000 × 5%) × 3 quarters	
Amount of reduced ITC based on percentage points (A)	1,37,700
Duty leviable on transaction value (₹ 7,00,000 × 18%) (B)	1,26,000
Amount payable towards disposal of machinery is higher of (A) and (B)	1,37,700

Note: - While making the above calculations, the term 'quarter' means calendar quarter. Further, any part

of the quarter shall also be treated as full quarter.

Accordingly, between the dates 20-07-2020 to 05-03-2021, there shall be 3 calendar quarters – July to September 2020, October to December 2020, and January to March 2021

Q21. Granites Textiles Ltd. purchased a needle detecting machine on 8th July, 2020 from Makhija Engineering Works Ltd. for ₹ 10,00,000 (excluding GST) paying GST @ 18% on the same. It availed the ITC of the GST paid on the machine and started using it for manufacture of goods. The machine was sold on 22nd October, 2021 for ₹ 7,50,000 (excluding GST), as second-hand machine to LT. Pvt. Ltd. The GST rate on supply of machine is 18%.

State the action which Granites Textiles Ltd. is required to take, if any, in accordance with the statutory GST provisions on the sale of the second-hand machine. (ICAI RTP May 2018)

Solution:

Section 18 of the CGST Act, 2017 read with the CGST Rules, 2017 provides that if capital goods or plant and machinery on which input tax credit has been taken are supplied outward by the registered person, he must pay an amount that is the higher of the following:

input tax credit taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods (i.e., input tax credit pertaining to remaining useful life of the capital goods), or

tax on transaction value.

Accordingly, the amount payable on supply of needle detecting machine shall be computed as follows

Particulars	Amount in ₹
ITC taken on the machinery (₹ 10,00,000 × 18%)	1,80,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine	(54,000)
(i) For the year 2020-21 = (₹ 1,80,000 × 5%) × 3 quarters	- 27,000
(ii) For the year 2021-22 = (₹ 1,80,000 × 5%) × 3 quarters	- 27,000
Amount of reduced ITC based on percentage points (A)	1,26,000
Duty leviable on transaction value (₹ 7,50,000 × 18%) (B)	1,35,000
Amount payable towards disposal of machinery is higher of (A) and (B)	1,35,000

Note: - While making the above calculations, the term 'quarter' means calendar quarter. Further, any part of the quarter shall also be treated as full quarter.

Accordingly, between the dates 08-07-2020 to 22-10-2021, there shall be 6 calendar quarters – July to September 2020, October to December 2020, January to March 2021, April to June 20201, July to September 2021 and October to December 2021.

Q22. Shipra Traders is a registered supplier of goods in Assam. It purchased goods valued at ₹ 10,000 from Kartik Suppliers located within the same State. Kartik Suppliers charged CGST & SGST separately in its invoice. Subsequently, Shipra Traders sold goods valuing ₹ 9,500 to Rabina Manufacturers located in Assam. 20% of the inputs purchased are still lying in stock and there was no opening stock of goods. Rate of CGST and SGST on supply and purchase of goods is 9% each. Calculate the net GST payable by Shipra Traders and input tax credit (ITC) to be carried forward, if any. (ICAI RTP May 2018)

Solution:

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Computation of net GST payable by Shipra Traders

Particulars	CGST @ 9%	SGST @ 9%
GST payable on intra-State supply of goods [Being an intra-State supply, CGST and SGST is payable on the same]	855 [9,500 X 9%]	855 [9,500 X 9%]
Less: ITC on intra-State purchase of goods [ITC of CGST and SGST paid on intra-State purchase is available in full, even if some inputs are lying in stock]	900 [10,000 X 9%]	900 [10,000 X 9%]
Net GST payable	Nil	Nil
Input tax credit carried forward in Electronic Credit Ledger	45	45

Working Notes

There is no need for establishing one to one correlation while utilization of ITC. In other words, ITC can be utilized for payment of output tax even if the inputs are lying in stock

Q23. Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February 20XX:

	Particulars	Amount in ₹
(i)	Intra-state taxable supply of service	5,20,000
(ii)	Legal fee paid to a Lawyer located within the state	20,000
(iii)	Rent paid to the State Govt. for his office building	30,000
(iv)	Received for services towards conduct of exams in Loveall University, Pune (recognized by law), being an inter-state transaction	16,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Thiraj for the month of February, 20XX.

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

All the amounts given above are exclusive of taxes.

(ICAI Inter Nov 18 – 6 Marks)

Solution:

Computation of GST payable by Mr. Thiraj

S No.	Particulars	CGST	SGST	IGST
(i)	Intra-State supply of goods (9% on ₹ 5,20,000)	46,800	46,800	Nil
(ii)	Outward supply of conduct of exams to an education Institute providing degrees recognised by any law – exempt from tax	Nil	Nil	Nil
Total tax payable under forward charge		46,800	46,800	Nil
(i)	Legal services received from an advocate – covered under reverse charge assuming aggregate turnover of Mr. Thiraj exceeds threshold limit in immediately preceding FY	1,800	1,800	Nil
(ii)	Renting of immovable services received from Government – covered under reverse charge Note: - In absence of any information, this transaction is assumed to be Intra-State	2,700	2,700	Nil

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Total tax payable under reverse charge	4,500	4,500	Nil
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Computation of Total ITC available to Mr. Thiraj

Particulars	CGST	SGST	IGST
ITC in respect of legal services (tax of which is paid under reverse charge) – Working Note 1 and 2	1,800	1,800	Nil
ITC in respect of renting of immovable services (tax of which is paid under reverse charge) - Working Note 1 and 2	2,700	2,700	Nil
Total ITC available during the month	4,500	4,500	Nil

Computation of minimum GST payable from Cash Ledger

Particulars	CGST	SGST	IGST
Output GST payable under forward charger	46,800	46,800	Nil
Adjustment of CGST credit against CGST output tax liability and SGST credit against SGST output tax liability	(4,500)	(4,500)	Nil
Net GST payable under forward charge	42,300	42,300	Nil
GST payable under reverse charge – Working Note 3	4,500	4,500	Nil
Net GST payable through cash ledger	46,800	46,800	Nil
ITC to be carried forward	Nil	Nil	Nil

Working Notes

- ITC can be claimed by recipient in respect of inward supplies, irrespective of whether tax is paid by supplier under forward charge or by recipient himself under reverse charge
- Renting of immovable service and legal services are generally required in conduct of every business. Thus, the condition of 'used in course and furtherance of business' is satisfied in this case.
- The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

Q24. CANWIN Ltd., a registered supplier, is engaged in the manufacture of Tanks. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of January 20XX:

Particulars	GST Paid (₹)
(i) Purchase of Machinery where debit note is issued	1,15,000
(ii) Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	50,000
(iv) Works Contract services availed for construction of Staff quarters within the company premises	4,25,000

Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January 20XX by giving brief explanations for treatment of various items. Subject to the information given above, all the conditions

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necessary for availing the ITC have been fulfilled. (ICAI Inter Nov 2018 – 4 marks)

Solution:

Computation of input tax credit (ITC) available with CANWIN Ltd. for the month of January 20XX

Particulars	GST (₹)
Purchase of machinery where debit note is issued [Note-1]	1,15,000
Inputs directly delivered to a job worker supported by a valid document [Note-2]	80,000
Computers [Note-3]	Nil
Works contract services availed for construction of staff quarters within the company premises [Note-3]	Nil
Total ITC	1,95,000

Notes: -

- Input tax credit on goods purchased on the basis of debit note which is a valid document is allowed.
- As per section 16(2), where goods are delivered to premises of any third person on the instructions of recipient, then they shall be deemed to have been received by recipient. Accordingly, ITC shall be allowable to CANWIN Ltd. only even when goods were directly delivered to job worker on its instruction
- Where depreciation has been claimed on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component is not allowed.
Input tax credit on works contract services supplied for construction of an immovable property is specifically disallowed u/s 17(5) except where it is an input service for further supply of works contract service.

Q25. GST payable through cash ledger for from the following information, compute the minimum amount of the month of March, 2020: -

	Output GST	Amount in ₹ Opening ITC as Per credit ledger
CGST	2,000	Nil
SGST	15,000	1,000
IGST	24,000	37,000

(ICAI Inter Nov 2018 – 4 marks)

Solution:

Computation of minimum GST payable from Cash Ledger

Particulars	CGST	SGST	IGST
Output GST payable under forward charge	2,000	15,000	24,000
Step 1: - Adjustment of IGST credit against IGST output tax liability	-	-	(24,000)
Step 2: - Adjustment of unutilized IGST credit against CGST output tax liability	(2,000)	-	-
Step 3: - Adjustment of unutilized IGST credit against SGST output tax liability	-	(11,000)	-
Step 4: - Adjustment of SGST credit against SGST output tax liability	-	(1,000)	-
Net GST payable through cash ledger	Nil	3,000	Nil
ITC to be carried forward	Nil	Nil	Nil

Q26. M/s J & Co. Chartered Accountants, a partnership firm, having its registered and head office in Mumbai and registered under the GST Act in the State of Maharashtra only. It does not have any branches in other State. The gross receipts of the firm in the Financial Year 2020-21 was ₹ 60 lakh. Firm has submitted following information for the month of August, 2021

Particulars	Amount (₹) (excluding GST)
Professional services provided and bills raised during the month for providing services of ITR filing and income tax consultancy	1,00,000
Internal Audit of X Pvt. Ltd. at their office in Mumbai (registered in the State of Maharashtra)	50,000
Statutory audit services provided to M/s Tirupati Trading Pvt. Ltd. at Ahmedabad (registered in the State of Gujarat)	70,000

Firm has also furnished following information in respect of input services availed from registered dealers for providing output services during the month August, 2021:

Particulars	Amount (₹) (excluding GST)	CGST	SGST	IGST
Services availed from courier agency	5,000	450	450	Nil
Railway travelling expenses from Mumbai to Ahmedabad and Return Ticket for conducting of audit of M/s Tirupati Trading Pvt. Ltd. for 3 Tier AC	12,000	Nil	Nil	600
Service availed from another professional firm at Mumbai amount is paid without TDS u/s 194J of Income Tax Act	20,000	3,600	Nil	Nil

Notes:

Rate of CGST, SGST and IGST to be 9%, 9% & 18% respectively, on outward supplies.

All the conditions necessary for availing the ITC have been fulfilled.

Opening balance of available input tax credit is Nil for CGST, SGST and IGST.

Compute the net GST payable by M/s J & Co. for the month August, 2021 after adjusting the GST credit.

Brief reasoning should form part of your answer. (ICAI IPCC Nov 2018 – 4 Marks)

Solution:

Computation of GST payable by M/s J&Co. Chartered Accountants on outward supplies

Particulars	CGST	SGST	IGST
Professional services and services of ITR filing and IT consultancy [₹ 1,00,000]	9,000	9,000	Nil
Internal Audit service [50,000]	4,500	4,500	Nil
Statutory audit services [₹ 70,000]	Nil	Nil	12,600
Total Output tax	13,500	13,500	12,600

Computation of Total ITC

Particulars	CGST	SGST	IGST
(i) ITC on courier services [₹5,000]	450	450	Nil
(ii) ITC on railway travelling expenses for conducting of audit of M/s Tirupati Pvt. Ltd. [₹ 12,000]	Nil	Nil	600
(iii) ITC on services availed from another professional firm at Mumbai	Nil	Nil	3,600

[₹ 20,000]			
Total ITC	450	450	4,200

Computation of minimum GST payable from Cash Ledger

Particulars	CGST	SGST	IGST
Output GST payable	13,500	13,500	12,600
Step 1: - Adjustment of IGST credit against IGST output tax liability	-	-	(4,200)
Step 2: - Adjustment of CGST credit against CGST output tax liability	(450)	-	-
Step 3: - Adjustment of SGST credit against SGST output tax liability	-	(450)	-
Net GST payable through cash ledger	13,050	13,050	8,400
ITC to be carried forward	Nil	Nil	Nil

Q27. Insight Ltd. is operating in West Bengal. The tax liability for the month of August, 2021 is as follows:

Sl. No.	Tax liability	West Bengal (₹)
(1)	Output CGST payable	24,000
(2)	Output SGST payable	9,000
(3)	Output IGST payable	3,000
(4)	Input CGST	7,000
(5)	Input SGST	14,000
(6)	Input IGST	12,000

Calculate tax payable and carry forward for the month of August, 2021.

Solution:

Computation of net GST payable from Cash Ledger of Insight Ltd.

Particulars	CGST	SGST	IGST
Output GST payable	24,000	9,000	3,000
Step 1: - Adjustment of IGST credit against IGST output tax liability	-	-	(3,000)
Step 2: - Adjustment of unutilized IGST credit against CGST output tax liability	(9,000)	-	-
Step 2: - Adjustment of CGST credit against CGST output tax liability	(7,000)	-	-
Step 3: - Adjustment of SGST credit against SGST output tax liability	-	(9,000)	-
Net GST payable through cash ledger	8,000	Nil	Nil
ITC to be carried forward	Nil	5,000	Nil

Q28. Mr. Uttam Kumar a registered supplier of service in Kolkata, has provided following information for

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the month of October, 2021:

No.	Particulars	Amount in (₹)
1.	Intra-State taxable supply of service	6,40,000
2.	Amount received from Kapola Pvt. Ltd., for service provided to company. (He is a director in Kapola P. Ltd.), being Intra-State transaction.	5,00,000
3.	Paid legal fee to senior advocate for one legal matter within State, being Intra-State transaction.	50,000
4.	Amount received for service provided by him as a commentator. to a local recognized sports body, being Intra-State transaction	1,20,000
5.	Amount received for acting as a coach in recreational activities relating to sports, from one local charitable entity registered under section 12AA of the Income Tax Act, 1961, being Intra- State transaction.	30,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Uttam Kumar for the month of October, 2021.

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

All the amounts given are exclusive of CGST, SGST and IGST, wherever applicable.

(ICAI IPCC May 2019 – 8 Marks)

Solution:

Computation of GST payable by Mr. Uttam

S No.	Particulars	Amount	SGST	IGST
(i)	Intra-State taxable supply of service	6,40,000	57,600	57,600
(ii)	Add: Amount received from Kapola Pvt. Ltd. for service provided to company, being intra-State transaction [Note-1]	5,00,000	Nil	Nil
(iii)	Add: Amount received for services provided as a commentator to a local recognized sports body, being intra-State transaction [Note-3]	1,20,000	10,800	10,800
(iv)	Add: Amount received for acting as a coach in recreational activities relating to sports from one local charitable entity registered under section 12AA of the Income Tax Act, 1961, being intra-State transaction [Note-4]	30,000	Nil	Nil
Total tax	payable under forward charge		68,400	68,400
(i)	Add: Legal fee paid to senior advocate for one legal matter within the State, being intra-State transaction2 [Note-2]	50,000	4,500	4,500
Total tax	payable under reverse charge		4,500	4,500

Computation of Total ITC available to Mr. Uttam

Particulars	CGST	SGST
(i) Tax paid under reverse charge on legal services	4,500	4,500
Total ITC available during the month	4500	4,500

Computation of minimum GST payable from Cash Ledger

Particulars	CGST	SGST
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Output GST payable under forward charge	68,400	68,400
Adjustment of CGST credit against CGST output tax liability and SGST credit against SGST output tax liability	(4,500)	(4,500)
Net GST payable under forward charge	63,900	63,900
GST payable under reverse charger – Note 5	4,500	4,500
Net GST payable through cash ledger	68,400	68,400
ITC to be carried forward	Nil	Nil

Working Notes

1. Services supplied by a director of a company to the said company are taxable under reverse charge and thus, the tax leviable thereon will be paid by the company.
2. Services provided by a senior advocate by way of legal services are taxable under reverse charge and thus, the tax leviable thereon will be paid by Mr. Uttam Kumar.
3. Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body is exempt from GST vide exemption notification. However, services provided as a commentator to a local recognized sports body is taxable.
4. Services by way of coaching in recreational activities relating to sports by charitable entities registered under section 12AA of the Income-tax Act are exempt from GST vide exemption notification.
5. The amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

Q29. Advice regarding availability of input tax credit (ITC) under the CGST Act, 2017 in the following independent cases: -

AMT Co. Ltd. purchased a mini bus having seating capacity of 16 persons for transportation of its employees from their residence to office and back.

Bangur Ceramics Ltd., a manufacturing company purchased two trucks for transportation of its finished goods from the factory to dealers located in various locations within the country.

“Hans premium” dealing in luxury cars in Chankyapuri, Delhi purchased five Skoda VRS cars for sale to customers.

Sun & Moon Packers Pvt. Ltd. availed outdoor catering service to run a canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory.

(ICAI Inter Nov 2019 RTP)

Solution:

Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for certain specified purposes.

Since in the given case, the mini bus has a seating capacity of 16 persons, the ITC thereon will not be blocked.

Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons with certain exceptions. Thus, ITC on motor vehicles for transportation of goods is allowed unconditionally. Therefore, ITC on trucks purchased by Bangur Ceramics Ltd for transportation of its finished goods from the factory to dealers located in various locations within the country is allowed.

Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), except when they are used for making further supply of such motor vehicles.

Being a dealer of cars, "Hans Premium" has purchased the cars for further supply. Therefore, ITC on such cars is allowed even though seating capacity is less than 13.

Section 17(5) of the CGST Act, 2017 inter alia, blocks input tax credit in respect of outdoor catering services. However, ITC is available on such services, when the same are provided by an employer to its employees under a statutory obligation. Thus, in view of the above-mentioned provisions, Sun & Moon packers Pvt. Ltd. can avail ITC in respect of outdoor catering services availed by it as the same is being provided under a statutory obligation.

Q30. Le Marc Ltd. of Nashik, Maharashtra, a registered supplier, is engaged in manufacturing taxable goods. It provides the following details of items purchased and services availed by it from Gujarat, for the month of March, 20XX:

S. No.	Particulars	IGST (₹)
1	Motor car purchased for employees to be used for personal as well as business purposes	1,50,000
2	Motor vehicle purchased for transportation of goods within the factory	2,00,000
3	Food items for consumption of employees. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.	2,000
4	Renting of motor car service availed for employee's transportation	36,000

Calculate the amount of eligible input tax credit for the month of March, 20XX (ICAI RTP May 2019)

Solution:

Computation of eligible input tax credit

Particulars	Eligible ITC (₹)
Motor car purchased for employees to be used for personal as well as business purposes [Note-1]	-
Motor vehicle purchased for transportation of goods within the factory [Note-1]	2,00,000
Food items for consumption of employees [Note-2]	-
Rent-a-cab facility given to employees [Note-3]	-
Total eligible input tax credit	2,00,000

Notes: -

As per section 17(5) of the CGST Act, 2017:

- ITC on motor vehicles (having seating capacity of not more than 12 passengers) and other conveyances is blocked except when they are used for making the following taxable supplies, namely: —
 - further supply of such vehicles or conveyances; or
 - transportation of passengers; or
 - imparting training on driving, flying, navigating such vehicles or conveyances;
 In this case, motor car (assumed to have capacity of less than 13 passengers) is used for transporting employees of the company and hence restriction under sec 17(5) shall not be applicable

Further, restriction of ITC is applicable is not applicable in case of motor vehicles meant for transportation of goods

- ITC in respect of food and beverages is blocked unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply. Thus, in the

given case, ITC of taxes paid on food for employees is not allowed. (Food items supplied to employees free of cost, as general terms of employment does not amount to supply)

3. ITC on supply of renting service is restricted under section 17(5) provided ITC of such motor vehicle is also restricted

Q31. Cloud Seven Private Limited, a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of February, 20XX

	Particulars	GST paid (₹)
(i)	Trucks used for the transport of raw material	1,20,000
(ii)	Foods and beverages for consumption of employees working in the factory	40,000
(iii)	Inputs are to be received in five lots, out of which third lot was received during the month	80,000
(iv)	Membership of a club availed for employees working in the factory	1,50,000
(v)	Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000)	4,00,000
(vi)	Raw material (to be received in March, 20XX)	1,50,000

Determine the amount of input tax credit available with Cloud Seven Private Limited for the month of February, 20XX by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled. (ICAI RTP Nov 2018)

Solution:

Computation of input tax credit (ITC) available with Cloud Seven Private Limited for the month of February, 20XX

Particulars	₹
Trucks used for the transport of raw material [Note-1]	1,20,000
Foods and beverages for consumption of employees working in the factory [Note-2]	Nil
Inputs are to be received in five lots, out of which third lot was received during the month [Note-3]	Nil
Membership of a club availed for employees working in the factory [Note-4]	Nil
Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000) [Note-5]	3,50,000
Raw material to be received in March, 20XX [Note-6]	Nil
Total ITC	4,70,000

Notes: -

1. Restriction on ITC of motor vehicle is not applicable in case of motor vehicles meant for transportation of goods
2. ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply- [Section 17(5)].
3. When inputs are received in instalments, ITC can be availed only on receipt of last instalment- [Section 16(2)].
4. Membership of a club is specifically disallowed under section 17(5) of the CGST Act, 2017.

5. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2) of CGST Act, 2017]
6. Input tax credit is available only upon the receipt of goods in terms of section 16(2) of CGST Act, 2017

Q32. 'XY' of Kolkata is engaged in supply of various goods and services. It pays GST under regular scheme. The following information is provided by it for the month of July

Particulars	Amount	Particulars	Amount
Inter-State purchases of office stationery	1,40,000	Inter-State supply of office stationery	2,00,000
Repairing of lorry used to transport goods from warehouse to clients' location [Intra-State supply]	1,00,000	Intra-State supply of 500 combi packs containing one calculator and one diary	4,00,000
		Intra-State supply of services of business correspondent to Shubhvidhi Bank with respect to accounts in its urban area branch	1,00,000

The following additional information is provided by 'XY' in relation to the above receipts and payments:

- i. 10% of the inter-State supply of office stationery are made to unregistered persons.
- ii. Each combi pack (containing a calculator and a diary) is priced at ₹ 800. The calculator and the diary are individually priced at ₹ 700 and ₹ 200 respectively.
- iii. An invoice of ₹ 40,000 towards purchase of office stationery is missing and no other tax paying document is available in respect of such goods.
- iv. All the figures mentioned above are exclusive of taxes, wherever applicable
- v. Rates of CGST, SGST and IGST for all services, office stationery and calculator are 9%, 9% and 18% respectively. Rates of CGST, SGST and IGST for diary are 14%, 14% and 28% respectively.
- vi. Subject to the information given above, all the necessary conditions for availing input tax credit have been fulfilled.

Details of opening balances of input tax credit as on 1st July is given hereunder

Tax	Amount in ₹
CGST	5,000
SGST	5,000
IGST	80,000

Compute the minimum net GST [CGST, SGST or IGST, as the case may be] payable in cash by 'XY' for the month of July. (ICAI RTP Nov 2020)

Solution:

(A) Calculation of Total Output tax payable for the month of July

S No.	Particulars of Outward Supplies	CGST	SGST	IGST
(i)	Inter-State supply of Stationery (2,00,000 x 18%) – Note 1	-	-	36,000
(ii)	Intra-State supply of 500 combi packs of calculators and diaries	56,000	56,000	-

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	(500 x ₹ 800 x 28%) – Note 2			
(iii)	Intra-State supply of services of business correspondent to a Shubhvidhi Bank with respect to accounts in its urban area branch (1,00,000 x 9%) - Note 3	9,000	9,000	-
Total Output Tax		65,000	65,000	36,000

(B) Calculation of Total Input Tax Credit for the month of July

S No.	Particulars of Inward Supplies	CGST	SGST	IGST
(i)	Inter-State purchase of office stationery [Note-4]	-	-	18,000
(ii)	Intra-State repairing of lorry used for transportation of goods [Note-5]	9,000	9,000	-
Total ITC available during the month of July		9,000	9,000	18,000
Add: Opening ITC at the start of July		5,000	5,000	80,000
Total Input Tax available for utilization		14,000	14,000	98,000

(C) Calculation of Net amount of GST payable in cash

Adjustment of ITC	CGST	SGST	IGST
Total Output tax for the month	65,000	65,000	36,000
Step 1: Less: - ITC of IGST adjusted against output IGST	-	-	(36,000)
Step 2: Less: - ITC of IGST adjusted against output CGST and SGST – See Working Note 6	(11,000)	(51,000)	-
Step 3: Less: - ITC of CGST adjusted against output CGST	(14,000)	-	-
Step 4: Less: - ITC of SGST adjusted against output SGST	-	(14,000)	-
Total Output tax paid	40,000	Nil	Nil
ITC to be carried forward	-	-	-

Working Notes: -

1. Taxable supplies made by a registered person are liable to tax irrespective of whether they are made to a registered person or to an unregistered person.
2. Supply of calculator and diary as a combi pack with a single price of ₹ 800 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply which attracts highest rate of tax.
3. Services provided by a business facilitator/ business correspondent to a banking company only with respect to accounts in its rural area branch are exempt and not with respect to accounts in its urban area branch
4. ITC can be taken only on the basis of a valid tax paying document. Thus, ITC will not be available on goods for which the invoice is missing
5. ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.
6. IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash as the amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST and SGST is also the same

Q33. Who can impose restrictions on utilization of input tax credit (ITC) available in the electronic credit ledger and under what circumstances can restrictions be imposed under the CGST Rules 2017.

(CA Inter Nov 2020 – 5 Marks)

Solution:

1. The Commissioner or an officer (not below the rank of an Assistant Commissioner) authorised by him has been empowered to impose restrictions on utilization of ITC available in the electronic credit ledger. The restrictions can be imposed under the CGST Rules, 2017 in the following circumstances:
2. ITC has been availed on the basis of tax invoices/valid documents -
 - a. issued by a non-existent supplier or by a person not conducting any business from the registered place of business; or
 - b. without receipt of goods and/or services; or
 - c. the tax in relation to which has not been paid to the Government.
3. Registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business; or
4. Registered person availing ITC is not in possession of tax invoice/valid document

Q34. Star Ltd., a registered supplier in Karnataka has provided the following details for supply of one machine:

S.no	Particulars	Amount
1	List price of machine supplied [exclusive of items given below from (2) to (4)]	80,000
2	Tax levied by Local Authority on sale of such machine	6,000
3	Discount of 2% on the list price of machine was provided (recorded in the invoice of machine)	
4	Packing expenses for safe transportation charged separately in the invoice	4,000

Star Ltd. received Rs 5,000 as subsidy from an NGO on sale of each such machine, The Price of Rs. 80,000 of the machines is after considering such subsidy.

During the month of February, 2023, Star Ltd. supplied three machines to Intra-State customers and one machine to Inter-State customer.

Star Ltd. purchased inputs (intra-State) for Rs.1,20,000 exclusive of GST for supplying the above four machines during the month.

The Balance of ITC at the beginning of February, 2023 was:

CGST	SGST	IGST
Rs.18,000	Rs.4,000	Rs.26,000

Note:

Rate of CGST, SGST and IGST to be 9%,9% and 18% respectively for both inward and outward supplies.

All the amounts given above are exclusive of GST.

All the conditions necessary for availing the ITC have been fulfilled. Compute the minimum net GST payable in cash by Star Ltd. for the month of February, 2023. **(CA Inter Jan'21 - 8 Marks)**

Solution:

Computation of value of taxable supply

Particulars	Amount (Rs.)
List price of the machine	80,000
Add: Tax levied by Local Authority on the sale of machine [Tax other than GST, if charged separately, are includible in the value in terms of section 15 of the CGST Act, 2017.]	6,000
Add: Packing expenses for safe transportation [Includible in the value as per section 15 of	4,000

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the CGST Act, 2017.]	
Add: Subsidy received from a NGO on sale of each machine [Subsidy received from a non-Government body and which is directly linked to the price, the same is included in the value in terms of section 15 of the CGST Act, 2017.]	5,000
Total	95,000
Less: Discount @ 2% on Rs.80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15 of the CGST Act, 2017.]	1,600
Value of taxable supply	93,400

Computation of minimum net GST payable in cash by Star Ltd.

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Sale of machine [Intra-State sales = Rs. 93,400 × 3 machines = Rs. 2,80,200 Inter-State sales = Rs. 93,400 × 1 machine = Rs. 93,400]	25,218 2,80,200 × 9%	25,218 2,80,200 × 9%	16,812 93,400 × 18%
Total output tax	25,218	25,218	16,812
Less: Set off of IGST against IGST and SGST [IGST credit first be utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion]		(9,188)	(16,812)
Less: Set off of CGST against CGST and SGST against SGST [CGST credit cannot be utilized towards payment of SGST and vice versa.]	(25,218)	(14,800)	
Minimum net GST payable in cash	Nil	1,230	

Q35. X Electronics is a registered manufacturer of electrical appliances. made contract with dealers, that purchase of air conditioners of capacity 1.5 Ton in the month of October, 2023 of quantity of more than 50 units will entitle them for 10% discount.

Interstate supply made during the month of October 2023 is Rs. 50,00,000

Details of Intrastate supply:

Particulars	Amount
Supply of Microwave Oven	Rs.15,00,000
Supply of Refrigerators with Stabilizers being a mixed supply, rate of GST on Refrigerator is 28% (14% COST & 14% SGST), rate of GST on Stabilizer is 18% (9% COST & 9% SGST)	Rs. 40,00,000
Supply of Air Conditioners of capacity 1.5 Ton @ Rs.50,000 per Air Conditioner	Rs. 50,00,000

Intrastate inward supplies are:

Particulars	Amount
Raw material	20,00,000
Paid Gym membership for employees	50,000
Truck purchased for transportation of goods	30,00,000

X Electronics made supply of Air Conditioners (capacity 1.5 Ton) to only one dealer named Mr. L.

Gym membership for employees is not obligatory for X Electronics under any law.

Opening Balance of ITC is as under :

CGST: Rs. 58,000

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SGST: Rs. 70,000

IGST: Rs. 10,00,000

Note:

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.

Both inward and outward supplies are exclusive of taxes.

All the condition for availing the ITC have been fulfilled. Compute the Net GST payable in cash by X Electronics for the month of October, 2023.

(CA Inter July 21 - 8 Marks)

Solution:

Calculation of Total Output tax payable for the month of October 2023

S No.	Particulars of Outward Supplies	CGST	SGST	IGST
(i)	Intra-State supply of Microwave oven (15,00,000 x 9%)	1,35,000	1,35,000	-
(ii)	Intra-State supply of refrigerators with stablizers (40,00,000 x 14%) <i>[Being mixed supply, the supply shall be treated as a supply of that particular supply which attracts the highest rate of tax and taxed accordingly. Thus, it will be taxed @ 14% CGST and 14% SGST.]</i>	5,60,000	5,60,000	-
(iii)	Intra-State Supply of 100 (Rs. 50 lakh/ Rs. 50,000) air conditioners [Rs. 45,00,000 x 9%] <i>[Since 100 air conditioners have been supplied, discount @ 10% will be available – Note 1]</i>	4,05,000	4,05,000	-
(iv)	Inter-State Supply [50,00,000 x 18%]	-	-	9,00,000
Total Output Tax		11,00,000	11,00,000	9,00,000

Calculation of Total Input Tax Credit for the month of October 2023

S No.	Particulars of Inward Supplies	CGST	SGST	IGST
(i)	Purchase of Raw Materials [20,00,000 x 9%]	1,80,000	1,80,000	-
(ii)	Gym membership for employees <i>[ITC on membership of a health and fitness centre is blocked if there is no statutory obligation for the employer to provide the same.]</i>	-	-	-
(iii)	Truck purchased for transportation of goods [30,00,000 x 9%] - ITC on motor vehicles used for transportation of goods are not blocked. It has been assumed that depreciation has not been claimed on tax component	2,70,000	2,70,000	-
Total ITC availed during the month of October		4,50,000	4,50,000	
Add: Opening ITC at the start of October		58,000	70,000	10,00,000
Total Input Tax available for utilization		5,08,000	5,20,000	10,00,000

(A) Calculation of Net amount of GST payable in cash

Adjustment of ITC	CGST	SGST	IGST
Total Output tax for the month	11,00,000	11,00,000	9,00,000
Step 1: Less: - ITC of IGST adjusted against output IGST	-	-	(9,00,000)
Step 2: Less: - ITC of IGST adjusted against output CGST	(1,00,000)	-	-
Step 3: Less: - ITC of CGST adjusted against output CGST	(5,08,000)	-	-
Step 4: Less: - ITC of SGST adjusted against output SGST	-	(5,20,000)	-

Total Output tax paid	4,92,000	5,80,000	Nil
ITC to be carried forward	-	-	-

Working Notes

It has been presumed that there is one supply transaction for 100 ACs and thus, the discount has been given in the invoice itself. Alternatively, even if there have been multiple supply transactions for the ACs during the month and the discount has been given vide credit note, it has been presumed that the credit note has been issued in October 2023 and all other conditions prescribed in section 15(3)(b) of the CGST Act, 2017 have been complied with. Thus, the effect of the discount has been adjusted in the month of October 2023 itself. It has been assumed that Rule 86B is not applicable in the given case.

Q36. A Ltd. procured the following goods in the month of December, 2023

Inward Supplies	GST(Rs.)
Goods used in constructing an additional floor of office building	18,450
Goods given as free sample to prospective customers	15,000
Trucks used for transportation of inputs in the factory	11,000
Inputs used in trial runs	9,850
Confectionary items for consumption of employees working in the factory	3,250
Cement used for making foundation and structural support to plant and machinery	8,050

Compute the amount of ITC available with A Ltd. for the month of December 2023 by giving necessary explanations. Assume, that all the other conditions necessary for availing ITC have been fulfilled. (CA Inter July 21- 6 Marks)

Solution:

Computation of amount of eligible ITC available for the month of December, 2023

S No.	Particulars of Inward Supplies	GST
(i)	Goods used in construction of additional floor of office building	Nil
(ii)	Goods given as free samples to prospective customers	Nil
(iii)	Trucks used for transportation of inputs in the factory	11,000
(iv)	Inputs used in trial runs	9,850
(v)	Confectionary items for consumption of employees working in the factory	Nil
(vi)	Cement used for making foundation and structural support to plant and machinery	8,050
Total Eligible ITC		28,900

Working Notes:

- ITC on goods received by a taxable person for construction of an immovable property on his own account is blocked even if the same is used in the course or furtherance of business. It has been assumed that cost of construction of additional floor has been capitalized.
- ITC on goods disposed of by way of free samples is blocked.]
- ITC on motor vehicles used for transportation of goods is not blocked. *It has been assumed that depreciation has not been claimed on tax component.*
- Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed
- ITC on food or beverages is blocked unless the same is used in same line of business or as an element of the taxable composite or mixed supply. Further, ITC on goods and/or service used for personal consumption is blocked
- ITC on goods used for construction of plant and machinery is not blocked. Plant and machinery include foundation and structural supports through which the same is fixed to earth.]

Q37. ABC Ltd., a registered supplier in Surat, Gujarat has calculated output net GST liability after adjusting ITC in the books for the month of February 2023:

CGST: Rs. 3,00,000

SGST: Rs. 2,50,000

IGST: Rs. 3,00,000

During the above month, the following additional information is provided by ABC Ltd.:

S. No.	Particulars	Amount (excluding GST) ₹
1	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. The hiring charges for the trucks were Rs. 7,500 per truck per day	3,75,000
2	The company sold goods to X & Co. of Delhi on 6 th January 2023 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6 th January 2023. X & Co. paid the consideration for the goods on 20 th February along with applicable interest.	5,00,000
3	The company sought legal consultancy services for its business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat.	1,50,000
4	The company ordered 3,000 packets of tools which are to be delivered by the supplier of Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full quantity in February 2023 and the last lot would be delivered in April 2023	5,00,000
5	The company supplied 10,000 packets of tools to one of its customers at Rs. 10/-per packet in Gujarat in January 2023. Afterwards, the company re-values it at Rs. 9 per packet in February 2023 and the company issued credit note to the customer for Rs. 1 per packet.	

The rate of GST is 9% CGST, 9% SGST and 18% IGST.

You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February 2023. (CA Inter Dec 2021 – 8 Marks)

Solution:

Computation of net GST liability of ABC Ltd. to be paid in cash for February 2023

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Net output GST liability as given		3,00,000	2,50,000	3,00,000
<i>Add:</i> Trucks given on hire to GTA [Services by way of giving a means of transportation of goods on hire to a GTA are exempt.]	3,75,000	--	--	--
<i>Add:</i> Interest on delayed payment of 15 days (6 th February, 2023 to 20 th February, 2023) [Includible in value in terms of section 15 of the CGST Act, 2017. – See WN-3]	5,900 [5,90,000 × 2% × 15/30]	--	--	900

Total output tax liability		3,00,000	2,50,000	3,00,900
Less: ITC in respect of legal services paid as reverse charge is available	1,50,000	(13,500)	(13,500)	
		[1,50,000 × 9%]	[1,50,000 × 9%]	
Net output tax liability (A)		2,86,500	2,36,500	3,00,900

Legal consultancy services received (B) [Tax is payable under reverse charge on legal services received by a business entity ³ from a partnership firm of advocates. Further, tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	1,50,000	13,500	13,500	
		[1,50,000 × 9%]	[1,50,000 × 9%]	
Total GST payable in cash [(A) + (B)]		3,00,000	2,50,000	3,00,900

Notes:

1. ITC on goods received in lots is available on receipt of last lot. Hence, ITC on tools received will not be available in February 2023.
2. Since discount given by ABC Ltd. on the packets of tools was not known at the time of supply, it shall not be excluded from its value of supply.
3. Interest on delayed payment collected is assumed to be inclusive of GST. Further, the invoice value has been taken as inclusive of GST for computing said penal interest. However, it is also possible to assume the interest to be exclusive of GST and to compute the same by taking the values as exclusive of GST (i.e. Rs. 5,00,000).

Q38. XYZ Ltd., registered under GST, is engaged in manufacture of taxable goods. Compute the ITC available with XYZ Ltd. for the month of October from the following particulars: -

S. No	Inward supplies	GST (₹)	Remarks
1.	Inputs 'A'	1,00,000	One invoice on which GST payable was ₹ 10,000, is missing
2.	Inputs 'B'	50,000	Inputs are to be received in two instalments. First instalment has been received in October
3.	Capital goods	1,20,000	XYZ Ltd. has capitalized the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.

4.	Input services	2,25,000	One invoice dated 20 th January on which GST payable was ₹ 50,000 has been received in October
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Note:

(i) Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

(ii) The annual return for the previous financial year was filed on 15th September

Solution:

Computation of ITC available with XYZ Ltd. for the month of October

S. No.	Inward supplies	ITC (₹)
(i)	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC-Section 16(2)(a)]	90,000
(ii)	Inputs 'B' [When inputs are received in instalments, ITC can be availed only on receipt of last instalment-First proviso to section 16(2)]	Nil
(iii)	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component – Section 16(3)]	Nil
(iv)	Input services [As per section 16(4), ITC on an invoice cannot be availed after 30 th nov or filing annual return, whichever is earlier. Since the annual return for the previous financial year has been filed on 15 th September (prior to 30 th nov), ITC on the invoice pertaining to previous financial year cannot be availed after 15 th September.	1,75,000
	Total ITC	2,65,000

Q39. Mr. Prithviraj, registered under GST, is engaged in supplying services (as discussed in the table below) in Maharashtra. He has furnished the following information with respect to the services provided/received by him, during the month of February:

S. No.	Particulars	Amount(₹)
(i)	Carnatic music performance given by Mr. Prithviraj to promote a brand of readymade garments (Intra-State transaction)	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised for his prospective customers (Intra-State transaction)	50,000
(iii)	Services of transportation of students provided to Subhaskar College providing education as part of a curriculum for obtaining a recognised qualification (Intra-State transaction)	1,00,000

(iv)	Legal services availed for official purpose from an advocate located in Gujarat (Inter-State transaction)	1,75,000
(v)	Services provided to Wealth Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area (Intra-State transaction)	2,00,000
(vi)	Recovery agent's services provided to a car dealer (Intra-State transaction)	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes (Intra-State transaction)	40,000

Note:

1. Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
2. All inward and outward supplies are exclusive of taxes, wherever applicable.
3. All the conditions necessary for availing the ITC have been fulfilled.
4. The turnover of Mr. Prithviraj was ₹ 2.5 crore in the previous financial year. Compute the net GST payable in cash, by Mr. Prithviraj for the month of February. **RTP MAY 23**

Solution:**Computation of GST payable**

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST@ 18% (₹)
GST payable under forward charge				
Carnatic music performance given to promote a brand of readymadegarments [Carnatic music performance by Mr. Prithviraj is not exempt from GST even though the consideration charged does not exceed ₹ 1,50,000 since said performance has been made by him as a brand ambassador.]	1,40,000	12,600	12,600	Nil
Services of transportation of students provided to Subhaskar College [Services of transportation of students provided to an educational institution other than an institution providing pre-school education or education up to higher secondary school, are not exempt.]	1,00,000	9,000	9,000	Nil
Services provided to Wealth Bank as a business correspondent [Services provided by a business correspondent to a banking company are not exempt when such services are provided with respect to accounts in its urban area branch.]	2,00,000	18,000	18,000	Nil

Services provided as a recovery agent [Tax is payable under forward charges since recovery agent's services are being provided to a person other than banking company/financial institution/non-banking financial company.]	15,000	1,350	1,350	Nil
Total GST payable under forward charge (A)		40,950	40,950	Nil
GST payable under reverse charge				
Legal services availed from an advocate	1,75,000	Nil	Nil	31,500
[Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (₹ 20 lakh) are not exempt and tax on the same is payable under reverse charge.]				
Total GST payable under reverse charge (B)		Nil	Nil	31,500
Total GST payable [(A)+(B)]		40,950	40,950	31,500

Computation of total ITC available

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Outdoor catering services availed [ITC on outdoor catering services is blocked except when such services are (i) used by the taxpayer who is in the same line of business or (ii) provided by the employer to its employees under a statutory obligation.]	50,000	Nil	Nil	Nil
Legal services availed [ITC is available as said services are used in course or furtherance of business.]	1,75,000	Nil	Nil	31,500
General insurance taken on a car (seating capacity 5) used for official purposes [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.]	40,000	Nil	Nil	Nil
Total ITC available		Nil	Nil	31,500

Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST@ 18% (₹)
GST payable under forward charge	40,950	40,950	Nil
Less: ITC of IGST ¹	(15,750) IGST	(15,750) IGST	-
	25,200	25,200	Nil
Add: GST payable under reverse charge in cash [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	Nil	Nil	31,500
Net GST payable in cash	25,200	25,200	31,500

Note: CGST and SGST is payable on the intra-State transaction and IGST is payable on the inter-State transactions.

Q40. Ajay Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. The company provided the following details for the month of January 2022:

Sl. No.	Particulars			Amount in ₹	
(i)	Outward supply of goods made during the month to various non-related persons:			As given in particulars column	
		Particulars	Market value		Transaction Value (₹)
	a.	in the State of Bihar (Intra-State)	3,00,000		4,00,000
b.	to other States (Inter-State)	2,00,000	1,00,000		
(ii)	Services provided to the State Government of Karnataka for conducting a computer training programme for its employees. Total expenditure incurred for the said programme was ₹ 90,000, of which ₹ 63,000 was borne by the State Govt. (Inter-State transaction)			5,00,000	
(iii)	Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTN for convenience of accounting and billing. Value under section 15 - ₹ 20,000 (Intra -State)			Nil	
(iv)	Intra - State inward supply of various services for use in the course or furtherance of business (30 invoices)			6,50,000	

Additional Information:

- (a) All the amounts given above are exclusive of taxes.
- (b) During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 02.12.2021 was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January 2022. This invoice was issued by Mr. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra -State transaction).

(c) Rate of GST applicable on various supplies are as follows:

Nature of supply	CGST	SGST	IGST
Car rental service	2.5%	2.5%	5%
All other inward and outward supplies	9%	9%	18%

(d) No opening balance of input tax credit exists in the beginning of the month.

(e) Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to ₹ 1,50,000 were e-invoices in which Invoice Reference Number (IRN) was not mentioned. However, all the invoices were duly reflected in GSTR 2B for the month of January 2022, since the suppliers had filed their GSTR-1.

(f) Subject to the information given above, conditions necessary for claiming ITC were complied with.

You are required to calculate the amount of net GST liability payable in cash by Ajay Limited for the month of January 2022. Brief notes for treatment given for each item should form part of your answer.

Solution:

(PEQ NOV 22)

Computation of net GST payable in cash by Ajay Ltd. for the month of January 2022

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward intra-State supply of goods made in the State of Bihar [Value of supply is the transaction value of the goods.]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
Outward supply of goods made to other States [Value of supply is the transaction value of the goods.]			18,000 [1,00,000 × 18%]
Inter-State services provided to State Government of Karnataka for conducting a computer training programme [Not exempt since the State Government has borne less than 75% of total expenditure of the training programme.]			90,000 [5,00,000 × 18%]
Intra-State stock transfer to Gaya Branch with separate registration [Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.]	1,800 [20,000 × 9%]	1,800 [20,000 × 9%]	
Total output tax	37,800	37,800	1,08,000
Less: Input Tax Credit [Refer Working Note below] [CGST credit should be utilized for payment of CGST and IGST in that order. Similarly, SGST credit should be utilized for payment of SGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	(37,800) (CGST)		(7,200) (CGST)

versa.]			
		(37,800) (SGST)	(7,200) (SGST)
Net GST payable in cash	Nil	Nil	93,600

Working Note:**Computation of ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State inward supply of services [₹6,50,000 – ₹1,50,000] [ITC cannot be claimed on the e-invoices without IRN since an e-invoice without IRN is not treated as valid document for claiming ITC.]	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]	--
Cars taken on rental basis from Mr. Mukesh [Tax on renting of motor car services whereincost of fuel is included in consideration provided by a non-body corporate to a body corporate and invoice is issued charging CGST/SGST @ 2.5%is payable under reverse charge. Time of supply of such services is 1 st February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, tax liability on the same does not arise in said month. Further, ITC on renting of motor car services received is blocked since the recipient - Ajay Ltd. is not in the same line of business ¹ .]	--	--	--
Total ITC available	45,000	45,000	--

Q41. Charm Limited, registered under GST in the State of Jharkhand, manufactures cosmetic products and appointed Mr. Handsome of Mumbai, who is registered under GST in the State of Maharashtra, as their Del-credere agent (DCA) to sell their products. Being a DCA, he agrees to raise invoices in his own name and also guarantees for the realization of payments from customers to Charm Limited.

In order to realize the payments from customers on time, he extends short term transaction-based loans

to them and charges interest for the same.

Mr. Handsome provides you the following details of transactions carried out during the month of March 2022:

Sl. No.	Particulars	Amount in (₹)
	Outward supply:	
i.	Goods sold by Mr. Handsome in his DCA capacity (intra -State transaction)	2,80,000
ii.	Interest earned from the above customers for short term credit facility provided for timely payment of dues. (intra-State transaction)	20,000
iii.	Commission bill raised on Charm Limited (inter-State transaction) in respect of DCA services provided.	30,000
	Inward supply:	
iv	Inter-State supply of goods received from Charm Limited. Being a DCA, no consideration was paid. Value under section 15 - ₹ 2,00,000	Nil
v.	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost. Company charges ₹ 75,000 for such training when it provides the same to others.	Nil

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amounts given above are exclusive of taxes wherever applicable. Subject to the information given above, necessary conditions are complied with for availment of input tax credit.

You are required to calculate the gross GST liability and eligible input tax credit for the month of March 2022 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No. (i) to (v). PEQ NOV22

Solution:

Computation of gross GST liability of Mr. Handsome for the month of March 2022

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Goods sold by Mr. Handsome in his DCA capacity Add: Interest earned for short term credit facility provided to above customers [Interest included in the value of supply of the goods sold since where DCA is an agent under Schedule - I of the CGST Act, short term credit facility provided by DCA to the buyer is subsumed in the supply of the goods by the DCA to the buyer.]	2,80,000 <u>20,000</u>	27,000 [3,00,000 × 9%]	27,000 [3,00,000 × 9%]
Commission charged for DCA services [Being taxable supply of services.]			5,400 [30,000 × 18%]
Gross GST liability	27,000	27,000	5,400

Note: Since the invoice for goods sold is issued by the DCA – Mr. Handsome in his own name, he would fall under the ambit of an agent under Schedule – I of the CGST Act.

Computation of eligible ITC for the month of March 2022

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Inward supply of goods from Charm Limited free of cost [Supply of goods by principal – Charm Limited to the agent – Mr. Handsome qualifies as supply even though it is made without consideration.]			36,000 [2,00,000 × 18%]
Training in marketing and distribution received from Charm Limited free of cost [Since no consideration is charged for the services provided, said services do not qualify as supply. As no GST is paid on the same, ITC is not available]	--	--	--
Total ITC available	Nil	Nil	36,000

Q42. M/s. Flow Pro, a registered supplier, is engaged in manufacturing heavy steel fabrication machine. The details pertaining to pricing of each such machine is as follows:

S. No.	Particulars	Amount (₹)
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	25,00,000
(ii)	Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flo Pro.]	5,00,000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2,00,000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5,00,000
(v)	Discount of 2% is offered to BP Ltd. on the price mentioned at S. No. (i) above and recorded in the invoice	

Note: Price of the machine is net of the subsidy received.

M/s. Flow Pro has supplied one such machine in the month of October. It also provided the following details pertaining to the purchases made/services availed during said month:

S. No.	Inward supplies	IGST (₹)	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which IGST payable was ₹ 10,000, is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two lots. First lot has been received in October

(iii)	Capital goods	1,20,000	M/s. Flow Pro has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice dated 20 th January of preceding financial year on which GST payable was ₹ 50,000 was missing and has been found in October

Compute the net GST payable in cash by M/s. Flow Pro for October assuming that all the inward supplies are inter-State supplies and all outward supplies are intra-State supplies. Assume the rates of taxes to be as under:

Particulars	Rates of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary. All the conditions necessary for availing the ITC have been fulfilled. Opening balance of the input tax credit for the relevant period is Nil. The annual return for the previous financial year was filed on 15th September of the current year. MTP MAY 23

Solution:

Computation of net GST payable for the month of July

Particulars	CGST (₹)	SGST (₹)
GST payable on outward supplies (Refer Working note – 1)	2,83,500	2,83,500
Less: ITC (Refer Working note – 2) [ITC of IGST can be utilised for payment of CGST and SGST in any proportion and in any order.]	1,12,500	1,12,500
Net GST payable in cash	1,71,000	1,71,000

Note: ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST liability and accordingly, in the given case, amount of net GST payable in cash under the heads of CGST and SGST will vary. However, total amount of net GST payable in cash will be ₹ 3,42,000 in each case

Working note – 1

Computation of GST payable on outward supply made by M/s. Flo Pro for the month of July

Particulars	Amount (₹)
Price of the machine [Since the subsidy is received from the State Government, the same is not includible in the value of supply in terms of section 15(2)(e)]	25,00,000
Third party inspection charges [Any amount that the supplier is liable to pay in relation to the supply but has been incurred by the recipient and not included in the price actually paid or payable for the goods, is includible in the value of supply in terms of section 15(2)(b)]	5,00,000

Freight charges for delivery of the machine [Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are added in the value of principal supply.]	2,00,000
Total	32,00,000

Less: Discount @ 2% on ₹ 25,00,000 being price charged to BP Ltd. [Discount given before or at the time of supply if duly recorded in the invoice is deductible from the value of supply in terms of section 15(3)(a)]	<u>50,000</u>
Value of taxable supply	31,50,000
GST payable on outward supplies	
CGST @ 9%	2,83,500
SGST @ 9%	2,83,500
[Since all the outward supplies are intra-State supplies, CGST and SGST are payable on the same.]	

Working note – 2**Computation of ITC available with M/s Flow Pro for the month of July**

S. No.	Inward supplies	ITC (₹)
(i)	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC.]	90,000
(ii)	Inputs 'B' [When inputs are received in lots, ITC can be availed only on receipt of last lot.]	Nil
(iii)	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component.]	Nil
(iv)	Input services [ITC on an invoice cannot be availed after 30 th November following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the previous financial year has been filed on 15 th September, ITC on the invoice pertaining to previous financial year cannot be availed after 15 th September.]	1,75,000
	Total ITC (IGST)	2,65,000

Note - CGST @ 9% and SGST @ 9% are payable on the outward supplies since they are intra-State supplies and IGST @ 18% is payable on the inward supplies since they are inter-State supplies.

Q43. M/s. ABC & Co., a chartered accountancy firm, has its office in Bengaluru and is registered under GST in the State of Karnataka. It submitted the following information for the month of April:

Sr. No.	Particulars	Amount of services provided excluding GST (₹)
1.	Statutory audit services provided (intra-State supplies)	1,20,000
2.	ITR filing services provided within Karnataka (intra-State supplies)	1,60,000
3.	Internal audit services provided to Mumbai client (inter-State supplies)	1,80,000

M/s. ABC & Co. had also incurred the following expenses in the month of April for the purpose of providing the taxable services:

Sr. No.	Particulars	CGST (₹)	SGST (₹)
1.	Car purchased by firm for the use of senior partner of the firm for official use	42,000	42,000
2.	Office rent paid to landlord who is registered in State of Karnataka	450	450
3.	Professional fee paid to Mr. Rajesh, a practicing Chartered Accountant, for professional services availed [TDS of ₹ 20,000 is deducted under section 194J of the Income-tax Act, 1961]	18,000	18,000
4.	Computer purchased for office purpose	3,000	3,000

Out of the above 4 suppliers/service providers, landlord of office to whom rent was paid did not upload his GSTR-1 within the specified time allowed under GST resulting in the GST amount not being reflected in GSTR-2B of M/s. ABC & Co.

Compute the net GST payable in cash by M/s. ABC & Co. for the month of April. Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively assuming that all the remaining conditions of utilisation of ITC are fulfilled. **MTP MAY 23**

Solution:

Computation of net GST payable by ABC & Co. for the month of April

Particulars	Value of supply	CGST (₹)	SGST (₹)	IGST (₹)
Statutory audit services	1,20,000	10,800	10,800	
ITR filing services	1,60,000	14,400	14,400	
Internal audit services	1,80,000	-	-	<u>32,400</u>
Total output tax liability		25,200	25,200	32,400
Less: ITC [Refer Working Note] [CGST credit is set off against CGST liability and SGST credit is set off against SGST liability since CGST credit cannot be utilized towards payment of SGST liability and vice versa.]		<u>(21,000)</u>	<u>(21,000)</u>	
Net GST payable		4,200	4,200	32,400

Working Note:

Computation ITC that can be availed

Particulars	CGST (₹)	SGST (₹)
Computation of eligible ITC		

Car purchased for official use by senior partner [ITC on motor vehicles used for transportation of persons with seating capacity upto 13 persons (including driver) is blocked except when used for making specified outward supplies.]	Nil	Nil
Office rent paid to landlord [No ITC since the supplier did not upload the details of invoice in his GSTR- 1 and said details are not being reflected in GSTR-2B of recipient.]	Nil	Nil
Professional fee paid [ITC on services used in the course/furtherance of the business is allowed.]	18,000	18,000
Computer for office purpose [ITC on goods used in the course/furtherance of the business is allowed.]	<u>3,000</u>	<u>3,000</u>
Total eligible ITC which can be availed [ITC in respect of invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of recipient.]	21,000	21,000

Student note

CHAPTER 10: - PAYMENT OF TAX

ICAI Study Material Questions

Q1. Examine the authority vested under CGST Act, 2017 for preventing a registered person from utilising the input tax credit availed in a fraudulent manner?

Solution:

Every registered person, shall avail the input tax credit through a return filed under Section 39 of CGST Act, 2017. Input Tax credit availed shall be credited to electronic credit ledger under section 41 of the CGST Act, 2017

As per provisions contained in Rule 86A, in case the Commissioner or an officer authorized by him in this behalf, not below the rank of an Assistant Commissioner, has reasons to believe that ITC available in the electronic credit ledger has been fraudulently availed or is ineligible, he may prohibit use of ITC for discharge of any liability under section 49 or for claim of any refund of any unutilized amount

Q2. Mr. A has deposited a sum of ₹ 30,000 under minor head of "Interest" column for the major head "IGST". At the time of filing GSTR-3B for a particular tax period, he noticed that there is no sufficient amount under the minor head 'Tax' towards payment of ₹ 30,000. When approached with the Jurisdictional Tax officer, Mr. A was guided to deposit the tax amount under proper head of account and claim a refund for the remittance of amount deposited under head" interest". Examine the relevant provisions of CGST Act, 2017 towards payment of tax and compliance with the law.

Solution:

Applicable Provisions of Law

Provisions of Section 49(10) of CGST Act, 2017 permit a registered person for transferring the amount deposited under any of the minor head i.e. tax, interest, penalty, fees or others to any of the heads under IGST/CGST/SGST/UTGS and make the payment of taxes there upon. For this purpose, Form GST PMT-09 shall be used

Conclusion in the present case

Accordingly, Mr. A need not deposit the tax amount under head "tax" and claim a refund for the remittance of amount deposited under head" interest. Rather, using the Form GST PMT09, such amount can be transferred suo moto on the common portal from "interest" to "tax" head and tax liability be paid

Q3. PPC Ltd., has availed Input Tax credit for ₹ 54,000/- IGST during February 2021 on a particular purchase. Accounting records for the above purchase, indicate that IGST paid to the supplier is ₹ 45,000/- as per the bill received. GSTR1 uploaded by the supplier for the above supply indicates ₹ 45,000/- as tax paid. Examine as per GST provisions, what value shall be updated in the ledgers maintained on behalf of PPC Ltd., on the common portal? (IMP.)

Solution:

M/s PPC Ltd., have accounted and paid ₹ 45,000/- as IGST to the supplier concerned. However, availment of input tax credit has been made for ₹ 54,000/-.

As per Section 49(2) of CGST Act, 2017" The input tax credit as self-assessed in the return of a registered

person shall be credited to his electronic credit ledger, in accordance with section 41, to be maintained in such manner as may be prescribed." Accordingly, electronic credit ledger of M/s PPC Ltd., shall be updated with a value of ₹ 54,000/- as per self- assessed return to be filed for February 2023, though the input tax credit shown by the supplier is only for 45,000/

Q4. M/s ABC & Co., have defaulted in filing the return under Section 39 of CGST Act, 2017 i.e. GSTR-3B for the month of March, 2021 within the specified due date. Reason for such delay is attributable to delay in closure of Books for March 2021, which have been finalised during May 2021. The GST Common portal prompted for payment of late fees payable under Section 47 of CGST Act, 2017 for a sum of ₹ 2,000 under CGST and SGST each. Accountant, of M/s ABC & Co., sought your confirmation for payment of such late fees through the balance available in Electronic Credit Ledger for the late fees. Give your guidance in this regard (IMP.)

Solution:

Applicable Provisions of Law

Section 49(3) of the CGST Act, 2017 provides that the amount available in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the provisions of this Act or the rules made there under in prescribed manner. Further, section 49(4) provides that the amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the Integrated Goods and Services Tax Act in prescribed manner. Accordingly, as per the combined reading of the above provisions, late fees shall be paid only through electronic cash ledger and not possible through electronic credit ledger.

Conclusion in the present case

Thus, contention of the accountant of M/s ABC & Co., is not correct and the above amount shown on the common portal has to be deposited in Electronic Cash Ledger under appropriate minor head, through any of the specified modes

Q5. How many types of electronic ledger/register are there?

Solution:

- a) Electronic cash ledger
- b) Electronic credit ledger
- c) Electronic liability register

Q6. What are the main features of GST payment process?

Solution:

The main features of GST payment process are as follows: -

- 1) Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan;
- 2) Facilitation for the tax payer by providing hassle free, anytime, anywhere mode of payment of tax;
- 3) Convenience of making payment online;
- 4) Realtime data for tax collection in electronic format;
- 5) Faster remittance of tax revenue to the Government Account;
- 6) Paperless transactions;
- 7) Speedy Accounting and reporting;
- 8) Electronic reconciliation of all receipts;
- 9) Simplified procedure for banks;

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10) Warehousing of Digital Challan.

Q7. Are principles of unjust enrichment applicable for payment made under GST?

Solution:

Yes, as per Section 49(9) of the CGST Act, 2017 every person who has paid the tax on goods or services or both under this Act shall, unless the contrary is proved by him, be deemed to have passed on the full incidence of such tax to the recipient of such goods or services or both.

Q8. State the name of output tax under GST, where any of the input tax credit under GST can be availed?

Solution:

IGST. IGST, CGST, SGST, UTGST i.e. all input tax credit can be availed against output tax liability known as IGST.

Q9. Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 2021 and wishes to pay his IGST liability for the month. Since he is making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Sahil regarding the various modes of deposit in the electronic cash ledger. Further, advise him with regard to following issues: (IMP.)

- 1) Are manual challans allowed under GST?
- 2) What is the validity period of the challan?
- 3) Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?

Solution:

As per the provisions of CGST Act, 2017 read with relevant rules, the deposit in electronic cash ledger can be made through any of the following modes, namely: -

- (i) Internet Banking through authorised banks;
- (ii) Credit card or Debit card through the authorised bank;
- (iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- (iv) Over the Counter payment through authorised banks for deposits upto ten thousand rupees per challan per tax period, by cash, cheque or demand draft.

Thus, offline mode is also permitted under GST subject to specified conditions.

- (a) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.
- (b) Challan is valid for a period of 15 days.
- (c) A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the CGST Act, 2017 to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess.

Q10. Suhasini is a registered software consultant. On account of her ill health, she could not provide any services during the month of October. However, she had to incur all the expenses relating to her office. She paid ₹ 75,000 to various vendors. The total input tax involved on the goods and services procured by her is ₹ 13,500. Out of the total bills paid by her, one bill for ₹ 15,000 relates to security services availed for security of her office, tax on which is payable under reverse charge. Input tax involved in such bill is ₹ 2,700. (IMP.)

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Suhasini is of the opinion that for the month of October, no GST is payable from electronic cash ledger as she has sufficient balance of ITC for payment of GST under reverse charge on security services.

Do you think Suhasini is right? Explain with reasons. (also asked in ICAI RTP Nov 2020)

Solution:

The amount available in the electronic credit ledger, i.e. ITC may be used for making any payment towards output tax [Section 49(4)]. Output tax in relation to a taxable person, means the tax chargeable on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis [Section 2(82)].

Therefore, ITC cannot be used to pay the tax liability under reverse charge. The same is always required to be paid through electronic cash ledger and not electronic credit ledger. Thus, Suhasini is wrong and she will need to pay the GST of ₹ 2,700 on security service through electronic cash ledger.

ICAI Past year Papers, RTPs and MTPs

Q11. Royal Sweet Co., Delhi, a registered supplier, has furnished the details of the following few transactions which took place in November, 20XX: (IMP.)

S. No.	Date	Particulars	Date of invoice	Amount
(i)	11.11.20XX	Payment made to an advocate in Delhi	07.07.20XX	1,25,000
4.	20.11.20XX	Paid sitting fee to Director from Haryana for meeting held in Delhi on 15.10.20XX [Inter-State supply] 15.10.20XX 75,000		Assume the rates of taxes to

be as under: -

Particulars	Rate
CGST	9%
SGST	9%
IGST	18%

Aggregate turnover of Royal Sweet Co.in preceding FY was ₹ 55lacs.

You are required to compute GST [CGST & SGST/IGST, as the case may be] payable for the month of November, 20XX along with time of supply of the aforementioned activities. Also calculate the amount of interest, if any, payable under section 50 assuming that tax in respect of both the above transactions was

paid along with due date of GSTR-3B for November 20XX.

(ICAI RTP May 2018)

Solution:

Computation of GST payable for the month of November, 20XX

S No.	Particulars	Time of supply of services	CGST	SGST	IGST	Date on which tax Actually paid	Interest
(i)	Services from an advocate in Delhi	06.09.20XX (Note 1 & 3)	11,250	11,250	-	20/12/20XX	677 (Note -4)

(ii)	Director's Sitting fees	20.11.20XX	-	-	13,500	20/12/20XX
		(note 2 & 3)				

Working Notes

- 1) Services supplied by an individual advocate to any business entity (whose aggregate turnover in immediately preceding FY exceeds the applicable threshold for registration) located in the taxable territory is a notified service on which tax is payable on reverse charge basis by the recipient of services.
- 2) Services supplied by a director of a company to the said company is a notified service on which tax is payable on reverse charge basis by the recipient of services. In the present case, since sitting fees has been paid to director, hence, it is assumed that director is not employee of the company.
- 3) As per section 13 of the CGST Act, 2017, the time of supply of services in case of reverse charge is earliest of the following: -
Date of payment as entered in the books of account of the recipient or the date on which the payment is debited to his bank account, whichever is earlier, or
Date immediately following 60 days since the date of issue of invoice.
- 4) In view of the aforesaid provisions, the time of supply and due date for payment of tax in the given cases would be determined as under:

Time of supply of the services is the date immediately following 60 days since the date of issue of invoice, i.e. 06.09.20XX. The due date for payment of tax is 20.10.20XX with return of September, 20XX.

Time of supply of service is 20.11.20XX and due date for payment of tax is 20.12.20XX with return of December, 20XX.

- 5) The due date for payment of tax in case (i) is 20.10.20XX with return of September, 20XX. However, the payment of tax is actually made on 20.12.20XX. Thus, payment of tax is delayed by 61 days.
In case of delayed payment of tax, interest @ 18% per annum is payable for the period for which the tax remains unpaid starting from the day succeeding the day on which such tax was due to be paid [Section 50 of the CGST Act, 2017 read with Notification No. 13/2017 CT dated 28.06.2017]. In view of the same, in the given case, interest payable would be as follows: Amount of interest payable = ₹ 22,500 × 18% × 61/365 = ₹ 677 (rounded off)

Note: - In the given case, tax liability of ₹ 22,500 relates to reverse charge, hence there is no question of utilizing any ITC against this payment. Hence, Interest u/s 50 has been calculated on the gross amount itself.

Q12.

Discuss the following in terms of provisions of CGST Act, 2017:

When shall the interest be payable by a registered person and what is the maximum rate of interest chargeable for the same?

(ICAI Inter May 2018 – 5 Marks)

Solution:

Interest is payable in the following cases: -

- failure to pay tax, in full or in part within the prescribed period,

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- undue or excess claim of input tax credit, undue or excess reduction in output tax liability.

The maximum rate of interest chargeable for the same is as under-

- 18% p.a. in case of failure to pay full/part tax within the prescribed period
- 18% p.a. in case of undue or excess claim of input tax credit or undue or excess reduction in output tax liability.

Q13. Answer the following with reference to GST Laws:

1. What is CIN?

2. How does the new payment system benefit the taxpayer & the Commercial Tax Department?

(ICAI IPCC May 2018)

Solution:

1. CIN is Challan Identification Number. It is generated by the banks indicating that the payment has been realized and credited to the appropriate government account against a generated challan.
2. The new payment system benefits the taxpayer and the commercial tax department in the following ways: -

Benefits to Taxpayer: - (any two points)

- a) No more queues and waiting for making payments as payments can be made online 24 X 7.
- b) Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan. Paperless transactions.
- c) Instant online receipts for payments made online.
- d) Tax consultants can make payments on behalf of the clients.
- e) Single challan form to be created online, replacing the three or four copy Challan. Greater transparency.
- f) Online payments made after 8 pm will be credited to the taxpayer's account on the same day.

Benefits to the Commercial Tax Department: - (any two points)

- a) Revenue will come earlier into the Government Treasury as compared to the old system. Logical tax collection data in electronic format.
- b) Speedy accounting and reporting.
- c) Electronic reconciliation of all receipts. Warehousing of digital challan.

Q14.

Determine with brief reasons, whether the following statements are True or False:

"Electronic cash ledger balance of ₹ 5,000 under the major head of IGST can be utilized for discharging the liability of major head of CGST".

(ICAI Inter Nov 2018 – 1.5 Marks)

Solution:

The said statement is True

As per section 49(10) read with Rule 87(13), a registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under central tax to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess in FORM GST PMT-09. In other words, cross utilization is now permitted in cash ledger by way of transfer

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Q15.

Ms. Jimmy wants to adjust input tax credit for payment of interest, penalty and payment of tax under reverse charge. Explain whether she can do so.

(ICAI Nov 2018 – 3 Marks)

Solution:

The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger which may be used for making any payment towards output tax. "Output tax" inter alia excludes tax payable on reverse charge basis.

Thus, Ms. Jimmy cannot adjust input tax credit for payment of interest, penalty as also for payment of tax under reverse charge.

Q16. M/s. Daksha Enterprises has made a cash deposit of ₹ 10,000 under minor head 'tax' of major head 'SGST'. It has a liability of ₹ 2,000 for minor head "Interest" under the major head "SGST". State whether M/s. Daksha Enterprises can utilise the amount available for payment of interest.

(ICAI Inter May 2019 – 2 marks)

Solution:

As per section 49(10) read with Rule 87(13), a registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under central tax to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess in FORM GST PMT-09. In other words, cross utilization is now permitted in cash ledger by way of transfer.

SO, in the given case, M/s Daksha Enterprises would firstly have to transfer ₹ 2,000 from 'tax' head of SGST to "interest" head of SGST by using PMT-09 and thereafter the balance can be used to make payment of interest.

Q17. What is the E-ledgers? State the entries to be debited to electronic liability register under the CGST Act, 2017 and the CGST Rules, 2017. (ICAI IPCC May 2019 – 5 Marks)

Solution:

Electronic Ledgers or E-Ledgers, i.e., Electronic Cash Ledger and Electronic Credit Ledger, are statements of cash and input tax credit in respect of each registered taxpayer. In addition, each taxpayer shall also have an electronic tax liability register. The entries to be debited to electronic liability register under the CGST Act, 2017 and the CGST Rules, 2017 are as follows: -

- a) all amounts payable towards tax, interest, late fee and any other amount as per return filed;
- b) all amounts payable towards tax, interest, penalty and any other amount determined in a proceeding by an Assessing authority or as ascertained by the taxable person;
- c) the amount of tax and interest payable due to mismatch;
- d) any amount of interest that may accrue from time to time

Q18.

Mr. Ram Narayan, a registered supplier under GST, wants to first discharge his self-assessed tax liability for the current period before settling the dues for the previous tax period. Examine briefly whether he can do so? (ICAI May 20 RTP) (IMP.)

Solution:

As per section 49(8) of the CGST Act, 2017, the liability of a taxable person has to be discharged in a chronological order as under: -

self-assessed tax and other dues for the previous tax periods have to be discharged first; the self-assessed tax and other dues for the current period have to be discharged next; Once these two steps are exhausted, thereafter any other amount payable including demand determined under section 73 or section 74 of the CGST Act, 2017 to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last.

This sequence has to be mandatorily followed.

Thus, in view of the above-mentioned provisions, Mr. Ram Narayan cannot discharge his self-assessed tax liability for the current period before settling the dues for the previous tax period

Q19.

Explain the order of discharge of tax and other dues as per the provisions of section 49(8) of the CGST Act, 2017

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Solution:

The order of discharge of tax and other dues as per provisions of section 49(8) of the CGST Act, 2017 is as under: -

1. self-assessed tax and other dues related to returns for the previous tax periods should be discharged first.
2. the self-assessed tax and other dues for the current period should be discharged next.
3. Lastly, any other amount payable including demand determined under section 73 or section 74 should be discharged

Q20. Mr. Alok, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 2021 on 15th April, 2021. The prescribed due date to file the said GSTR3B was 20th February, 2021. The amount of net GST payable, in Cash i.e. Electronic Cash Ledger on supplies made by him for the said month worked out to be ₹ 36,500 which was paid on 15th April, 2021. Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Alok. Ignore the effect of leap year, if applicable in this case.

Solution:

Interest is payable in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

Thus, the amount of interest payable by Mr. Alok is as under: - Period of delay = 21st February, 2021 to 15th April, 2021 = 54 days Hence, amount of interest = ₹ 36,500 x 18% x 54/365 = ₹ 972

Q21. ABC Ltd., have filed their GSTR3B for the month of July, 2021 within the due date prescribed under Section 39 i.e. 20.08.2021. Post filing of the return, the registered person has noticed during September 2021 that tax dues for the month of July, 2021 have been short paid for ₹ 40,000. ABC Ltd., has paid the above shortfall of

₹ 40,000, through GSTR3B of September 2021, filed on 20.10.2021 [payment through Cash ledger - ₹ 30,000 and Credit ledger ₹ 10,000]. Examine the Interest payable under the CGST Act, 2017.

What would be your answer if, GSTR3B for the month of July 2021 has been filed belatedly on 20.10.2021 and the self-assessed tax of ₹ 40,000/- has been paid on 20.10.2021 [payment through electronic cash ledger - ₹ 30,000 and electronic credit ledger ₹ 10,000]

Notes:

- **There exists adequate balance in Electronic Cash & Credit ledger as on 31.07.2021 for the above short fall**
- **No other supply has been made nor tax payable for the month of July, 2021 other than ₹ 40,000/- missed out to be paid on forward charge basis**
- **Ignore the effect of leap year, if applicable in this case.**

Solution:

Interest is payable under Section 50 of the CGST Act, 2017 in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

As per proviso to sub-section (1) of Section 50, interest is payable on the net tax liability paid in cash, only if the return to be filed for a tax period under Section 39, has been filed after the due date to furnish such return.

In the above scenario, ABC Ltd., has defaulted in making the payment for

₹ 40,000 on self-assessment basis in the return for the month of July, 2021. Accordingly, interest is payable on the gross liability and proviso of sub-section 50(1) shall not be applicable.

Thus, the amount of interest payable by ABC Ltd., is as under: - Period of delay = 21st August, 2021 to 20th October, 2021 = 61 days Hence, amount of interest = ₹ 40,000 x 18% x 61/365 = ₹ 1,203

Alternatively, if ABC Ltd., have filed the return for the month of July, 2021 on

20.10.2021, beyond the stipulated due date of 20.08.2021 and if the self-assessed tax for July, 2021 has been paid on 20.10.2021, Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only.

Hence Interest is payable from 21st August 2021 till 20th October 2021 = 61 days Amount of Interest = ₹ 30,000 x 18% x 61/365 = ₹ 902

Student note

CHAPTER 11: - RETURN

ICAI Study Material Questions

Q1. Mr. X, a registered taxpayer under regular scheme, did not make any taxable supply during the month of July.

Is he required to file a GSTR-3B?

Solution:

A regular taxpayer is required to furnish a return u/s 39 for every month/quarter even if no supplies have been affected during such period. In other words, filing of Nil GSTR-3B is also mandatory. Therefore, Mr. X is required to file GSTR-3B even if he did not make any taxable supply during the month of July

Q2. If a return has been filed, how can it be revised if some changes are required to be made?

Solution:

In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/credit notes. Instead of revising the return already submitted, the system allows changing the details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1 in the tables specifically provided for the purposes of amending previously declared details.

As per section 39(9), omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the month/quarter during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in “Amendment Tables” contained in GSTR-1.

Q3. M/s Cavenon Enterprises, a registered supplier of designer wedding dresses under regular scheme, has aggregate annual turnover of ₹ 30 lakh in the preceding financial year. It is of the view that in the current financial year, it is permitted to file its monthly statement of outward supplies – GSTR-1 - on a quarterly basis while its accountant advises it to file the same on a monthly basis.

You are required to advise M/s Cavenon Enterprises on the same. (also asked in ICAI RTP May 2019)

Solution:

Applicable Provisions of Law: -

Section 37 provides that GSTR-1 for a particular month is required to be filed on or before 11th day of the immediately succeeding month i.e. by default GSTR-1 is to be filed on monthly basis. However, any person having aggregate turnover of not more than 5 Crore in immediately preceding FY can opt for QRMP scheme under which he has an option to file GSTR-3B and GSTR-1 on quarterly basis (however, tax payment can be done on monthly basis only).

In case of such QRMP dealers filing GSTR-1 on quarterly basis, there is an option to furnish details of B2B supplies (i.e. supply of goods or services to registered recipients) made during 1st & 2nd month of the quarter, up to cumulative value not exceeding

50L in each month, using Invoice furnishing facility (IFF) electronically on common portal.

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Conclusion in the present case:

Since the aggregate turnover of Cavenon Enterprises in preceding FY is only ₹ 30 Lakhs, it is eligible to opt for QRMP scheme. In such case, it can file its GSTR-1 on quarterly basis

Q4. Mr. Kohli is a registered supplier in the State of Gujarat. He is filing GSTR-1 every month (i.e. he has not opted for QRMP scheme). During the month of February, he went out of India and thus, could not do any business transaction during that month. He believes that as there is no transaction, there is no need to file GSTR-1 for the month of February. Is he correct? Explain

Solution:

No, Mr. Kohli is not correct. GSTR-1 needs to be filed even if there is no business activity in the tax period. Therefore, in the given case, even though Mr. Kohli was out of India and thus, could not do any business transaction during the month of February, he is still required to file GSTR-1 for that month. Further, as per Rule 67A, this Nil GSTR-1 can be filed even through an SMS using the registered mobile number of Mr. Kohli.

Q5. Mr. Kalpesh is a registered dealer in Kerala paying tax under composition levy from 1st April. However, he opts to pay tax under regular scheme from 1st December. Is he liable to file GSTR-4 for supplies made till 30th November? Discuss (IMP.)

Solution:**Applicable provisions of the law**

Where a taxpayer opts to withdraw from the composition scheme, he has to file GSTR-4 for the period prior to his opting for payment of tax under regular scheme. For the future period, such taxpayer will file GSTR-3B and GSTR-1

Conclusion in the present case

In the given case, Mr. Kalpesh was working under composition scheme from 1st April til. 30th November. Accordingly, he is required to file GSTR-4 for the supplies made till this date. This GSTR-4 can be filed on or before 30th April of succeeding year.

Q6. Mrs. Zarina, a registered dealer in Rajasthan, did not file GSTR-3B for the month of June but she wants to file GSTR-3B for the month of July. Is it possible? Answer with reference to section 39 of the CGST Act

Solution:

As per section 39(10), a registered person is not allowed to furnish a return for a tax period if the return for any of the previous tax periods has not been furnished by him. Therefore, in the given case, Mrs. Zarina cannot file GSTR-3B for July if she has not filed GSTR-3B for the preceding month, i.e., June

Q7. X has not made any outward supply during the month of September. However, X has procured certain input services during the month. X is of the opinion that he can file Nil GSTR-3B for the month of September through SMS. Whether the understanding of X is correct? Explain.

Solution:**Applicable Provisions of Law**

Rule 67A of CGST Rules provides that a Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer. Further, the said rule also provides that Nil GSTR-3B means that the return has nil or no entry in all its Tables.

Conclusion in the present case:

Since in the present case X has received certain input services, he cannot file Nil GSTR3B through SMS as the

said input services will need to be disclosed in the Table for Eligible ITC in GSTR-3B

Q8. A is a chartered accountant in practice and is registered under GST. On a query regarding return filing process by a potential client, A has represented him as a GST practitioner. A is of the view that since he is a qualified chartered accountant with a GST registration in the name of his proprietorship firm, he also qualifies as GST practitioner. Is the understanding of A correct? Discuss

Solution:

The understanding of A is not correct. A chartered accountant can become a GST practitioner (GSTP). However, holding a certificate of practice as a chartered accountant and having GST registration does not imply that such chartered accountant is a GST practitioner as well. For becoming a GSTP, even a chartered accountant in practice has to follow the enrolment process of GSTP as provided under the GST law and only upon approval of such enrolment can a chartered accountant represent himself as a GSTP

Q9. Quick tax, a GST return filing service provider, has asked its clients to provide the scanned copies of the tax invoices issued to B2B customers for uploading on the GST portal and filing the return. Whether the process followed by Quick tax is correct?

Solution:

No, the process followed by Quick tax is not correct.

The registered persons supplying goods or services to B2B customers are required to upload the invoice wise details of supplies made during the tax period. However, there is no requirement to upload the scanned copies of the invoices issued to the customers on the GST portal at the time of filing returns. Only information required as per GST returns is to be captured in the return filing utility and the same is to be uploaded on the GST portal and not the scanned copies of the actual invoices

Q10. X Ltd. is winding up its business in Rajasthan. The Tax Consultant of X Ltd. has suggested that X Ltd. will have to file either the annual return or the final return at the time of voluntary cancellation of registration in the state of Rajasthan. Do you agree with the stand taken by Tax Consultant of X Ltd.? Offer your comments (IMP.)

Solution:

No, the stand taken by Tax Consultant of X Ltd. is not correct. Annual return is required to be filed by every registered person paying tax as a normal taxpayer. Final return is filed by the registered persons who have applied for cancellation of registration within three months of the date of cancellation or the date of cancellation order. In the given case, X Ltd., a registered person, is winding up its business and has thus, applied for cancellation of registration. Therefore, it is required to file both annual return and final return.

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Q11. Who is required to furnish Final Return under CGST Act, 2017 and what is the time limit for the same? Discuss. (ICAI Inter May 18 – 5 Marks)

Solution:

Every registered person who is required to furnish a return u/s 39(1) of the CGST Act, 2017 and whose registration has been surrendered or cancelled shall file a Final Return electronically in the prescribed form through the common portal. Final Return has to be filed within 3 months of the:

- date of cancellation or
- date of order of cancellation whichever is later.

Q12.

A tax payer can file GSTR-1 under CGST Act, 2017, only after the end of the current tax period. State exceptions to this. (ICAI Inter Nov 2018 – 2 marks)

Solution:

A taxpayer can file GSTR-1 under CGST Act, 2017, only after the end of the current tax period. However, following are the exceptions to this rule:

Casual taxpayers, after the closure of their business
Cancellation of GSTIN of a normal taxpayer.

Q13.

What kinds of invoice details of outward supplies are required to be furnished in GSTR-1 for outward supplies? (ICAI IPCC Nov 2018 – 5 Marks)

Solution:

The invoice details of outward supplies required to be furnished in GSTR-1 are - name of Buyer, GSTN of buyer, invoice no., date, value, taxable value, rate of tax, amount of tax, HSN code in respect of supply of goods, accounting code in respect of supply of services and place of supply.

Further, following invoice details of outward supplies are required to be furnished invoice-wise in GSTR-1 –
intra-State supplies made to the registered persons (irrespective of value)
inter-State supplies made to the registered persons; (irrespective of value)
inter-State supplies made to unregistered persons with invoice value exceeding ₹ 2,50,000

Q14.

Mrs. Zeel a registered dealer in Rajasthan did not file GSTR 1 for the month of June, 2023 but she wants to file GSTR 1 for the month of July, 2023. Is it possible? (ICAI IPCC May 2019 – 4 marks)

Solution:**Applicable Provisions of law**

As per Sec 37 read with Rule 59, any registered person is not allowed to furnish details of outward supplies in GSTR-1 (or through IFF) for any tax period if the details of outward supplies for any of the previous tax periods has not be furnished by him through filing of GSTR-1.

Conclusion in the present case

Therefore, in the given case, Mrs Zeel cannot file GSTR-1 for July, 2023 since she has not filed GSTR-1 for the preceding month, i.e., June, 2023.

Q15.

Discuss the provisions of section 39(9) of the CGST Act 2017 relating to rectification of errors/omissions in GST returns already filed and also state its exceptions. State the time limits for making such rectifications.

(IMP.)

(ICAI Inter Nov 2019 – 5 Marks)

Solution:**Provisions relating to rectification of errors/omissions**

Just like GSTR-1, in case of GSTR-3B and GSTR-5 also, Omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the tax period during which such omission or incorrect particulars are noticed.

Maximum time limit for rectification

The maximum time limit within which the rectification of errors/omissions is permissible is earlier of the following dates:

- 30th November of the next financial year or
- Actual date of filing of annual return of the relevant FY

Q16.

Mr. Gauri Shiva, a registered person in Punjab, supplies goods taxable @ 12% [CGST @ 6%, SGST @ 6% & IGST @ 12%] in the States of Punjab and Haryana. He has furnished the following details in relation to independent supplies made by him in the quarter ending June, 20XX:-

Supply	Recipient	Nature of supply	Value (₹)
1	Mr. A, a registered person	Inter-State	2,20,000
2	Mr. B, a registered person	Inter-State	2,55,000
3	Mr. C, an unregistered person	Intra –State	1,80,000
4	Mr. D, an unregistered person	Intra-State	2,60,000
5	Mr. M, an unregistered person	Inter-State	3,00,000
6	Mr. N, an unregistered person	Inter-State	50,000
7	Mr. O, an unregistered person	Inter-State	2,50,000
8	Mr. P, an unregistered person	Inter-State	2,80,000
9	Mr. Q, a registered person	Intra-State	1,50,000
10	Mr. R, a registered person	Intra-State	4,10,000

The aggregate annual turnover of Mr. Gauri Shiva in the preceding financial year was ₹ 1.20 crore. With reference to rule 59 of the CGST Rules, 2017, discuss the manner in which the details of above supplies are required to be furnished in GSTR-1. (ICAI RTP May 2020)

Solution:

Rule 59 of the CGST Rules, 2017, inter alia, stipulates that the details of outward supplies of goods and/or services furnished in form GSTR-1 shall include the–

invoice wise details of all –

inter-State and intra-State supplies made to the registered persons; and

inter-State supplies with invoice value more than ₹ 2.5L made to the unregistered persons;

consolidated details of all –

intra-State supplies made to unregistered persons for each rate of tax; and

State wise inter-State supplies with invoice value up to ₹ 2.5L made to unregistered persons for each rate of tax; Thus, in view of the above-mentioned provisions, Mr. Gauri Shiva should furnish the details of outward supplies of goods made by him during the quarter ending June 20XX in the following manner: -

Supply	Recipient	Nature of supply	Value (₹)	Manner of furnishing
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				details
1	Mr. A, a registered person	Inter-State	2,20,000	Invoice-wise details
2	Mr. B, a registered person	Inter-State	2,55,000	Invoice-wise details
3	Mr. C, an unregistered person	Intra-State	1,80,000	Consolidatd details of
4	Mr. D, an unregistered person	Intra-State	2,60,000	supplies 3 and 4
5	Mr. M, an unregistered person	Inter-State	3,00,000	Invoice-wise details
6	Mr. N, an unregistered person	Inter-State	50,000	Consolidatd details of
7	Mr. O, an unregistered person	Inter-State	2,50,000	supplies 6 and 7
8	Mr. P, an unregistered person	Inter-State	2,80,000	Invoice-wise details
9	Mr. Q, a registered person	Intra-State	1,50,000	Invoice-wise details
10	Mr. R, a registered person	Intra-State	4,10,000	Invoice-wise details

Q17. "In Form GSTR-1, submission of invoice-wise details of outward supplies is mandatory for all kind of invoices issued during the tax period."

Comment on the validity of the above statement with reference to GST laws.

(CA Inter Nov 2020 – 3marks)

Solution:

The said statement is not valid.

In respect of following outward supplies, consolidated details and not invoice-wise details are required to be uploaded in the GSTR-1: .

Intra-State supplies made to unregistered persons for each rate of tax

Inter-State supplies made to unregistered persons with invoice value up to ₹ 2,50,000 for each rate of tax separately for each State.

Q18. (IMP.)

a) Miss Kashi is a registered intra-State supplier of goods in Haryana. During the months of August and September, she was out of station on a religious pilgrimage with her family for 55 days. Thus, no business transaction was made during August. Miss Kashi is of the opinion that as there is no transaction, there is no need to file monthly return [GSTR-3B] for the month of August. However, her tax consultant has advised her to file nil GSTR-3B. Whether the advice given by tax consultant is correct? Explain.

b) Will your answer in (a) change, if Miss Kashi has placed an order for some purchases during August over her mobile phone, which has been received in her premises and she intends to take input tax credit on the same?

c) Assuming in (a) above, Miss Kashi does not have internet facility in her mobile and there is no facilitation centre notified by the Commissioner, whether no return is required to be filed in the absence of means to file return? Explain. (ICAI May 2021 RTP)

Solution:

a) The advice given by tax consultant is correct.

Under GST law, filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed. Therefore, in the given case, even though Miss Kashi was out of station on a religious pilgrimage with her family for 55 days and thus, could not do any business transaction during the month of August, she is still required to file Nil GSTR-3B for that month.

- b) Nil GSTR-3B means that the return has nil or no entry in all its Tables. Since in the present case, Miss Kashi has received certain purchases, she cannot file Nil GSTR-3B, as the said purchases will need to be disclosed in the "Table for Eligible ITC" in GSTR-3B. Thus, Miss Kashi is required to file monthly return, GSTR-3B for the month of August.
- c) GSTR-3B can be submitted electronically on the common portal, either directly or through a Facilitation Centre notified by the Commissioner. Further, a Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer.
Thus, Miss Kashi is required to file Nil GSTR-3B for the month of August through an SMS using her registered mobile number even though there is no internet facility in her mobile and no Facilitation Centre notified by the Commissioner

Q19. The due date for payment of tax by a person paying tax under section 10 of the CGST Act, 2017, i.e. a composition supplier is aligned with the due date of return to be filed by the said person. Discuss the correctness or otherwise of the statement. (ICAI Nov 2020 RTP)

Solution:

The statement is not correct. Every registered person paying tax under section 10, i.e. a composition supplier, is required to file a return annually in Form GSTR-4. Form GSTR-4 for a financial year should be furnished by 30th April of the succeeding financial year. However, a composition supplier is required to pay his tax on a quarterly basis. A quarterly statement for payment of self-assessed tax in GST CMP-08 is required to be furnished by 18th day of the month succeeding such quarter. Therefore, while the return is to be furnished annually, payment of tax needs to be made on a quarterly basis, by a composition supplier.

Student note

CHAPTER 13: - TAX INVOICE & E-WAY BILL

ICAI Study Material Questions

Q1. Sultan Industries Ltd., Delhi, entered into a contract with Prakash Entrepreneurs, Delhi, for supply of spare parts of a machine on 7th September. The spare parts were to be delivered on 30th September. Sultan Industries Ltd. removed the finished spare parts from its factory on 29th September. Determine the date by which invoice must be issued by Sultan Industries Ltd. under GST law.

Solution:

Provisions of law

As per the provisions of section 31, invoice shall be issued before or at the time of removal of goods for supply to the recipient, where the supply involves movement of goods.

Conclusion in the present case

In the given case, the goods were removed from factory of Sultan Industries on 29th September, accordingly, the invoice must be issued on or before 29th September.

Q2. MBM Caretakers, a registered person, provides the services of repair and maintenance of electrical appliances. On April 1, it has entered into an annual maintenance contract with P for its Air Conditioner and Washing Machine. As per the terms of contract, maintenance services will be provided on the first day of each quarter of the relevant financial year and payment for the same will also be due on the date on which service is rendered. During the year, it provided the services on April 1, July 1, October 1, and January 1 in accordance with the terms of contract. When should MBM Caretakers issue the invoice for the services rendered?

Solution:

Continuous supply of service means, inter alia, supply of any service which is provided, or agreed to be provided continuously or on recurrent basis, under a contract, for a period exceeding 3 months with the periodic payment obligations.

Therefore, the given situation is a case of continuous supply of service as repair and maintenance services have been provided by MBM Caretakers on a quarterly basis, under a contract, for a period of one year with the obligation for quarterly payment.

In terms of section 31, in case of continuous supply of service, where due date of payment is ascertainable from the contract (as in the given case), invoice shall be issued on or before the due date of payment.

Therefore, in the given case, MBM Caretakers should issue quarterly invoices on or before April 1, July 1, October 1, and January 1.

Q3. The aggregate turnover of Sangri Services Ltd. exceeded ₹ 20 lakh on 12th August. He applied for registration on 3rd September and was granted the registration certificate on 6th September. You are required to advise Sangri Services Ltd. as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices (IMP.)

Solution:

As per section 25 read with CGST Rules, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Sangri Services Ltd.'s turnover exceeded ₹ 20 lakh on 12th August, it became liable to registration on same day. Further, it applied for

registration within 30 days of so becoming liable to registration, the effective date of registration is the date on which he becomes liable to registration, i.e. 12th August.

As per section 31 read with CGST Rules, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices. Revised Tax Invoices shall be issued within 1 month from the date of issuance of certificate of registration. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.

Therefore, in the given case, Sangri Services Ltd. has to issue the Revised Tax Invoices in respect of taxable supplies effected during the period starting from the effective date of registration (12th August) till the date of issuance of certificate of registration (6th September) within 1 month from the date of issuance of certificate of registration, i.e. on or before 6th October.

Q4. Shyam Fabrics has opted for composition levy scheme in the current financial year. It has approached you for advice whether it is mandatory for it to issue a tax invoice. You are required to advise him regarding same.

Solution:

Provisions of law

A registered person paying tax under the provisions of section 10 [composition levy] shall issue, instead of a tax invoice, a bill of supply containing such particulars and, in such manner, as may be prescribed [Section 31(3)(c) read with CGST Rules, 2017].

Conclusion in the present case

Therefore, in the given case, Shyam Fabrics cannot issue tax invoice. Instead, it shall issue a Bill of Supply

Q5. Royal Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Park Royal, Delhi on 4th January, 20XX. For the occasion, it gets the makeover of its models done by Aura Beauty Services Ltd., Ashok Vihar, for which a consideration is ₹ 5,00,000 (excluding GST) has been charged. Aura Beauty Services Ltd. issued a duly signed tax invoice on 10th February, 20XX showing the lumpsum amount of ₹ 5,90,000 inclusive of CGST and SGST @ 9% each. Royal Fashions made the payment the very next day. Answer the following questions:

1. Examine whether the tax invoice has been issued within the time limit prescribed under law?
2. Tax consultant of Royal Fashions objected to the invoice raised suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by Aura Beauty Services Ltd. However, Aura Beauty Services Ltd. contended that there is no mandatory requirement of showing tax component separately in the invoice. You are required to examine the validity of the objection raised by tax consultant of Royal Fashions?

(also asked in ICAI RTP May 2018)

Solution:

1. As per section 31 read with the CGST Rules, in case of taxable supply of services, invoices should be issued before or after the provision of service, but within a period of 30 days [45 days in case of insurer/ banking company or financial institutions including NBFCs] from the date of supply of service.

In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e. upto 3rd February. However, the invoice has been issued on 10th February.

2. Section 31 read with the CGST Rules, inter alia, provides that tax invoice in addition to other mandatory details shall also contain the amount of tax charged in respect of taxable goods or services (central tax,

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State tax, integrated tax, Union territory tax or cess). Further, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

The objection raised by the tax consultant of Royal Fashions suggesting that the amount of tax charged in respect of the taxable supply of makeover services should be shown separately in the invoice raised by Aura Beauty Services Ltd., is valid in law.

Q6. Kidzee Toys Ltd., a wholesaler of toys registered in Chandigarh, is renowned in the local market for the variety of toys and their reasonable prices. Kidzee Toys Ltd. makes supply of 100 pieces of baby's learning laptops and chat learning phones to Nancy General Store on 25th September by issuing a tax invoice amounting to ₹ 1,00,000.

However, the said toys were returned by Nancy General Store on 30th September. Discuss which document Kidzee Toys Ltd. is required to issue in such a case?

Solution:

Kidzee Ltd. is required to issue a credit note in such a case.

As per section 34, where one or more tax invoices have been issued for supply of any goods or services or both and the goods supplied are returned by the recipient the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed. Therefore, Kidzee Ltd. is required to issue a credit note to Nancy General Store for the good returned.

Q7. ABC Ltd., a registered supplier has made following taxable supplies to its customer Mr. P in the quarter ending 30th June, 20XX.

Date	Bill No.	Particulars	Invoice value (including GST) [₹]
5th April, 20XX	102	Notebooks [10 in numbers]	1,200
10th May, 20XX	197	Chart Paper [4 in number]	600
20th May, 20XX	230	Crayon colors [2 packets]	500
2nd June, 20XX	254	Poster colors [5 packets]	900
22nd June, 20XX	304	Pencil box [4 sets]	700

Goods in respect of bill no. 102, 230 and 254 have been returned by Mr. P. You are required to advise ABC

Ltd. whether it can issue consolidated credit note against all the three invoices?

(also asked in ICAI Nov 19 RTP)

Solution:

Where one or more tax invoices have been issued for supply of any goods and/or services and

- the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or
 - where the goods supplied are returned by the recipient, or
 - where goods and/or services supplied are found to be deficient,
- the registered person, who has supplied such goods and/or services, may issue to the recipient one or more credit notes for supplies made in a financial year containing prescribed particulars.

Thus, one (consolidated) or more credit notes can be issued in respect of multiple invoices issued in a

financial year without linking the same to individual invoices.

Hence, in view of the above-mentioned provisions, Rana Sanga Ltd. can issue a consolidated credit note for the goods returned in respect of all the three invoices.

Q8. Chidanand Products Pvt. Ltd. is a registered supplier who has opted for composition levy in the current financial year. He wishes to know whether the issue of a bill of supply can be dispensed with under any circumstances. You are required to advise him.

Solution:

Yes. Chidanand Products Pvt. Ltd. may not issue a bill of supply if the value of the goods or services or both supplied is less than ₹ 200 subject to the condition that:

- a) the recipient is not a registered person; and
- b) the recipient does not require such bill of supply, and he shall issue a consolidated bill of supply for such supplies at the close of each day in respect of all such supplies.

Q9. A registered person has to mandatorily issue separate invoices for taxable and exempted goods when supplying both taxable as well as exempted goods to an unregistered person. Examine the validity of the statement.

Solution:

The statement is not valid in law. As per the CGST Rules, where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies.

Q10. A non-banking financial company can issue a consolidated tax invoice at the end of every month for the supply made during that month. Examine the validity of the statement.

Solution:

The said statement is valid in law. A customer may avail numerous services from a non-banking financial company in a given tax period. It may issue a consolidated tax invoice/ statement/ advice, any other document in lieu thereof, by whatever name called may be issued/ made available, physically/ electronically, for supply of services made during a month at the end of the month.

Q11. Sakthi Enterprises, Kolkata entered into a contract with Suraj Enterprises, Surat for supply of goods and the delivery shall be made on or before 31st October. The goods were removed from the factory at Kolkata on 11th October. As per the agreement, the goods were to be delivered on or before 31st October. Suraj Enterprises has received the goods on 14th October. Determine the time of issue of invoice as per the provisions of CGST Act.

Solution:

A registered person supplying taxable goods shall issue a tax invoice, before or at the time of removal of goods for supply to the recipient, where the supply involves movement of goods.

Therefore, in the given case, invoice has to be issued on or before, 11th October (the time of removal of goods).

Q12. Trust and Fun Ltd., an event management company, has provided its services for an event at Kapoor

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Film Agencies, Mumbai on 5th June. Payment for the event was made on 19th June. Determine the time of issue of invoice as per the provisions of CGST Act.

Solution:

A registered person [other than an insurer/banking company/financial institution, including an NBFC] supplying taxable services shall issue a tax invoice before or after the provision of service, but within a period of 30 days from the date of supply of service.

Thus, in the given case, invoice has to be issued within 30 days of 5th June (date of supply of service), i.e. on or before, 5th July.

Q13. Udai Singh, a registered supplier, has received advance payment with respect to services to be supplied to Sujamal. His accountant asked him to issue the receipt voucher with respect to such services to be supplied. However, he is apprehensive as to what would happen in case a receipt voucher is issued, but subsequently no services are supplied. You are required to advise Udai Singh regarding the same (IMP.)

Solution:

Applicable Provisions of Law

A receipt voucher is a document evidencing receipt of advance money towards a supply of goods and/or services or both. A registered person, on receipt of advance payment with respect to any supply of goods or services or both, shall issue a receipt voucher or any other document, evidencing receipt of such payment. Where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment.

Conclusion in the present case

Udai Singh is required to issue a receipt voucher at the time of receipt of advance payment with respect to services to be supplied to Sujamal. In case subsequently no services are supplied by Udai Singh, and no tax invoice is issued in pursuance thereof, Udai Singh may issue a refund voucher against such payment to Sujamal.

Q14. Bhoj Raj, a registered person, has availed GTA services on which he is liable to pay tax under reverse charge. He wishes to know whether he is required to issue an invoice. Please advise him discussing the relevant provisions under CGST Act and rules thereunder (IMP.)

Solution:

Applicable Provisions of Law

A registered person who is liable to pay tax under subsection (3) or sub-section (4) of section 9 (i.e. where the recipient is liable to discharge GST on reverse charge basis) shall issue an invoice in respect of goods or services or both received by him from the supplier on the date of receipt of goods or services or both. However, this provision shall be applicable only when such reverse charge supplies are received from unregistered supplier

Conclusion in the present case

In the present case, Bhoj Raj has received GTA services on which he is liable to pay tax under reverse charge. This means that in such case, GTA would not have opted to pay tax @12% or @5% under forward charge and consequently it would have remained unregistered under GST (any person exclusively making reverse charge supplies is not required to take registration as per Sec 23). Since Bhoj Raj has received reverse charge supplies from unregistered supplier, he is required to issue an invoice with regard to the GTA services availed by him.

Q15. Sitaram Textiles has to send cloth for dyeing to its job-worker. It wishes to know whether it needs to issue a tax invoice at the time of sending the goods to job-worker. Please advise him with reference to the provisions of the CGST Act.

Solution:

Applicable Provisions of Law

In case of goods being transported to job-worker's premises, such movement doesn't constitute supply of goods. Rule 55, inter alia, stipulates that for the purposes of transportation of goods for job work, the consignor may issue a delivery challan, serially numbered, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation.

Conclusion in the present case

Sitaram Textiles has to issue a delivery challan and not the tax invoice at the time of sending the goods to job-worker

ICAI Past year Papers, RTPs and MTPs

Q16. Chidanand Products Pvt. Ltd. started its business of supply of goods on 1st August, 2023. Its turnover exceeds ₹ 20,00,000 on 5th September, 2023. It applied for registration on 28th September, 2023 & granted registration certificate on 6th October, 2023. Guide the company regarding invoices to be issued between 5th September, 2023 to 6th October, 2023 to registered dealers. Further it had also made supplies to unregistered dealers in that period. How it can raise invoices?

(ICAI IPCC May 2018 – 4 marks)

Solution:

Issue revised invoices within 1 month

<p>Relevant Provisions of law</p>	<p>As per section 25 read with CGST Rules, 2017, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration.</p> <p>As per section 31 read with CGST Rules, 2017, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.</p>
<p>Conclusion in the present case</p>	<p>Chidanand Products Pvt. Ltd may issue revised tax invoices against the invoices already issued during the period between effective date of registration (5th September, 2023) and the date of issuance of registration certificate (6th October, 2023), within 1 month from 6th October, 2023. Further, Chidanand Products Pvt. Ltd may issue a consolidated revised tax invoice in</p>

respect of all taxable supplies made to unregistered dealers during such period. However, in case of inter-State supplies made to unregistered dealers, a consolidated revised tax invoice cannot be issued if the value of a supply exceeds

2,50,000.

Q17. Mr. Lakhan provides Continuous Supply of Services (CSS) to M/s. TNB Limited. He furnishes the following

further information:

- (i) Date of commencement of providing CSS - 01-10-2022**
- (ii) Date of completion of providing CSS - 31-01-2023**
- (iii) Date of receipt of payment by Mr. Lakhan - 30-03-2023**

Determine the time of issue of invoice as per provisions of CGST Act, 2017, in the following circumstances: If no due date for payment is agreed upon by both under the contract of CSS.

If payment is linked to the completion of service.

If M/s. TNB Limited has to make payment on 25-03-2023 as per the contract between them

(ICAI Inter Nov 2018- 5 Marks)

Solution:

Where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.

Thus, in the given case, the invoice should be issued on or before 30.03.2023 (date of receipt of payment by Mr. Lakhan).

If payment is linked to the completion of an event, the invoice should be issued on or before the date of completion of that event.

Since in the given case payment is linked to the completion of service, invoice should be issued on or before 31.01.2023 (date of completion of service).

Where the due date of payment is ascertainable from the contract, the invoice should be issued on or before the due date of payment. If M/s. TNB Limited has to make payment on 25.03.2023 as per the contract between them, the invoice should be issued on or before 25.03.2023.

Q18. Explain the meaning of consignment note in relation to Goods Transport Agency and state its contents as per provisions of the CGST Act, 2017.

(ICAI IPCC May 2019 – 4 Marks)

Solution:

Consignment note means a document, issued by a Goods Transport Agency (GTA) against the receipt of goods for the purpose of transport of goods by road in a goods carriage, which is serially numbered. The contents of consignment note are as follows: -

- 1) gross weight of the consignment
- 2) the name of the consignor and consignee (any one),
- 3) registration number of the goods carriage in which the goods are transported,

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- 4) details of the goods transported,
- 5) details of the place of origin and destination,
- 6) GSTIN of the person liable for paying tax
- 7) other information as prescribed for a tax invoice, under rule 46 of CGST Rules, 2017

Q19. Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for movement of goods. Mehta Transporter moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods from Kheda (Gujarat) to Nadiad (Gujarat), Mehta Transporter now hands over the goods to Parikh Transporter.

Explain the procedure regarding e-way bill to be followed by consignor and transporter as per provisions of GST law and rules made thereunder. (ICAI Inter Nov 2019 – 5 Marks)

Solution:

Provisions of law

As per Rule 138, where there is a change in the transporter during the movement of goods, the consignor/consignee or the transporter (as the case may be) may assign E-waybill (EWB) to another transporter for updating the information in Part-B for further movement of the consignment. However, once the details of conveyance have been updated by the transporter in Part-B, the consignor/consignee shall not be allowed to assign such EWB to the other transporter (i.e. now only first transporter can assign EWB to second transporter)

Steps to be performed for completing EWB procedure

Step 1: - Part-A of EWB shall be filled by the person causing the movement of goods. In this case, Mr. Shah (i.e. consignor who is required to move goods) shall fill Part-A of for GST EWB-01. (Alternatively, the responsibility to fill Part A can also be delegated to Mehta Transporter)

Step 2: - Part-B of EWB can either be filled by Mr. Shah or it can be done by Mehta Transporter. However, in any case, Part-B shall be updated within 15 days from date of filling Part-A. Once Part-B is filled, EWB shall be generated and then movement of goods can be initiated from Ahmedabad

Step 3: - Mehta Transporter shall now assign EWB to Parikh Transporter and the latter will update the vehicle details in Part-B of EWB and complete the movement of goods

Q20. Luv & Kush Pvt. Ltd. of Arunachal Pradesh engaged in the supply of gifts items services provides you the following details: - (IMP.)

S.No.	Particulars	Date
1.	Commencement of the business of supplying goods	01.08.20XX
2.	Turnover exceeds ₹ 10,00,000 on	15.08.20XX
3.	Turnover exceeds ₹ 20,00,000 on	05.09.20XX
4.	Application for registration made on	28.09.20XX
5.	Registration certificate granted on	06.10.20XX

The company seeks your advice as to how it should raise revised tax invoices for supplies made. Is there any specific provision for issuance of revised tax invoices to unregistered customers? Explain.

(ICAI RTP Nov 2018)

Solution:

Applicable Provisions of law

As per section 22, a supplier whose aggregate turnover in a financial year exceeds ₹ 20 lakh in a State/UT [CA SHIVAM NAGPAL (SFM & IDT FACULTY)

₹ 10 lakh in case of Manipur, Mizoram, Nagaland and Tripura] is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of ₹ 20 lakh/ ₹ 10 lakh). Further, the threshold limit of ₹ 40 lacs under Notification No. 10/2019 is not applicable in case of State of Arunachal Pradesh.

Where the application is submitted within said period, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.

Every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices in respect of taxable supplies effected during this period within 1 month from the date of issuance of registration certificate.

Conclusions in the given case

In the given case, Luv & Kush Pvt. Ltd is located in Arunachal Pradesh and hence the applicable threshold limit will be ₹ 20 lacs. Therefore, it becomes liable for registration under section 22 on 5th September i.e. the date on which his aggregate turnover exceeds ₹ 20 lacs.

Thus, since Luv & Kush Pvt. Ltd. has made the application for registration within 30 days of becoming liable for registration, the effective date of registration becomes the date on which the company becomes liable to registration i.e. 05.09.20XX.

Thus, Luv & Kush Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (05.09.20XX) and the date of issuance of registration certificate (06.10.20XX), within 1 month from 06.10.20XX.

Further, Luv & Kush Pvt. Ltd may issue a consolidated revised tax invoice in respect of all taxable supplies made to unregistered dealers during such period. However, in case of inter-State supplies made to unregistered dealers, a consolidated revised tax invoice cannot be issued if the value of a supply exceeds ₹ 2,50,000.

Q21. Discuss the correctness of the following statements: - (IMP.)

(i) Once generated, an e-way bill cannot be cancelled.

(ii) E-way bill generated in one State is valid in another State (ICAI RTP May 2020)

Solution:

The said statement is partially correct. Where an e-way bill has been generated, but goods are either not transported at all or are not transported as per the details furnished in the e-way bill, the e-way bill may be cancelled electronically on the common portal within 24 hours of generation of the e-way bill.

However, an e-way bill cannot be cancelled if it has been verified in transit in accordance with the provisions of rule 138B of the CGST Rules, 2017.

The said statement is correct. The e-way bill generated under Goods and Services Tax Rules of any State or Union territory shall be valid in every State and Union territory

Q22. "It is mandatory to furnish the details of conveyance in Part-B of E-way Bill."

Comment on the validity of the above statement with reference to provisions of E-Way Bill under CGST Rules, 2017.

(CA Inter Nov 2020 – 3 Marks)

Solution:

The given statement is partially valid.

An e-way bill is valid for movement of goods by road only when the information in Part-B – which includes

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details of conveyance - is furnished.

However, the details of conveyance may not be furnished in Part-B of the e-way bill where the goods are transported for a distance of upto 50 km within the State/Union territory:

from the place of business of the consignor to the place of business of the transporter for further transportation or from the place of business of the transporter finally to the place of business of the consignee.

Q23. Bali Limited, a registered taxpayer, provides security services to registered persons from Mumbai office and Delhi office. The aggregate turnover of Mumbai office and Delhi office in the preceding financial year is ₹ 8 crore and ₹ 2.5 crore respectively. For the month of November in the current financial year, Bali Limited prepares duplicate invoices and does not issue e-invoice as it is of the view that its aggregate turnover does not cross the threshold limit to make it liable for issuing e-invoices.

Briefly explain whether the view taken by Bali Limited is correct in law? (ICAI RTP May 2021)

Solution:

The view taken by Bali Limited is not correct in law.

All notified registered businesses (except specified class of persons) with an aggregate turnover (based on PAN) in the any preceding financial year from FY 2017-18 onwards, is greater than ₹ 10 crore are required to issue e-invoices.

The eligibility is based on aggregate annual turnover on the common PAN. Thus, the aggregate total turnover of Bali Limited is more than ₹ 10 crores (considering both the GSTINs) and is required to issue e-invoices. Further, where e-invoicing is applicable, there is no need of issuing invoice copies in triplicate/duplicate.

Q24. ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens was issuing consolidated tax invoice for supplies at the close of each day in terms of section 31(3)(b) of CGST Act, 2017 read with fourth proviso to rule 46 of CGST Rules, 2017. During the month of October, 2023, the Department raised objection for this practice and asked to issue separate tax invoices for each ticket. Advise ABC Cinemas for the procedure to be followed in the light of recent notification.

(CA Inter Jan 2021 – 4 Marks)

Solution:

The procedure to be followed by ABC Cinemas, a registered person engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens, is as under: -

The option to issue consolidated tax invoice is not available to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens. Thus, ABC Cinemas cannot issue consolidated tax invoice for supplies made by it at the close of each day. ABC Cinemas is required to issue an electronic ticket.

The said electronic ticket shall be deemed to be a tax invoice, even if such ticket does not contain the details of the recipient of service but contains the other information as prescribed to be mentioned.

Q25. Agni Ltd. a registered supplier wishes to transport cargo by road between two cities situated at a distance of 368 kilometres. Calculate the validity period of e-way bill under rule 138(10) of CGST Rules, 2017 for transport of the said cargo, if it is over dimensional cargo or otherwise. (V.V. IMP.)

(CA Inter Jan 2021 - 3 Marks)

Solution:

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The validity period of e-way bill under rule 138(10) of the CGST Rules, 2017 for transport of cargo by road between two cities situated at a distance of 368 km is as under:

If it is over dimensional cargo: the validity period of the e-way bill is one day from relevant date upto 20 km and one additional day for every 20 km or part thereof thereafter. Thus, validity period in given case: = 1 day + 18 days = 19 days

If it is a cargo other than over dimensional cargo: the validity period of the e-way bill is one day from relevant date up to 200 km and one additional day for every 200 km or part thereof thereafter. Thus, validity period in given case: = 1 day + 1 days = 2 days.

Q26. Jolla provides continuous supply of services regarding Annual Maintenance Contract (AMC) of Air conditioner and all electronic items of Khotu Ltd. He provides following details regarding same:

They made contract for the AMC. As mentioned in contract, AMC will start from 01-10-2022 and will be valid for a year. AMC ends on 30-09-2023. Jolla receives payment for the AMC on 31-10-2023.

Explain the time of issue of invoice in case of Continuous supply of Service (CSS) as per provisions of CGST Act, 2017 and accordingly determine time of issue of invoice in following different circumstances:

As mentioned in contract Khotu Ltd. have to make payment on 05-11-2023.

If terms of payment are not mentioned in AMC and also not agreed by both the parties.

(ICAI IPCC May 2019 – 4 marks)

Solution:

In case of continuous supply of services

Where due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.

Where due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment

Where payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.

In view of the aforesaid provisions, time of issue of invoice will be as follows in the given different circumstances:

If it is mentioned in contract that Khotu Ltd. has to make payment on 05.11.2023, the invoice shall be issued on or before 05.11.2023.

If terms of payment are not mentioned in AMC and are also not agreed by both the parties, the invoice shall be issued on or before 31.10.2023.

Note: The question has been answered by considering the annual maintenance contract as continuous supply of service. However, as per section 2(33) of the CGST Act, 2017 “continuous supply of services” inter alia means a supply of services with periodic payment obligations.

Q27. Dynamic Quick Response (QR) Code applicable to suppliers who issue invoice to unregistered persons? If no, list the suppliers to whom Dynamic QR Code is not applicable.

(CA Inter July 2021 - 5 Marks)

Solution:

Refer Main book for list of suppliers in case of which Dynamic QR code requirement is not applicable (even if Aggregate turnover exceeds ₹ 500 crore in any preceding FY)

Q28. What is ‘e-invoicing’? (IMP.)

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What is the threshold limit for mandatory issuance of E-invoice for all registered businesses? consignor hands over his goods for transportation on Friday to the transporter? However, assigned transporter starts the movement of goods from consigner's warehouse to its depot located at distance of 600 Km. on Monday. When will the e-way bill be generated and for how many days it will be valid?

(CA Inter Dec 2021 - 5 Marks)

Solution:

E-invoicing is reporting of business to business (B2B) invoices to GST system for certain notified category of taxpayers.

The threshold limit for mandatory issuance of e-invoice for all registered businesses is ₹ 10 crores.

E-way bill will be generated before commencement of movement of goods by transporter on Monday.

The validity period of the e-way bill is one day from relevant date up to 200 km and one additional day for every 200 km or part thereof thereafter.

Thus, validity period in the given case, is 3 days

Q29. (IMP.)

Jain & Sons is a trader dealing in stationery items. It is registered under GST and has undertaken following sales during the day:

S. No.	Recipient of supply	Amount (₹)
1.	Raghav Traders - a registered retail dealer	190
2.	Dhruv Enterprises – an unregistered trader	358
3.	Gaurav – a painter [unregistered]	500
4.	Oberoi Orphanage – an unregistered entity	188
5.	Aaradhya – a student [unregistered]	158

None of the recipients require a tax invoice [Raghav Traders being a composition dealer].

Determine in respect of which of the above supplies, Jain & Sons may issue a Consolidated Tax Invoice instead of Tax Invoice, at the end of the day.

Solution:

In the given illustration, Jain & Sons can issue a Consolidated Tax Invoice only with respect to supplies made to Oberoi Orphanage [worth ₹ 188] and Aaradhya [worth ₹ 158] as the value of goods supplied to these recipients is less than ₹ 200 as also these recipients are unregistered and don't require a tax invoice.

As regards the supply made to Raghav Traders, although the value of goods supplied to it is less than ₹ 200, Raghav Traders is registered under GST. So, Consolidated Tax Invoice cannot be issued.

Consolidated Tax Invoice can also not be issued for supplies of goods made to Dhruv Enterprises and Gaurav although both of them are unregistered. The reason for the same is that the value of goods supplied is not less than ₹ 200.

Q30. Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March: (IMP.)

(i) Value of supply charged in invoice no. 1 was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000.

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- (ii) Tax charged in invoice no. 4 was ₹ 32,000 against the actual tax liability of ₹ 68,000 due to wrong HSN code being chosen while issuing invoice.
- (iii) Value charged in invoice no. 8 was ₹ 3,20,000 as against the actual value of ₹ 4,20,000 due to wrong quantity considered while billing.

Kartik & Co. asks you to answer the following:

- (1) Who shall issue a debit/credit note under CGST Act?
- (2) Whether debit note or credit note has to be issued in each of the above circumstances?
- (3) What is the maximum time-limit available for declaring the credit note in the GST Return?

Solution:

- 1) The debit/credit note shall be issued by the registered person who has supplied the goods and/or services, i.e. Kartik & Co.
- 2) Yes, debit/credit note need to be issued in each of the circumstances as under:
 - a. A credit note is required to be issued as the taxable value in invoice no. 1 exceeds the actual taxable value.
 - b. A debit note is required to be issued as the tax charged in the invoice no. 4 is less than the actual tax payable.
 - c. A debit note is required to be issued as the value of supply charged in the invoice no. 8 is less than the actual value.
- 3) The details of the credit note cannot be declared later than 30TH NOV or the date of furnishing of the relevant annual return, whichever is earlier.

Q31. Yash & Co., a manufacturer and supplier of plastic goods, is registered under GST in the State of Maharashtra. Yash & Co. sold plastic goods to a retail seller in Punjab, at a value of ₹ 43,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of such plastic goods to the retail seller in Punjab.

You are required to examine whether e-way bill is mandatorily required to be generated in respect of such movement of goods as per the provisions of the GST law.

Solution:

E-way bill is mandatorily required to be generated whenever there is a movement of goods of consignment value exceeding ₹ 50,000, inter alia, in relation to a supply.

Consignment value of goods, inter alia, includes the central tax, State/Union territory tax, integrated tax and cess charged, if any. The consignment value of goods, in the given case, will be ₹ 50,740 [₹ 43,000 + (₹ 43,000 × 18%)].

Thus, in the given case, since the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, e-way bill is mandatorily required to be generated in respect of movement of goods from Maharashtra to Punjab.

Q32. Explain the following terms regarding e-way bill under the relevant CGST Rules:

- Consolidated e-way bill in case of road transport.
- Acceptance/rejection of e-way bill. **MTP MAY 23**

Solution:

Consolidated e-way bill in case of road transport

Consolidated e-way bill (EWB) is a single document containing the details of multiple e-way bills (even with different validity periods) in respect of multiple consignments of various consignors and consignees being transported in a single vehicle/ conveyance generated by the transporter to carry a single document instead

of carrying separate documents for each consignment in the conveyance.

Acceptance/rejection of e-way bill

The details of the e-way bill generated shall be made available to supplier (if registered), where the information in Part A of e-way bill is furnished by recipient/transporter, or recipient (if registered), where the information in Part A of e-way bill is furnished by supplier/transporter, who shall communicate his acceptance or rejection of the consignment covered by the e-way bill.

If such person does not communicate the acceptance/rejection within 72 hours from the time of the details being made available to him on the common portal or the time of delivery of goods, whichever is earlier, it will be deemed that he has accepted the details.

Student note



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Achieve

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you
can

Believe
in
yourself

Who
dares
wins

Anything
is
possible.

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Your
Dreams.

We are
what
we think

Stay
strong

Do
it
Now!

Hard
work
pays
off.

Actions
bring
results

Never,
never
quit.

No
Pain,
no
gain

Never
stop
dreaming

Every