AMIT MAHAJAN

BB VIRTUALS

CA / CS / CMA - INTER

INDIRECT TAX ?

# QUESTION BANK

For May | June | Sept | Dec
2026 Exams

CA AMIT MAHAJAN

AMIT MAHAJAN

Telegram Link

Changes / Amendments in Questions will be updated here

YouTube Link

# INDEX


| | | |
|---|---|---|
| 01 | INTRODUCTION | 01-07 |
| 02 | SUPPLY UNDER GST | 08-20 |
| 03 | CHARGE OF GST | 21-39 |
| 04 | TIME OF SUPPLY | 40-52 |
| 05 | VALUE OF SUPPLY | 53-64 |
| 06 | EXEMPTIONS OF GST | 65-78 |
| 07 | INPUT TAX CREDIT | 79-109 |
| 08 | REGISTRATION | 110-134 |
| 09 | RETURNS UNDER GST | 135-144 |
| 10 | TAX INVOICE, CREDIT NOTE, DEBIT NOTE & E-WAY BILL | 145-169 |
| 11 | PAYMENT OF TAX | 170-194 |
| 12 | PLACE OF SUPPLY | 195-205 |
| 13 | ACCOUNTS AND RECORDS | 206-208 |
| 14 | TDS AND TCS (GST) | 209-221 |

# LAST DAY SUGGESTED STAR QUESTIONS

| | | |
|---|---|---|
| 01 | INTRODUCTION | Q.3, Q.9, Q.11, Q.14 |
| 02 | SUPPLY UNDER GST | Q.11, Q.13, Q.18, Q.25, Q.29 |
| 03 | CHARGE OF GST | Q.24, Q.26, Q.27, Q.30, Q.35, Q.37 |
| 04 | TIME OF SUPPLY | Q.21, Q.25, Q.26, Q.27, Q.29, Q.33 |
| 05 | VALUE OF SUPPLY | Q.11, Q.13, Q.17, Q.19 |
| 06 | EXEMPTIONS OF GST | Q.12, Q.18, Q.21, Q.24, Q.26, Q.27 |
| 07 | INPUT TAX CREDIT | Q.17, Q.18, Q.22, Q.24, Q.26, Q.51, Q.54 |
| 08 | REGISTRATION | Q.6, Q.21, Q.22, Q.29, Q.34, Q.38, Q.40, Q.45, Q.46, Q.53 |
| 09 | RETURNS UNDER GST | Q.10, Q.14, Q.15, Q.17, Q.24, Q.25 |
| 10 | TAX INVOICE, CREDIT NOTE, DEBIT NOTE & E-WAY BILL | Q.5, Q.9, Q.17, Q.24, Q.25, Q.28, Q.29, Q.31, Q.34, Q.36, Q.37, Q.43 |
| 11 | PAYMENT OF TAX | Q.5, Q.7, Q.8, Q.11, Q.16, Q.17, Q.20, Q.23, Q.30, Q.33, Q.34 |
| 12 | PLACE OF SUPPLY | Q.11, Q.12, Q.13, Q.14, Q.17, Q.18, Q.20, Q.21 |
| 13 | ACCOUNTS AND RECORDS | Q.2, Q.6, Q.8, Q.9 |
| 14 | TDS AND TCS (GST) | 5, 6, 8, 9, 13, 15, 17, 19, 20 |

# How to present answers in the exams?

## Case Study Based Questions

***Provisions***

As per Section __ of the ___ Act or As per the relevant provisions of the ____ Act, _____

***Facts and Analysis***

- In the present case, _____
- _____
- _____
- _____
- _____

**Conclusion**

_____

_____

_____

_____

_____

## Direct Questions

***Always start with the root provision and connect it with the asked provision***

- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

# 1 INTRODUCTION

LDR Questions
Q.3 | Q.9 | Q.11 | Q.14

**Question 1**

***List some of the benefits that GST may accrue to the economy.***

**Solution:**

*GST may accrue following benefits to the economy:*

*(a)* ***Creation of unified national market:*** *GST aims to make India a common market with common tax rates and procedures and remove the economic barriers, thereby paving the way for an integrated economy at the national level.*

*(b)* ***Boost to 'Make in India' initiative:*** *GST may give a major boost to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market. This would make India a manufacturing hub.*

*(c)* ***Boost to investments, exports and employment:*** *Under the GST regime, the principle of exporting only the cost of goods or services and not taxes is being followed. This may boost Indian exports thereby improving the balance of payments position. Exporters are being facilitated by grant of provisional refund of 90% of their claims within 7 days of issue of acknowledgement of their application, thereby resulting in the easing of position with respect to cash flows. Further, the subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input tax on goods and services and phasing out of Central Sales Tax (CST) may reduce the cost of locally manufactured goods and services. Resultantly, the competitiveness of Indian goods and services in the international market may increase to give boost to investments and Indian exports.*

*With a boost in exports and manufacturing activity, more employment would be generated and GDP would increase.*

**Question 2**

***Explain with the help of examples how a particular transaction of goods and services is taxed simultaneously under Central GST (CGST) and State GST (SGST)?***

**Solution:**

*The Central GST and the State GST is levied simultaneously on every intra-State supply of goods or services or both made by registered persons except the exempted goods and services as well as goods and services which are outside the purview of GST. Further, both are levied on the same price or transaction value. The same can be better understood with the help of following examples:*

***Example I:*** *Suppose that the rate of CGST is 10% and that of SGST is 10%. When a wholesale dealer of steel in Uttar Pradesh supplies steel bars and rods to a construction company which is also located within the same State for, say ₹ 100, the dealer would charge CGST of ₹ 10 and SGST of ₹ 10 in addition to the basic price of the goods. The CGST component will go into a Central Government account while the SGST portion into the account of the concerned State Government (viz. U.P.).*

*It is important to note that he might not actually pay ₹ 20 (₹ 10 + ₹ 10) in cash as he would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (inputs, input services and capital goods) assuming that all his purchases are intra-State. However, for paying CGST, he would be allowed to use only the credit of CGST paid on his purchases while for SGST he can utilize the credit of SGST alone. CGST credit cannot be used for payment of SGST and vice versa.*

**Example II:** Suppose, again the rate of CGST is 10% and that of SGST is 10%. When an advertising company located in Mumbai supplies advertising services to a company manufacturing soap also located within the State of Maharashtra for, let us say ₹ 100, the ad company would charge CGST of ₹ 10 as well as SGST of ₹ 10 at the basic value of the service. The CGST component will go into a Central Government account while the SGST portion into the account of the Maharashtra Government.

He might not actually pay ₹ 20 (₹ 10+₹ 10) in cash as it would be entitled to set-off this liability against the CGST or SGST paid on his eligible purchases (say, of inputs such as stationery, office equipment, services of an artist etc.) assuming that all his purchases are intra-State. However, for paying CGST, he would be allowed to use only the credit of CGST paid on its purchase while for SGST, he can utilise the credit of SGST alone. CGST credit cannot be used for payment of SGST and vice versa.

**Question 3** LDR

**Why was the need to amend the Constitution of India before introducing the GST?**

**Solution:**

Earlier, the fiscal powers between the Centre and the States were clearly demarcated in the Constitution with almost no overlap between the respective domains. The Centre had the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States had the powers to levy tax on the sale of goods. In the case of inter-State sales, the Centre had the power to levy the Central Sales Tax but the tax was collected and retained entirely by the States. As for services, it was the Centre alone that was empowered to levy service tax.

Introduction of the GST necessitated the amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax. The Constitution of India was amended by the Constitution (101st Amendment) Act, 2016 for this purpose. Article 246A of the Constitution introduced thereby empowered the Centre and the States to simultaneously levy and collect the GST.

**Question 4**

**GST is a destination-based tax on consumption of goods or services or both. Discuss the validity of the statement.**

**Solution:**

The given statement is valid. GST is a destination-based tax on consumption of goods or services or both. GST is known as destination-based tax since the tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

For example, if A in Delhi produces the goods and sells the goods to B in Haryana. In this case, the tax would accrue to the State of Haryana and not to the State of Delhi. On the other hand, under pre-GST regime, origin- based taxation was prevailing in such cases.

Under origin-based taxation, the tax used to accrue to the State from where the transaction originated. In the given case, under origin-based taxation, the central sales tax would have been levied by Centre and collected by the State of Delhi and not by the State of Haryana.

**Question 5**

**Discuss the leviability of GST or otherwise on the following:**

**(a) Alcoholic liquor for human consumption**

**(b) Petroleum crude, diesel, petrol, Aviation Turbine Fuel (ATF) and natural gas**

(c) Tobacco

(d) Opium, Indian hemp and other narcotic drugs and narcotics

**Solution:**

(a) **Alcoholic liquor for human consumption:** is outside the realm of GST. The manufacture/production of alcoholic liquor continues to be subjected to State excise duty and inter-State/intra-State sale of the same is subject to CST/VAT respectively.

(b) **Petroleum crude, diesel, petrol, ATF and natural gas:** As regards petroleum crude, diesel, petrol, ATF and natural gas are concerned, they are not presently leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council.

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.

(c) **Tobacco:** Tobacco is within the purview of GST, i.e. GST is leviable on tobacco. However, Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India. Resultantly, tobacco is subject to GST as well as central excise duty.

(d) **Opium, Indian hemp and other narcotic drugs and narcotics:** Opium, Indian hemp and other narcotic drugs and narcotics are within the purview of GST, i.e. GST is leviable on them. However, State Governments have also retained the power to levy excise duties on such products manufactured in India. Resultantly, Opium, Indian hemp and other narcotic drugs and narcotics are subject to GST as well as State excise duties.

**Question 6**

**Under Goods and Services Tax (GST), only value addition is taxed and burden of tax is to be borne by the final consumer. Examine the validity of the statement.**

**Solution:**

The statement is correct. Goods and Services Tax is a destination-based tax on consumption of goods and services. It is levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. Resultantly, only value addition is taxed and burden of tax is to be borne by the final consumer.

**Question 7**

**Which are the commodities which have been kept outside the purview of GST? Examine the status of taxation of such commodities after introduction of GST.**

**Solution:**

Article 366(12A) of the Constitution as amended by 101st Constitutional Amendment Act, 2016 defines the Goods and Services tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. Therefore, alcohol for human consumption is kept out of GST by way of definition of GST in the Constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out of the purview of GST; GST Council shall decide the date from which they shall be included in GST. The erstwhile taxation system (CST/VAT & central excise) still continues in respect of the said commodities.

**Question 8**

**A dual GST has been implemented in India. Elaborate.**

**Solution:**

A dual GST has been implemented in India with the Centre and States simultaneously levying it on a common tax base. The GST levied by the Centre on intra-State supply of goods and / or services is called the Central GST (CGST) and that levied by the States/ Union territory is called the State GST (SGST)/ Union GST (UTGST). Similarly, Integrated GST (IGST) is levied and administered by Centre on every inter-State supply of goods and/or services.

India is a federal country where both the Centre and the States have been assigned the powers to levy and collect taxes through appropriate legislation. Both the levels of Government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources. A dual GST, therefore, keeps with the Constitutional requirement of fiscal federalism.

**Question 9** LDR

**Discuss Article 269A pertaining to levy and collection of GST on inter-State supply.**

**Solution:**

Article 269A of the Constitution stipulates that Goods and Services Tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.

Here, supply of goods, or of services, or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce.

The amount so apportioned to a State shall not form part of the Consolidated Fund of India. Where an amount collected as IGST has been used for payment of SGST or vice versa, such amount shall not form part of the Consolidated Fund of India/State respectively. This is to facilitate transfer of funds between the Centre and the States.

Parliament is empowered to formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

**Question 10**

**Discuss Article 246A which grants the power to make laws with respect to Goods and Services Tax.**

**Solution:**

Article 246A stipulates that Parliament, and, the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.

Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

However, in respect to petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel, the aforesaid provisions shall apply from the date to be notified by the Government on the recommendations by the GST Council.

**Question 11** LDR

***Differentiate between direct and indirect taxes.***

**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. |

**Question 12**

***Explain the salient features of indirect taxes.***

**Solution:**

*Salient features of indirect taxes are:*

1. ***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*
2. ***Tax on commodities and services:*** *If 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.*
3. ***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.*
4. ***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 fhat he is paying tax to the Government. Thus, tax payer does not perceive a direct pinch while paying indirect taxes.*
5. ***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.*
6. ***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 rafe of indirect taxes on certain commodities of mass consumption. This may further increase the income disparities between the rich and the poor.*

**Question 13**

***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. | If contains the matters in respect of which the State Government has the exclusive right fo make laws. | It contains the matters in respect of which both the Central & State Governments have power to make laws. |

**Question 14** LDR

***List the Central and State levies which have been subsumed in GST in India***

**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 |

**Question 15**

***Discuss the need & functions of the common GST portal.***

**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 — 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.

**Question 16**

***List the advantages thot 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 nations I footprint with minimal investment.*

**Question 17**

***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.*

**Question 18**

***List the taxes, which ore not subsumed in GST 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)*

# 2 SUPPLY UNDER GST

LDR Questions
Q .11 | Q .13 | Q .18 | Q .25 | Q .29

**Question 1**

***Meghraj & Co. wishes to commence the business of supplying ready-made garments within Punjab and in the neighbouring 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 the supply of goods or services or both made for consideration in the course or furtherance of business. CGST and SGST will be levied on intra-State supplies. IGST will be levied on inter-State supplies.*

**Question 2.**

***Damodar Private Ltd., registered in Delhi, is planning to transfer some goods to its branch, registered in West Bengal, without any consideration, so that the goods can be sold from the branch. The company believes that the transaction that will be undertaken by it would not qualify as supply as no consideration is involved. Ascertain whether the transfer of goods by Damodar Private Ltd. to its branch office would qualify as supply.***

**Solution:**

*As per Schedule I read with section 7(1)(c), 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 would qualify as supply.*

**Question 3.**

***Prithvi Associates is engaged in supply of taxable goods. It enquires from its tax advisor as to whether any activity can be treated as supply even if made without consideration in accordance with the provisions of the GST law. You are required to enumerate such activities, if any.***

**Solution:**

*Section 7(1)(a) stipulates that the supply should be for a consideration and should be in the course or furtherance of business. However, section 7(1)(c) read with Schedule I enumerates the cases where an activity is treated as supply, even if the same is without consideration. These are as follows:*

*(i) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.*

*(ii) Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business.*

*However, gifts not exceeding ₹ 50,000 in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.*

*(iii) Supply of goods —*

*(a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or*

*(b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.*

*(iv) Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business.*

***States. Finished goods are sent from factory in Delhi to the Mumbai***

**Question 4.**

***Composite supply is treated as supply of that particular goods or services which attracts the highest rate of tax, for the purpose of considering tax liability. Examine the validity of the statement.***

**Solution:**

*The statement is not correct. For considering tax liability, composite supply is treated as supply of the principal supply. It is the mixed supply that is treated as supply of that particular goods or services which attracts the highest rate of tax.*

**Question 5.**

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

**Solution:**

*Title as well as possession both need 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 in terms of Schedule II.*

**Question 6.**

***Examine whether the following activities would amount to supply under section 7 read with Schedule I:***

***(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 from the depot.***

***(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 read with section 7(1)(c), 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 read with section 7(1)(c), 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 so, 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, but are provided without consideration and such services have not been received from a related person.

**Question 7.**

***State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II:***

***(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 so as no longer to form part of those assets.***

***(c) Transfer of right in goods without the transfer of title in such goods.***

***(d) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date upon payment of full consideration as agreed.***

**Solution:**

(a) Supply of services

(b) Supply of goods

(c) Supply of services

(d) Supply of goods

**Question 8.**

***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

(d) Supply of goods

**Question 9.**

***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.

**Question 10.**

***Examine whether the activity of import of service in the following independent cases would amount to supply under section 7:***

***(i) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from Mr. Racheal of Sydney (Australia). The amount paid for the said service is 5,000 Australian***

dollar.

**(ii) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia) [wholly dependent on Miss Shriniti]. Further, Miss Shriniti did not pay any consideration for the said service.**

**(iii) Will your answer change if in the above case, if Miss Shriniti has taken interior decoration services with regard to her business premises and not her residence?**

**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 only 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, as the same are provided in course or furtherance of business.

**Question 11** LDR

**Dumdum Electronics has sold the following electronic items to Akbar Retail Store.**

**(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 ₹ 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.

**Question 12.**

**Manikaran, a registered supplier of Delhi, has supplied 20,000 packages at ₹ 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:**

| Goods/services supplied | GST rate |
|---|---|
| Chocolates | 18% |
| Fruit juice bottles | 12% |
| Toy balloons | 5% |

**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 ₹ 6,00,000 (20,000 × ₹ 30) is 18%.

**Question 13.** LDR

**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 equipments, consumables, tools, parts etc. from Haryana workshop to its own repairing centres (registered under GST law) located in other States across India where the clients' machinery are being brought and are being repaired.**

**Discuss the leviability of GST on the inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. in Haryana to its own repairing centres located in other States across India.**

**Solution:**

As per section 25(4)38, 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 centres located in other States is 'neither a supply of goods nor supply of service'.

**Question 14.**

**Sarvanna & Sons wishes to start supplying alcoholic liquor for human consumption 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 licence is granted against consideration in the form of licence fee or application fee or by whatever name it is called.

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.

**Question 15**

**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,

(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'.

**Question 16**

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

**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.

**Question 17**

***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?***

**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.

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 andhence 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 sister purposes for real business | 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. |

**Question 18** LDR

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

**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 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 by Sahab AC 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 Aakash to Sahab Sales by*** | ***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*** |

**Question 19**

***Explain the meaning of supply as per provisions of Section 7(1) of Central Goods and Service Tax Act, 2017***

**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.*

**Question 20**

***State whether the following supplies would be treated as supply of goods or supply of services as per Schedule-II 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.**

**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

**Question 21**

***Explain the services provided by way of tolerating non-performance of a contract and its chargeability under the provisions of the CGST Act, 2017.***

**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 interms 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 asupply 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.

**Question 22**

***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.***

**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
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.

**Question 23**

***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*

**Question 24**

***City Ltd. is manufacturer of cosmetic products: (1) Hair oil (GST Rate-18%), (2) Sun screen cream (GST Rate-28%), (3) Shampoo (GST rate-28%), and (4) Hair comb (GST Rate 12%). The said products are supplied in a single package and the Price per package is Rs. 500 (exclusive of taxes). 20,000 packages were supplied by the company to its dealer. Determine the nature of supply and its tax liability***

**Solution:**

*The treatment would be as follows*

| | |
|---|---|
| **Nature of Combination Supply: Each of the goods in the package has individual identity and can be supplied separately but are deliberately supplied conjointly for a single consolidated price. Hence, the supply would constitute a mixed supply.** | **Mixed supply** |
| **Treatment under GST: Highest tax rate applicable As per section 8(b) of the CGST Act, tax rates applicable in case of mixed supply would be the rate of tax attributable to that one supply (goods, or services) which suffers the highest rate of tax from amongst the supplies forming part of the mixed supply. Therefore, entire package will be chargeable to 28% GST.** | **28% GST** |
| **Value of Supply: Value of taxable supply per package** | **500** |
| **No. of packages** | **20,000** |
| Total Value | 1,00,00,000 |
| GST Liability @ 28% | 28,00,000 |

**Question 25** **LDR**

***The temple of ancestral deity of Mr. Chaman and his family is located in Kolkata. 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. Chaman is a big entrepreneur having flourishing business of tiles in Delhi. Upon the birth of their first child, he donated Rs 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. Chaman upon birth of his first child". You are required to examine the leviability of GST on the donation received from Mr. Chaman?***

**Solution:**

*When the name of the donor is displayed in the religious institution premises, by placing a name plate or similar such acknowledgment, 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 business, such services have not been received from a related person.

**Question 26**

***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.***

**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

**Question 27**

***Examine whether the following activities would amount to "supply" under GST law?***

***(i) Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of 2 lakh to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd.***

***(ii) Mr. Swamy of Chennai is working as a manager with ABC Bank. He consulted M/s. Jacobs and Company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import of service.***

**Solution:**

An activity qualifies as supply under GST only if it is for a consideration and is in course/furtherance of business. Donations received by the charitable organizations are treated as consideration only when there's an obligation on part of the recipient of the donation to do anything.

(i) Since in the given case, the display of products sold by the donor Glory Ltd. in charitable organization's premises aims at advertising/ promotion of its business, it is supply for consideration in course/ furtherance of business and thus, qualifies as supply under GST law.

(ii) Supply includes importation of services, for a consideration whether or not in the course/furtherance of business. Thus, in the given case, the import of services by Mr. Swamy amounts to supply although it is not in course/furtherance of business

**Question 28**

***Examine the implications of GST on payment of honorarium to the Guest Anchors***

**Solution:**

Circular No. 177/09/2022 GST dated 03.08.2022 clarifies the applicability of GST on honorarium paid to Guest Anchors. Sansad TV and other TV

channels invite guest anchors to participate in their shows and pay remuneration to them in the form of honorarium.

It is clarified that supply of all goods & services are taxable unless exempt or declared as 'neither a supply of goods nor a supply of service'. Services provided by the guest anchors in lieu of honorarium attract GST liability.

However, guest anchors whose aggregate turnover in a financial year does not exceed 20 lakh (10 lakh in case of specified Special Category States) shall not be liable to take registration and pay GST.

**Question 29** **LDR**

**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 agress to raise invoice in his own name and also guarantees for the realization of payments from customers to charm Limited.**

**In order Lo realize the payments from customers on time, he extends shart 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 Rs |
|---|---|---|
| | **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.** | **Nil** |
| | **Value under section 15 – Rs. 2,00,000** | |
| v. | **Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost.** | **Nil** |
| | **Company charges Rs. 75,000 for such training when it provides the same to others** | |

**Applicable rate of tax on bath inward and outward supplies is 9% each for CGST and SGST and18% for IGST. Amounts given above are exclusiveof 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 G5T 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 Na. (i) to (v)**

**(CA Inter Nov 22–6 Marks)**

**Solution:**

Computation of grass GST liability of M. Handsome for the month of March 2022

| Particulars | | CGST | SGST | IGST |
|---|---|---|---|---|
| Goods sold by Mr. Handsome In DCA Capacity | 2,80,000 | 27,000 {3,00,000 X 9% | 27,000 {3,00,000 X 9% | |
| Add: Interest earned for short Term credit facility provided Lo above customers | | | | |
| [Interest included in the value of supply of the goods sold since where DCA IS &n agent under Schedude – I of the CGST Act, short term credit Facility provided by DCA o the buyer is subsomed in the supply of the goods by the DCA to the buyer.] | | | | |
| Commission charged far DCA services [Being taxable supply of services.] | | | | 5,400 [30,000 x 18%] |
| Gross GST liability | | 27,000 | 27,000 | 5,400 |

Note: Since the invoice For goods sold & 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 [TC far the month of March 2003

Computation of eligible [TC far the month of March 2003

| Particulars | CGST | SGST | IGST |
|---|---|---|---|
| Inward supply of goods from Charm Limited free of cost [Supply of goods by principal - Charm Limited o the agent - Mr. Handsome qualities as supply through made without consideration.] | | | 36,000 [2,00.000 x 18%] |
| Training an marketing and distribution received from Charm Limited free of cost. | - | - | - |
| [Since no consideration i charged for the services provided, said services do not qualify as supply. as GST Is paid on the same, ITC is not available | | | |
| Total ITC available | Nil | Nil | 36,000 |

LDR Questions
Q .24 | Q .26 | Q .27 |
Q .30 | Q .35 | Q .37

**Question 1**

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

***(a) Services provided by an arbitral tribunal to any business entity.***

***(b) Sponsorship services provided by a company to an individual.***

***(c) Renting of immovable property service provided by the Central Government to a registered business entity.***

**Solution:**

(a) 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.

(b) GST on sponsorship services provided by any person to any body 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.

(c) GST on services supplied by Central Government excluding the Ministry of Railways (Indian Railways), 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.

**Question 2**

***Vivek Goyal, an independent director, appointed in accordance with the provisions of the Companies Act, 2013, 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.

**Question 3**

***Raghu Associates provided sponsorship services to WE-WIN Cricket Academy LLP. Determine the person liable to pay tax in this case.***

**Solution:**

In case of services provided by any person by way of sponsorship to any 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 LLP is liable to pay GST under reverse charge.

**Question 4**

**Legal Fees is received by Sushrut, an advocate, from M/s. Tatva Trading Company, engaged in making taxable supplies and located in Maharashtra, 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.

**Question 5**

***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 by a partnership firm to a registered person paying tax under regular scheme.***

**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 by any person other than a body corporate 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.

**Question 6**

***Sultan & Sons, a partnership firm, based in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and product 'Q' exempt by way of a notification, only within 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 in the current financial year. 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.***

***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 taxable territory is payable under reverse charge. However, since, in the given case, services are being supplied by a recovery

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.*

**Question 7**

***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 immediately from the day on which the aggregate turnover of the person availing composition scheme under section 10(1) 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 days from the date from which the option is withdrawn.*

**Question 8**

***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 only 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 sells goods manufactured by it in the neighbouring 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, aerated waters, fly ash bricks, fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles 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.*

**Question 9**

***Subramanian Enterprises has two registered places of business in Delhi. Its aggregate turnover in the preceding financial year for both the places of business is ₹ 120 lakh. It wishes to pay tax under composition levy, under section 10(1) & 10(2), for one of the places of business for the current financial while continuing paying under normal levy for other. You are required to advice 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.

**Question 10**

***Mr. Ajay has a repair centre, registered under GST, where electronic goods are repaired/serviced. His repair centre 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.***

***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) for 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 total tax payable by him in the current F.Y. 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 neighbouring 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 lakh 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 upto ₹ 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.

**Question 11**

***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:***

***(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 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.*

**Question 12**

***Taxpayer 'Tolaram' is a manufacturer who has opted for composition levy under section 10(1), having one unit – A1 in UP and another unit – A2 in MP. Total turnover of two units in preceding 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 |

**Question 13**

***Taxpayer 'Bholaram' is a trader (who has opted for composition levy under section 10(1)) 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 respectively). Turnover of showrooms A1 and A2 in the first quarter of current financial year is ₹ 35 lakh [A1 – ₹ 15 lakh (₹ 5 lakh from sale of taxable goods and ₹ 10 lakh from sale of exempted goods) and A2 – ₹ 20 lakh (₹ 10 lakh 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**

**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 |

*Note: A supplier, other than manufacturer and restaurant service provider, eligible for composition levy under section 10(1) & 10(2) has to pay tax @ 1% (CGST+ SGST) of the turnover of only taxable supplies of goods and services in the State.

**Rates of tax in case of composition levy under section 10(2A)**

A registered person opting for composition levy under section 10(2A) shall pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] of the turnover of supplies of goods and services in the State or Union territory.

**Question 14**

***Taxpayer 'Padmavati' is a salon stylist, who has opted for composition levy under section 10(2A), having one branch – B1 in Vasant Kunj, Delhi and another branch – B2 in Gurgaon, Haryana. Total turnover of the two branches in last FY was ₹ 45 lakh (₹ 25 lakh + ₹ 20 lakh respectively). The 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%) |
|---|---|---|---|---|
| A1 | Punjab | ₹ 25 lakh | ₹ 5 lakh | ₹ 30,000 |
| B2 | Haryana | ₹ 20 lakh | ₹ 10 lakh | ₹ 60,000 |
| Total | | ₹ 45 lakh | ₹ 15 lakh | ₹ 90,000 |

As seen above, since the tax under composition scheme has to computed as a specified % of the turnover in State or turnover in Union territory, it is pertinent to understand what is turnover in ₹State or turnover in Union territory.

**Question 15**

***A person availing composition scheme in Maharashtra during a financial year crosses the turnover of Rs 1.5 crore during the course of the year i.e. he crosses the turnover of Rs 1.5 crore in December? Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March?***

**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 during the financial year exceeds the specified limit (Rs 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 semifinished or finished goods held in stock by him on the date on which the optionis withdrawn, within a period of 30 days from the date from which the option is withdrawn.*

**Question 16**

***Determine whether the supplier in the following cases are eligible for composition levy provided their turnover in preceding year does not exceed Rs 1.5 crore:***

*(i) Chintu Enterprises is engaged in trading of pan masala in Rajasthan and is registered in the same State.*

*(ii) Archit 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. Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Aerated water and Tobacco and manufactured tobacco substitutes are hereby notified. However, in the given case, since Chintu Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed Rs. 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.*

*(i) Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Archit Manufacturers is not eligible for composition levy.Mfluniun*

**Question 17**

***Patil Enterprises has two registered places of business in Delhi. Its aggregate turnover for the preceding year for both the places of business was Rs 120 lakh. It wishes to pay tax under composition levy for one of the place of business in the current year while under normal levy for other. You are required to advice Patil Enterprises whether he can do so?***

**Solution:**

*A registered person with an aggregate turnover in a preceding financial year up to Rs 1.5 crore is eligible for composition levy in Delhi. Since the aggregate turnover of Patil Enterprises does not exceed Rs 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, Patil Enterprises either have to opt for composition levy for both the places of business or under normal levy for both the places of business.*

**Question 18**

***Income is received by Maharashtra Government from renting of immovable property to Chandu Agarwal Pvt. Lid., registered in Maharashtra (Turnover of the company was Rs 18 lakh in the preceding financial year). Is GST payable in the present case? If yes, who is liable to pay the same?***

**Solution:**

*Notification No. 12/2017 CT (R) dated 28.06.2017 has inter alia exempted the services provided by the State Government to a business entity with an aggregate turnover of up to Rs 20 lakh (Rs 10 lakh in case of a Special Category States) in the preceding FY. However, the same shall not apply to services by way of renting of immovable property.*

*In the given case, a service by way of renting of immovable property is provided by Maharashtra Government to Chandu Agarwal Pvt. Ltd., registered in Maharashtra. Therefore, the above exemption will not apply in this case even though the turnover of the company was less than Rs20 lakh in the preceding financial year. Thus, GST is payable in the given case.*

*Notification No. 13/2017 CT (R) dated 28.06.2017 as amended inter alia provides that reverse charge is applicable in case of services supplied by the State Government by way of renting of immovable property to a person registered under the Central Goods and Services Tax Act, 2017. Thus, GST is payable by Chandu Agarwal Pvt. Ltd., being a registered person in the present case.*

**Question 19**

***M/s Rajiv Trading Company, an eligible registered dealer in goods making intra-state supplies within the state of Andhra Pradesh, has reported an aggregate turnover of Rs 78 Lakhs in the preceding financial year.***

***Determine whether Rajiv Trading Company will be eligible for composition levy, as on 31 10- 2017. Will your Solution be different, if in the above scenario, M/s Rajiv Trading Company is making intrastate supply within the state of Jammu and Kashmir?***

**Solution:**

*Section 10 of CGST Act, 2017 provides that a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs 1.5 crores may opt for composition scheme. The turnover limit is Rs 75 lakhs in case of some Special Category States namely,*

*In the given case, the applicable turnover limit for composition scheme will be Rs 1.5 crore as Andhra Pradesh is not a Special Category State.*

*Further, since the aggregate turnover of the registered person in the given case does not exceed Rs 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.*

*Since the turnover limit for determining the eligibility for composition scheme in the State of Jammu and Kashmir is Rs 1.5 crores, Rajiv Trading Company will be eligible for composition levy with other condition of not making inter-State supplies of goods being fulfilled.*

**Question 20**

***M/s Shashi Associates a recovery agent (located in Chennai) empanelled by State Bank of India, Local Head Office, Nungambakkam, Chennai. The following service supplied M/s Shashi Associates in the month of Nov 2019 are as follows:***

***I. Fee of Rs 2,25,825 for supply of services in relation to recovery of dues from the defaulting Borrowers at the place of business/ occupation and if such Borrowers is/are unavailable at the place of business then at his/ her residence.***

***II. Supply of services with regard to demand for recovery or taking possession of the security from defaulting Borrowers, for which separate fee charge from the bank Rs 55,175/- Solution the following:***

***(a) Is it supply of service?***

***(b) If so, who is liable to pay GST?***

***(c) What is the GST liability?***

***Note: Assume applicable rate of GST for recovery agent services @18%.***

**Solution:**

(a) Yes. It is taxable supply of service

(b) State Bank of India being recipient of service is liable to pay GST under RCM.

(c) GST liability = Rs. 50,580 [i.e. Rs. 2,25,825 + 55,175) x 18%)]

**Question 21**

***Mr. Amit, a famous Author is engaged in supply of services by the way of transfer or permiling the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of Section 13 of the Copyright Act, 1957 relating to original literary works to a publisher. Explain in brief the conditions under which an Author can choose to pay tax under forward charge***

**Solution**

Mr. Amit, an author, can choose to pay tax under forward charge provided he fulfills the following conditions:-

(i) He has taken registration under the GST law.

(i) He has filed a declaration, in the prescribed form, that he exercises the option to pay tax on the said service under forward charge and, to comply with all the provisions of the GST law 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.

(iii) He makes a declaration on the invoice issued by him in prescribed form to the publisher.

**Question 22**

***Mr. K registered in Hyderabad, who is selling goods from Telangana to Tamil Nadu. Turnover of Mr. K is Rs 73 Lakh in the preceding financial year. Whether Mr. K is eligible for Composition? Whether your Solution will change if Mr. K is making purchase from Tamil Nadu and selling goods in Telangana?***

**Solution:**

Mr. K is not eligible for composition as he is making interstate outward supply.

If Mr. K is making purchase from Tamil Nadu then he is eligible for composition scheme as there is restriction on outward interstate supply not on inward interstate supply.

**Question 23**

***Is there any option for registered taxable person to withdraw from the composition scheme?***

**Solution:**

The registered taxable person who intends to withdraw from the composition scheme shall, before the date of such withdrawal, file an application in FORM GST CMP-04. Where the option of composition scheme is lapsed due to non-compliance of any of the eligibility conditions under Section 10 or rules made thereunder, then taxable person shall file an intimation of withdrawal in the same FORM GST CMP-04 within 7 days of the occurrence of event leading to disability under the scheme. An intimation for withdrawal or cancellation of permission in respect of any place of business in a State or UT shall be deemed to be an intimation in respect of all other places of business registered on the same PAN.

**Question 24** LDR

***Examine whether the suppliers are eligible for composition scheme in the following independent cases. Is there any other option available for concessional tax payment with any of these suppliers, wherever composition scheme cannot be availed?***

**(a) M/s Dev, a registered dealer, is dealing in intra-State trading of electronic appliances in Jaipur (Rajasthan). It has turnover of Rs 130 lakh in the preceding financial year. In the current financial year, it has also started providing repairing services of electronic appliances.**

**(b) M/s Narayan & Sons, a registered dealer, is running a "Khana Khazana" Restaurant near City Palace in Jaipur. It has turnover of Rs 160 lakh in the preceding financial year. In the current financial year, it has also started dealing in intra-State trading of beverages in Jaipur (Rajasthan).**

**(c) M/s Indrabhushan & Sons, a registered dealer, is providing restaurant services in Uttarakhand. It has turnover of Rs 70 lakh in the preceding financial year. It has started providing intra-State interior designing services in the current financial year and discontinued rendering restaurant services.**

**(d) M/s Himanshu, a registered dealer, is exclusively providing intra-state architect services in Uttarakhand. It has turnover of Rs 40 lakh in the preceding financial year.**

**Solution:**

*As per section 10 of the CGST Act, 2017, the following registered persons, whose aggregate turnover in the preceding financial year did not exceed Rs 1.5 crore, may opt to pay tax under composition levy.*

*(a) Manufacturer,*

*(b) Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and*

*(c) Any other supplier eligible for composition levy.*

*Thus, essentially, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or Rs 5 lakh, whichever is higher.*

*Further, the registered person should not be engaged in making any inter-State outward suppliesof goods.*

*Furthermore, an option of availing benefit of concessional payment of tax has been provided to a registered person whose aggregate turnover in the preceding financial year is up to Rs 50 lakh and who is not eligible to pay tax under composition scheme. Said person can pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)] on first supplies of goods and/or services up to an aggregate turnover of Rs 50 lakh made on/after 1st April in any financial year (FY), subject to specified conditions vide Section 10(2A) as amended. One of such condition is that the registered person should not be engaged in making any inter-state outward taxable supplies.*

*In view of the above-mentioned provisions, the Solution to the given independent cases is as under: –*

*(a) The turnover limit for composition scheme in case of Jaipur (Rajasthan) is Rs. 1.5 crore. Thus, M/s Dev can opt for composition scheme as its aggregate turnover is less than Rs 1.5 crore. Further, since the registered person opting for composition scheme can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or Rs 5 lakh, whichever is higher, in the current financial year, M/s Devlok can supply repair services up to a value of Rs 13 lakh [10% of Rs 130 lakh or Rs 5 lakh, whichever is higher] in the current financial year.*

*(b) In the given case: –*

*(i) the turnover in the preceding year is less than the eligible turnover limit, i.e. Rs 1.5 crore.*

*(ii) the supplier is engaged in providing restaurant service which is an eligible supply under composition scheme.*

*(iii) the supplier wants to engage in trading of goods which is also*

an eligible supply under composition scheme.

Thus, M/s Narayan & Sons is eligible for composition scheme.

(c) The turnover limit for composition scheme in case of Uttarakhand is Rs 75 lakh. Further, a registered person who is exclusively engaged in supplying services other than restaurant services are not eligible for composition scheme. Thus, M/s Indrabhushan & Sons cannot opt for composition scheme.

Further, the benefit of concessional tax payment under Section 10(2A) is available in case of a registered person whose aggregate turnover in the preceding financial year does not exceed Rs 50 lakh. Thus, in view of the above- mentioned provisions, M/s Indrabhushan cannot avail the benefit of concessional tax payment as its aggregate turnover in the preceding financial year is more than Rs 50 lakh.

(d) An exclusive service provider can opt for the composition scheme only if he is engaged in supply of restaurant services. The composition scheme permits supply of marginal services for a specified value, but only when the same are supplied along with goods and/or restaurant service.

Since M/s Himanshu is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme even though its turnover in the preceding year is less than Rs 75 lakh, the eligible turnover limit for Uttarakhand.

However, since M/s Himanshu is not eligible to opt for composition scheme, its aggregate turnover in the preceding financial year does not exceed Rs 50 lakh and it is exclusively engaged in supply of services other than restaurant services, M/s Himanshu is entitled to avail benefit of concessional payment of tax under U/s 10(2A).

**Question 25**

***Senior Advocate supplied services of Rs 1,50,000/- to business entity for Legal services. Business entity has ITC of Rs 7,000. Senior Advocate has registered office in Chennai. Business entity is located in Madurai. Find the following:***

***(a) Who is liable to pay GST?***

***(b) Net GST liability?***

***Note:***

***(i) All services rendered in the month of Oct 2018.***

***(ii) Turnover of business entity in the previous year Rs 43 lakh. (iii) Applicable rate of GST @18%***

**Solution:**

(a) Business entity being recipient of service is liable to pay GST.

(b) Net GST liability of the business entity: CGST 9% on Rs 1,50,000 = Rs 13,500/~ SGST 9% on Rs1,50,000 = Rs 13,500/-

Note: recipient is not allowed to utilize ITC against his GST liability. However, after payment of GST under RCM, the same can be availed as ITC against his outward supplies.

**Question 26** LDR

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

***A) Mr. Priyam is an independent director of Sun Moon Company Private Limited and not an employee of the company.***

***B) Mr. Priyam is an executive director, i.e. an employee of Sun Moon Company Private Limited. Out of total remuneration amounting to Rs. 1,25,000, Rs. 60,000 has been declared as salariesin the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, Rs. 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.***

**Solution:**

A) As per Para 1 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 inhands 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.

B) 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, Rs. 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, Rs. 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.

**Question 27** LDR

***Mr. Vicky Kaushal, an unregistered famous author, received Rs 3 crore of consideration from MMK Publications located in Mumbai 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.***

***Mr. Vicky Kaushal is of the view that MMK is liable to pay tax under reverse charge on services provided by him. MMK does not concur with his view and is not ready to deposit the tax under any circumstances. Examine whether the view of Mr. Vicky Kaushal is correct. Further, if the view of Mr. Vicky Kaushal is correct, what is the recourse available with Mr. Vicky Kaushal to comply with the requirements of GST law as MMK has completely refused to deposit the tax.***

**Solution:**

Yes, the view of Mr. Vicky Kaushal 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 — MMK. However, since MMK has completely refused to deposit the tax on the given transaction, Mr. Vicky Kaushal has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfill the following conditions:

(i) since he is unregistered, he has to first take registration under the

said financial year

Further, Rs. 65,000 declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected

(i) since he is unregistered, he has to first take registration under the CGST Act, 2017

(ii) 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;

(iii) he has to make a declaration on the invoice, which he would issue to MMK, in prescribed form.

**Question 28**

***Enumerate the persons who are not eligible to opt for Composition Scheme under section 10(2) of the CGST Act, 2017.***

**Solution:**

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

(i) he is engaged in supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II.

(i) he is engaged in supply of goods not leviable to tax

(iii) he is engaged in inter-State outward supplies of goods

(iv) he is engaged in supply of goods through an electronic commerce operator

(v) he is a manufacturer of notified goods, namely, manufacturer of Aerated water, ice cream, pan masala and tobacco.

**Question 29**

***(a) Anchal started providing beauty and grooming services and inaugurated "Care & Care Beauty Centre" in Mahim, Mumbai on 01st April, 20XX. She opted to pay tax under Section 10(2A) in the***

Mr. Vicky Kaushal has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfill the following conditions:

***said financial year.***

***The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 20XX was Rs. 20 lakh. Further, for the half year ending 30th September, 20XX, the turnover reached Rs. 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached Rs. 70lakh by the end of October, 20XX. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 20XX.***

***(b) Care & Care Beauty Centre wishes to opt for composition scheme from the next financial year. You are required to advise it whether it can do so?***

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

**Solution:**

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

It is clarified in the notification that first supplies of goods or services or both shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from 1st April of a FY to the date from which he becomes liable for registration under the said Act, but for the purpose of determination of tax payable under this notification, shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

Thus, Care & Care Beauty Centre is eligible to pay tax under this notification upto the turnover of Rs. 50 lakh. The total tax payable by it is as under:-

| Period Tax | Tax Rate | Turnover (Rs) | Tax Liability |
|---|---|---|---|
| 18th Quarter | Since turnover did not exceed Rs 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid. | 20 lakhs | Nil |
| 2nd Quarter | Effective rate is 6% (CGST+ SGST/ UTGST)] under Notification No. 2/2019 CT (R) | 30 Lakhs [(50-20) Lakhs] | 1,80,000 |
| For the month of October, 20XX | Normal rate of GST of 18% is to be applied | 20 lakh [(70-50) lakh] | 3,60,000 |
| Total Tax payable | | | 5,40,000 |

(b) No, Care & Care Beauty Centre cannot opt for composition scheme from the next financial year. Fundamentally, the composition scheme can be availed in respect of goods and only one service namely, restaurant service. As regards services other than restaurant services are concerned, only marginal supply of the such services for a specified value along with the supply of goods and/or restaurant service, as the case may be, is permitted under section 10(1) of CGST Act, 2017. Therefore, a person engaged exclusively in supply of services other than restaurant services is not eligible to opt for composition scheme.

**Question 30** LDR

**"Wedding Bells", a wedding photographer, has commenced providing pre-wedding shoot services in Udaipur from the beginning of current financial year 2020-2021. It has provided the following details of turnover for the various quarters till December, 2020 :-**

| S.No | Quarter | Amount (Rs. in lakh) |
|---|---|---|
| 1 | April, 2020-June,2020 | 20 |
| 2 | July,2020-September,2020 | 30 |
| 3 | October,2020-December,2020 | 40 |

**You may assume the applicable tax rate as 18%. Wedding Bells wishes to pay tax at a lower rateand 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?**

**Solution**

Section 10(2A) of the CGST Act, 2017 provides the turnover limit of Rs. 50 lakh in the preceding financial year for becoming eligible for composition levy for services. Wedding Bells has startedthe 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 Rs. 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 Rs. 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 Aprilof a FY up to the date when

composition scheme, the expression "turnover in State" shall not include

the value of supplies from the first day of Aprilof 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,2020 — June,2020 quarter [Rs. 20 lakh] shall be excluded. On next Rs. 30 lakh [turnover of July,2020 — September, 2020 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 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, 2020 — June, 2020 quarter), are included.

By the end of July, 2020 — September, 2020 quarter, the aggregate turnover reaches Rs. 50 lakh. Consequently, the option to avail composition scheme for services shall lapse by the end of July, 2020 — September, 2020 quarter and thereafter, it is required to pay tax at the normal rate of 18%.

**Question 31**

***Explain in brief the conditions to be fulfilled by a registered person under GST law for availing the option to pay concessional tax @ 3% (effective rate 6%) under GST as per the provisions of Section 10(2A) as amended, with effect from 1st April, 2019.***

| S.No. | Quarter | GST rate [CGST + SGST] | Turnover (Rs.in lakh) | GST payable (Rs. in lakh) |
|---|---|---|---|---|
| 1 | April, 2020 – June, 2020 | - | 20 | - |
| 2 | July, 2020 – September, 2020 | 6% | 30 | 1.8 |
| 3 | October, 2020 — December, 2020 | 18% | 40 | 7.2 |

**Solution**

The registered person desirous of availing the option to pay concessional tax @ 3% (effective rate 6%) under section 10(2A) should —

(i) not be engaged in making any supply which is not leviable to tax.

(i) not be engaged in making any inter-State outward supply of goods and /or services.

(iii) neither be a casual taxable person nor a non-resident taxable person.

(iv) not be engaged in making any supply through an electronic commerce operator who is required to collect tax at source.

(v) not be engaged in making supplies of notified goods.

(vi) neither collect any tax from the recipient nor be entitled to any input tax credit.

(vii) issue a bill of supply instead of tax invoice.

(viii) not have the aggregate turnover in the preceding financial year exceeding Rs. 50 lakh

(ix) not be eligible for composition scheme.

Note: Any five conditions may be mentioned out of the above mentioned nine conditions.

**Question 32**

***Mr. Ali of Assam, provides the following information for the preceding financial year 2018–19. 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 or not, for the F.Y. 2019–20.***

| Particular | Amount (in Laksh) |
|---|---|
| Value of taxable outward supplies (out of above, Rs. 10 lakh was in course of inter-state transactions). | 50.00 |
| Value of exempt supplies (which include Rs. 30 lakh received as 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. | |

**Solution:**

Computation of aggregate turnover of Mr. Ali for FY 2018–19 for the purpose of eligibility of composition levy scheme

| Particulars | Amount in lakh (Rs.) |
|---|---|
| Value of taxable outward supplies | 50 |
| [Value of all taxable supplies including inter-State supplies are includible in aggregate turnover] | |
| Value of exempt supplies | 40 |
| [Value of exempt supplies is includible in aggregate turnover. However, valve of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, though exempt, is not includible in aggregate turnover for determining eligibility for composition scheme] | |
| Value of inward supplies on which Mr. Ali is liable to pay tax under reversecharge | Nil |
| [Excludible from aggregate turnover] | |
| Value of exports | 5 |
| [Includible in aggregate turnover] | |
| Aggregate turnover for determining eligibility for composition scheme | 95 |

*A registered person of Assam is eligible to opt for composition levy if his aggregate turnover does not exceed Rs. 1.5 crore in the preceding financial year provided he is not engaged in inter- State outward supplies of goods. Therefore, in the given case, assuming that he is not engaged in making any inter-State outward supply of goods in FY 2019–20, Mr. Ali is eligible to opt for composition levy for FY 2019–20 since his aggregate turnover does not exceed Rs. 1.5 crore in FY 2018–19.*

**Question 33**

***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:***

***(1) Ketu is a manufacturer of ice-cream and pan masala in State of Maharashira. 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 Lid. continue composition levy only for branch L?***

**Solution:**

**Solution:**

1) A registered person who is engaged in manufacture of, infer 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.

**Question 34**

***Mr. Ram visit Goa for Business trip where hotel owner provides accommodation through Electronic Commerce operator "cool trips" The hotel owner is not liable to get registered as per the provisions of section 22(1) of the CGST Act. Would your answer differ if the ECO Cool Trip does not have a physical presence in India?***

**Solution:**

- As per sec 9(5) of CGST Act read with CBIC notification, if services provided by way of accommodation in hotels through ECO, then the tax shall be paid by Electronic Commerce operator.
- In the given case, Cool Trips provides hotel accommodation to Mr. X in Goa
- Thus, person liable to pay GST is the Electronic Commerce Operator -Cool Trips.
- All the provisions of the GST law shall apply to such Cool trips as if it is the supplier liable for paying the tax in relation to the supply of such services.

**Question 35** LDR

***M/s Goyal Ganga, the promoter and builder registered under section GST started a new project 'Royal House' Total Cost of project is ₹300 Crores. For that, it purchased following input and services during the financial year 20XX-XY as follows:-***

| Particulars | Amount (₹) |
|---|---|
| Input {other than cement purchases) from ABC Pvt, Ltd, (exclusive of GST) – (Registered) | 2,52,000 |
| Input purchases from Mr. Anil (an unregistered supplier) | 1,20,000 |
| Input services received from M/s Subhash & Co. (an unregistered supplier) | 48,000 |
| Total Inward supply | 4,20,000 |

***What will be your answer if M/s Goyal Ganga purchases Cement from Registered as well as unregistered suppliers as under:-***

| | |
|---|---|
| Mr. Aman (Unregistered) | 1,20,000 |
| M. Boman (Registered) | 2,23,000 |
| ABC Ltd (UnRegistered) | 4,500 |

**GST Rates are as follows**

| | |
|---|---|
| Inputs & Inputs Services | 18% |
| Cement | 28% |

**Determine the amount of GST in each case independently. Assume all transactions are to be intra-state supply**

**Solution:**

1. • **As per section 9(4) of CGST Act read with relevant notification,** If Value of inputs and input services purchased from registered supplier is less than 80% (i.e. purchases exceeding 20% from unregistered supplier) then

   • Promoter has to pay GST @ 18% under RCM on all such inward supplies (to the extent of shortfall to make it 80% of the inward supplies from registered supplier).

   • In the given case, the total inward supplies of input or input services of M/s Goyal Ganga was ₹ 4,20,000. out of which, inward supply 0f ₹2,52,000 is from registered supplier which amounts to 60 % of total purchases of FY.

   • Therefore, there is a shortfall of 20% (i.e. 80%-60%) which amounts to 784,000 (i.e 3,36,000–2,52,000) and the promoter is liable to pay GST @18 % on 784,000.

   • 50, M/s Goyal Ganga (Promoter) shall pay:
   CGST =₹7,560/ – (₹84,000 × 9%)
   SGST=₹7,560/- (₹84,000 × 9%)

2. • **As per section 9(4) of CGST Act read with relevant notification,** if the registered person purchased cement from an unregistered supplier, then he shall pay tax on reverse charge basis as recipient of such goods.

   • In the given case, cement is received from an unregistered person, the promoter shall pay tax on supply of such cement under RCM, at the applicable rates.

   • So, M/s Goyal Ganga (Promoter) shall pay:

| Supplier | Value (₹) | [Total GST @28% (₹) | Note: If Cement is purchase from unregistered person, then condition of 80% does not apply & promoter is liable to pay tax under RCM irrespective of amount of cement purchase from unregistered person |
|---|---|---|---|
| Mr. Aman (Unregistered) | 1,20,000 | 33,600 | |
| ABC Ltd (Unregistered) | 4,500 | 1,260 | |
| Total | 124,500 | 34,860 | |

**Question 36**

**Karan Johar a director of Dharma Productions. For the purpose of shoot of Simmba movie he rented the garden area of his house to Dharma Productions for an annual rent of Rs. 50 lacs in his personal capacity. Determine the Charge of CST.**

**Solution:**

In the above case the chargeability of tax will be bear by supplier i.e by Mr karan Johar. As per the recent clarification (Circular No. 201/13/2023 GST )services supplied by a director of a company/body corporate to the company/body corporate in his private/personal capacity such as services supplied by way of renting of immovable property are not taxable under RCM. Therefore, karan Johar is liable to pay tax under Forward Charge Mechanism u/s 9(1)

**Question 37**

***Regal Foundation of Commerce organized a business summit in Surat, Gujarat, in which all the startups were invited to pitch their business ideas. Pandit Jewels Pvt Ltd., registered in the State of Maharashtra, sponsored the summit and paid a sponsorship fee of ₹1,50,000 to Regal Foundation of Commerce.***

***You are required to determine, who is the person liable to pay tax if:***

***(I) Regal Foundation of Commerce is a body corporate.***

***(II) Regal Foundation of Commerce is not a body corporate.***

***(RTP 2025)***

**Solution:**

(i) *In case of services provided by way of sponsorship service to any body corporate or partnership firm by any person other than a body corporate, the recipient is liable to pay tax under reverse charge mechanism.*

*Since Regal Foundation of Commerce, the supplier, is a body corporate in this case, so reverse charge provisions are not applicable in this case.*

*Thus, Regal Foundation of Commerce is required to pay tax under forward charge on the supply of the sponsorship services.*

(ii) *In case of services provided by way of sponsorship to any body corporate or partnership firm by any person other than a body corporate, the recipient is liable to pay tax under reverse charge mechanism.*

*Since Regal Foundation of Commerce, the supplier, is not a body corporate in this case, so reverse charge provisions are applicable in this case.*

*Accordingly, Pandit Jewels Pvt Ltd is required to pay tax under the reverse charge on sponsorship fees paid to Regal Foundation of Commerce.*

# 4 TIME OF SUPPLY

LDR Questions
Q .21 | Q .25 | Q .26 | Q .27 | Q .29 | Q .37

**Question 1**

***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 has to 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.

**Question 2**

***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 provisons.***

**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 and registered persons making supply of specified actionable claims) 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.

**Question 3**

***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 the recipient of goods | Date of issue of invoice by the 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 the recipient of goods | Date of issue of invoice by the supplier of goods | Date immediately following 30 days from the date of invoice | Time of supply of goods [Earlier of (1), (2) & (4)] |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| (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 |
| (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 | July 2 | June 28 (i.e., when payment is entered in the books of account of the recipient) |
| (v) | August 1 | August 1 | June 29 | July 30 | July 30 (i.e., 31st day from issuance of invoice) |

**Question 4**

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

| S. No. | Date of payment by the recipient for supply of services | Date of issue of invoice by the 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 | June 29 |

**Solution**

| S. No. | Date of payment by the recipient for supply of services | Date of issue of invoice by the supplier of services | Date immediately following 60 days from invoice | Time of supply of goods [Earlier of (1) & (3)] |
|---|---|---|---|---|
| | (1) | (2) | (3) | |
| (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 September 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 account 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) |

**Question 5**

***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)].*

**Question 6**

***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*

ready and informs the customer and issues the invoice on 2nd December.

*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.*

**Question 7**

***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 and registered persons making supply of specified actionable claims) 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 in the present case 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.*

**Question 8**

***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 and registered persons making supply of specified actionable claims) 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.*

**Question 9**

***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).*

**Question 10**

**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.**

**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 19th April as the time of supply.

**Question 11**

**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.

**Question 12**

**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:**

**(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.**

**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)

**within a week. However, Miss Diyana made payment for the said goods**

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)

**Question 13**

***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.

**Question 14**

***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.

**Question 15**

***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 and registered persons making supply of specified actionable claims) 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.

**Question 16**

***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:***

| | |
|---|---|
| 17th 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 |
| 20th October | The machine is assembled, tested at site, and accepted by buyer |
| 23rd October | Invoice raised |
| 4th November | Balance payment of ₹ 11,50,000 received |

***Determine the time of supply(ies) 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 **and registered persons making supply of specified actionable claims)** 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 by this date [Section 12(2)(a)].

**Question 17**

***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:***

| | |
|---|---|
| July 5, August 5, September 5 | Payments of ₹ 2 lakh made in each month |

***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 **and registered persons making supply of specified actionable claims)** 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.

**Question 18**

***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.)*

**Question 19**

***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)].*

**Question 20**

***Determine the time of supply from the following particulars:***

| | |
|---|---|
| 6th May | Booking of convention hall, sum agreed ₹ 15000, advance of ₹ 3000 received |
| 15th September | Function held in convention hall |
| 27th October | Tax invoice issued for ₹ 15000, indicating balance of ₹ 12000 payable |
| 3rd 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.*

**Question 21** LDR

***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 its 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.

**Question 22**

**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 earlier of the two stipulated dates namely, date of payment and the date immediately following 60 days from the date of issue of invoice.

**Question 23**

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

| | |
|---|---|
| May 4 | A German company issues email informing its associated enterprise, ABC Ltd. of the cost of technical services provided to it, which was recorded in ABC Ltd.'s books on May 1 |
| July 2 | ABC Ltd transfers the amount to the account of the German company |

**Solution**

Here, May 1 will be the time of supply, being the earlier of the two stipulated dates namely, date of entry in the books of account of the recipient of supply or the date of payment, in terms of second proviso to section 13(3).

**Question 24**

**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?**

**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

**Question 25** LDR

**Examine the following independent cases of supply of goods and services and determine the time ofissue 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.**

**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.*

**Question 26** LDR

**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 literarywork 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**

**(i) 6-10-2023, or**

**(ii) 17-12-2023**

**Solution:**

*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 which ever 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 | 02-12-2023 |
| b) 61st 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 | 02-12-2023 |

*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 | 02-12-2023 |
| b) 615 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 | 02-12-2023 |

**Question 27** LDR

**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 31stJuly, 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.**

**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.

**Question 28**

**Explain the meaning of the term "date of receipt of payment" as per section 13 of the CGST Act, 2017.**

**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.*

**Question 29** LDR

**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?**

**Solution:**

*The time of supply of goods (where movement of goods involve) (fabric) for the purpose of payment of taxis 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.*

**whether in the first half or the second half of the financial year being**

thus, within the time limit prescribed under section 31(1). Therefore, time

for the purpose of payment of taxis the date of issue of invoice or the last

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

**Question 30**

**Mr. Sheth purchased a voucher from Shopper's Stop that deals in multiple goods like clothes, perfumes,watches,accessories on 1.5.24 And the voucher was redeemed on 1.10.24.**

**i) When shall be the time of supply in this case?**

**ii) Will your answer be different if the voucher to be redeemed from Shopper's stop can be redeemed only against perfumes?**

**Answer:**

ii) Since the voucher is not identifiable at the time of issue of voucher, time of supply -1.10.24

ii) Since the voucher is identifiable at the time of issue of voucher, time of supply -1.5.24

**Question 31**

**An income-tax and money laundering case against Mr. A who is an employee of A Ltd, working in reveals a large volume of undisclosed assets, which he claims as service income. On this basis, the GST authorities investigates the GST liability. Dates of provision of service, whether in the first half or the second half of the financial year being scrutinised by income-tax authorities, are not known. Mr. A voluntarily pays GST during the investigation.**

**Answer:**

As per section 13(5), where it is not possible to determine the time of supply under section 13(2), 13(3) and13(4), then:-

a) **In a case where a periodical return has to be filed:** Time of supply shall be the date on which such return is to be filed (i.e. Due date for filing of periodical return) or

b) In any other case:~ The time of supply shall be the date on which the tax s paid.

- In the given case, it is **not possible** to determine the time of supply using:-
  - date of invoice,
  - date of provision of service,
  - date of receipt of payment &
  - date of receipt of services in the books of account of the recipient.
- On the other hand, Mr. A, being an employee in a company, is not a registered person and hence, the periodical return is also not to be filed.
- Therefore, the **date of payment of GST by Mr. XYZ will be the time of supply u/s 13(5).**

**Question 32**

**A Ltd. took telecommunication service from BSNL. For the month of January, 20XX, the bill amount was ₹5,000. It made a payment of ₹5,500 with an instruction to adjust the excess payment against next month's bill, and hence the same was adjusted by BSNL in case of his next month bill payable on 05/03/20XX (invoice issued on same date). What would be your answer, if A Ltd. make payment of ₹6,500?**

**Answer:**

*As per* **proviso to section 13(2),** *if supplier of taxable services receives upto Rs 1,000/- in excess of the amount indicated in the tax invoice, then the supplier has the option to take the date of issue of invoice for such excess amount as the time of supply for such excess.*

*(1)* **If A Ltd. makes the payment ₹5,500:**

- *In the given case,* **excess amount paid is ₹500** *(which is not exceeding ₹1,000) as the January, 20XX bill was for ₹5,000 & payment made ₹5,500.*
- *Therefore, time of supply of such excess amount is* **05/03/20XX** *i.e. date of invoice for such excess as per proviso to section13(2).*

*(2) If* **A Ltd.** *makes the payment of ₹6,500:*

- *Here, the excess payment is ₹1,500 which exceeds Rs. 1,000.*
- *In such case, above* **proviso is not applicable.**
- *Therefore, as per section 13(2), the* **time of supply shall be the date of receipt of such excess advance amount.**

**Question 33**

***Mr. Muttswami, an electronics dealer registered in Bangalore, Karnataka hired M/s Parivahan Logistics, an unregistered Good Transport Agency (GTA), to deliver his goods at the place of business of customer in Jaipur, Rajasthan. M/s Parivahan Logistics charged ₹60,000 for the transportation of goods, which was paid by Muttswami on 4th January through account payee cheque. The delivery was also made on the same day.***

***M/s Parivahan Logistics did not raise the tax invoice for these services, since it was unregistered.***

***In this case, you are required to determine:***

***(i) Person liable to issue the tax invoice (i)***

***(ii) Time limit for issuance of the tax invoice***

***(iii) Time of supply of transportation services provided by GTA, assuming that tax invoice is issued on the last day on which it should have been issued.***

***(RTP 2025)***

**Answer:**

*Section 16(2)(b) of the CGST Act, 2017 provides that no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless he has received the goods or services or both.*

*Explanation to section 16(2)(b) of the CGST Act, 2017 provides that it shall be deemed that the registered person has received the goods or, as the case may be, services, where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise.*

*Further, it has been clarified vide a circular that in case of Ex-works contract, the property in the goods can be considered to have been passed on to the dealer by the Original Equipment Manufacturer (OEM) upon handing over of the said goods to the transporter at his factory gate, meaning thereby that the goods can be considered to have been delivered to the registered person (the dealer), through the transporter, by the supplier (the OEM) at his factory gate and the supply of the said goods can be considered to have fructified at the factory gate of the OEM, even though the goods may be physically received by the registered person (the dealer) after the transit period.*

*In the given case, since the contract between M/s Ganesh Traders (OEM) and MMPL (dealer) is ex-works, pick up vans are considered to be received by MMPL on 29th April i.e. the date on which the vans are handed over to the transporter, even though they were physically received in the month of May.*

*So, initially on 29th April, full ITC of ₹28 lakh [₹10 lakh X 10 vans X 28%] can be availed while filing the return of the month of April.*

*Subsequently, after the receipt of vans in the showroom, 2 vans were destroyed due to fire and written off in the books.*

*So, ITC in respect of such vans, which was already availed has to be reversed while filing the return of the next month-May, since ITC on the goods, which are destroyed is not available in accordance with section 17(5) of the CGST Act, 2017.*

*The Amount of ITC which has be to be reversed in the return of next month is = ₹5.6 lakh [₹10 lakh X 2 vans X 28%]*

**Question 1**

***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 cumulatively:*

*(i) The discount is in terms of an agreement that existed at or before 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.*

**Question 2**

***'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, by the recipient or any other person for the supply. 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 when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination but shall not include any currency that is held for its numismatic value. Non- monetary consideration essentially means consideration in kind.*

**Question 3**

***Sharp Minds Institute provides coaching for engineering entrance examinations. The 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.

**Question 4**

***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 upto 20 kms. Where the distance is more than 20 kms, the showroom charges a concessional freight of ₹ 10 for every additional km.***

***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 (principal supply being the supply of furniture) and value thereof will be ₹ 2,00,300.

**Question 5**

***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 fees should not form part of the consideration for the supply 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 the 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 supply. Therefore, AKJ Foods Pvt. Ltd.'s argument is not correct. The testing fee should be included in the price to arrive at value of supply.

**Question 6**

***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***

**Question 8**

freight from Ms. Leena but incurring the same out of its own pocket.

*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 a delay of two days.*

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

**Solution:**

*This is a supply that is valued as per transaction value under section 15(1) as price is the sole consideration for the supply and the supply is made to unrelated person. The value of a supply includes interest for delayed payment of any consideration for any supply. However, the* ***time of supply*** *to the extent it relates to an addition in the value of supply by way of interest for delayed payment of any consideration is the date on which the supplier receives such addition in value. In the given case, the supplier has waived the interest for delayed payment. Consequently, the supplier has not received the interest. Therefore, notional interest for 2 days shall not be included in the value of the supply.*

**Question 7**

*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, without any prior agreement between them for offering such additional discount.*

*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.*

**Question 8**

*Red Pepper Ltd., Delhi, a registered supplier, manufactures taxable goods. It provides the following details of taxable inter-State supply made by it during the month of March.*

| S. No. | Particulars | Amount (₹) |
|---|---|---|
| (i) | List price of taxable goods supplied inter-State (exclusive of taxes) | 15,00,000 |
| (ii) | Price linked 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) | Price linked 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 over and above such amount) | 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<br>[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<br>[Since the subsidy is received from a non- Government body and directly linked to the price, 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)] | 50,000 |
| Packing charges<br>[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 | 5,085 |
| [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 | |
| Total value of taxable supplies | 15,90,085 |

**Question 9**

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

| S. No. | Particulars | Amount (₹) |
|---|---|---|
| (i) | Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)] | 25,000 |
| (ii) | Third party inspection charges<br>[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<br>[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<br>[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 | |

**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. Flow Pro to BP Ltd.**

| Particulars | Amount (₹) |
|---|---|
| Price of the machine<br>[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<br>[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 |

| | | |
|---|---|---|
| | charges mentioned at S. Nos. (ii) and (iii)] | 25,000 |

the goods, is includible in the value of supply in terms of section 15(2)(b)]

| | |
|---|---|
| *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** |

**Question 10**

***Shri Krishna Pvt. Ltd., a registered supplier, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd.-***

| 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)* | ***Subsidy received from Shri Ram Trust [Subsidy is directly linked to the price of the goods supplied.]*** | **50,000** |
| *(v)* | ***Late fees for delayed payment inclusive of GST [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)* | ***Weighment 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:***

***Computation of value of taxable supply made by Shri Krishna Pvt. Ltd. to Shri Balram Pvt. Ltd.***

| Particulars | Amount (₹) |
|---|---|
| *Price of the goods* | 1,00,000 |
| *Municipal tax [Includible in the value as per section 15(2)(a)]* | |
| *Inspection 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 as per section 15(2)(c)]* | |
| *Subsidy received from Shri Ram Trust [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)]* | |
| *Late fees for delayed payment [Not includible since the same is waived off]* | |
| *Weighment charges paid to Radhe Pvt. Ltd. on behalf of Shri Krishna Pvt. Ltd. [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)]* | 2,000 |
| ***Value of taxable supply*** | **1,69,000** |

**Question 11** LDR

***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:***

| S. No. | Particulars | Amount (₹) |
|---|---|---|
| (i) | Price of machinery (exclusive of taxes and discounts) | 5,50,000 |
| (ii) | 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 |
| (iii) | Installation and testing charges for machinery, not included in price | 25,000 |
| (iv) | Discount @ 2% on price of the machinery mentioned at S. No. (i) above (recorded in the invoice) | |
| (v) | 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. | |

**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 @ 2% on the price of machinery [₹ 5,50,000 × 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.] | Nil |
| **Value of taxable supply** | **5,84,000** |

**Question 12**

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

| Particulars | Amount (₹) |
|---|---|
| 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 |

Sambridhi Advertisers was

| | |
|---|---|
| Price of machinery (exclusive of taxes and discounts) | 5,50,000 |

| | |
|---|---|
| goods | 5,000 |
| Packing charges (not included in price above) | 1,000 |

**Black and White Pvt. Ltd. received ₹ 2,000 as a price linked 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 | Amount (₹) |
|---|---|
| List price of the goods (exclusive of taxes and discounts) | 50,000 |
| Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15(2)(a)] | 5,000 |
| 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 and directly linked to price, 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** |

**Question 13** LDR

**Samriddhi Advertisers onceptualised 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%.**

**Determine the value of taxable supply made by Samriddhi Advertisers.**

**Solution:**

**Computation of value of taxable supply**

| Particulars | Amount (₹) |
|---|---|
| Service charges | 50,000 |
| 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] [₹15,000 × (100/118)] (rounded off) | 12,712 |
| **Value of taxable supply** | **5,32,712** |

**Question 14**

***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 Rs 3 lakh a year compared to Rs 5 lakh a year for other students.***
***What would be the taxable value of the service of coaching and instruction provided by the institution?***

**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 from the Government but is from a philanthropic association. Therefore, the subsidy is to be added back to the price to arrive at the taxable value, which comes to Rs 5 lakh a year.*

**Question 15**

***A manufacturer of machinery supplied a special machine to Modern Furnishers. Following details are provided in relation to amounts charged:***

| S. No. | Particulars | Rs. |
|---|---|---|
| (i) | Price of machinery excluding taxes (before cash discount) Additional charges not included above:- | 5,00,000 |
| (ii) | Freight | 13,000 |
| (iii) | Packing charges | 10,000 |
| (iv) | Charges for designing the machine | 17,000 |

**Other information furnished is –**

**(a) Cash discount @ 2% on price of machinery has been allowed to the customer at the time of supply and also recorded in invoice.**

**(b) GST rate — 18%.**

**Calculate value of supply of the special machine.**

**Solution:**

| Particulars | Rs. |
|---|---|
| Price of machinery | 5,00,000 |
| Add: Freight [Note 1] | 13,000 |
| Packing charges [Note 2] | 10,000 |
| Designing charges [Note 3] | 17,000 |
| Total | 5,40,000 |
| **Less: 2% cash discount on price of machinery [Rs. 5,00,000 × 2%)] [Note 4]** | **10,000** |
| **Value of taxable supply** | **5,30,000** |

Notes:

1. *Supply of machinery (goods) with supply of ancillary services like freight is a composite supply, the principle supply of which is the supply of machinery. Thus, value of such ancillary supply is includible in the value of composite supply.*

2. *All incidental expenses including packing charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.*

3. *Designing charges are includible in the value of supply as any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is so includible in terms of section 15(2)(c) of CGST Act, 2017.*

4. *Cash discount was given at the time of supply and also recorded in invoice, so the same is not to be included while computing value of supply in terms of section 15(3)(a) of CGST Act, 2017.*

(b) GST rate — 18%.

**Calculate value of supply of the special machine.**

**Question 16**

***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, 2017.***

| Particulars | Amount in (Rs) |
|---|---|
| List price of goods supplied inter-state Items already adjusted in the price given in (i) above: | 12,40,000 |
| (1) Subsidy from CG for supply of biscuits to Government School. | 1,20,000 |
| (2) Subsidy from Trade Association for supply of quality biscuits | 30,000 |
| Items not adjusted in the price given in (i) above: | |
| 3) Tax levied by Municipal Authority | 24,000 |
| (4) Packing Charges | 12,000 |
| (5) 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, 2017.***

**Solution:**

*Computation of value of taxable supply made by Candy Blue Ltd. for the month of October, 2017*

| Particulars | Rs |
|---|---|
| List Price of the goods | 12,40,000 |
| Add: Subsidy amounting to Rs 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.] | NIL |
| 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.] | 30,000 |
| Tax levied by the Municipal Authority [Includible in the value as per section 15 of the CGST Act, 2017] | 24,000 |
| Packing charges [Being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017] | 12,000 |
| Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15 of the CGST Act, 2017] | 5,000 |
| Value of taxable supply | 13,11,000 |

*Note: – In the above solution, list price of the goods and late fee for delayed payment have been assumed to be exclusive of taxes.*

**Question 17** LDR

***Lattu Ltd. of Mumbai is a supplier of machinery. Lattu Ltd. has supplied machinery to PQR Enterprises in Delhi on 1st October, 2017. The invoice for supply has been issued on 1st October, 2017. Thus, the time of supply of machinery is 1st October, 2017. Lattu Ltd. and PQR Enterprise are not related. Following information is provided:***

- ***Basic price of machinery excluding all taxes but including design and engineering charges of Rs 10,000 and loading charges of Rs 20,000 – Rs 20,00,000.***
- ***Lattu Ltd. provides 2 years free warranty for the machinery. Lattu Ltd. also provides an extended one-year warranty on payment of additional charges of Rs 1,00,000. PQR Enterprises opted for one-year warranty.***
- ***Lattu Ltd. has collected consultancy charges in relation to pre-installation planning of Rs 10,000 and freight and insurance charges***

**from place of removal to buyer's premises of Rs 20,000.**

- **Lattu Lid. received subsidy of Rs 50,000 from Central Government for supplying the machinery to backward region since receiver was located in a backward region. Laxmi Ltd. also received Rs 50,000 from the joint venture partner of PQR Enterprises for making timely supply of machinery to the recipient.**
- **A cash discount of 1% on the basic price of the machinery is offered at the time of supply, if PQR Enterprises agrees to make the payment within 30 days of the receipt of the machinery at his premises. Discount @ 1% was given to PQR Enterprises as it agreed to make the payment within 30 days.**
- **The machinery attracts CGST and SGST @ 18% (9% + 9%) and IGST @18%. Compute the CGST and SGST or IGST payable, as the case may be, on the machinery.**

**Solution:**

**Computation of GST payable**

| Particulars | Rs |
|---|---|
| Price of the machinery [Note 1] | 20,00,000 |
| Add: Extended warranty cost [Note 2] | 1,00,000 |
| Consultancy charges in relation to pre-installation planning [Note 4] | 10,000 |
| Freight and insurance charges [Note 3] | 20,000 |
| Subsidy received from Central Government [Note 5] | Nil |
| Receipts from Joint Venture of PQR Enterprises [Note 5] | 50,000 |
| Less: 1% discount on basic price* = Rs 20,00,000 × 1% [Note 6] | (20,000) |
| Value of supply | 21,60,000 |
| CGST @ 9% [Note 7] | 1,94,400 |
| SGST @ 9% [Note 7] | 1,94,400 |

Notes:

1. *Laxmi Ltd. and PQR Enterprises are not related and price is assumed to be the sole consideration for the supply. Therefore, in terms of section 15(1) of the CGST Act, 2017, the value of the supply is the transaction value i.e., price actually paid or payable for the machinery by PQR Enterprises.*
   *Design and engineering charges are includible in the value of supply as any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is so includible in terms of section 15(2)(c) of CGST Act, 2017.*
   *Further, loading charges being incidental expenses charged by the supplier to the recipient of supply, are includible in the value as per section 15 (2)(c) of the CGST Act, 2017.*
2. *Supply of machinery (goods) with supply of ancillary services like extended warranty is a composite supply, the principle supply of which is the supply of machinery. [Section 2(30) of the CGST Act, 2017 read with section 2(90) of that Act]. Thus, value of such ancillary supply is includible in the value of composite supply.*
3. *Supply of machinery (goods) with supply of ancillary services like freight and insurance is a composite supply, the principle supply of which is the supply of machinery [Section 2(30) of the CGST Act, 2017 read with section 2(90) of that Act]. Thus, value of such ancillary supply is includible*
   *in the value of composite supply.*
4. *Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.*
5. *Subsidies provided by the Central Government and State Governments are not includible in the value of supply in terms of section 15(2) (e) of the CGST Act, 2017. However, subsidy directly linked to the price received from a non-Government body is includible in the value in terms of section 15*

| | |
|---|---|
| SGST @ 9% [Note 7] | 1,94,400 |

Notes:

of the CGST Act, 2017. However, subsidy directly linked to the price received from a non-Government body is includible in the value in terms of section 15.

6. Cash discount has been given to PQR Enterprises upfront at the time of supply and thus would have been recorded in the invoice and hence, the same is excluded from the value of supply in terms of section 15(3)(a) of the CGST Act, 2017.
7. In the given case-
   - the location of the supplier is in Bhopal (Madhya Pradesh); and
   - the place of supply of machinery is the location of the machinery at the time at which the movement of the same terminates for delivery to the recipient i.e., Indore (Madhya Pradesh) vide section 10(1)(a) of IGST Act, 2017.

Therefore, as per section 8(1) of IGST Act, 2017, the given supply is an intra-State supply as the location of the supplier and the places of supply are in the same State.

Thus, the supply will be leviable to CGST and SGST.

*Note: It is also possible to take a view that the basic price of the machinery is Rs 19,70,000 [Rs 20,00,000- Rs 10,000 — Rs 20,000] and design and engineering charges and loading charges are added to such price. In that case, 1% of discount amount will come out to be Rs 19,700, value of supply would be Rs 21,60,300 and CGST and SGST would be Rs 1,94,427 each.

**Question 18**

**Tanu Ltd. provides you the following particulars relating to goods supplied by it to Agni Ltd.:**

| Particulars | Rs |
|---|---|
| List price of the goods (exclusive of Taxes and discounts). | 76,000 |
| Special packing at the request of customer to be charged to the customer. | 5,000 |
| Duty levied by local authority on the sale of such goods. | 4,000 |
| CGST and SGST charged in invoice. | 14,400 |
| Subsidy received from an NGO (The price of Rs 76,000 given above is after considering the subsidy) | 5,000 |

**Tanu Ltd. offers 3% discount of the list price of the goods which is recorded in the invoice for the goods. Determine the value of taxable supplies made by Vayu Ltd.**

**Solution:**

| Particulars | Rs |
|---|---|
| List price of the goods | 76,000 |
| Add: Special packing [Note 1] | 5,000 |
| Duty levied by local authority on sale of goods [Note 2] | 4,000 |
| CGST and SGST charged [Note 2] | - |
| Subsidy received from an NGO [Note 3] | 5,000 |
| Less: Discount offered | 2,280 |
| = 3% of List price = Rs 76,000 X 3% [Note-4] | |
| Value of taxable supplies | 87,720 |

Notes:

1. Being incidental expenses charged by the supplier to the recipient of supply, packing charges are includible in the value as per section 15(2)(c) of the CGST Act, 2017.
2. Taxes, duties, etc. levied under any law for the time being in force other than CGST, SGST/UTGST, IGST are includible in the value as per section 15(2)(a) of CGST Act, 2017. Duty levied by local authority on sale of goods has been assumed to be recovered from Agni Ltd. and not included in the list price of the goods.
3. Subsidy directly linked to the price received from a non-Government body is includible in the value in terms of section 15(2) (e) of CGST Act, 2017.
4. Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3) (a) of CGST Act, 2017.

**Question 19** LDR

**Following are the particulars, relating to one of the machine sold by SQM Ltd. to ACD Ltd. in the month of February 2020 at list price of Rs. 9,50,000. (exclusive of taxes and discount) Further, following additional amounts have been charged from ACD Lid:**

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

**Additional information :**

1. **SQM Lid. 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 Lid. waived the interest payable.**

2. **SQM Ltd. received Rs. 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 Rs. 9,50,000.**

3. **ACD Ltd. deducted discount of Rs. 15,000 at the time of final payment, which was not as per agreement.**

4. **SQM Lid. collected Rs. 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.**

**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.*

both parties are unrelated to each other.

**Note: Correct legal provision should form part of your answer.**

# 6 EXEMPTIONS OF GST

LDR Questions
Q .12 | Q .18 | Q .21 | Q .24 | Q .26 | Q . 27

**Question 1**

***Exempt supply means 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 [Section 2(47)].*

**Question 2**

***Services provided by an entity registered under section 12AB of the Income-tax Act, 1961 are exempt from GST if such services are provided by way of charitable activities. Elaborate the term 'charitable activities'.***

**Solution:**

*The term 'charitable activities' mean activities relating to-*

*(i) public health by way of-*

*(A) care or counseling of*

*(I) terminally ill persons or persons with severe physical or mental disability;*

*(II) persons afflicted with HIV or AIDS;*

*(III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or*

*(B) public awareness of preventive health, family planning or prevention of HIV infection;*

*(ii) advancement of religion, spirituality or yoga;*

*(iii) advancement of educational programmes/skill development relating to,-*

*(A) abandoned, orphaned or homeless children;*

*(B) physically or mentally abused and traumatized persons;*

*(C) prisoners; or*

*(D) persons over the age of 65 years residing in a rural area;*

*(iv) preservation of environment including watershed, forests & wildlife.*

**Question 3**

***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 in a housing society, 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 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.

**Question 4**

***An individual acts 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.

**Question 5**

***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 as a part of her services as a brand ambassador of the company. The proceeds of the concert worth ₹ 1,20,000 will be donated to a charitable organization by Ms. Ahana.***

***Examine whether Ms. Ahana Kapoor will be required to pay any GST for classical dance performance given in the said concert.***

**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 by Ms. Ahana will not have any bearing on the eligibility or otherwise to the above-mentioned exemption.

**Question 6**

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

***(i) Service provided by a private transport operator to Scholar Boys Higher Secondary School by way of transportation of students to and from the school.***

***(ii) Services provided by way of vehicle parking to general public in a shopping mall.***

**Solution:**

(i) Yes. Services provided TO an educational institution by way of transportation of students are exempted from GST.

(ii) No. Services provided by way of vehicle parking to general public in a

services as a brand ambassador of the company. The proceeds of the concert worth ₹ 1,20,000 will be donated to a charitable organization

(i) Yes. Services provided TO an educational institution by way of transportation of students are exempted from GST.

(ii) No. Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, GST is payable on the same.

**Question 7**

**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.

**Question 8**

**Indiana Engineering College, an educational institution, has conducted an entrance test examination for various courses run by it (for obtaining qualification(s) recognised by law for the time being in force) and charged entrance fees from the applicants. Determine whether Indiana Engineering College is liable to pay GST on the same.**

**Solution:**

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.

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.

**Question 9**

**Babloo Transporters, a Goods Transport Agency, transported relief materials in a goods carriage meant for victims of Kerala floods, a natural disaster, by road from Delhi to Ernakulam, for a company. Babloo Transporters is of the view that it is not liable to pay GST on the said services provided as said services are exempt. You are required to advice it on the said issue.**

**Solution:**

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

**Question 10**

**Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of organizing business exhibition in New Delhi as part of Make in India initiative. Keyan Enterprises claims that it is not required to pay GST as the services provided by way of organizing business exhibition are exempt from GST. Examine the technical veracity of the claim of Keyan Enterprises, in the given case.**

**Solution:**

No, the claim made by Keyan Enterprises that it is not required to pay GST is not correct. Services provided by an organiser to any person in respect of a business exhibition are exempt from GST only when such business exhibition is held outside India. However, since in the given case, the exhibition is being organized in India, the services of organization of event by Keyan Enterprises will not be exempt from GST.

**Question 11**

**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 since services by way of giving on hire, inter alia, to a goods transport agency, a means of transportation of goods are exempt.*

**Question 12** LDR

**Good Health Medical Centre, a clinical establishment, offers the following services:**

**(i) Reiki healing treatments.**

**(ii) Plastic surgeries. One such surgery was conducted to repair cleft lip of a new born baby.**

**(iii) Air ambulance services to transport critically ill patients from distant locations to the Medical Centre.**

**(iv) 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).**

**(v) 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 health care services provided by it as well as all the taxable 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 authorised 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:*

*(i)* **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.*

*(ii)* **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).*

*(iii)* **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.*

*(iv)* **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.*

*(v)* **Exempt.** *Since Yoga is a recognized system of medicine in terms of*

the taxable services provided to it are exempt from GST.

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

establishment or at the home of the patient or at any other place. Thus, palliative care for terminally ill patients is exempt.

(v) **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. Therefore, services provided in relation to preservation of stem cells by the cord blood bank operated by Good Health Medical Centre will be liable to 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.

**Question 13**

**M/s. Apna Bank Limited, a scheduled commercial bank, has furnished the following details for the month of August:**

| Particulars | Amount [₹ in crores] (excluding GST) |
|---|---|
| Extended housing loan to its customers | 100 |
| Processing fees collected from its customers on sanction of loan | 20 |
| Commission collected from its customers on bank guarantee | 30 |
| Interest income on credit card issued by the bank | 40 |
| Interest received on housing loan extended by the bank | 25 |
| Minimum balance charges collected from current account and saving account holder | 01 |

**Solution:**

**Computation of value of taxable outward supply of M/s. Apna Bank Limited for the month of August:**

| Particulars | Amount in crores (₹) |
|---|---|
| Housing loan extended to customers [Since money does not constitute goods, extending housing loan 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 specifically excluded from this exemption entry.] | 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.] | 01 |
| Value of taxable outward supply | 91 |

**Question 14**

**Determine the GST payable, if any, in each of the following independent cases, assuming that the rate of GST is 18% and that the service providers are registered:**

**(a) Bollywood dance performance by a film actor in a film and consideration charged is ₹ 1,45,000.**

**(b) Carnatic music performance by a classical singer to promote a brand of readymade garments and consideration charged is ₹1,30,000.**

**(c) Carnatic music performance by a classical singer in a music concert and consideration charged is ₹1,55,000.**

**(d) Kathak dance performance by a classical dancer in a cultural programme and consideration charged is ₹ 1,45,000.**

**Solution:**

(a) Bollywood Dance performance by a film actor in a film is not exempt from GST even though the consideration charged is less than threshold limit of ₹ 1,50,000. The reason for the same is that the dance performance by an artist is exempt only if it is a performance in folk or classical art forms of dance.

(b) Carnatic music performance by a classical singer to promote a brand of readymade garments is not exempt from GST even though, the consideration charged is less than threshold limit of ₹1,50,000 and it is a performance in classical art forms of music. The reason for the same is that the said exemption is not applicable to service provided by such artist as a brand ambassador.

(c) Carnatic music performance by a classical singer in a music concert is not exempt from GST even though it is a performance in classical art forms of music. The reason for the same is the consideration charged for the service exceeds ₹ 1,50,000. Consequently, entire consideration charged is subject to GST as follows:

= ₹ 1,55,000 × 18% = ₹ 27,900

(d) Kathak dance performance by a classical dancer in a cultural programme is exempt from GST as it is a performance in classical art forms of dance and consideration charged does not exceed ₹1,50,000 [i.e. ₹ 1,45,000].

**Question 15**

**Comment on the taxability or otherwise of the following transactions under GST law. Also state the correct legal provisions for the same.**

| Sr. No. | Description of Services provided |
|---|---|
| (i) | Service provided by a private transport operator to Vintage Girls Higher Secondary School by way of transportation of students to and from the school. |
| (ii) | Services provided by way of vehicle parking to general public in a shopping complex. |
| (iii) | Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors. |
| (iv) | An RWA in a housing society, registered under GST, collects the maintenance charges of 6,500 per month per member. |

**(MTP 4 Marks Nov 24)**

**Solution:**

| S. No. | Particulars | Taxability |
|---|---|---|
| (i) | Service provided by a private transport operator to Vintage Girls Higher Secondary School by way of transpiration of students to and from the school. [Services provided TO an educational institution by way of transportation of students are exempted fromGST] | Exempt |

charged is subject to GST as follows:

= ₹ 1,55,000 × 18% = ₹ 27,900

| | | |
|---|---|---|
| | *are exempted fromGST]* | |

| | | |
|---|---|---|
| *(ii)* | *Services provided by way of vehicle parking to general public in a shopping complex. [Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, it would be taxable.]* | *Taxable* |
| *(iii)* | *Food supplied by the canteen run by a hospital to the in-patients as advised by the doctors. [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.]* | *Exempt* |
| *(iv)* | *An RWA in a housing society, registered under GST, collects the maintenance charges of ₹6,500 per month per member. [Supply of service by a RWA (unincorporated body ora 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.]* | *Exempt* |

**Question 16**

***ABC Infra, is a partnership firm registered under GST. It furnishes the following details about services provided during the month of February 20XX:***

| | Particulars | Amount |
|---|---|---|
| *(i)* | ***Consideration received from neighbouring Housing Cooperative Society as ABC Infra agrees to install effluent plant for treatment of wastewater even though is no legal requirement to do so.*** | **5,50,000** |
| *(ii)* | ***Consideration received from distribution of passes for cricket match organized as firm's annual event. Total 500 passes have been distributed.*** | **2,42,500** |
| *(iii)* | ***Services given of booking air tickets in economy class for flight between Mumbai to Manipur.*** | **1,20,000** |
| *(iv)* | ***Services given for construction of buildings to State Government in relation to function entrusted to Municipality under article 243W of the Constitution. Construction material used of ₹2,79,375 is included in the given figure.*** | **8,20,000** |

***All supplies mentioned love are intra-State supplies. GST rates for CGST, SGST, IGST are 9%, 9%, 18% respectively. Compute the GST payable by the ABC Infra for the month of February, 20XX.*** **(PYP 5 Marks Sep'24)**

**Solution:**

Computation of GST payable by the ABC Infra for February, 20XX

| | Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) |
|---|---|---|---|
| *(i)* | Consideration for agreeing to install effluent plant [Taxable since it ijinsupply of service of agreeing to the obligation to doan act.] | 49,500 | 49,500 |

| | | | |
|---|---|---|---|
| (ii) | Distribution of 500 passes of cricket match [Exempt since consideration for services by way of right to admission to unrecognised sporting event is not more than 500 per person[2]] | - | - |
| (iii) | Booking air tickets in economy class | 10,800 | 10,800 |
| | [Taxable since service of booking of air tickets is being provided here. Only the service of transportation of passengers in economy class terminating in Manipur is exempt.) | - | - |
| (iv) | Service of construction of buildings provided to State Government [Taxable since value of supply of goods constitutes more than 25% of the value of the composite supply of goods and services.] | 73,800 | 73,800 |
| | Total GST payable by ABC infra | 1,34,100 | 1,34,100 |

**Note:** In the given question, it has been assumed that the amounts given in the question are exclusive of GST. It is also possible to assume the given amounts as inclusive of GST and answer shall change accordingly.

**Question 17**

***Briefly examine the taxable value of supply in the following independent cases:***

***(i) Jivan Limited, registered under GST, provided services amounting to ₹10,00,000 to a Governmental Authority by way of sanitation conservancy.***

***(ii) Raju Transporters, a registered Goods Transport Agency (GTA) provided service of transportation of goods to Kukreja & Kukreja Co.-a unregistered partnership firm. Kukreja & Kukreja Co. paid ₹8,000 to Raju Transporters as consideration.***

***(iii) Amardeep Hospital provided services in Neo natal Intensive Care for 2 days for which ₹15,000 are charged per day from Mr. Chopra for his new born son, Viraat. (RTP Sep 24)***

**Solution:**

(i) Services provided to a Governmental Authority by way of inter alia sanitation conservancy is exempt under GST. Thus, services provided by Jivan Limited, registered under GST amounting to 10,00,000 to a Governmental Authority by way of sanitation conservancy is exempt under GST.

(ii) Services provided by a GTA to an unregistered person, including an unregistered casual taxable person other than, inter alia, any partnership firm whether registered or not under any law including association of persons is exempt under GST. Thus, GTA services provided to partnership firm including AOP-whether or not registered under GST law, are liable to tax. Hence, considerationof ₹8,000 paid by Kukreja & Kukreja Co. is taxable under GST.

(iii) The services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU)/Critical CareUnit (CCU)/ Intensive Cardiac Care Unit (ICCU)/Neo natal Intensive Care Unit (NICU)] having room charges exceeding ₹5000 per dayto a person receiving health care services is taxable under GST. Since, in the given case Amardeep Hospital provided services in Neo natal Intensive Care, so the entire amount of 30,000 charged from Mr. Chopra is exempt under GST law.

**Question 18**

Co.-a unregistered partnership firm. Kukreja & Kukreja Co. paid ₹8,000 to Raju Transporters as consideration.

**Question 18** LDR

**(i) "Richmondkidz" is a Play School located in Delhi. Richmond Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to Ashoka Caterers, Delhi for a consideration of Rs. 8,00,000 per annum. Examine whether supply of food and drink/catering servicesfrom Ashoka Caterers to "Richmond kidz" is exempt from GST:**

**(ii) Balaji Hospital, a clinical establishment located in Tirupati, is specialised in cardiac treatment. The hospital has its own canteen — Healthy Foods. The canteen serves the food and drink to the inpatients 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. Examine whether supply of food and drink/ catering services to the in- patients and other patients (who are not admitted) or attendants or visitors of the in-patients is exempt from GST:**

*(MTP 6Marks, May'20, RTP May '19)*

**Solution:**

i. *Services provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent, by way of catering is exempt from GST vide exemption notification under GST. Thus, in the given case, services provided by Ashoka Caterers to Richmond Kidz are exempt from GST.*

ii. *Services by way of health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide exemption Notification under GST. 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 Healthy Foods to the inpatients 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.*

**Question 19**

**With reference to the provisions of GST law, briefly Answer the following questions:-**

**(a) Income is received by Maharashtra Government from renting of immovable property to Ganpati Morya Pvt. Ltd., registered in Maharashtra (Turnover of the company was ₹18 lakh in the preceding financial year). Is GST payable in the present case? If yes, who is liable to pay the same?**

**(b) Mr. Vivek Goyal, director of A2Z Pvt. Ltd. Company has received sitting fee amounting to ₹ 1 lakh from A2Z Pvt. Ltd for attending the Board meetings.** *(RTP Nov '18)*

**Solution:**

(a) *Notification No. 12/2017 CT (R) dated 28.06.2017 has inter alia exempted the services provided by the State Government to a business entity with an aggregate turnover of up to ₹20 lakh (₹ 10 lakh in case of a Special Category States) in the preceding FY. However, the same shall not apply to services by way of renting of immovable property.*

*In the given case, services by way of renting of immovable property is provided by Maharashtra Government to Ganpati Morya Pvt. Ltd, registered in Maharashtra. Therefore, the above exemption will not apply in this case even though the turnover of the company was less than ₹ 20 lakh in the preceding financial year. Thus, GST is payable in the given case.*

*Notification No. 13/2017 CT (R) dated 28.06.2017 as amended inter*

alia provides that reverse charge is applicable in case of services supplied by the State Government by way of renting of immovable property to a person registered under the Central Goods and Services Tax Act, 2017. Thus, GST is payable by Ganpati Morya Pvt. Ltd., being a registered person in the present case.

(b) Notification No. 13/2017 CT (R) dated 28.06.2017 inter alia provides that GST on supply of services by the director of a company to the said company located in the taxable territory is payable on a reverse charge basis. GST on reverse charge is to be paid by services supplied by director of a company or body corporate to said company or body corporate. Person liable to pay tax: Company or body corporate.) Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., A2Z Put. Ltd. Company.

**Question 20**

***Shiva Medical Centre, a Multi-specialty hospital, is a registered supplier in Mumbai. It hires senior doctors and consultants independently, without entering into any employer- employee agreement with them. These doctors and consultants provide consultancy to the in-patients - patients who are admitted to the hospital for treatment – without there being any contract with such patients. In return, they are paid the consultancy charges by Shiva Medical Centre.***

***However, the money actually charged by Shiva Medical Centre from the in-patients is higher than the consultancy charges paid to the hired doctors and consultants. The difference amount retained by the hospital, i.e. retention money, includes charges for providing ancillary services like nursing care, infrastructure facilities, paramedic care, emergency services, checking of temperature, weight, blood pressure, etc.***

***Further, Shiva Medical Centre has its own canteen – Annapurna Bhawan - which supplies food to the in-patients as advised by the doctor/ nutritionists as also to other patients (who are not admitted) or their attendants or visitors.***

***The Department took a stand that senior doctors and consultants are providing services to Shiva Medical Centre and not to the patients. Hence, their services are not the health care services and must be subject to GST. Further, GST is applicable on the retention money kept by Shiva Medical Centre as well as on the services provided by its canteen – Annapurna Bhawan You are required to examine whether the stand taken by the Department is correct provided the services provided by Shiva Medical Centre are intra-State services. alleging that such services are not the health care services.***

**Solution:**

As per Notification No. 12/2017 CT (R) dated 28.06.2017, services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST. Health care services have been defined to mean any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India and includes services by way of transportation of the patient to and from a clinical establishment, but does not include hair transplant or 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.

Circular No. 32/06/2018 GST dated 12.02.2018 has clarified that in view of the above definition, it can be inferred that hospitals also provide healthcare services. The entire amount charged by them from the patients including the retention money and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients and is exempt from GST. In view of the same, GST is not applicable on the retention money kept by Shiva Medical Centre.

The circular also clarified that services provided by senior doctors/ consultants/ technicians hired by the hospitals, whether employees

- which supplies food to the in-patients as advised by the doctor/ nutritionists as also to other patients (who are not admitted) or their

The circular also clarified that services provided by senior doctors/ consultants/ technicians hired by the hospitals, whether employees

or not, are also healthcare services exempt from GST. Hence, services provided by the senior doctors and consultants hired by Shiva Medical Centre, being healthcare services, are also exempt from GST.

The circular further explained 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 not applicable on the food supplied by Annapurna Bhawan to in-patients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or their attendants/ visitors are taxable.

**Question 21** LDR

**AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October, 2021**

| | |
|---|---|
| Services of transportation of students, faculty and staff from home to college and back o 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 Lid. for the month of October 2021 with necessary explanations** PYQ Dec21

**Solution:**

Computation of value of taxable supplies of AB Ltd

| | |
|---|---|
| Services of transportation of students, faculty and staff from home 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 fo 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 school are exempt.] | Nil |
| Services of providing breakfast, lunch and dinner to students of ABC Medical College 5,80,000 [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 |

**Question 22** PYQ May 23

**Mr. Shyam Das was admitted to Suraksha Hospital in Mumbai for 2 days in relation to diagnosis of removal of stones from his kidney. For the said services, Surkasha hospital charged following from Mr. Das:**

(i) Room rent 7,000 per day for 2 days.
(ii) Operation theatre charges ₹5,000
(iii) Doctors Consultation Charges ₹8,000
(iv) Other services 4,000 In each of the above scenario explain whether In each of the above scenario explain whether Suraksha Hospital should levy GST or not in line with the relevant provisions of the GST laws.

**Solution:**

Health care services by a clinical establishment are exempt from GST.
However, services provided by a clinical establishment by way of providing room having room charges exceeding 5,000 per day to a person receiving health care services are not exempt.
In view of the same, only the room rent of 14,000 (7,000 per day x 2 days) is liable to GST.
Other than room rent, all other nature of services provided by Suraksha Hospital are exempt from GST.

**Question 23** RTP May 23

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

(i) **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.**

(ii) **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.**

**Solution:**

(i) 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.

(ii) In case of services provided by any person by way of sponsorship to any 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.
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.

**Question 24** LDR

**British High Commission, chief diplomatic mission of the United Kingdom, is located in India and is providing advisory services to the students willing to travel to UK for further studies. The mission has organized a seminar for such students and a registration fee of ₹ 5,000 per student has been charged from the students for the same. You are required to determine whether the advisory services provided by British High Commission are liable to GST**

**Solution:**

Services by a foreign diplomatic mission located in India are exempt from GST vide exemption notification. Hence, in the given case, advisory services by British High Commission located in Delhi to the students are exempt from GST

Services by way of pure labour contracts of construction, erection

**Solution:**

(i) Services provided by way of renting of residential dwelling for use

services by British High Commission located in Delhi to the students are exempt from GST

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 residential complex.

1) Mr.X supplying repairing service to a single residential otherwise than as a part of residential complex – T (not related to original works)
2) Mr. X supplying pure labour service of construction of a new residential complex – T
   - ISRO Providing Satellite launching service to space x-
   - Adani Ltd. providing Satellite launching service to NASA

**Question 25**

**Mr. Amit Mahajan has purchased a micro-insurance policy where the**

**i) coverage amount of Rs. 1,00,000 – Exempt**

**ii) coverage amount of Rs. 3,00,000 – Taxable**

**Question 26**

**Examine whether GST is exempted in the following independent cases of supply of services:**

**(i) Apex Facilities provided civil maintenance services for the upkeep of the Municipal Corporation of Delhi (MCD) head office building. Value of supply of goods constitute 20% while providing such maintenance services.**

**(ii) M/s Talreja & Talreja, a firm of advocates, provides legal services to the State Government for representation in the High Court.**

**(iii) BLF Mall, Noida provides services by way of vehicle parking to general public in the basement of mall.**

**(iv) Service provided by a private transport operator to Scholar Boys Higher Secondary School by way of transportation of students to and from the school.** **(RTP 2025)**

**Solution:**

(i) If the composite supply of goods and services provided to local authority, in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply, by way of any activity in relation to any function entrusted to a Municipality under article 243W of the Constitution, then it would be exempt under GST.

Further, it has been clarified vide a Circular that civil maintenance services received for the upkeep of the MCD office are not in relation to any function entrusted under Article 243W of the Constitution and thus not covered under the exemption. Therefore, such civil maintenance services are not exempt and hence taxable.

(ii) Services provided by a partnership firm of advocates to the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity are exempted from GST. Thus, legal services provided by Talreja & Talreja, a firm of advocates, to the State Government for representation before the High Court are exempted from GST.

(iii) Services provided by way of vehicle parking to general public are not specifically exempted from GST. Therefore, GST is payable on the same.

(iv) Services by way of transportation of students provided to an educational institution which is engaged in providing services by way of pre-school education and education up to higher secondary school or equivalent are exempted from GST. Therefore, in the given case the services provided by private transport operator are exempt.

**uestion 27**

**Determine the taxability or otherwise of the following services provided by Indian Railways:**

| S.No | Particulars | Amount ₹ |
|---|---|---|
| (i) | Cloak room services provided to passengers | 20,00,000 |
| (ii) | Service of transportation of passengers in second class | 20,00,000 |
| (iii) | Platform tickets sold to passengers | 50,00,000 |
| (iv) | Renting of warehouse located in Bengaluru railway station to Paras Traders, registered in Chennai | 1,50,000 |
| (v) | Service of transportation of passengers in air-conditioned coaches | 10,00,000 |
| (vi) | Service of transportation of relief materials meant for victims of flood affected area | 3,00,000 |
| (vii) | Service of transportation of organic manure | 2,00,000 |

**(RTP 2025)**

**Solution:**

| S. No. | Particulars |
|---|---|
| (i) | Cloak room services provided to passengers [Exempt since services provided by Ministry of Railways (Indian Railways) to individuals by way of cloak room services are exempt.] |
| (ii) | Service of transportation of passengers in second class [Exempt since service of transportation of passengers by railways in a class other than first class or an air-conditioned coach is exempt.] |
| (iii) | Platform tickets sold to passengers [Exempt since services provided by Ministry of Railways (Indian Railways) to individuals by way of sale of platform tickets are exempt.] |
| (iv) | Renting of warehouse located in Bengaluru railway station to Paras Traders, registered in Chennai<br>[Taxable since services supplied by the Ministry of Railways (Indian Railways) by way of renting of immovable property to a person registered under GST law are not exempt. Further, tax on said services is payable by the Railways under forward charge.] |
| (v) | Service of transportation of passengers in air-conditioned coaches<br>[Service of transportation of passengers by railways in a class other than first class or an air-conditioned coach is exempt. Thus, service of transportation of passengers in air-conditioned coaches is taxable.] |
| (vi) | Service of transportation of relief materials meant for victims of flood affected area<br>[Exempt since service of transportation of relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap by rail is exempt.] |
| (vii) | Service of transportation of organic manure<br>[Exempt since service of transportation of organic manure by rail is exempt.] |

LDR Questions
Q .17 | Q .18 | Q .22 | Q .24 | Q .26 | Q .51 | Q .54

**Question 1**
***What is input tax?***

**Solution:**
*Input tax means the central tax (CGST), State tax (SGST), integrated tax (IGST) or Union territory tax (UTGST) charged on supply of goods or services or both made to a registered person. It also includes tax paid on reverse charge basis and integrated goods and services tax charged on import of goods. It does not include tax paid under composition levy.*

**Question 2**
***What are the conditions necessary for availing ITC?***

**Solution:**
*Following conditions are to be satisfied by the registered taxable person for obtaining ITC:*

*(a) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;*
*(aa) the details of the invoice or debit note referred above has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37;*
*(b) he has received the goods or services or both;*
*(ba) the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted*
*(c) subject to section 41, the supplier has actually paid the tax charged in respect of the supply to the Government; and*
*(d) he has furnished the return under section 39.*

**Question 3**
***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 amount towards value of supply 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.*

**Question 4**
***What is the time limit for taking ITC and reasons therefor?***

**Solution:**
*Refer point (vi) "Time limit for availing ITC: 30th November of succeeding financial year to which such invoice or debit note pertains or date of filing of relevant annual return, whichever is earlier" under Heading No. 3 "Eligibility and Conditions for Taking Input Tax Credit [Section 16]".*

**Question 5**
***What is the ITC entitlement of a newly registered person?***

**Solution:**
(i) A person who has applied for registration within 30days from the date on which he became liable to registration, can take 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.
(ii) In case of voluntary registration, 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 of registration can be taken.

**Question 6**

***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 the 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 the tax on the transaction value of such capital goods or plant and machinery, whichever is higher.

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.

**Question 7**

***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 to the new entity.

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 duly account for the inputs and capital goods so transferred in his books of account.

**Question 8**

***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.***

**Solution:**

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.

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.

**Question 9**

***A taxable person is in the business of information technology. He buys a 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 car?***

The registered person should furnish the details of change in constitution on the common portal and submit a certificate from practicing Chartered

***a 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 car?***

***Solution:***

*No. ITC on motor vehicles for transportation of persons with approved 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 further supply of such motor vehicles. Also, ITC can be availed on motor vehicles used for transportation of goods.*

**Question 10**

***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 for authorised operations 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 for authorised operations 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 for authorised operations.*

**Question 11**

***'AB', a registered person, was paying tax under composition scheme up to 30thJuly. However, w.e.f. 31st July, 'AB' becomes liable to pay tax under regular scheme.***

***Is 'AB' eligible for any ITC?***

***Solution:***

*'AB' is eligible for ITC on inputs held in stock and inputs contained in semi- finished or finished goods held in stock and capital goods as on 30th July. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.*

**Question 12**

***Babla Enterprises 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 Enterprises was ₹ 45 lakh.***

***Examine the eligibility of Babla Enterprises for availing ITC, if any.***

***Solution:***

*Since the exemption available on goods being supplied by Babla Enterprises, an unregistered person, gets withdrawn, it becomes liable to registration as its turnover had crossed the threshold limit on the day when the exemption is withdrawn.*

*Assuming that Babla Enterprises 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)]. Input tax paid on capital goods will not be available as ITC in this case.*

**Question 13**

***Mamta Trade Links 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 Trade***

**Links for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods.**

**Solution:**

*If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) become applicable. In the given case, since Mamta Trade Links is a registered person, section 18(1)(d) will be applicable.*

*As per section 18(1)(d), Mamta Trade Links 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 relatable 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. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.*

**Question 14**

**Harshgeet Pvt. Ltd., a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to purchases made/services availed by it during the month of July:**

| S. No | Particulars | GST (₹) |
|---|---|---|
| (1) | Raw materials (to be received in the month of September) | 2,50,000 |
| (2) | Membership of a club availed for employees working in the factory (not obligatory to be provided under any law) | 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 those items is ₹ 80,000) | 1,50,000 |

**Determine the amount of ITC that can be availed by Harshgeet Pvt. Ltd. for the month of July by giving the necessary explanation for the 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 that can be availed by Harshgeet Pvt. Ltd. for the month of July:**

| Particulars | ITC (₹) |
|---|---|
| Raw Material<br>[ITC not available as raw material is not received in July] | Nil |
| Membership of a club availed for employees working in the factory(not obligatory to be provided under any law)<br>[Blocked credit in terms of section 17(5)] | Nil |
| Inputs to be received in 5 lots, out of which 3rdlot was received during the month<br>[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<br>[ITC of GST paid on motor vehicles used for transportation of goods is allowed unconditionally] | 40,000 |
| Capital goods<br>[ITC can be availed only on the basis of a valid document (invoice). Thus, GST paid on items for which invoice is missing, i.e. ₹ 80,000, is not available.] | 70,000 |
| **Total ITC** | **1,10,000** |

**Question 15**

**Jamku Ltd., a registered person, is engaged in the business of sales**

*It provides following details in relation to GST paid on inward supplies*

| | |
|---|---|
| Motor vehicle used for transportation of employee | Nil |

| | | |
|---|---|---|
| | 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 |

| | |
|---|---|
| Total ITC | 1,10,000 |

**Question 15**

*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.*

| S. No | Particulars | GST (₹) |
|---|---|---|
| (1) | Raw spices purchase<br>- Raw spices sold to customers<br>- Raw spices used for personal use of directors | <br>50,000<br>20,000 |
| (2) | Electric machinery purchased for being used in the manufacturing process | 25,000 |
| (3) | A 6 seater motor vehicle used for transportation of employees | 55,000 |
| (4) | Payment made to a contractor for construction of staff quarters | 1,25,000 |

**Determine the amount of ITC that can be availed by Jamku Ltd. for the month of 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.**

**Solution:**

| Particulars | ITC (₹) |
|---|---|
| Purchase of raw spices which are sold to customers<br>[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.] | 50,000 |
| Purchase of raw spices for personal use of directors<br>[ITC is not available on goods used for personal consumption.] | Nil |
| Electric machinery purchased for being used in the manufacturing process<br>[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.] | 25,000 |
| Motor vehicle used for transportation of employee<br>[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.<br>In the given case, since the supplier is in the business of spices, ITC on a 6 seater motor vehicle used for transportation of employees is blocked credit. ] | Nil |
| Payment made to a contractor for construction of staff quarters<br>[ITC is not available for works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service] | Nil |
| **Total ITC** | **75,000** |

**Question 16**

**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:**

| S. No | Particulars | GST (₹) |
|---|---|---|
| (1) | Purchase of iron which is used as a raw material [Goods were received in two lots – 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.<br>[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 (seating capacity 5) used by executives of the company for official purposes | 5,200 |

**You are required to determine the ITC that can be availed by 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:**

| Particulars | ITC (₹) |
|---|---|
| Purchase of iron used as a raw material<br>[When inputs are received in lots, ITC can be availed only on the receipt of last lot. Hence, since last lotis received in April, ITC cannot be availed in March.] | Nil |
| Purchase of accessories delivered directly to the dealers of the company<br>[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.] | 90,000 |
| Bus for the transportation of employees<br>[ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed. | 1,97,000 |
| General insurance taken on car (seating capacity 5) used by executives of the company for official purpose<br>[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.<br>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.] | Nil |
| Total ITC | 2,87,000 |

**Question 17** LDR

**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 28thOctober. Invoice for service rendered was issued on 5th November.**

**Comfortable (P) Ltd. made part payment of ₹ 4,20,000/- on 30thNovember. 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 15thApril of next financial year. Comfortable (P) Ltd. made the balance payment on 6thJuly of next financial 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 required to be reversed or paid by such person alongwith 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.*

*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 all other conditions required for availing ITC having been fulfilled, ITC of ₹ 1,98,000 (₹ 11,00,000 × 18%) will be availed by Comfortable (P) Ltd. For the month of November when it receives the invoice issued by High-fi Infotech (P) Ltd.*

*However, proportionate ITC amounting to ₹1,33,932⇒[(₹ 12,98,000 – ₹ 4,20,000)/118] x 18] will be reversed in GSTR-3B of Comfortable (P) Ltd. for May month, to be paid along with interest thereon, as full payment has not been made within 180 days of issuance of the invoice, i.e. by 4thMay of next F.Y. ITC of ₹ 1,33,932 can, however, be availed again by Comfortable (P) Ltd. for the month of July next F.Y. when it makes the balance payment to High- Fi Infotech (P) Ltd.*

**Question 18** LDR

***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. Shubhkamna & Bros. Note: All the parties are registered under GST and rate of GST is 18%.***

**Solution:**

*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. So, ITC is available to the registered person, on whose direction the goods are delivered to a third person even though the registered person does not receive the goods by itself.*

*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 × 250 × 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 × 250 × 18%) on the purchase of 250 kg of plastic granules @ 60 per kg.

**Question 19**

**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 it in that tax period:**

| Particulars | Amount (₹) |
|---|---|
| Intra-State purchases of goods | 3,00,000 |
| Inter-State purchases of goods | 2,50,000 |

**Paritosh & Co. has following opening balance of ITCs for the tax period:**

| Particulars | Amount (₹) |
|---|---|
| CGST | 57,000 |
| SGST | 60,000 |
| IGST | 1,40,000 |

**Note:**

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.

**(iii) All the conditions necessary for availing 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 @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) | Total (₹) |
|---|---|---|---|---|---|
| (i) | Intra-State supply of goods for ₹ 10,00,000 | 90,000 | 90,000 | | 1,80,000 |
| (ii) | Inter-State supply of goods for ₹ 8,00,000 | | | 1,44,000 | 1,44,000 |
| | **Total GST payable** | | | | **3,24,000** |

**Computation of total ITC**

| Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) |
|---|---|---|---|
| Opening ITC | 57,000 | 60,000 | 1,40,000 |
| Add: ITC on Intra-State purchases of goods valuing ₹ 3,00,000 | 27,000 | 27,000 | Nil |
| Add: ITC on Inter-State purchases of goods valuing ₹ 2,50,000 | Nil | Nil | 45,000 |
| Total ITC | 84,000 | 87,000 | 1,85,000 |

applicable.

**Computation of minimum GST payable from electronic cash ledger**

| Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) | Total (₹) |
|---|---|---|---|---|
| GST payable | 90,000 | 90,000 | 1,44,000 | 3,24,000 |
| Less: ITC [First ITC of IGST should be utilized in full – first against IGST liability and then against CGST or SGST liabilities in any order to minimize cash outflow] | (22,000) IGST | (19,000) IGST | (1,44,000) IGST | 1,85,000 |
| CGST and SGST ITC utilized against CGST and SGST output Tax liability respectively | (68,000) CGST | (71,000) SGST | | 1,39,000 |
| Minimum GST payable in cash | Nil | Nil | Nil | Nil |
| ITC balance to be carried forward next month | **16,000** | **16,000** | **Nil** | **32,000** |

**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 and carry forward both CGST and SGST ITC equally. 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 ₹25,000and ₹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.

**Question 20**

**Vijay Sales, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of ₹ 10 lakh, from various suppliers during the month of October.**

**Out of 100 invoices, details of 80 invoices involving GST of ₹ 6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and are reflected in GSTR-2B of Vijay Sales. There was no amendment made in GSTR-1s by such suppliers using GSTR-1A for the month of October.**

**Compute the ITC that can be claimed by Vijay Sales in its GSTR-3B for the month of October to be filed by 20th November assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.**

**Solution:**

ITC to be claimed by Vijay Sales in its GSTR-3B for the month of October to be filed by 20th November will be computed as under-

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

**Notes:**

(1) 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of Vijay Sales.

(2) As per rule 36(4), the ITC in respect of invoices not furnished by the suppliers in their GSTR-1s and thus, not being reflected in GSTR-2B of recipient, cannot be claimed. Thus, in respect of 20 invoices which are not furnished in GSTR-1s of suppliers and are not reflected in GSTR-2B of Vijay Sales, no ITC can be availed'.

**Question 21**

***ABC Ltd., registered under GST, is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.***

| S. No. | Items | GST (₹) |
|---|---|---|
| (i) | Electrical transformers to be used in the manufacturing process | 5,20,000 |
| (ii) | Trucks used for the transport of raw material | 1,00,000 |
| (iii) | Raw material | 2,00,000 |
| (iv) | Confectionery items. These items were supplied free of cost to the customers in a customer meet organized by the company | 25,000 |

***Determine the amount of ITC that can be availed by ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.***

***Solution:***

**Computation of ITC that can be availed by with ABC Co. Ltd. for the month of July**

| S. No. | Items | ITC (₹) |
|---|---|---|
| (i) | Electrical transformers<br>[Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)] | 5,20,000 |
| (ii) | Trucks used for the transport of raw material<br>[ITC on motor vehicles used for transportation of goods is not blocked under section 17(5)(a)] | 1,00,000 |
| (iii) | Raw material<br>[Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)] | 2,00,000 |
| (iv) | Confectionery items for consumption of customers at customers meet<br>[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)(b)(i)] | Nil |
| | Total ITC | 8,20,000 |

**Question 22** LDR

***XYZ Ltd., registered under GST, is engaged in manufacture of taxable goods. Compute the ITC that can be availed by XYZ Ltd. for the month of October from the following particulars:-***

| S. No. | Inward supplies | GST (₹) | Remarks |
|---|---|---|---|
| (i) | Inputs 'A' | 1,00,000 | One invoice on which GST 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 | XYZ Ltd. 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 20th January on which GST payable was ₹ 50,000 was missing and has been found in October |

*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 that can be availed by XYZ Ltd. for the month of October**

| S. No. | Inward supplies | ITC (₹) |
|---|---|---|
| (i) | Inputs 'A'<br>[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'<br>[When inputs are received in lots, ITC can be availed only on receipt of last lot-First proviso to section 16(2)] | Nil |
| (iii) | Capital goods<br>[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<br>[As per section 16(4), ITC on an invoice cannot be availed after 30th November following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier.<br>Since the annual return for the previous financial year has been filed on 15th September (prior to 30th November), ITC on the invoice pertaining to previous financial year cannot be availed after 15th September] | 1,75,000 |
| | **Total ITC** | **2,65,000** |

**Question 23**

**XT Pvt. Ltd., 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 | 8,00,000 |
| Inter-State supply of goods | 3,00,000 |

**It has also furnished the following information in respect of purchases made by it in that tax period:**

| Particulars | Amount (₹) |
|---|---|
| Intra-State purchases of goods | 2,00,000 |
| Inter-State purchases of goods | 50,000 |

**The company has following opening balance of ITCs for the tax period:**

| Particulars | Amount (₹) |
|---|---|
| CGST | 57,000 |
| SGST | Nil |
| IGST | 70,000 |

**Note:**

**(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.**

**(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.**

**(iii) All the conditions necessary for availing the ITC have been fulfilled.**

**Compute the minimum GST, payable in cash, by XT Pvt. Ltd. for the tax period. Make suitable assumptions as required.**

**Solution:**

**Computation of GST payable on outward supplies**

| S. No. | Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) | Total (₹) |
|---|---|---|---|---|---|
| (i) | Intra-State supply of goods for ₹ 8,00,000 | 72,000 | 72,000 | | 1,44,000 |

| | | | | | |
|---|---|---|---|---|---|
| (ii) | Inter-State supply of goods for ₹ 3,00,000 | | | 54,000 | 54,000 |
| | **Total GST payable** | | | | **1,98,000** |

**Computation of total ITC**

| Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) |
|---|---|---|---|
| Opening ITC | 57,000 | Nil | 70,000 |
| Add: ITC on Intra-State purchases of goods valuing ₹ 2,00,000 | 18,000 | 18,000 | Nil |
| Add: ITC on Inter-State purchases of goods valuing ₹ 50,000 | Nil | Nil | 9,000 |
| Total ITC | **75,000** | **18,000** | **79,000** |

**Computation of minimum GST payable from electronic cash ledger**

| Particulars | CGST @ 9% (₹) | SGST @ 9% (₹) | IGST @ 18% (₹) | Total (₹) |
|---|---|---|---|---|
| GST payable | 72,000 | 72,000 | 54,000 | 1,98,000 |
| Less: ITC [First ITC of IGST should be utilized in full – first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow] | (Nil) IGST | (25,000) IGST | (54,000) IGST | 79,000 |
| ITC of CGST and SGST set off against CGST and SGST respectively | (72,000) CGST | (18,000) SGST | | 90,000 |
| Minimum GST payable in cash | **Nil** | **29,000** | **Nil** | **29,000** |

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

**Question 24** LDR

**DEF Pvt. Ltd., a registered supplier of goods and services in Pune, Maharashtra, has furnished the following details for the month of January, 2025. The turnover of DEF Pvt. Ltd. was 3.2 crores in last financial year.**

| S. No. | Particulars | Amount (₹) |
|---|---|---|
| 1. | Intra State supply of taxable goods | 5,20,000 |
| 2. | F Ltd. of Mumbai (unregistered) had promised to DEF Pvt. Ltd. in Oct 23 to complete contract within 3 months, but they were not able to complete committed contract, so DEF Pvt. Ltd. received consideration for non-performance of contract on time as decided by pre written agreement. | 2,00,000 |

| | | |
|---|---|---|
| 3. | DEF Pvt. Ltd. had provided service of booking of flight tickets for employee of H Enterprise (registered in Delhi) in the economy class from Bagdogra (West Bengal) to Pune Maharashtra. | 20,000 |
| 4. | DEF Pvt. had purchased goods worth 5,00,000 from R Ltd. (registered in Gujarat) on 15.03.2024. Now R Ltd. issued debit note on 15.01.2025 for post delivery service to DEF Pvt. Ltd. as per part of terms of sales. | 25,000 |
| 5. | DEF Pvt. Ltd. had sold one of its unit in Pune as a going concern (with all goods and unexecuted orders) to H Ltd. (registered in New Delhi) | 10,00,000 |
| 6. | DEF Pvt. Ltd. had provided service to Mr. Y (registered in Punjab) to organise business exhibition in Dubai. | 5,00,000 |
| 7. | Inter-State supply of service | 10,00,000 |
| 8. | Amount towards receipt of intra State services | 6,00,000 |
| 9. | Purchase of confectionery items which are to be used to supply free of cost to customers in a customer meet organised by DEF Pvt. Ltd. | 1,00,000 |

Opening balance of Input Tax tredit at the beginning of Jan 2024,
CGST ₹25,000
SGST ₹25,000
IGST ₹30.000

Additional Information:

(1) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively unfess otherwise mentioned.

(2) Both inward and outward supplies are exclusive of taxes, wherever applicable.

[3] All the conditions necessary for availing the ITC have been fulfilled.

From the information given above, compute the output tax liability and input tax credit available to DEF Pvt, for the month of January, 2025. Make suitable assumptions wherever required. (PYP 10 Marks Sep 24)

**Solution:**

**Computation of output tax liability of DEF Pvt. Ltd. for January, 2025**

| Particulars | Value (₹) | CGST @9% (₹) | SGST @9% (₹) | IGST @ 18% (₹) |
|---|---|---|---|---|
| Output tax payable | | | | |
| Intra-State supply of taxable goods[1] | 5,00,000 | 45,000 | 45,000 | |
| Consideration for non-performance of contract [Being 'liquidateddamages', they are not the consideration for Tolerating the non-performance of the contract. Hence, not a supply] | 2,00,000 | - | - | |
| Service of booking of flight tickets[2] [Taxable since service of booking of air tickets is being provided here. Only the service of transportation of passengers in economy class embarking from Bagdogra is exempt. | 20,000 | | | 3,600 |

| | | | | |
|---|---|---|---|---|
| Further, the place of supply of services made to a registered person is the location of such person, viz. Delhi in given case. Thus, same is inter-State supply.] | | | | |
| Selling of Pune unit as going concern to H Ltd. [Services by way of transfer of a going concern is exempt.] | 10,00,000 | - | - | |
| Service in relation to business exhibition in Dubai [Services by an organiser to any person in respect of a business exhibition held outside India is exempt.] | 5,00,000 | - | - | |
| Inter-State supply of service[2] | 10,00,000 | - | - | 1,80,000 |
| Total output tax liability | | 45,000 | 45,000 | 1,83,600 |

**(ii) Computation of input tax credit available to DEF Pvt. Ltd. forJanuary, 2025**

| Particulars | Value (₹) | CGST @9% (₹) | SGST @9% (₹) | IGST @ 18% (₹) |
|---|---|---|---|---|
| Opening balance | | 25,000 | 25,000 | 30,000 |
| Issue of debit note for post delivery service [ITC on debit notes issued in a financial year can be availed any time till 30th November of the succeeding financial year or the date of filing of the relevant annual return, whichever is earlier, irrespective of the date of original invoice/ supply. Further, place of supply being Pune in given case, same is inter-State supply.] | 25,000 | | | 4,500 |
| Receipt of intra-State services [ITC on services used in the course or furtherance of business is allowed.] | 6,00,000 | 54,000 | 54,000 | |
| Purchase of confectionery items [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.] | 1,00,000 | - | - | |
| **Total** | | **79,000** | **79,000** | **34,500** |

[1] Intra-State supply of taxable goods has been logically considered as outward supply in the above solution.

[2] It has been assumed that entire 20,000 represents the service fee/ convenience fee charged by DEF Pvt. Ltd.

[3] Inter-State supply of service has been logically considered as outward supply in the above solution.

**Question 25**

**Shipra Traders is a registered supplier of goods in Assam. It purchased goods valued at Rs 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 Rs 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.**

**Solution:**

Computation of net GST payable by Shipra Traders

| Particulars | CGST @ 9% (Rs) | SGST @ 9% (Rs) |
|---|---|---|
| GST payable on intra-State supply of goods [Being an intra-State supply, CGST and CGST 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 × 9%] | 900 [10,000 × 9%] |
| Net GST payable | Nil | Nil |
| **Input tax credit carried forward in Electronic Credit Ledger** | **45** | **45** |

**Question 26**

**Granites Textiles Ltd. purchased a needle detecting machine on 2017 from Makhija Engineering Works Ltd. for Rs 10,00,000 (ex GST) paying GST @ 18% on the same. It availed the ITC of paid on the machine and started using it for manufacture of The machine was sold on 22nd October, 2018 for Rs 7,50,000 (ex GST), as second hand machine to LT. Pvt. Ltd. The GST rate on su machine is 18%.**

**State the action which Granites Textiles Lid. is required to take, i in accordance with the statutory GST provisions on the sale o second-hand machine.**

**Solution:**

Section 18 of the CGST Act, 2017 read with the CGST Rules, 2017 provi that if capital goods or plant and machinery on which input tax cre has been taken are supplied outward by the registered person, he mu pay an amount that is the higher of the following:

(a) input tax credit taken on such goods reduced by 5% per quarter of a year or part there of 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

(b) tax on transaction value.

Accordingly, the amount payable on supply of needle detecting machine shall be computed as follows:

| Particulars | Rs | Rs |
|---|---|---|
| Input tax credit taken on the machine (Rs 10,00,000 X 18%) | | 1,80,000 |

| | | |
|---|---|---|
| Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine<br>(i) For the year 2017–18 = (Rs 1,80,000 X 5%) X 3quarters<br>(ii) For the year 2018–19 = (Rs 1,80,000 X 5%) X 3 quarters | 27,000<br>27,000 | 54,000 |
| Amount required to be paid (A) | | 1,26,000 |
| Duty leviable on transaction value (Rs 7,50,000 X 18%) (B) | | 1,35,000 |
| Amount payable towards disposal of machine is higher of (A) and (B) | | 1,35,000 |

**Question 27**

***Le Marc Ltd. of Nashik, Maharashtra, a registered supplier, is engaged in manufacturing taxable goods provides the following details of items purchased and services availed by it from Gujarat,for the month of March, 20XX:***

| SN | Particulars | IGST |
|---|---|---|
| 1 | Motor vehicle 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 | Rent-a-cab facility availed for employees to fulfill a statutory obligation in this regard. The Government has notified such service under section 17(5)(b)(iii)(A) of the CGST Act, 2017. | 36,000 |

**Calculate the amount of eligible input tax credit for the month of March, 20XX.**

**Solution:**

*Computation of eligible input tax credit*

| Particulars | Eligible ITC (Rs) |
|---|---|
| Motor vehicle 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] | 36,000 |
| Total eligible input tax credit | 2,36,000 |

Notes:-

As per section 17(5) of the CGST Act, 2017:

1. ITC on motor vehicles and other conveyances is blocked except when they are used—
   (i) for making the following taxable supplies, namely :—
   (A) further supply of such vehicles or conveyances; or
   (B) transportation of passengers; or
   (C) imparting training on driving, flying, navigating such vehicles or conveyances;

   (ii) for transportation of goods.
   Thus, in the given case, ITC on motor vehicle purchased for transportation of goods with in the factory will only be allowed
2. 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.
3. ITC on supply of rent-a cab services is not blocked where the

Government notifies the services which are obligatory for an

Membership of 'Fit and Fine' health and fitness center — Nil

Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service.

**Question 28**

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

| Particulars | GST paid (Rs.) |
|---|---|
| Soap making machine | 50,000 |
| Motor vehicles for transportation of inputs | 70,000 |
| Membership of 'Fit and Fine' health and fitness center for its employees | 25,000 |
| Inputs purchased, but stolen from the factory | 40,000 |

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

**Solution:**

**Computation of ITC available with Ramoplast Soap Factory**

| Particulars | Amount (Rs.) |
|---|---|
| Soap making machine<br>[ITC in respect of goods used in course /furtherance of business is available in terms of section 16 of the CGST Act] | 50,000 |
| Motor vehicles for transportation of inputs<br>[ITC in respect of motor vehicles and conveyances is blocked, except when used, inter alia, for transportation of goods, in terms of section 17 (5) of the CGST Act] | 70,000 |
| Membership of 'Fit and Fine' health and fitness center for its employees<br>[ITC in respect of membership of a club, health and fitness center is blocked in terms of section 17(5) of the CGST Act] | Nil |
| Inputs stolen from the factory<br>[ITC in respect of goods stolen is blocked in terms of section 17 (5) of the CGST Act] | Nil |
| Total ITC available | 1,20,000 |

**Question 29**

**Krishna Motors is a car dealer selling cars of an international car company. It also provides maintenance and repair services of the cars sold by it as also of other cars. It seeks your advice on availability of input tax credit in respect of the following expenses incurred by it during the course of its business operations:**

**(i) Cars purchased from the manufacturer for making further supply of such cars. Two of such cars are destroyed in accidents while being used for test drive by potential customers.**

**(ii) Works contract services availed for constructing a car shed in its premises.**

**Solution:**

As per section 16(1) of the CGST Act, 2017, every registered person can take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business. However, section 17(5) of CGST Act, 2017 specifies certain goods and services on which the input tax credit is not available.

In the light of the foregoing provisions, the availability of input tax credit (ITC) in respect of the various expenses incurred by Krishna Motors is discussed below:

(i) Section 17(5) specifically blocks ITC on motor vehicles used for

transportation of person with seating capacity upto 13 including driver. However, the same is allowed when the motor vehicles are used, inter alia, for further supply of such vehicles. Thus, ITC on cars purchased from the manufacturer for making further supply of such cars will be allowed.

However, ITC on the cars destroyed in accident will not be allowed as the ITC on goods destroyed for whichever reason is specifically blocked under section 17(5) (h) of CGST Act.

(ii) Section 17(5)(c) specifically blocks ITC on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Since, in this case the car shed is not a plant and machinery and the works contract service is not used for further supply of works contract service, ITC thereon will not be allowed.

**Question 30**

***M/s A Ltd. of Aluva (Kerala) receives the input service from M/s B Ltd. of Bengaluru who raises the invoice for supply of service on 17th Dec 2018 and availed the credit on the same date.***

***Find the time limit within which M/s A Ltd. is required to pay the bill amount inclusive of tax to supplier of service.***

***Also explain consequence if payment is not made within the stipulated time period as mentioned in 2nd proviso to section 16(2) of the CGST Act, 2017.***

**Solution:**

In the given case M/s A Ltd. must pay to M/s B Ltd. the value of services and GST payable there on by 15th June 2019.

| From | To | No. of days |
|---|---|---|
| 18th Dec 2018 | 15th June 2019 | 180 |

In case M/s A Ltd. does not pay by 15th June 2019, the credit availedby it will be added to his output liability. The amount will be added to their output tax liability with interest

**Question 31**

***M/s X Ltd. has establishment in Chennai, and establishment in Hyderabad. Supply of goods (open market value of Rs. 5,00,000) made by M/s X Ltd. Chennai to M/s X Lid. Hyderabad. M/s X Ltd. Chennai paid IGST of Rs. 60,000. Accordingly, M/s X Ltd. Hyderabad availed the input tax credit of Rs. 60,000. 2nd Proviso to Section 16(2) of CGST Act, 2017 is applicable in the given case (i.e. to reverse the credit where payment is not made within 180 days from the date of invoice). Advise.***

**Solution:**

As per proviso to Rule 37(1) of the CGST Rules, 2017, the value of supplies made without consideration as specified in Schedule I of the said Act shall be deemed to have been paid for the purposes of the second proviso to section 16(2).

In the given case M/s X Ltd. Hyderabad is not required to reverse the input tax credit. Since, as per Section 25(5) of the CGST Act, 2017 two establishments are considered as establishment of distinct person and accordingly, supply made by one establishment to another establishment will be covered under Schedule I without consideration.

**Question 32**

***M/s Jay Ltd. being a manufacturer purchased machinery worth Rs 10,00,000 on which GST Rs 1,80,000 is paid. What are the options available to Mr. Jay with respect to availing ITC on GST paid?***

**Solution:**

The manufacturer has following two options:

Option 1: claim depreciation on the entire value of machinery inclusive of GST (i.e. Rs 11,80,000) by forgoing ITC on capital goods.

| From | To | No. of days |
|---|---|---|
| 18th Dec 2018 | 15th June 2019 | 180 |

In case M/s X Ltd. does not pay by 15th June 2019, the credit availedby

*The manufacturer has following two options:*

*Option 1: claim depreciation on the entire value of machinery inclusive of GST (i.e. Rs 11,80,000) by forgoing ITC on capital goods.*

*Option 2: claim depreciation on the cost of machine (i.e. Rs 10,00,000) and avail the ITC of GST portion (i.e. 1,80,000).*

**Question 33**

***M/s X Ltd. delivered a machine to M/s Y Lid. in January 2018 under Invoice No. 180 dated 21st January for Rs 5,00,000 plus GST, and undertook trial runs and calibration of the same machine as per the requirements of M/s Y Ltd. The amount chargeable for the past delivery activities were covered in a debit note raised in May 2018 for Rs1,25,000 plus GST. M/s Y Ltd did not file its annual return till October 2018. Find the time limit u/s 16(4) of the CGST Act, 2017 within which input tax credit can be availed by M/s Y Ltd.***

**Solution:**

**Question 34**

***M/s X Ltd manufacturer of textile products. Company received order from Government to supply goods to defense (exempted supply). The turnover of the other taxable goods and exempted goods Rs 4 crore and Rs 1 crore respectively. Common inputs on which GST paid Rs 20,000. Calculate the eligible ITC on common inputs?***

**Solution:**

Common inputs credit = Rs 20,000 Total turnover = Rs 5 crores

Credit attributable to exempted supplies = Rs 4,000 (Rs 20,000 x Rs 1 crore/Rs 5 crore) Eligible ITCis Rs 16,000 (i.e. 20,000 — 4,000).

**Question 35**

***M/s A Ltd. a registered person under GST law and purchased 10 cars for Rs. 45 lakhs plus 28% GST M/s A Ltd sold 8 cars for Rs. 55 Lakh plus 28% GST.***

***Find the GST liability in the following two independent cases: M/s A Lid is a dealer of motor vehicles M/s A Lid is not a dealer of motor vehicles***

**Solution:**

Statement showing net GST liability of M/s A Lid.

| Particulars | M/s A Ltd. is adealer i motor vehicles (Rs. Inlacs) | M/s A Ltd. is not a dealer in motor vehicles (Rs. In lacs) | Remarks |
|---|---|---|---|
| GST on Supply of goods | 15.40 | 15.40 | Rs. 55 lacs x 28% |
| Less: ITC | (12.60) | Not allowed | Rs. 45 lacs x28% |
| Net GST liability | 2.80 | 15.40 | |

**Question 36**

***M/s Maruti Driving School Pvt. Lid. supplied taxable services in the month of October 20XX for Rs. 15 lacs (plus GST 18%) to provide training on driving. Company purchased two vehicles for this purpose namely passenger vehicle for Rs. 20 lacs plus GST 28% and goods vehicle for Rs. 33 lacs plus GST 28%. Find the net GST liability of M/s Maruti Driving School Pvt. Ltd.***

**Solution:**

Section 17(5) of the CGST Act blocks the credit of the outdoor catering service availed unless it is a statutory obligation.

Further, if such outdoor catering service is availed by the RP who is in the similar business, then he is eligible for such ITC.

Computation of Net GST Liability:

| Particulars | Amount (Rs) |
|---|---|
| GST on output supply | 2,70,000 |
| Less: ITC | |
| On passenger vehicle | 5,60,000 |
| On goods vehicle | 9,24,000 |
| Net Excess ITC c/f | 12,14,000 |

**Question 37**

***Annapoorna caterings supply outdoor catering services to its customers by sub- contracting the same. Sub- contractor supplied food items like ice creams, North Indian Meals, South Indian Meals and so on to Annapoorna caterings. Sub-contractor raised invoice on Annapoorna caterings for supply of outdoor catering services Rs. 2,00,000 plus GST 18%. Annapoorna caterings supplied outdoor catering to its customers for Rs. 2,10,000 plus GST 18%. Find the Net GST liability of Annapoorna caterings.***

**Solution:**

Statement showing net GST liability of Annapoorna caterings:

| Particulars | GST (Rs.) | Remarks |
|---|---|---|
| GST on outward supply | 37,800 | Rs. 2,10,000 × 18% |
| Less: ITC from similar line of business | (36,000) | Rs. 2,00,000 × 18% |
| Net GST liability | 1,800 | |

**Question 38**

***Sky Ltd. is engaged in supply of service of transport of passengers by air. The company avails outdoor catering services of M/s Anna Caterers in order to provide food and beverages to the passengers. M/s Anna Caterers raises an invoice on Sky Ltd charging GST. Sky Ltd. wants to avail the ITC on outdoor catering services supplied by M/s Anna Caterers. Advise.***

**Solution:**

ITC shall be available where an inward supply of goods or services or both of a particular category is used by a registered person as an element of a taxable composite or mixed supply.

Advise: In the given case, Sky Ltd will be entitled to avail the ITC of the GST paid to M/s Anna Caterers since outdoor catering services forms part of taxable composite supply of passengers by air services.

**Question 39**

***Mr. D a director of company PQR Ltd. obtains @ membership of a club located in Maharashtra. Mr. D is there for the business promotion activity of his company. PQR Ltd. pays 10,00,000/annum to such club for the membership of Mr. D in such club. Whether PQR Ltd. will be eligible for the input tax credit of GST paid on membership fees?***

**Solution:**

The input tax credit of the same will not be eligible to PQR Ltd. in terms of Section 17(5) of the CGST Act.

**Question 40**

***Hotel King Pvt Ltd. provider of shori-term accommodation services and also provides picking upguest from airport. Accordingly, Hotel King Pvt. Ltd availed rent-a-cab services from M/s X & Co. Rent-a-cab services provided by M/s X & Co to Hotel King Pvt Ltd. during Nov 20XX for Rs.2,00,000 plus GST 18%. Hotel King Pvt Lid. provided short-term accommodation services to itscustomers (i.e. guests) during Nov 20XX***

***for Rs. 15,75,250 plus GST 18%. Find the Net GST liability of Hotel King Pvt Ltd. during the month of Nov 20XX.***

**Solution:**

*Statement showing Net GST liability of Hotel King Pvt. Ltd for the month of Nov 20XX*

| Particulars | GST (Rs.) | Remarks |
|---|---|---|
| GST on outward supplies | 2,83,545 | 15,75,250 × 18% |
| Less: ITC on rent-a-cab service | (36,000) | 2,00,000 × 18% |
| Net GST liability | 2,47,545 | |

*Note: –*

*In the given case Hotel King Pvt. Ltd. is providing a composite supply of rent-a-cab and accommodation service. The principal supply of service is accommodation service. Hence, GST paid on rent-a-cab will be available as a credit to Hotel King Pvt. Ltd.*

**Question 41**

***M/s A Ltd. being a manufacturer of laptops registered under GST. M/s A Lid. appointed M/s B Ltd. for construction of factory building in the factory premises. Contract price is Rs. 120 lacs plus GST 18%. M/s B Lid., supplied cement, steel and labour while executing the contract. Whether M/s A Ltd is eligible to avail the input tax credit on such works contract service.***

**Solution:**

*GST paid on works contract services which are used for land, building or any other civil structures specifically excluded from availing input tax credit under section 17(5) read with explanation of the CGST Act, 2017. Therefore, in the given case M/s A Ltd. is not eligible for input tax credit.*

**Question 42**

***M/s. X Ltd. supplied taxable goods from the factory after manufacture in the month of Oct 20XX for sale to a distributor for Rs. 8,00,000. M/s X Ltd has suppressed this transaction.***

***However, he deposited the GST @12% on these goods on 10–1–20X1 against show cause notice issued under Section 74 (when there is fraud) of the CGST Act, 2017 by the Central Tax Officer and passed the order accordingly. Whether distributor namely recipient of these goods is eligible to take input tax credit.***

**Solution:**

*Section 17(5) of the CGST Act blocks the credit for the payment of GST made under the fraud, wilful misstatement, suppression of facts responding to show cause notice.*

*In the Present case limited suppressed certain facts and due to which it received a show cause notice responding to the same it deposited the gst with the department.*

*Since it is a case of separation of facts the recipient will not be eligible for the respective input tax credit*

**Question 43**

***Moksha Bank ltd., is engaged in providing services, which are both taxable and exempted. You have following information: Value of different services of bank for year ended 31 March***

| Particulars | GST (Rs) |
|---|---|
| Value of Exempted services (interest earned on loans and advances) | 2,00,000 |
| Value of Taxable services | 8,00,000 |
| Input Credit on input services for the month of April 2019 | 60,000 |
| Input Credit of Rs. 60,000 includes — | 20,000 |
| (a) Input services exclusively used for provision of exempted services | 10,000 |
| (b) Input services exclusively used for provision of taxable services | |

**Bank wants to determine input credit for set-off against output tax, during next month April and avail option more beneficial to it. Determine which of the two options is more beneficial to the bank.**

**Solution:**

*The Banks have two options: (a) Pro rata, and (b) 50% adhoc.*

*Option I: In case the Bank opts for option to avail 50% Eligible Input tax credit under Section 17(4):*

| Particulars | GST (Rs.) |
|---|---|
| Total Eligible Input tax credit available | 60,000 |
| Less: Amount of input tax credit credited to electronic ledger (50% of eligible input tax credit on input services) i.e., Rs. 60,000 X 50% | 30,000 |
| Remaining input tax credit Lapsed | 30,000 |
| Tax on taxable supply of services [Rs. 8,00,000 X 18% Total] | 1,44,000 |
| Less: Net/Eligible Credit available on Input services | 30,000 |
| Net output Tax liability of bank after availing eligible Input tax Credit | 1,14,000 |

*Option II: In case Bank opted to comply with the provisions of Section 17(2) [Pro rata reversal]*

| Particulars | GST (Rs.) |
|---|---|
| 1. Input services exclusively used for provision of exempted services | Ineligible |
| 2. Input services exclusively used for provision of taxable services (fully allowed) | 10,000 |
| 3. Common Credit = 30,000 divided in ratio of 2 lakh (Exempt): 8 lakh (Taxable). Hence, that relating to exempt services = 6,000 and that for taxable services = 24,000. | 24,000 |
| 4. Total eligible credit = 24,000 + 10,000 | 34,000 |
| Tax on taxable supply of services of [Rs. 8,00,000 X 18% total) | 1,44,000 |
| Less: Net/Eligible Credit available on Input services | 34,000 |
| Net output Tax liability of bank after availing eligible Input tax Credit | 1,10,000 |

*Option 2 (pro rata reversal is better); this is so because taxable services are more (80%), as compared to deemed adhoc figure of 50% under Option 1.*

**Question 44**

**M/s X Ltd. becomes liable to pay tax on 1st December and has obtained registration on 15th December. The GST paid goods lying in the premises of M/s X Ltd. as on 30th November are as follows:**

| Particulars | Value in Rs. (Excluding tax) | GST (Rs) |
|---|---|---|
| Raw material | 2,00,000 | 36,000 |
| Capital goods | 5,00,000 | 1,40,000 |
| Raw material lying work in progress | 3,00,000 | 54,000 |
| Raw material lying in Finished Goods | 12,00,000 | 2,16,000 |

**You are required to answer the Following:**

**(a) Eligible amount of input tax credit.**

**(b) Time limit to submit declaration on common portal.**

**(c) Whether any certification required while availing the credit, if so from whom.**

**Solution:**

*(a) Eligible input tax credit is Rs. 3,06,000/- (36000 + 54000 + 216000)*

*(b) Declaration in Form GST ITC -01 on or before 14th January should be summited on common portal of GSTN*

*(c) Declaration regarding inputs tax credit shall be duly certified by*

used for construction of plant and machinery which is not blocked

(c) Declaration regarding inputs tax credit shall be duly certified by a practicing Chartered Accountant or a Cost Accountant if the aggregate value of the claim on account of central tax, State tax, Union territory tax and integrated tax exceeds Rs 2,00,000.

In the give case, since, input tax credit declared is Rs 3,06,000. Therefore, certificate from a practicing Chartered Accountant or a Cost Accountant is required.

Note: M/s X Ltd. cannot take ITC on capital goods.

**Question 45**

***Mr. A availed works contract service for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently.***

***(ii) Shah & Constructions procured cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients.***

***(iii) ABC Lid. availed maintenance & repair services from "Jaggi Motors" for a truck used for transporting its finished goods.***

**Solution:**

(i) Section 17(5)(c) of the CGST Act, 2017 blocks input tax credit in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Further, the term "plant and machinery" means apparatus, equipment and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods and/or services and includes such foundation or structural support but excludes land, building or other civil structures, towers, and pipelines laid outside the factory premises.

Thus, in view of the above-mentioned provisions, ITC is available in respect of works contract service availed by MBF Ltd. as the same is used for construction of plant and machinery which is not blocked under section 17(5)(c) of the CGST Act, 2017.

(ii) Section 17(5)(d) of the CGST Act, 2017 blocks ITC on goods and/or services received by a taxable person for construction of an immovable property (other than plant and machinery)on his own account even though such goods and/or services are used in the course or furtherance of business. Thus, ITC on goods and/or services used in the construction of an immovable property is blocked only in those cases where the taxable person constructs the immovable property for his own use even if the immovable property being constructed is used in the course or furtherance of his business.

In the given case, taxable person has used the goods and services for construction of immovable property for some other person and not on its own account. Hence, ITC in this case will be allowed.

(iii) As per section 17(5) of the CGST Act, 2017, ITC is allowed on repair and maintenance services relating to motor vehicles, which are eligible for input tax credit. Further, as per section 17(5)(a) ITC is allowed on motor vehicles which are used for transportation of goods. Thus, ITC on maintenance & repair services availed from "Jaggi Motors" for a truck used for transporting its finished goods is allowed to ABC Ltd.

**Question 46**

***Advise regarding availability of input tax credit (ITC) under the CGST Act, 2017 in the following independent cases:-***

***(i) AMT Co. Lid. purchased a mini bus having seating capacity of 16 persons for transportation of its employees from their residence to office and back.***

***(ii) 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.***

**(iii) "Hans premium" dealing in luxury cars in Chankyapuri, Delhi purchased five Skoda VRS cars for sale to customers.**

**(iv) 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.**

**Solution:**

(i) Section 17(5) of the CGST Act, 2017, inter alia, blocks input tax credit in respect of motor vehiclesfor 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.

(ii) 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.

(iii) 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.

(iv) 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 Pvi. Ltd. can avail ITC in respect of outdoor catering services availed by it as the same is being provided under a statutory obligation.

**Question 47**

**A Ltd. procured the following goods in the month of December, 2020.**

| Inward Supplies | GST (Rs.) |
|---|---|
| (1) Goods used in constructing an additional floor of office building | 18,450 |
| (2) Goods given as free sample to prospective customers | 15,000 |
| (3) Trucks used for transportation of inputs in the factory | 11,000 |
| (4) Inputs used in trial runs | 9,850 |
| (5) Confectionery items for consumption of employees working in the factory | 3,250 |
| (6) Cement used for making foundation and structural support to plant and machinery | 8,050 |

**Compute the amount of ITC available with A Lid. for the month of December 2020 by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled.**

**Solution**

Computation of amount of ITC available for the month of December 2020

| S.No. | Particulars | GST (Rs.) |
|---|---|---|
| (1) | Goods used in construction of additional floor of office building | Nil |

| | | |
|---|---|---|
| | *[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 use in the course or furtherance of business. It has been assumed that cost of construction of additional floor has been capitalized.]* | |
| (2) | Goods given as free samples to prospective customers | Nil |
| | *[ITC on goods disposed of by way of free samples is blocked.]* | |
| (3) | Trucks used for transportation of inputs in the factory | 11,000₹ |
| | *[ITC on motor vehicles used for transportation of goods is not blocked3.]* | |
| (4) | Inputs used in trial runs | 9,850 |
| | *[Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed.]* | |
| (5) | Confectionary items for consumption of employees working in the factory | Nil |
| | *[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.]* | |
| (6) | Cement used for making foundation and structural support to plant and machinery | 8,050 |
| | *[ITC on goods used for construction of plant and machinery is not blocked Plant and machinery includes foundation and structural supports through which the same is fixed to earth.]* | |
| | Total eligible ITC | 28,900 |

**Question 48**

**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?**

**Solution**

*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:*

*(i) ITC has been availed on the basis of tax invoices/valid documents –*
- *issued by a non-existent supplier or by a person not conducting any business from the registered place of business; or*
- *without receipt of goods and/or services; or*
- *the tax in relation to which has not been paid to the Government.*

*(ii) Registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business; or*

*(iii) Registered person availing ITC is not in possession of tax invoice / valid document.*

**Question 49**

***Radiance Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps — 'Glow 24×7' in Mumbai. It has provided the following information pertaining to purchases made/services availed in the month of January:***

| Particulars | GST paid (Rs.) |
|---|---|
| Soap making machine | 50,000 |
| Motor vehicles for transportation of inputs | 70,000 |
| Membership of "Amaze" health and fitness center for its employees | 25,000 |
| Inputs purchased, but stolen from the factory | 40,000 |

**You are required to compute the input tax credit (ITC) available with Radiance Soap Factory for the month of January, 2018 assuming that all the other conditions for availing ITC, wherever applicable, have been fulfilled.** (MTP 4 Marks, Oct'18, Mar'18)

**Solution:**

Computation of ITC available with Radiance Soap Factory

| Particulars | Amount (Rs.) |
|---|---|
| Soap making machine [Note-1] | 50,000 |
| Motor vehicles for transportation of inputs [Note-2] | 70,000 |
| Membership of 'Amaze' health and fitness center for its employees [Note-3] | Nil |
| Inputs stolen from the factory [Note-4] | Nil |
| Total ITC available | 1,20,000 |

Notes:-

1. ITC in respect of goods used in course/furtherance of business is available in terms of section 16 of the CGST Act.
2. ITC in respect of motor vehicles and conveyances is blocked, except when used, inter alia, for transportation of goods, in terms of section 17(5) of the CGST Act.
3. ITC in respect of membership of a club, health and fitness center is blocked in terms of section 17(5) of the CGST Act.
4. ITC in respect of goods stolen is blocked in terms of section 17(5) of the CGST Act.

**Question 50**

**Shridhar Co. Ltd., a registered supplier, is engaged in the manufacture of heavy machinery. It procured the following items during the month of March.**

| S. No | Items | IGST paid (Rs.) |
|---|---|---|
| (i) | Sweets for consumption of employees working in the factory | 50,000 |
| (ii) | Raw Material | 1,00,000 |
| (iii) | Trucks used for the transport of raw material | 2,00,000 |
| (iv) | Electrical transformers to be used in the manufacturing process | 4,00,000 |

**Determine the amount of input tax credit available with Shridhar Co. Ltd., for the month of March by giving necessary explanations for treatment of various items. Note: All the conditions necessary for availing the input tax credit have been fulfilled.** (MTP 4 Marks, Aug'18)

**Solution:**

Computation of ITC available with Shridhar Co. Ltd. for the month of March

| S. No. | Items | ITC (Rs.) |
|---|---|---|
| (i) | Sweets for consumption of employees working in the factory [Note-1] | Nil |
| (ii) | Raw material [Note-2] | 1,00,000 |
| (iii) | Trucks used for the transport of raw material [Note-3] | 2,00,000 |
| (iv) | Electrical transformers [Note-4] | 4,00,000 |
| | Total ITC | 7,00,000 |

**Notes: -**

1. ITC onfood 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)(b)(1).
2. Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).
3. Though ITC on motor vehicles has been specifically disallowed under section 17(5)(a), ITC on motor vehicles used for transportation of goods is allowed under section 17(5)(a)(ii).

4. *Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).*

**Question 51** LDR

***'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:***

| Payments | Amount (₹) | Receipts | 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 con ditions 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 (₹) |
|---|---|
| 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.***

(RTP Nov 20)

**Solution:**

Computation of minimum net GST payable in cash by 'XY' for the month of July

| Particulars | Value (₹) | CGST (₹) | SGST (₹) | IGST (₹) |
|---|---|---|---|---|
| Total tax liability | | | | |
| Inter-State supply of stationery [Note 1] | 2,00,000 | | | 36,000 |

| | | | | |
|---|---|---|---|---|
| Intra-State supply of 500 combi packs of calculators and diaries [Note-2] | 4,00,000 (500 × 800) | 56,000 (4,00,000 x 14%) | 56,000 (4,00,000 x 14%) | |
| **Intra-State supply of services of business correspondent to a Shubhvidhi Bank with respect to accounts in its urban area branch** | **1,00,000** | **9,000 (1,00,000 X 9%)** | **9,000 (1,00,000 X 9%** | |
| **SGST/ UTGST** | | **2,500** | | **500** |

**Question 52**

***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:***

| | 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 by giving brief explanations for treatment of various items. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.**

**(PYP 4 Mark, Nov'18)**

**Solution:**

*Computation of input tax credit (ITC) available with CANWIN Ltd. for the month of January*

| 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** | **80,000** |
| **Computers [Note-2]** | **Nil** |
| **Works contract services availed for construction of staff quarters within the company premises [Note-3** | **Nil** |
| **Total ITC** | **1,95,000** |

**Notes: -**

1. *Input tax credit on goods purchased on the basis of debit note which is a valid document is allowed.*

2. *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.*

3. *Input tax credit on works contract services supplied for construction of an immovable property is specifically disallowed except where it is an input service for further supply of works contract service.*

**Question 53**

***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:***

| | 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 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.**

**(PYP 4 Marks, May'18)**

**Solution:**

*Computation of input tax credit (ITC) available with Fun Pharma Private Limited for the month of September*

| Particulars | ₹ |
|---|---|
| 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 |

*Notes: –*

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.*

**Question 54** LDR

**X Electronics is a registered manufacturer of electrical appliances. It made contract with dealers, that purchase of air conditioners of capacity 1.5 ton in the month of October of quantity of more than 50 units will entitle them for 10% discount. Inter-State supply made during the month of October is ₹ 50,00,000 Details of Intra-State supply:**

| Particulars | Amount (₹) |
|---|---|
| Supply of Microwave Oven | 15,00,000 |
| Supply of Refrigerators with Stabilizers being a mixed supply, rate of GST on Refrigerator is 28% (14% CGST & 14% SGST), rate of GST on\| Stabilizer is 18% (9% CGST & 9% SGST) | 40,00,000 |
| Supply of Air Conditioners of capacity 1.5 Ton @ " 50,000 per Air Conditioner | 50,00,000 |

**Intra-State 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: ₹ 58,000**
**SGST: ₹70,000**
**IGST: ₹10,00,000**

**Note:**

**(i) Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.**

**(ii) Both inward and outward supplies are exclusive of taxes.**

**(iii) All the conditions for availing the ITC have been fulfilled.**

**Compute the Net GST payable in cash by X Electronics for the month of October.**

**(PYP 8 Marks, July'21)**

**Solution:**

Computation of net GST payable in cash by X Electronics for October

| Particulars | Amount (₹) | CGST(₹) | SGST (₹) | IGST (₹) |
|---|---|---|---|---|
| Intra-State supply | | | | |
| Supply of microwave oven | 15,00,000 | 1,35,000 | 1,35,000 | |
| Supply of refrigerators with stabilizers [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.] | 40,00,000 | 5,60,000 | 5,60,000 | |
| Supply of 100 (₹50 lakh/ ₹50,000) air conditioners [Since 100 air conditioners have been supplied, discount @ 10% will be available.]1 | 45,00,000 [₹ 50,00,000 x 90%] | 4,05,000 | 4,05,000 | |
| **Inter-State supply @ 18%** | **50,00,000** | | | **9,00,000** |
| **Total outward tax liability** | | **11,00,000** | **11,00,000** | **9,00,000** |
| **Less: Input Tax Credit (Refer Working Note below)** | | | | |

1 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 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 itself.

| | | | |
|---|---|---|---|
| **IGST credit first utilized towards payment of IGST. Remaining amount can be utilized towards CGST and SGST in any order and in any proportion** | **1,00,000 (IGST)** | | **9,00,000 (IGST)** |
| **CGST credit set off against CGST liability and SGST credit set off against SGST liability as CGST credit cannot be utilized towards payment of SGST and vice versa.** | **5,08,000 (CGST)** | **5,20,000 (SGST)** | |
| Net GST liability payable in cash | 4,92,000 | 5,80,000 | Nil |

Working Note

Computation of ITC available with X Electronics

| Particulars | | CGST(₹) | SGST(₹) | IGST(₹) |
|---|---|---|---|---|
| **Opening balance of ITC** | | **58,000** | **70,000** | **10,00,000** |
| **Intra-State inward supplies** | | | | |
| **Raw Material** | **20,00,000** | **1,80,000** | **1,80,000** | |
| Gym membership for employees [ITC on membership of a health and fitness centre is blocked if there is no statutory obligation for the employer to provide the same.] | 50,000 | Nil | Nil | |
| Truck purchased for transportation of goods [ITC on motor vehicles used for transportation of goods is not blocked2.] | 30,00,000 | 2,70,000 | 2,70,000 | |
| **Total ITC** | | **5,08,000** | **5,20,000** | **10,00,000** |

Note: In the above answer, tax payable in cash has been computed by setting off the IGST credit t against CGST liability. However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in different other ways as well. In all such cases, net CGST and net SGST payable in cash will differ though the total amount of net GST payable (₹ 10,72,000) in cash will remain the same.

**Question 55**

***A flying school imports an aircraft for use in its training activity and takes ITC of the IGST paid on the import. The departmental audit raises an objection that ITC is not allowed on aircrafts. Offer your comments.***

**Solution:**

Under section 17(5) of the CGST Act, ITC is allowed on aircraft if they are used to make the taxable supply of imparting training on flying an aircraft. Therefore, the credit is correctly taken.

LDR Questions
Q .6 | Q .21 | Q .22 | Q .29 | Q .34 | Q .38 | Q .40 | Q .45 | Q .46 | Q53

**Question 1**

***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 lakh in this case] in a finacial 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 lakh] 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.*

**Question 2**

***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.***

**Solution:**

*A Permanent Account Number is mandatory to be eligible for grant of registration. One of the exceptions 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 duly signed or verified through electronic verification code 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)].*

**Question 3**

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

***(a) Agents supplying taxable goods on behalf of some other taxable person and such agent's aggregate turnover does not exceed the applicable threshold limit during the financial year.***

***Note: Invoices are issued to customers in the name of agent.***

**(b) An agriculturist who is engaged exclusively 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 engaged exclusively 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.

**Question 4**

**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.**

| Sl. No. | Particulars | Amount (₹)* |
|---|---|---|
| (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 |

***excluding GST**

**Determine whether Pure Oils is liable for registration.**

**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, fly ash bricks; fly ash aggregates; fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.

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 aggregate turnover 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 taken into account 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.

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

| S. No. | Particulars | Amount (in ₹) |
|---|---|---|
| (i) | Supply of machine oils in Delhi | 15,00,000 |
| (ii) | Add: Supply of high speed diesel in Delhi | 10,00,000 |
| (i) | Add: Supply of machine oil made by Pure Oils from its branch located in Punjab | 10,00,000 |
| | **Aggregate Turnover** | **35,00,000** |

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 till April. However, if in remaining months of the financial year, its turnover exceeds the said limit, then it would be liable to be registered.

**Question 5**

***What will be your answer if in question 4 above, in S.No. (ii), Pure Oils supplies the high speed diesel in Delhi in the capacity of an agent of Mixed Oils Ltd., (non-registered), where invoices to customers are issued in name of Pure Oils?***

**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 where invoices to customers are issued in name of Pure Oils, it shall still not be liable to obtain registration in Delhi since section 24 comes into play only when agent or in other capacity is making taxable supply of goods on behalf of taxable persons (principal) whereas in the given case, Pure Oils is supplying non-taxable goods on behalf of Mixed Oils Ltd., who is not registered.

**Question 6** LDR

***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.***

***(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.***

**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, fly ash bricks; fly ash aggregates; fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.

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 has exceeded limit of ₹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 GST 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.

**Question 7**

**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.

**Question 8**

***What are the advantages of taking registration in GST?***

**Solution:**

*Registration will confer following advantages to the business:*

- *Legally recognized as supplier of goods or services.*
- *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.*
- *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.*
- *Become eligible to avail various other benefits and privileges rendered under the GST laws.*

**Question 9**

***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.*

**Question 10**

***If a person is making taxable supplies from different States, with the same PAN number, can he 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 from where he makes taxable supply(ies) provided his aggregate turnover exceeds applicable threshold limit in a financial year.

**Question 11**

***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 havi.ng multiple places of buiness in a State may obtain a separate registration for each place of business, subject to such conditions as may be prescribed.*

**Question 12**

***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 the GST law, as are applicable to a registered person, shall apply to such person.*

**Question 13**

***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 prescribed in the CGST Rules.*

**Question 14**

***Whether the registration granted to any person is permanent?***

**Solution:**

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

**Question 15**

***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 as may be 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.*

**Question 16**

***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 if supplies are made to another registered person (B2B).*

**Question 17**

***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.*

**Question 18**

***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 from such date, including any retrospective date, as may deem fit by the proper officer [Section 29(2)(e)].*

**Question 19**

***Is there an option to take centralized registration for services under GST Law?***

**Solution:**

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

**Question 20**

***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 the date of 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)].

**Question 21** LDR

**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 sections 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.

**Question 22** LDR

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

**Solution:**

Yes, as per section 29(3), the cancellation of registration under this section shall not affect the liability of the person to pay tax and other dues under this Act or to discharge any obligation under this Act or the rules made thereunder for any period prior to the date of cancellation whether or not such tax and other dues are determined before or after the date of cancellation.

Further, as per section 29(5), every registered taxable 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, calculated in prescribed manner.

**Question 23**

**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.

**Question 24**

***Examine whether the liability to register compulsorily under section 24 arises in each of the independent cases mentioned below:***

***(1) Meenu, a supplier in Maharashtra, is exclusively engaged in supply of potatoes produced out of cultivation of her own land, within Maharashtra and also outside Maharashtra.***

***(2) Jinu Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Further, it provides intra-state services of refining of oil to customers. Total turnover of supply of machine oil is ₹ 10 lakh, supply of petrol is ₹ 5 lakh and supply of services is ₹ 6 lakh.***

***(3) Tilu is working as an agent, he is supplying taxable goods as an agent of Tiku (who is registered taxable person) and its aggregate turnover does not exceed the applicable threshold limit during the financial year. Invoices to customers are issued in name of Tilu.***

**Solution:**

(1) *Section 24 provides that persons making any inter-State taxable supply of goods are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.*

*However, as per section 23, an agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to registration.*

*Meenu is exclusively engaged in cultivation and supply of potatoes. Thus, she is not liable to registration irrespective of the fact that she is engaged in making inter-State supply of goods. Further, Meenu will not be liable to registration, in the given case, even if her turnover exceeds the threshold limit.*

(2) *Section 24 specifies the categories of persons who are required to be mandatorily registered under GST irrespective of the quantum of their aggregate turnover.*

*In the given case, Jinu Oils does not fall in any of the specified categories. Therefore, it is not required to obtain registration compulsorily under GST.*

*However, 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 supply of both goods and services is ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland and ₹ 20 lakh for the rest of India. Thus, the applicable threshold limit for the State of Gujarat is ₹20 lakh for supply of both goods and services. Further, aggregate turnover includes exempted turnover of goods or services.*

*Accordingly, Jinu Oils is liable obtain registration since its aggregate turnover [₹ 21 lakh (including turnover of exempt supply of petrol)] exceeds the threshold limit of ₹ 20 lakh.*

(3) *Section 24 provides that persons who make taxable supply of goods and/or services 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. Therefore, Tilu will be mandatorily required to obtain registration.*

**Question 25**

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

**(i)** ***The aggregate turnover of Varun Industries of Mumbai has exceeded ₹ 40 lakh on 1stAugust. Varun Industries manufactures LED TVs in Mumbai and sells them in Pune. It submits the application for registration on 20thAugust. Registration certificate granted on 25thAugust.***

**(ii)** ***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 27thOctober. Registration certificate is granted on 5thNovember.***

**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 in case (i) and (ii) respectively.*

*(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.*

**Question 26**

***Mr. Amit Mahajan of Maharashtra often participates in the jewellery exhibition at Trade Fair in Maharashtra, which is organised every year in the month of February. Mr. Amit Mahajan applied for registration in January. The proper officer demanded an advance deposit of tax in an amount equivalent to the estimated tax liability of Mr. Amit Mahajan. You are required to examine whether any advance tax is to be paid by Mr. Amit Mahajan at the time of obtaining registration?***

**Solution:**

*Yes, advance tax is to be paid by Mr. Amit Mahajan at the time of obtaining registration. Since Mr. Amit Mahajan occasionally undertakes supply of goods in the course or furtherance of business in a State where he has no fixed place of business, thus he qualifies as casual taxable*

*the applicable turnover limit for registration will be Rs.*

*person in terms of section 2(20) of CGST Act, 2017.*

*While a normal taxable person does not have to make any advance deposit of tax to obtain registration, a casual taxable person shall, at the time of submission of application for registrationis required, in terms of section 27(2) read with proviso thereto, to make an advance deposit of tax in an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought. If registration is to be extended beyond the initial period of 90 days, an advance additional amount of tax equivalent to the estimated tax liability is to be deposited for the period for which the extension beyond 90 days is being sought.*

**Question 27**

***Determine the effective date of registration in the following instances:***

***a. The aggregate turnover of Ganesh Ltd., engaged in taxable supply of services in the state of Punjab, exceeded Rs. 20 lakh on 25th August, 20XX. It applies for registration on 19th September, 20XX and is granted registration certificate on 29th September, 20XX.***

***b. What will be your Solution, if in the above scenario; Ganesh Ltd. submits the application for registration on 27th September, 20XX and is granted registration on 5th October, 20XX?***

**Solution:**

*A supplier whose aggregate turnover in a financial year exceeds Rs. 20 lakh in a State/UT [Rs. 10 lakh in Special Category States except Jammu and Kashmir] 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 Rs. 20 lakh / Rs. 40 Lakh / Rs. 10 lakh).*

*Where the application is submitted within the 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.*

*In the given case, the applicable turnover limit for registration will be Rs. 20 lakh as Punjab is not a Special Category State.*

*a) Since Ganesh Ltd. applied for registration within 30 days of becoming liable to registration, the effective date of registration is 25th August, 20XX.*

*b) In this case, since Ganesh Ltd. applies for registration after the expiry of 30 days from the date of becoming liable to registration, the effective date of registration is 5th October, 20XX.*

**Question 28**

***Discuss the procedure for amendment of registration under CGST Act and rules thereto?***

**Solution:**

*The procedures for amendment of registration are contained in section 28 read with rule 19 of CGST Rules. The significant aspects of the same are discussed hereunder:*

1. *Where there is any change in the particulars furnished in registration application/UIN application, registered person shall submit an application in prescribed manner, within 15 days of such change, along with documents relating to such change at the Common Portal.*
2. *In case of amendment of core fields of information, the proper officer may, on the basis of information furnished or as ascertained by him, approve or reject amendments in the registration particulars in the prescribed manner. Such amendment shall take effect from the date of occurrence of event warranting such amendment.*
3. *However, where change relates to non-core fields of information, registration certificate shall stand amended upon submission of the application for amendment on the Common Portal.*
4. *Where a change in the constitution of any business results in change of PAN of a 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.

**Question 29** LDR

**Rajesh Dynamics, having its head office in Chennai, carries on the following activities with respective turnovers in a financial year**

| Particulars | Rs |
|---|---|
| Supply of petrol at Chennai | 18,00,00 |
| Value of inward supplies on which tax is payable on reverse charge basis | 9,00,00 |
| Supply of transformer oil at Chennai | 2,00,00 |
| Value of branch transfer from Chennai to Bengaluru without payment of | 1,50,00 |
| consideration | |
| Value of taxable supplies at Manipur branch | 11,50,00 |

**Decide based on the above facts: The aggregate turnover of Rajesh Dynamics.**

**Solution:**

Computation of aggregate turnover of Rajesh Dynamics

| Particulars | Rs |
|---|---|
| Supply of petrol at Chennai [Being a non-taxable supply, it is an exempt supply & thus, includible in aggregate turnover vide section 2(6) of CGST Act, 2017] | 18,00,000 |
| Value of inward supplies on which tax is payable on reverse charge basis | Nil |
| Supply of transformer oil at Chennai | 2,00,000 |
| Value of branch transfer from Chennai to Bengaluru without payment of consideration [Being a taxable supply, it is includible in aggregate turnover] | 1,50,000 |
| Value of taxable supplies of Manipur Branch | 11,50,000 |
| Aggregate turnover | 33,00,000 |

**Question 30**

**Mr. X a dealer (situated in Delhi) dealing with Intra State supply of goods and services has place of business in India furnished the following information in the financial year 20XX-X1:**

a) **Sale of taxable goods by Head Office located in Chennai for Rs. 1,00,000**
b) **Supply of taxable services by Branch office at Bengaluru for Rs. 50,000**
c) **Supply of goods exempted from GST Rs. 10,000**
d) **Export of goods for Rs. 2,00,000 Whether Mr. X is liable for Registration?**

**Solution:**

**Statement showing computation of aggregate turnover in a Financial Year 20XX-X1**

| Particulars | Value in Rs. |
|---|---|
| Sale of taxable goods by Head Office located in Chennai (*presumed to be intra-state supply) | 1,00,000 |
| Supply of taxable services by Branch office at Bengaluru (*presumed to be intra-state supply) | 50,000 |
| Supply of goods exempted from GST (*presumed to be intra-state supply) | 10,000 |
| Export of goods (Export is considered as inter-state supply under GST law) | 2,00,000 |
| Aggregate turnover | 3,60,000 |

though aggregate turnover is not exceeding Rs. 40 lakhs, but since he is engaged in exports which are inter-state supplies, his registration falls under section 24 which provides for compulsory registration (i.e., no threshold limit of 20 Lakhs).

**Question 31**

**What will be the effective date of registration?**

**Solution:**

Date of effectiveness in case of person required to take registration

Where the application for registration has been submitted within thirty days from the date on which the person becomes liable to registration, the effective date of registration shall be the date on which he became liable for registration.

Where an application for registration has been submitted by the applicant after thirty days from the date of his becoming liable to registration, the effective date of registration shall be the date of grant of registration.

Date of effectiveness in case of person opting for voluntarily registration

In case of a person taking registration voluntarily while being within the threshold exemption limit for paying tax, the effective date of registration shall be the date of grant of registration.

**Question 32**

**Whether Amendments to the Registration Certificate is permissible?**

**Solution:**

Yes. In terms of Section 28, the proper officer may, on the basis of such information furnished either by the registrant or as ascertained by him, approve or reject amendments in the registration particulars within a period of 15 working days from the date of receipt of application for amendment.

It is to be noted that permission of the proper officer for making amendments will be required for only certain core fields of information [Change in legal name of business, Change in address of place of business, Addition, deletion or retirement of partners, directors, karta, board of trustees, CEO or equivalent, responsible for day to day affairs of the company], whereas for the other fields, the certificate of registration shall stand amended upon submission of application in the GST common portal.

**Question 33**

**State with reason whether following statement is true or false – "When there is 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."**

**Solution:**

No. If PAN number changes, fresh registration is required under GST Law (Rule 19 of CGST Rules).

**Question 34** LDR

**Discuss the circumstances where registration is liable to be cancelled**

**Solution:**

Section 29(1) of the CGST Act, 2017 provides that the proper officer may, either on his own motion or on an application filed by the registered person or by his legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed, having regard to the circumstances where:

a. the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of; or
b. there is any change in the constitution of the business; or

c. the taxable person, other than the person voluntarily registered u/ Sec 25(3), is no longer liable to be registered under section 22 or section 24

Further, section 29(2) of the CGST Act, 2017 provides that the proper officer can cancel the registration on his own. Such circumstances include following:

1. contravention of any of the following prescribed provisions of the CGST Act or the rules made there under;
   (a) the registered person did not conduct any business from the declared place of business;or
   (b) the registered person issued invoice or bill without supply of goods or services inviolation of the provisions of this Act, or the rules made thereunder; or
   (c) the registered person violated the provisions of section 171 of the Act or the rules made thereunder (Anti-profiteering measures)
   (d) the RP violates the provisions of rule T0A.
2. Composition Supplier becoming a consistent non-return filer for 3 consecutive tax periods;
3. Regular Supplier becoming a consistent non-return filer for 6 consecutive tax periods;
4. Voluntarily registered person failed to commence business within 6 months from the date of registration;
5. Registered person who has obtained registration fraudulently.

However, before cancelling the registration, the proper officer has to follow the principles of natural justice (i.e., after grant of opportunity of being heard).

**Question 35**

**Can cancellation of registration order be revoked?**

**Solution:**

Yes, but only in cases where the initial cancellation has been done by the proper officer Suo moto, and not on the request of the taxable person or his legal heirs.A person whose registration has been cancelled 'Suo moto' can apply to the proper officer for revocation of cancellation of registration within 30 days from the date of communication of the cancellation order. The proper officer may within a period of 30 days from the date of receipt of application for revocation of cancellation or receipt of information/clarification, either revoke the cancellation or reject the application for revocation of cancellation of registration.

**Question 36**

**Examine whether the liability to register compulsorily under section 24 of the CGST Act, 2017 arises in each of the independent cases mentioned below:**

**a) Heera, a supplier in Haryana, is exclusively engaged in supply of potatoes produced out of cultivation of his own land, within Haryana and also outside Haryana.**

**b) Aanya of Telangana is exclusively engaged in intra-State supply of toys. Its aggregate turnover in the current financial year is Rs. 22 lakh.**

**Solution:**

a) Section 24 of the CGST Act, 2017 provides that persons making any inter -State taxable supply of goods are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

However, as per section 23 of the CGST Act, 2017, an agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to registration.

Heera is exclusively engaged in cultivation and supply of potatoes. Thus, he is not liable to registration irrespective of the fact that he is engaged in making inter -State supply of goods. Further, Heera will not be liable to registration, in the given case, even if his turnover

Yes, but only in cases where the initial cancellation has been done by the

exceeds the threshold limit.

b) As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to 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) Rs. 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.

(b) Rs. 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(c) Rs. 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.

Since Aanya is making taxable supplies from Telangana, she will not be eligible for higher threshold limit available in case of exclusive supply of goods. The applicable threshold limit for registration for Aanya in the given case is Rs. 20 lakh. Thus, she is liable to get registered under GST.

**Question 37**

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

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

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

***Will your answer be different if Mr. Lepcha is located in Meghalaya?***

**Solution:**

a) A person is eligible for enhanced threshold limit of Rs. 40 lakh in the State of Jammu and Kashmir if he is engaged exclusively in intra-State supply of goods.

However, the enhanced threshold limit is not applicable if the person is engaged, inter alia, in the supply of pan masala and all goods of chapter 24 i.e. Tobacco and manufactured tobacco substitutes. In that case, the normal threshold limit of Rs. 20 lakh will be applicable.

In view of said provisions, in the given case, Mr. Ahmad is liable to register since his aggregate turnover (Rs. 24 lakh) exceeds the applicable threshold limit for registration of Rs. 20 lakh.

b) The enhanced threshold limit of Rs. 40 lakh as applicable to a person engaged exclusively in intra-State supply of goods, is not applicable to Mizoram [a specified Special Category State]. Instead, a lower threshold limit of Rs. 10 lakh for registration is applicable for Mizoram.

Thus, in the given case, Mr. Lepcha of Mizoram is liable to register since his aggregate turnover(Rs. 13 lakh) exceeds the applicable threshold limit for registration of Rs. 10 lakh.

The enhanced threshold limit of Rs. 40 lakh is also specifically not applicable in the State of Meghalaya. Instead, the normal threshold limit of Rs. 20 lakh for registration is applicable to it.

Therefore, if Mr. Lepcha is located in Meghalaya, he is not liable to register since his aggregate turnover (Rs. 13 lakh) does not exceed the applicable threshold limit for registration of Rs. 20 lakh.

**Question 38** LDR

***BBD Pvt. Ltd. of Gujarat exclusively manufactures and sells product 'Z' which is exempt from GST vide nofifications 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 year2018-19 was Rs. 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 Rs. 42 lakh.**

**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. Lid. whether it needs to get registered under GST or not.**

**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 Rs. 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 fill 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 Rs. 40 lakh. Since the aggregate turnover limit of Rs. 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.*

**Question 39**

**P Ltd, a registered person provided following information for the month of October, 2020:**

| Particulars | Amount (Rs.) |
|---|---|
| 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.**

**Solution:**

*The term aggregate turnover means the aggregate value of:*

*(i) all taxable supplies*

*(ii) exempt supplies,*

*(iii) exports of goods or services or both and*

*(iv) inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excluding*

*a. central tax, State tax, Union territory tax, integrated tax and cess.*

*b. 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 (Rs.) |
|---|---|
| *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 customs duty on export* | *40,000* |
| *Payment made under reverse charge for availing GTA services* | *Nil* |
| *Aggregate turnover* | *32,40,000* |

**Question 40** LDR

***Examine the following cases and explain with reasons whether the supplier of goods is liable to get registered in GST:***

***a. Karishma of Himachal Pradesh is exclusively engaged in intra-State taxable supply of readymade suits. His turnover in the current financial year from Himachal Pradesh show room is Rs. 25 lakh. He has two more showrooms one in Manipur & another in Sikkim with a turnover of Rs. 15 lakh and Rs. 18 lakh respectively in the current financial year.***

***b. Ankit of Telangana is exclusively engaged in intra-State taxable supply of foot wears. His aggregate turnover in the current financial year is Rs. 25 lakh:***

***c. Aakash of Uttar Pradesh is exclusively engaged in intra-State supply of pan masala. Hisaggregate turnover in the current financial year is Rs. 30 lakh.***

**Solution:**

*Every person engaged in making a taxable supply is required to obtain registration if his aggregate turnover exceeds Rs. 20 lakh in a financial year. An enhanced threshold limit for registration of Rs. 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 Rs. 10 lakh in case a person is engaged in making taxable supply from a Special Category State.*

*Since Karishma is making taxable supply from Manipur — a Special Category State, the applicable threshold limit will get reduced to Rs. 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 Rs. 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 Rs. 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 Rs. 20 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.*

**Question 41**

***Under the provision of section 29(1) of CGST Act, 2017 read with rule 21A of CGST Rules, 2017 related to suspension of registration if the registered person has applied for cancellation of registration, what is the period and manner of suspension of registration ?***

**Solution:**

Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from:

(a) the date of submission of the application or

(b) the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.

Such person shall not make any taxable supply during the period of suspension and shall not be required to furnish any return.

The expression "shall not make any taxable supply" mean that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the suspension period.

**Question 42**

***M/s Siya Ram is a trader of decorative items in Hauz Khas, Delhi. His aggregate turnover exceeded ₹ 40 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.***

**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: -

30 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

**Question 43**

***Briefly enumerate the contraventions which make a registered person liable to cancellation of registration, as prescribed under rule 21 of the CGST Rules, 2017***

**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

(a) does not conduct any business from the declared place of business

(b) issues invoice/bill without supply of goods/services in violation of the provisions of this Act, or the rules made thereunder.

(c) violates the provisions of section 171 of the CGST Act. Section 171 contains provisions relating to anti-profeetering measure.

(d) violates the provision of rule 10A of the CGST Rules relating to furnishing of bank account details.

(e) avails input tax credit in violation of the provisions of section 16 of the CGST Act or the rules made thereunder.

(f) 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

(g) 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.

(h) 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.

**Question 44**

**Batra Ltd., a normal taxpayer, is winding up its business in Rajkot. The Tax Consultant of Batra Ltd. has suggested that Batra 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 Rajkot.**

**Do you agree with the stand taken by Tax Consultant of Batra Ltd.? Offer your comments. Ignore the aggregate turnover of Batra Ltd**

**Solution:**

No, the stand taken by Tax Consultant of Batra Ltd. is not correct.

Annual return is required fo 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, Batra 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.

**Question 45** LDR

**1) Mr. X of Haryana intends to start business of supply of building material to various construction sites in Haryana. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer suo-motu cancelled the registration of Mr. X. You are required to examine whether the action taken by proper officer is valid in law?**

**2) Mr. X has applied for revocation of cancellation of registration after 100 service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. However, Mr. X contends that the period of submission of application may be extended on sufficient grounds being shown. You are required to comment upon the validity of contentions raised by Department and Mr. X.**

**Solution:**

As per section 29 of the CGST Act, 2017, the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,-

(a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or

(b) a person paying tax under composition scheme has not furnished return for three consecutive tax periods; or

(c) any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months; or

(d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or

(e) registration has been obtained by means of fraud, wilful misstatement, or suppression of facts:

Thus, in view of the above-mentioned provisions, suo-motu cancellation of registration of Mr. X by proper officer is valid in law since Mr. X, a voluntarily registered person, has not commenced his business within 6 months from the date of registration.

Further, where the registration of a person cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation to such proper officer, within 90 days from the date of service of the order of cancellation of registration.

However, the said period of 90 days may, on sufficient cause being shown and for reasons to be recorded in writing, be extended for a period not exceeding180 days by Commissioner.

Thus, considering the above provisions, the contention of Department is not valid in law as extension can be sought in the prescribed time limit for revocation of cancellation of registration.

The contention raised by Mr. X is valid in law as extension in time limit is allowed on sufficient cause being shown and for reasons to be recorded in writing.

**Question 46** LDR

***Answer the following questions with respect to casual taxable person (CTP) and Non-resident taxable person (NRTP) under the CGST Act, 2017: –***

***a) Who is CTP & NRTP?***

***b) Can a casval taxable person opt for the composition scheme?***

***c) When is the CTP & NRTP liable to get registered?***

***d) Is PAN being mandatory for registration of CTP and NRTP?***

***e) What is the validity period of the registration certificate issued to a CTP and NRTP?***

***f) Can the validity of registration certificate issued to a CTP and NRTP be extended? If yes, what will be the period of extension?***

**Answer**

(a) As per section 2(20) of CGST Act, 2017, Casual taxable person means a person- who occasionally undertakes fransactions involving supply of goods and/or services,

1. 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. As per section 2(77) of CGST Act, 2017, Non-resident taxable person means a person-

a Who occasionally undertakes transactions involving supply of goods and/or services,

b. Whether as principal, agent or in any other capacity,

c. but who has no fixed place of business or residence in India

(b) No, a casual taxable person cannot opt for the composition scheme

(c) As per section 24 of CGST Act, 2017, a casual taxable person (CTP) is liable to obtain registration compulsorily under GST law.

CTP has to apply for registration at least 5 days prior to commencement of business as per section 25(1) read with proviso thereto.

However, if CTP is making taxable supplies of specified handicraft goods, then it is eligible for the threshold limit applicable as per section 22.

Whereas non-resident taxable person, should apply for registration at least 5 days prior to the commencement of business irespective of the threshold limit

(d) Yes, PAN is being mandatory for registration of casual taxable person. However, PAN is not mandatory for registration of non-resident taxable person.

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

(e) As per section 27(1) of CGST Act read with proviso thereto, Registration Certificate granted to a casual taxable person & non-resident taxable person will be valid for earlier of:-

a. period specified in the application for registration or

b. period of 90 days from the effective date of registration.

However, at the request of the said taxable person, the proper officer may extend the validity by a further period not exceeding 90 days

(f) Yes, the validity of registration certificate issued to a casual taxable person and non-resident taxable person can be extended.

It can be extended by a further period not exceeding 90 days by making application before the end of period of validity of registration granted to him.

**Question 47**

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

**(i) Aryabhatt of Assam is exclusively engaged in intra-State taxable supply of ready made garments. His turnover in the current financial year (FY) from Assam showroom is X 12 lakh. He has another showroom in Manipur with a turnover of X 11 lakh in the current FY.(Sep'22)**

**(ii) Bharat of Panjim, Goa is exclusively engaged in intra-State taxable supply of shoes. His aggregate turnover in the current financial year is X 22 lakh.(Sep'22)**

**(iii) Vikramaditya of Himachal Pradesh is exclusively engaged in intra-State supply of bricks of fossil meals. His aggregate turnover in the current financial year is X 24 lakh.**

**(MTP 6 Marks Sep'22)**

**Solution:**

A supplier is liable to get registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

(a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.

(b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(c) ₹ 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

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

(i) Aryabhatt is eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Aryabhatt is engaged in supplying ready made garments from a specified Special Category State i.e. Manipur also, the threshold limit gets reduced to X 10 lakh.

Thus, Aryabhatt is liable to get registered under GST as his turnover exceeds ₹ 10 lakh. Further, he is required to obtain registration in both Assam and Manipuras he is making taxable

supplies from the States.

(ii) The applicable threshold limit for registration for Bharat 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 applicable threshold limit.

(iii) Vikramaditya being exclusively engaged in supply of bricks of fossil meals is not eligible for enhanced threshold limit of ₹ 40 lakh. The applicable threshold limit for registration in this case is ₹20 lakh. Thus, Vikramaditya is liable to get registered under GST as his aggregate turnover exceeds the threshold limit for registration.

**Question 48**

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

***(RTP Nov'22)***

**Solution:**

The given statement is incorrect. Aadhaar authentication has been made mandatory for the new registrants as well as for the existing registrants. With regard to existing registrants, section 25(6A) of the CGST Act, 2017 stipulates that every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in the prescribed form, manner and time. New rule 10ofB t he CGST Rules, 2017 prescribes the manner in which aadhaar authentication needs to be done by a registered person. A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

Proprietor, in the case of proprietorship firm,

Any partner, in the case of a partnership firm,

Karta, in the case of a Hindu undivided family,

Managing director or any whole-time director, in the case of a company,

Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or

Trustee in the Board of Trustees, in the case of a Trust; and of the Authorized Signatory, in order to be eligible for the following purposes:

- ✓ for filing of application for revocation of cancellation of registration [Rule 23]
- ✓ for filing of refund application in Form RFD-01 [Rule 89]
- ✓ for refund of the IGST paid on goods exported out of India [Rule 96]

First proviso to section 25(6A) of the CGST Act, 2017 provides that if an Aadhaar number is not assigned to an existing registered person, such person shall be offered alternate and viable means of identification in the prescribed manner. Such manner has been prescribed by rule 10B of the CGST Rules, 2017 as follows:

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

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

(b) (i) Bank passbook with photograph; or

(ii) Voter identity card issued by the Election Commission of India; or
(iii) Passport; or
(iv) Driving license issued by the Licensing Authority

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

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

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 31.12.2023, it was not required to be registered till that day; though voluntary registration was allowed.

The position, however, will change from 01.01.2024 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 31.12.2023 will be considered for determining the threshold limit even though the same was exempt from GST. Therefore, BBD Pvt. Ltd. needs to register within 3Q,days from 01.01.2024.

**Question 49**

**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. His turnover in the financial year 2023-24 is of ₹ 12 lakhs on his own account and ₹9 lakhs on behalf of principal. Both turnovers are Intra -State supply.**

**(PYP 4 Marks, May'19)**

**Solution:**

(i) 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. Thus, in the given case Mr. Raghav is required to obtain registration compulsorily under GST laws even though is aggregate turnover does not exceed the threshold limit of ₹20 lakh [since Assam is a Special Category State] in the financial year.

(ii) 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.
Since Mr. S.N Gupta is also acting as an agent of Mr. Rishi of Delhi, he is required to obtain registration compulsorily under GST laws.

**Question 50**

**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 are as follows:**

| State | Turnover (₹) |
|---|---|
| Madhya Pradesh | 5,00,000 |

| | |
|---|---|
| Gujarat | 14,00,000 |
| Tripura | 12,00,000 |

**(i) Q Ltd. seeks to know whether it is liable for registration under GST. Give your explanation.**

**(ii) Will your answer be different if Q Ltd. supplies only petrol & diesel from Tripura instead of any other taxable goods?**

(PYP 4 Marks Dec '21)

**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.

(i) Since Q Ltd. is making supply of taxable goods5from 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 lakh] exceeds the said threshold limit.

(ii) 1. 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.

2. The enhanced threshold limit of ₹ 40 lakh will be applicable

3. Thus, it is **not liable to be registered** under GST as its aggregate turnover [₹31 lakh] does not exceed the said threshold limit.

**Question 51**

**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 is ₹ 18 Lakh.**

**(i) Explain the provisions of registration for casual taxable person under GST. Examine whether Mr. Q. is liable for registration or not?**

**(ii) 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?**

(PYP 5Marks Dec 21)

**Solution:**

(i) 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 lakh in case of specified Special Category States) is available for registration to a casual taxable person who:

(i) is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods,

(ii) is availing the benefit of exemption from registration available to inter-State supply of above mentioned goods up to the aggregate turn over of ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States), and

(iii) has obtained a PAN and

(iv) 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.

(ii) In case Mr. Qis 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.

*It has been assumed that Mr. Q has started supply of goods in October 2021 itself.*

**Question 52**

***Rishabh Enterprises starts exploring the option to sell the goods supplied by him within Uttarakhand on a popular electronic commerce platform-E-vastustore by listing the goods on the said platform. He approaches you for advice on following issues in this regard:***

***a) Rishabh Enterprises wishes to continue his business without registering under GST since it will enhance the compliance burden under GST law. Can he supply the goods through E-vastustore without obtaining GST registration? You are required to advise him.***

***b) Discuss the GST implications in case Rishabh Enterprises supplies goods through electronic commerce platform-E-vastustore.***

**Solution:**

a)

- **Yes,** *Rishabh Enterprises* **can supply goods** *through E-vastustore without obtaining GST registration.*
- *As per* **section 24(ix),** *persons who supply goods and/or services, other than services notified under section 9(5), through such ECO who is required to collect TCS under section 52 is required to obtain registration mandatorily.*
- *However, the persons making* **supplies of goods** *through an ECO who is required to collect TCS and having an aggregate turnover in the preceding financial year and in the current financial year not exceeding the threshold limit as per section 22(1), are* **exempted from obtaining registration,** *subject to the following conditions, namely:*
  - *a) such persons shall not make any inter-State supply of goods.*
  - *b) such persons shall not make supply of goods through ECO in more than one State/UT. c) such persons shall be required to have a PAN issued under the Income-tax Act, 1961.*
  - *d) such persons shall, before making any supply of goods through ECO, declare on the common portal:*
  - *- their PAN*
  - *- address of their place of business &*
  - *- State/UT in which such persons seek to make such supply, which shall be subjected to validation on the common portal.*
  - *e) such persons have been granted an enrollment number on the common portal on successful validation of the PAN declared above.*
  - *f) such persons shall not be granted more than one enrollment number in a State/UT. g) no supply of goods shall be made by such persons through ECO unless such persons have been granted an enrollment number on the common portal &*
  - *h) where such persons are subsequently granted registration under section 25, the enrollment number shall cease to be valid from the effective date of registration.*

b)

- *As Rishabh Enterprises is not required to obtain registration under GST, there shall be no GST implications on the supplies made by him through ECO – E-vastustore.*
- *However, the ECO is required to* **submit the details of supplies** *made through it by the unregistered suppliers (including Rishabh Enterprises) having enrollment number in* **Form GSTR 8.**
- *Further, no tax at source shall be collected by the E-vastustore for such supplies.*

**Question 53**

***Mr. Hridya has obtained a voluntary registration under the GST law in the State of Madhya Pradesh in January but has not commenced the business till the month of September. In October, the proper officer issues a show cause notice to him for cancellation of his registration. You are required to examine whether the action taken by the proper***

**officer is justified in law. Also, list the other circumstances when the proper officer can cancel registration under section 29(2).** *(RTP 2025)*

**Solution:**

As per section 29(2), one of the circumstances where registration can be cancelled by the proper officer from such date, including any retrospective date, as he may deem fit, after giving an opportunity of being heard is where any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration. Thus, the action taken by the proper officer in the given case is justified in law.

As per section 29(2) read with rule 21, in the following cases, registration can be cancelled by the proper officer:

(a) a person paying tax under composition scheme has not furnished the return for a financial year beyond three months from the due date of furnishing the said return.

(b) any registered person required to file return under section 39(1) for each month or part thereof (i.e. monthly return filer), has not furnished returns for a continuous period of 6 months.

(c) any registered person required to file return under proviso to section 39(1) for each quarter or part thereof (Quarterly return under QRMP scheme), has not furnished returns for a continuous period of 2 tax periods.

(d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration.

(d) registration has been obtained by means of fraud, wilful misstatement or suppression of facts.

(e) a registered person does not conduct any business from the declared place of business.

(f) a registered person issues invoice/bill without supply of goods/ services in violation of the provisions of the CGST Act, or the rules made thereunder.

(g) a registered person violates the provisions of section 171. Section 171 contains provisions relating to anti-profiteering measure.

(h) a registered person violates the provision of rule 10A.

(i) a registered person avails input tax credit in violation of the provisions of section 16 of the CGST Act or the rules made thereunder.

(j) a registered person furnishes the details of outward supplies in Form GSTR-1, as amended in Form GSTR-1A if any, under section 37 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.

(k) a registered person violates the provision of rule 86B.

(l) a registered person violates the provisions of third or fourth proviso to rule 23(1).

**Question 1**

***Mr. X, a registered taxpayer under regular scheme, did not make any taxable supply during the month of July.***

**Solution:**

*A registered taxpayer is required to furnish a return u/s 39 for every month (every quarter in case of quarterly filers) even if no supplies have been effected during such period. In other words, filing of Nil GSTR-3B is also mandatory.*

*Therefore, being a monthly filer, Mr. X is required to file GSTR-3B even if he did not make any taxable supply during the month of July.*

**Question 2**

***"All taxpayers are required to file GSTR-1 only after the end of the tax period." Examine the validity of the statement.***

**Solution:**

*The statement is partially valid.*

*A taxpayer cannot file Form GSTR-1 before the end of the current tax period. However, following are the exceptions to this rule:*

a. *Casual taxpayers, after the closure of their business*
b. *Cancellation of GSTIN of a normal taxpayer.*

*A taxpayer who has applied for cancellation of registration will be allowed to file Form GSTR-1 after confirming receipt of the application.*

**Question 3**

***Mr. Kohli is a registered supplier in the State of Gujarat. He is filing GSTR-1 every month. 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.***

**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.*

**Question 4**

***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 the said F.Y. during which he opted out of composition scheme? Discuss.***

**Solution:**

*Where a taxpayer opts to withdraw from the composition scheme, he has to file GSTR-4 for the period for which he has paid tax under the composition scheme. Such return is required to be furnished till 30th day of April following the end of the financial year during which such withdrawal falls. Therefore, in the given case, Mr. Kalpesh is liable to file GSTR-4 for the said F.Y. during which he opted out of composition scheme by 30th June of next F.Y.*

**Question 5**

***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.***

**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.

**Question 6**

***List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF).***

**Solution:**

Details of outward supplies which can be furnished using IFF are as follows:

(a) invoice wise details of inter-State and intra-State supplies made to the registered persons;

(b) debit and credit notes, if any, issued during the month for such invoices issued previously.

**Question 7**

***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.

**Question 8**

***Quicktax, 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 Quicktax is correct?***

**Solution:**

No, the process followed by Quicktax 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 the format of 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.

**Question 9**

***X Ltd., a normal taxpayer, 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.

**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.

**Question 10** LDR

**Discuss the eligibility for QRMP scheme under GST?**

**(MTP 5 Marks, Oct 21)**

**Solution:**

Registered persons (other than supplier of online information and database access or retrieval services (OIDAR) located in non-taxable territory and providing such services to a non-taxable online recipient), having an aggregate turnover up to 5 crore in the preceding financial year, and who have opted to furnish quarterly return under QRMP scheme are eligible for QRMP scheme as the class of persons who shall furnish a return for every quarterand pay the tax due every month.

Thus, the taxpayers whose aggregate turnover is up to 5 crore in the preceding financial year are eligible for QRMP scheme. For computing aggregate turnover, details furnished in returns for tax periods in the preceding financial year shall be taken into account.

**Question 11**

**What are the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF?**

**(MTP 6 Marks, Nov'21)**

**Solution:**

(i) A registered person shall not be allowed to furnish the details of outward supplies in Form GSTR-1, if he has not furnished the return in Form GSTR-3B for preceding month.

(ii) A registered person, opting for QRMP scheme shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF, if he has not furnished the return in Form GSTR-3B for preceding tax period.

(iii) A registered person, to whom an intimation has been issued on the common portal under the provisions of rule 88C(1) in respect of a tax period, shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF for a subsequent tax period, unless he has either deposited the amount specified in the said intimation or has furnished a reply explaining the reasons for any amount remaining unpaid, as required under the provisions of rule 88C(2).

(iv) A registered person, to whom an intimation has been issued on the common portal under the provisions of rule 88D(1) in respect of a tax period/periods, shall not be allowed to furnish GSTR-1/IFF for a subsequent tax period, unless he has either paid the amount equal to the excess ITC as specified in the said intimation or has furnished a reply explaining the reasons in respect of the amount of excess ITC that still remains to be paid, as required under the provisions of rule 88D(2).

(v) A registered person shall not be allowed to furnish GSTR-1/IFF, if he has not furnished the details of the bank account as per the provisions of rule 10A

**Question 12**

***Elaborate the provisions relating to annual return contained under section 44 of the CGST Act, 2017.*** (MTP 5 Marks, Sep'22)

**Solution:**

Every registered person, other than an input service distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person shall furnish an annual return which may include a self-certified reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year, with the audited annual financial statement for every financial year electronically, within prescribed time, form and manner.

However, the Commissioner may exempt any class of registered persons from filing annual return. Further, any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India, or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force, is not required to furnish annual return.

**Question 13**

***Briefly elaborate the provisions relating to nil GSTR-3B.*** (MTP 5 Marks, Mar'23)

**Solution:**

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.

A Nil GSTR-3B does not have any entry in any of its tables. For example, a Nil GSTR-3B for a tax period cannot be filed, if the taxpayer has made any outward supply (including nil-rated, exempt or non-GST supplies) or has received any supplies which are taxable under reverse charge or it intends to take ITC etc.

A Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-3B submitted through SMS is verified by registered mobile number-based OTP facility.

A taxpayer may file Nil GSTR-3B, anytime on or after the 1st day of the subsequent month/quarter for which the return is being filed for.

**Question 14** LDR

***Can a chartered accountant become a GST practitioner (GSTP)? Discuss.*** (MTP 5 Marks, Jul'24, SM)

**Solution:**

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.

**Question 15** LDR

***List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF). Also briefly list the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF.*** (PYP 5 Marks, Nov 22, SM)

**Solution:**

*Details of outward supplies which can be furnished using IFF are as follows:*

*(a) invoice wise details of inter-State and intra-State supplies made to the registered persons;*

*(b) debit and credit notes, if any, issued during the month for such invoices issued previously.*

*Cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/using IFF:*

*(i) A registered person is not allowed to furnish Form GSTR-1, if he has not furnished the return in Form GSTR-3B for the preceding 1 month[3].*

*(ii) A registered person, opting for QRMP (Quarterly Return Monthly Payment) scheme is not allowed to furnish Form GSTR-1/using IFF, If he has not furnished the return in Form GSTR-3B for preceding tax period.*

*(iii) a registered person, to whom an intimation has been issued on the common portal under the provisions of rule 88C(1) in respect of a tax period, shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF for a subsequent tax period, unless he has either deposited the amount specified in the said intimation or has furnished a reply explaining the reasons for any amount remaining unpaid, as required under the provisions of rule 88C(2).*

*(iv) a registered person, to whom an intimation has been issued on the common portal under the provisions of rule 88D(1) in respect of a tax period/periods, shall not be allowed to furnish GSTR-1/IFF for a subsequent tax period, unless he has either paid the amount equal to the excess ITC as specified in the said intimation or has furnished a reply explaining the reasons in respect of the amount of excess ITC that still remains to be paid, as required under the provisions of rule 88D(2).*

*(v) a registered person shall not be allowed to furnish GSTR-1/IFF, if he has not furnished the details of the bank account as per the provisions of rule 10A*

**Question 16**

***Mr. Sumit is a registered dealer in the state of Punjab. In the month of May, he decides to apply for QRMP scheme. As he wants to switch to QRMP scheme, he had not filed his returns for the months of May and June.***

***Please guide to Mr. Sumit regarding the following:***

***(A) Conditions and restrictions of QRMP scheme.***

***(B) Manner of exercising option of QRMP scheme.*** *(PYP 3 Marks, May'23)*

**Solution:**

*(A) Conditions and restrictions of QRMP scheme*

*Mr. Sumit has to fulfil the following conditions and restrictions for opting for QRMP scheme:*

- *His aggregate annual turnover (PAN based) is up to 5 crore in the preceding financial year.*
- *He has furnished the return for the preceding month, as due on the date of exercising such option.*
- *He is not required to exercise the option every quarter.*

**Question 17** LDR

***(a) Miss Nidhi 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 Nidhi 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 Nidhi 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 Nidhi 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.** **(RTP May'21)**

**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 Nidhi 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 Nidhi 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 Nidhi is required to file monthly return, GSTR-3B for the month of August.

(c) GSTR-3B can 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 Nidhi 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.

**Question 18**

**Mr. Sameer, a registered person under GST, is unable to file GSTR-1 on the reason being shown that tax payable under GSTR-1 which has been filed in respect of last tax period exceeds the tax payable under GSTR-3B which has been filed for the corresponding tax period. Explain the procedure to be followed by the department and Mr. Sameer for the same as per the provisions of Rule 88C of the CGST Rules 2017.**

**(PYP 5 Marks, Nov'23)**

**Solution:**

(i) pay the differential tax liability along with interest, or

(ii) explain the difference, within 7 days period.

On receiving such intimation, Mr. Sameer should either

(i) deposit the amount specified in the said intimation fully or partially, along with interest and furnish the details on the common portal or

(ii) furnish a reply explaining the reasons for any amount of differential tax liability remaining unpaid, within 7 days period.

Where any amount specified in the said intimation remains unpaid within 7 days' period and where no explanation is furnished by Mr. Sameer or where the explanation furnished by him is not found to be acceptable by the proper officer, the said amount shall be recoverable from him.

**Question 19**

***Briefly explain the manner of dealing with difference in ITC available in auto-generated statement containing the details of ITC and that availed in return prescribed in terms of rule 88D of the CGST Rules, 2017.*** **(RTP Sep 24)**

**Solution:**

*Rule 88D of the CGST Rules, 2017 provides as follows:*

*Where the amount of ITC availed by a registered person in the return for a tax period(s) furnished by him in Form GSTR-3B exceeds the ITC available to such person in accordance with the auto-generated statement containing the details of ITC in Form GSTR-2B in respect of the said tax period(s), by specified amount and percentage, the said registered person shall be given an intimation in prescribed form electronically on the common portal, and a copy of such intimation shall also be sent to his e-mail address provided at the time of registration or as amended from time to time. Said intimation shall highlight the sald difference and will direct him to-*

*(a) pay an amount equal to the excess ITC availed in the said Form GSTR-3B, along with interest payable under section 50 of the CGST Act, 2017, through prescribed form, or*

*(b) explain the reasons for the aforesaid difference in ITC on the common portal, within a period of 7 days.*

*Such registered person shall, upon receipt of said intimation, elther,*

*(a) pay an amount equal to the excess ITC, as specified in intimation, fully or partially, along with interest payable, through prescribed form and furnish the details thereof, electronically on the common portal, or*

*(b) furnish a reply, electronically on the common portal, incorporating reasons in respect of the amount of excess ITC that has still remained to be paid, within 7 days' period.*

*Where any amount specified in the intimation remains to be paid within 7 days' period and where no explanation/reason is furnished by the registered person in default or where the explanation/reason furnished by such person is not found to be acceptable by the proper officer, the said amount shall be liable to be demanded in accordance with the provisions of section 73/section 74 of the CGST Act, 2017.*

**Question 20**

***Who can be registered as Goods and Service Tax Practitioners under Section 48 of the CGST Act?***

**(PYP 5 Marks, Jul'21, MTP 5 Marks Aug'24)**

**Solution:**

*Following persons can be registered as Goods and Service Tax Practitioners:*

*Any person who, (i) is a citizen of India; (ii) is a person of sound mind; (iii) is not adjudicated as insolvent; (iv) has not been convicted by a competent court; and satisfies any of the following conditions, namely that he:*

1. *is a retired officer of Commercial Tax Department of any State Govt./ CBIC who, during service under Government had worked in a post not lower than the rank of a Group-B gazetted officer for a period 22 years, or*
2. *is enrolled as a Sales Tax Practitioner or Tax Return Preparer under the erstwhile indirect tax laws for a period of not less than 5 years, or*
3. *acquired any of the prescribed qualifications*

4. has passed Graduate/postgraduate degree or its equivalent examination having a degree in specified disciplines, from any Indian University or a degree examination of any Foreign University recognised by any Indian University as equivalent to degree examination
5 has passed any other notified examination
6. has passed final examination of ICAI/ICSI/ Institute of Cost Accountants of India

Note: Any 3 points may be mentioned.

**Question 21**

***How a return can be revised after filing of the same, if some changes are required to be made?***

**(MTP 5 Marks, Mar 24, May'20, Mar'19, Mar 21, Oct'22, Sep'23, SM)**

**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 amendment in the details of those individual 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.

Omission or incorrect particulars discovered in the returns filed under section 39 of the CGST Act, 2017 can be rectified in the return to be filed for the month 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. However, no such rectification of any omission or incorrect particulars is allowed after 30th November following the end of the financial year to which such details pertain, or the actual date of furnishing of relevant annual return, whichever is earlier.

**Question 22**

***The aggregate turnover of Mr. Prithvi, a registered person for the FY 2022–23 and 2023–24 were 140 lakh and 170 lakh respectively. He has not filed the annual return (GSTR-9) under section 44(1) of CGST Act, 2017 before the due date.***

***Discuss the penal provisions, if any, for not filing the returns before the due date.***

**(PYP 3 Marks, Jan'21)**

**Solution:**

The penal provisions for not filing the annual return (GSTR-9) under section 44(1) of the CGST Act, 2017 before
the due date are as under: –
Registered persons having aggregate turnover ≤ 5 crores in the relevant FY

(a) ₹50 for every day during which such failure continues (₹25 CGST + ₹₹25 SGST/UTGST)
or

(b) 0.04% (0.02% CGST + 0.02% SGST/UTGST) of the turnover of the registered person in the State/Union Territory whichever is lower.

**Question 23**

***Explain who is required to furnish final return, time limit for filing of final return and late fee for delay in filing final return.***

**(PYP 5 Marks, Jul'21, PYP 5 Marks May'18, MTP 3 Marks Aug'18)**

**Solution:**

*Every registered person who is required to furnish a return and whose registration has been surrendered or cancelled is required to file a final return.*

*The final return has to be filed within 3 months of the:*

*(i) date of cancellation or*

*(ii) date of order of cancellation whichever is later.*

*Quantum of late fee for not filing the final return is as follows:*

*(i) ₹100 for every day during which such failure continues or*

*(ii) ₹5,000 whichever is lower.*

*An equal amount of late fee is payable under the respective SGST/UTGST Act as well.*

**Question 24** LDR

**(a) Mr. Ayushman, a registered person having intra-State aggregate turnover of ₹1.2 crores in the preceding financial year did not file GSTR-3B for the month of September, 2024 by 10th November, 2024. The amount of tax payable for the month of September, 2024 is 8 lakh. All his supplies are intra-State supplies. Is there any late fee payable for the same? If yes, what is the amount of late fee payable?**

**(b) Will your Answer be different in (a), if Mr. Ayushman has intra-State aggregate turnover of ₹ 5 crores in the preceding financial year?**

**(c) Will your Answer be different in (a), If total amount of tax payable in the GSTR-3B for the month of September is Nil?** (RTP May'22)

**Solution:**

*(1) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is ≤1.5 crores in the preceding FY, and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of ₹2,000 (₹ 1,000 each under CGST & SGST or ₹2,000 under IGST) or ₹50 (₹25 CGST+25 SGST/UTGST) for every day during which such failure continues whichever is lower.*

*(II) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, the registered persons whose aggregate turnover is more than ₹1.5 crores but less than equal to ₹5 crores in the preceding FY, and who fails to furnish the returns required under section 39 by the due date shall pay a late tee of ₹5,000 (₹2,500 each under CGST & SGST or ₹ 5,000 under IGST). Thus, late fee is payable in the given case and the amount of late fee payable is ₹5,000 (₹2,500 each under CGST & SGST) or ₹50 (25 CGST+25 SGST/UTGST) for every day during which such failure continues whichever is lower.*

*(III) As per section 47 of the CGST Act, 2017 read with Notification No 19/2021 CT dated 01.06.2021, any registered person whose total amount of tax payable in the GSTR-3B is Nil and who fails to furnish the returns required under section 39 by the due date shall pay a late fee of ₹ 500 (₹250 each under CGST & SGST or ₹500 under IGST) or ₹20 (₹10 CGST+₹10 SGST/UTGST) for every day during which such failure continues whichever is lower.*

**Question 25**

**Mehul Enterprises, registered under GST in Uttar Pradesh and a monthly return filer, is engaged in making taxable supplies of goods and services. It furnished the details of its outward supplies in Form GSTR-1 for the month of January on 11th February.**

**However, on 14th February, the accountant of Mehul Enterprises noticed**

***that one invoice issued to Vaishali Traders (registered in Gujarat) for supply of goods of value of ₹ 1,00,000 (taxable @ 18%) pertaining to January has been inadvertently missed to be declared in Form GSTR-1 furnished for January. He has approached you for the advice before furnishing Form GSTR-3B for the said month. You are required to briefly discuss whether Mehul Enterprises can amend the details of outward supply furnished in Form GSTR-1 of January. If such amendment is permitted and details of Form GSTR-1 are amended, whether the details of said invoice will be available in Form GSTR-2B of Vaishali Traders for the month of January.*** ***(RTP 2025)***

**Solution:**

*As per proviso to rule 59(1), a registered person may, after furnishing the details of outward supplies of goods or services or both in Form GSTR-1 for a tax period but before filing of return in Form GSTR-3B for the said tax period, at his own option, amend or furnish additional details of outward supplies of goods or services or both in Form GSTR-1A for the said tax period. Thus, Mehul Enterprises has the option to furnish the details of the invoice issued to Vaishali Traders in Form GSTR-1A on or after 14th February but before filing Form GSTR-3B for January. The corresponding effect of the changes made through Form GSTR-1A on the liability of Mehul Enterprises shall be reflected in Form GSTR-3B for January.*

*Further, rule 60(7) (iia) provides that the additional details or amendments in details of outward supplies furnished by the supplier in Form GSTR-1A filed after the due date of furnishing of Form GSTR-1 for the previous tax period shall be reflected in Form GSTR-2B for the current tax period. This implies that the ITC for the supplies declared or amended by the suppliers through Form GSTR-1A will be available to the recipient in Form GSTR-2B generated for the next tax period.*

Thus, the details of missing invoice of *Vaishali Traders will be available in* its Form GSTR-2B for the month of February.

**Question 1**

***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 for supply to Prakash Entrepreneurs. Determine the date by which tax invoice must be issued by Sultan Industries Ltd. under GST law.***

**Solution:**

*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. Accordingly, in the given case, the tax invoice must be issued on or before 29th September.*

**Question 2**

***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.*

**Question 3**

**The aggregate turnover of Sangri Services Ltd., Delhi, 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 advice 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.**

**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 31read 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.

**Question 4**

***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:**

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 the CGST Rules, 2017].

**Question 5** LDR

***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. For the occasion, it gets the service by way of makeover of its models from Aura Beauty Services Ltd., Ashok Vihar, on 4th January, for which a consideration of ₹ 5,00,000 (excluding GST) has been charged. Aura Beauty Services Ltd. issued a duly signed tax invoice on 10th February showing the lumpsum amount of ₹ 5,90,000 inclusive of CGST and SGST @ 9% each for the services provided. Answer the following questions:***

***(i) Examine whether the tax invoice has been issued within the time limit prescribed under law.***

***(ii) 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.***

**Solution:**

**(i)** 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.*

(ii) 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, 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 charged in respect of taxable goods or services 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.

**Question 6**

***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.

**Question 7**

***Rana Sanga Ltd., a registered supplier, has made following taxable supplies to its customer Babur in the quarter ending 30th June.***

| Date | Bill No. | Particulars | Invoice value (including GST)[₹] |
|---|---|---|---|
| 5th April | 102 | Notebooks [10 in numbers] | 1,200 |
| 10th May | 197 | Chart Paper [4 in number] | 600 |
| 20th May | 230 | Crayon colors [2 packets] | 500 |
| 2nd June | 254 | Poster colors [5 packets] | 900 |
| 22nd June | 304 | Pencil box [4 sets] | 700 |

***Goods in respect of bill no. 102, 230 and 254 have been returned by Babur. You are required to advise Rana Sanga Ltd. whether it can issue a consolidated credit note against all the three invoices?***

**Solution:**

Where one or more tax invoices have been issued for supply of any goods and/or services and

(a) the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or
(b) where the goods supplied are returned by the recipient, or
(c) 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.

**Question 8**

***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.

**Question 9** LDR

***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.

**Question 10**

***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.

**Question 11**

***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 for supply to Suraj Enterprises. 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).

**Question 12**

***Trust and Fun Ltd., an event management company, has provided its services for an event at Kapoor 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.*

**Question 13**

***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.***

**Solution:**

*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. 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. Therefore, 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.*

**Question 14**

***Bhoj Raj, a registered person, has availed GTA services from unregistered supplier, 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.***

**Solution:**

*Bhoj Raj is required to issue an invoice with regard to the GTA services availed by him. A registered person who is liable to pay tax under sub-section (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 who is not registered on the date of receipt of goods or services or both.*

**Question 15**

**Luv & Kush Pvt. Ltd. of Meghalaya engaged in the supply of gifts items and repair services, provides you the following details:-**

| S. No. | Particulars | Date |
|---|---|---|
| 1 | Commencement of the business of supplying goods and services | 1st August |
| 2. | Turnover exceeds ₹ 10,00,000 on | 15th August |
| 3. | Turnover exceeds ₹ 20,00,000 on | 5thSeptember |

| | | |
|---|---|---|
| 4. | Application for registration made on | 28th September |
| 5. | Registration certificate granted on | 6th October |

**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.**

**Solution:**

A supplier of both goods and services whose aggregate turnover in a financial year exceeds ₹ 20 lakh in a State/UT [₹ 10 lakh in specified Special Category States] 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) in terms of section 22. Since Meghalaya is not a specified Special Category State, applicable threshold limit is ₹ 20 lakh.

Further, 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 within 1 month from the date of issuance of registration certificate in respect of taxable supplies effected during this period i.e. from the effective date of registration till the date of issuance of registration.

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. 5th September.

Thus, Luv & Kush Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (5th September) and the date of issuance of registration certificate (6th October), within 1 month from 6th October.

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 where the value of supply does not exceed ₹ 2.5 Lakh, a consolidated revised invoice may be issued separately in respect of all unregistered recipients located in a State.

**Question 16**

**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.

**Question 17** LDR

**Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March:**

**(i) Value of supply charged in invoice no. 1 was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000.**

**(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 the CGST Act, 2017 in each of the above circumstances?**

**(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. in all the cases.

(2) Yes, debit/credit note need to be issued in each of the circumstances as under:

(i) A credit note is required to be issued as the taxable value in invoice no. 1 exceeds the actual taxable value.

(ii) A debit note is required to be issued as the tax charged in the invoice no. 4 is less than the actual tax payable.

(iii) 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 November** following the end of the financial year in which such supply was made or the date of furnishing of the relevant annual return, whichever is earlier.

**Question 18**

**What are the documents and devices to be carried by person-in-charge of conveyance under rule 138A of CGST Rules, 2017?**

**Solution:**

The person-in-charge of a conveyance has to carry –

(a) the invoice or bill of supply or delivery challan, as the case may be; and

(b) a copy of the e-way bill in physical form or the e-way bill number in electronic form or mapped to a Radio Frequency Identification Device embedded on to the conveyance [except in case of movement of goods by rail or by air or vessel] in such manner as may be notified by the Commissioner

**Question 19**

***Explain the meaning of consignment value of goods.***

**Solution:**

*Consignment value of goods shall be the value:*

- *determined in accordance with the provisions of section 15,*
- *declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and*
- *also includes the Central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document and*
- *shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.*

**Question 20**

***Mr. X, a registered person has caused movement of goods of consignment value exceeding ₹ 50,000 in relation to a supply and thus, generated e-way bill. However, after generation of e-way bill, he found a mistake in the e-way bill and wants to edit it. You are required to advise Mr. X whether he can do so with the help of relevant provisions?***

**Solution:**

*If there is a mistake, incorrect or wrong entry in the e-way bill, then it cannot be edited or corrected. Only option is cancellation of e-way bill within 24 hours of generation and generate a new one with correct details.*

*Thus, in view of the above-mentioned provisions, Mr. X cannot edit the e- way bill. However, he can cancel the e-way bill within 24 hours of generation and generate a new one with correct details.*

**Question 21**

***Talli Lal, a registered person, has transported alcoholic liquor for human consumption of consignment value of ₹ 1,50,000 from Delhi to Haryana. He has not generated e-way bill for the same. You are required to examine the correctness of action taken by Talli Lal.***

**Solution:**

*E-way bill is not required to be generated where the goods being transported are alcoholic liquor for human consumption.*

*Thus, the action of Talli Limited of not generating the e-way bill is correct in law.*

**Question 22**

***Dhananjay Associates registered in Gujarat deals in industrial grade iron and steel products. The proprietor of Dhananjay Associates sold TMT Iron bars (GST applicable @18%) to a retailer in Maharashtra at a value of ₹ 40,000 (excluding GST). As per the agreement of sale, goods are to be delivered at the premises of retailer. The transportation cost of ₹ 7,000 has been charged separately to deliver the same to the retailer in Maharashtra. In the above scenario, determine whether an e-way bill is required to be issued under GST?***

**Solution:**

*Consignment value of goods is the value determined in accordance with the provisions of section 15, and also includes the central tax, state or union territory tax, integrated tax and cess charged, if any, in the document.*

*Further, since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are to be added in the value of principal supply.*

*Accordingly, the value of supply as per section 15 in the given case would include the transportation cost in the invoice value i.e. 47,000 (₹ 40,000 + ₹ 7,000).*

Consignment value = ₹ 47,000 × 118% = ₹ 55,460.

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 issued under GST in the given case.

**Question 23**

**The aggregate turnover of M/s Mangal & Co., a registered person, for the financial year 2023-2024 was 8 Crores. It approaches you as GST Consultant for the issue of e-Invoicing.**
**Advice whether it is mandatory to issue e-invoice?**
**Also list out the entities which are exempt from the mandatory requirement of e-invoicing.**

**(RTP May 24, PYP 2 Marks Sep/24)**

**Solution:**

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

Hence, it is mandatory for M/s Mangal & Co. to issue e-invoices.

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

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

Further, the above taxpayers exempted from the mandatory requirement of e-invoicing are required to provide a declaration on the tax invoice stating that though their aggregate turnover exceeds the notified aggregate turnover for e-Invoicing, they are not required to prepare an e-invoice.

Thus, above mentioned entities are not required to Issue e invoices even if their turnover exceeds ₹5 crore in the preceding financial year from 2017-18 onwards but are required to provida a declaration as discussed above.

**Question 24** **LDR**

**Under what circumstances does the need of issuance of debit note and credit note arise under section 34 of CGST Act, 2017**

**Solution:**

Debit note is required to be issued

(i) if taxable value charged in the tax invoice is found to be less than the taxable value in respect of supply of goods and/or services or
(ii) if tax charged in the tax invoice is found to be less than the tax payable in respect of supply of goods and /or services

Credit note is required to be issued:-

(i) If taxable value charged in the tax invoice is found to exceed the taxable value in respect of supply of goods and/or services, or
(ii) If tax charged in the tax invoice is found to exceed the tax payable in respect of supply of goods and /or services, or
(iii) if goods supplied are returned by the recipient, or
(iv) if goods and /or services supplied are found to be deficient.

**Question 25** LDR

**Jai, registered supplier, runs a general store in Ludhiana, Punjab. Some of the goods sold by him are exempt whereas some are taxable. You are required to advise him on the following issues:**

**(i) Whether Jai is required to issue a tax invoices in all cases, even if he is selling the goods to the end consumers?**

**(ii) Jai sells some exempted as well as taxable goods valuing Rs 5,000 to a school student. Is he mandatorily required to issue two separate GST documents?**

**(iii) Jai wishes to know whether it's necessary to show tax amount separately in the tax invoices issued to the customers. You are required to advise him.**

**Solution:**

(i) No, he is not required to issue tax invoice in all cases. As per section 31(1) of the CGST Act, 2017, every registered person supplying taxable goods is required to issue a 'tax invoice'. Section 31(3)(c) of the CGST Act, 2017 stipulates that every registered person supplying exempted goods is required to issue a bill of supply instead of tax invoice.

Further, rule 46A of the CGST Rules, 2017 provides that a registered person supplying taxable as well as exempted goods or services or both to an un-registered person may issue a single 'invoice-cum-bill of supply' for all such supplies.

However, as per section 31(3)(b) of the CGST Act, 2017 read with rule 46 of the CGST

(i) value of the goods supplied < Rs 200,
(ii) the recipient is unregistered; and
(iii) the recipient does not require such invoice.

Instead, such registered person shall issue a Consolidated Tax Invoice for such supplies at theclose of each day in respect of all such supplies.

(ii) As per rule 46A of the CGST Rules, 2017, 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. Thus, there is no need to issue a tax invoice and a bill of supply separately to the school student in respect of supply of the taxable and exempted goods respectively.

(iii) As per section 33 of the CGST Act, 2017, 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. Hence, Jai has to show the tax amount separately in the tax invoices issued to customers.

**Question 26**

**Discuss the provisions relating to issue of an invoice/document in the following circumstances:**

**(i) Advance payment is received against a supply, but subsequently no supplies are made.**

**(ii) Goods are sent on approval for sale or return and are removed before the supply takes place.**

**(iii) Malcolm provides continuous supply of services to his client, where the due date of payment for such services is not ascertainable. No advance has been received in this behalf.**

(ii) the recipient is unregistered; and

(iii) the recipient does not require such invoice.

**Solution:**

(i) As per section 31(3)(e) of CGST Act, 2017, where advance payment is received against a supply for which receipt voucher has been issued, but subsequently no supplies are made and no tax invoice is issued in pursuance thereof, a refund voucher has to be issued to the person who had made the advance payment.

(ii) As per section 31(7) of CGST Act, 2017, where the goods are sent on approval for sale or return and are removed before the supply takes place, the invoice shall be issued before or at the time of supply or6 months from the date of removal, whichever is earlier.

(iii) As per section 31(5)(b) of CGST Act, 2017, in case of continuous supply of services, 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.

**Question 27**

**When should a Tax Invoice be issued for supply of Goods?**

**Solution:**

- If movement of goods is involved, then the tax invoice has to be issued before or at the time of removal of the goods for supply to the recipient.
- If movement of goods is not involved, then the tax invoice has to be issued before or at the time of the goods are delivered to the recipient or when the goods are made available to the recipient.

**Question 28** LDR

**With reference to the provisions relating to the electronic way bill (E-way bill) as prescribed under the GST laws, Solution the following questions:**

**(i) Sindhi Toys Manufacturers, registered in Punjab, sold electronic toys to a retail seller in Gujarat, at a value of Rs 48,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of such toys to the retail seller in Gujarat.**

**You are required to advise Sindhi Toys Manufacturers on the following issues:**

**a) Whether e-way bill is mandatorily required to be generated in respect of such movement of goods?**

**b) If yes, who is required to generate the e-way bill?**

**c) What will be the consequences for non-issuance of e-way bill?**

**(ii) Power Electricals Ltd., a registered supplier of air-conditioners, is required to send from Mumbai (Maharashtra), a consignment of parts of air-conditioner to be replaced under warranty at various client locations in Gujarat. The value of consignment declared in delivery challan accompanying the goods is Rs 70,000. Power Electricals Ltd. claims that since movement of goods to Gujarat is caused due to reasons other than supply, e-way bill is not mandatorily required to be generated in this case.**
**You are required to examine the technical veracity of the claim made by Power Electricals Ltd.**

**(iii) Beauty Cosmetics Ltd. has multiple wholesale outlets of cosmetic products in Mumbai, Maharashtra. It receives an order for cosmetics worth RS 1,20,000 (inclusive of GST leviable @ 18%) from Prasannaa, owner of a retail cosmetic store in Delhi. While checking the stock, itis found that order worth Rs 55,000 can be fulfilled from the company's Dadar (Mumbai) store and remaining goods worth Rs**

**65,000 can be sent from its Malad (Mumbai) store. Boththe stores are instructed to issue separate invoices for the goods sent to Prasannaa. The goods are transpotted to Prasanna in Delhi, in a single conveyance owned by Radhey Transporters.**

**You are required to advise Beauty Cosmetics Ltd. with regard to issuance of e-way bill(s).**

**Solution:** *(i)*

(a) *Rule 138(1) of the CGST Rules, 2017 provides that e-way Bill is mandatorily required to be generated if the goods are moved, inter alia, in relation to supply and the consignment value exceeds Rs 50,000. Further, explanation 2 to rule 138(1) stipulates that the consignment valueo f goods shall be the value, determined in accordance with the provisions of section 15, declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and also includes CGST, SGST/UTGST, IGST and cess charged, if any, in the document and shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods. Accordingly, in the given case, the consignment value will be as follows:*

*=Rs 48,000 X 118%*

*= Rs 56,640.*

Since the movement of goods is in relation to supply of goods and the consignment value exceeds Rs 50,000, e-way bill is mandatorily required to be issued in the given case.

(b) An e-way bill contains two parts namely, Part A to be furnished by the registered person who is causing movement of goods of consignment value exceeding Rs 50,000/~ and part B (transport details) is to be furnished by the person who is transporting the goods. Where the goods are transported by the registered person as a consignor or the recipient of supply as the consignee, whether in his own conveyance or a hired one or a public conveyance, by road, the said person shall generate the e-way bill on the common portal after furnishing information in Part B [Rule 138(2)].

Where the goods are transported by railways or by air or vessel, the e-way bill shall be generated by the registered person, being the supplier or the recipient, who shall, either before or after the commencement of movement, furnish, on the common portal, the information in Part B [Rule 138(2A)].

Where the goods are handed over to a transporter for transportation by road, the registered person shall furnish the information relating to the transporter on the common portal and the e-way bill shall be generated by the transporter on the said portal on the basis of the information furnished by the registered person in Part A [Rule 138(3)].

Where the consignor or the consignee has not generated the e-way bill and the aggregate of the consignment value of goods carried in the conveyance is more than Rs 50,000/, the transporter, except in case of transportation of goods by railways, air and vessel, shall, in respect of inter-State supply, generate the e-way bill on the basis of invoice or bill of supply or delivery challan, as the case may be, and may also generate a consolidated e-way bill on the common portal prior to the movement of goods [Rule 138(7)1.

(c) *It is mandatory to generate e-way bill in all cases where the value of consignment of goods being transported is more than Rs 50,000/- and it is not otherwise exempted in terms of rule 138(14) of CGST*

Rules, 2017.

If e-way bills, wherever required, are not issued in accordance with the provisions contained in rule 138, the same will be considered as contravention of rules. All such goods and conveyance used as a means of transport for carrying the said goods and documents relating to such goods and conveyance shall be liable to detention or seizure.

(ii) The goods to be moved to another State for replacement under warranty is not a 'supply'. However, rule 138(1) of the CGST Act, 2017, inter alia, stipulates that every registered person who causes movement of goods of consignment value exceeding Rs 50,000:

(i) in relation to a supply; or

(ii) for reasons other than supply; or

(iii) due to inward supply from an unregistered person,

shall, generate an electronic way bill (E-way Bill before commencement of such movement.

CBIC via FAQs on E-way Bill has also clarified that even if the movement of goods is caused due to reasons others than supply [including replacement of goods under warranty], e-way bill is required to be issued.

Thus, in the given case, since the consignment value exceeds Rs 50,000, e-way bill is required to be mandatorily generated. Therefore, the claim of Power Electricals Ltd. that e- way bill is not mandatorily required to be generated as the movement of goods is caused due to reasons other than supply, is not correct.

(iii) Beauty Cosmetics Ltd. would be required to prepare two separate e-way bills since each invoice value exceeds Rs 50,000 and each invoice is considered as one consignment for the purpose of generating e-way bills.

The FAQs on E-way Bill issued by CBIC clarify that if multiple invoices are issued by the supplier to one recipient, that is, for movement of goods of more than one invoice of same consignor and consignee, multiple e-way bills have to be generated. In other words, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved. Multiple invoices cannot be clubbed to generate one e-way bill. However, after generating all these e-way bills, one consolidated e- way bill can be prepared for transportation purpose, if goods are going in one vehicle.

**Question 29** LDR

**Happy Company is a registered supplier of electric goods. It has three stores for electric goods in Jodhpur (Rajasthan) namely Ram Store, Shyam Store, Mohan Store. It receives an order for supply of electric goods worth Rs 1,40,000 (exclusive of GST @ 18%) from Kishan Sons of Bhopal (Madhya Pradesh). Happy Company found that order worth Rs 43,000 can be fulfilled from the company's Ram Store, order worth Rs 45,000 can be fulfilled from its Shyam Store and remaining goods worth Rs 52,000 can be sent from its Mohan Store. All three stores are instructed to issue separate invoices for the goods sent to Kishan Sons. The goods are transported to Kishan Sons in Bhopal in a single conveyance owned by Shiv Transporters.**

**You are required to advise Happy Company with regard to issuance of e-way bills as per the provisions of the CGST Act, 2017.**

**Solution:**

Rule 138 of the CGST Rules, 2018 stipulates that e-way Bill is mandatorily required to be generated if the goods are moved, inter alia, in relation to a supply and the consignment value[including CGST, SGST/UTGST, IGST

and cess charged] exceeds Rs 50,000.

Further, the FAQs on E-way Bill issued by CBIC clarify that if multiple invoices are issued by the supplier to one recipient, multiple e-way bills have to be generated – one e-way bill for each invoice. Each invoice is considered as separate consignment for the purpose of generating e-way bills.

In the given case, consignment value of goods supplied against separate invoices from Ram Store, Shyam Store and Mohan Store is Rs 50,740 [Rs 43,000 X 118%)], Rs 53,100 [Rs 45,000% 118%] and Rs 61,360 [Rs 52,000 X 118%)] respectively.

Thus, Happy Company is required to prepare 3 separate e-way bills since value of each invoice exceeds Rs 50,000.

**Question 30**

***Discuss the correctness of the following statements:-***

***(i) Once generated, an e-way bill cannot be cancelled.***

***(ii) E-way bill generated in one State is valid in another State.***

**Solution:**

(i) 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.

(ii) 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.

**Question 31** LDR

***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 Rs. 30 crore and Rs. 25 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 if of the view that it's 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? Also explain the advantages of e-invoicing, if any.***

**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 preceding financial year greater than Rs. 5 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 Rs. 5 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.

E-invoice has many advantages for businesses, which have been given as under:-

1. Auto-reporting of invoices into GST return and auto-generation of e-way bill (wherever required). Under e-invoicing, business has to report the B2B invoice data only once in the e- invoice form and the same is reported in multiple forms (GSTR-1, e-way bill etc.). E-way bill can be auto-generated using e- invoice data. GSTR-1 can also be

auto populated with the e- invoice data. It will become part of the business process of the taxpayer.

2. Accuracy/Reconciliation. Since same data is reported to tax department as well as to the buyer to prepare his inward supplies (purchase) register, transcription errors are reduced. On receipt of information through GST System, buyer can do reconciliation with his Purchase Order.

3. Early payment. E-invoicing facilitates standardisation and inter-operability leading to reduction of disputes among transacting parties and thus, improving payment cycles.

4. Cost reduction. E-invoicing helps in reducing processing costs and thus, leads to improvement of overall business efficiency.

5. Reduction of tax evasion. Since a complete trail of B2B invoices is available with the Department, it will enable the system-level matching of input tax credit and output tax thereby reducing the tax evasion.

6. Elimination of fake invoices. E-invoicing eliminates the fake invoices. Claiming fictitious input tax credit (ITC) by raising fake invoices is also one of the biggest challenges currently faced by tax-authorities. The e-invoice system helps to curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities have access to data in real-time.

7. Paper Elimination. E-invoicing helps in paper elimination and thereby it is eco- friendly.

**Question 32**

***Determine in which of the following independent cases, e-invoicing is applicable?***

***(i) Harnam & Co., dealing in interior decoration products made supplies to various registered and unregistered persons in the preceding financial year. The aggregate turnover of Harnam & Co. in the preceding financial year is Rs. 60 crore.***

***(ii) Rich & Poor Bank, registered under GST has an aggregate turnover of Rs. 75 crore in the preceding financial year.***

***Solution:***

All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017–18 onwards greater than Rs. 5 crore are required to issue e- invoices in respect of B2B supplies (supply of goods and/or services to a registered person).

Further, following entities are exempt from the mandatory requirement of e-invoicing:-

(a) Special Economic Zone units

(b) Insurer or banking company or financial institution including NBFC

(c) GTA supplying services in relation to transportation of goods by road in a goods carriage

(d) Supplier of passenger transportation service

(e) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens

(f) A government department and Local authority

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

In view of the above mentioned provisions, the answer to the independent cases are as under:-

(i) The aggregate turnover of Harnam & Co. exceeds the threshold limit of aggregate turnover applicable for e-invoicing. Thus, Harnam & Co. is mandatorily required to issue e-invoices in respect of supplies made to registered persons.

(ii) Banking company is specifically exempt from mandatory requirement of e-invoicing even if the turnover exceeds Rs.5 crore in the preceding financial year. Thus, e- invoicing is not applicable to Rich & Poor Bank

**Question 33**

***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 there under.***

**Solution:**

In the given scenario, only one e-way bill is required to be issued.

Part A can be filled by either Mr. Shah or recipient of goods or Mehta Transporter on the appropriate authorisation.

Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in Part A, or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in the e-way bill on the common portal in Part B.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, who has filled Part A of the e- way bill, or Mehta Transporter can, before the transfer and further movement of goods, update the details of conveyance in Part B of the e-way bill.

Further, the consignor or the recipient, who has furnished the information in Part A, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B for further movement of the consignment.

Thus, on reaching Kheda, Mr. Shah or the recipient of the goods, or Mehta Transporter can

assign the said e-way bill to Parikh Transporter who will thereafter update the details of conveyance in Part B.

However, upon updation of the details of the conveyance by Parikh transporter in Part B, Mr. Shah or recipient, as the case may be, who has furnished the information in Part A shall not be allowed to assign the e-way bill number to another transporter.

**Question 34** LDR

***Answer the Following Questions***

***(a) 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.***

consignor or the recipient, who has provided information in Part A, of the

***During the month of October, 2019, 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.***

***(b) 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.***

**Solution:**

(a) *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.*

(b) *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:*

(i) *If it is over dimensional cargo: the validity period of the e-way bill is one day from relevant date up to 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*

(ii) *If it is a cargo other than over dimensional cargo: the validity period of the e- way bill is one day from relevant date upto 200 km and one additional day for every 200 km or part thereof thereafter.*
*Thus, validity period in given case:*
*=1 day + 1 day*
*=2 days*

**Question 35**

***"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 EWay Billunder CGST Rules, 2017.***

**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 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:*

*(i) from the place of business of the consignor to the place of business of the transporter for further transportation or*

(ii) from the place of business of the transporter finally to the place of business of the consignee.

**Question 36** LDR

PYQ Dec 21

1. **Is 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**

2. **What is 'e-invoicing'?**

3. **What is the threshold limit for mandatory issuance of E-invoice for all registered businesses?**

4. **Enumerate the persons to whom provisions of e invoicing is applicable**

5. **What are the advantages of E invoicing**

6. **A 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.**

7. **When will the e-way bill be generated and for how many days it will be valid?**

**Solution.**

1. Dynamic QR code is applicable to invoices issued in respect of supplies made to unregistered persons by a registered supplier provided its aggregate turnover in any preceding financial year from 2017–18 onwards exceeds 500 crores.

However, it is not applicable to following suppliers issuing invoices to unregistered persons:-

(i) Insurer or banking company or financial institution including NBFC

(ii) GTA supplying services in relation to transportation of goods by road in a goods carriage

(iii) Supplier of passenger transportation service

(iv) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens

(v) Supplier of online information and database access or retrieval (OIDAR) services

2. E-invoicing is reporting of business to business (B2B) invoices to GST system for certain notified category of taxpayers.

3. The threshold limit for mandatory issuance of e-invoice for all registered businesses is 5crores

4. Mandatory e-invoicing is applicable to all registered businesses whose aggregate turnover (based on PAN) in any preceding financial year from 2017–18 onwards exceeds 5 Crore will be required to issue e-invoices for B2B supplies or for exports

Exception: Following persons are exempted from the mandatory requirement of e-invoicing:-

1. A Government Department

2. A local Authority

3. *Special Economic Zone (SEZ) units*

4. *Insurer or banking company or financial institution including NBFC*

5. *GTA supplying services in relation to transportation of goods by road in a goods carriage*

6. *Supplier of passenger transportation service*

7. *Person supplying services of admission to exhibition of cinematograph fims in multiplex screens*

*Clarification*

*CBIC has clarified that exemption from the mandatory requirement of e-invoices, in the above mentioned cases, is available for the entire entity as a whole and is not restricted by the nature of the supply being made by the entity*

*1. The advantages of E-invoicing are as follows*

1. *Auto-reporting of invoices into GST return & auto-generation of e-way bill (wherever required):- Once B2B invoice data is reported in e-invoice form, the same is reported in multiple forms (GSTR-1, e-way bill etc.)*

2. *Substantial reduction in transcription errors & Reconciliation:- Same data gets reported to tax department & to buyer to prepare his inward supplies register. Buyer can reconcile with his Purchase Order.*

3. *Matching of ITC & output tax by Dept. & reduces tax evasion:- A complete trail of B2B invoices is available with Department which enables the system-level matching of ITC & output tax thereby reducing the tax evasion.*

4. *Eliminates fake invoices:- Claiming fictitious ITC by raising fake invoices is eliminated. E-invoice system helps to curb actions of unscrupulous taxpayers & reduces fraud cases as tax authorities have access to data in real-time.*

5. *Other Advantages:-*
   - *Facilitate standardisation & inter-operability,*
   - *Reduction of disputes among transacting parties,*
   - *Better relationship,*
   - *Eco-friendly as it eliminates paper,*
   - *Improve payment cycles,*
   - *Interal controls,*
   - *Reduction of processing costs &*
   - *Improving overall business efficiency greatly*

2. *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*

**Question 37** LDR

PYQ May 22

***M/S. Xing Trans Of Kolkata is engaged in the trading of transmitters. On 20/05/2021, M/s. Xing Trans has sent 500 units of transmitters for***

**exhibitions at chennai on sale or return basis. Out of the said 500 units, 300 units have been sold on 28/07/2021 at the exhibition. Out of remaining 200 units ,150 units have been brought back to kalkata on 25/11/2021 and balance 50 units have neither been sold nor brought back**

**Solution.**

*Where the goods being sent for sale or return are removed before the supply takes place, the tax invoice shall be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier.*

*In the given case, 500 units of transmitters have been sent for exhibition on sale or return basis out of which 300 units are sold before 6 months from the date of removal. Thus, tax invoice for said 300 units needs to be issued before or at the time of supply of such goods, i.e. up to 28/07/2021.*

*Remaining 200 (150+ 50) units have neither been sold nor brought back till the expiry of 6 months from the date of removal goods, i.e. 20/11/2021. Thus, tax invoice for said 200 units needs to be issued up to 20/11/2021.*

**Question 38**

PYQ May 22

***"One consolidated e-way bill can be generated for multiple invoices"". Comment on the validity of the above statement with reference to GST law***

**Solution.**

The statement is invalid.

Multiple invoices cannot be clubbed to generate one e-way bill. *If multiple invoices are issued by the supplier to recipient, for movement of such goods, multiple e-way bills have to be generated.*

*Thus, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved.*

*However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.*

**Question 39**

PYQ May 23

***When goods are transferred by principal to job worker, there is no need to issue e-way bill. Comment on the validity of the above statement with reference to GST Laws***

**Solution.**

The said statement is not valid.

When goods are transferred by principal to job worker, e-way bill is required to be mandatorily issued:

- in case of intra-State transfer, if consignment value exceeds 50,000, and
- in case of inter-State transfer, irrespective of the value of the consignment

**Question 40**

***Whether e-way bill is required to be generated if the goods in given case are transported by a non-motorised conveyance?***

**Solution.**

*No, e-way bill is not required to be generated, if goods are being transported by a non-motorised conveyance*

**Question 41**

***Time limit to accept / reject the E way Bill for supplier or recipient***

**Solution.**

*Information furnished in Part A of e- way bil by the recipient/ transporter or by the supplier/transporter, as the case may be, shall be accepted or rejected by the supplier/recipient within the Earlier of:-*

- *72 hours of details being made available to him on common portal or*
- *Time of delivery of goods*

*If such supplier/ recipient does not communicate his acceptance or rejection within this time, then it shall be deemed to be accepted*

**Question 42**

***(a) Eden Ltd., registered under GST and dealing in educational toys, has an aggregate turnover of 18 crore in the preceding financial year. The tax consultant of Eden Ltd. advised it o issue e-invoices mandatorily in the current financial year. However, Eden Ltd. is of the view that since it's aggregate turnover is less than the threshold limit applicable for e-invoicing, so it is not required fo issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.***

***(b) A Government Department is registered under GST. It's aggregate turnover in the preceding financial year is 22 crore. You are required to comment with the help of relevant provisions whether the said Department is required to issue e-invoices in the current financial year.***

**Solution.**

*(a) E-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017–18 onwards greater than 5 crore in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports. Thus, the advice given by tax consultant of Eden Ltd. for issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Eden Ltd. has exceeded the threshold limit i.e. 5 crore in the preceding financial year.*

*(b) Following entities are exempt from the mandatory requirement of e-invoicing:*

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

*Further, the above taxpayers exempted from the mandatory requirement of e- invoicing are required to provide a declaration on the tax invoice stating that though their aggregate turnover exceeds the notified aggregate turnover for e-invoicing, they are not required to prepare an e-invoice.*

*Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds 5 crore in the preceding financial year from 2017–18 onwards but are required to provide a declaration as discussed above.*

Thus, in the given case, the Government Department is not required to issue e-invoices in the current financial year even if it's aggregate turnover has exceeded 5 crore

**Question 43** LDR

***Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March:***

***(i) Value of supply charged in invoice no. 1 was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000.***

***(ii) Tax charged in invoice no. 4 was X 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?***

***(MTP 6 Marks, Oct'21 & April 22, Old & New SM)***

**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:
   - (i) A credit note is required to be issued as the taxable value in invoice no. 1 exceeds the actual taxable value.
   - (ii) A debit note is required to be issued as the tax charged in the invoice no. 4 is less than the actual tax payable.
   - (iii) 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 the return for the month of September As per amendment 30th November following the end of the financial year in which such supply was made or the date of furnishing of the relevant annual return, whichever is earlier.

**Question 44**

***Examine whether the following statements are true or false giving brief reasons:***

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

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

***(MTP 4 Marks March 18)***

**Solution.**

1. The given statement is false. A registered person paying tax under the provisions of section 10 [composition levy] is required to issue, instead of a tax invoice, a bill of supply containing the specified particulars in the prescribed manner [Section 31(3)(c) read with rule 49 of the CGST Rules].

2. He given statement is false. Composition tax payer is required to furnish return under section 39 for every quarter even if no supplies

*have been effected during such period. In other words, filing of Nil return is also mandatory*

**Question 45**

***Utsav Pvt. Ltd. of Meghalaya engaged in the supply of gifts items and repair services, provides you the following details:-***

| S. No. | Particulars | Date |
|---|---|---|
| 1. | Commencement of the business of supplying goods and services | 1st August |
| 2. | Turnover exceeds ₹ 10,00,000 on | 15th August |
| 3. | Turnover exceeds₹20,00,000 on | 5th September |
| 4. | Application for registration made on | 28th September |
| 5. | Registration certificate granted on | 6th October |

***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.***

*(MTP 6 Marks March 22, RTP Nov'18, Old & New SM)*

**Solution.**

*supplier of both goods and services whose aggregate turnover in a financial year exceeds ₹ 20 lakh in a State/UT [₹ 10 lakh in specified Special Category States] 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) in terms of section 22 of the CGST Act, 2017. Since Meghalaya is not a specified Special Category State, applicable threshold limit is % 20 lakh.*

*Further, 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 within 1 month from the date of issuance of registration certificate in respect of taxable supplies effected during this period i.e. from the effective date of registration till the date of issuance of registration.*

*Since Utsav 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. 5th September.*

*Thus, Utsav Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (5th September) and the date of issuance of registration certificate (6th October), within 1 month from 6th October.*

*Further, Utsav 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 in respect of all the recipients located in a State, if the value of a supply exceeds ₹ 2,50,000.*

**Question 46**

***Briefly discuss the following with reference to GST law:***

***(i) Revised Tax Invoice***

***(ii) Bill of Supply***

*(MTP 4 Mark April 23)*

**Solution.**

*(i) A 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 a revised tax invoice against the invoices already issued during said period, within 1 month from the*

date of issuance of certificate of registration in prescribed manner.

(ii) A registered person supplying exempted goods and/or services or paying tax under composition levy, shall issue in prescribed manner, a bill of supply instead of a tax invoice, containing prescribed particulars.

**Question 47**

***Mr Nandkishore registered under GST in Patiala, a regular return file supplies goods in bulks to Mr. Yash for selling to end consumers. Mr. Yash paying tax in regular seheme Maharashtra, has not filed GSTR- 3B for last 2 months. Mr. Nandkishore wants to generate e-way bill for goods amounting to Rs. 5,00,000 be supplied to Mr. Yash Also, Mr. Narayan from Jammu approached Mr. Yash for purchased goods amounting Rs.75,000. Mr. Yash wants to generate an e-way bill in respect of an outward Supply of goods to Mr. Narayan, Examine with reference to the provisions under GST law, whether Mr Nandkishore and Mr. Yash can generate e-way bill?***

***Solution.***

*Provision:*

- *As per Rule 138E, a taxpayer (consignor or consignee) shall be disabled from generating the e-way bill, if the GSTIN is not eligible for e-way bill generation*
- *Under this rule, GSTIN is blocked only for the defaulting supplier for e-way bill generation and not for the defaulting Recipient or Transporter*
- *A person paying tax under regular scheme who has not furnished the returns for a consecutive period of two tax periods is considered as a defaulting person.*
- *The suspended GSTIN cannot generate e-way bill as a supplier. However, it can get e-way bill generated as recipient or as transporter.*
- *In other words, e-way bill generation facility is blocked only for any outward movement of goods of registered person & not for his inward supplies*

*Discussion & Conclusion*

- *In the given case, there will be no restriction in generating e-way Bill by Mr. Nandkishore as Mr. Nandkishore who is making outward movement of goods is a regular return filer.*
- *But, E-way bill generation is blocked for movement of goods by Mr. Yash to Mr. Narayan as it is an outward movement of goods of Mr. Yash who has not filed GSTR-3B for past 2 months.*

**Question 48**

**(a) Fashion Queen Ltd., registered under GST and dealing in baby products has an aggregate turnover of Rs. 40 crores in the preceding financial year. The tax consultant of Fashion Queen Ltd. advised it to issue e-invoices mandatorily. However, Fashion Queen Ltd. is of the view that since it's aggregate turnover is less than the threshold limit applicable for e- invoicing, it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.**

***(b) Ministry of Communications and Information Technology, a Government Department registered under GST has an aggregate turnover of Rs. 52 crores in the preceding financial year. You are required to comment whether Ministry of Communications and Information Technology is required to issue e-invoices in the current financial year?***

*(RTP Nov 22)*

**Solution.**

(a) *With effect from 01.04.2022, e-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than Rs. 5 crores, in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports. Thus, the advice given by tax consultant of Fashion Queen Ltd. For issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Fashion Queen Ltd. has exceeded the threshold limit i.e. Rs. 5 crores in the preceding financial year*

(b) *Following entities are exempt from the mandatory requirement of e-invoicing:*

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

# 11 PAYMENT OF TAX

LDR Questions
Q .5 | Q .7 | Q .8 | Q .11 | Q .16 | Q .17
Q .20 | Q .23 | Q .30 | Q .33 | Q .34

**Question 1**

***How many types of electronic ledger/register are being maintained on GST common portal?***

***Solution:***

(a) Electronic cash ledger
(b) Electronic credit ledger
(c) Electronic liability register

**Question 2**

***What are the main features of GST payment process?***

***Solution:***

The main features of GST payment process are as follows:-

(a) Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan;
(b) Facilitation for the tax payer by providing hassle free, anytime, anywhere mode of payment of tax;
(c) Convenience of making payment online;
(d) Realtime data for tax collection in electronic format;
(e) Faster remittance of tax revenue to the Government Account;

**Question 3**

***Are principles of unjust enrichment applicable for payment of tax 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.

**Question 4**

***State the name of output tax under GST, where any of the input tax credit under GST can be utilized?***

**Solution:**

IGST. IGST, CGST, SGST, UTGST i.e. all input tax credit can be utilized against output tax liability known as IGST. However, it has to be utilized in prescribed manner.

**Question 5** LDR

***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 consultant, 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:***

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. 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 PMT 09, such amount can be transferred suo- moto on the common portal from "interest" to "tax" head and tax liability be paid accordingly.

**Question 6**

***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 within the specified due date. Reason for such delay is attributable to delay in closure of books for March, which have been finalised during May. 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 Give your guidance in this regard***

**Solution:**

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. 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.

**Question 7** LDR

***Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September 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:***

***(a) Are manual challans allowed under GST?***

***(b) What is the validity period of the challan?***

***(c) 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) Unified Payment Interface (UPI) from any bank;

(iii) Immediate Payment Services (IMPS) from any bank;

(iv) Credit card or Debit card through the authorised bank;

(v) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or

(vi) Over the Counter payment through authorised banks for deposits up

to ten thousand rupees per challan per tax period, by cash, cheque or demand draft.

(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 from the date of generation of challan.

(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.

**Question 8** LDR

**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.**

**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 assuming provisions of rule 86B are not applicable.**

**Solution:**

The amount available in the electronic credit ledger, i.e. ITC may be used for making any payment towards output tax. 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.

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.

**Question 9**

**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.**

**Solution:**

The registered person is allowed to transfer the amount available under any minor head of a major head to any of the minor head of the same or other major head as per Section 49(10) of the CGST Act vide Form PMT-09.

Therefore, in the given case, amount of ₹ 10,000 available under minor head 'tax' of major head 'SGST' can be utilised for payment of liability of ₹2,000 under minor head 'interest' of the same major head, after making a due transfer entry using Form GST PMT-09 from the minor head of 'tax' to 'interest'.

**Question 10**

***Mr. Alok, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 2024 on 15thApril, 2024. The prescribed due date to file the said GSTR 3B was 20thFebruary, 2024. 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 15thApril, 2024. 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, 2024 to 15th April, 2024 = 54 days*
*Hence, amount of interest = ₹ 36,500 × 18% x 54/365 = ₹ 972*

**Question 11** LDR

***ABC Ltd., have filed their GSTR-3B for the month of July, 2024 within the due date prescribed under Section 39 i.e. 20.08.2024. Post filing of the return, the registered person has noticed during September 2024 that tax dues of ₹ 40,000 for the month of July, 2024 have not been paid. ABC Ltd., has paid the above amount of ₹ 40,000, through GSTR-3B of September 2024, filed on 20.10.2024 [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, GSTR-3B for the month of July 2024 has been filed belatedly on 20.10.2024 and the self-assessed tax of ₹ 40,000/- has been paid on 20.10.2024 [payment through electronic cash ledger – ₹ 30,000 and electronic credit ledger ₹ 10,000]***

**Notes:**

- ***No other supply has been made nor tax payable for the month of July, 2024 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, 2024. 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, 2024 to 20th October, 2024 = 61 days*
*Hence, amount of interest = ₹ 40,000 × 18% x 61/365 = ₹1,203*

*Alternatively, if ABC Ltd., have filed the return for the month of July, 2024 on 20.10.2024, beyond the stipulated due date of 20.08.2024 and if the self-assessed tax for July, 2024 has been paid on 20.10.2024, 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 2024 till 20th October 2024 =*

61 days

Amount of Interest = ₹ 30,000 × 18% x 61/365 = ₹ 902

**Question 12**

1. **What is a CPIN?**
2. **What is a CIN and what is its relevance?**
3. **What is an E-FPB?**

**Solution:**

1. CPIN stands for Common Portal Identification Number (CPIN) given at the time of generation of challan. It is a 14-digit unique number to identify the challan. As stated above, the CPIN remains valid for a period of 15 days.

2. CIN stands for Challan Identification Number. CIN is generated by the authorized banks/ Reserve Bank of India (RBI) when payment is actually received by such authorized banks or RBI and credited in the relevant government account held with them. It is an indication that the payment has been realized and credited to the appropriate government account. CIN is communicated by the authorized bank to taxpayer as well as to GSTN

3. E-FPB stands for Electronic Focal Point Branch. These are branches of authorized banks which are authorized to collect payment of GST. Each authorized bank will nominate only one branch as its E-FPB for pan India Transactions. The E-FPB will have to open accounts under each major head for all governments. Total 38 accounts (one each for CGST, IGST and one each for SGST for each State/UT Govt.) will have to be opened. Any amount received by such E-FPB towards GST will be credited to the appropriate account held by such EFPB. For NEFT/RTGS Transactions, RBI will act as E-FPB.

**Question 13**

**Rule 86B restricts the use of Input Tax Credit (ITC) available in the Electronic Credit Ledger for discharging output tax liability. List down the exceptions to the rule 86B**

**Solution:**

Rule 86B of the CGST Rules, 2017 restricts the use of ITC available in the Electronic Credit Ledger for discharging output tax liability by a registered person. Exceptions to rule 86B are as follows:

(1) Where the said person/proprietor/karta/managing director/any of its two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees, as the case may be, have paid more than ₹ 1 lakh as income tax in each of the last 2 financial years.

(2) Where the registered person has received a refund of more than ₹ 1 lakh in the preceding FY on account of unutilised ITC in case of
   (i) zero rated supplies made without payment of tax or
   (ii) inverted duty structure.

(3) Where the registered person has discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current FY.

(4) Where the registered person is Government Department, Public Sector Undertaking, Local authority or Statutory body. Said restriction may be removed by Commissioner/ authorised officer after required verifications and safeguards.

**Question 14**

*R 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:*

| 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-Statesupply.*

**Solution:**

**Computation of GST liability**

| S. No. | Particulars | Sahil Traders (Rs) | Jaggi motors Ltd. (Rs) |
|---|---|---|---|
| (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:**

a) Incidental expenses, including commission and packing, charged by supplier torecipient 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].

b) 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.

c) Since supply made to Sahil Traders is an inter-State supply, IGST is payable in terms of section 5 of the IGST Act, 2017.

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

**Question 15**

(i) Tirupati Traders, a registered supplier of goods, pays GST [CGST & SGST or IGST, as the case may be] under regular scheme. It has furnished the following particulars for a tax period:-

| Particulars | Rs |
|---|---|
| Value of intra-State supply of goods | 12,000 |
| Value of intra-State purchase of goods | 10,000 |

Note:

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing the input tax credit have been fulfilled.

Compute the net GST payable by Tirupati Traders during the given tax period assuming that there is no opening balance of input tax credit (ITC). Make suitable assumptions wherever required.

(ii) Govind, a registered supplier, is engaged in providing services in the neighbouring States from his registered office located in Mumbai. He has furnished the following details in respect of the inward and outward supplies made during a tax period:-

| Particulars | (Rs) |
|---|---|
| Inter-State supply of services | 1,80,000 |
| Receipt of goods and services within the State | 1,00,000 |

Assume the rates of taxes to be as under:-

| Particulars | Rate |
|---|---|
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

Note:

(i) Both inward and outward supplies are exclusive of taxes, wherever applicable.

(ii) All the conditions necessary for availing the input tax credit have been fulfilled. Compute the net GST payable by Govind during the given tax period. Make suitable assumptions if required.

**Solution:**

(i) **Computation of Net GST payable**

| Particulars | CGST (Rs) | SGST (Rs) |
|---|---|---|
| GST payable on intra-State supply of goods [Being an intra-State supply, CGST and SGST is payable on the same] | 1,080 (Rs 12,000 × 9%) | 1,080 (Rs 12,000 × 9%) |
| Less: Input tax credit (ITC) on intra-State purchase of goods [CGST and SGST paid on the intra-State purchases of goods] | 900 **(Rs 10,000 × 9%)** | 900 **(Rs 10,000×9%)** |
| **Net GST payable** | **180** | **180** |

(ii) **Computation of net GST payable by Govind**

| Particulars | Rs |
|---|---|
| IGST @ 18% payable on inter-State supply of services [Being an inter-State supply, IGST is payable on the same in terms of section 5 of the IGST Act, 2017] | 32,400 [1,80,000 × 18%] |
| Less: ITC of CGST @ 9% paid on intra-State receipt of goods and services [Cross utilisation of CGST towards IGST] | 9,000 [1,00,000 × 9%] |

| | |
|---|---|
| Less: ITC of SGST @ 9% paid on intra-State receipt of goods and services [Cross utilisation of SGST towards IGST] | 9,000 [1,00,000 × 9%] |
| Net GST payable in cash | 14,400 |

**Note:**

1. CGST shall first be utilised towards payment of CGST and the amount remaining, if any, be utilised towards the payment of IGST [Section 49 of the CGST Act, 2017].

2. SGST shall first be utilised towards payment of SGST and the amount remaining, if any, may be utilised towards the payment of IGST [Section 49 of the CGST Act, 2017].

**Question 16** LDR

***M/s. Shri Durga Corporation Pvt. Ltd. is a supplier of goods and services at Kolkata. It has furnished the following information for the month of February, 20XX:***

| SN | Particulars | Amount (Rs) |
|---|---|---|
| (i) | Intra-State sale of taxable goods including Rs 1,00,000 received as advance in January, 20XX, the invoice for the entire sale value is issued on 15th February, 20XX | 4,00,000 |
| (ii) | Goods purchased from unregistered dealer on 20th February, 20XX (Inter-State purchases are worth Rs 30,000 and balance purchases are intra-State) | 1,00,000 |
| (iii) | Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction) | 1,00,000 |
| (iv) | Goods transport services received from a GTA. GTA is paying tax @12% (It is an inter-State transaction) | 2,00,000 |

***Compute net GST liability (CGST, SGST or IGST, as the case may be) of M/s Shri Durga Corporation Pvt. Ltd. for the month of February, 20XX. Assume the rates of GST, unless otherwise specified, as under:***

***Assume the rates of GST, unless otherwise specified, as under:***

| | |
|---|---|
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

***Note:-***

***(i) The turnover of M/s. Shri Durga Corporation Pvt. Ltd. was Rs 2.5 crore in the previous financial year.***

***(ii) All the amounts given above are exclusive of taxes.***

**Solution:**

*Computation of GST liability of M/s. Shri Durga Corporation Pvt. Ltd. for the month of February, 20XX*

| Particulars | Value of Supply | CGST (Rs) | SGST (Rs) | IGST (Rs) |
|---|---|---|---|---|
| Intra -State sale of taxable goods [Note-1] | 4,00,000 | 36,000 | 36,000 | |
| Goods purchased from unregistered dealer on 20th February, 20XX [Note-2] | Nil | Nil | Nil | |
| Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-3] | 1,00,000 | 9,000 | 9,000 | |

| | | | | |
|---|---|---|---|---|
| Goods transport services received from GTA [Note-4] | 2,00,000 | | | Nil |
| Total GST liability for the month of February, 20XX | | 45,000 | 45,000 | Nil |
| Less: Input tax credit available [Note-5] (Rs 2,00,000 × 12%) | | 24,000 | | |
| Net GST liability for the month of February, 20XX | | 21,000 | 45,000 | Nil |

**Notes:**

1. Section 12 of CGST Act, 2017 read with Notification No. 66/2017 CT dated 15.11.2017 provides that the time of supply for all suppliers of goods (excluding composition suppliers) is the time of issue of invoice, without any turnover limit. Thus, liability to pay tax on the advance received in January, 20XX will also arise in the month of February, when the invoice for the supply is issued.

2. All intra-State and inter-State procurements made by a registered person from unregistered person have been exempted from reverse charge liability, without any upper limit for daily procurements upto 30.06.2018. [Notification No. 8/2017 CT (R) dated 28.06.2017 as amended and Notification No. 32/2017 IT(R) dated 13.10.2017 as amended]

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 vide Notification No. 12/2017 CT(R) dated 28.06.2017. Labour contracts for repairing are thus, taxable.

4. As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA) provided such GTA has not paid GST @ 12%. Since in the given case, services have been received from a GTA who has paid GST @ 12%, reverse charge provisions will not be applicable.

Input tax credit is available for the services received from GTA. The input tax credit of IGST shall beused against IGST and then against CGST and SGST in the any order any propotion.

**Question 17** LDR

**Mr. Ekaant, a supplier registered in Delhi, is engaged in the business of sale and purchase of plastic raincoats. He furnishes the following information pertaining to inward/outward supply made by him for the month of July, 20XX:**

| Particulars | Amount (Rs in lakh) |
|---|---|
| Value of inter-State outward supply to registered persons | 30 |
| Value of intra-State outward supply to registered persons | 50 |
| Value of intra-State outward supply to unregistered persons | 15 |
| Value of intra-State inward supply from registered persons | 10 |
| Value of inter-State inward supply from registered persons | 5 |
| Value of intra-State inward supply from unregistered persons | 2 |

**Following additional information is also provided by Mr. Ekaant:-**

| Particulars | Amount (Rs in lakh) |
|---|---|
| IGST credit on capital goods purchased in the month of July | 1.5 |
| CGST/ SGST credit on other inward supplies [including credit of Rs 5,000 (CGST and SGST each) on account of membership of a club] | 0.5 (CGST and SGST each) |
| Availed consultancy services from Mr. Sujit, lawyer located in Delhi [Intra-State services] | 1 |

**the amount of ITC brought forward in the month of July, 20XX is as under:-CGST:** Rs 2 lakh
**SGST:** Rs 2 lakh
**IGST:** Rs 5 lakh

**Calculate the net GST liability (CGST and SGST or IGST, as the case may be) to be paid in cashfor the month of July, 20XX by assuming the rates of GST as under:**

| | |
|---|---|
| CGST | 9% |
| SGST | 9% |
| IGST | 18% |

**Notes: –**

1. **All the amounts given above are exclusive of taxes.**
2. **All the conditions necessary for availing the ITC have been fulfilled.**

**Solution:**

**Computation of net GST liability of Mr. Ekaant**

| Particulars | Value (Rs) | CGST (Rs) | SGST (Rs) | IGST (Rs) |
|---|---|---|---|---|
| Total tax liability | | | | |
| Value of intra-State legal consultancy services i.e. inward supplies liable to reverse charge mechanism (to be paid in cash) (A) [Note-1] | 1,00,000 | 9,000 | 9,000 | - |
| Value of inter-State outward supplies (B1) | 30,00,000 | - | - | 5,40,000 |
| Value of intra-State outward supplies to registered as well as unregistered persons (B2) (Rs 50,00,000+ Rs 15,00,000) | 65,00,000 | 5,85,000 | 5,85,000 | - |
| Total (B) = (B1) +(B2) | | 5,85,000 | 5,85,000 | 5,40,000 |
| Input tax Credit | | | | |
| Brought forward ITC | | 2,00,000 | 2,00,000 | 5,00,000 |
| Value of intra-State inward supplies from registered person [Note-2] | 10,00,000 | 90,000 | 90,000 | |
| Value of inter-State inward supplies from registered person [Note-2] | 5,00,000 | - | - | 90,000 |
| Value of intra-State inward supplies from unregistered person [Note-3] | 2,00,000 | - | - | - |
| IGST credit of capital goods [Note- 2] | | | | 1,50,000 |

| | | | | |
|---|---|---|---|---|
| Credit on other inward supplies purchased in the month of July less credit on membership of a club [Note-2 & 4] | | 45,000 | 45,000 | |
| Credit of legal consultancy services [Note-2] | | 9,000 | 9,000 | - |
| Total ITC | | 3,44,000 | 3,44,000 | 7,40,000 |

Set off and Computation of Net GST Liability

| Particulars | IGST | CGST | SGST |
|---|---|---|---|
| Output Tax Liability | 540000 | 585000 | 585000 |
| Less: ITC of IGST | (540000) | (200000) | 0 |
| Less: ITC of CGST | | (344000) | |
| Less: ITC of SGST | | | (344000) |
| Liability after set off | Nil | 41000 | 241000 |
| RCM liability payable in cash | | 9000 | 9000 |
| Net GST liability to be paid in cash | Nil | 50000 | 250000 |

**Notes:-**

3. Services supplied by an individual advocate to any business entity located in the taxable territory by way of legal services, directly or indirectly are taxable under reverse charge mechanism. Thus, tax is payable by the recipient (Mr. Ekaant) on said services to the Government.

   Further, as per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger [ITC amount] may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

4. Every registered person is entitled to take credit of input tax charged on any inward supply of goods and/or services which are used or intended to be used in the course or furtherance of his business in terms of section 16 of CGST Act, 2017. Further "input tax" in relation to a registered person includes the tax payable under reverse charge mechanism in terms of section 2(62) of the CGST Act, 2017.
5. Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the central tax leviable thereon under section 9(4) till 30.09.2019 [Notification No.8/2017 CT (R) dated 28.06.2017]. Since no tax has been paid, so no credit is available.
6. Input tax credit is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.

**Question 18**

**Mr. Kanhaiya, 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 January, 2018:-**

| Particulars | Amount |
|---|---|
| Intra-state supplies of goods | 6,00,000 |
| Inter-state supplies of goods | 2,00,000 |

**He has also furnished following information in respect of purchases made by him from registered dealers during January, 2018:-**

| 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 the January 2018:-**

| | |
|---|---|
| CGST | 15000 |
| SGST | 35000 |
| IGST | 20000 |

**Note:**

e) **Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively, onboth inward and outward supplies.**

f) **Both inward and outward supplies given above are exclusive of taxes, wherever applicable.**

g) **All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. Kanhaiya for the month of January, 2018.**

**Solution:**

Computation of net GST payable by Mr. Kanhaiya for the month of January, 2018

| S.No. | Particulars | (Rs.) | GST (Rs.) |
|---|---|---|---|
| (i) | Intra-State supply of goods | | |
| | CGST @ 9% on Rs.6,00,000 | 54,000 | |
| | SGST @ 9% on Rs. 6,00,000 | 54,000 | 1,08,000 |
| (ii) | Inter-State supply of goods | | |
| | IGST @ 18% on Rs. 2,00,000 | | 36,000 |

**Computation of total ITC**

| Particulars | CGST @ 9% (Rs.) | SGST @ 9% (Rs.) | IGST@18% (Rs.) |
|---|---|---|---|
| Opening ITC | 15,000 | 35,000 | 20,000 |
| Add: ITC on Intra-State purchases of goods valuing Rs. 4,00,000 | 36,000 | 36,000 | |
| Add: ITC on Inter-State purchases of goods valuing Rs. 50,000 | | | 9000 |
| Total ITC | 51,000 | 71,000 | 29,000 |

**Computation of GST payable from cash ledger**

| Particulars | IGST @ 18% | CGST @ 9% | SGST @ 9% |
|---|---|---|---|
| GST payable | 36000 | 54,000 | 54,000 |
| Less: ITC of IGST | (29000) | | |
| Less: ITC of CGST | | (51,000) | |
| Less: ITC of SGST | (7000) | | (54,000) |
| Net GST payable | 51,000 | 71,000 | 29,000 |

**Question 19**

**Namo Shankar Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Narad Traders and Nandi Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Namo Shankar Ltd. has furnished the following details for the current month:**

| S.No. | Particulars | Narad Traders (Rs.) | Nandi Motors (Rs.) |
|---|---|---|---|
| (i) | Price of the goods (excluding GST) | 10,000 | 30,000 |
| (ii) | Packing charges | 500 | |
| (iii) | Commission | 500 | |
| (iv) | Weighment charges | | 2,000 |
| (v) | Discount for prompt payment (recorded in the invoice | | 1,000 |

**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 Namo Shankar 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 Narad Traders is an inter-State supply.**

**Solution:**

**Computation of GST liability**

| S.No. | Particulars | Narad Traders (Rs.) | Nandi Motors (Rs.) |
|---|---|---|---|
| (i) | Price of goods | 10,000 | 30,000 |
| (ii) | Add: Packing charges (Note-1) | 500 | |
| (iii) | Add: Commission (Note-1) | 500 | |
| (iv) | Add: Weighment charges (Note-1) | - | 2,000 |
| (v) | Less: Discount for prompt payment (Note-2) | - | 1,000 |
| | Value of taxable supply | 11,000 | 31,000 |
| | IGST payable @ 18% (Note-3) | 1,980 | |
| | CGST payable @ 9% (Note-4) | | 2,790 |
| | SGST payable @ 9% (Note-4) | | 2,790 |

**Notes:**

1. *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].*

2. *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.*

3. *Since supply made to Narad Traders is an inter-State supply, IGST is payable in terms of section 5 of the IGST Act, 2017.*

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

**Question 20** **LDR**

***M/s. Grey, a registered taxable person under regular scheme provides following information in respect of supplies made by it during the month of April, 2019:***

| Particulars | (All amount in rupees) |
|---|---|
| **(i) Inter-state supply of goods** | **1,00,000** |
| **(ii) Intra-state supply of 500 packets of detergent @ Rs. 400 each alongwith a plastic bucket worth Rs. 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)** | |
| **(iii) Supply of online educational journals to M/s. Pinnacle, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply.** | **50,000** |

**M/s. Grey has also received the following inward supplies:**

| | |
|---|---|
| **(iv) Inter-state supply of goods (out of which invoice for goods worth Rs. 20,000 is missing and no other tax paying document is available)** | **70,000** |
| **(v) Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply.** | **50,000** |

**Details of opening balances of ITC as on 1-4-2019 are as follows:**

| | |
|---|---|
| CGST | 5,000 |
| SGST | 5,000 |
| IGST | 40,000 |

**Following additional information is provided :**

(a) **Rate of GST in respect of all inward and outward supplies except item (ii) above is 18%. i.e. CGST and SGST @ 9% and IGST @ 18%.**

(b) **All figures mentioned above are exclusive of taxes.**

(c) **All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.**

**Solution:**

Computation of minimum net GST payable in cash by M/s. Grey for the month of April, 2019

| Particulars | Value (Rs) | CGST (Rs) | SGST (Rs) | IGST (Rs) |
|---|---|---|---|---|
| Total tax liability | | | | |
| Inter-State supply of goods | 1,00,000 | | | 18,000 |
| Intra-State supply of 500 packets of detergents along with a plastic bucket [Note-1] | 2,00,000 (500 x 400) | 28,000 (2,00,000 x 14%) | 28,000 (2,00,000 x 14%) | |
| Supply of online educational journal to private coaching centre [Note-2] | 50,000 | 4,500 (50,000 x 9%) | 4,500 (50,000 x 9%) | |
| Total tax liability (A) | | 32,500 | 32,500 | 18,000 |
| Input tax credit (ITC) | | | | |
| Brought forward ITC | | 5,000 | 5,000 | 40,000 |
| Inter-State purchase of goods [Note-3] | 50,000 | | | 9,000 |
| Repairing of bus with seating capacity of 20 passengers [Note-4] | 50,000 | 4,500 | 4,500 | |
| Total ITC (B) | | 9,500 | 9,500 | 49,000 |
| Minimum net GST payable in cash | | | | |
| Total tax liability | | 32,500 | 32,500 | 18,000 |
| Less: Set off of IGST liability from IGST credit | | | | (18,000) |
| Set off IGST credit against CGST and SGST liability in any order and in any proportion | | (23,000) | (8,000) | |
| Set off of CGST and SGST credit against CGST and SGST liability respectively | | (9,500) CGST | (9,500) SGST | |
| Minimum net GST payable in cash | | Nil | 15,000 | Nil |

**Notes:-**

1. Supply of detergent and bucket together with a single price of Rs. 400 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply that attracts highest rate of tax (28%).

2. Supply of online educational journal is exempt only when the same is provided to an educational institution which provides a qualification recognised by law. Since, the private coaching centre

does not provide any recognised qualification, the supply of online educational journals to the same will be taxable.

3. 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.

4. ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed. Further, ITC is allowed on repair and maintenance services relating to motor vehicles, ITC on which is allowed.

**Note:** Under the amended position of law, the 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 [i.e. GST liability] 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.

**Question 21**

***KNK Ltd., a registered supplier of Mumbai is a manufacturer of heavy machines. Its outward supplies (exclusive of GST) for the month of January, 2020 are as follows:***

| S. No | Particulars | Amount (Rs.) |
|---|---|---|
| (i) | Inter-State | 85,00,000 |
| (ii) | Intra-State | 15,00,000 |

***Applicable rate of CGST, SGST and IGST on outward supply are 9%, 9% and 18% respectively. Details of GST paid on inward supplies during the month of January, 2020 are as follows:***

| S.No. | Particulars | CGST paid (Rs.) | SGST paid (Rs.) |
|---|---|---|---|
| (i) | Raw material A | 60,000 | 60,000 |
| | (of which 70% of inputs procured were used and 30% were in stock at the end of the January, 2020) | | |
| (ii) | Raw material B | 50,000 | 50,000 |
| | (of which 90% material received in factory and remaining material completely damaged due to a road accident on the way to factory. There was no negligence on the part of the KNK Ltd.) | | |
| (iii) | Construction of pipelines laid outside the factory premises | 30,000 | 30,000 |
| (iv) | Insurance charges paid for trucks used for transportation of goods. | 55,000 | 55,000 |

***Additional Information:***

***(i) There is no opening balance of any input tax credit and all the conditions necessary for availing the input tax credit (ITC) have been fulfilled.***

***(ii) Details of GST paid on inward supplies are available in GSTR-2B except for item (i) i.e. Raw Material A, for which supplier has not filed its GSTR-1 for the month of January 2020, hence corresponding input tax credit (ITC) is not reflecting in GSTR-2B of KNK Ltd. in January, 2020.***

***Compute the following:***

***(i) Amount of eligible input tax credit (ITC) available for the month of January, 2020.***

***(ii) Minimum net GST payable in cash, for the month of January, 2020***

*after using available input tax credit.*
*Working notes should form part of your answer.*

**Solution:**

(i) Computation of amount of eligible ITC available for the month of January, 2020

| S.No. | Particulars | CGST (Rs.) | SGST (Rs.) |
|---|---|---|---|
| (i) | Raw materials B (90%) [Note-1] | 45,000 | 45,000 |
| (ii) | Construction of pipelines laid outside the factory premises [Note-2] | Nil | Nil |
| (iii) | Insurance charges paid for trucks used for transportation of goods [Note-3] | 55,000 | 55,000 |
| (iv) | Raw materials A [Note-4] | Nil | Nil |
| (v) | Eligible ITC on invoices the details of which are available in GSTR-2B | Nil | Nil |
| (vi) | ITC on invoices the details of which are not available in GSTR-2B, i.e. the invoices which have not been uploaded by the suppliers in their GSTR-1 [Note-4] | Nil | Nil |
| | **Total eligible ITC** | **1,00,000** | **1,00,000** |

**Notes:**

a) ITC on goods destroyed is blocked under section 17 of the CGST Act, 2017.

b) ITC on works contract services availed for construction of plant and machinery is allowed but pipelines laid outside the factory premises are excluded from the definition of plant andmachinery and hence, ITC thereon is blocked.

c) ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is alsoallowed on insurance services relating to motor vehicles, ITC on which is allowed.

d) Since invoice is not uploaded by the supplier, the same must not be updated in Form GSTR-2B of the recipient and thus, he is not eligible for the ITC.

**ii. Computation of minimum net GST payable in cash for the month of January, 2020**

| Particulars | Value (Rs) | CGST @ 9% (Rs.) | SGST @ 9% (Rs.) | IGST @ 18% (Rs.) |
|---|---|---|---|---|
| Inter-State outward supplies | 85,00,000 | | | 15,30,000 |
| Intra-State outward supplies | 15,00,000 | 1,35,000 | 1,35,000 | |
| Total output tax payable | | 1,35,000 | 1,35,000 | 15,30,000 |
| Less: Set off of CGST and SGST credit against CGST and SGST liabilityrespectively | | (1,00,000) | (1,00,000) | |
| Minimum net GST payable in cash | | 35,000 | 35,000 | 15,30,000 |

**Question 22**

**X Electronics is a registered manufacturer of electrical appliances. It made contract with dealers, that purchase of air conditioners of capacity 1.5 ton in the month of October, 2020 of quantity of more than 50 units will entitle them for 10% discount. Inter-State supply made during the month of October 2020 is Rs. 50,00,000 Details of**

**Intra- State supply:**

| Particulars | Amount (Rs.) |
|---|---|
| Supply of Microwave Oven | 15,00,000 |
| Supply of Refrigerators with Stabilizers being a mixed supply, rate of GST on Refrigerator is 28% (14% CGST & 14% SGST), rate of GST on Stabilizer is 18% (9% CGST & 9% SGST) | 40,00,000 |
| Supply of Air Conditioners of capacity 1.5 Ton @ Rs. 50,000 per AirConditioner | 50,00,000 |

*Intra-State inward supplies are :*

| Particulars | Amount (Rs.) |
|---|---|
| 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***

***SGST: Rs. 70,000***

***IGST: Rs. 10,00,000***

**Note:**

**(i) Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.**

**(ii) Both inward and outward supplies are exclusive of taxes.**

***(iii) All the conditions for availing the ITC have been fulfilled. Compute the Net GST payable in cash by X Electronics for the month of October, 2020.***

**Solution:**

***Computation of net GST payable in cash by X Electronics for October 2020***

| S. No. | Particulars | Amount (Rs.) | CGST (Rs.) | SGST (Rs.) | IGST (Rs.) |
|---|---|---|---|---|---|
| I | Intra-State supply | | | | |
| | Supply of microwave oven | 15,00,000 | 1,35,000 | 1,35,000 | |
| | Supply of refrigerators with stabilizers | 40,00,000 | 5,60,000 | 5,60,000 | |
| | [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.] | | | | |
| | Supply of 100 (Rs. 50 lakh/ Rs. 50,000) air conditioners | 45,00,000 | 45,00,000 | 4,05,000 | |
| | [Since 100 air conditioners have been supplied, discount @ 10% will be available.] | [Rs. 50,00,000 x 90%] | | | |

| | | | | | |
|---|---|---|---|---|---|
| II | Inter-State supply @ 18% | 50,00,000 | | | 9,00,000 |
| | Total outward tax liability | | 11,00,000 | 11,00,000 | 9,00,000 |
| | Less: Input Tax Credit (Refer Working Note below) | | | | |
| | IGST credit first utilized towards payment of IGST. Remaining amount can be utilized towards CGST and SGST in any order and in any proportion | | 1,00,000 (IGST) | | 9,00,000 (IGST) |
| | CGST credit set off against CGST liability and SGST credit set off against SGST liability as CGST credit cannot be utilized towards payment of SGST and vice versa. | | 5,08,000 (CGST) | 5,20,000 (SGST) | |
| | Net GST liability payable in cash | | 4,92,000 | 5,80,000 | Nil |

***Working Note***

***Computation of ITC available with X Electronics***

| Particulars | | CGST | SGST @ 9% (Rs.) | IGST @ 18% (Rs.) |
|---|---|---|---|---|
| Opening balance of ITC | | 58,000 | 70,000 | 10,00,000 |
| Intra-State inward supplies | | | | |
| Raw material | 20,00,000 | 1,80,000 | 1,80,000 | |
| Gym membership for employees | 50,000 | Nil | Nil | |
| [ITC on membership of a health and fitness centre is blocked if there is no statutory obligation for the employer to provide the same.] | | | | |
| Truck purchased for transportation of goods | 30,00,000 | 2,70,000 | 2,70,000 | |
| [ITC on motor vehicles used for transportation of goods is not blocked2.] | | | | |
| **Total ITC** | | **5,08,000** | **5,20,000** | **10,00,000** |

**Note:** In the above answer, tax payable in cash has been computed by setting off the IGST credit against CGST liability. However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in different other ways as well. In all such cases, net CGST and net SGST payable in cash will differ though the total amount of net GST payable (Rs. 10,72,000) in cash will remain the same.

**Question 23** LDR

**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:**

| Payments | Amount (Rs.) | Receipts | Amount (Rs.) |
|---|---|---|---|
| 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:*

a) *10% of the inter-State supply of office stationery are made to unregistered persons.*

b) *Each combi pack (containing a calculator and a diary) is priced at Rs. 800. The calculator and the diary are individually priced at Rs. 700 and Rs. 200 respectively.*

c) *An invoice of Rs. 40,000 towards purchase of office stationery is missing and no other tax paying document is available in respect of such goods.*

d) *All the figures mentioned above are exclusive of taxes, wherever applicable.*

e) *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.*

f) *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 here under:*

| Tax | Amount (Rs.) |
|---|---|
| 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.**

**Solution:**

**Computation of minimum net GST payable in cash by 'XY' for the month of July**

| Particulars | Value (Rs.) | CGST (Rs.) | SGST (Rs.) | IGST (Rs.) |
|---|---|---|---|---|
| Total tax liability | | | | |
| Inter-State supply of stationery [Note1] | 2,00,000 | | | 36,000 |
| Intra-State supply of 500 combi packs of calculators and diaries [Note-2] | 4,00,000 (500 x 800) | 56,000 (4,00,000 x 14%) | 56,000 (4,00,000 x 14%) | |

| | | | | |
|---|---|---|---|---|
| *Intra-State supply of services of business correspondent to a Shubhvidhi Bank with respect to accounts in its urban area branch [Note-3]* | *1,00,000* | *9,000 (1,00,000 x 9%)* | *9,000 (1,00,000 x 9%)* | |
| *Total tax liability* | | *65,000* | *65,000* | *36,000* |
| *Input tax credit (ITC)* | | | | |
| *Brought forward ITC* | | *5,000* | *5,000* | *80,000* |
| *Inter-State purchase of office stationery [Note-4]* | *1,00,000* | | | *18,000* |
| *Intra-State repairing of lorry used for transportation of goods [Note-5]* | *1,00,000* | *9,000* | *9,000* | |
| ***Total ITC*** | | ***14,000*** | ***14,000*** | ***98,000*** |
| *Minimum net GST payable in cash* | | | | |
| *Total tax liability* | | *65,000* | *65,000* | *36,000* |
| *IGST credit being set off against IGST liability* | | | | *(36,000)* |
| *IGST credit being used to pay CGST and SGST liability in any order and in any proportion* | | *(11,000)* | *(51,000)* | |
| *CGST and SGST credit being used to pay CGST and SGST liability respectively* | | *(14,000) CGST* | *(14,000 )SGST* | |
| ***Minimum net GST payable in cash*** | | ***40,000*** | ***Nil*** | ***Nil*** |

**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 Rs. 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.*

***Note: 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.***

**Question 24**

***State the order in which every taxable person discharges his tax and other dues under GST law, as provided under section 49 of the CGST Act, 2017.*** **(RTP May'23)**

**Solution:**

Section 49 of the CGST Act, 2017 stipulates that every taxable person

shall discharge his tax and other dues under the GST law in the following order, namely: –

(a) self-assessed tax, and other dues related to returns of previous tax periods;

(b) self-assessed tax, and other dues related to the return of the current tax period;

(c) any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74.

**Question 25**

***PPC Ltd., has availed Input Tax credit for ₹54,000/- IGST during February 20XX 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. GSTR-1 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?*** **(MTP 4 Morks, Apr21)**

**Solution:**

PPC Ltd, have accounted and pald 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 PPC Ltd., shall be updated with a value of ₹ 54,000/- as per self-assessed return to be filed for February 20XX, though the input tax credit shown by the supplier is only for ₹45,000/-

**Question 26**

***Pranesh has deposited a sum of ₹ 5,000 under the head of 'Fee' column of Cess and ₹4,000 was lying unutilized under the head of "Penalty' column of IGST. Both the deposits were made wrongly instead of depositing under the head of Fee column under SGST.***
***In the light of the provisions of section 49(10) & 49(11) of the CGST Act. 2017, briefly explain the relevant provisions as how can Pranesh rectify these errors?*** **(PYP 3 Marks, Nov 22)**

**Solution:**

A registered person is allowed to make intra-head or inter head transfer of amount, as available in electronic cash ledger, using specified form.

It can transfer any amount of tax, interest, penalty, fee or others, under one (major or minor) head to another (major or minor) head, as available in the electronic cash ledger. Therefore, in the given case, amount of ₹ 5,000 available under minor head "fee' of major head 'cess' and ₹ 4,000 available uncer minor head 'penalty of major head 'IGST' can be transferred to minor head fee' of major head 'SGST using specified form.

**Question 27**

***Mr. Atul of Chennai is a registered dealer under GST. He has an opening balance of input tax credit of ₹ 1,20,000 (IGST) lying in the electronic credit ledger relating to the month of November, 20XX. During the month, a legal proceeding has been initiated under the GST law which resulted in a tax liability of ₹ 80,000 (IGST, other than RCM liability). Mr. Atul agrees with the tax liability and wants to use the balance lying in the electronic credit ledger towards payment of same.***

***He seeks your opinion with regard to the provisions of GST laws as to whether he is allowed to use the amount lying in the electronic credit ledger for making the payment of tax liability, payable as a consequence of the proceeding?*** **(PYP 3 Marks, Nov 23)**

**Solution:**

*The amount available in the electronic credit ledger of IGST may be used for making any payment towards tax under the CGST Act or the SGST Act or the IGST Act other than tax payable under reverse charge.*

*It is clarified that any payment towards output tax, payable as a consequence of any proceeding instituted under the provisions of GST laws, can be made by utilization of the amount available in the electronic credit ledger of a registered person.*

*Thus, Mr. Atul is allowed to use the credit of IGST in electronic credit ledger for making payment of tax liability of 80,000, payable as a consequence of the legal proceeding.*

**Question 28**

***Discuss whether the amount available in the electronic credit ledger can be used for making payment of any tax under the GST Laws?*** *(MTP 5 Marks, Apr24)*

**Solution:**

*The amount available in the electronic credit ledger may be used for making any payment towards output tax under the CGST Act or the IGST Act, subject to the provisions relating to the order of utilisation of ITC.*

*Further, output tax in relation to a taxable person is defined as the tax chargeable on taxable supply of goods or services or both but excludes tax payable on reverse charge mechanism.*

*Accordingly, it is clarified that any payment towards output tax, whether self-assessed in the return or payable as a consequence of any proceeding instituted under the provisions of GST laws, can be made by utilization of the amount available in the electronic credit ledger of a registered person.*

*It is further reiterated that as output tax does not include tax payable under reverse charge mechanism, implying thereby that the electronic credit ledger cannot be used for making payment of any tax which is payable under reverse charge mechanism.*

**Question 29**

***Restrictions have been imposed on the use of amount available in the electronic credit ledger vide rule 868 of the CGST Rules, 2017. Is there any exceptions to rule 86B? If yes, state the exceptions.*** *(RTP May'22)*

**Solution:**

*Restrictions have been imposed on the use of amount available in electronic credit ledger vide rule 86B of the CGST Rules, 2017. Yes, there are exceptions to rule 86B. The exceptions to rule 868 are as under: -*

*(i) Payment of Income Tax more than 1 lakh*

*Rule 868 may not apply in cases whereby person mentioned below have deposited sum of more than ₹1 lakh as tome tax under the Income-tax Act, 1961 in each of the last 2 financial years for which the time limit to me return of income under section 139(1) of the said Act has expired*

- *The registered person or*
- *The karta/proprietor/the managing director of the registered person;*
- *Any of the two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees of the registered person, as the case may be.*

*(ii) Receipt of refund of input tax credit of more than ₹ 1 lakh Rule 86B may not apply whereby registered person has received a refund amount of more than ₹ 1 lakh on account of unutilized input tax credit under the following:*

- *zero-rated supplies made without payment of tax*
- *Inverted duty structure*

It is pertinent to note that refund should have been received in the preceding financial year

(iii) Payment of total output tax liability through electronic cash ledger in excess of 1% of total output tax liability

If the registered person has paid more than 1% of total output tax liability using electronic cash ledger upto the said month in the current financial year, the restrictions as specified in Rule 868 shall not apply It is pertinent to note that GST liability paid under reverse charge mechanism should not be taken into account while calculating the total output liability paid through electronic cash ledger.

(iv) Specified registered person:

Rule 868 would not be applicable in case of below-mentioned registered person

- Government Department, or
- a public sector undertaking, or
- a local authority, or
- a statutory body.

However, Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit.

**Question 30** LDR

**"Rule 86A of the CGST Rules, 2017 provides that in certain specified circumstances, Commissioner on the basis of reasonable belief may not allow debit of an amount equivalent to such credit in electronic credit ledger."**

**State the grounds (as guided by CBIC) on which the reasons for such belief must be based on.** (PYP 5 Marks, May'23)

**Solution:**

The reasons for such belief must be based on one or more of the following grounds:

(1) The credit is availed by the registered person on the invoices/debit notes issued by a supplier, who is found to be non-existent or is found not to be conducting any business from the place declared in registration.

(2) The credit is availed by the registered person on invoices/debit notes, without actually receiving any goods and/or services.

(3) The credit is availed by the registered person on invoices/debit notes, the tax in respect of which has not been paid to the Government.

(4) The registered person claiming the credit is found to be non-existent or is found not to be conducting any business from the place declared in registration.

(5) The credit is availed by the registered person without having any invoice/debit note or any other valid document for it.

**Question 31**

**Mr. Vivek, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 2024 on 15th April, 2024. The prescribed due date to file the said GSTR 3B was 20th February, 2024. 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, 2024. Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Vivek. Ignore the effect of leap year, if applicable in this case.**

(MTP 4 Marks, Mar 22, May '20 SM)

**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. Vivek is as under: Period of delay = 21st February, 2024 to 15th April, 2024 = 54 days Hence, amount of interest = ₹ 36,500 × 18% ×54/365 = ₹ 972

**Question 32**

**Raghav Ltd., have filed their GSTR-3B for the month of July, 2024 within the due date prescribed under Section 39 i.e. 20.08.2024. Post filing of the return, the registered person has noticed during September 2024 that tax dues for the month of July, 2024 have been short paid for 40,000. Raghav Ltd., has paid the above shortfall of ₹ 40,000, through GSTR-3B of September 2024, filed on 20.10.2024 [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, GSTR-3B for the month of July 2024 has been filed belatedly on 20.10.2024 and the self-assessed tax of ₹ 40,000/- has been paid on 20.10.2024 [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 31.07.2024 for the above short fall**

**No other supply has been made nor tax payable for the month of July, 2024 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 return for the month of July, 2024. 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 Raghav Ltd., is as under-*

*Period of delay 21 August, 2024 to 20 October, 2024–61 days*
*Hence, amount of interest = ₹ 40,000 × 18% x 61/365 = ₹ 1,203*

*Alternatively, if Raghav Ltd., have filed the return for the month of July, 2024 on 20.10.2024, beyond the stipulated due date of 20.08.2024 and if the self-assessed tax for July, 2024 has been paid on 20.10.2024, Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only*

*Hence Interest is payable from 21 August 2024 till 20 October 2024=61 days*

*Amount of Interest = ₹ 30.000 × 18% x 61/365 = ₹ 902*

**Question 33** LDR

**Mr. Manik provides the following information regarding his tax & other liabilities under GST law as per Electronic Liability Register:**

| Sr. No. | Particulars | Amount (₹) |
|---|---|---|
| 1. | Tax due for the month of May. | 25,000 |
| 2. | Interest due for the month of May | 2,000 |
| 3. | Penalty due for the month of May | 3,000 |
| 4. | Tax due for the month of June | 35,000 |
| 5. | Liability arising out of demand notice u/s 73 | 48,000 |

**Mr. Manik wants to clear his liability of demand notice u/s 73 first. Discuss the provision of order of discharge of GST fiability u/s 49 (8) of the CXIST Act & advice to Mr. Manik.** **(PYP 5 Marks, May 23)**

**Solution:**

**The order of discharge of GST liability under section 49(8) of the CGST Act is as under:**

**(i) self-assessed tax, interest, penalty, fee or any other amount related**

to returns of the previous tax periods

(ii) self-assessed tax, interest, penalty, fee or any other amount related to returns of the current tax period.

(iii) any other amount payable including demand determined under section 73 or section 74.

In view of the above provisions, Mr. Mariik cannot clear his liability of demand notice u/s 78 first

The order of discharge of liability of Mir. Manik will be as under

1 Tax, Interest and penalty for the month of May, ₹ 30,000

2. Tax due for the month of June, ₹ 35,000

3. Liability arising out of demand notice u/s 73,₹ 48,000

**Question 34** LDR

GSTR 3B for the month of January 2025 has been filed by M/s Avisha Limited, a registered person, within the due date prescribed by the CGST Act 2017 which is on February 20th, 2025. It came to the notice of the Co. that tax due for the month of January, 2025 has been paid short by ₹ 16,000. The short fall of ₹ 16,000 has been paid through cash ledger and credit ledger at the time of filing GSTR 3B for the month of February 2025 on March 20th, 2025 in the following manner:

| Particulars | Cash Ledger | Credit Ledger |
|---|---|---|
| Shortfall | ₹12,000 | ₹4,000 |

Assume that electronic cash ledger and credit ledger carry sufficient balance for the above short fall

(i) You are required to calculate the amount of interest payable if any under section 50 of the COST Act 2017 and rule 88B of the 165T les 2017.

(ii) Give the effect if GSTILS8 for the month of January 2025 had been filed belatedly on March 20, 2025 and all other conditions remaining same.

Calculation should the rounded off to nearest rupee. As 2025 is leap year, give effect of same (PYP 5 Marks May' 24)

**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.

Above interest is payable on the net tax liability paid in cash only if return in Form GSTR-3B for a tax period has been filed after the due date to furnish such return. Otherwise, interest is payable on gross tax liability

(i) Since Avisha Limited has furnished Form GSTR-3B for the month within the prescribed due date, interest is payable on the gross tax liability deposited with a delay of 29 days [21.02.2025–20.03.2025 (both inclusive)] as under

= ₹ 16,000 × 18% × 29/366 = ₹ 228 (rounded off)

(ii) If Avisha Limited has filed Form GSTR-3B for the month after the due date, i.e. on 20.03.2025, interest is payable on the net tax liability paid through Electronic Cash Ledger only, for a delay of 29 days, as under:

= ₹ 12,000 × 18% × 29/366= ₹ 171 (rounded off)

LDR Questions
Q .11 | Q .12 | Q .13 | Q .14 | Q .17 | Q .18 | Q .20 | Q .21

**Question 1**

***In case of a domestic supply, what is the place of supply where goods are removed?***

**Solution:**

*As per section 10(1)(a), the place of supply of goods is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.*

**Question 2**

***What will be the place of supply if the goods are delivered by the supplier to another person on the direction of a third person?***

**Solution:**

*As per section 10(1)(b), it would be deemed that the third person has received the goods and the place of supply of such goods will be the principal place of business of such person.*

**Question 3**

***What is the place of supply where the goods or services are supplied on board a conveyance, such as a vessel, an aircraft, a train or a motor vehicle?***

**Solution:**

*As per section 10(1)(e), in respect of goods, the place of supply is the location at which such goods are taken on board.*

*However, in respect of services, the place of supply is the location of the first scheduled point of departure of that conveyance for the journey in terms of sections 12(10).*

**Question 4**

***The place of supply in relation to immovable property (situated in India) is the location of immovable property. Suppose a road is constructed from Delhi to Mumbai covering multiple states.***

***What will be the place of supply of construction services?***

**Solution:**

*Where the immovable property is located in more than one State, the supply of service is treated as made in each of the States in proportion to the value for services separately collected or determined, in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other reasonable basis as may be prescribed in this behalf [Explanation to section 12(3)].*

*In the absence of a contract or agreement between the supplier and recipient of services in this regard, the proportionate value of services supplied in different States/Union territories (where the immovable property is located) is computed on the basis of the area of the immovable property lying in each State/ Union territories [Rule 4 of the IGST Rules].*

**Question 5**

***What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States?***

**Solution:**

*In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person.*

However, if the recipient is not registered, the place of supply is the place where event is held.

Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard [Explanation to section 12(7)].

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with rule 5 of the IGST Rules by the application of generally accepted accounting principles.

**Question 6**

***What is the place of supply of services by way of transportation of goods, including by mail or courier when both the supplier and the recipient of the services are located in India?***

**Solution:**

If the recipient is registered, the location of such person is the place of supply. However, if the recipient is not registered, the place of supply is the place where the goods are handed over for transportation. [Section 12(8)].

**Question 7**

***What will be the place of supply of passenger transportation service, if a person travels from Mumbai to Delhi and back to Mumbai?***

**Solution:**

If the person is registered, the place of supply of passenger transportation service will be the location of recipient. If the person is not registered, the place of supply for the forward journey from Mumbai to Delhi will be Mumbai, the place where he embarks [Section 12(9)].

However, for the return journey, the place of supply will be Delhi as the return journey has to be treated as separate journey [Explanation to section 12(9)].

**Question 8**

***What is the place of supply for mobile connection? Can it be the location of supplier?***

**Solution:**

The location of supplier of mobile services cannot be the place of supply as the mobile companies are providing services in multiple states and many of these services are inter-state. The consumption principle will be broken if the location of supplier is taken as place of supply and all the revenue may go to a few states where the suppliers are located.

The place of supply for mobile connection would depend on whether the connection is on postpaid or prepaid basis. In case of postpaid connections, the place of supply is the location of billing address of the recipient of services on the record of supplier of services.

In case of pre-paid connections, if the service is supplied:-

(i) through a selling agent or a re-seller or a distributor of SIM card or re-charge voucher, the place of supply is the place address of the selling agent or re-seller or distributor as per the record of the supplier at the time of supply; or

(ii) by any person to the final subscriber, the place of supply is the location where such prepayment is received or such vouchers are sold;

(iii) in other cases, the place of supply is the address of the recipient as per the records of the supplier of services and where such address is not available, the place of supply shall be location of the supplier of services.

However, if the recharge is done through internet/e-payment, the location of recipient of service on record of the supplier will be taken as the place of supply [Section 12(11)].

**Question 9**

**A person from Mumbai goes to Kullu-Manali and takes some services from ICICI Bank in Manali.**

**What is the place of supply?**

**Solution:**

The place of supply in case of banking services to any person shall be the location of the recipient of services on the records of the supplier of services. However, if the location of recipient of services is not on the records of the supplier, the place of supply shall be the location of the supplier of services i.e. Kullu-Manali, Himachal Pradesh [Section 12(12)].

**Question 10**

**An unregistered person from Gurugram travels by Air India flight from Mumbai to Delhi and gets his travel insurance done in Mumbai.**

**What is the place of supply of insurance services?**

**Solution:**

When insurance service is provided to an unregistered person, the location of the recipient of services on the records of the supplier of insurance services is the place of supply. So Gurugram is the place of supply [Section 12(13)].

**Question 11** LDR

**Determine the place of supply in the following independent cases:-**

**(i) Harpreet (New Delhi) boards the New Delhi-Kota train at New Delhi. He sells the goods taken on board by him (at New Delhi), in the train, at Jaipur during the journey.**

**(ii) LP Refineries (Mumbai, Maharashtra) gives a contract to Bhansali Ltd. (Ranchi, Jharkhand) to supply a machine which is required to be assembled in a power plant in its refinery located in Kutch, Gujarat.** *(MTP 5 Marks Aug'24)*

**Solution:**

(i) The place of supply of goods supplied on a board a conveyance like aircraft, train, vessel, motor vehicle is the location where such goods have been taken on board.

Place of supply of goods supplied on board a conveyance is determined under this provision even if the supply has been made by any of the passenger on board the conveyance and not by the carrier of the conveyance.

Thus, in the given case, the place of supply of goods is the location at which the goods are taken on board, i.e. New Delhi and not Jaipur where they have been sold.

(ii) If the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly. This is a case of composite supply of goods wherein two supplies are involved, supply of goods and ancillary supply of installation/ assembling service. The principal supply is supply of goods which are being installed.

**Question 12** LDR

**Determine place of supply along with reasons in the following cases:**

**(i) Mr. X, an architect (Kolkata), provides interior decorator services**

to Mr. Y of New York (USA) in relation to his immovable property located in New Delhi.

(ii) Mr. A (a Chartered Accountant registered in Kolkata) supplies services to his client in Bhubaneswar (registered in Bhubaneswar, Odisha).

(iii) ABC Ltd. of Patna imported certain goods from XYZ Inc. of USA. The goods were imported through vessel and delivery of goods was taken at Kolkata, whereafter the movement terminates and the goods are stored.

(iv) Mr. X, registered in Guwahati, has availed land-line services from BSNL. The telephone is installed in residential premises in Kolkata and the billing address is office of Mr. X in Guwahati.

(v) Mr. X, residing in Chennai, is travelling with an Indian Airline aircraft and is provided with movie-on-demand service for 100 as on-board entertainment during Delhi-Chennai leg of a Bangkok-Delhi-Chennai flight.

(vi) Mr. X of Kolkata purchased online tickets for Aquatica water park in Mumbai.

(vii) Mr. Z, an unregistered person of Kolkata, sends a courier from New Delhi to his friend in Chennai, Tamil Nadu while he was on trip to New Delhi.

(viii) Mr. X, a registered person in Ranchi, Jharkhand, buys shares from a broker in Patna on NSE, Mumbai. Determine the place of supply of brokerage service.

(ix) XYZ Ltd., New Delhi entered into contract with an Indian airline for the supply of biscuit packets for further supply by airline to the passengers in Kolkata-Guwahati route. The biscuits were loaded on board in Lucknow.

(PYP 9 Morks Jan 21, MTP 9 Marks Mar'23)

**Solution:**

(i) New Delhi. In a case where location of the supplier or location of recipient of service is outside India, the place of supply of services supplied directly in relation to an immovable property including that of interior decorators is the place where the immovable property is located.

(ii) Bhubaneshwar, Odisha. The place of supply of services, except the specified services made to a registered person, is the location of such person.

(iii) Patna. The place of supply of goods imported into India is the location of the importer.

(iv) Kolkata. The place of supply of services by way of fixed telecommunication line is the location where the telecommunication line is installed for receipt of services.

(v) Bangkok. The place of supply of services on board an aircraft is the location of the first scheduled point of departure of that aircraft or flight for the journey

(vi) Mumbai. The place of supply of services provided by way of admission to an amusement park is the place where the park is located.

(vii) New Delhi. The place of supply of services by way of transportation

of goods by courier to a person other than a registered person is the location at which such goods are handed over for their transportation.

(viii) Ranchi, (Jharkhand). The place of supply of stock broking services to any person shall be the location of the recipient of services on the records of the supplier of services. 2

(ix) Where the supply involves movement of goods, the place of supply of such goods is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. Therefore, the place of supply of biscuit packets sold by XYZ Ltd. to Indian Airlines is Lucknow Further, where the goods are supplied on board an aircraft, the place of supply shall be the location at which such goods are taken on board. Thus, the place of supply of biscuit packets sold by Indian Airlines to the passengers in Kolkata-Guwahati route is Lucknow.

**Question 13** LDR

***Briefly examine the place of supply in the following independent cases.***

***(a) Ms. Shanti (unregistered resident of Gujarat) went to meet her parents at the native place Patna, Bihar and buys a medical insurance policy for her parents from an insurance company-MNT Insurers- of Patna (registered in Bihar). The location of the recipient of services in the records of the MNT Insurers is Patna.***

***(b) Lakhan Singh Transports Pvt. Ltd., a Goods Transportation Agency registered in Noida, Uttar Pradesh, is hired by Ram Trade Links (registered supplier in New Delhi) to transport its consignment of goods from its warehouse in Delhi to the house of a buyer located in Roorkee, Uttar Pradesh.***

***(c) Mr. Karan (Mumbai) takes a post-paid mobile connection in Mumbai from the service provider – Freesia Ltd. and gives his residence address at Mumbai as the address for billing with the said company*** (RTP Jan'25)

**Solution:**

(a) The place of supply of insurance services provided to a person other than a registered person, be the location of the recipient of services on the records of the supplier of services. Thus, in the given case, the place of supply is the location of the recipient of services in the records of the supplier, i.e. Patna.

(b) The place of supply of services by way of transportation of goods, including by mail or courier to a registered person, is the location of such person. Thus, in the given case, the recipient being registered, the place of supply is the location of recipient, i.e. New Delhi.

(c) The place of supply of telecommunication services including data transfer, broadcasting, cable and direct to home television services to any person in case of mobile connection for telecommunication and internet services provided on post-paid basis, be the location of billing address of the recipient of services on the record of the supplier of services. Thus, in the given case, the place of supply is the location of billing address

**Question 14** LDR

***Answer the following questions in the light of the place of supply Provisions contained in the IGST Act, 2017:***

***(1) Quick deal Enterprises (Ahmednagar, Gujarat) opens a new branch office at Hissar, Haryana. It purchases a building for office from Ruhani Builders (Hissar) along with pre-installed office furniture and fixtures. Determine place of supply of the pre-installed office furniture and fixtures.*** (MTP 2 Marks April '18)

***(2) Supra Events, an event management company at New Delhi, organizes an award function for Chirag Diamond Merchants of Varanasi (registered in U.P.), at Mumbai. Determine place of supply of the service supplied by Supra Events. Will your answer be***

**different, if the award function is organized at Mauritius instead of Mumbai?**

**Solution:**

(1) Section 10(1)(c) of the IGST Act stipulates that if the supply does not involve movement of goods, the place of supply is the location of goods at the time of delivery to the recipient. Since there is no movement of office furniture and fixtures in the given case, the place of supply of such goods is their location at the time of delivery to the recipient (Quick deal Enterprises) i.e., Hissar, Haryana.

(2) Section 12(7) of the IGST Act stipulates that the place of supply of services provided by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to a conference, fair, exhibition, celebration or similar events is the location of recipient in a case where such service is provided to a registered person. In the given case, since the recipient (Chirag Diamond Merchants) is a registered person, the place of supply is the location of the recipient, i.e., Varanasi, U.P.

Further, the place of supply will not change even if the award function is organized at Mauritius instead of Mumbai as the location of recipient remains unchanged. Thus, in that case also, the place of supply is the location of the recipient, i.e., Varanasi, U.P

**Question 15**

**Determine the place of supply for the following independent cases under the IGST Act, 2017:**

**(i) Mega Events, an event management company at Kolkata, organises two award functions for Shagun Jewellers of Chennai (Registered in Chennai) at New Delhi and at Singapore.**

**(ii) Crown Planners (Bengaluru) is hired by Dr. Banta (unregistered person based in Kochi) to plan and organise his son's wedding at Mumbai.**

**(iii) Will your answer be different if the wedding is to take place at Malaysia?**

**Solution:**

(i) When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient in terms of section 12(7)(a) (i) of IGST Act, 2017. Since, in the given case, the award functions at New Delhi and Singapore are organized for Shagun Jewellers (registered in Chennai), place of supply in both the cases is the location of Shagun Jewellers i.e., Chennai.

(ii) As per section 12(7)(a) (i) of IGST Act, 2017, when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient. Since, in the given case, the service recipient [Dr. Banta] is unregistered and event is held in India, place of supply is the location where the event is actually held i.e., Mumbai.
However, if the wedding is to take place outside India [Malaysia], the place of supply is the location of that unregistered recipient i.e. Kochi

**Question 16**

**Mr. Sheru, an unregistered person and a resident of Pune, Maharashira hires the services of Class Ltd. an event management company registered in Delhi, for organising the new product launch in Bengaluru, Karnataka**

**(i) Determine the place of supply of services provided by Class Lid.**

**(ii) What would be your answer if the product launch takes place in Bangkok?**

***(iii) What would be your answer if Mr. Sheru is a registered person and product launch takes place in-***

***(a) Bengaluru***

***(b) Bangkok?***

**Solution:**

(i) As per section 12(7)(a)(ii) of the IGST Act, 2017 when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient.

Since, in the given case, the service recipient [Mr. Sheru] is unregistered and event is held in India, place of supply is the location where the event is actudlly held, i.e. Bengaluru, Kamnataka. The location of the supplier and the location of the recipient is irrelevant in this case.

(ii) However, if product launch takes place outside India [Bangkok], the place of supply will be the location of recipient, i.e. Pune, Maharashtra.

(iii) When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient vide section 12(7)(a)(i) of the IGST Act, 2017.

Therefore, if Mr. Sheru is a registered person, then in both the cases, i.e. either when product launch takes place in Bengaluru or Bangkok, the place of supply will be the location of recipient, i.e. Pune, Maharashfra.

**Question 17** LDR

***Dhun Pvt. Ltd. owned by Jairaj - a famous classical singer - wishes to organise a 'Jairaj Music Concert' in Gurugram (Haryana). Dhun Pvt. Lid. (registered in Ludhiana, Punjab) enters into a contract with an event management company, Dhanraj (P) Lid. (registered in Delhi) for organising the said music concert at an agreed consideration of ₹ 10,00,000.***

***Dhanraj (P) Lid. books the lawns of Hotel Dumdum, Gurugram (registered in Haryana) for holding the music concert, for a lump sum consideration of ₹ 4,00,000. Dhun Pvi. Lid. fixes the entry fee to the music concert at ₹ 5,000.***

***You are required to determine the place of supply in respect of the supply(ies) involved in the given scenario.***

**Solution:**

In the given situation, three supplies are involved:

(i) Services provided by Dhun Pvt. Ltd. to audiences by way of admission fo music concert.

(ii) Services provided by Dhanraj (P) Ltd. fo Dhun Pvt. Ltd. by way of organising the music concert.

(iii) Services provided by Hotel Dumdum to Dhanraj (P) Ltd. by way of accommodation in the Hotel lawns for organising the music concert.

The place of supply in respect of each of the above supplies is determined as under:

(i) As per the provisions of section 12(6), the place of supply of services provided by way of admission fo, infer alia, a cultural event shall be the place where the event is actually held.

Therefore, the place of supply of services supplied by Dhun Pvt. Ltd. (Ludhiana, Punjab) to audiences by way of admission to the music concert is the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

(ii) Section 12(7)(a)(i) stipulates that the place of supply of services provided by way of organization of, infer alia, a cultural event fo a registered person is the location of such person.

Therefore, the place of supply of services supplied by Dhanraj (P) Ltd. (Delhi) to Dhun Pvi. Ltd. (Ludhiana, Punjab) by way of organising the music concert is the location of the registered person, i.e. Ludhiana (Punjab).

(iii) As per the provisions of section 12(3)(c) of the IGST Act, 2017, the place of supply of services, by way of accommodation in any immovable property for organizing, inter alia, any cultural function shall be the location at which the immovable property is located.

Therefore, the place of supply of services supplied by Hotel Dumdum (Gurugram, Haryana) to Dhanraj (P) Ltd. (Delhi) by way of accommodation in Hotel lawns for organising the music concert shall be the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

**Question 18** LDR

**(i) Parth of Pune, Maharashtra enters into an agreement to sell goods to Bakul of Bareilly, Uttar Pradesh. While the goods were being packed in Pune godown of Parth, Bakul got an order from Shreyas of Shimoga, Karnataka for the said goods. Bakul agreed to supply the said goods to Shreyas and asked Parth to deliver the goods to Shreyas at Shimoga. You are required to determine the place of supply(ies) in the above situation.**

**(ii) Damani Industries has recruited Super Events Pvt. Ltd., an event management company of Gujarat, for organising the grand party for the launch of its new product at Bangalore. Damani Industries is registered in Mumbai. Determine the place of supply of the services provided by Super Events Pvt. Ltd. to Damani Industries. Will your answer be different if the product launch party is organised at Dubai?**

**Answer**

(i) The supply between Parth (Pune) and Bakul (Bareilly) is a bill fo ship to supply where the goods are delivered by the supplier [Parth] to a recipient [Shreyas (Shimoga)] or any other person on the direction of a third person [Bakul]. The place of supply in case of bill to ship fo supply of goods is determined in terms of section 10(1)(b) of IGST Act, 2017.

As per section 10(1)(b) of IGST Act, 2017, where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person.

Thus, in the given case, it is deemed that the Bakul has received the goods and the place of supply of such goods is the principal place of business of Bakul. Accordingly, the place of supply between Parth (Pune) and Bakul ( Bareilly) will be Bareilly, Uttar Pradesh.

This situation involves another supply between Bakul (Bareilly) and Shreyas (Shimoga). The place of supply in this case will be determined in terms of section 10(1)(a) of IGST Act, 2017.

Section 10(1)(a) of IGST Act, 2017 stipulates that where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be

*the location of the goods at the time at which the movement of goods terminates for delivery to the recipient of goods terminates for delivery to the recipient (Shreyas) i.e., Shimoga, Karmnataka*

*(ii) Section 12(7)(a)(i) of IGST Act, 2017 stipulates that when service by way of organization of an event is provided to a registered person, place of supply is the location of recipient.*

*Since, in the given case, the product launch party at Bangalore is organized for Damani Industries (registered in Mumbai), place of supply is the location of Damani Industries i.e., Mumbai.*

*In case the product launch party is organized at Dubai, the answer will remain the same, i.e. the place of supply is the location of Damani Industries — Mumbai*

**Question 19**

***Examine the following independent cases and determine the place of supply:***

***(1) Mr. Joy, an unregistered person of Kolkata, West Bengal sends a courier through Kolkata, West Bengal based Mohan Courier Agency to his sister in Mumbai, Maharashtra.***

***(2) Mr. Nitin, an unregistered person, resides at Rewa, Madhya Pradesh books a two way air journey ticket from Prayagraj, Uttar Pradesh to Jaipur, Rajasthan on 6 September and back. He leaves Prayagraj on 11 September in a morning flight and land in Jaipur the same day. He leaves Jaipur on 15 September in a late night flight and lands in Prayagraj the next day.***

***(3) Rimjhim Pvt. Ltd, located at Lucknow, Uttar Pradesh, purchases a manufacturing machine from Manav Steel Industries Ltd., located at Jaipur, Rajasthan, for being installed in its factory located at Haridwar, Uttarakhand.*** **(PYP 5 Marks May'24)**

**Solution:**

*(1) The place of supply of services by way of transportation of goods by courier provided to an unregistered person is the location at which such goods are handed over for their transportation. Therefore, the place of supply, in the given case is Kolkata, West Bengal.*

*(2) The place of supply of passenger transportation service to an unregistered person is place where the passenger embarks on the conveyance for a continuous journey wherein the return journey is treated as a separate journey, even If the tickets for onward and return journey is issued at the same time. Therefore, the place of supply for the outward and return journey are the locations where Mr. Nitin embarked on the conveyance for the continuous journey, i.e. Prayagraj, Uttar Pradesh for outward journey and Jaipur, Rajasthan, for return journey.*

*(3) If the supply involves goods which are to be installed at site, the place of supply is the place of such installation.*
*Therefore, the place of supply, in the given case is Haridwar, Uttarakhand.*

**Question 20** LDR

***(i) Garima having its permanent residence in Bhavnagar, Gujarat purchased car from Kiara Motors of Jaipur, Rajasthan to take the advantage of lower registration charges and road tax. Garima took the delivery of the car from Jaipur and returned with car to her residence in Bhavnagar, Gujarat. Address of Garima recorded in the invoice issued by Kiara Motors mentions only the name of***

**the State i.e. Gujarat. Garima is an unregistered person whereas Kiara Motors is a registered person under GST. Determine the place of supply for supply made by Kiara Motors to Garima.**

**(2 Marks Sep'24)**

**(ii) Aakar Advertisement Agency, a registered person in Nagpur, Maharashtra, wants to display the products of its client's at most prominent places in different States. It took on rights to use the space on hoardings mounted on fixed surface attached to earth, situated in Udaipur, Rajasthan and in Gwalior, Madhya Pradesh from G.N. Enterprise registered in State of Chhattisgarh. Aakar Advertisement Agency has an exclusive right to use the space and also to manage the advertisements on the hoardings. What will be the place of supply of services provided by the G.N. Enterprise to the Aakar Advertisement Agency?** **(PYP 3 Marks Sep'24)**

**Solution:**

(i) *Where the supply of goods is made to an unregistered person, the place of supply is the location as per the address of the unregistered person recorded in the invoice.*

*Further, recording of the name of the State of the unregistered personin the invoice is deemed to be the recording of the address of the unregistered person.*

*Thus, place of supply is Bhavnagar, Gujarat.*

(ii) *The hoarding/structure erected on the land should be considered as immovable structure/fixture as it has been embedded in earth. Therefore, the place of supply of service provided by way of supply of sale of space on hoarding/structure for advertising or for grant of rights to use the hoarding/ structure for advertising is the location where such hoarding/ structure is located.*

*The place of supply of any service provided by way of supply/ sale of space on an immovable property or grant of rights to use an immovable property is the location at which the immovable propertyis located, i.e. the location where such hoarding/ structure is located..*

*Thus, for hoarding located in Udaipur, place of supply is Udaipur, Rajasthan and for hoarding located in Gwalior, place of supply is Gwalior, Madhya Pradesh.*

**Question 21**

**Mr. Bindusaar is an employee in Galgotia and Sons, working at its Mumbai (Maharashtra) office. Mr. Bindusaar is unregistered under GST law. His family is located in Bareilly, Uttar Pradesh. His son requires a laptop for his school project on urgent basis. Therefore, Mr. Bindusaar places an order on Amazing.in an e-commerce platform for supply of a laptop of latest configuration for his son, which is to be delivered at his residential address located in Bareilly, Uttar Pradesh.**

**Mr. Bindusaar, while placing the order on the e-commerce platform Amazing.in, provides the billing address of his apartment located in Mumbai Maharashtra. You are required to determine the place of supply of the supply of laptop in the given case.** **(RTP 2025)**

**Solution:**

*As per the provisions of section 10(1)(ca) of the IGST Act, 2017, where the supply of goods is made to an unregistered person, the place of supply would be the location as per the address of said person recorded in the invoice and the location of the supplier where the address of the said person is not recorded in the invoice. Further, as per Explanation to the said clause, recording the name of the State of the said unregistered person on the invoice shall be deemed to be the recording of the address of the said person.*

*Accordingly, it is clarified vide Circular No. 209/3/2024 GST dated 26.06.2024 that in the cases involving supply of goods to an unregistered person, where the address of delivery of goods recorded on the invoice is different from the billing address of the said unregistered person on the invoice, the place of supply of goods in accordance with the provisions of section 10(1)(ca) of the IGST Act, 2017, shall be the address of delivery of goods recorded on the invoice.*

*Also, in such cases involving supply of goods to an unregistered person, where the billing address and delivery address are different, the supplier may record the delivery address as the address of the recipient on the invoice for the purpose of determination of place of supply of the said supply of goods.*

*Thus, the place of supply of laptop in the given case is Bareilly, Uttar Pradesh.*

# 13 ACCOUNTS AND RECORDS

LDR Questions
Q .2 | Q .6 | Q .8 | Q .9

**Question 1**

***Who is required to maintain books of accounts and at which place in terms of Section 35 read with relevant rules?***

**Solution:**

*Every registered person shall keep and maintain, his books of accounts at his principal place of business and books of account relating to additional place of business as mentioned in the certificate of registration. Where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.*

**Question 2** LDR

***Mr. Sky is engaged in the business of trading of mobiles. He is eligible for composition scheme and has opted for the same. He seeks your advice for records which are not required to be maintained by him as composition taxable person.***

**Solution:**

*A supplier who has opted for composition scheme is not required to maintain records relating to*

a. *Stock of goods: Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.*

b. *Details of tax: Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.*

*Thus, Mr. Sky is not required to maintain above mentioned records.*

**Question 3**

***Mr. Harsh Manjula is engaged in the business of works contract services and request your guidance as to specific records required to be maintained by him under GST law, if any.***

**Solution:**

*Mr. Harsh Manijula, executing works contract shall keep separate accounts for works contract showing –*

a. *the names and addresses of the persons on whose behalf the works contract is executed;*

b. *description, value and quantity (wherever applicable) of goods/ services received for the execution of works contract;*

c. *description, value and quantity (wherever applicable) of goods/ services utilized in the execution of works contract;*

d. *the details of payment received in respect of each works contract; and the names and addresses of suppliers from whom he received goods or services.*

**Question 4**

***Chill Chain Cold is operating cold storage warehouse and seeks your guidance on the GST accounts and records to be maintained by them in terms of Section 35.***

**Solution:**

*Chill Chain Cold shall maintain records of the consigner, consignee and other relevant details of the goods in the prescribed manner.*

*Chill Chain Cold shall also maintain books of accounts with respect to the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt, and disposal of such goods.*

*Chill Chain Cold shall store the goods in such manner that they can be identified item-wise and owner-wise and shall facilitate any physical verification or inspection by the proper officer on demand.*

**Question 5**

***Mr. X is of the view that records are to be mandatorily maintained manually only. You are required to examine the view taken by Mr. X?***

**Solution:**

*The view taken by Mr. X is not valid in law. Books of account include any electronic form of data stored on any electronic device. The registered person may keep and maintain such accounts and other particulars in electronic form stored on any electronic device and record so maintained shall be authenticated by means of a digital signature. The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.*

*Where the accounts and records are stored electronically by any registered person, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stored in such files.*

**Question 6** LDR

1. ***Explain the provisions relating to period of retention of accounts as provided under section 36 of CGST Act, 2017***
2. ***Whether the transporters, who are not registered under the GST, are required to maintain any records under the provisions of CGST Act, 2017? Also explain, if any other unregistered persons who are required to maintain records under GST***

**Solution:**

(1) *Section 36 of the CGST Act explains the provisions relating to period of retention of accounts as under: – Every registered person required fo keep and maintain books of account or other records shall retain them until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records.*

*However, a registered person, who is a party fo an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period of 1 year after final disposal of such appeal or revision or proceedings or investigation, or for the period specified above, whichever is later*

(2) The transporters, who are not registered under GST, shall obtain a unique enrollment number on GST common portal and maintain records of goods transported, delivered and goods stored in transit by them along with GSTIN of the registered consignor and consignee for each of his branches. Every owner or operator of warehouse/godown/any other place used for storage of goods, even if unregistered, is also required to maintain records under GST

**Question 7**

***List any four records required to be maintained by an agent under the CGST Rules, 2017***

**Solution:**

Every agent shall maintain accounts depicting the-

(a) particulars of authorisation received by him from each principal fo receive or supply goods or services on behalf of such principal separately;

(b) particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;

(c) particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;

(d) details of accounts furnished to every principal; and

(e) tax paid on receipts or on supply of goods or services effected on behalf of every principal.

**Question 8** LDR

**Comment on the given independent situations relating to GST procedures. Your answer should include relevant provisions of law, as may be applicable:**

***GoToDress is a chain of stores dealing in readymade garments through five showrooms in Delhi. It has a single GSTIN for all its showrooms in Delhi and has a principal place of business at Karol Bagh, Delhi. One of the consultants has suggested GoToDress to maintain books of accounts of all of its five showrooms at principal place of business at Karol Bagh, Delhi for better administration and control. Give your comment on the above advice according to the provisions of GST law.***

(PYP 2 Marks May '22)

**Solution:**

The suggestion of the consultant is not correct.

Every registered person is required to keep and maintain, his books of accounts at his principal place of business. Where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.

**Question 9** LDR

***Every registered person executing works contract shall keep separate accounts for works contract under CGST Rules, 2017. List the details to be maintained.*** (PYP 5 Marks Sep'24)

**Solution:**

Every registered person executing works contract shall keep separate accounts for works contract showing –

- the names and addresses of the persons on whose behalf the works contract is executed;
- description, value and quantity (wherever applicable) of goods/ services received for the execution of works contract;
- description, value and quantity (wherever applicable) of goods/ services utilized in the execution of works contract;
- the details of payment received in respect of each works contract; and
- the names and addresses of suppliers from whom he received goods or services.

LDR Questions
Q .5 | Q .6 | Q .8 | Q .9 | Q .13 |
Q .15 | Q .17 | Q .19 | Q .20

**Question 1**

***Whether the rate of tax of 0.5% notified under section 52 is CGST or SGST or a combination of both CGST and SGST?***

**Solution:**

*The rate of TCS as notified under CGST Act is payable under CGST and the equal rate of TCS is expected under the SGST Act also, in effect aggregating to 0.5%.*

**Question 2**

***Is every e-commerce operator required to collect tax on behalf of actual supplier?***

**Solution:**

*Yes, every e-commerce operator is required to collect tax where consideration with respect to the supply is being collected by the e-commerce operator.*

*However, no TCS is required to be collected in the following cases:-*

*(i) on supply of services notified under section 9(5) of the CGST Act, 2017.*

*(ii) on exempt supplies*

*(iii) on supplies on which the recipient is required to pay tax on reverse charge basis.*

**Question 3**

***State whether the provisions pertaining to tax collected at source under section 52 of CGST Act, will be applicable, if Fitan Ltd. sells watch on its own through its own website?***

**Solution:**

*As per Section 52, every electronic commerce operator not being an agent, shall collect an amount calculated at such rate not exceeding one per cent.,*

*as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator.*

*Hence, if the person sells on his own, provisions pertaining to tax collected at source (TCS) won't be applicable.*

**Question 4**

***There is no onus of filing any monthly & annual statements by ECO. Examine the technical veracity of the statement by explaining relevant provisions.***

**Solution:**

*The given statement is invalid. An electronic statement has to be filed by the ECO containing details of the outward supplies of goods and/or services effected through it, including the supplies returned through it and the amount collected by it as TCS during the month within 10 days after the end of the each month in which supplies are made.*

*Additionally, the ECO is also mandated to file an Annual Statement on or before 31st day of December following the end of the financial year.*

*The Commissioner has been empowered to extend the due date for furnishing of monthly and annual statement by the person collecting tax at source.*

**Question 5** LDR

**State whether the provisions pertaining to tax collected at source under section 52 of CGST Act, will be applicable, if ABC limited who is dealer of Royul brand sells watches through Slipkart, an electronic commerce operator?**

**Solution:**

*As per Section 52, every electronic commerce operator not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator. If ABC limited who is dealer of Royul brand sells watches through Slipkart, then the provision of TCS will be applicable to Slipkart.*

**Question 6** LDR

**Mr. X is a supplier selling his own products through a web site hosted by him. Does he fall under the definition of an "electronic commerce operator"? Whether he is required to collect TCS on such supplies?**

**Solution:**

*As per the definitions in Section 2(44) and 2(45) of the CGST Act, 2017, Mr. X will come under the definition of an "electronic commerce operator". However, according to Section 52 of the Act ibid, TCS is required to be collected on the net value of taxable supplies made through it by other suppliers where the consideration is to be collected by the ECO. In cases, where someone is selling their own products through a website, there is no requirement to collect tax at source as per the provisions of this Section. These transactions will be liable to GST at the prevailing rates.*

**Question 7**

**If Mr. A purchase goods from different vendors and in turn Mr. A, is selling them on his own website under his own billing, Is TCS required to be collected on such supplies?**

**Solution:**

*No. According to Section 52 of the CGST Act, 2017, TCS is required to be collected on the net value of taxable supplies made through E-commerce operator by other suppliers where the consideration is to be collected by the ECO. In this case, there are two transactions – Mr. A purchase the goods from the vendors, and those goods are sold through his own website. For the first transaction, GST is leviable, and will need to be paid to vendor, on which credit is available to Mr. A. The second transaction is a supply on own account of Mr. A, and not by other suppliers and there is no requirement to collect tax at source. The transaction will attract GST at the prevailing rates.*

**Question 8** LDR

**Who is liable to collect TCS (collection of tax at source) under Section 52 of the CGST Act, 2017. Briefly explain the provisions relating to registration, filing of return and deposit of TCS to Government as per the provisions of section 52 of the CGST Act, 2017 and rule 12 of the CGST Rules, 2017.**

**(PYP 5 Marks, May'24)**

**Solution:**

*Every Electronic Commerce Operator (ECO), not being an agent, is liable to collect tax at source (TCS). Such ECO is required to submit a registration application in prescribed form through the common portal. The proper officer shall, after due verification, grant registration within 3*

working days from the date of the application. On a request or upon an enquiry or pursuant to any other proceeding under GST law, if the proper officer is satisfied that a person is no longer liable to collect the tax at source, he may cancel his registration. Such ECO shall furnish a monthly statement in prescribed form containing the details of the outward supplies of goods and/or services effected through it, including supplies returned through it and the amount collected by it as TCS during the month within 10 days after the end of each month in which tax has been collected at source.

They also required to file annual statement on or before 31st December following the end of the financial year.

The TCS amount collected by the ECO has to be deposited by 10th of the month succeeding the month in which TCS has been collected.

**Question 9** LDR

**Ramlala Enterprises, registered in Delhi, is engaged in supply of interior decoration services to Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh). The total contract value inclusive of GST is Rs 15,50,000 and payment for the same is due in October, 20XX.**

**You are required to determine amount of tax, if any, to be deducted in the above case assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively.**

**Will your answer be different, if Ramlala Enterprises is registered under composition scheme?** (RTP May 24)

**Solution:**

(a) As per section 51 of the CGST Act, 2017 read with section 20 of the IGST Act, 2017 and Notification No. 50/2018 CT 13.09.2018, following persons are required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/UTGST)] or [GST @ 2% from the payment made/ credited to the supplier (deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds ₹ 2,50,000:

a. a department or establishment of the Central Government or State Government; or
b. local authority; or
c. Governmental agencies; or
d. an authority or a board or any other body, –
   (i) set up by an Act of Parliament or a State Legislature; or
   (j) established by any Government, with 51% or more participation by way of equity or control, to carry out any function; or
e. Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or
f. Public sector undertakings.

Further, for the purpose of deduction of tax, the value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess indicated in the invoice.

Proviso to section 51(1) of the CGST Act, 2017 stipulates that no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.

Section 12(3) of the IGST Act, 2017, inter alia, stipulates that the place of supply of services, directly in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to

be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi.

Since the location of the supplier (Ramlala Enterprises) and the place of supply is Delhi and the State of registration of the recipient i.e. Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.

The answer will remain unchanged even if Ramlala Enterprises is registered under composition scheme.

**Question 10**

***Mr. Amit, a supplier located in Meerut, U.P. supplied the bedsheets, pillow covers and blankets to a Governmental agency, registered in U.P. under a contract. The total contract value is ₹ 4,61,000 excluding GST. The value of supply is bifurcated as below:***

| | |
|---|---|
| ***400 Blankets for ₹ 600 each*** | ***₹ 2,40,000*** |
| ***850 Bed Sheets for ₹ 180 each*** | ***₹ 1,53,000*** |
| ***1700 Pillow Covers for ₹ 40 each*** | ***₹ 68,000*** |

***Is Governmental agency required to deduct tax at source (while making the payment to Mr. Amit) under section 51 of the CGST Act, 2017 and if yes, determine the amount of tax to be deducted source? (Chapter Tax Deduction at Source and Collection of Tax at Source)*** **(RTP Jan'25)**

**Solution:**

As per section 51 of the CGST Act, 2017, it is mandatory for the following persons to deduct tax at source from payments made to the suppliers of taxable goods and/or services:-

(a) Central/State Government department or establishment;
(b) local authority; or
(c) Governmental agencies; or
(d) such notified persons

The tax would be deducted @ 1% (each under CGST and SGST) of the payment made to the supplier of taxable goods and/or services, where the total value of such supply, under a contract, exceeds ₹ 2,50,000 (excluding the amount of Central tax, State tax, Union Territory tax, Integrated tax and cess indicated in the invoice). Thus, individual supplies may be less than 2,50,000/-, but if total value of supplies under a contract is more than 2,50,000/-, TDS has to be deducted.

In the given case, Mr. Amit has made supplies to a Governmental agency and total value of supply under a contract exceeds 2,50,000, it is mandatory for Governmental agency to deduct TDS @1% each under CGST and SGST on the net value of taxable supplies.

The amount of TDS required to be deducted each under CGST & SGSTeach is ₹4,610.

**Question 11**

***Mohan, a registered person in Salem, Tamil Nadu, makes intra-State supply of taxable goods amounting to 13,57,000 (inclusive of GST) to a Public Sector Undertaking (PSU). Consideration for same is received in 5 equal instalments from the PSU.***

***Tax rates applicable: CGST 9%, SGST 9%, IGST 18%***

***What will be your view with respect to applicability of TDS provisions as per section 51 of the CGST Act, 2017 regarding above transaction? What is the period by which TDS is required to be deposited to the Government account?*** **(PYP 5 Marks Sep'24)**

**Solution:**

In case of intra-State supply of goods by a supplier to a PSU, TDS @ 1% each under CGST and SGST is liable to be deducted by PSU only when the total value of supply under a contract exceeds ₹2,50,000 (exclusive of tax & cess), from the payment made or credited to the supplier. Accordingly, in the given case, since the value of supply under the contract excluding

taxes and cesses is ₹11,50,000 (₹13,57,000×100/118), TDS @ 1% on payment of each of the instalment of ₹2,30,000 (₹11,50,000/5), i.e. ₹2,300 each under CGST and SGST is to be deducted even though the individual payment is less than ₹2,50,000.

The amount of TDS deducted shall be paid to the Government by the deductor within 10 days after the end of the month in which such deduction is made or by 10th of the succeeding month.

**Question 12**

**Shubi Enterprises is entitled for exemption from tax under GST law. However, it collected tax from its buyers worth Rs. 50,000 in the month of August. It has not deposited the said amount collected as GST with the Government. You are required to brief to Shubi Enterprises the consequences of collecting tax, but not depositing the same with Government as provided under section 76 of the CGST Act, 2017**

**Solution:**

(1) It is mandatory to pay amount, collected from other person representing tax under GST law, to the Government. Every person who has collected from any other person any amount as representing the tax under GST law, and has not paid the said amount to the Government, shall forthwith pay the said amount to the Government, irrespective of whether the supplies in respect of which such amount was collected are taxable or not. For any such amount not so paid, proper officer may issue show cause notice(SCN) for recovery of such amount and penalty equivalent fo amount specified in notice.

The proper officer shall, after considering the representation, if any, made by the person on whom SCN is served, determine the amount due from such person and thereupon such person shall pay the amount so determined along with interest at the rate specified under section 50 of the CGST Act, 2017 from the date such amount was collected by him to the date such amount is paid by him to the Government

**Question 13** LDR

**Ragini Traders, aregistered supplier of Jaipur, is engaged in supply of various goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017.**

**You are required to briefly explain the provisions relating to tax deduction at source under section 51 and also determine the amount of tax, if any, to be deducted from each of the receivables given below (independent cases) assuming that the payments as per the contract values are made on 31st October. The rates of CGST, SGST and IGST may be assumed to be 6%, 6% and 12% respectively.**

**(1) Supply of computer stationery to Public Sector Undertaking (PSU) located & registered in Mumbai. Total contract value is ₹ 2,72,000 (inclusive of GST)**

**(2) Supply of air conditioner to GST department located & registered in Delhi. Total contract value is ₹ 2,55,000 (exclusive of GST)**

**(3) Supply of generator renting service to Municipal Corporation of Jaipur (not exempt under GST law). Total contract value is ₹3,50,000 (inclusive of GST)**

**Solution:**

As per section 51 of the CGST Act, 2017, Government departments, agencies, local authority and nofified persons are required fo deduct tax @ 2% (1% CGST + 1% SGST/UTGST) or IGST @ 2% from payment made to the supplier of taxable goods and/ or services where the total value of such supply [excluding tax and compensation cess indicated in the

invoice], under a contract, exceeds ₹ 2,50,000.

Since in the given case, Ragini Traders is supplying goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017, applicability of TDS provisions on its various receivables is examined in accordance with the above- mentioned provisions as under:

| S.No | Particulars | Total contract value due to be received [excluding GST]₹ | Tax to be deducted | | |
|---|---|---|---|---|---|
| | | | CGST @1% (₹) | SGST @1% (₹) | IGST @2% (₹) |
| (1) | Supply of computer stationery to PSU in Mumbai [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] does not exceed % 2,50,000, tax is not required to be deducted.] | 2,42,857 [2,72,000 x100/112] | - | - | |
| (2) | Supply of air conditioner to GST Department in Delhi [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] exceeds ₹ 2,50,000, tax is required to be deducted.] | 2,55,000 | - | | 5,100 |
| (3) | Supply of a generator renting service to Municipal Corporation of Jaipur [Since the total value of supply under the contract [excluding CGST and SGST (being intra-State supply)] exceeds ₹ 2,50,000, tax is required to be deducted.] | 3,12,500 [3,50,000 x 100 / 112] | 3,125 | 3,125 | |
| | [Total | | 3,125 | 3,125 | 5,100 |

**Question 14**

**(i) A Central Government Department located at Uttar Pradesh is registered with the Commercial Tax Department UP State for deducting GST. It enters into a contract with a Public Sector Undertaking (PSU), registered under GST in the State of Delhi, for supplying goods valued ₹ 3,50,000. The PSU argues that no tax is deductible on this supply by the Central Government Department as it is located outside the State of Uttar Pradesh and therefore not liable to tax under CGST and SGST as it is a local levy and IGST tax deduction is not applicable if it is located in another State, other than the State in which the Department is registered. You are required to comment on this.**

**(ii) Would there be any difference, if instead of the PSU if it was an entity in the private sector? Applicable tax rate for deduction is 1% CGST, 1% SGST and 2% IGST**

**(iii) If the private sector entity undertakes works contract, for the above Department in New Delhi. What would be the position of tax deduction when the contract value Rs 5,00,000?**

**(iv) The disbursing officer has not paid the tax deducted in the month of February 2019, amounting to ₹ 2,00,000 under CGST and 2,00,000 under SGST to the Government's account on the relevant due date, but has paid it on 14th May, 2019. Further, return for that month is also filed on that date and the certificate is also issued simultaneously. What are the consequences, on such failures, to the disbursing officer under the GST law?**

**Solution:**

(i) Certain specified persons are required to deduct tax from the payment made to the supplier of taxable goods and/or services, where the total value of such supply [excluding GST] under a contract, exceeds Rs 2,50,000.

However, the taxis not liable fo be deducted at source when supply of goods and/or services has taken place between one specified person to another specified person. Since both Central Government Department and PSU are the specified persons, tax is not deductible in case of supply of goods between them.

(ii) Central Government Department is mandatorily required to deduct IGST @ 2% since a private entity is not the specified person.

(iii) Since, in the given case, the location of supplier and place of supply is in the same State, i.e., Delhi and location of recipient is in UP, Central Government Department is not required to deduct TDS although the total value of supply under the contract is more than Rs 2,50,000.

(iv) Failure to deposit TDS with the Government and failure fo furnish TDS return within the stipulated time period will result in following consequences:

a. Interest @ 18% p.a. on the amount of tax deducted shall be payable.

b. Late fee of 100 per day for the period of delay in furnishing return, or Rs 5000 whichever is lower, shall be payable. Equal amount of late fee will be payable under the respective State law.

c. Applicable penalty will also be levied.

**Question 15** LDR

**BSA Corporation is a Public Sector Undertaking registered in Karnataka. For entertainment events in Bengaluru and at Mumbai, BSA has given**

contract o Mr. A, a renowned artist, registered person in Maharashtra, to perform on contemporary Bollywood songs. BSA Corporation agreed to pay ₹ 12,39,000 and ₹ 18,29,000, inclusive of GST, for Mumbai and Bengaluru events respectively. BSA Corporation seeks your advice regarding amount of TDS to be deducted assuming GST rate @ 18%

**Solution:**

A Public Sector Undertaking is required To deduct tax @ 2% (on infer-State supplies) from payment made to the supplier of taxable services where the total value of such supply, excluding tax indicated in the invoice, under a contract, exceeds ₹ 2,50,000.

Value of supplies excluding tax are
₹10,50,000 (₹ 12,39,000 × 100/118) and
₹ 15,50,000 (₹ 18,39,000 × 100/118)

Further, in the given case, since the location of supplier is Maharashira and place of supply of services provided by Mr. A to BSA Corporation is the location of recipient, viz. Karnataka, said services provided at both Mumbai and Bengaluru events are inter -State supplies.

Accordingly, in the given case, BSA Corporation is required to deduct tax as follows:

i) ₹10,50,000 × 2% = ₹ 21,000 (IGST)
(ii) ₹15,50,000 × 2% = ₹ 31,000 (IGST)

**Question 16**

**Manihar Enterprises, registered in Delhi, is engaged in supply of various goods and services exclusively to Government departments, agencies etc. and persons notified under section 51. It has provided the information relating to the supplies made, their contract values and the payment due against each of them in the month of October as under:**

| S.No. | Particulars | Total contract value (Inclusive of GST) | Payment due in October (₹) |
|---|---|---|---|
| 1 | Supply of stationery to Fisheries Department; Kolkata | 2,60,000 | 15,000 |
| 2. | Supply of car rental services to Municipal Corporation of Delhi | 2,95,000 | 20,000 |
| 3. | Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand | 5,90,000 | 25,000 |
| 4. | Supply of taxable goods to Delhi office of national Housing Bank, a society established by Government of India under the Societies Registration Act,1860 | 6,49,000 | 50,000 |
| 5. | Interior decoration of Andhra Bhavan located in Delhi. Service contract is entered into with the Goverment of Andhra Pradesh (registered only in Andhra Pradesh) | 12,39,000 | 12,39,000 |
| 6. | Supply of printed books and printed post cards to a West Delhi Post Office [Out of total contract value of ₹ 9,72,000, contract value for supply of books (exempt from GST) is ₹ 7,00,000 and for supply of Printed post cards (taxable under GST) is ₹ 2,72,000] | 9,72,000 | 50,000 for books & 20,000 for Printed post cards |

| | | | |
|---|---|---|---|
| x | Maintenance of street lights in Municipal area of East Delhi* [The maintenance contract entered into with the Municipal Corporation of Delhi also involves replacement of defunct lights and other spares. However, the value of supply of goods is not more than 25% of the value of composite supply.] *an activity in relation to any function entrusted to a Municipality under article 243W of the Constitution | 3,50,000 | 3,50,000 |

**You are required to determine amount of tax, if any, to be deducted from each of the receivable given above assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively. Will your answer be different, if Manihar Enterprises is registered under composition scheme?**

**Solution:**

As per section 51 read with section 20 of the IGST Act, 2017 and Notification No. 50/2018 CT 13.09.2018, with effect from 01.10.2018, following persons are required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/ UTGST)] or IGST @ 2% from the payment made/ credited to the supplier (deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds ₹ 2,50,000:

(a) adepartment or establishment of the Central Government or State Government; or

(b) local authority; or

(c) Governmental agencies; or

(d) an authority or a board or any other body, –

(i) setup by an Act of Parliament or a State Legislature; or

(ii) established by any Government, with 51% or more participation by way of equity or control, to carry out any function; or

(e) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or

(f) Public Sector undertaking.

Further, for the purpose of deduction of tax, the value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess indicated in the invoice.

Since in the given case, Manihaar Enterprises is supplying goods and services exclusively to Government departments, agencies etc. and persons notified under section 51, applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

| S. No. | Particulars | Total contract value (₹) | Payment due (₹) | Tax to be deducted | | |
|---|---|---|---|---|---|---|
| | | | | CGST (₹) | SGST (₹) | IGST (₹) |
| (i) | Supply of stationery to Fisheries Department, Kolkata (Note-1) | 2,60,000 | 15,000 | – | | |
| (ii) | Supply of car rental services to Municipal Corporation of Delhi (Note-2) | 2,95,000 | 20,000 | – | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **(iii)** | **Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand (Note-3)** | **5,90,000** | **25,000** | | | **500** |
| (iv) | Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860(Note-4) | 6,49,000 | 50,000 | 500 | 500 | |
| (v) | Interior decoration of Andhra Bhawan located in Delhi (Note-5) | 12,39,000 | 12,39,000 | | | |
| (vi) | Supply of printed books and printed post cards to a West Delhi Post Office (Note-6) | 9,72,000 | | – | | |
| (vii) | Maintenance of street lights in Municipal area of East Delhi (Note-7) | 3,50,000 | 3,50,000 | | | |

Notes:

1. Being an inter-State supply of goods, supply of stationery to Fisheries Department, Kolkata is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:
   = ₹ 2,60,000 × 100 / 118
   = ₹ 2,20,339 (rounded off)
   Since the total value of supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.

2. Being an intra-State supply of services, supply of car rental services to Municipal Corporation of Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:
   = ₹ 2,95,000 × 100 / 118
   = ₹ 2,50,000
   Since the total value of supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.

3. Being an inter-State supply of goods, supply of heavy machinery to PSU in Uttarakhand is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:
   = ₹ 5,90,000x 100 / 118
   = ₹ 5,00,000
   Since the total value of supply under the contract exceeds ₹ 2,50,000, PSU in Uttarakhand is required to deduct tax @ 2% of ₹ 25,000, i.e. ₹ 500.

4. *Being an intra-State supply of goods, supply of taxable goods to National Housing Bank, Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:*
*= ₹ 6,49,000x 100 / 118*
*= ₹ 5,50,000*
*Since the total value of supply under the contract exceeds ₹ 2,50,000, National Housing Bank, Delhi is required to deduct tax @ 2% (1% CGST + 1% SGST) of ₹ 50,000, i.e. ₹ 1,000.*

5. *Proviso to section 51(1) of the CGST Act, 2017 stipulates that no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.*

*Section 12(3) of the IGST Act, 2017, inter alia, stipulates that the place of supply of services, directly in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi.*

*Since the location of the supplier (Manihar Enterprises) and the place of supply is Delhi and the State of registration of the recipient i.e. Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.*

6. *If the contract is made for both taxable supply and exempted supply, tax shall be deducted if the total value of taxable supply in the contract exceeds ₹ 2,50,000. Being an intra-State supply of goods, supply of printed post cards to a West Delhi Post Office is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:*
*= ₹ 2,72,000x 100 / 118*
*= ₹ 2,30,509 (rounded off)*
*Since the total value of taxable supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.*

7. *Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply provided to, inter alia, local authority by way of any activity in relation to any function entrusted to a Municipality under article 243W of the Constitution is exempt from GST. Thus, maintenance of street lights (an activity in relation to a function entrusted to a Municipality) in Municipal area of East Delhi involving replacement of defunct lights and other spares where the value of supply of goods is not more than 25% of the value of composite supply is a service exempt from GST. Since tax is liable to be deducted from the payment made or credited to the supplier of taxable goods or services or both, no tax is required to be deducted in the given case as the supply is exempt.*

*The answer will remain unchanged even if Manihar Enterprises is registered under composition scheme. Tax will be deducted in all cases where it is required to be deducted under section 51 of the CGST Act, 2017 including the scenarios when the supplier is registered under composition scheme.*

**Question 17** LDR

**(1) A CG Department located at Uttar Pradesh is registered with the Commercial Tax Department UP States for deducting GST. It enters into a contract with a public sector Undertaking (PSU), registered under GST in the State of Delhi, for supplying goods valued Rs. 3,50,000. The PSU argues that no tax is deductible on this supply**

**by the Central Government Department as it is located outside the State of Uttar Pradesh and therefore not liable to tax under CGST and SGST as it is a local levy and IGST tax deduction is not applicable if it is located in another State, other than the State in which the Department is registered. You are required to comment on this.**

**(2) Would there be any difference, if instead of the PSU if it was an entity in the private sector? Applicable tax rate for deduction is 1% CGST, 1% SGST and 2% IGST.**

**(3) If the private sector entity undertakes works contract, for the above Department in New Delhi. What would be the position of tax deduction when the contract value is Rs. 5 lakhs?**

**(4) The disbursing officer has not paid the tax deducted in the month of February 2019, amounting to Rs. 2,00,000 under CGST and 2,00,000 under SGST to the Government's account on the relevant due date, but has paid it on 14th May, 2019. Further, return for that month is also filed on that date. What are the consequences, on such failures, to the disbursing officer under the GST law?**

**(5) Department of CG issued TDS Certificate to private Entity on 31st may 2019. Compute late fees, if any?**

**Solution:**

(i) Certain specified persons are required to deduct tax from the payment made to the supplier of taxable goods and/or services, where the total value of such supply [excluding GST] under a contract, exceeds Rs. 2,50,000.

However, the tax is not liable to be deducted at source when supply of goods and/or services has taken place between one specified person to another specified person. Since both Central Government Department and PSU are the specified persons, tax is not deductible in case of supply of goods between them.

(ii) Central Government Department is mandatorily required to deduct IGST @ 2% since a private entity is not the specified person.

(iii) Since, in the given case, the location of supplier and place of supply is in the same State, i.e., Delhi and location of recipient is in UP, Central Government Department is not required to deduct TDS although the total value of supply under the contract is more than Rs. 2,50,000.

(iv) Failure to deposit TDS with the Government and failure to furnish TDS return within the stipulated time period will result in following consequences:

(A) Interest @ 18% p.a. on the amount of tax deducted shall be payable.

(B) Late fee of Rs. 25 per day for the period of delay in furnishing return, or Rs. 1,000, whichever is lower, shall be payable. Equal amount of late fee will be payable under the respective State law.

(C) Applicable penalty will also be levied.

Note: It has been assumed that the location of private entity and the place of supply are in Delhi and the Central Government Department is in U.P.

(v) Interest on delayed payment of TDS

| | |
|---|---|
| Due date of payment | =10/3/19 |
| Actual date of payment | =14/5/19 |
| No of delayed days | = 65 Days |

Interest =2,00,000 x18% x 65/365

= 6411

Late fees on delayed filing of GSTR-Z

No of delayed days = 65 Days

hate fees = 25Rs/day x 65days

or

₹1,000

=1625 or 1000

=1000

Due date of issuing TDS certificate (14/5/19 + 5 days) =19/5/19

Actual date of issuing certificate =31/5/19

No of delayed days =12 days

Late fees = 100 x12 days = ₹1200

or

Rs 5000 = ₹1200 } W.I.L

**Question 18**

***Mr. Aman sells BOAT Head phones Through Amazon, ECO that collects TCS u/s 52 amounting to Rs 100 lacs. It also Supplies notified service u/s 9(5) through ECO amounting to R.s 20 Lacs.***
***Sales Return of BOAT Headphones =10 lacs***
***what shall be the TCS liability of Amazon, ECO u/s 52?***

**Solution:**

Computation of Net taxable supplies of goods/Service

Supply of headphones through ECO, TCS u/s 52 in Feb = 100L

Notified supply of services through ECO u/s 9(5) = NIL

Sales Return of Headphones in Feb Month =(10L)

Net taxable supplies =90L

TCS =90L x 0.5% = Rs 45,000

**Question 19** LDR

***Miss Babita, mumbai brought TV through ONDC aap from Amazon and amazon directed the order to Jethalal, Pune for the same, the supply was amounting to 1,00,000 Rs. Who will collect TCS u/s 52, what will be the amount of the same?***

**Solution:**

In this case Supplier side ECO ie Amazon will remit the consideration to the supplier ie Jethalal and hence Amazon will collect TCS u/s 52 The TCS will be collected and deposited as

CGST @ 0.25%=250 Rs.

SGST @ 0.25%=250 Rs.

**Question 20** LDR

***Miss Shraddha, Indore brought mobile stand from Amazon basics through ONDC aap From Amazon, Mumbai where the supply amount was amounting to Rs. 10,000 Who will deduct TCS u/s 52, what will be the amount of the same?***

**Solution:**

In this case Supplier side ECO ie Amazon is also the supplier of goods ie mobile stand and hence ONDC(buyer side ECO) will deduct the TCS

TCS will be collected and deposited as

IGST @0.50%-₹50