

GST COMPILER

AMENDED BY FINANCE ACT 2025



CA VARDHAMAN DAGA

GST COMPLIER

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CHAPTER – 1

GST IN INDIA – A BRIEF INTRODUCTION

STUDY MATERIAL

Illustration 1

Intra-State Supply: Mr. A a manufacturer in Rajasthan has supplied goods valued ₹ 10,000 to Mr. B a dealer in Rajasthan. Mr. B supplied the said goods to Mr. C in Rajasthan after making value addition of 20%. You are required to determine the tax payable by Mr. A and Mr. B in respect of the said transactions assuming the rate of GST is 18%. Also determine the amount of revenue earned by Central and State Government.

Ans

In case of local supply of goods/ services, the supplier would charge dual GST i.e., CGST and SGST at specified rates on the supply.

(i) Supply of goods/ services by A to B

Particulars	₹
Value charged for supply of goods/ services	10,000
Add: CGST @ 9%	900
Add: SGST @ 9%	900
Total price charged by A from B for local supply of goods/ services	11,800

The CGST & SGST charged on B for supply of goods/services will be remitted by A to the appropriate account of the Central and State Government respectively. A is the first stage supplier of goods/services and hence, does not have credit of CGST, SGST or IGST.

(ii) Supply of goods/services by B to C – Value addition @ 20%

B will avail credit of CGST and SGST paid by him on the purchase of goods/ services and will utilise such credit for being set off against the CGST and SGST payable on the supply of goods/services made by him to C

Particulars	₹
Value charged for supply of goods/ services (₹ 10,000 × 120%)	12,000
Add: CGST @ 9%	1080
Add: SGST @ 9%	1080
Total price charged by B from C for local supply of goods/ service	14160

Computation of CGST, SGST payable by B to Government

Particulars	₹

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CGST payable	1080
Less: Credit of CGST	900
CGST payable to Central Government	180
SGST payable	1080
Less: Credit of SGST	900
SGST payable to State Government	100

Note: Rates of CGST and SGST have been assumed to be 9% each for the sake of simplicity.
Statement of revenue earned by Central and State Government

Transaction	Revenue to Central Government (₹)	Revenue to State Government (₹)
Supply of goods/services by A to B	900	900
Supply of goods/services by B to C	180	180
Total	1080	1080

Illustration 2

Inter-State Supply: Mr. X a manufacturer in Rajasthan has supplied goods valued ₹ 100,000 to Mr. A a dealer in Rajasthan. Mr. A supplied the said goods to Mr. B in Madhya Pradesh after making value addition of 20%. Mr. B further supplied the goods to Mr. C of Madhya Pradesh after making value addition of 20%. You are required to determine the tax payable by Mr. X, Mr. A and Mr. B in respect of the said transaction assuming the rate of GST is 18%. Also determine revenue earned by Central and State Government.

Ans

In case of inter-State supply of goods/ services, the supplier would charge IGST at specified rates on the supply.

(i) Supply of goods/services by X of State 1 to A of State 1

Particulars	₹
Value charged for supply of goods/ services	10,000
Add: CGST @ 9%	900
Add: SGST @ 9%	900
Total price charged by X from A for intra-State supply of goods/service	11,800

X is the first stage supplier of goods/services and hence, does not have any credit of CGST, SGST or IGST

(ii) Supply of goods/services by A of State 1 to B of State 2 - Value addition @ 20%

Particulars	₹
Value charged for supply of goods/ services (₹ 10,000 × 120%)	12,000
Add: IGST @ 18%	2160
Total price charged by A from B for inter-State supply of goods/service	14160

Computation of IGST payable to Government

Particulars	₹
IGST payable	2160
Less: Credit of CGST	900



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Less: Credit of SGST	900
IGST payable to Central Government	360

The IGST charged on B of State 2 for supply of goods/services will be remitted by A of State 1 to the appropriate account of the Central Government. State 1 (Exporting State) will transfer SGST credit of ₹ 900 utilised in the payment of IGST to the Central Government

(i) Supply of goods/services by B of State 2 to C of State 2 - Value addition @ 20%

B will avail credit of IGST paid by him on the purchase of goods/services and will utilise such credit for being set off against the CGST and SGST payable on the local supply of goods/services made by him to C.

	₹
Value charged for supply of goods/ services	14,400
Add: CGST @ 9%	1296
Add: SGST @ 9%	1296
Total price charged by A from B for local supply of goods/ services	16992

Computation of CGST, SGST payable to Government

	AMOUNT ₹
CGST payable	1296
Less: Credit of IGST	1296
CGST payable to Central Government	NIL
SGST payable	1296
Less: Credit of IGST (₹ 2,160 - ₹ 1,296)	864
SGST payable to State Government	432

Central Government will transfer IGST credit of ₹ 864 utilised in the payment of SGST to State 2 (Importing State).

Note: Rates of CGST, SGST and IGST have been assumed to be 9%, 9% and 18% respectively for the sake of simplicity.

Statement of revenue earned by Central and State Governments

Transaction	Revenue to Central Government (₹)	Revenue to Government of State 1(₹)	Revenue to Government of State 2(₹)
Supply of goods/services by X to A	900	900	
Supply of goods/services by A TO B	360		
Transfer by State 1 to Centre	900	(900)	
Supply of goods/services by B to C			432
Transfer by State 2 to Centre	(864)		864
TOTAL	1296	nil	1296

TEST YOUR KNOWLEDGE

Illustration 3

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



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Ans

Discussed in class

Illustration 4

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)?

Ans

Discussed in class

Illustration 5

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

Ans

Discussed in class

Illustration 6

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

Ans

Discussed in class

Illustration 7

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.

Ans

Discussed in class

Illustration 8

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

Ans

The statement is correct.

Illustration 9

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

Ans

Discussed in class

Illustration 10

A dual GST has been implemented in India. Elaborate.

Ans



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Discussed in class

Illustration 11

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

Ans

Discussed in class

Illustration 12

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

Ans

Discussed in class

Illustration 13

No act or proceedings of the Goods and Services Tax Council shall be invalid merely by certain reasons. What are they? **(3 marks Sep 2024)**

Ans

No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of—

- (a) any vacancy in, or any defect in, the constitution of the Council; or
- (b) any defect in the appointment of a person as a Member of the Council; or
- (c) any procedural irregularity of the Council not affecting the merits of the case.

Illustration 14

Discuss the leviability of GST or otherwise on the following:

- (a) (a) Alcoholic liquor for human consumption;
- (b) Un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption;
- (c) Petroleum crude, diesel, petrol, Aviation Turbine Fuel (ATF) and natural gas;
- (d) Tobacco;
- (e) Opium, Indian hemp and other narcotic drugs and narcotics.

Ans

- (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) **Un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption:** is outside the realm of GST. The manufacture/production of the same continues to be subjected to State excise duty and inter-State/intra-State sale of the same is subject to CST/VAT respectively.
- (c) **Petroleum crude, diesel, petrol, ATF and natural gas:** As regards petroleum crude, diesel, petrol, ATF and natural gas are concerned, they are not presently



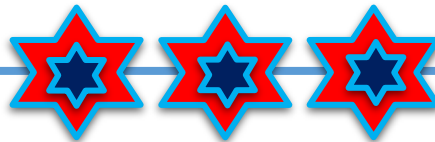


leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council.

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.

(d) 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.

(e) Opium, Indian hemp and other narcotic drugs and narcotics: Opium, Indian hemp and other narcotic drugs and narcotics are within the purview of GST, ie. 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.



CHAPTER – 2

SUPPLY UNDER GST

TEST YOUR KNOWLEDGE

Illustration 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 levability of CGST, SGST/UTGST and IGST on the same?

Solution

discussed in class

Illustration 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

qualify as supply. (discussed in class)

Illustration 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

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 ($20,000 \times ₹ 30$) is 18%. (Discussed in class)

Illustration 4

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 levability 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

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' **(Discussed in class)**

Illustration 5

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

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 **(Discussed in class)**

Illustration 6

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

Illustration 7

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

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

Solution

- 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.

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.

- (b) 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.

Illustration 8

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 good

Illustration 10

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

Illustration 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.

Illustration 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 personIn 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 Shriniti has taken interior decoration services for her residence and not in course or furtherance of business. Consequently, services provided by Miss Shriniti'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.

Illustration 11

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.

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 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.

Illustration 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

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%.

Illustration 13

Scope of Supply: Sahab Sales, an air-conditioner dealer in Janakpuri, Delhi, needs 4 air-conditioners for his newly constructed house in Safdarjung Enclave. Therefore, he transfers 4 air conditioners [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply under section 7 of the CGST Act, 2017. Further, a Janakpuri resident, Aakash, approached Sahab Sales. He sold an air-conditioner to Sahab Sales for ₹ 5,000. Aakash had bought the said air-conditioner 6 months before, for his residence. Does sale of the air conditioner by Aakash to Sahab Sales amount to supply under section 7 of the CGST Act, 2017?

(RTP May 2018)

Solution



Section 7 of the CGST Act, 2017 stipulates that in order to qualify as supply:

- (a) Supply should be of goods and/or services
- (b) Supply should be made for a consideration
- (c) Supply should be made in the course or furtherance of business.

Further, 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. In view of said provisions, permanent transfer of air conditioners by Sahab Sales from its stock for personal use at its residence, though without consideration, would amount to supply.

However, 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 its not in the course or furtherance of business.

Illustration 14

List any 5 (Five) activities/transactions specified under Schedule III of the CGST Act, 2017 which shall be neither treated as supply of goods nor as supply of services. Detailed explanations is not required.
(5 Marks, May 2023)

Solution

Activities or transactions which shall be treated neither as a supply of goods nor a supply of services are as under:

- 1) Services by an employee to the employer in the course of or in relation to his employment.
- 2) Services by any court or Tribunal established under any law for the time being in force
- 3) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.
- 4) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity
- 5) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause
- 6) Services of funeral, burial, crematorium or mortuary including transportation of the deceased
- 7) Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building. (i.e. in case, where entire consideration for sale of building received after issuance of completion certificate or after its first occupation, whichever is earlier)
- 8) Actionable claims, other than lottery, betting and gambling
- 9) Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India (OR) Merchant Trading/ High-sea Sales
- 10) Supply of warehoused goods to any person before clearance for home consumption
- 11) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.
- 12) Activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured in co-insurance agreements, subject to the condition that the lead insurer pays the central tax, the



State tax, the Union territory tax and the integrated tax on the entire amount of premium paid by the insured.

- 13) Services by insurer to the re-insurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the re-insurer, subject to the condition that the central tax, the State tax, the Union territory tax and the integrated tax is paid by the re-insurer on the gross reinsurance premium payable by the insurer to the re-insurer, inclusive of the said ceding commission or the reinsurance commission.

Illustration 15

Examine the existence of "consideration" for donation received by charitable institutions from individual donors, without quid pro quo an important feature as defined in section 2(31) of GST Act, 2017.

(5 Marks, May 2024)

Solution

Donations received by the charitable institutions from individual donors are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything.

If the name of the donor is displayed in charitable institution's premises as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business, there is no supply for the payment in the form of donation.

Illustration 16

Scope of Supply: Examine whether the following activities would amount to "supply" under GST law?

- 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.
- 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.

(2 Marks, May 2022)

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.
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.
- 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.



Illustration 17

Importation of service: Mr. Prakash received legal advice for the personal problems & paid 1,000 pound as a legal fees to Mr. Akash of U.K. (London). Explain whether the above activity of import of service would amount to supply under section 7 of the CGST Act, 2017? If in above case Prakash is son of Akash & no consideration is paid then will it change your answer? Further in the above case father and son relationship exists & Mr. Prakash receives legal advice for his business & he didn't paid any consideration then what will be your answer?

Solution

As per **Section 7(1)(b)**, the term 'supply' includes import of services for a consideration whether or not in the course or furtherance of business. Thus, legal advice received by Mr. Prakash for his personal services for a consideration will be covered under the ambit of supply.

In case Prakash is son of Akash & no consideration is paid: As per Section 7(1)(c) read with Schedule I, Import of services by person from a related person or from any of his other establishments outside India, in the course or furtherance of business will be treated as supply.

In this case though Prakash and Akash are related person, legal service received will not be covered under the ambit of supply, since the said services are not received by him in course or furtherance of business.

In case Mr. Prakash receives legal advice from his father for his business without consideration, since it is in course or furtherance of business, it will be covered under the ambit of supply as per Section 7(1)(c) read with Schedule I of CGST Act, 2017.

Illustration 18

Scope of supply: Examine whether the following activities would amount to supply under section 7 of the CGST Act:

- 1) Hitkari Charitable Trust, a trust engaged in providing medical relief free of cost, donates books and stationery to children living in slum area
- 2) Karishma Manufacturers have a factory in Jaipur and a depot in Delhi. Both these establishments are registered in respective States. Finished goods are sent from the factory to the depot without consideration so that the same can be sold.
- 3) Manan is an Electronic Commerce Operator in Delhi. His son who is settled in London is a well-known lawyer. Manan has taken legal consultancy from him free of cost with regard to his family dispute.
Would your answer be different if in the above case, Manan has taken advice in respect of his business unit in Delhi?

Solution:

- 1) Section 7 of the CGST Act, provides that supply must be made for a consideration except the activities specified in Schedule I and in course or furtherance of business. Since, both these elements are missing, donation of books and stationery to children living in slum area would not amount to supply under Section 7 of the CGST Act.
- 2) Schedule I of CGST Act, provides 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.

According to Section 25(5) of the CGST Act, 2017, where a person who has obtained or is required to obtain registration in a State in respect of an establishment, has an establishment in another State, then such establishments shall be treated as establishments of distinct persons for the purposes of this Act. In view of the same, factory and depot of Karishma Manufacturers are establishments of two distinct persons. Therefore, supply of goods from factory to depot without consideration, but in course of or in furtherance of business, is supply under Section 7 of the CGST Act.

- 3) Schedule I of CGST Act, provides that import of services by 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. In the given case, Manan has received legal consultancy from his son free of cost in a personal matter and not in course or furtherance of business. Hence, services provided by Manan's son to him would not be treated as supply under Section 7 of the CGST Act.

In the above case, if Manan has taken advice with regard to his business unit, services provided by Manan's son to him would be treated as supply under Section 7 of the CGST Act as the same are provided in course or furtherance of business though received from a related person.

ILLUSTRATION 19

Taxability of mixed supply: From the following information determine the nature of supply and tax liability.

XYZ Ltd. a manufacturer of cosmetic products supplied a package consisting of hair oil (GST Rate 18%), sun screen cream (GST Rate - 28%), shampoo (GST Rate - 28%) and hair comb (GST Rate - 12%). The price per package is ₹ 500 (exclusive of taxes). ₹ 10,000 packages were supplied by the company to its dealers. Determine the nature of supply and its tax liability.

SOLUTION

This supply would be regarded as mixed supply, since in this case each of the goods in the package have individual identity and can be supplied separately, but are deliberately supplied conjointly for a single consolidated price. The 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, the package will be chargeable to 28% GST.

The tax liability will be arrived as under:

Particulars	₹
Value of taxable supply per package	₹ 500
No. of packages	10,000
Total Taxable Value of supply	₹ 50,00,000
Applicable GST Rate	28%
Total Tax liability	₹ 14,00,000

ILLUSTRATION 20

Examine whether the following activities would be treated as supply under GST law?

- (i) Mr. Sonu from Chandigarh purchased a water cooler from Malhotra Bros. of Hoshiarpur for 25,000 to donate it to a temple situated in Hoshiarpur. Mr. Sonu directed Malhotra Bros. to engrave the words on the water cooler- "Donated by Mr. Sonu from Chandigarh" and dispatch the water cooler directly to the temple. (2 Marks, Nov. 2023)
- (ii) Wesco Ltd, a registered person in Ahmedabad (Gujarat) having head office located in Singapore, received management consultancy services free of cost from its head office. (2 Marks, Nov. 2023)

SOLUTION

- (i) Donations received by the charitable organisations are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything (supply a service).
Since the name of the donor, Mr. Sonu is displayed in temple as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business, hence, donation of water cooler by Mr. Sonu to temple is without quid pro quo and is, thus, not a supply under GST law.
However, supply of water cooler by Malhotra Bros. to Mr. Sonu is supply as it is made for consideration in course or furtherance of business.
- (ii) As per schedule I, in case of import of services by a person from a related person or from his establishments located outside India, without consideration, in the course or furtherance of business shall be treated as "supply".
Hence, services received by Wesco Ltd. qualify as supply even though such services have been provided free of cost by the head office.

ILLUSTRATION 21

Karamveer Enterprises appoints Rajul to procure certain goods from the market. Rajul identifies various suppliers who can provide the goods as desired by Karamveer Enterprises, and asks a supplier - Satya Manufacturers to send the goods and issue the invoice directly to Karamveer Enterprises. You are required to determine whether Rajul can be considered as an agent of Karamveer Enterprises in terms of Schedule I of the CGST Act.

SOLUTION

As per section 7(1)(c) read with Schedule I of the CGST Act, supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal qualifies as supply even if the same is made without consideration. Further, Circular No. 57/31/2018-GST dated 04-09-2018 clarifies that principal-agent relationship falls within the ambit of the Schedule I only where the goods being procured by the agent on behalf of the principal are invoiced in the name of the agent. In that case, further provision of the said goods by the agent to the principal without consideration, would be covered in Schedule I and thus would qualify as supply.
In the given case, Rajul is only acting as the procurement agent, and has in no way involved himself in the supply or receipt of the goods. The invoice is being issued in the name of Karamveer Enterprises



and not Rajul. Hence, Rajul is not an agent of Karamveer Enterprises for the supply of goods in terms of Schedule I of the CGST Act.

ILLUSTRATION 22

"Diligent Force" a professional training institute gets its training material of "Aptitude Quotient" printed from "Durga Printers" a printing press. The content of the material is provided by the Diligent Force who owns the usage rights of the same while the physical inputs including paper used for printing belong to the Durga Printers. Ascertain whether supply of training material by Durga Printers constitutes supply of goods or supply of services.

SOLUTION

Circular No. 11/11/2017-GST dated 20-10-2017 has clarified that supply of books printed with contents supplied by the recipient of such printed goods, is composite supply and the question, whether such supplies constitute supply of goods or services would be determined on the basis of what constitutes the principal supply.

Principal supply means supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

In the case of printing of books where content is supplied by the publisher or the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore, such supplies would constitute supply of service.

Thus, the supply of training material by the Durga Printers would constitute supply of services.

ILLUSTRATION 23

Scope of Supply: Decide with reason whether following independent transactions amount to supply or not as per the provision, rules and notification issued under the GST law:

- (i) Satyam has lent securities to Kala Enterprises for a consideration of ₹10,000 towards lending of securities under the Securities Lending Scheme, 1997 through an approved intermediary. Ignore the transaction between Satyam and intermediary.
- (ii) Patta Limited made supply of goods to its agent, Romi, without consideration Romi issued invoice for the further supply of goods to the customers in his own name. Romi also disclosed the name of principal in the invoice issued.
- (iii) Dilasa Limited recruited Miss Chhaya as senior relationship manager. At the time of joining as senior relationship manager, the company paid 3,00,000 towards "Not joining" Milan Limited, a stiff competitor of Dilasa Limited.

SOLUTION

- (i) Lending of securities under the Securities Lending Scheme is not a transaction in securities as it does not involve disposal of securities. Consequently, lending of securities for consideration to Kala Enterprise amounts to supply.
- (ii) Since the invoice for further supply of goods is being issued by the agent (i.e. Romi) in his own name, the provision of goods from the Principal i.e. Patta Limited. to the agent i.e. Romi would fall within the purview of Schedule I of the CGST Act, 2017 and would amount to supply

even though made without consideration. Further, supply of goods by Romi to the customer for consideration amounts to supply.

- (iii) Since any amount paid by employer to employee for not joining a competing business is paid for providing the service of forbearance to act or to refrain cannot be considered for providing services in the course of employment, amount received by Miss Chhaya from Dilasa Limited amounts to supply under the GST law.

ILLUSTRATION 24

Composite and Mixed Supply: Gamma Multiplex registered in the State of Punjab, gives the following offers for booking movie tickets:

Sr. No.	Particulars	Price Charged (excluding GST)
1.	Tickets only	*200 per person
2.	Combo offer	*350 per person (which includes 200 for ticket and 150 for snacks)
3.	Snacks only	250 per token (snacks quantity will be more when compared to combo offer)

For the month of April 2026, Gamma Multiplex situated in Punjab made the following supplies:

- (i) 10,000 tickets under combo offer
- (ii) 2,500 tickets only
- (iii) 1,000 tokens of snacks only

GST rates applicable are:

Rate of GST	CGST	SGST	IGST
Supply of Snacks	2.5%	2.5%	5%
Supply of service of exhibition of cinema	9%	9%	18%

You are required to determine the following, by explaining the relevant provisions:

- (i) Rate of GST to be applied when combo supply is made
- (ii) Rate of GST to be applied when snacks are sold in Multiplex
- (iii) Gross GST payable by Gamma Multiplex for the month of April, 2026. (5 Marks, Jan. 2025)

SOLUTION

- (i) The combo supply of cinema tickets and snacks is a composite supply wherein the entire supply will attract GST at the rate applicable to service of exhibition of cinema being the principal supply.

Further, it is an intra-State supply since the place of supply is Punjab.

Thus, in the given case, rates of GST to be applied are 9% CGST and 9% SGST.

- (ii) Supply of snacks is an individual supply.

Further, it is an intra-State supply since the place of supply is Punjab.

Thus, the applicable rates of GST are 2.5% CGST and 2.5% SGST.

- (iii) **Computation of Gross GST payable by Gamma Multiplex for April, 2026:**

Sl. No.	Particulars	GST Rate (%)	Value (₹)	CGST (₹)	SGST (₹)

CHAPTER - 2

SUPPLY UNDER GST



CA VARDHAMAN DAGA

1.	Supply of combo offer [10000 * 350]	9%	35,00,000	3,15,000	3,15,000
2.	Supply of tickets only [2,500 * 200]	9%	5,00,000	45,000	45,000
3.	Supply of snacks only [1000 * 250]	2.5%	2,50,000	6,250	6,250
	Total GST payable by Gamma Multiplex			3,66,250	3,66,250



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CHARGE OF GST

STUDY MATERIAL

Illustration 1

Taxpayer 'Tolaram' is a manufacturer who has opted for composition levy for goods, having one unit - A1 in UP and another unit - A2 in MP. Total turnover of two units in 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%
A-1	UP	₹85 LAKHS	₹5 LAKHS	₹5000
A-2	MP	₹30LAKHS	₹10 LAKHS	₹10,000
	TOTAL	₹115LAKHS	₹15 LAKHS	₹15,000

Illustration 2

Taxpayer 'Bholaram' is a trader (who has opted for composition levy for goods) of both taxable and exempted goods (goods exempted by way of a notification). It has one retail showroom - A1 in Punjab and another retail showroom - A2 in Rajasthan, both selling taxable as well as exempted goods. Total turnover (including taxable and exempted goods) of the two showrooms in last FY was ₹115 lakh (₹85 lakh + ₹30 lakh 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 by 'Bholaram'.

Solution

UNIT	LOCATION	Turnover in previous FY	Turnover in 1st quarter of this FY	Total tax (@1%
A-1	PUNJAB	₹85 LAKHS	₹5 LAKHS	₹5000
A-2	RAJASTHAN	₹30LAKHS	₹10 LAKHS	₹10,000
	TOTAL	₹115LAKHS	₹15 LAKHS	₹15,000

Illustration 3

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CHARGE OF GST



CA VARDHAMAN DAGA

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

UNIT	LOCATION	Turnover in previous FY	Turnover in 1st quarter of this FY	Total tax (@1%)
B-1	DELHI	₹25 LAKHS	₹5 LAKHS	₹30,000
B-2	HARYANA	₹20 LAKHS	₹10 LAKHS	₹60,000
	TOTAL	₹45 LAKHS	₹15 LAKHS	₹90,000

TEST YOUR KNOWLEDGE

Illustration 4

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

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

Solution

- Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory is payable under reverse charge, in the given case, GST is payable by the recipient - business entity
- GST on sponsorship services provided by any person other than body corporate 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 by a body corporate to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier - company.
- GST on services supplied by Central Government 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.

Illustration 5

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?



- ARHAM INSTITUTE



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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.

Illustration 6

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

Illustration 7

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

Illustration 8

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 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.

Illustration 9

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 for goods during the financial year exceeds the specified limit (₹1.5 crore). Once he crosses the threshold, he is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days of the occurrence of such event.

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

Illustration 10

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

Illustration 11

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 year while continuing paying under normal levy for other. You are required to advise Subramanian Enterprises whether he can do so.

Solution

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

Illustration 12

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 lakhs. 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.

Illustration 13

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

PREVIOUS YEAR QUESTIONS

Illustration 14

Tax liability under Composition Scheme of trader: Mr. X opened a retail shop - 'Aapki Dukan' in Janta Market, Jaipur, Rajasthan on 01 April, 2026. He opted to pay tax under Section 10(1) of the CGST Act, 2017 in the said financial year. The aggregate turnover of the retail shop for the quarter

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CA VARDHAMAN DAGA

ending 30th June, 2026 was 40 lakh. Further, for the half year ending 30th September, 2026, the turnover reached ₹ 85 lakh. Aapki Dukan recorded a rapid growth and the turnover reached 150 lakh by the end of December, 2026 and 165 lakh by the end of January 2027. Determine the total tax liability of Aapki Dukan. Mr. X has duly complied with the provisions of GST laws. Normal rate of tax in respect of goods sold in shop is 12%.

Solution

Section 10(1) of the CGST Act, 2017 provides that a registered person, whose **aggregate turnover** in the **preceding financial year** did not exceed **1.5 crore** in the State of Rajasthan, will be eligible to opt for payment of tax under the composition scheme.

According to Section 10(3), the benefit of composition scheme can be availed up to the aggregate turnover of **1.5 crore** in current financial year. The **option** availed of by a registered person under Section 10(1) **shall lapse with effect from the day on which** his aggregate turnover during a financial year exceeds the limit of **1.5 crore**.

According to Explanation 2, for the purposes of determining the tax payable by a person under this section, the expression "turnover in State or turnover in Union territory" shall not include the value of following supplies, namely:

- supplies from the first day of April of a financial year upto the date when such person becomes liable for registration under this Act; and
- exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount. Thus, Aapki Dukan is eligible to pay tax under this section up to the turnover of 150 lakh. The total tax payable by it is as under:

Period	Tax rate	Turnover ₹	Tax liability (₹)
1st Quarter	Since turnover did not exceed ₹ 40 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	₹ 40 lakh	Nil
2nd Quarter	Effective rate is 1% (CGST+SGST/UTGST) under Section 10(1)	₹ 45 lakh [(85-40) lakh]	45,000
For 3rd Quarter	Effective rate is 1% (CGST+SGST/UTGST under Section 10(1) up to ₹ 150 lakh	₹ 65 lakh [(150-85) lakhs]	65,000
For the month January 2025	Normal rate of tax i.e. 12% will be applicable	₹ 15 lakh (165-150) lakh	1,80,000
Total tax liability			2,90,000

Illustration 15

Eligibility under composition scheme: M/s. Sai Trading Company, an eligible registered dealer in goods making intra-state supplies within the state of Andhra Pradesh, has reported an aggregate turnover of ₹ 78 lakhs in the preceding financial year.

- Determine whether Sai Trading Company will be eligible for composition levy, as on 31-10-2025



- ii) Will your answer be different, if in the above scenario, M/s. Sai Trading Company is making intra-state supply within the state of Jammu and Kashmir? (3 Marks, May 2018-NS)

Solution

- (i) A registered person, whose aggregate turnover in the preceding financial year does not exceed 1.5 crore, will be eligible to opt for payment of tax under the composition scheme. However, the aggregate turnover in the preceding financial year shall be 75 lakh in the case of an eligible registered person, registered under section 25 of the said Act, in any of the following States, namely:- Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura Uttarakhand. Since Sai trading Company is making intra state supplies in Andhra Pradesh, it will be eligible to opt for composition scheme.
- (ii) The turnover limit in Jammu and Kashmir is 1.5 crore. Hence Sai Trading company will be eligible to opt for composition scheme with other condition of not making inter-State supplies of goods being fulfilled.

Illustration 16

Eligibility under composition scheme: M/s. Ginny and John Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was ₹ 130 lakh and Receipts of the interior decorators service was 22 lakh in the preceding financial year.

With reference to the provision of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?

Will your answer change, if the turnover of the showroom was 120 lakh and Receipts of the interior decorators service was 22 lakh in the preceding financial year?

Also discuss whether it is possible for M/s. Ginny and John Company to opt for composition scheme only for Showroom? (5 Marks, May 2018)

Solution

Section 10 of the CGST Act, 2017 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. Hence Ginny and John Company cannot opt for composition scheme since its aggregate turnover exceeds 1.5 crore.

In second case also though his aggregate turnover is ₹ 142 lakhs, if he cannot opt opt for composition scheme as he is supplying interior decorator services also. If he opts for composition scheme, he can supply services not exceeding

(a) 10% of turnover in a State or Union territory in the preceding financial year; or

(b) ₹ 5,00,000,

whichever is higher.

As per Section 10(2), all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme. Thus, he cannot opt for composition scheme only for showroom

Illustration 17

Eligibility under composition levy: Shubhlaxmi traders is engaged in trading of goods within the state of Maharashtra. In the preceding financial year, it has a turnover of ₹ 140 lakh from the trading of goods. Further, it has also earned a bank interest of 20 lakh from the fixed deposits. Shubhlaxmi traders wishes to opt for composition scheme in the current year. You are required to advise Shubhlaxmi traders on the same. Would your answer be different if Shubhlaxmi trader is also engaged in supply of farm labour and the turnover from the said activity is 14 lakh?

Solution

The eligibility of Shubhlaxmi traders under composition scheme is discussed as under -

- (a) **Eligibility under Composition scheme:** As per Section 10(1) of the CGST Act, 2017, a registered person, engaged in trading of goods whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates.

According to Explanation 1, "aggregate turnover" shall include the value of supplies made by such person from the 1st day of April of a financial year upto the date when he becomes liable for registration under this Act, but shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Thus, in computing his aggregate turnover in order to determine his eligibility for composition scheme, value of supply of any exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account.

- (b) **Shubhlaxmi traders is eligible for composition scheme:** In the given case, the services provided by Shubhlaxmi traders apart from trading of goods, viz. services by way of extending deposits where the consideration is represented by way of interest shall not be taken into account for computation of aggregate turnover for determination of eligibility of composition scheme. Since the aggregate turnover of Shubhlaxmi traders do not exceed 1.5 crores in preceding financial year, it shall be eligible to opt for composition scheme.
- (c) **Subhlaxmi traders is not eligible for composition scheme:** However, if Shubhlaxmi traders is also engaged in supply of farm labour, it will not be eligible for composition levy since only value 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, shall not be taken into account. Other exempt services shall be taken into account. Since its aggregate turnover is 1.54 crores in preceding financial year it will not be eligible to opt for composition scheme.

Illustration 18

Eligibility under Composition Scheme: A Ltd. is a manufacturing concern in Pune. In Financial Year 2025-26 total value of supplies including inward supplies taxed under reverse charge basis are ₹ 1,53,60,000. (exclusive of taxes). The break-up of supplies are as follows -

Particulars	₹
Intra-State Supplies made under forward charge	75,00,000
Intra-State Supplies of goods which are chargeable to GST at Nil rate	43,00,000
Intra-State Supplies which are wholly exempt under Section 11 of CGST Act, 2017	32,00,000
Value of exempt supply of services being interest earned on fixed deposits with	1,00,000

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Bank	
Value of inward supplies on which tax payable under RCM	2,60,000

Briefly explain whether A Ltd. is eligible to opt for Composition scheme in Financial Year 2025-26

Solution

A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1,50,00,000, may opt for payment of tax under Composition scheme.

As per Section 2(6) of the CGST Act, 2017, "Aggregate turnover" means the aggregate value of

- (c) all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis),
- (d) exempt supplies,
- (e) exports of goods or services or both, and
- (f) inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis,

but exclude

- (a) Central tax,
- (b) State tax,
- (c) Union territory tax
- (d) Integrated tax, and
- (e) Cess.

According to Explanation 1, for the purposes of computing aggregate turnover of a person for determining his eligibility to pay tax under this section, the expression "aggregate turnover" shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount. Thus, aggregate turnover shall be computed as under

Computation of Aggregate Turnover

Particulars	₹
Intra-State Supplies made under forward charge	75,00,000
Intra-State Supplies of goods which are chargeable to GST at Nil rate(covered under exempt supply)	43,00,000
Intra-State Supplies which are wholly exempt under Section 11 of CGST Act, 2017	32,00,000
Value of exempt supply of services being interest earned on fixed deposits with bank	NIL
Value of inward supplies on which tax payable under RCM (specifically excluded)	NIL
TOTAL	1,50,00,000

Since, Aggregate turnover does not exceed 1,50,00,000 during the Financial Year 2025-26, So, A Ltd. is entitled for Composition Scheme for Financial Year 2026-27

Illustration 19

Computation of composition tax liability: A Ltd. a manufacturing concern of Rajasthan having aggregate turnover of 120 lakhs in financial year 2025-26 has opted for composition scheme furnishes you with the following information for Financial Year 2026-27. It requires you to determine its composition tax liability and total tax liability. The break-up of supplies are as follows



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Particulars	₹
Intra State Supplies of Goods X chargeable @ 5% GST	30,00,000
Intra State Supplies of goods which are chargeable to GST at Nil rate	18,00,000
Intra state supply of services chargeable with 5% GST	6,00,000
Interest earned on fixed deposits with banks	8,00,000
Intra state supplies which are wholly exempt under Section 11 of CGST Act, 2017	2,40,000
Value of inward supplies on which tax payable under RCM (GST Rate 5%)	5,00,000
Intra State Supplies of Goods Y chargeable @ 18% GST	30,00,000

Also determine composition tax liability if A Ltd. is a trader instead of manufacturer

Solution

The composition tax liability of A Ltd. shall be as under)

Computation of Aggregate Turnover and composite tax (amount in ₹)

Particulars	Manufacturer	Trader
Intra State Supplies of Goods X chargeable @ 5% GST	30,00,000	30,00,000
Intra State Supplies of goods which are chargeable to GST at Nil rate	18,00,000	-
Intra state supply of services chargeable with 5% GST	6,00,000	6,00,000
Interest earned on fixed deposits with banks	-	-
Intra state supplies which are wholly exempt under Section 11 of CGST Act, 2017	2,40,000	-
Value of inward supplies on which tax payable under RCM (GST Rate 5%)	-	-
Intra State Supplies of Goods Y chargeable @ 18% GST	30,00,000	30,00,000
Aggregate turnover	86,40,000	66,00,000
Rate of composite tax	1%	1%
Total Composite tax (A)	86,400	66,000

ii) Tax payable under reverse charge basis (amount in ₹)

Value of inward supplies on which tax payable under RCM	5,00,000	5,00,000
Rate of GST	5%	5%
Tax payable under RCM [B]	25,000	25,000
Total Tax liability [A + B]	1,14,400	91,000

Working Note:

- (a) As per Second proviso to Section 10(1) to provide that a composition supplier may supply services of value not exceeding 10% of the turnover in the preceding financial year in a State or Union Territory or ₹ 5 lakh whichever is higher. Thus, A Ltd. can supply services to the extent of 10% of 120 lakhs i.e. ₹ 12 lakhs.

According to Explanation to Section 10(1), for the purposes of second proviso, the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as



the consideration is represented by way of interest or discount shall not be taken into account for determining the value of turnover in a State or Union territory.

Since the value of services provided excluding interest earned on deposits is 6,00,000 which is within the limit of ₹ 12 lakhs, hence A Ltd. is eligible for composition scheme.

- (b) According to Explanation 2 to Section 10, for the purposes of determining the tax payable by a person under this section, the expression "turnover in State or turnover in Union territory" shall not include the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount

Illustration 20

Normal Taxation v. Composition Scheme: Mr. A, a retailer who keeps no inventories, presents the following estimated information for the year

a. Purchases of goods: 50 lakhs (GST @ 5%)

b. Sales (at fixed selling price inclusive of all taxes): 60 lakhs (GST on sales @ 5%)

Discuss whether he should opt for composition scheme if composite tax is 1% of turnover.

Expenses of keeping detailed statutory records required under the GST Laws will be 1,20,000 p.a., which shall get reduced to ₹ 50,000 if composition scheme is opted for. Other expenses are ₹ 3,00,000 p.a.

Solution

The cost to the ultimate consumer under two schemes is as under

Particulars	Normal GST Scheme (₹)	Composition Scheme
Cost of goods sold (*No credit under composition scheme, hence, cost of goods sold will be higher)	50,00,000	52,00,000
Add: Costs of maintaining records	1,20,000	50,000
Add: Normal Expenses	3,00,000	3,00,000
Total Costs	54,20,000	56,00,000
Sales (inclusive of all taxes)	60,00,000	60,00,000
Less: Tax (GST = 60 lakh × 5/105); (Composite Tax = ₹ 60 lakh × 1%) Sales (net of taxes) Profit of the dealer (Sales, net of taxes - Total Costs)	2,85,714	60,000
SALES (NET OF TAXES)	57,14,286	59,40,000
Profit of the dealer (sale, net of taxes - total cost)	2,94,286	3,40,000

Conclusion: It is apparent that while cost to ultimate consumer, in both the cases remains same, the profit of the dealer is higher if the dealer opts for composition scheme. Hence, composition scheme should be opted.

Illustration 21

Person liable to pay GST: Decide which person is liable to pay GST in the following independent cases, where the recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

- (i) Mr. Raghu provided sponsorship services to WE-WIN Cricket Academy, an LLP.



- (ii) 'Safe Trans', a Goods Transport Agency (not registered in GST), transported goods of Kapil & Co., a partnership firm which is not registered under GST. (3 Marks, Nov. 2018-NS) (Similar MTP May 2019)

Solution

- (i) As per Entry 4 of Notification No. 13/2017-CT (Rate), Services provided by any person other than body corporate by way of sponsorship to any body corporate or partnership firm shall be liable to be taxed under reverse charge mechanism and the recipient of service shall be liable to pay GST. For the purpose of this notification, A "Limited Liability Partnership" formed and registered under the provisions of the Limited Liability Partnership Act, 2008 shall also be considered as a partnership firm or a firm. Thus, WE-WIN Cricket Academy shall be liable to pay GST.
- (ii) As per Entry 1 of Notification No. 13/2017-CT (Rate), Supply of Services by a goods transport agency (GTA) in respect of transportation of goods by road to any partnership firm whether registered or not under any law shall be liable to be taxed under reverse charge mechanism and the recipient of service shall be liable to pay GST. Thus, Kapil and Co, shall be liable to pay GST under reverse charge mechanism. **However, GTA can exercise the option to pay tax under forward charge mechanism. In such a case, GTA has to take registration under the CGST Act, 2017 and has to issue a tax invoice to the recipient charging GST @ 5% and has to make a declaration of paying tax under forward charge mechanism on such invoice issued by him. Besides this, if GST is paid @ 12% by GTA, then Goods transport agency is liable to pay tax under forward charge mechanism**

Illustration 22

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

- (i) Rental income received by Tamil Nadu State Government from renting an immovable property to Mannappa Pvt. Ltd. (Turnover of the company was 42 lakhs in the preceding F.Y.)
- (ii) Legal Fees received by Mr. Sushrut, a senior advocate, from M/s. Tatva Trading Company having turnover of 50 lakhs in preceding F.Y.
- (iii) XYZ & Co., a partnership firm provides security services to ABC Ltd. registered under GST.

Solution

- (i) As per **Entry 5A of Notification No. 13/2017-CT (Rate)**, in case of Services supplied by the Central Government, State Government, Union territory or local authority by way of renting of immovable property to a person registered under the CGST Act, 2017, the recipient registered under the CGST Act, 2017 will be liable to pay GST. Hence, Mannappa Pvt. Ltd. will be liable to pay GST under reverse charge mechanism.
- (ii) Services provided by a senior advocate by way of legal services, directly or indirectly to any business entity located in the taxable territory, reverse charge mechanism is applicable and business entity is liable to pay GST. In this case M/s. Tatva Trading Company will be liable to pay GST.
- (iii) Security services (services provided by way of supply of security personnel) provided by any person other than a body corporate to a registered person is liable to be taxed under reverse charge basis. Hence, ABC Ltd. registered under GST shall be liable to pay tax on the same.

Illustration 23

Person liable to pay GST: In the following independent cases, decide, who is liable to pay GST, if any. You may assume that recipient is located in the taxable territory. Ignore the aggregate turnover and exemption available.

- (i) 'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law. (2 Marks, Nov. 2020)
- (ii) Mr. Kamal Jain, an unregistered famous author, received 20 lakh of consideration from PQR Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. (2 Marks, Nov. 2020)

Solution

- i) In case of a GTA service, where GST is payable @ 5% and recipient is one of the specified recipients, tax is payable by the recipient of service under reverse charge unless GTA has exercised the option to pay GST under forward charge mechanism.
However, where GST is payable @ 12%, tax is payable under forward charge by the supplier of service. Therefore, in the given case, tax is payable under forward charge by "Veer Transport", a registered GTA.

Note: In the given case, since the recipient of service is other than specified recipient, i.e., unregistered sole proprietorship firm, GTA service is exempt from GST. However, in the above answer, the said exemption has been ignored since the question specifically requires the students to ignore the exemptions, if any, available.

- ii) Supply of services by an author by way of transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory is taxable under reverse charge mechanism.
Thus, in the given case, the recipient of service, i.e. PQR Publications Ltd. is liable to pay GST. The tax can be paid by the author under forward charge if the author is a registered person. Since in the given case, the author is an unregistered person, the said option is not available to him.

Illustration 24

Who are not eligible to opt for composition scheme for goods under GST Laws?

(2½ Marks, May 2023)

Solution

The registered person who is not eligible for composition scheme for goods under GST law are as under:

- i) Supplier engaged in making any supply of goods or services which are not leviable to tax
- ii) Supplier engaged in making any inter-State outward supplies of goods or services
- iii) Person supplying any services through an electronic commerce operator who is required to collect tax at source (under section 52)



- iv) Manufacturer of ice cream, pan masala, tobacco, 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
- v) Supplier who is either a casual taxable person or a non-resident taxable person
- vi) Supplier of services exceeding an amount which is higher of 10% of the turnover in a State/U.T. in the preceding financial year or ₹ 5 lakh

Illustration 25

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

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

Examine whether the view of Mr. Vicky Frankyn is correct. Further, if the view of Mr. Vicky Frankyn is correct, what is the recourse available with Mr. Vicky Frankyn to comply with the requirements of GST law as SBP has completely refused to deposit the tax. **(5 Marks, Jan. 2021)**

Solution:

Yes, the view of Mr. Vicky Frankyn is correct. GST is payable under reverse charge in case of supply of services by an author by way of transfer/permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary work to a publisher located in the taxable territory in terms of reverse charge Notification No. 13/2017-CT(R) dated 28-06-2017. Therefore, in the given case, person liable to pay tax is the publisher - SBP. However, since SBP has completely refused to deposit the tax on the given transaction, Mr. Vicky Frankyn has an option to pay tax under forward charge on the same. For the purpose, he needs to fulfill the following conditions:

- (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 SBP, in prescribed form.

Illustration 26

Person liable to pay GST: A restaurant owner provided restaurant services in Rajasthan, through an electronic commerce operator - Rubgy Eats. The restaurant owner is not liable to get registered as per the provisions of Section 22(1) of the CGST Act. Who is the person liable to pay GST in this case? Would your answer be different if the Electronic Commerce Operator Rubgy Eats does not have a physical presence in India?



Solution:

As per Section 9(5) of the CGST Act, 2017, Government may notify specific categories of services the tax on intra- State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it. Supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises has been notified under Section 9(5) of the CGST Act, 2017. "Specified premises" means premises providing hotel accommodation service having declared tariff of any unit of accommodation above 7,500/- per unit per day or equivalent.

Thus, person liable to pay GST in this case is the Electronic Commerce Operator Rubgy Eats. All the provisions of the GST law shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services.

If Rubgy Eats does not have a physical presence in India, person liable to pay tax is the person representing the Electronic Commerce Operator - Rubgy Eats for any purpose in India.

Illustration 27

Eligibility under presumptive levy: Chanchal started providing beauty and grooming services and inaugurated "Care & Care Beauty Centre" in Janak Puri, Delhi on 01" April, 2026. She opted to pay tax under Section 10(2A) of the CGST Act, 2017 in the said financial year. The aggregate turnover of Care & Care Beauty Centre for the quarter ending 30th June, 2026 was 20 lakh. Further, for the half year ending 30th September, 2026, the turnover reached ₹ 50 lakh. Care & Care Beauty Centre recorded a rapid growth and the turnover reached ₹ 70 lakh by the end Of October, 2026. Determine the total tax liability of Care & Care Beauty Centre by the end of October, 2026.

Care & Care Beauty Centre wishes to opt for composition scheme under Section 10(1) 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:

Section 10(2A) of the CGST Act, 2017 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 ₹ 50 lakh made on/after 1st April in any financial year, subject to specified conditions.

According to Explanation 2, for the purposes of determining the tax payable by a person under this section, the expression "turnover in State or turnover in Union territory" shall not include the value of following supplies, namely:

- supplies from the first day of April of a financial year upto the date when such person becomes liable for registration under this Act; and
- exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

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

Period	Tax Rate	Turnover ₹	Tax Liability ₹

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1st Quarter	Since turnover did not exceed 20 lakh, it was not required to obtain registration. Hence, no tax was required to be paid	₹ 20 lakh	Nil
2nd Quarter	Effective rate is 6% (CGST + SGST /UTGST) as per section 10(2A) of the Act.	₹ 30 lakh [(50-20) lakh]	1,80,000
For the month of October, 2024	Normal rate of GST of 18% is to be ₹ applied	20 lakh [(70-50) lakh]	3,60,000
Total tax payable			5,40,000

No, Care & Care Beauty Centre cannot opt for composition scheme under Section 10(1) 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.

ILLUSTRATION 28

Option of composition scheme: M/s. T is a registered dealer of Andhra Pradesh trading in different types of machinery and its related different types of services. Their aggregate turnover for the preceding financial year 2024-25 for sale of machinery was 1.32 crores, it was first year so they had not started for providing service related to machinery. From FY 2025-26 they are planning to provide repair and maintenance service of 6.25 lakh for which they have to purchase some raw material of 5 lakh from the other State (till date they are purchasing within State only).

From the information given above, examine whether M/s. T can opt for composition scheme under Section 10(1), 10(2A) or 10(2) of the CGST Act, 2017 for FY 2025-26? **(5 Marks, Sept. 2024)**

SOLUTION

A registered person is eligible to opt for composition scheme for goods in the current financial year (FY) provided his aggregate turnover does not exceed 1.50 crore [other than in specified Special Category States] in the preceding FY.

Since aggregate turnover of M/s. T in the preceding FY does not exceed 1.5 crore, he is eligible for composition scheme for goods under section 10(1) and 10(2) of the CGST Act, 2017 in the current FY. As per section 10(2A) of the CGST Act, 2017, a registered person who is eligible to pay tax under section 10(1) and (2) is not eligible for opting for composition under section 10(2A) of the CGST Act, 2017.

As per section 10(2A) of the CGST Act, 2017, person engaged in the supply of service is eligible for composition scheme for payment of tax @ 3% CGST and 3% SGST provided his aggregate turnover does not exceed 50 lakh in the preceding FY.

Since turnover of previous year is 1.32 crore and firm is not dealing in the service only, M/s. T cannot opt for composition scheme under section 10(2A) of the CGST Act, 2017 for FY 2025-26.





A person who opts to pay tax under composition scheme under section 10(1) and 10(2) of the CGST Act, 2017 is also permitted to supply services [other than restaurant services] upto a value not exceeding:

- (a) 10% of the turnover in a State/U.T. in the preceding financial year, or
- (b) 5 lakh,

whichever is higher.

Thus, M/s. T is permitted to supply services upto a value of 13,20,000 i.e. 10% of 1.32 crores, in current FY.

Further, there is no restriction on composition supplier to receive inter-State inward supplies of goods or services.

Thus, it can be concluded that M/s. T can opt for composition scheme of goods under section 10(1) of the CGST Act, 2017 for FY 2025-26.

ILLUSTRATION 29

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.

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.

	Particulars	Amount (₹)
1.	Paid remuneration to Mr. Madan, for the services rendered by him in the capacity of Director. Company deducted TDS u/s 192 (Salary) and 194J (Professional or Technical services) of Income-tax Act, 1961. Gross payments made were ₹8,50,000 and respectively for Salary and Professional services. (Intra-State supply) 11,50,000	20,00,000

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2.	Paid rent to Indian Railways, registered in Madhya Pradesh, for its property located in the same State, which was taken on lease by the company	1,25,000
3.	Paid to XYZ Security Private Limited, for providing security services to its warehouses across the State. Security agency is not registered under GST.	5,35,000
4.	Paid fee to Local Municipal corporation for renewal of the company's factory License for the financial year 2026-27.	4,800

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.

ILLUSTRATION 30

RCM Liability: Nootan Ltd., a registered person in Indore, Madhya Pradesh, provides details of the following transactions carried out during the month of June 2026:

Additional Information:

- All above figures are exclusive of taxes, wherever applicable.
- Assume the rate of GST as 18%, 9% and 9% for IGST, CGST/SGST respectively.
- Turnover of Nootan Limited for the preceding financial year was 67 lakh.

You are required to compute the GST payable by Nootan Limited under Reverse Charge basis for the month of June 2026. Reason for the treatment of each item should form part of the answers.

(5 Marks, Jan. 2025)

SOLUTION

Computation of GST Payable by Nootan Limited under reverse charge :

	Particulars	CGST(₹)	SGST (₹)
1.	Remuneration paid to Mr. Madan [11,50,000 × 9%] [(i) Remuneration paid to director for professional services subjected to TDS u/s 194J of the Income-tax Act is outside the scope of Schedule III of the CGST Act, 2017 and tax is payable under reverse charge by the recipient company - Nootan Ltd. (ii) However, salary of 8,50,000 paid to director subjected to TDS u/s 192 of the Income-tax Act is not taxable since services provided by an employee to employer in course of or in relation to his employment are outside the scope of supply in terms of Schedule III of the CGST Act, 2017.	1,03,500	1,03,500



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	Thus, the same is neither supply of goods nor supply of services]		
2.	Paid rent to Indian Railways [Tax on renting of immovable property services provided by Indian Railways is not payable under reverse charge.]	Nil	Nil
3.	Security services received [Tax on security services is not payable under reverse charge since supplier is a body corporate.]	Nil	Nil
4.	Paid fee to Local Municipal Corporation [Exempt since the consideration for the services provided by local authority does not exceed 5,000.]	Nil	Nil
	Total GST payable by Nootan Ltd. under reverse charge	1,03,500	1,03,500



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CHAPTER – 4

PLACE OF GST

TEST YOUR KNOWLEDGE

Illustration 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.

Illustration 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.

Illustration 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)

Illustration 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]

Illustration 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

Illustration 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. Further, if the goods are transported outside India, the destination of such goods is the place of supply [Section 12(8)].

Illustration 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)]

Illustration 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)]

Illustration 9

A person from Mumbai goes to Kullu-Manali and takes some services from ICICI Bank in Manali. What is the place of supply

Ans

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)].

Illustration 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)]

PREVIOUS YEAR QUESTIONS

Illustration 11

Location of recipient: Determine the location of the recipient of service in following cases.

- (a) Mr. X with registered place of business in Delhi and having other fixed establishments at Jaipur, Agra, Bharatpur enters into agreement with Mr. Y in Delhi for IT solutions for his offices. The services are received in Delhi and then the same is utilised by all the other offices.
- (b) What would your answer be in the above case if Mr. X enters into agreement at Agra for receiving IT solutions at Agra.
- (c) What would your answer be in case agreement though entered into at Delhi, but service is received at Jaipur

Solution

- (a) Since the service has been received at the registered place of business i.e. Delhi, the location of the recipient shall be Delhi as per Section 2(70) (a) of the CGST Act, 2017 though the beneficiary of the services are all the four offices.
- (b) If the service is received at a fixed establishment (here, Agra), then as per Section 2(70)(b) of the CGST Act, 2017, the location of the fixed establishment shall be the location of the recipient. In this case, the location of the recipient shall be Agra.
- (c) If the agreement is entered into at Delhi, but the service is received at Jaipur, then as per Section 2(70) (c) of CGST Act, 2017 in case service is received at multiple establishments, then, the establishment most directly concerned with the receipt of supply shall be the location of the recipient of service. Here, the location of the recipient shall be Jaipur

Illustration 12

Determination of place of supply of goods - Supply involves movement of goods: X Ltd. of Mumbai receives order from A Ltd. of Jaipur, for supply of certain goods. The price quoted by X Ltd. being inclusive of freight. X Ltd. arranges for the transportation of the goods to Jaipur. The delivery of goods is taken by A Ltd. at Jaipur. Determine the place of supply of goods. Would your answer be different if A Ltd. has arranged for the transport of goods which are delivered to it by transporter in Jaipur.

Solution

As per Section 10(1)(a) of IGST Act, 2017, where the supply involves movement of goods, whether by the supplier or by the recipient or by any other person, the place of supply shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. Since the movement of the goods terminates in Jaipur (i.e. Rajasthan), the place of supply of goods shall be at Jaipur, Rajasthan. If the transportation costs were agreed to be borne by the purchaser A Ltd., and the transportation of the goods is arranged through a transporter 'Y', the movement of the goods takes place at the direction of the purchaser, but since



the movement of the goods terminate for delivery to the recipient at Jaipur, therefore, the place of supply shall be Jaipur, Rajasthan. Thus, the answer will remain same

Illustration 13

Place of supply - Bill to Ship model: Kailash Traders, a dealer in furniture, located in Maharashtra, receives an order from Ghanshyam Traders, also located in Maharashtra. The order is for the supply of 250 Chairs, with an instruction to ship the Chairs to Prime Hard wares, located in Tamil Nadu. Prime Hard ware is a customer of Ghanshyam Traders. What will be the place of supply of goods?

Solution

Where three parties are involved Le to say a supplier, a buyer who is not the recipient of goods (referred as third person) and the recipient who actually receives the goods on the directions of the buyer, a fiction is introduced by Section 10(1)(b) of IGST Act, 2017, whereby the third person on whose direction the goods are delivered will be considered the recipient of the goods and the place of supply is deemed to be the principal place of business of the said third person (being the first buyer). There are two parts to this transaction:

- (1) **First part of the transaction - between Kailash Traders and Ghanshyam Traders:** Kailash Traders is the supplier of Chairs, and Ghanshyam Traders is the buyer. Accordingly, Kailash Traders bills the transaction to Ghanshyam Traders, and as per the instruction, ships the goods to Prime Hard wares in Tamil Nadu.
Over here, on the instruction from Ghanshyam Traders, Kailash Traders ships the chairs to Prime Hard wares located in Tamil Nadu. Here, Ghanshyam Traders is deemed as the third person. Therefore, the place of supply will be the principal place of business of the third person, Le.. Maharashtra. Accordingly, Kailash Traders charges CGST and SGST on billing to Ghanshyam Traders
- (2) **The second part of the transaction - between Ghanshyam Traders and Prime Hard wares:** Ghanshyam Traders is the supplier, and Prime Hard ware is the buyer. Ghanshyam Traders bills the transaction to Prime Hard wares, and endorses the lorry receipt (goods shipped in a lorry by Kailash Traders) in favour of Prime Hard wares. This lorry receipt (LR) will enable Prime Hard wares to take the delivery of the goods. The second part of the transaction between Ghanshyam Traders and Prime Hard wares will also be interstate, and IGST will be charged

Illustration 14

Place of supply - Bill to Ship model: Chamunda Traders in Maharashtra receives an order from Queens Associates in London to deliver 100 cell phones at Maheshwari Dealers in Maharashtra. Determine place of supply

Solution

Where three parties are involved i.e. to say a supplier, a buyer who is not the recipient of goods (referred as third person) and the recipient who actually receives the goods on the directions of the buyer, a fiction is introduced by Section 10(1)(b) of IGST Act, 2017, whereby the third person on whose direction the goods are delivered will be considered the recipient of the goods and the place



of supply is deemed to be the principal place of business of the said third person (being the first buyer).

There are two parts to this transaction:

- (1) **Between Chamunda Traders and Queens Associates:** As per provisions of Section 10(1)(b), the place of supply will be location of third person Le Queen Associates. Thus, the place of supply will be in London.

Now, it is to be determined whether the transaction between Chamunda Traders and Queens Associates will be considered as Export. As per Section 16, export of goods is a "Zero Rated Supply" and tax need not be levied on the same.

As per Section 2(5), "export of goods" means taking goods out of India to a place outside India. In our case, as goods are not moving out of India hence it cannot be termed as exports.

Section 7(5)(a) states that supply of goods or services or both when the supplier is located in India and the place of supply is outside India shall be treated to be a supply of goods or services or both in the course of inter-state trade or commerce.

Above Section applies to the present case, supplier (Chamunda Traders) is located in India and place of supply (London) is outside India. Hence, the transaction between Chamunda Traders and Queens Associates will be considered as an inter-state supply, and IGST shall be levied on it.

- (2) **Between Queens Associates and Maheshwari Dealers:** The transaction between Queens Associates and Maheshwari Dealers cannot be considered as the import of goods as according to Section 2(11) "import of goods" means bringing goods into India from a place outside India. This transaction will be covered under Section 7(5)(c) which states that supply of goods or services or both in the taxable territory, not being an intra-State supply and not covered elsewhere in Section 7 shall be treated to be a supply of goods or services or both in the course of inter-state trade or commerce. Hence, it will be inter-state supply liable for IGST

Illustration 15

Place of supply of goods Bill to ship model: From the following information determine the place of supply of goods as per Section 10(1)(b) of IGST Act, 2017, where the goods are delivered by the supplier to a recipient on the direction of a third person during the course of movement of goods. Also determine the nature of supply - whether inter-state or intra-State supply?

Supplier and his location	Location of the buyer (third person)	Recipient and his location	Place of delivery of the goods
A Ltd. Jaipur	B Ltd. Jaipur	M Ltd. Mumbai	Mumbai
A Ltd. Jaipur	M Ltd. Murnbai	B Ltd. Jaipur	Jaipur
A Ltd. Jaipur	S Ltd. Surat	M Ltd. Mumbai	Mumbai
A Ltd. Jaipur	M Ltd. Mumbai	P Ltd. Mumbai	Mumba

Solution

As per Section 10(1)(b), the place of supply of goods shall be determined as under

Supplier and his location	Location of the buyer (third person)	Recipient and his location	Place of delivery of the goods	Place of Supply (As per Section 10(1)(b) shall be the principal	CGST/IGST

CHAPTER - 4

PLACE OF GST



CA VARDHAMAN DAGA

				place of business of third person i.e. buyer)	
A Ltd. Jaipur	B Ltd. Jaipur	M Ltd. Mumbai	Mumbai	Jaipur	Intra State -CGST
A Ltd. Jaipur	M Ltd. Mumbai	B Ltd. Jaipur	Jaipur	Mumbai	Inter-State -IGST
A Ltd. Jaipur	S Ltd. Surat	M Ltd. Mumbai	Mumbai	Surat	Inter-State -IGST
A Ltd. Jaipur	M Ltd. Mumbai	P Ltd. Mumbai	Mumba	Mumbai	Inter-State -IGST

The place of supply in respect of Second transaction i.e. between the third person and ultimate recipient shall be determined as under:

Location of the buyer (third person)	Recipient and his location	Place of delivery of the goods	Place of supply	CGST/IGST
B Ltd. Jaipur	M Ltd. Mumbai	Mumbai	Mumbai	Inter-State -IGST
M Ltd. Mumbai	B Ltd. Jaipur	Jaipur	Jaipur	Inter-State -IGST
S Ltd. Surat	M Ltd. Mumbai	Mumbai	Mumbai	Inter-State -IGST
M Ltd. Mumbai	P Ltd. Mumbai	Mumba	Mumba	Intra-State -CGST

Illustration 16

Place of supply of goods: Mr. A located in Chennai places order on Mr. B of Chennai for installation of a machinery at his factory in Delhi. Mr. B procures the various parts of the machinery from different states and arranges for installation of the same in A's factory at Delhi. Determine the place of supply of machine

Solution

As per Section 10(1)(d) of IGST Act, 2017, where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly. In this case the place of supply shall be the place where the goods are installed, i.e. Delhi even though A and B are both located in Chennai

Illustration 17

Place of supply of goods: Determine place of supply of goods in the following cases and also state the nature of supply and the type of tax leviable:

Supplier and location	Recipient and his location	Place of assembly /installation of goods
A Ltd. Jaipur	B Ltd. Jaipur	Kolkatta
A Ltd. Jaipur	M Ltd. Mumbai	Surat
A Ltd. Jaipur	S Ltd. Surat	Prayagraj
A Ltd. Jaipur	M Ltd. Mumbai	jaipur

Ans

The place of supply shall be determined as under





Supplier and location	Recipient and his location	Place of assembly /installation of goods	Place of supply	Nature of supply and tax leviable
A Ltd. Jaipur	B Ltd. Jaipur	Kolkatta	Kolkatta	Inter-State -IGST
A Ltd. Jaipur	M Ltd. Mumbai	Surat	Surat	Inter-State -IGST
A Ltd. Jaipur	S Ltd. Surat	Prayagraj	Prayagraj	Inter-State -IGST
A Ltd. Jaipur	M Ltd. Mumbai	jaipur	jaipur	Intra-State -CGST

Illustration 18

Place of supply of goods: X Ltd. of Delhi entered into contract with the airlines authority for the supply of food packets to the passengers flying on Delhi - Bengaluru route. Aircraft commenced the journey from Delhi. The goods were loaded on board the aircraft in Jaipur. Determine the place of supply of goods.

Solution

As per section 10(1)(e), where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the supply shall be the location at which such goods are taken on board. In present case the place of supply shall be the place of board the aircraft i.e. Jaipur, irrespective of the place of commencement or destination of aircraft

Illustration 19

POS of services directly in relation to immovable property: Determine place of supply in independent cases as under

- (1) A company in Pune contracts with a Pune based architect to design a structure for their new office to be located in Bangalore
- (2) Mr. A of Jaipur entered into a lease agreement with Mr. B of Jaipur whereby ne leased out his farm in Nagpur to Mr. B
- (3) Mr. A an employee of ABC Ltd. Kolkata, goes on an official tour to Hyderabad and stays in a hotel there, booked in the name of his company.
- (4) Mr. X of Mumbai arranged for destination wedding of his son at Pushkar (Rajasthan) he booked a resort at Pushkar for the accommodation of his guests and also for performing the marriage ceremony. Apart from providing the resort for the marriage purpose, decoration was also provided.
- (5) The contractor M/s. ABC of Pune sub-contracted the work of construction of the building at Delhi to M/s. XYZ of Mumbai, to complete the work as per the drawing and design of the Architect.
- (6) ABC Ltd. of Mumbai, hires a professional firm of Delhi to design its office in Canada.

Ans

The place of supply of services shall be determined as under-

	case	Place of supply	reasons

CHAPTER - 4

PLACE OF GST



CA VARDHAMAN DAGA

1	A company in Pune contracts with a Pune based architect to design a structure for their new office in Bangalore.	Bangalore	Though the supplier of service and the recipient are both located in Pune, place of supply would be the place where the immovable property is located i.e. Bangalore.
2	Mr. A of Jaipur entered into a lease agreement with Mr. B of Jaipur whereby he leased out his farm in Nagpur to Mr. B.	Nagpur	Though the supplier and the recipient are both in Jaipur, Rajasthan but any service provided by way of grant of rights to use immovable property is covered u/s 12(3) of the IGST Act, 2017, therefore, the place of supply shall be the location of the immovable property, here being Nagpur
3	Mr. A an employee of ABC Ltd. Kolkata, goes on an official tour to Hyderabad and stays in a hotel there, booked in the name of his company.	Hyderabad	This being the accommodation service, is covered under Section 12(3) of the IGST Act, 2017, accordingly, the place of supply shall be the location of the immovable property (here Hotel). The location of the supplier and the receiver is irrelevant.
4	Mr. X of Mumbai arranged for destination wedding of his son at Pushkar (Rajasthan). He booked a resort at Pushkar for the accommodation of his guests and also performing the marriage ceremony. Apart from providing the resort for the marriage purpose, decoration was also provided	Pushkar (Rajasthan)	✓ The place of supply of service for accommodation provided for organizing the marriage is governed by Section 12(3)(c) of the IGST Act, 2017, hence, the place of supply shall be the place of location of the resort ✓ The provision of service of decorator, being ancillary to the services of organizing the marriage is covered by Section 12(3)(d) of the IGST Act, 2017, hence, the place of supply shall be the place of location of the immovable property
5	The contractor M/s. ABC of Pune sub-contracted the work of construction of the building at Delhi to M/s. XYZ of Mumbai, to complete the work as per the drawing and design of the Architect	Delhi	Here, the main contractor, M/s. ABC merely co-ordinates with the subcontractor M/s. XYZ to ensure completion of construction work. Hence, both these services of construction activity undertaken by M/s. XYZ and the co-ordination of construction work undertaken by M/s. ABC are covered under Section 12(3)(a) of the IGST Act, 2017, hence, the place of supply shall be the place where the immovable property is located





6	ABC Ltd. of Mumbai, hires a professional firm of interior decorators of Delhi to design its office in Canada	Mumbai	Since the immovable property is intended to be located outside India, therefore, as per proviso to Section 12(3) of the IGST Act, 2017, the place of supply shall be the location of the recipient of service, here - Mumbai, being the location of ABC Ltd.

Illustration 20

Performance based services: Ms. X of Jaipur went on trip to Mumbai. She availed beauty treatment services in Beauty Parlour of Mumbai. Determine place of supply of beauty treatment services provided to Ms. X

Solution

As per Section 12(4) of IGST Act, 2017, the place of supply of beauty treatment services shall be the location where the services are actually performed. Thus, place of supply in this case shall be Mumbai.

Illustration 21

Training and performance appraisal services: XYZ Ltd. of Delhi has entered into a contract with ASL Training Ltd. of Mumbai for training and performance appraisal of its employees. Training was provided at Dehradun Training Centre of ASL Training Ltd. Determine the Place of supply of services in case XYZ Ltd. is registered in Delhi. What would your answer be in case XYZ Ltd. is unregistered recipient

Solution

As per Section 12(5) of IGST Act, 2017, the place of supply of services in relation to training and performance appraisal to,-

- a registered person, shall be the location of such person;
- a person other than a registered person, shall be the location where the services are actually performed. Thus, when XYZ Ltd. is registered the place of supply of services shall be Delhi. When XYZ Ltd. is unregistered the place of supply will be Dehradun.

Illustration 22

Training and performance appraisal services: Auditions of music show were held at Jaipur, where the judges of the music and dance firm registered in Mumbai were sent to appraise the performance of the young aspirants. Determine the place of supply of performance appraisal services.

Ans

As per Section 12(5) of IGST Act, 2017, the place of supply of services in relation to training and performance appraisal to, a person other than a registered person, shall be the location where the services are actually performed. Here, the place of supply of service shall be the location of the performance of activity (Jaipur) as the participants are unregistered





Illustration 23

Admission to events: Mr. A of Pune, booked online for the Tiger Safari at the Ranthambor National Park and hired a jeep to be taken around for the safari. Determine the place of supply for the services

Solution

Here, there are two kinds of supply of services- first admission to the park and second hiring of the jeep. As per the provisions of Section 12(6) of the IGST Act, the place of supply of services by way of admission to a amusement park or any other place shall be the location of the park, here Ranthambor (Rajasthan). The service of hiring of the jeep is ancillary to the service of admission to the park as the same is provided to make the visit more convenient. Hence, the provisions of Section 12(6) shall apply thereon and the place of supply shall be the place of location of the park being Ranthambor (Rajasthan).

Illustration 24

Organization of an event: Mr. A of Raipur (unregistered person) hires the services of M/s XYZ an event management company registered in Jaipur, for organising the marriage ceremony of his daughter at marriage garden in Jaipur. Determine place of supply of services provided by XYZ Ltd. What would your answer be in case marriage takes place in Dubai.

Solution

As per Section 12(7) of IGST Act, 2017, 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 to a person other than a registered person, shall be the place where the event is actually held and if the event is held outside India, the place of supply shall be the location of the recipient.

Since Mr. A is not a registered person, the place of supply shall be the place where the event is held, here as the marriage ceremony is held in Jaipur, therefore, place of supply shall be Jaipur. The location of the supplier and the location of the recipient is irrelevant.

If the marriage ceremony is organised in Dubai, then the place of supply would have been the location of the recipient. Since Mr. A resides in Raipur, therefore, the place of supply shall be Raipur.

Illustration 25

Organisation of event, Assigning of sponsorship and admission to event: The All India Scientists Association (AISA) registered in Bengaluru, contracted with event managers M/s. BB Ltd. of New Delhi for organising the National seminar of scientists at Gurgaon and the highly esteemed real estate company XYZ Ltd. of Rajasthan offered sponsorship for the seminar. Mr. A, a scientist from Chennai paid for the fees to attend the seminar at the Bengaluru office of the AISA. Determine the place of supply of the various services supplied herein.

Ans

The place of supply shall be determined as follows:

Service supplied	Supplier	Recipient	Place of supply	Reason





Organisation of the event	BB Ltd. of Delhi	XYZ Limited	Bengaluru	As per Section 12(7), where the services by way of organisation of an event is supplied to a registered person, the place of supply shall be the location of such person.
Assigning sponsorship	AISA of Bengaluru	XYZ Ltd. Rajasthan	Rajasthan	As per Section 12(7), where the services ancillary to organisation of any of the events or assigning of sponsorship to such events IS supplied to a registered person, the place of supply shall be the location of such person.
Admission to the event	AISA of Bengaluru	Mr. A of Chennai	Gurgaon	As per Section 12(6), in case of services provided by way of admission to an event, the place of supply shall be the place where the event is actually held.

Illustration 26

POS of services by way of transportation of goods: ABC Goods transportation agency located in Delhi provides services to PQR Ltd. registered in Gurgaon. A consignment of new motorcycles from the factory of PQR Ltd. in Gurgaon (Haryana) is transported to the depot of PQR Ltd. in Bhopal, Madhya Pradesh. Determine place of supply of transportation of goods service.

Solution

As per Section 12(8) of IGST Act, 2017, the place of supply of services by way of transportation of goods, including by mail or courier to a registered person, shall be the location of such person. In this case since PQR Ltd. is located in Haryana, the place of supply shall be Haryana.

Illustration 27

POS of services by way of transportation of goods: Mr. X of Jaipur an unregistered person has availed services of Delhi Transport Company of Delhi for transport of goods from his house in Bhilwara (Rajasthan) to Delhi. Determine place of supply of goods transport services.

Solution

As per Section 12(8) of IGST Act, 2017, the place of supply of services by way of transportation of goods, including by mail or courier to a person other than a registered person, shall be the location

at which such goods are handed over for their transportation. In this case since the goods are handed over to transporter in Bhilwara, the place of supply shall be Bhilwara.

Illustration 28

Passenger transportation services: Mr. A, partner of M/s. ABC Chartered Accountants, a firm registered in Delhi, went to Mumbai for audit purposes. He purchased from Jaipur Airlines (registered in Rajasthan) air ticket from Jaipur to Mumbai disclosing the name of the organisation and its GST Registration number. Determine the place of supply of service. What would your answer be in case Mr. A does not disclose the particulars of organisation.

Solution

As per Section 12(9) of IGST Act, 2017, the place of supply of passenger transportation service to,—

- (a) a registered person, shall be the location of such person;
- (b) a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey. Here, since the organisation is registered in Delhi, therefore as per Section 12(9)(a), the place of supply shall be the place where the recipient is located i.e. Delhi in this case. The airlines shall charge IGST as the location of supplier is in Jaipur.

In case Mr. A does not disclose the particulars of the organisation, the place of supply of service will be Jaipur i.e. the place where Mr. A embarks the aircraft for his journey. Here, the airlines shall charge CGST/SGST.

Illustration 29

Advertisement services to Government: Delhi Government gives an advertisement contract to an advertising agency registered in Delhi to promote its 'Every Child Can Read' campaign in Delhi.

Solution

As per Section 12(14) of IGST Act, 2017, the place of supply shall be the state where the advertisement services are provided. Thus, in this case the place of supply is Delhi.

Illustration 30

Advertisement services to Government: 'PQ', a statutory body, deals with the all the advertisement and publicity of the Government. It has issued a release order to 'Moon Plus' channel (registered in State 'A') for telecasting an advertisement relating to one of the schemes of the Government in the month of September. The advertisement will be telecasted in the States of A, 'B', 'C', 'D' and 'E'. The total value of the service contract entered into between 'Moon Plus' and 'PQ' is ₹ 10,00,000 (exclusive of GST).

You are required to determine the place of supply of the services in the instant case as also the value of supply attributable to the States of 'A', 'B', 'C', 'D' and 'E'.

Further, compute the GST liability [CGST & SGST or IGST, as the case may be] of 'Moon Plus' as also advise it as to whether it should issue one invoice for the entire contract value or separate State-wise invoices. The other relevant information is given hereunder:

Table - 1

States	Viewership figures of 'Moon Plus' channel in the last week of June as provided by the Broadcast Audience Research Council
A	50,000
B+C	1,00,000
D+E	50,000

Table - 2

States	Population as per latest census (in crores)
A	50
B	180
C	20
D	100
E	25

The application rate of tax is as under

CGST	SGST	IGST
9%	9%	9%

Solution

Determination of POS in case of advertisement services to Government: As per section 12(14) of the IGST Act, 2017, the place of supply of advertisement services to the Central Government, a State Government, a statutory body or a local authority meant for the States or Union territories identified in the contract or agreement is taken as being in each of such States or Union territories (where the advertisement is broadcasted/run/ played/disseminated).

Therefore, in the given case, the place of supply of advertisement service is in the States of 'A', 'B', 'C', 'D' and 'E'.

The value of the supply of such advertisement services specific to each State/Union territory is in proportion to the amount attributable to the services provided by way of dissemination in the respective States/Union territories determined in terms of the contract or agreement entered into in this regard.

In the absence of such a contract or agreement between the supplier and recipient of services, the proportionate value of advertisement services attributable to different States/Union territories (where the advertisement is broadcasted/run/played/ disseminated) is computed in accordance with rule 3 of the IGST Rules, 2017.

As per rule 3(f) of the IGST Rules, 2017, in the case of advertisement on television channels, the amount attributable to the value of advertisement service disseminated in a State shall be calculated on the basis of the viewership of such channel in such State, which in turn, shall be calculated in the following manner, namely:

- the channel viewership figures for that channel for a State or Union territory shall be taken from the figures published in this regard by the Broadcast Audience Research Council;
- the figures published for the last week of a given quarter shall be used for calculating viewership for the succeeding quarter:

- (iii) where such channel viewership figures relate to a region comprising of more than one State or Union territory, the viewership figures for a State or Union territory of that region, shall be calculated by applying the ratio of the populations of that State or Union territory, as determined in the latest Census, to such viewership figures;
- (iv) the ratio of the viewership figures for each State or Union territory as so calculated, when applied to the amount payable for that service, shall represent the portion of the value attributable to the dissemination in that State or Union territory.

Therefore, value of supply attributable to A, 'B', 'C', 'D' and 'E', will be computed as under:

States	Viewership figures of 'Moon Plus' channel as provided by the Broadcast Audience Research Council in the last week of June	' Viewership ratio of 'Moon Plus' channel in the States 'A', ('B'+ 'C') and ('D'+ 'E')	Proportionate value of advertisement services for States A', ('B'+ 'C') and ('D'+ 'E')
A	50,000	50,000:1,00,000: 50,000 = 1:2:1	$\text{₹ } 10,00,000 \times 1/4 = \text{₹ } 2,50,000$
B+C	1,00,000		$\text{₹ } 10,00,000 \times 2/4 = \text{₹ } 5,00,000$
D+C	50,000		$\text{₹ } 10,00,000 \times 1/4 = \text{₹ } 2,50,000$

States	Population as per latest census (in crores)	Population ratio in the States 'B' & 'C' & 'D' & 'E'	Proportionate value of advertisement services for States A', ('B'+ 'C') and ('D'+ 'E')
A	50	B:C 180:20 = 9:1	$\text{₹ } 2,50,000$
B	180		$\text{₹ } 5,00,000 \times 9/10 = \text{₹ } 4,50,000$
C	20		$\text{₹ } 5,00,000 \times 1/10 = \text{₹ } 50,000$
D	100	D:E 100:25 = 4:1	$\text{₹ } 2,50,000 \times 4/5 = \text{₹ } 2,00,000$
E	25		$\text{₹ } 2,50,000 \times 1/5 = \text{₹ } 50,000$

Different tax invoices to be issued for different POS : Since, there are five different places of supply in the given case, 'Moon Plus' channel will have to issue five separate invoices for each of the States namely, 'A', 'B', 'C', 'D' & 'E' indicating the value pertaining to that State. The GST liability of 'Moon Plus' channel will, therefore, be worked out as under: Computation of GST liability of 'Moon Plus':

Computation of GST liability of 'Moon Plus':

States	Proportionate value of advertisement services (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
A	2,50,000	22,500	22,500	
B	4,50,000			81,000

C	50,000			9,000
D	2,00,000			36,000
E	50,000			9,000

Nature of supply: Only in case of supply of services in State 'A', the location of supplier (State 'A') and the place of supply are in the same State, hence the same is an intra-State supply in terms of section 8(1) of the IGST Act, 2017 and is thus, liable to CGST and SGST. In all the remaining cases of supply of services, the location of the supplier (State 'A') and the places of supply (States 'B', 'C', 'D' & 'E') are in two different States, hence the same are inter-State supplies liable to IGST [Section 7(1)(a) of the IGST Act, 2017 read with section 5(1) of that Act].

ILLUSTRATION 31

Place of supply of goods - Section 10(1)(ca): Mr. Sunil (unregistered person under GST), is a resident of Delhi and currently posted in Dehradun, Uttarakhand. He went on an official visit to Arunachal Pradesh. He purchased a leather bag from Arunachal Pradesh and shop keeper M/s ABC issued a tax invoice in the name of Mr. Sunil only. Mr. Sunil returned back to Dehradun along with leather bag. Determine the 'place of supply' for tax invoice issued by M/s. ABC to Mr. Sunil.

Solution

In case of supply of goods to an unregistered person over the counter (OTC), where address of such person is not recorded in the invoice, the place of supply is location of the supplier. Since in the given case, address of Mr. Sunil is not recorded in the invoice, place of supply is location of M/s ABC i.e. Arunachal Pradesh.

ILLUSTRATION 32

Place of supply of goods - Section 10(1)(ca): Mr. Pintu (unregistered person under GST), resident of Karnal, Haryana went to visit Shimla, Himachal Pradesh along with his family during holidays. Due to some medical emergency he purchased some medicines from a medical store at Mall Road Shimla and the tax invoice was issued in the name of Mr. Pintu mentioning the address as Karnal, Haryana only. The medicines purchased were consumed in Shimla during the period of stay. Determine the 'place of supply' for tax invoice issued by medical store to Mr. Pintu.

Solution

In case of supply of goods to an unregistered person over the counter (OTC), where address of such person is recorded in the invoice (i.e. name of State of said person is recorded in invoice), the place of supply is location as per said address. Thus, in the given case, since the address of Mr. Pintu is recorded in the invoice, place of supply is Karnal/ Haryana.

ILLUSTRATION 33

Advertisement services to Government: Government of India launched a project "Make in India" and appointed ABC Advertising agency of Haryana for advertisement of the project all over the country. ABC agency advertises the project in all states of India. Determine the place of supply of advertisement services.

Solution

As per Section 12(14) of IGST Act, 2017, the place of supply shall be each state where the advertisement services are provided and the value to each state shall be in proportion to the amount attributable to service provided by way of dissemination in the respective states and the value of such supplies specific to each State or Union territory shall be in proportion to the amount attributable to services provided by way of dissemination in the respective States or Union territories as may be 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 basis as may be prescribed.

ILLUSTRATION 34

Determination of POS: 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.
 - (3) 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 6th September and back. He leaves Prayagraj on 11th September in a morning flight and land in Jaipur the same day. He leaves Jaipur on 15th September in a late night flight and lands in Prayagraj the next day.
 - (4) 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.
- (5 Marks, May 2024)**

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.

ILLUSTRATION 35

Location of recipient: Determine the location of the recipient of service in following cases.

- (1) Mr. X with registered place of business in Delhi and having other fixed establishments at Jaipur, Agra, Bharatpur enters into agreement with Mr. Y in Delhi for IT solutions for his offices. The services are received in Delhi and then the same is utilised by all the other offices.



- (2) What would your answer be in the above case if Mr. X enters into agreement at Agra for receiving IT solutions at Agra.
- (3) What would your answer be in case agreement though entered into at Delhi, but service is received at Jaipur

SOLUTION

- (1) Since the service has been received at the registered place of business i.e. Delhi, the location of the recipient shall be Delhi as per Section 2(70) (a) of the CGST Act, 2017 though the beneficiary of the services are all the four offices.
- (2) If the service is received at a fixed establishment (here, Agra), then as per Section 2(70)(b) of the CGST Act, 2017, the location of the fixed establishment shall be the location of the recipient. In this case, the location of the recipient shall be Agra.
- (3) If the agreement is entered into at Delhi, but the service is received at Jaipur, then as per Section 2(70) (c) of CGST Act, 2017 in case service is received at multiple establishments, then, the establishment most directly concerned with the receipt of supply shall be the location of the recipient of service. Here, the location of the recipient shall be Jaipur

ILLUSTRATION 36

Place of supply of goods: Mr. A located in Chennai places order on Mr. B of Chennai for installation of a machinery at his factory in Delhi. Mr. B procures the various parts of the machinery from different states and arranges for installation of the same in A's factory at Delhi. Determine the place of supply of machine.

SOLUTION

As per Section 10(1)(d) of IGST Act, 2017, where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly. In this case the place of supply shall be the place where the goods are installed, i.e. Delhi even though A and B are both located in Chennai.

ILLUSTRATION 37

Admission to events: Mr. X, of Mumbai purchased online tickets for the Wonder la water park in Bengaluru. Determine the place of supply.

SOLUTION

According to Section 12(6) of the IGST Act, 2017, the place of supply of services provided by way of admission to a cultural, artistic, sporting, scientific, educational, entertainment event or amusement park or any other place and services ancillary thereto, shall be the place where the event is actually held or where the park or such other place is located. Therefore, in this case, the Place of supply shall be Bengaluru.

ILLUSTRATION 38

Organization of an event: Jas Fashions Ltd. an Indian fashion designing company registered in Delhi hosts a fashion show at Toronto, Canada. The firm receives the services of ABC Ltd. of Mumbai for organizing the event. Determine the place of supply of services provided by ABC Ltd





SOLUTION

As per Section 12(7) of IGST Act, 2017, 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 to a registered person, shall be the location of such person. Thus, in this case, though the service is received outside India, since service recipient is registered person, the place of supply shall be the location of the recipient, here Delhi.

ILLUSTRATION 39

POS of services by way of transportation of goods: ABC Goods transportation agency located in Delhi provides services to PQR Ltd. registered in Gurgaon. A consignment of new motorcycles from the factory of PQR Ltd. in Gurgaon (Haryana) is transported to the depot of PQR Ltd. in Bhopal, Madhya Pradesh. Determine place of supply of transportation of goods service.

SOLUTION

As per Section 12(8) of IGST Act, 2017, the place of supply of services by way of transportation of goods, including by mail or courier to a registered person, shall be the location of such person. In this case since PQR Ltd. is located in Haryana, the place of supply shall be Haryana.

ILLUSTRATION 40

Passenger transportation services: Mr. A, partner of M/s. ABC Chartered Accountants, a firm registered in Delhi, went to Mumbai for audit purposes. He purchased from Jaipur Airlines (registered in Rajasthan) air ticket from Jaipur to Mumbai disclosing the name of the organisation and its GST Registration number. Determine the place of supply of service. What would your answer be in case Mr. A does not disclose the particulars of organisation.

SOLUTION

Answer As per Section 12(9) of IGST Act, 2017, the place of supply of passenger transportation service to,—

- (a) a registered person, shall be the location of such person;
- (b) a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey.

Here, since the organisation is registered in Delhi, therefore as per Section 12(9)(a), the place of supply shall be the place where the recipient is located i.e. Delhi in this case. The airlines shall charge IGST as the location of supplier is in Jaipur.

In case Mr. A does not disclose the particulars of the organisation, the place of supply of service will be Jaipur i.e. the place where Mr. A embarks the aircraft for his journey. Here, the airlines shall charge CGST/SGST.

ILLUSTRATION 41

Services on board a conveyance: Mr. X residing in Delhi travelling with Indian Airlines is provided with the movie-on-demand service as on-board entertainment during the Kolkata - Delhi leg of a Bangkok Kolkata - Delhi flight. Determine the place of supply of service provided to Mr. X.



SOLUTION

As per Section 12(10) of IGST Act, 2017, the place of supply of services on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, shall be the location of the first scheduled point of departure of that conveyance for the journey. The place of supply of this service will be Bangkok (i.e. the first scheduled point of departure of the conveyance for the journey) which is outside the taxable territory, hence not liable to tax.

ILLUSTRATION 42

Telecommunication services: Determine place of supply in the following independent cases:

- (1) Mr. X, registered in Bengaluru has availed land-line services from BSNL. The telephone is installed in residential premises in Jaipur and the billing address is of office of Mr. X in Bengaluru.
- (2) Mr. X has availed post paid mobile services from BSNL registered in Bengaluru. Mr. X is registered under GST law in Bengaluru but the billing address is of residential premises of Mr. X in Jaipur.
- (3) Mr. X has purchased pre-paid mobile vouchers of BSNL registered in Bengaluru through internet banking. Mr. X is registered under GST law in Bengaluru but in BSNL's records the address of Mr. X is that of his residence in Jaipur
- (4) Mr C (Pune) purchases a pre-paid card from a selling agent in Mumbai.
- (5) Mr. F (Puducherry) gets a pre-paid voucher recharged from a grocery shop in Chennai.

SOLUTION

- (1) As per Section 12(11) of the IGST Act, 2017. the place of supply of telecommunication services by way of fixed telecommunication line shall be the location where the telecommunication line is installed for receipt of services. In this case though the billing address is in Bengaluru but the place of supply of services shall be Jaipur where the telephone is installed.
- (2) As per Section 12(11) of the IGST Act, 2017, the place of supply of services by way of mobile connection for telecommunication provided on post-paid basis shall be the location of billing address of the recipient of services on record of the supplier of services. In this case since the billing address of the recipient is of Jaipur, the place of supply shall be Jaipur.
- (3) As per Section 12(11) of the IGST Act, 2017, the place of supply of services by way of mobile connection for telecommunication provided on pre-paid basis shall be the location of billing address of the recipient of services on the record of the supplier of services if such pre-paid service is availed or the recharge is made through internet banking or other electronic mode of payment. in this case since address of Mr X as per BSNL's record is that of Jaipur, the place of supply shall be Jaipur
- (4) As per Section 12(11) of the IGST Act, 2017, in case where mobile connection for telecommunication is provided on pre-payment basis through a voucher or any other means through a selling agent or a re-seller or a distributor of subscriber identity module card or re-charge voucher, the place of supply will be the address of the selling agent or re-seller or distributor as per the record of the supplier at the time of supply. Thus in this case the place of supply will be Mumbai.
- (5) As per Section 12(11) of the IGST Act, 2017, in case where mobile connection for telecommunication is provided on pre-payment basis through a voucher or any other means by



any person to the final subscriber, the place of supply be the location where such prepayment is received or such vouchers are sold i.e. in this case Chennai.

ILLUSTRATION 43

Stock broking services: Mr X registered person of Jaipur buys shares from a broker in Delhi on NSE (in Mumbai). What will be the place of supply of stock broking services?

SOLUTION

The place of supply shall be the location of the recipient of services on records of the supplier of services. So, here, Jaipur shall be the place of supply.

ILLUSTRATION 44

Advertisement services to Government: Government of India launched a project "Make in India" and appointed ABC Advertising agency of Haryana for advertisement of the project all over the country. ABC agency advertises the project in all states of India. Determine the place of supply of advertisement services.

SOLUTION

As per Section 12(14) of IGST Act, 2017, the place of supply shall be each state where the advertisement services are provided and the value to each state shall be in proportion to the amount attributable to service provided by way of dissemination in the respective states and the value of such supplies specific to each State or Union territory shall be in proportion to the amount attributable to services provided by way of dissemination in the respective States or Union territories as may be 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 basis as may be prescribed.

ILLUSTRATION 45

Banking services: A person from Mumbai goes to Kullu-Manali and avails of some services from ICICI Bank in Manali. What will be the place of supply?

SOLUTION

If the service is not linked to the account of the person, place of supply shall be Manali i.e. the location of the supplier of services. However, if the service is linked to the account of the person, the place of supply shall be Mumbai, the location of recipient on the records of the supplier.

ILLUSTRATION 46

Insurance services: A person from Gurgaon travels by Air India flight from Mumbai to Delhi and gets his travel insurance done in Mumbai. What will be the place of supply?

SOLUTION

Since Mr. A is an unregistered person, the location of the recipient of services on the records of the supplier of insurance services shall be the place of supply. So Gurgaon shall be the place of supply. (Proviso clause to Section 12(13) of the IGST Act)

ILLUSTRATION 47





Determination of Place of supply - Bill to Ship to model: Raman Row, a registered supplier under GST in Mumbai, is directed by Nero Enterprises, Kolkata to deliver goods valued at 12,00,000 to Fabricana of Aurangabad in Maharashtra. Raman Row makes out an invoice at 9% tax rate under CGST and SGST respectively (scheduled rate) and delivers it locally in Maharashtra. Discuss and comment on the above levy of tax and determine the tax liability of goods in the above circumstances.

SOLUTION

Where three parties are involved i.e. to say a supplier, a buyer who is not the recipient of goods (referred as third person) and the recipient who actually receives the goods on the directions of the buyer, a fiction is introduced by Section 10(1)(b) of IGST Act, 2017, whereby the third person on whose direction the goods are delivered will be considered the recipient of the goods and the place of supply is deemed to be the principal place of business of the said third person (being the first buyer).

There are two parts to this transaction :

- (i) **First part of the transaction - between Raman Row and Nero Enterprises** Raman Row Mumbai is the supplier of goods, and Nero Enterprises, Kolkatta is the buyer. Accordingly, Raman Row bills the transaction to Nero Enterprises, and as per the instruction, delivers the goods to Fabricana in Maharashtra.
Over here, on the instruction from Nero Enterprises, Kolkatta, Raman Row delivers the goods to Fabricana located in Maharashtra. Here, Nero Enterprises is deemed as the third person. Therefore, the place of supply will be the principal place of business of the Nero Enterprises, i.e., Kolkatta. Since the location of supplier is in Maharashtra and place of supply is in West Bengal, the supply is interstate supply. Accordingly, Raman Row will have to charge IGST on billing to Nero Enterprises. Since in Raman Row has charged CGST and SGST treating the supply as intra State supply, it has to claim refund of CGST and SGST and deposit IGST as the supply is Inter State supply. Thus, IGST liability of Raman Row will be 18% of 12,00,000 = ₹216000.
- (ii) **The second part of the transaction - between Nero Enterprises, Kolkata and Fabricana, Maharashtra :** Nero Enterprises, Kolkata is the supplier, and Fabricana, Maharashtra is the buyer. Nero Enterprises, Kolkata bills the transaction to Fabricana, Maharashtra, and endorses the lorry receipt (goods shipped in a lorry by Raman Row) in favour of Fabricana, Maharashtra. This lorry receipt (LR) will enable Fabricana, Maharashtra to take the delivery of the goods. The second part of the transaction between Nero Enterprises, Kolkata and Fabricana, Maharashtra will also be interstate, and IGST will be charged.

ILLUSTRATION 48

Determination of Place of supply - Bill to Ship to model: Asha Enterprises supplier of sewing machines, is located in Kota (Rajasthan) and registered for purpose of GST in the said State. It receives an order from Deep Traders, located in Jalandhar (Punjab) and registered for purpose of GST in the said State. The order is for the supply of 100 sewing machines, with an instruction to ship the sewing machines to Jyoti Sons, located in Patiala (Punjab) and registered in the said State for purpose of GST. Jyoti Sons is a customer of Deep Traders. Sewing machines are shipped in a lorry by Asha Enterprises.



Briefly explain the following:

- (i) the place of supply under IGST Act, 2017;
- (ii) the nature of supply: whether inter-state or intra-state and
- (iii) whether CGST/SGST or IGST as would be applicable in this case.

SOLUTION

Where three parties are involved i.e. to say a supplier, a buyer who is not the recipient of goods (referred as third person) and the recipient who actually receives the goods on the directions of the buyer, a fiction is introduced by Section 10(1)(b) of IGST Act, 2017, whereby the third person on whose direction the goods are delivered will be considered the recipient of the goods and the place of supply is deemed to be the principal place of business of the said third person (being the first buyer).

There are two parts to this transaction:

- (1) **First part of the transaction - between Asha Enterprises and Deep Traders:** Asha Enterprises is the supplier of sewing machine, and Deep Traders is the buyer. Accordingly, Asha Enterprises bills the transaction to Deep Traders, and as per the instruction, ships the goods to Jyoti Sons in Patiala (Punjab).
Over here, on the instruction from Deep Traders, Asha Enterprises ships the sewing machine to Jyoti Sons located in Patiala (Punjab). Here, Deep Traders is deemed as the third person. Therefore, the place of supply will be the principal place of business of the third person, i.e., Jalandhar (Punjab). Since the location of supplier is in Kota (Rajasthan) and Place of supply Jalandhar (Punjab), the supply is an interstate supply. Accordingly, Asha Enterprises will charge IGST on billing to Deep Traders.
- (2) **The second part of the transaction - between Deep Traders and Jyoti Sons:** Deep Traders is the supplier, and Jyoti Sons is the buyer. Deep Traders bills the transaction to Jyoti Sons, and endorses the lorry receipt (goods shipped in a lorry by Asha Enterprises) in favour of Jyoti Sons. This lorry receipt (LR) will enable Jyoti Sons to take the delivery of the goods. The second part of the transaction between Deep Traders Jalandhar (Punjab) and Jyoti Sons Patiala (Punjab) will be intra-state supply, CGST and SGST will be charged.

ILLUSTRATION 49

Determination of Place of supply: Determine the place of supply for the following independent cases:

- (iii) *Festival Event, an event management company at Mumbai, organises two business promotion events for Prabhu Enterprises (Registered in Ahmedabad, Gujarat) at New Delhi and in Malaysia.*
- (iv) *Golobal Planners (Jodhpur, Rajasthan) is hired by Mr. John (unregistered person based in Kochi, Kerala) to plan and organize his son's wedding at Mumbai, Maharashtra. Will your answer be different if the wedding is to take place in Singapore?*

SOLUTION

- (i) As per Section 12(7) of IGST Act, 2017, 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 to a registered person, shall be the location of such person.

Thus, the place of supply of services shall be Ahmedabad (Gujarat) where Prabhu Enterprises is registered. Even if event is held in Malaysia, since service recipient is registered person, the place of supply shall be the location of the recipient, here Ahmedabad.

- (ii) As per Section 12(7) of IGST Act, 2017, the place of supply of services provided by way of organisation of culture, artics, sporting , scientific, educational or entertainment event including supply of service in relation to conference, fair, exhibition, celebration or similar events to a person other than a registered person, shall be the place where the event is actually held and if the event is held outside India, the place of supply shall be the location of the recipient.

Since Mr. John is not a registered person, the place of supply shall be the place where the event is held, here as the wedding is organised in Mumbai, therefore, place of supply shall be Mumbai. The location of the supplier and the location of the recipient is irrelevant.

If the wedding is organised in Singapore, then the place of supply would have been the location of the recipient. Since Mr. John resides in Kochi, therefore, the place of supply shall be Kochi.

ILLUSTRATION 50

Determination of Place of supply: Mr. Murthy, an unregistered person and a resident of Pune, hires the services of M/s. Sun Ltd. an event management company registered in Delhi, for organising of the new product launch in Bengaluru.

- (i) Determine the place of supply of services provided by M/s. Sun Ltd.
- (ii) What would your answer be in case the product launch takes place in Bangkok?
- (iii) What would your answer be in case Mr. Murthy is a registered person and product launches take place in Bengaluru and Bangkok ?

SOLUTION

- (i) 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. Murthy) is unregistered and event is held in India, place of supply is the location where the event is actually held ie., Bengaluru.
- (ii) However, if product launch takes place outside India (Bangkok), the place of supply will be the location of recipient ie., Pune.
- (iii) When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient.
Therefore, if Mr. Murthy is a registered person, then in both the cases ie., either when product launch takes place in Bengaluru or Bangkok, the place of supply will be the location of recipient ie., Pune.

ILLUSTRATION 51

Place of supply: Answer the following questions in the light of the place of supply provisions contained in the IGST Act, 2017:

- (1) Quickdeal 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.

- (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 organised at Mauritius instead of Mumbai?

SOLUTION

- (1) As per Section 10(1)(c) of the IGST Act, 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 (Quickdeal 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 organised 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.

ILLUSTRATION 52

Determination of Place of supply of service: Musicera Pvt. Ltd., owned by Nitish Daani - a famous classical singer wishes to organise a 'Nitish Daani Music Concert' in Gurugram (Haryana). Musicera Pvt. Ltd. (registered in Ludhiana, Punjab) enters into a contract with an event management company, Supriya (P) Ltd. (registered in Delhi) for organising the said music concert at an agreed consideration of ₹10,00,000. Supriya (P) Ltd. books the lawns of Hotel Dumdum, Gurugram (registered in Haryana) for holding the music concert, for a lump sum consideration of 4,00,000. Musicera Pvt. Ltd. fixes the entry fee to the music concert at 5,000. 400 tickets for 'Nitish Daani Music Concert' are sold.

2009.1 You are required to determine the CGST and SGST or IGST liability, as the case may be, in respect of the supplie(s) involved in the given scenario.

Will your answer be different if the price per ticket is fixed at 450?

Note: Rate of CGST and SGST is 9% each and IGST is 18%. All the amounts given above are exclusive of taxes, wherever applicable.

SOLUTION

In the given situation, three supplies are involved:

- (i) **Admission to events:** Services provided by Musicera Pvt. Ltd. to audiences by way of admission to music concert.
- (ii) **Organization of event:** Services provided by Supriya (P) Ltd. to Musicera Pvt. Ltd. by way of organising the music concert.

- (iii) **Accommodation services:** Services provided by Hotel Dumdum to Supriya (P) Ltd. by way of accommodation in the Hotel lawns for organising the music concert. The CGST and SGST or IGST liability in respect of each of the above supplies is determined as under:

- (i) **Admission to event - POS - Place where event is held:** As per the provisions of section 12(6) of the IGST Act, 2017, the place of supply of services provided by way of admission to, inter alia, a cultural event shall be the place where the event is actually held. Therefore, the place of supply of services supplied by Musicera Pvt. Ltd. to audiences by way of admission to the music concert is the location of the Hotel Dumdum, ie. Gurugram, Haryana.

Since the location of the supplier (Ludhiana, Punjab) and the place of supply (Gurugram, Haryana) are in different States, IGST will be leviable. Therefore, IGST leviable will be computed as follows:

Consideration for supply (400 tickets @5,000 per ticket) = 20,00,000

IGST @ 18% on value of supply = 20,00,000 × 18% = 3,60,000.

- (ii) **Organization of event - POS - Location of registered person:** Section 12(7)(a) (i) of IGST Act, 2017 stipulates that the place of supply of services provided by way of organization of, inter alia, a cultural event to a registered person is the location of such person. Therefore, the place of supply of services supplied by Supriya (P) Ltd. to Musicera Pvt. Ltd. (Ludhiana, Punjab) by way of organising the music concert is the location of the recipient, i.e. Ludhiana (Punjab).

Since the location of the supplier (Delhi) and the place of supply (Ludhiana, Punjab) are in different States, IGST will be leviable. Therefore, IGST leviable will be computed as follows:

Consideration for supply = 10,00,000

IGST @ 18% on value of supply = 10,00,000 × 18% = 1,80,000

- (iii) **Accommodation service - POS place where immovable property is located:** 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 Supriya (P) Ltd. by way of accommodation in Hotel lawns for organising the music concert shall be the location of the Hotel Dumdum, ie. Gurugram, Haryana.

Since the location of the supplier (Gurugram, Haryana) and the place of supply (Gurugram, Haryana) are in the same State, CGST and SGST will be leviable. Therefore, CGST and SGST leviable will be computed as follows:

Consideration for supply = ₹ 4,00,000

CGST @ 9% on value of supply = ₹ 4,00,000 × 9% = ₹ 36,000

SGST @ 9% on value of supply = ₹ 4,00,000 × 9% = ₹ 36,000

If the price for the entry ticket is fixed at 450, answer will change in respect of supply of service provided by way of admission to music concert, as mentioned in point (i) above. There will be no IGST liability if the consideration for the ticket is 450 as the inter-State services by way of right to admission to, inter alia, , musical performance are exempt from IGST vide Notification No. 9/2017-IT (R) dated 28-06-2017, if the



consideration for right to admission to the event is not more than 500 per person. However, there will be no change in the answer in respect of supplies mentioned in point (ii) and (iii) above.

ILLUSTRATION 53

Determination of Place of supply of service: Mr. Sumit has a permanent residence at Ahmedabad. He has a savings bank account with Ahmedabad Branch of Safe and Sound Bank. On April 1, 2025, Mr. Sumit opened a safe deposit locker with the Ahmedabad Branch of Safe and Sound Bank. Mr. Sumit went to USA for official work in December, 2025 and has been residing there since then. Mr. Sumit contends that since he is a non-resident during the year 2025-26 in terms of the Income-tax Act, GST cannot be levied on the locker fee charged by Safe and Sound Bank for the year 2025-26. Examine the correctness of the contention of Mr. Sumit. **(Modified RTP, Nov. 2014)**

SOLUTION

The contention of Mr. Sumit is not correct. Under GST law the taxability of any service depends upon the provisions of Section 9 of the CGST Act, 2017 and not in terms of Income-tax Act, 1961. The fact that Mr. Sumit is a non-resident is irrelevant for determining the taxability of services received by him.

As per Section 12(12), **the place of supply of banking and other financial services to any person shall be the location of the recipient of services on the records of the supplier of services.** In this case the location of recipient as per the records of banking company is in Ahmedabad, the place of supply of service would be Ahmedabad and since Ahmedabad falls in taxable territory, locker fee would be liable to GST.

ILLUSTRATION 54

Determination of Place of supply of services: Determine the place of supply of services in each of the following independent cases:

- (i) Mr. A, the owner of an immovable property located in New Delhi gives on rent the said property to Mr. B of U.P. for commercial purposes.
- (ii) Mr. Rahul, a Delhi based Interior Decorator provides his professional services in respect of property which is intended to be located in Punjab.
- (iii) Yogesh, Chennai based Professional valuer provides his professional services of valuation of immovable properties [vide a single contract for a consolidated consideration] to Mumbai based Reliance Industries Ltd. in respect of its four properties located in Delhi, Kashmir, Kolkata and London. It is assumed that Yogesh performed 20%, 30%, 15% and 35% of his total services in foregoing four cities respectively.
- (iv) A Delhi based builder provides construction services to Punjab based company in respect of construction of its new building in Bangladesh.

SOLUTION

The aforesaid cases have been discussed herein below,-

- (i) As per Section 12(3) of IGST Act, 2017, in respect of **services provided directly in relation to immovable property, the place of supply shall be place where immovable property is located or intended to be located.** Therefore, in the given case, the place of supply of service shall be New Delhi which falls within the ambit of taxable territory.



- (ii) As per Section 12(3) of IGST Act, 2017, in respect of **services provided directly in relation to immovable property, the place of supply shall be place where immovable property is located or intended to be located.** In this case, it is assumed that location of service recipient is in India. The place of supply of services shall be Punjab as the concerned property is intended to be located in Punjab which falls within the ambit of 'Taxable Territory'.

- (iii) As per Section 12(3) of IGST Act, 2017, in respect of services provided directly in relation to immovable property, the place of supply shall be place where the immovable property is located or intended to be located.

Where the immovable property is located in more than one State or Union territory, the supply of service shall be treated as made in each of the respective States or Union territory, in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard.

Here, place of supply for services provided in three properties located in Delhi (20%), Kashmir (30%) and Kolkata (15%) shall be in each of the states where the service is supplied.

If the immovable property is located or intended to be located outside India, the place of supply shall be location of the recipient. In this case services provided in relation to immovable property located in London (35%), Place of supply shall be location of the recipient ie. Mumbai which falls within the ambit of taxable territory.

- (iv) As per Section 12(3) of IGST Act, 2017, in respect of services provided directly in relation to immovable property, the place of supply shall be place where the immovable property is located or intended to be located. If the immovable property is located or intended to be located outside India, the place of supply shall be location of the recipient.

In this case services provided in relation to immovable property located in Bangladesh, the place of supply shall be location of the recipient ie. Punjab which falls within the ambit of 'Taxable Territory'.

ILLUSTRATION 55

Determination of POS: Determine the place of supply in the following independent cases:-

- (i) Mr. Sahukaar (New Delhi) boards the New Delhi-Kota train at New Delhi. Mr. Sahukaar sells the goods taken on board by him (at New Delhi), in the train, at Jaipur during the journey.
- (ii) Mr. Aatmaram, a manager in a Bank, is transferred from Bareilly, Uttar Pradesh to Bhopal, Madhya Pradesh. Mr. Aatmaram's family is stationed in Kanpur, Uttar Pradesh. He hires Gokul Carriers of Lucknow, Uttar Pradesh (registered in Uttar Pradesh), to transport his household goods from Kanpur to Bhopal.
- (iii) Bholunath, a resident of New Delhi, opens his saving account in New Delhi branch of Best Bank after undergoing the KYC process. He goes to Amritsar for some official work and withdraws money from Best Bank's ATM in Amritsar thereby crossing his limit of free ATM withdrawals.

SOLUTION

The place of supply is determined as under-

- (i) Section 10(1)(e) of the IGST Act, 2017 lays down that place of supply of goods supplied on board a conveyance like aircraft, train, vessel, or a motor vehicle, is the location where such goods have been taken on board. Thus, in the given case, the place of supply of the goods sold

- by Mr. Sahukaar is the location at which the goods are taken on board, i.e. New Delhi and not Jaipur where they have been sold.
- (ii) As per section 12(8) of the IGST Act, 2017, the place of supply of services by way of transportation of goods, including by mail or courier provided to an unregistered person, is the location at which such goods are handed over for their transportation.
- Since in the given case, the recipient - Aatmaram is an unregistered person, the place of supply is the location where goods are handed to Gokul Carriers over for their transportation, i.e. Kanpur.
- (iii) As per section 12(12) of the IGST Act, 2017, the place of supply of banking and other financial services, including stock brooking services to any person is the location of the recipient of services in 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 bank, i.e. New Delhi.

ILLUSTRATION 56

Determination of POS: Determine Place of Supply along with reasons in the following cases:

- Mr. A (a Chartered Accountant registered in Kolkata) supplies services to his client in Bhubaneswar (Registered in Bhubaneswar, Odisha)
- 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.
- 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.
- Mr. X of Kolkata purchased online tickets for Aquatica water park in Mumbai.
- 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.
- 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.
- 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.

SOLUTION

The relevant provisions are as under

	Place of supply	Reason
(i)	Bhubaneshwar (Odisha)	The place of supply of services, except the specified services made to a registered person, is the location of such person.
(ii)	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.
(iii)	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

(iv)	Mumbai	The place of supply of services provided by way of admission to an amusement park is the place where the park is located.
(v)	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.
(vi)	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.
(vii)	Lucknow	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.

ILLUSTRATION 57

Determination of Place of supply of services: Determine the place of supply of service in each of the following independent cases and state whether GST is payable in each of these cases:

- (1) Mr. A (an unregistered person) travelled on a Bagdogra-Dibrugarh-Singapore-Dibrugarh-Bagdogra flight where a single ticket with no stopover has been issued by Parkinson Airlines.
- (2) Mr. B (an unregistered person), a well-known comedian from Delhi, organises a stage-show in Japan. For organising the stage-show, he takes the services from a Mumbai based event organiser.

SOLUTION

The place of supply of service as well as their taxability is as under -

- (1) As per Section 12(9) of IGST Act, 2017, the place of supply in respect of a passenger transportation service supplied to unregistered person is the place where the passenger embarks on the conveyance for a continuous journey. The journey in the given case is a continuous journey as a single ticket has been issued for the entire journey [Section 2(3) of IGST Act, 2017].
On application of Section 12(9) in the given case, the place of supply of service is Bagdogra and resultantly, the service is taxable in India.
However, no GST would be payable as there is an exemption for air transportation of passengers embarking from Bagdogra airport located in West Bengal [Entry 15 of Notification No. 12/2017-CT (Rate)].
- (2) As per Section 12(7)(a) of IGST Act, 2017, the place of supply of services provided by way of organization of an entertainment event in India supplied to an unregistered person is the place where event is actually held. If event is held outside India then the place of supply is location of



the recipient. Thus, in the given case since the event is held in Japan (outside India), the place of supply of service is Delhi, thus the service is taxable in India.

ILLUSTRATION 58

Determination of POS: 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, Sept. 2024)**

SOLUTION

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 person in the invoice is deemed to be the recording of the address of the unregistered person.

Thus, place of supply is Bhavnagar, Gujarat.

ILLUSTRATION 59

Determination of POS: 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? **(3 Marks, Sept. 2024)**

SOLUTION

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 property is 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.

ILLUSTRATION 60

Determine the Place of Supply for the following independent cases, by briefly stating the relevant provisions:





- (i) Marxy Pharmaceuticals, registered under GST at Jaipur, Rajasthan hires Sargam Events LLP, registered under GST at Sagar, Madhya Pradesh for its annual event to be held in Gandhinagar, Gujarat.
- (ii) PSL Ltd., a registered person in Chandigarh, Punjab orders from CMR Ltd., a registered person in Ranchi, Jharkhand for delivery of goods to MHT Ltd., a registered person in Ranchi, Jharkhand.

You are required to determine PoS for both of the above supplies made by CMR Ltd. as well as PSL Ltd.
(5 Marks Jan. 2025)

SOLUTION

- (i) The place of supply of services provided to registered person by way of organization of a cultural, artistic, sporting, scientific, educational or entertainment event or services related to such event shall be the location of the recipient.
Accordingly, place of supply is Jaipur, Rajasthan.
- (ii) In case of 'Bill to Ship to' supply model, where goods are delivered by supplier to recipient at the direction of a third person, the place of supply is the principal place of business of such third person.
Accordingly, in case of supply made by CMR Ltd., the place of supply is Chandigarh, Punjab.
The place of supply involving movement of goods will be their location at the time when the movement of goods terminates for delivery to the recipient.
Accordingly, in case of supply made by PSL Ltd., the place of supply is Ranchi, Jharkhand.

ILLUSTRATION 61

Determination of POS: M/s. Aerospace Airlines, having registered place of business in Mumbai under GST, issued a ticket from London to Delhi to Mr Ajit Khanna, a resident of Agra, UP who is not registered under the GST. Determine the 'place of supply' with supporting notes related to legal provisions.
(1 Marks, May 2022)

SOLUTION

According to Section 12(9) of the IGST Act, 2017, the place of supply of passenger transportation service to a person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey. In this case since Mr. Ajit Khanna embarks on the conveyance in London, place of supply shall be in London.



CHAPTER – 5

EXEMPTIONS FROM GST

STUDY MATERIAL

Illustration 1

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.**
- (ii) **Exempt.**
- (iii) **Exempt.**
- (iv) **Exempt.**
- (v) **Exempt.**

Illustration 2

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

PARTICULAR	Amount [₹in crores] (excluding GST)

CHAPTER - 5

EXEMPTIONS FROM GST



CA VARDHAMAN DAGA

Extended housing loan to its customer	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

Compute the value of taxable outward supply

Solution

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

PARTICULAR	Amount [₹ in crores] (excluding GST)
VALUE OF TAXABLE SUPPLY	91

Illustration 3

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:

- Bollywood dance performance by a film actor in a film and consideration charged is ₹1,45,000.
- Carnatic music performance by a classical singer to promote a brand of readymade garments and consideration charged is ₹1,30,000.
- Carnatic music performance by a classical singer in a music concert and consideration charged is ₹1,55,000.
- Kathak dance performance by a classical dancer in a cultural programme and consideration charged is ₹1,45,000.

Solution

- 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.
- 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.
- 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].

TEST YOUR KNOWLEDGE

Illustration 4

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)].

Illustration 5

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 counselling 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;

Illustration 6

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

Illustration 7

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.

Illustration 8

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

Illustration 9

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

Ans

- (i) Yes.
- (ii) No.

Illustration 10

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.

Illustration 11

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

Illustration 12

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

PREVIOUS YEAR QUESTIONS

Illustration 13

Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (₹)
Fees charged for yoga camp conducted by a charitable trust	2,25,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,25,000
Amount charged by cord blood bank for preservation of stem cells	4,50,000
Amount charged for service provided by commentator to a recognized sports body	4,25,000

Solution

Determination of taxable value of supply (amount in ₹)

Particulars	Gross amount charged (₹)
Fees charged for yoga camp conducted by a charitable trust (WN-1)	<u>Nil</u>
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts (WN-2)	<u>Nil</u>
Amount charged by cord blood bank for preservation of stem cells (WN-3)	4,50,000
Amount charged for service provided by commentator to a recognized sports Body (WN-4)	4,25,000
Value of taxable supply	8,75,000

Working Notes:

- Services by an entity registered u/s 12AB of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
- Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
- Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are liable to GST.
- Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.

Illustration 14



Exemptions: Services provided by Government: With reference to the provisions of CGST Act, 2017, examine whether GST is leviable in the following situations:

- Government of Rajasthan has provided services to ABC Ltd. of Rajasthan in the month of November for a consideration of 50,000. The turnover of ABC Ltd. in Financial Year was 18,00,000
- Government of Rajasthan has provided services to XYZ Ltd. in the month of November for A consideration of 5,000. The turnover of XYZ Ltd. Financial Year was 28,00,000.
- Jaipur Municipal corporation has awarded a contract for construction of road to PQR Ltd. failed to perform the contract and paid liquidated damages amounting 50,00,000 in accordance with the terms of contract.
- XYZ Ltd. has applied for registration under Companies Act, 2013 to Registrar of companies Rajasthan and has paid registration fees of 13,85,510.
- Delhi Government has charged 50,00,000 from Agro Care Ltd. for allocation of natural resources for agricultural purposes in the month of November, 2024.
- XYZ Ltd. has paid to Customs department 50,000 on account Merchant Overtime charges for deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import export cargo.
- XYZ Ltd. has made an upfront payment of ₹ 80,00,000 to Bihar Government on account of assignment of right to use minerals in the State of Bihar.

Solution

- Services provided by the Central Government, State Government, Union territory or local authority to a business entity with an aggregate turnover of up to such amount in the preceding financial year as makes it eligible for exemption from registration under the CGST Act, 2017 are exempt vide Entry 7 of Notification No. 12/2017-CT(Rate). Since the aggregate turnover of ABC Ltd. in preceding financial year does not exceed ₹ 20 lakhs, it is exempt from obtaining registration. Hence, no GST shall be levied on services provided by Government of Rajasthan to ABC Ltd.
- Services provided by Central Government, State Government, Union territory or a local authority where the consideration for such services does not exceed 5,000 are exempt. vide Entry 9 of Notification No. 12/2017-CT (Rate). Hence, on said services no GST shall be levied.
- Services provided by the Central Government, State Government, Union territory or local authority by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the Central Government, State Government, Union territory or local authority under such contract are exempt vide Entry 62 of Notification No. 12/2017-CT (Rate). Hence, no GST shall be payable on liquidated damages of 50,00,000 paid by PQR Ltd. to Jaipur municipal corporation.
- Services provided by the Central Government, State Government, Union territory or local authority by way of registration required under any law for the time being in force vide Entry 47 of Notification No. 12/2017-CT (Rate). Hence, no GST shall be levied on fees paid for incorporation by XYZ Ltd.
- Services by way of allocation of natural resources to an individual farmer for the purposes of agriculture have been exempted vide Entry 63 of Notification No. 12/2017-CT (Rate). Such



- allocations/ auctions to categories of persons other than individual farmers would be liable to GST. Hence, Agro Care Ltd. will be liable to pay GST on ₹ 50,00,000 under reverse charge basis
- f) Services provided by the Central Government, State Government, Union territory by way of deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges are exempt from GST vide Entry 65 of Notification No. 12/2017-CT (Rate). Hence, on such charges no GST shall be levied.
 - g) XYZ Ltd. will be liable to pay GST on assignment of rights to use minerals in the State of Bihar.

Illustration 15

State with reasons whether the following are liable to Goods and Services Tax:

- (a) Services by way of training or coaching in recreational activities relating to arts or culture.
- (b) Services provided by a player to a franchisee which is not a recognized sports body.
- (c) Pre-school education and education up to higher secondary school or equivalent.
- (d) Services by a veterinary clinic in relation to health care of animals or birds.
- (e) Service by way of public conveniences such as provision of facilities of washrooms

Solution

The taxability is discussed as under-

- a) **Exempt** Services by way of training or coaching in recreational activities relating to arts or culture by an individual are not liable to GST as it is specifically exempt vide Entry 80 of Notification No. 12/2017-CT (Rate).
- b) **Taxable:** Service of a player to a franchisee which is not a recognized sports body is taxable as it does not get covered under Entry 68 of Notification No. 12/2017-CT (Rate).
- c) **Exempt:** Pre-school education and education up to higher secondary school or equivalent is not liable to GST as it is specifically exempt under Entry 66 of Notification No. 12/2017-CT (Rate).
- d) **Exempt:** Services by a veterinary clinic in relation to health care of animals or birds is not liable to GST as it is specifically exempt vide Entry 46 of Notification No. 12/2017-CT (Rate).
- e) **Exempt:** Services by way of public conveniences such as provision of facilities of washrooms are not liable to GST as it is specifically exempt vide Entry 76 of Notification No. 12/2017-CT (Rate).

Illustration 16

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

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

(3 Marks, May 2018-NS)

Solution

- (a) **Liable to GST:** Yes, Tejas and Co. will be liable to pay GST. Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India are exempt vide Entry 54 of Notification No. 9/2017-IT (Rate). In this case tour is conducted in Jammu and Kashmir

and the IGST Act applies to whole of India including Jammu and Kashmir, hence exemption will not operate.

- (b) **Liable to GST:** Services provided to a recognised sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organised by a recognized sports body are exempt vide Entry 68 of Notification No. 12/2017-CT (Rate)]. Since multi brand retail company is not a recognized sports body hence exemption will not be available. Thus the said services will be liable to GST

Illustration 17

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

- (i) *M/s Fast Trans, a goods transport agency, transported relief materials meant for victims of Kerala floods being a natural disaster, by road from Delhi to Ernakulam, for a Limited Co.*
- (ii) *Keyan Enterprises, an event organizer, provided services to Breathing Wall Ltd. by way of Organizing business exhibition at Pragati Maidan in New Delhi as part of Make in India initiative.*

(3 Marks, Nov. 2018)

Solution

- (i) **Exempt:** Services provided by a goods transport agency, by way of transport in a goods carriage of relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap are exempt from tax vide Entry 22 of Notification No. 9/2017-IT (Rate)]
- (ii) **Taxable:** Services by an organiser to any person in respect of a business exhibition held outside India are exempt vide Entry 52 of Notification No. 12/2017-CT (Rate)]. Since the business exhibition is held in India, hence the said services shall be liable to GST.

Illustration 18

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

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

(RTP Nov. 2018)

Solution

- (i) **Exempt from GST:** Services provided by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee are exempt from GST vide Notification No. 12/2017-CT (R) dated 28-06-2017 as amended.
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.
- (ii) **Taxable:** Services by way of fumigation in a warehouse of agricultural produce liable to GST

Illustration 19

Examine whether GST is payable in the following independent cases :- (MTP May 2018)



- (i) Ekta Charitable trust, registered under section 10(23C)(v) of the Income-tax Act manages a temple in Rohini, Delhi. It has given on rent a community hall, located within temple premises, to public for celebration of Teej Mela. Rent charged is ₹9,500.
- (ii) 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

Solution

- (i) **Exempt:** Renting of community hall by Ekta charitable trust is exempt from GST, as rent is less than 10,000 per day. The Exemption Notification No. 12/2017 CT (R) dated 28-06-2017/ Notification No. 9/2017 IT (R) dated 28-06-2017 has exempted the said service wholly from GST. The said notification provides exemption to services by a person inter alia by way of renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a trust or an institution under section 10(23C)(v) of the Income-tax Act. However, this exemption does not apply where renting charges of premises, community halls, kalyanmandapam or open area are 10,000 or more per day.
- (ii) **Exempt:** GST is not payable in case of hiring of trucks to Titu Transporters. The Exemption Notification No. 12/2017 CT (R) dated 28.06.2017/ Notification No. 9/2017 IT (R) dated 28-06-2017 provides exemption to services by way of giving on hire inter alia to a goods transport agency, a means of transportation of goods.

Illustration 20

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

- (i) "Smart Kids" is a Play School located in Delhi. Smart Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to BTV Caterers, Delhi for a consideration of 8,00,000 per annum.
- (ii) Wellness Hospital, a clinical establishment located in Tirupati, is specialised in diabetic treatment. The hospital has its own canteen - Tasty Foods. The canteen serves the food and drink to the in-patients as advised by the doctors/nutritionists of the hospital. Apart from this, other patients (who are not admitted) or attendants or visitors of the in-patients also take food and drink from the canteen.

(RTP May 2019)

Solution

- (i) **Exempt from GST:** 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 Notification No. 12/2017-CT @ dated 28-06-2017 as amended. Thus, in the given case, services provided by BTV Caterers to Smart Kids are exempt from GST.
- (ii) **Exempt/ Taxable:** Services by way of health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide Notification No. 12/2017-CT @ dated 28-06-2017 as amended.
In this regard, CBIC has clarified that food supplied by the hospital canteen to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare services and

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

Illustration 21

Computation of Value of taxable supply: Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons

Particulars	Gross amount charged (₹)
Amount charged for loading, unloading, packing and warehousing of potato chips	25,000
Fees charged for yoga camp conducted by a charitable trust registered u/s 12AB of the Income-tax Act, 1961	50,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	6,00,000
Amount charged for service provided by way of right to admission to circus where consideration for the same is 750 per person	12,000

Ans

Computation of value of taxable supply (amount in ₹)

Particulars	Gross amount charged (₹)
Amount charged for loading, unloading, packing and warehousing of potato chips	Nil
Fees charged for yoga camp conducted by a charitable trust registered u/s 12AB of the Income-tax Act, 1961	nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	nil
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	6,00,000
Amount charged for service provided by way of right to admission to circus where consideration for the same is 750 per person	12,000

Working Notes:

- 1) Services by way of loading, unloading, packing, storage or warehousing of agricultural produce are taxable from GST. Further, potato chips are manufactured through processes which alter





the essential characteristic of agricultural produce, thus is not covered under definition of agricultural produce.

- 2) Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
- 3) Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
- 4) Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are taxable.
- 5) Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.
- 6) Services provided by way of right to admission to circus where consideration for the same is up to 500 per person are exempt from GST. Since in the present case, the consideration is more than 500 per person, so the same is liable to GST.

Illustration 22

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

- (a) Gokul Residents' Welfare Association received 9,000 per month as contribution from each member for sourcing of goods and services from third persons for common use of its members.
- (b) Mr. Vikalp, a performing artist, has received ₹1,58,000 from performance of Classical Dance and ₹90,000 from acting in TV Serial during the month of June 2026. (4 Marks, May 2019-NS)

Solution

- (a) **Liable to GST:** Service by an unincorporated body or a non-profit entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of contribution up to an amount of ₹ 7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex is exempt from tax vide Entry 77(c) of the Exemption notification 12/2017-CT (Rate).

In this case the monthly bill is 9,000/- (and the same is on account of services for common use of its members), hence exemption of 7,500 shall not be available and GST will be payable on entire amount of ₹9,000.

- (b) **Liable to GST:** As per Entry 78 of Notification No. 12/2017-CT (Rate), the activities by a performing artist in folk or classical art forms of music, dance, or theatre are exempt if consideration does not exceed 1,50,000. However, if consideration from such activities exceeds ₹ 1,50,000, entire consideration is subject to GST.

Further, all other activities by an artist in other art forms e.g. western music or dance, modern theatres, performance of actors in films or television serials would be taxable. Similarly activities of artists in still art forms e.g. painting, sculpture making etc. are taxable.

Thus, 1,58,000 received by Mr. Vikalp from performance of Classical Dance and ₹ 90,000 from acting in TV Serial will be liable to GST.

Illustration 23



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Green Agro Services, a registered person provides the following information relating to its activities during the month of February, 2025

Gross Receipts from	Amount ₹
Services relating to rearing of sheep	6,00,000
Services by way of artificial insemination of horses	4,00,000
Processing of sugarcane into jaggery	8,00,000
Milling of paddy into rice	7,50,000
Services by way of fumigation in a warehouse of agricultural produce	1,80,000

All the above receipts are exclusive of GST. Compute the value of taxable supplies under GST laws for the month of February, 2026. (6 Marks, Jan. 2021)

Solution

Gross Receipts from	Amount ₹
Services relating to rearing of sheep [Exempt since services relating to rearing of all life forms of animals, except horses, for food etc. are exempt.]	NIL
Services by way of artificial insemination of horses s [Not exempt since services of artificial insemination are exempt only of livestock other than horses.]	4,00,000
Processing of sugarcane into jaggery [Not exempt, since processes which alter the essential characteristics of agricultural produce are not exempt and processing of sugarcane into jaggery changes the essential characteristics of sugarcane.]	8,00,000
Milling of paddy into rice [Not exempt, since this process, being carried out after cultivation is over, is not an intermediate production process in relation to cultivation of plants and it also changes the essential Characteristics of paddy.]	7,50,000
Services by way of fumigation in a warehouse of agricultural produce(TAXABLE)	1,80,000
Value of taxable supplies	21,30,000

Illustration 24

Health care services: 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
- (ii) Doctors Consultation Charges ₹8,000
- (iii) Other services ₹4,000

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. (4 Marks, May 2023)

Solution



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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 × 2 days) is liable to GST. Other than room rent, all other nature of services provided by Suraksha Hospital are exempt from GST.

Illustration 25

Mr. Jayesh, a registered supplier of Mumbai, received the following amounts in respect of the various activities undertaken by him during the month of October, 2025.

	Particulars	Amount (₹)
(I)	Commission received as a recovery agent from a Non-Banking Finance Company (NBFC)	80,000
(ii)	Actionable claim received from normal business debtors	10,50,000
(iii)	Amount received from ABC Ltd. For performance of classical dance in one program	1,74,500
(iv)	Business assets (old computers) given to a friend free of cost, the market value of all the computers was ₹ 51,000.	No amount Charged
(v)	Consideration received for one month rent from a registered individual person for renting of residential dwelling for use as residence	15,200

Details of Input services:

Paid to an unregistered Goods Transport agency for various consignments of transportation of goods by road. (Each individual consignment in a single carriage was of less than ₹1,450.)	15,100

Notes:

- All the amount stated above in both the tables are exclusive of GST, wherever applicable
 - Aggregate turnover of Mr. Jayesh in previous year was 42,00,000. You are required to compute Gross value of supplies, on which GST to be paid by Mr. Jayesh for the month of October, 2025.
- (6 Marks, May 2023)

Ans

Computation of gross value of taxable supply on which GST is to be paid by Mr. Jayesh :

Particulars	Amount (₹)
Commission received as a recovery agent from Non-Banking Financial Company [Taxis payable by NBFC under reverse charge.]	-
Actionable claim received from normal business debtors [No tax is payable as actionable claims other than lottery, betting and gambling are covered under Schedule III, i.e. they are Neither supply of goods nor supply of services.]	-
Amount received from ABCL td. For performance of classical dance [Taxable since Consideration for classical dance performance exceeds ₹1,50,000.]	1,74,500



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Business assets given free of cost [Not a supply as it is made without consideration and Not covered in Schedule I because ITC is not availed on the same.]	-
Rent from registered individual person [Tax is payable by the registered individual person Under reverse charge]	-
Services from unregistered GTA [Tax on services provided by unregistered GTA is payable Under reverse charge by Mr. Jayesh being a registered person.]	15,100
Gross value of taxable supply on which GST is to be paid by Mr. Jayesh	1,89,600

Illustration 26

GTA services provided to an unregistered person (including unregistered casual taxable person) are exempt from GST by virtue of Entry 21 A of GST Laws. Discuss the validity of above statement
(2½ Marks, May 2023)

Solution

The said statement is invalid. Services provided by a GTA to an unregistered person, including an unregistered casual taxable person are exempt except when provided to a:

- Factory
- Society
- co-operative society
- body corporate
- partnership firm
- registered casual taxable person.

Illustration 27

Agricultural related service: Goutum Das is engaged in providing following services. With the help of information given below, determine which of the services provided by Goutum Das are exempt from GST:

- Packaging of the onions purchased from village farmers into small packets of 1 kg each, in Goutum Das warehouse, so that same can be sold in a nearby city mall.
- Warehousing of jaggery and tea.
- Renting of warehouse for storage of agricultural produce.

Solution

- Entry 54, inter alia, exempts the processes/operations carried out at an agricultural farm on the agricultural produce which do not alter the essential characteristics of agricultural produce, but make it marketable only for the primary market. In the given case, though the packaging of onions does not alter their essential characteristic, it makes them marketable for retail market and not for the primary market and further, such packaging is being done at the warehouse of Goutum Das and not at an agricultural farm. Hence, said services are not exempt.
- Entry 54, inter alia, exempts the warehousing of agricultural produce. However, entry 24B exempts warehousing of certain specified items some of which are not agricultural produce. Jaggery and tea do not qualify as agricultural produce, their warehousing is taxable as the same is also not covered under entry 24B.



- (3) Entry 54, inter alia, exempts the services of loading, unloading, packing, storage or warehousing of agricultural produce. Thus, warehousing of agricultural produce, per se, is exempt. However, in the given case, services being provided are not warehousing services but renting of immovable property services. Such services are not exempt.

Illustration 28

Educational Services: Fortune Ltd. (a registered taxable person) provides the following information relating to their services for the month of November:

Particulars	Amount ₹
Gross receipts from -	
(1) Running a Boarding School (including receipts for providing residential dwelling services 12,00,000)	28,00,000
(2) Conducting private tuition's	16,00,000
(3) Education services for obtaining a qualification recognised by law of a foreign country	8,00,000
(4) Conducting modular employable skill course, approved by National Council of vocational training	10,00,000
(5) Fees from prospective employers for campus interview	6,00,000
(6) Renting of furnished flats for temporary stay to different persons	6,80,000

Compute the value of taxable supply and the amount of GST payable. The above receipts are exclusive of GST. GST rate - 18%.

Solution

Computation of Value of taxable supply and GST liability (amount in ₹)

Particulars	Amount ₹
Running a boarding school [including residential dwelling services] [WN-1]	Nil
Conducting private tuition [WN-2]	16,00,000
Education services for obtaining a qualification recognized by law of a Foreign country [WN-3]	8,00,000
Conducting Modular Employable Skill Course, approved by NCVT [WN-4]	Nil
Fees from prospective employers for campus interview [Not covered in exemption]	6,00,000
Value of renting of furnished flats for temporary stay to different persons [WN-5]	6,80,000
Value of taxable supply	36,80,000
GST payable @ 18%	6,62,400

Working Notes:

- (1) Running a boarding school is not taxable since education up to higher secondary school is exempt vide Entry 66 of Notification No. 12/2017-CT (Rate) and renting of residential dwelling is exempt vide Entry 12 of Notification No. 12/2017-CT (Rate)].

- (2) Private tuition is not exempt as they do not lead to grant of a qualification recognised by law.
- (3) Education as a part of a curriculum for obtaining a qualification recognized by only an Indian law and not a foreign law is exempt.
- (4) Modular Employable Skill Course is an approved vocational education course and is exempt vide Entry 66 of Notification No. 12/2017-CT (Rate).
- (5) Short stay by different persons in furnished flats is not renting of residential dwelling and thus, not exempt.

Illustration 29

Educational services provided by IIM: Indian Institute of management furnishes you the following information of its receipts for the month ending April.

Particulars	Amount ₹
Gross receipts from -	
(1) Students pursuing 2 year full time Post Graduate Programmes in Management	2,50,00,000
(2) Students pursuing fellow programme in management	50,00,000
(3) Participants pursuing short duration (3 months) executive development programme. Participation certificates are awarded to participants after completion of programme.	25,00,000

You are required to compute value of taxable supply and GST liability if applicable rate of GST is 18%.

Solution

Computation of Value of taxable supply and GST liability

Particulars	Amount ₹
Receipts from students pursuing 2 year full time Post Graduate Programmes in Management [Exempt vide Entry 66 of Notification No. 12/2017-CT (Rate).]	Nil
Receipts from students pursuing fellow programme in management. [Exempt vide Entry 66 of Notification No. 12/2017-CT (Rate).]	Nil
Receipts from participants pursuing short duration (3 months) executive development programme.	25,00,000
Value of taxable supply	25,00,000
GST payable @ 18%	4,50,000

Illustration 30

Services provided to an educational institution: XYZ Ltd. is engaged in providing various services to educational institutions and furnishes you with the following information for the month of April. You are required to determine the value of taxable supply and GST payable thereon if all charges are exclusive of GST. The rate of GST is 18%.

- (1) Renting of immovable property to higher secondary school: ₹ 12,00,000
- (2) Renting of immovable property to Commercial coaching centre: ₹ 2,00,000
- (3) Transportation services provided to students of higher secondary school: ₹ 5,00,000

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- (4) Outdoor catering services provided to educational institutions running approved vocational courses ₹ 5,00,000
- (5) Security Services provided to pre-nursery school: ₹ 1,25,000
- (6) House keeping and cleaning services in college providing recognised graduation degree: ₹ 5,12,500
- (7) Conduct of examination of ICAI: ₹ 10,00,000
- (8) Placement services provided to ICSI: ₹ 12,00,000
- (9) Development of course content of ICMA institute: ₹ 2,00,000
- (10) Training of Staff of Higher Secondary School: ₹ 1,50,000
- (11) Receipts by way subscription of online educational journals/periodicals: ₹ 7,50,000 (₹ 5,00,000 is from educational institutions who provide degree recognized by any law and balance ₹2,50,000 from Higher Secondary school).

Solution

Computation of the Value of taxable supply and GST payable

	Particulars	Amount ₹
(1)	Renting of immovable property to higher secondary school [Liable for GST]	12,00,000
(2)	Renting of immovable property to Commercial coaching centre [Liable for GST]	2,00,000
(3)	Transportation services provided to students of higher secondary school [Exempt vide Entry 66 of Notification No. 12/2017-CT (Rate)]	Exempt
(4)	Outdoor catering services provided to educational institutions running approved Vocational courses [Not covered under Entry 66 of Notification No. 12/2017-CT (Rate), hence liable to GST]	5,00,000
(5)	Security Services provided to pre-nursery school [Exempt vide Entry 66 of Notification No. 12/2017-CT (Rate)]	Exempt
(6)	House keeping and cleaning services in college providing recognised graduation degree [Not covered under Entry 66 of Notification No. 12/2017-CT (Rate), hence liable to GST]	5,12,500
(7)	Conduct of examination of ICAI [Covered under Entry 66 of Notification No. 12/2017-CT (Rate), hence exempt from GST]	Exempt
(8)	Placement services provided to ICSI [Liable for GST]	12,00,000
(9)	Development of course content of ICMA institute [Liable for GST]	2,00,000
(10)	Training of Staff of Higher Secondary School [Not covered under Entry 66 of Notification No. 12/2017-CT (Rate), hence liable to GST]	1,50,000
(11)	Receipts by way subscription of online educational journals/periodicals from educational institutions who provide degree recognized by any law is exempt under Entry 66 of Notification No. 12/2017-CT (Rate). However, amount received from higher Secondary school is liable to GST.	2,50,000
	Value of taxable supply	42,12,500
	GST payable @ 18%	7,58,250



Illustration 31

Services provided to an educational institution: Muti services Private Ltd., registered in Punjab, is engaged in supplying a variety of services. Its turnover was 35 lakh in the preceding financial year. It has provided the following information for the month of April:

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

Note: Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amounts given above are exclusive of taxes. Compute the total GST liability of Multi-services Private Ltd. for the month of April. (RTP Nov. 2020)

Solution

Computation of net GST liability of Multi services Private Ltd. for the month of April:

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

Working Notes:

- (1) Coaching centre run by Multi services Private Ltd. is not an educational institution since competitive exam coaching does not lead to grant of a qualification recognized by law. Therefore, fee received for coaching provided at such coaching centre is taxable.
- (2) Since Pureit University provides qualification recognized by law, it is an educational institution and services provided to an educational institution, in relation to conduct of examination by such institution are exempt from GST.

- (3) Since Lotus Public School provides education up to higher secondary school, it is an educational institution and services of transportation of students, faculty and staff provided to an educational institution are exempt.
- (4) Since Dhaani Public School provides pre-school education, it is an educational institution. Security and housekeeping services provided within the premises of an educational institution are exempt.

Illustration 32

Transportation of passengers: M/s. PQR Ltd. is engaged in providing service of transportation of passengers by following modes in the month of November:

- 1) Service of transportation of passengers by vessels in National Waterways: 30,00,000;
- 2) Service of transportation of passenger by Air conditioned Stage carriage: 25,00,000;
- 3) Service of transportation of passenger by non air conditioned Stage carriage: 25,00,000
- 4) Service of transportation of passengers by contract carriage for tourism: 20,00,000;
- 5) Service of transportation of passenger for Mumbai to Chennai port in a vessel and such service is not for tourism purpose: 10,00,000;
- 6) Service of transportation of passenger in Metered Cab: 35,00,000;
- 7) Service of transportation of passengers in Radio Taxis: 10,00,000;
- 8) Service of transportation of passengers in Non air-conditioned contract carriages: 10,00,000
- 9) Service of transportation of passengers in air-conditioned contract carriages: 15,00,000.

Compute the value of taxable supply if all charges are exclusive of GST.

Solution

Computation of Value of taxable supply (amount in -

	Particulars	Amount ₹
1	Transportation of passengers by National Waterways [Since National Waterways are covered in definition of inland Waterways -Exempt from GST vide Entry 17 of Notif. No. 12/2017-CT (Rate)]	Nil
2	Transportation of passenger by Air conditioned Stage Carriage (Liable to GST)	25,00,000
3	Transportation of passenger by non air conditioned Stage carriage [Exempt from GST vide Entry 15 of Notification No. 12/2017-CT (Rate)]	Nil
4	Transportation of passengers by contract carriage for tourism (Liable to GST)	20,00,000
5	Transportation of passenger from Mumbai to Chennai port in a vessel [Being a public transport in a vessel sailing in India and not for tourism - Exempt from GST vide Entry 17 of Notification No. 12/2017-CT (Rate)]	Nil
6	Transportation of passenger in Metered Cab [Exempt from GST vide Entry 17 of Notification No. 12/2017-CT (Rate)]	Nil
7	Service of transportation of passengers in Radio Taxis (Liable to GST)	10,00,000
8	Service of transportation of passengers in non air-conditioned contract carriages [Exempt from GST vide Entry 15 of Notification No. 12/2017-CT (Rate)]	Nil

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9	Service of transportation of passengers in air-conditioned contract carriages (Liable to GST)	15,00,000
	Value of Taxable Supply	70,00,000

Illustration 33

GTA Services: Calculate the value of taxable supply of XYZ Transport Company engaged in the business of transport of goods by road for the month of April. Give reasons for taxability or exemption of each item. Suitable assumptions may be made wherever required. XYZ transport company avails ITC. GST is leviable @ 12%

- (1) Total freight charges received by 'XYZ' transport company: 25,00,000
- (2) Freight charges received from Government department registered only for the purpose of tax deduction at source: 2,00,000
- (3) Freight charges received from unregistered persons for transportation of their household Goods: 50,000
- (4) Freight collected for transporting goods in small vehicles for persons who paid less than 1,500/per trip: 1,50,000

Solution

Computation of Value of taxable supply and GST leviable thereon (amount in ₹)

Particulars	Amount ₹
Total freight received	25,00,000
Less: Freight charges received from Government department registered only for the purpose of tax deduction at source [Exempt vide Entry 21B of Notification No. 12/2017-CT (Rate)]	2,00,000
Less: Freight charges received from unregistered persons for transportation of their household goods [Exempt vide Entry 21A of Notification No. 12/2017-CT (Rate)]	50,000
Less: Freight collected for transporting goods in small vehicles for persons who paid less than 1,500 per trip (liable to GST)	
Total value of taxable supply	22,50,000
GST payable @ 12%	2,70,000

Illustration 34

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

The Association purchased a water pump for ₹ 59,000 (inclusive of GST of 9,000) and availed input services for ₹ 23,600 (inclusive of GST of 3,600) for common use of its members during February 2024.



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Compute the total GST payable, if any, by Satya Sai Residents Welfare Association, for February 2023. GST rate is 18%. All transactions are intra-State. There is no opening ITC and all conditions for ITC are fulfilled. **(4 Marks, Jan. 2022)**

Solution

Computation of total GST payable by Satya Sai Residents Welfare Association (amount in ₹)

Particulars	Amount	GST @ 18%
Maintenance charges received [8,000 × 30 members] [Services by RWA to its members for sourcing of goods or services from a third person for the common use of its members in a housing society are exempt provided the share of contribution per month per member is upto 7,500. Otherwise, entire amount is taxable.]	2,40,000	
Total GST payable [It has been logically presumed that maintenance charges are exclusive of GST.]		43,200
Less: Input tax credit		
(i) GST paid on Water pump	9,000	
(ii) GST paid on Input services	3,600	12,600
Net GST payable		30,600

Note:

Residents Welfare Association is entitled to take ITC of GST paid by them on capital goods, goods and input services, used by it for making supplies to its members and use such ITC for discharge of GST liability on such supplies where the amount charged for such supplies is more than 7,500 per month per member.

ILLUSTRATION 35

Exemptions : HLL Pvt. Ltd. manufactures cosmetic products with the brand name 'Forever Young'. HLL Pvt. Ltd. has organized a concert to promote its brand. Ms. Aalia Sharma, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert worth ₹ 1,00,000 will be donated to a charitable organization. Whether Ms. Aalia Sharma will be required to pay any GST?

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. Aalia Sharma is the brand ambassador of 'Forever Young' soap manufactured by HLL Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by HLL Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST. The fact that the proceeds of the concert will be donated to a charitable



organization will not have any bearing on the eligibility or otherwise to the above-mentioned exemption.

ILLUSTRATION 36

Computation of value of taxable supplies: Mr. Ravindra, a registered person in Bhopal, Madhya Pradesh has provided the following information regarding outward transactions made during the month of January 2026:

- (1) He was appointed by recognized sports body as a chief selector of hockey team and received ₹ 5,00,000 as remuneration.
- (2) Services of pure labour contract was provided for construction of independent residential unit for ₹ 1,80,000.
- (3) He rented out his warehouse for warehousing of sugarcane and received rental income of ₹ 75,000.
- (4) Provided services to Municipal Corporation of Bhopal for slum improvement and upgradation for ₹ 6,50,000.
- (5) He has charged consideration of ₹ 1,25,000 against western music dance performance in an event.

You are required to computer the taxable value of supply on which GST is to be paid by Mr. Ravindra for the month of January 2025. All the amount stated above are exclusive of GST, wherever applicable. Suitable Notes should form part of answer.

(5 Marks, May 2024)

Solution

Computation of taxable value of supply on which GST is to be paid by Mr. Ravindra :

Particulars	(₹)
Remuneration received as a chief selector of hockey team. [Taxable since services provided to a recognised sports body by an individual only as a player, referee, umpire, coach or team manager are exempt.]	5,00,000
Service of pure labour contract for construction of independent residential unit [Services of pure labour contracts of construction of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt.]	Nil
Rental income from warehousing of sugarcane [Warehousing of sugarcane being an agricultural produce is exempt.]	Nil
Services to Municipal Corporation of Bhopal for slum improvement and upgradation* [Services provided to a Local Authority by way of slum improvement and upgradation are exempt.]	Nil
Consideration received against western music dance performance in an event [Taxable, since the amount received for western music dance performance but the exemption is available for performance in folk or classical art forms of music or dance. If the consideration charged for such performance is not more than ₹ 1,50,000.]	1,25,000
Value of taxable supply on which GST is to be paid by Mr. Ravindra	6,25,000

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***Note:** It has been assumed that either the services provided are pure services or composite supply where value of supply of goods is upto 25% of value of such supply and consequently, said supply has been considered as exempt from GST.

However, it is also possible to assume that it is a composite supply with value of supply of goods more than 25% of value of such supply. In that case, said supply will be liable to GST

ILLUSTRATION 37

Services by Charitable Institutions: MTCT, an entity registered under section 12AB of the Income-tax Act, 1961, has furnished you the following details with respect to the activities undertaken by it. You are required to compute its GST liability from the information given below:

Particulars	Amount ₹
Fees charged for yoga camp conducted by the trust	6,00,000
Amount received for advancement of educational programmes relating to abandoned, orphaned or homeless children	10,50,000
Amount received for renting of commercial property owned by the trust	35,00,000
Payment made for the services received from a service provider located in England, for the purposes of providing 'charitable activities'	10,00,000
Amount received for activities relating to preservation of forests and wildlife	12,35,000
Receipts of old age home meant for residents of 60 years or more [Consideration per month per member is ₹ 5,000 (inclusive of boarding lodging and maintenance)]	10,00,000
Donation received from Mr. Daanveer for construction of orphanage in memory of his father, "Donated by Mr. Daanveer the memory of his father" was written on the main door of the orphanage constructed with the said donation.	3000000

Note: GST have been charged separately wherever applicable. Rate of GST is 18%.

SOLUTION:

Computation of GST liability of MTCT (amount in -

Particulars	₹
Fees charged for yoga camp conducted by the trust [WN-1]	Nil
Amount received for advancement of educational programmes relating to Abandoned homeless children, orphaned or [WN-1]	Nil
Amount received for activities relating to preservation of forests and wildlife [WN-1]	Nil
Receipts of old age home meant for residents of 60 years or more [Consideration per month per member is ₹ 5,000 (inclusive of boarding lodging and maintenance)] [WN-4]	Nil
Amount received for renting of commercial property owned by the trust [WN-3]	35,00,000
Donation received from Daanveer for construction of orphanage in memory of his Father	Nil



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Value of Taxable supply	35,00,000
GST payable @ 18% [A]	6,30,000
Services to be taxed on reverse charge basis:	
Payment made for the services received from a service provider located in England for the purposes of providing 'charitable activities' [B][WN-2]	Nil
GST liability [(A) + (B)]	6,30,000

Working Notes

- Services provided by an entity registered under section 12AB of the Income-tax Act, 1961 by way of charitable activities are exempt from GST vide Exemption Notification No. 12/2017-CT (R) dated 28-06-2017. The definition of term charitable activities, inter alia, means activities relating to
 - advancement of yoga;
 - advancement of educational programmes relating to abandoned, orphaned or homeless children
 - preservation of environment including watershed, forests and wildlife.
- Service recipient is liable to pay GST in case of a taxable service provided by any person located in a non-taxable territory and received by any person located in the taxable territory. However, services received from a provider of service located in a non-taxable territory by an entity registered under section 12AB of the Income-tax Act, 1961 for the purposes of providing charitable activities are exempt from GST vide Entry 10 of Notification No. 9/2017-IT (R) dated 28-06-2017.
- Renting of commercial property owned by the trust is liable to GST.
- Services by an old age home run by an entity registered under section 12AB of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto 25,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance are exempt from tax vide Entry 9D of Notification No. 12/2017-CT (R).

ILLUSTRATION 38

Renting of precincts of a religious place: VHP, an entity registered as religious trust u/s 12AB of the Income-tax Act, 1961, has furnished you the following details with respect to the activities undertaken by it. You are required to compute its value of taxable supply from the information given below:

	Particulars	₹
1.	Renting of room where charges are ₹ 500 per day	6,00,000
2.	Renting of room where charges are ₹ 1,500 per day	9,00,000
3.	Renting of community halls where charges are ₹ 25,000 per day	10,00,000
4.	Renting of kalyan mandapam where charges are ₹ 5,000 per day	7,50,000
5.	Renting of shops for business where charges are ₹ 15,000 per month	7,50,000
6.	Renting of shops for business where charges are ₹ 5,000 per month	5,50,000

SOLUTION

Computation of GST liability of VHP (amount in ₹)



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	Particulars	₹
1.	Renting of room where charges are ₹ 500 per day	Nil
2.	Renting of room where charges are ₹ 1,500 per day	9,00,000
3.	Renting of community halls where charges are ₹ 25,000 per day	10,00,000
4.	Renting of kalyan mandapam where charges are ₹ 5,000 per day	Nil
5.	Renting of shops for business where charges are ₹ 15,000 per month	7,50,000
6.	Renting of shops for business where charges are ₹ 5,000 per month	Nil
	Value of Taxable supply	26,50,000

Working Note: Services by a person by way of renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust under Section 12AB of the Income-tax Act, 1961 are exempt. However, this exemption shall not apply to,

- renting of rooms where charges are 1,000 or more per day
- renting of premises, community halls, kalyan mandapam or open area, and the like where charges are ₹ 10,000 or more per day;
- renting of shops or other spaces for business/commerce where charges are ₹10,000 or more per month.

ILLUSTRATION 39

Agricultural related service: "Agro Care Limited" registered under GST furnishes the following details with respect to the activities undertaken by them in the month of March:

	Particulars	₹
1.	Receipts from Supply of farm labour	85,000
2.	Charges for seed testing	65,000
3.	Charges for soil testing of farm land	35,000
4.	Charges for warehousing of potato chips	85,000
5.	Commission received on sale of wheat	75,000
6.	Charges for training of farmers on use of new pesticides and fertilizers developed through scientific research	10,000
7.	Renting of vacant land to a stud farm	1,85,000
8.	Leasing of vacant land to a cattle farm	83,500
9.	Charges for warehousing of rice	1,50,000
10.	Charges for warehousing of unmanufactured tobacco	2,00,000
11.	Retail packing and labelling of fruits and vegetables	5,00,000
12.	Charges for warehousing of minor forest produce	8,00,000
13.	Charges for warehousing of spices	2,20,000
14.	Charges for fumigation in a warehouse of agricultural produce	2,50,000

SOLUTION



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Computation of Value of taxable supply (amount in ₹)

	Particulars	₹
1.	Receipts from Supply of farm labour [Exempt vide Entry No. 54 of Exemption Notification No. 12/2017-CT (Rate)]	Nil
2.	Charges for seed testing [Exempt vide Entry No. 54 of Exemption Not f. No. 12/2017-CT (Rate)]	Nil
3.	Charges for soil testing of farm land [Exempt vide Entry No. 54 of Exemption Notification No.12/2017-CT (Rate)]	Nil
4.	Charges for warehousing of potato chips [Potato chips is not an agricultural produce, hence warehousing of the same shall be taxable]	85,000
5.	Commission received on sale of wheat [Exempt vide Entry No. 54 of Exemption Notification No. 12/2017-CT (Rate)]	Nil
6.	Charges for training of farmers on use of new pesticides and fertilizers developed through scientific research [Exempt vide Entry No. 54 of Exemption Notification No. 12/2017-CT (Rate)]	Nil
7.	Renting of vacant land to a stud farm [The same will be liable for GST as rearing of horses has been specifically excluded from Exemption]	1,85,000
8.	Leasing of vacant land to a cattle farm [Exempt vide Entry No. 54 of Exemption Notification No. 12/2017-CT (Rate)]	Nil
9.	Charges for warehousing of rice [Exempt vide Entry No. 24 of Exemption Notification No. 12/2017- CT (Rate)]	Nil
10.	Charges for warehousing of unmanufactured tobacco [Liable to GST]	2,00,000
11.	Retail packing and labelling of fruits and vegetables [Exempt vide Entry No. 57 of Exemption Notification No. 12/2017-CT (Rate)]	Nil
12.	Charges for warehousing of minor forest produce [Exempt vide Entry No. 24A of Exemption Notification No. 12/2017-CT (Rate)]	Nil
13.	Charges for warehousing of spices [Liable to GST]	2,20,000
14.	Charges for fumigation in a warehouse of agricultural produce [Liable to GST]	2,50,000
	Value of Taxable Supply	9,40,000

ILLUSTRATION 40

Educational Services: AB Ltd., a registered company of Chennai, Tamil Nadu has provided following services for the month of October:

Particulars	Amount ₹
Services of transportation of students, faculty and staff from home to college and back to Commerce College, (a private college) providing degree courses in BBA, MBA, B.Com., M.Com	2,50,000



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Online monthly magazine containing question bank and latest updates in law To students of PQR Law College offering degree courses in LLB and LLM	1,00,000
Housekeeping services to T Coaching Institute	50,000
Security services to N Higher Secondary School	3,25,000
Services of providing breakfast, lunch and dinner to students of ABC Medical College offering degree courses recognized by law in medical field	5,80,000

All the above amounts are exclusive of GST.

Compute the taxable supplies of AB Ltd. for the month of October 2024 with necessary explanations.
(6 Marks, Dec. 2021)

SOLUTION

Computation of value of taxable supplies of AB Ltd.:

Particulars	₹
Services of transportation of students, faculty and staff to Commerce College [Not exempt, since transportation services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	2,50,000
Online monthly magazine to students of PQR Law College [Services of supply of online educational journals provided to an educational institution providing qualification recognized by law are exempt.]	Nil
Housekeeping services to T Coaching Institute [Not exempt]	50,000
Security services to N Higher Secondary School [Security services provided to an educational institution providing education up to higher secondary school are exempt.]	Nil
Services of providing breakfast, lunch and dinner to students of ABC Medical College [Not exempt, since catering services provided to an educational institution are exempt only if such institution provides pre-school education or education up to higher secondary school or equivalent.]	5,80,000
Value of taxable supplies	8,80,000

ILLUSTRATION 41

Health care services: Well-Being Nursing Home has received the following amounts in the month of November in lieu of various services rendered by it in the same month. You are required to determine its GST liability for November from the details furnished below:

	Particulars	₹
(1)	Palliative care for terminally ill patients at patient's home (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)	30



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(2)	Renting of rooms of nursing home for providing health care services (Room rent is ₹7,500 per day)	75
(3)	Renting of rooms of nursing home for providing health care services (Room rent is ₹ 5,000 per day)	50
(4)	Receipts from patients admitted in Intensive care unit (Rental charges is ₹ 10,000 per day)	85
(5)	Services provided by cord blood bank unit of the nursing home by way of preservation of stem cells	24
(6)	Hair transplant services	100
(7)	Ambulance services to transport critically ill patients from various locations to nursing home	12
(8)	Naturopathy treatments. Such treatment is a recognized system of medicine in terms of Section 2(h) of the Clinical Establishments Act, 2010	80
(9)	Plastic surgery to restore anatomy of a child affected due to an accident	30
(10)	Pranic healing treatments. Such treatment is not a recognized system of medicine in terms of Section 2(h) of the Clinical Establishments Act, 2010	120
(11)	Mortuary services	10

Note: All the amounts given above are exclusive of GST. Rate of GST - 18%.

SOLUTION

Computation of Value of taxable supply and GST liability (₹ in lakhs) —

	Particulars	₹
1)	Palliative care for terminally ill patients at patient's home [WN-1(a)]	-
2)	Renting of rooms of nursing home for providing health care services (Room rent is ₹7,500 per day) [WN-1(g)]	75.00
3)	Renting of rooms of nursing home for providing health care services (Room rent is ₹ 5,000 per day) [WN-1(g)]	-
4)	Receipts from patients admitted in Intensive care unit (Rental charges is 10,000 per day) [WN-1(g)]	
5)	Services provided by cord blood bank by way of preservation of stem cells [WN-2]	24.00
6)	Hair transplant services [WN-1(b)]	100.00
7)	Ambulance services to transport critically ill patients from various locations to nursing home [WN-1(c)]	-
8)	Naturopathy treatments [WN-1(d)]	-
9)	Plastic surgery to restore anatomy of a child affected due to an accident [WN-1(e)]	-
10)	Pranic healing treatments [WN-1(f)]	120.00



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11)	Mortuary services [WN-3]	-
	Value of Taxable Supply	319.00
	GST payable @ 18%	57.42

Working Notes:

- (1) Health care services provided by, inter alia, a clinical establishment in any recognized system of medicines in India is exempt from GST vide Entry 74 of Notification No. 12/2017-CT (Rate).
 - a) It is immaterial whether health care 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 at patient's home is eligible for exemption.
 - b) Hair transplant services are specifically excluded from the health care services, and thus are not eligible for exemption.
 - c) Ambulance services to transport critically ill patients from various locations to nursing home are eligible for exemption.
 - d) Since naturopathy is a recognized system of medicine in terms of Section 2(h) of the Clinical Establishments Act, 2010, it would be eligible for exemption.
 - e) Plastic surgery to restore anatomy of a child affected due to an accident will be eligible for exemption.
 - f) Since pranik healing treatment is not a recognized system of medicine in terms of Section 2(h) of the Clinical Establishments Act, 2010, it would not be eligible for exemption.
 - g) Exemption in respect of health care services shall not apply to the services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU)/ Critical Care Unit (CCU)/ Intensive Cardiac Care Unit (ICCU)/ Neo natal Intensive Care Unit (NICU)] having room charges exceeding 5,000 per day to a person receiving health care services.
- (2) Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are liable to GST.
- (3) Mortuary services are covered under negative list under Schedule III of CGST Act, 2017. Hence, the same are not liable to GST.

ILLUSTRATION 42

Government Services: Lakhanpur Post Office provided the following services to persons other than Government during the month of March 2024, all charges are exclusive of GST:

	Services rendered	₹
1)	Services by way of post card	1,00,000
2)	Services by way of ordinary post (envelopes weighing less than 10 grams)	2,50,000
3)	Services by way of ordinary post (envelopes weighing exceeding 10 grams)	4,00,000
4)	Services by way of registered post (envelopes weighing less than 10 grams)	5,50,000
5)	Transfer of money through money orders	5,00,000
6)	Distribution of mutual funds, bonds and passport applications	5,00,000
7)	Collection of telephone and electricity bills	1,00,000
8)	Speed post services	5,00,000



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9)	Express parcel post services	2,00,000

Compute the value of taxable supply.

SOLUTION

Computation of Value of taxable supply (amount in ₹):

	Services rendered	₹
1)	Post Card services [Exempt since covered in Entry 24C of Exemption Notif. No. 12/2017-CT (Rate)]	Nil
2)	Services by way of ordinary post (envelopes weighing less than 10 grams) [Exempt since covered in Entry 24C of Exemption Notification No. 12/2017-CT (Rate)]	Nil
3)	Services by way of ordinary post (envelopes weighing exceeding 10 grams) (Liable to GST)	4,00,000
4)	Services by way of registered post (envelopes weighing less than 10 grams)	5,50,000
5)	Distribution of mutual funds, bonds and passport applications (Liable to GST)	5,00,000
6)	Collection of telephone and electricity bills (Liable to GST)	1,00,000
7)	Speed post services (Liable to GST)	5,00,000
8)	Express parcel post services (Liable to GST)	2,00,000
	Value of taxable supply	22,50,000

ILLUSTRATION 43

Transportation of passengers: Compute value of taxable supply of transport of passengers by air from the following data relating to sums received exclusive of GST for the month march:

- 1) Passengers embarking at Arunachal Pradesh : ₹55 lakh (out of the said sum ₹15 lakh relates to other than economy class);
- 2) Passengers where journey terminated at Assam : ₹ 45 lakh (out of the said sum ₹ 5 lakh relates to other than economy class);
- 3) Amount charged from passengers for flights starting from Sydney to Delhi: ₹ 25 lakh (out of the said sum ₹15 lakh relates to other than economy class);
- 4) Amount charged from passengers for flights starting from Delhi to Sydney (economy class): 34 lakh (including passenger taxes levied by government and shown separately on ticket: ₹10lakh).
- 5) Amount charged from passengers for flights starting from Delhi to Sydney (business class): ₹10 lakh(including passenger taxes levied by government and shown separately on ticket : ₹3 lakh).

Compute value of taxable supply and GST thereon if rate of GST is 12% in case of business class and 5% in other class.

SOLUTION

Computation of taxable value of supply and GST payable (amount in ₹)



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	Particulars	Taxable Value	Rate	GST
1)	Passengers embarking at Arunachal Pradesh. [Economy class is exempt from tax vide Entry 15 of Notification No. 12/2017-CT (Rate)] Business class is liable to GST.	15,00,000	12%	1,80,000
2)	Passengers where journey terminated at Assam. [Economy class is exempt vide Entry 15 of Notification No. 12/2017-CT (Rate)] Business class is liable to GST.	5,00,000	12%	60,000
3)	Amount charged from passengers for flights starting from Sydney to Delhi (Place of embarkation is Sydney viz. outside India; hence, place of supply of service is Sydney viz. outside India, therefore, it is not chargeable to tax in India)	-	-	Not taxable
4)	Amount charged from passengers for flights starting from Delhi to Sydney (Passenger taxes levied by Govt. even if shown separately on ticket shall form part of taxable value of supply as per provisions of Sec 15 of the CGST Act, 2017)	34,00,000	5%	1,70,000
5)	Amount charged from passengers for flights starting from Delhi to Sydney (business class) (Passenger taxes levied by government even if shown separately on ticket shall form part of taxable value of supply as per provisions of Section 15 of the CGST Act, 2017)	10,00,000	12%	1,20,000
	Total Value of taxable supply and total GST payable	64,00,000		5,30,000

ILLUSTRATION 44

Transport of goods by rail: Compute Value of taxable supply and GST Liability for transport of goods by rail by Indian railway within India (all sums exclusive of all taxes) (the information relates to the month of November)

- 1) Transport of postal mails and postal bags: 55 lakhs
- 2) Transport of household effects: 50 lakhs
- 3) Transport of petroleum products: 25 lakhs
- 4) Transport of relief materials to flood affected areas: 25 lakhs
- 5) Transport of railway equipments: 25 lakhs
- 6) Transport of newspapers and magazines registered with registrar of newspapers: 15 lakhs
- 7) Transport of milk: 15 lakhs
- 8) Transport of tea: 10 lakhs



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- 9) Transport of sugar: 25 lakhs
- 10) Transport of alcoholic beverages: 7 lakhs
- 11) Transport of defence and military equipments: 40 lakhs
- 12) Transport of organic manure: 90 lakhs
- 13) Transport of baled cotton : 25 lakhs
- 14) Transport of other goods: 5000 lakhs

Applicable GST rate - 5%.

SOLUTION

Computation of Value of taxable supply (in lakhs) -

	Particulars	₹
1)	Transport of postal mails and postal bags [Liable to GST]	55
2)	Transport of household effects [Liable to GST]	50
3)	Transport of petroleum products [Liable to GST]	25
4)	Transport of relief materials to flood affected areas [Exempt vide Entry 20 of Notification No. 12/2017-CT (Rate)]	Nil
5)	Transport of railway equipments [Liable to GST]	25
6)	Transport of newspapers and magazines registered with registrar of newspapers [Exempt vide Entry 20 of Notification No. 12/2017-CT (Rate)]	Nil
7)	Transport of milk [Exempt vide Entry 20 of Notification No. 12/2017-CT (Rate)]	
8)	Transport of tea [Liable to GST]	10
9)	Transport of sugar [Liable to GST]	25
10)	Transport of alcoholic beverages [Liable to GST]	7
11)	Transport of defence and military equipments [Exempt vide Entry 20 of Notification No. 12/2017-CT (Rate)]	Nil
12)	Transport of organic manure [Exempt vide Entry 20 of Notification No. 12/2017CT (Rate)]	Nil
13)	Transport of baled cotton [Liable to GST]	25
14)	Transport of other goods - 5000 lakh [Liable to GST]	5,000
	Total Value of taxable supply	5,222
	GST payable @ 5%	261.10

ILLUSTRATION 45

GTA Services: Calculate the value of taxable supply of XYZ Transport Company engaged in the business of transport of goods by road for the month of April. Give reasons for taxability or exemption of each item. Suitable assumptions may be made wherever required. XYZ transport company avails ITC. GST is leviable @ 12%:

- 1) Total freight charges received by 'XYZ' transport company: 13,50,000
- 2) Freight charges received for transporting fruits: 1,25,000



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- 3) Freight collected for transporting small consignment for persons who paid less than ₹ 750 for each consignment: 75,000
- 4) Freight collected for transporting goods in small vehicles for persons who paid less than 1,500/per trip: 1,50,000

SOLUTION

Computation of Value of taxable supply and GST leviable thereon (amount in ₹)

Particulars	₹
Total freight received	13,50,000
Less: Freight charges received for transporting fruits being agricultural produce [Exempt vide Entry 21 of Notification No. 12/2017-CT (Rate)]	1,25,000
Less: Freight collected less than 750 for each consignment [Liable to GST]	-
Less: Freight collected for transporting goods in small vehicles for persons who paid less than 1,500 per trip [Liable to GST]	-
Total value of taxable supply	12,25,000
GST payable @ 12%	1,47,000

ILLUSTRATION 46

GTA Services: Calculate the value of taxable supply of XYZ Transport Company engaged in the business of transport of goods by road for the month of April. Give reasons for taxability or exemption of each item. Suitable assumptions may be made wherever required. XYZ transport company avails ITC. GST is leviable @ 12%

- (1) Total freight charges received by 'XYZ' transport company: 25,00,000
- (2) Freight charges received from Government department registered only for the purpose of tax deduction at source: 2,00,000
- (3) Freight charges received from unregistered persons for transportation of their household Goods: 50,000
- (4) Freight collected for transporting goods in small vehicles for persons who paid less than 1,500/per trip: 1,50,000

SOLUTION

Computation of Value of taxable supply and GST leviable thereon (amount in ₹)

Particulars	₹
Total freight received	25,00,000
Less: Freight charges received from Government department registered only for the purpose of tax deduction at source [Exempt vide Entry 21B of Notification No. 12/2017-CT (Rate)]	2,00,000
Less: Freight charges received from unregistered persons for transportation of their household goods [Exempt vide Entry 21A of Notification No. 12/2017-CT (Rate)]	50,000



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Less: Freight collected for transporting goods in small vehicles for persons who paid less than 1,500 per trip (liable to GST)	-
Total value of taxable supply	22,50,000
GST payable @ 12%	2,70,000

ILLUSTRATION 47

Taxability under GST: With reference to the CGST Act, 2017, discuss the taxability of following activities relating to a bank:

- Bank extended housing loan of 50 lakhs to Mr. A.
- Bank received 50,000 as loan processing fee from Mr. A.
- Bank received 6 lakhs as interest on loan from Mr. A.

SOLUTION

In accordance with the provisions of CGST Act, 2017 the taxability of activities is-

- The same is transaction in money, therefore not regarded as service as per Section 2(102) of CGST Act, 2017.
- The loan processing fees received by bank will be liable for GST @ 18%. Hence, GST liability = $50,000 \times 18\% = ₹ 9,000$.
- ₹ 6 lakhs received as interest on loan will not be liable for GST as the same is exempt vide Entry 27 of Notification No. 12/2017-CT (Rate).

ILLUSTRATION 48

Legal Services: Mr. Abhishek, an advocate, has rendered the following services in the month of October:

- Representing Mr. Archit in his divorce case before High Court.
- Representing Mr. Aniket, an architect by profession, in relation to his GST liability [Turnover of Mr. Aniket in the preceding financial year was 25 lakh]
- Legal consultancy given to Sunil Associates, a partnership firm of advocates [Turnover of services of Sunil Associates in the preceding financial year was 28 lakh]

Examine whether GST is payable on each of the above services assuming Mr. Abhishek to be

- an advocate other than a senior advocate.
- a senior advocate in terms of Section 16 of the Advocates Act. 1961?

SOLUTION

In background of Entry 45 of Notification No. 12/2017-CT (Rate) dated 28-06-2017, GST liability of each of the services rendered by Abhishek, are examined hereunder-

	When Mr. Abhishek is an advocate other than senior advocate	When Mr. Abhishek is a senior advocate
i)	Service of representing Mr. Archit in his divorce case will be exempt as Mr. Archit is not a business entity.	Such service will be exempt even if the same are rendered by a senior advocate.
ii)	Since the turnover of Mr. Aniket, a business entity, is more than such amount in the	Such services, when provided by senior advocate, will also be liable to GST.



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	preceding financial year as makes it liable for registration under the CGST Act, 2017 i.e. 20 lakh, the same will be liable to GST.	
iii)	Legal consultancy provided by an advocate to partnership firm of advocates is exempt from GST.	Such services, when provided by a senior advocate, will be liable to GST since the turnover of the partnership firm (business entity) exceeds such amount in the preceding financial year as makes it liable for registration under the CGST Act, 2017 i.e. 20 lakh. Thus, legal consultancy provided by Mr. Abhishek to Sunil Associates, a partnership firm of advocates, will be liable to GST.

ILLUSTRATION 49

Educational services: Educators Ltd., providing educational services, furnishes you with the following information for the various services provided by it. It has collected an aggregate sum of 25 lakhs during the **month of September** as under

- 1) Receipts of 'Gyan sagar' an industrial training institute (ITI) affiliated to the National Council for Vocational Training (NCVT): 1.2 lakhs
- 2) Receipts of 'Edu care' a vocational education provider affiliated to Sector Skill Council formed under National Skill Development Corporation (NSDC): 1.8 lakhs
- 3) Receipts of 'Abhigyan Skill Centre' an industrial training centre (ITC) affiliated to the State Council for Vocational Training, Rajasthan: 2 lakhs
- 4) Receipts of 'Mission', an institute, registered with Directorate General of Employment and Training (DGET), Union Ministry of Labour and Employment, running a Modular Employable Skill Course (MESK) approved by the National Council of Vocational Training: 1 lakhs
- 5) Receipts of 'Scinart' a Commercial coaching institute providing commercial coaching in the field of arts and science: 0.8 lakhs (no certificate was issued on completion of the training)
- 6) Receipts of 'Commerce concepts' a Commercial coaching institute providing coaching in the field of commerce : 1.2 lakhs (a certificate was awarded to each trainee after completion of the training)
- 7) Receipts of Gurukul school providing education upto higher secondary: 6 lakhs
- 8) Receipts of 'Play Kids' school providing education upto primary level: 11 lakhs (such receipts includes receipts from renting of premises to commercial coaching centre: 3 lakhs)

Compute the value of taxable supply and GST payable thereon. All the amounts are exclusive of GST. Rate of GST-18%.

SOLUTION

Computation of Value of taxable supply and GST liability (amount in ₹) -

Particulars	₹
Total Receipts	25,00,000



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Less: Receipts of 'Gyan sagar' an industrial training institute (ITI) affiliated to the National Council for Vocational Training (NCVT), are not liable to GST, since the same are exempt vide Entry 66 of Notification No. 12/2017-CT (Rate).	-1,20,000
Less: Receipts of 'Edu-care' a vocational education provider affiliated to Sector Skill Council formed under National Skill Development Corporation (NSDC) are exempt vide Entry 69 of Notification No. 12/2017-CT (Rate).	-1,80,000
Less: Receipts of 'Abhigyan Skill Centre' an industrial training centre (ITC) affiliated to the State Council for Vocational Training, Rajasthan, not liable to GST, since the same are exempt vide Entry 66 of Notification No. 12/2017-CT (Rate).	-2,00,000
Less: Receipts of 'Mission', an institute, registered with Directorate General of Employment and Training (DGET), Union Ministry of Labour and Employment, running a Modular Employable Skill Course (MESOC) approved by the National Council of Vocational Training - Not liable to GST, since the same is exempt vide Entry 66 of Notif. No. 12/2017-CT (Rate).	-100,000
Less: Receipts of 'Scinart' a Commercial coaching institute providing commercial coaching in the field of arts and science shall be liable for GST.	Taxable
Less: Receipts of 'Commerce concepts' a Commercial coaching institute providing coaching in the field of commerce shall be liable for GST irrespective of the fact that a certificate was awarded to each trainee after completion of the training.	Taxable
Less: Receipts of Gurukul school providing education upto higher secondary shall are exempt vide Entry 66 of Notification No. 12/2017-CT (Rate)].	-6,00,000
Less: Receipts of 'Play Kids' school providing education upto primary level i.e. 8 lakhs are exempt vide Entry 66 of Notification No. 12/2017-CT (Rate). However, receipts from renting of premises by the school to commercial coaching centre shall be liable for GST.	-8,00,000
Value of taxable supply	5,00,000
GST payable @ 18%	90,000

ILLUSTRATION 50

Art related Services: Mr. Navab, a performing artist, provides the following information relating to December Receipts from:

Particulars	₹
1. Performing classical dance	98,000
2. Performing in television serial	2,80,000
3. Services as brand ambassador	12,00,000
4. Coaching in recreational activities relating to arts	2,10,000



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5. Activities in sculpture making	3,10,000
6. Performing western dance	90,000

Determine the value of taxable supply and GST payable by Mr. Navab for December, 2022. GST @ 18% has been charged separately, wherever applicable.

SOLUTION

Computation of Value of taxable supply and GST liability (amount in ₹)-

Particulars	₹
Classical dance performance [WN-1]	Nil
Performance in television serial [Taxable since not covered in folk or classical art forms]	2,80,000
Services as brand ambassador [WN-1]	12,00,000
Coaching in recreational activities relating to arts [WN-2]	Nil
Sculpture making activities [Taxable as it is an activity in still art form]	3,10,000
Western dance performance [Taxable since not covered in folk or classical art forms]	90,000
Value of taxable supply	18,80,000
GST payable @ 18%	3,38,400

Working Notes:

- (1) Services by a performing artist in folk or classical art forms of, - (a) music, or (b) dance, or (c) theatre, if the consideration charged for such performance is not more than 1,50,000 are Exempt from GST vide Entry 78 of Notification No. 12/2017-CT (Rate). However, the exemption shall not apply to service provided by such artist as a brand ambassador.
- (2) Services by way of training or coaching in recreational activities relating to arts or culture by an individual are Exempt from GST vide Entry 80 of Notification No. 12/2017-CT (Rate).

ILLUSTRATION 51

Services provided by Resident Welfare Association: The Resident Welfare Association (RWA) of Blue Heaven Housing Society in Delhi provides the following information with respect to the various amounts received by it in the month of November.

- (1) Monthly subscription collected from member families (10,000 each from 100 families): 10,00,000
- (2) Electricity charges levied by State Electricity Board on the members of RWA [The same was collected from members and remitted to the Board on behalf of members.]: 3,50,000
- (3) Electricity charges levied by State Electricity Board on the RWA in respect of electricity consumed for common use of lifts and lights in common area. [Bill was raised in the name of RWA. RWA collected the said charges by apportioning them equally among 100 families and then, remitted the same to the Board.]: 4,32,400
- (4) Proceeds from sale of entry tickets to a musical performance conducted by the RWA in the park of Blue Heaven Housing Society [Where the consideration for admission is not more than 500 per person.]: 40,000



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- (5) Other Services to non-members: 2,92,000
Compute the value of taxable supply and GST liability of RWA of Blue Heaven Housing Society for the month of November, 2022. It does not avail threshold exemption

Notes: (i) All the above amounts are exclusive of GST

(ii) Wherever applicable, the time of supply falls in the month of November. HLLLtd

(iii) Rate of GST - 18%.

SOLUTION

Computation of Value of taxable supply and GST liability (amount in ₹) -

Particulars	₹
Monthly subscription charges [WN 1]	10,00,000
Amount collected towards electricity charges levied by State Electricity Board on the members of RWA [WN 2]	-
Amount collected towards electricity charges levied by State Electricity Board on the RWA in respect of electricity consumed for common use of lifts and lights in common area. [WN 3]	4,32,400
Proceeds from sale of entry tickets to musical performance held in the park of the Housing Society [WN 4]	-
Other Services to non members [Liable for GST]	2,92,000
Value of taxable supply exclusive of GST	17,24,400
GST payable @ 18%	3,10,392

Working Notes:

- (1) If per month per member contribution of any or some members of a RWA exceeds 7,500, entire contribution of such members whose per month contribution exceeds 7,500 would be ineligible for the exemption under the said notification. GST would then be leviable on the aggregate amount of monthly contribution of such members. [Circular No.109/28/2019-GST dated 22-07-2019]
- (2) Services provided by a RWA in the name of its members, acting as a "pure agent" of its members, are excluded from value of taxable supply available for the purposes of exemption provided under mega exemption notification.
- (3) In the case of electricity bills issued in the name of RWA, in respect of electricity consumed for common use of lifts and lights in common area, etc., the exclusion from the value of taxable supply would not be available, since there is no agent involved in these transactions
- (4) Entry to entertainment events where the consideration for admission is not more than 500 per person is exempt vide Entry 81 of Notification No. 12/2017-CT (Rate).

ILLUSTRATION 52

Renting of Immovable property: M/s. PQR Properties registered under GST as taxable person is engaged in the business of renting various immovable properties owned by it. During the month ending march, it collected a rent of 7,10,000. The said sum includes rent from:

- (1) Vacant land used for agriculture: ₹ 50,000;



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- (2) Land used for Appu Circus: ₹ 80,000;
- (3) Houses let to individuals for residential purposes to unregistered person: ₹ 70,000;
- (4) Houses let to registered person for residential purposes: ₹ 1,70,000;
- (5) Residential house let out to Mr.X a registered sole proprietor for his personal use and on his own account: ₹ 1,00,000;
- (6) Vacant land, given on lease to M/s. ABC Ltd. for construction of building at a later stage to be used for furtherance of business or commerce: 40,000;
- (7) Premises let to a temple trust: 40,000
- (8) Premises let to a coaching centre: 80,000;
- (9) Building let to a theater: 80,000.

Compute the amount of GST payable by the firm, assuming that the rent is exclusive of GST, if any, applicable in each case. Rate of GST - 18%. Make suitable assumptions.

SOLUTION

Computation of GST payable (amount in ₹)

Particulars	₹
Total Rent	7,10,000
Less:	
1) Rent from vacant land used for agriculture [Exempt vide Entry No. 54 of Exemption Notification No. 12/2017-CT (R)]	50,000
2) Rent from land used for Appu Circus [Liable to GST]	Taxable
3) Houses let out to individual being unregistered person[Exempt vide Entry No. 12 of Exemption Notification No. 12/2017-CT (R)]	70,000
4) Houses let to registered person for residential purposes [Liable to tax under reverse charge mechanism]	1,70,000
5) Residential house let out to Mr.X a registered sole proprietor for his personal use and on his own account	1,00,000
6) Vacant land, given on lease to M/s. ABC Ltd. for construction of building at a later stage to be used for furtherance of business or commerce [Liable to GST]	Taxable
7) Premises let to a religious body being temple trust [Liable to GST]	Taxable
8) Premises let to a coaching centre [Liable to GST]	Taxable
9) Building let to a theater [Liable to GST]	Taxable
Total Taxable Value of Supply	3,20,000
GST payable @ 18%	57,600

ILLUSTRATION 53



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Access to a road or a bridge on payment of toll charges: Compute taxable value of supply and GST from following sums received by M/s. Road Maintenance Ltd. (exclusive of GST) - Toll Receipts from Highway of Jaipur to Chomu: ₹ 8,000 lakhs;
Commission earned on toll receipts: ₹ 75 lakh.
The rate of GST is 18%.

SOLUTION

Toll receipts are exempt vide Entry 23 of Notification No. 12/2017-CT (Rate) from GST. However, commission thereon is liable to GST. Taxable value of supply = 75 lakh; GST @ 18% = 1350000.

ILLUSTRATION 54

Sports related services: Mr. X a famous cricketer furnishes you with the following information of the various receipts for the month of September. You are required to determine his GST liability if all the amounts are exclusive of GST.

- 1) Receipts from Sports Authority of India for participation in recognised sport: 50 lakh;
 - 2) Receipts from franchisee of Indian Premier league (not a recognised sports body): 75 lakh;
 - 3) Receipts from acting as brand ambassador for corporate client : 22 lakh ;
 - 4) Receipts of sports training academy to coach young players: 15 lakh.
- Rate of GST-18%.

SOLUTION

Computation of Value of taxable supply and GST liability (amount in ₹)

	Particulars	₹
1)	Receipts from sports authority of India for participation in recognised sports [Exempt vide Entry No. 68 of Exemption Notification No. 12/2017-CT (Rate)]	Exempt
2)	Receipts from franchisee of Indian Premier league (not a recognised sports body) [Liable for GST]	75,00,000
3)	Receipts from acting as brand ambassador for corporate client [Liable for GST]	22,00,000
4)	Receipts of sports training academy to coach young players [Liable for GST since sports training by charitable entities registered under Section 12AB of the Income-tax Act is exempt vide Entry No. 80 of Exemption Notification No. 12/2017-CT (Rate)]	15,00,000
	Value of Taxable Supply	1,12,00,000
	GST payable @ 18%	20,16,000

ILLUSTRATION 55

Computation of GST liability ABC Infra, is a partnership firm registered under GST. It furnishes the following details about services provided during the month of February 2026:

	Particulars	Amount (₹)



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(i)	Consideration received from neighbouring Housing Cooperative Society as ABC Infra agrees to install effluent plant for treatment of wastewater even though there 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 above are intra-State supplies (exclusive of GST).

GST rates for CGST, SGST, IGST are 9%, 9% and 18% respectively.

Compute the GST payable by the ABC Infra for the month of February 2026. (5 Marks, Sept. 2024)

SOLUTION

Computation of GST payable by the ABC Infra for February, 2026:

	Particulars	Value (₹)	CGST @ 9% (₹)	SGST @9% (₹)
(i)	Consideration for agreeing to install effluent plant [Taxable since it is a supply of service of agreeing to the obligation to do an act.]	5,50,000	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 (Consideration charged is *485 per person (2,42,500/500))]	2,42,500	-	-
(iii)	Booking air tickets in economy class [Taxable since service of booking of air tickets is being provided here. OR Taxable since only the service transportation of passengers in economy class terminating in Manipur is exempt.]	1,20,000	10,800	10,800
(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.]	8,20,000	73,800	73,800
	Total GST payable by ABC Infra		1,34,100	1,34,100



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ILLUSTRATION 56

Computation of value of supply: Mr. Dhanwan, an individual registered supplier of Ahmedabad (Gujarat), received the following amount towards rendering of the intra-State supply of various services in the month of January 2025:

	Particulars	Amount (₹)
(i)	Consideration received from security and housekeeping services provided to "Holy Foundation", an educational institution providing services by way of pre-school education, outside the school premises on its annual day function.	60,000
(ii)	Amount received as an honorarium for participation as guest anchor on "Apha TV" in relation to a debate.	2,25,000
(iii)	Sum received as hiring charges for provision of non-air conditioned contract carriage for transportation of employees to and from the work to M/s. Siddhi Pvt. Ltd, a registered person under the GST. Such hiring is for 3 months. Use of the contract carriage is at the disposal of the company.	1,50,000
(iv)	Amount received for provision of training in recreation activities of music.	90,000
(v)	Renting of residential flat to Mr. Sahil, proprietor of M/s. Dayaram & Sons, a registered person under GST for the purpose of his own residence (in personal capacity)	30,000

You are required to compute the value of supply on which GST is to be paid by Mr. Dhanwan for the month of January, 2025. All the amounts stated above are exclusive of GST, wherever applicable. Suitable notes should form part of the answer.

(6 Marks, Nov. 2023)

SOLUTION

Computation of value of supply on which GST is to be paid by Mr. Dhanwan :

	Particulars	Amount (₹)
(i)	Security and housekeeping services provided to an educational institution [Not exempted, since security and housekeeping services are performed outside the educational institution.]	60,000
(ii)	Honorarium for participation as guest anchor [Liable to GST since it is not specifically exempt and it is also not covered in Schedule III of the CGST Act, 2017 (neither supply of good nor supply of service).]	2,25,000
(iii)	Hiring charges for non-air conditioned contract carriage [Not exempt, since exemption available only where transportation take place over pre-determined route and pre-determined schedule and contract carriage is hired for a period of time, during which the contract carriage is at the disposal of the recipient]	1,50,000

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(iv)	Training in recreational activities of music [Services by way of training in recreational activities relating to arts or culture, by an individual are exempt.]	-
(v)	Renting of residential flat to Mr. Sahil [Renting of residential dwelling to a proprietor (registered under GST) of a proprietorship concern in his personal capacity for use as his own residence and on his own account is exempt.]	-
	Value of taxable supply on which GST is to be paid by Mr. Dhanwan	4,35,000

ILLUSTRATION 57

Examine the following independent cases and determine whether the services are taxable under GST Act:

- Dhruv Printing Press, a registered entity under GST, received an order of 1,50,000 from Vishwakarma Technical Institute, a private ITI providing courses notified under Apprentices Act, 1961 for printing of pre-examination items like question papers, OMR sheets, Answer booklets required for conducting of examination by the institute.
- State Board of Education, a registered entity, charged 50,000 per year as affiliation charges from a school run by Dharampal Trust, registered under section 12AA of Income-tax Act, 1961 which gives education from class 1 to class 10.
- Wecare Hospital, a registered entity, charged 19,500 for 3 days from Mr. Sahil who was admitted in Intensive Cardiac Care Unit (ICCU) due to heart attack.
- (iv) Citcare Hospital, a registered entity, entered into an arrangement with Swadish Caterers, a registered entity, to supply food to in-patients as per advice of doctor/nutritionist. Swadish Caterers sends monthly bill to hospital for the food supplied by them to he admitted patients of hospital. Determine the taxability of Citcare Hospital.

(5 Marks, May 2025)

SOLUTION

	Particulars	Tax liability
1.	Vishwakarma Technical Institute qualifies as an educational institution since it is an ITI which provides courses notified under Apprentices Act, 1961, i.e. approved vocational education courses. Thus, services provided by Dhruv Printing Press to Vishwakarma Technical Institute are exempt since services are being provided to an educational institution by way of services relating to conduct of examination by such institution.	Exempt
2.	Affiliation services by State educational boards are exempt only when they are provided to Government Schools. Thus, affiliation charges of 50,000 charged by State Board of Education from a school run by Dharampal Trust is taxable.	Taxable



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3.	Renting of room by a clinical establishment to a person receiving health care services are exempt provided room charges are upto ₹ 5,000 per day. However, this limit does not apply to renting of Intensive Cardiac Care Unit (ICCU). Thus, amount of 19,500 charged by Wecare Hospital from Mr. Sahil admitted in ICCU is exempt.	Exempt
4.	Food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare by Citcare Hospital and is not separately taxable. Thus, said supply is exempt.	Exempt



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TIME OF SUPPLY

STUDY MATERIAL

Illustration 1

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)]

Illustration 2

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.

Illustration 3

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.)

Illustration 4

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.

Illustration 5

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.

Illustration 6

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.

Illustration 7

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)

TEST YOUR KNOWLEDGE

Illustration 8

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

Illustration 9

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

Solution

The statement is not correct.

Illustration 10

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

<u>S No.</u>	<u>Date of receipt of goods</u>	<u>Date of payment by the recipient of goods</u>	<u>Date of issue of invoice by the supplier of goods</u>
(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

<u>Sr.no.</u>	<u>Time of supply of goods [Earlier of (1), (2) & (4)]</u>
(i)	July 1
(ii)	June 25
(iii)	June 30 for part payment made and July 1 for balance amount
(iv)	June 28 (i.e., when payment is entered in the books of account of the recipient)
(v)	June 26 (i.e., when payment is debited in the recipient's bank account)
(vi)	July 30 (i.e., 31st day from issuance of invoice)

Illustration 11

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

Sr no.	Date of payment by the recipient for supply of service	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

Sr no.	Time of supply of goods [Earlier of (1) & (3)]
(i)	Aug 10
(ii)	Aug 1
(iii)	June 30 for part payment and August 29 for balance amount
(iv)	June 28 (i.e. when payment is entered in the books of account of the recipient)
(v)	June 26 (i.e. when payment is debited in the recipient's bank account)

Illustration 12

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
- Date of Issue of invoice by the recipient, in case where invoice is to be issued by the recipient.

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)]

Illustration 13



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

Solution

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

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

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

Illustration 14

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.

Illustration 15

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.

Illustration 17

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]
- . Date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient. 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.

Illustration 18

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.

Illustration 19

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)
- (4) 7th September viz., earlier of date of issuance of invoice (7th September) or date of receipt of payment (15th September)

Illustration 20

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 nonbanking financial company (NBFC) is payable under reverse 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.

Illustration 21

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.

Illustration 22

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.

PREVIOUS YEAR QUESTIONS

Illustration 23

Determine the Time of supply in each of the following independent cases in accordance with provisions of Section 12 of the CGST Act, 2017 in case supply involves movement of goods.

Date of Removal	Date of invoice	Date when goods made available to recipient	Date of receipt of payments
01-10-2025	02-10-2025	03-10-2025	15-11-2025
03-10-2025	01-10-2025	04-10-2025	25-11-2025
04-11-2025	04-11-2025	06-11-2025	01-10-2025

Solution

Time of supply of goods in each of the above cases has been given in following table





Date of Removal	Date of invoice	Date when goods made available to recipient	Date of receipt of payment	Time of supply	Reason
01-10-2024	02-10-2024	03-10-2024	15-11-2025	01-10-2024	Since, invoice is not issued on or before the date of removal of goods, hence time of supply is date of removal of goods
03-10-2024	01-10-2024	04-10-2024	25-11-2025	01-10-2024	TOS is date of issuance of invoice since invoice is issued prior to date of removal of goods.
04-11-2024	04-11-2024	06-11-2024	01-10-2025	04-11-2024	TOS is date of issue of invoice. Advance received is not liable to be taxed at the time of receipt vide Notification No. 66/2017-CT dated 15-11-2017

Illustration 24

From the following information determine the time of supply of goods where supply involves movement of goods:

Invoice/document date	removal of goods	Delivery of goods	Receipt of payments	Other information
16-11-2025	10-11-2025	16-11-2025	16-11-2025	=
01-11-2025	10-11-2025	16-11-2025	30-12-2025	Supply is on account of Inter State stock Transfer
01-12-2025	01-12-2025	04-12-2025	20-12-2025 10-12-2025	₹5,00,000 is received as advance and invoice for the whole amount is issued on the same day. Balance payment 6,20,000 is received on 10-12-2025

Solution

Time of supply of goods in each of the above cases has been given in following table



CHAPTER - 6

TIME OF SUPPLY



CA VARDHAMAN DAGA

Invoice/document date	removal of goods	Delivery of goods	Receipt of Payments	Time of supply	Reason
16-11-2025	10-11-2025	16-11-2025	16-11-2025	10-11-2025	Since invoice is not issued on or before removal of goods.
01-11-2025	10-11-2025	16-11-2025	30-12-2025	01-11-2025	Since invoice date is prior to the date of removal of goods
01-12-2025	01-12-2025	04-12-2025	20-12-2025	01-12-2025	TOS is date of issue of invoice Advance received is not liable to be taxed at the time of receipt vide Notification No.66/2017-CT dated 15-11-2017.
			10-12-2025	01-12-2025	For balance amount the time of supply shall be the date of Invoice.

Illustration 25

Determine the Time of supply in each of following independent cases in accordance with provisions of Section 12 of the CGST Act, 2017 in case supply does not involve movement of good

Date of invoice	Date when goods made available to Recipient	Date of receipt of payments
02-10-2025	03-10-2025	15-11-2025
04-10-2025	01-10-2025	25-11-2025
04-11-2025	06-11-2025	01-10-2025

Solution

Time of supply of goods in each of the above cases has been given in following table





Date of invoice	Date when goods made available to Recipient	Date of receipt of payments	Time of supply	reasons
02-10-2025	03-10-2025	15-11-2025	02-10-2025	TO invoice since invoice is issued prior to date when goods are made available to recipients is date of issuance
04-10-2025	01-10-2025	25-11-2025	01-10-2025	TOS is date when goods are made available to the recipient and date of issuance of invoice is after that date
04-11-2025	06-11-2025	01-10-2025	04-11-2025	TOS is date of issue of invoice. Advance received is not liable to be taxed at the time of receipt vide Notification No. 66/2017-CT dated 15-11-2017

Illustration 26

Mr. X purchased certain goods from M/s. ABC a registered supplier on 15-11-2025 worth 15,750. He made a payment of 16,000 with an instruction to adjust the excess payment against future purchases, and hence the same was adjusted by the supplier against his future purchase made on 01-01-2026 (invoice issued on same date). Determine the tax implications with regard to such excess payment in light of the GST law

Solution

As per the proviso to Section 12(2) of the CGST Act, 2017, where the supplier of taxable goods receives an amount up to 1,000 in excess of the amount indicated in the tax invoice, the time of supply to the extent of such excess amount shall, at the option of the said supplier, be the date of issue of invoice in respect of such excess amount. Hence, in the given case, the time of supply with respect to the excess amount of 250, shall be 01-01-2026 when invoice relating to next supply is raised. Besides this, as per Notification No. 66/2017 dated 15-11-2017, the time of supply for advances shall be the date of issuance of invoice as per provisions of Section 12(2)(a), and not the date of receipt of advance.





Illustration 27

During the course of search it was found that 200 cartons of wall tiles were dispatched on 25th August, 2025 but no invoice was made and the cartons were not entered in the accounts. There was no evidence of receipt of payment. What is the time of supply of the 200 cartons?

Solution

Time of supply of goods is the earlier of the following two dates in terms of Section 12(2):

- Date of issue of invoice/last date on which the invoice is required to be issued
- Date of receipt of payment

In this case since the invoice has not been issued, the time of supply will be the last date on which the invoice is required to be issued or date of receipt of payment, whichever is earlier.

The invoice for supply of goods must be issued on or before the despatch of goods i.e., on 25-08-2025. Since there is no evidence of receipt of payment, time of supply of the goods will be 25-08-2025, the date when the invoice should have been issued.

Illustration 28

From the following information determine the time of supply if there is continuous supply of goods:

Invoice date	Removal of goods	Statement of accounts	Receipt of payment
01-12-2025	15-11-2025 25-11-2025	05-12-2025	02-12-2025
21-01-2026	18-01-2026 31-01-2026	05-01-2026	10-02-2026

Solution

Time of supply of goods in each of the above cases has been given in following table

Invoice date	Removal of goods	Statement of accounts	Receipt of payment	Time of supply	reason
01-12-2025	15-11-2025 25-11-2025	05-12-2025	02-12-2025	01-12-2025	TOS is date of invoice since invoice is issued before statement of account
21-01-2026	18-01-2026 31-01-2026	05-01-2026	10-02-2026	05-01-2026	TOS is date of statement of account since invoice is issued after the date of statement of account and payment is also received after that goods

Illustration 29



From the following information determine the time of supply if goods are supplied on approval basis:

Removal of goods	Issue of invoice	Accepted by recipient	Receipt of payment
01-12-2025	15-12-2025	05-12-2025	25-12-2025
01-12-2025	25-07-2026	25-07-2026	20-07-2026

Solution

Time of supply of goods in each of the above cases has been given in following table

Removal of goods	Issue of invoice	Accepted by recipient	Receipt of payment	Time of supply	Reason
01-12-2025	15-12-2025	05-12-2025	25-12-2025	05-12-2025	TOS shall be the date of acceptance by the recipient as invoice was issued after that date
01-12-2025	25-07-2026	25-07-2026	20-07-2026	02-06-2026	TOS shall be date after expiry of 6 months from the date of removal since invoice is not issued within 6 months from the date of removal and payment is also received after such date

Illustration 30

Interiors Ltd. receives the order and advance payment on 25-01-2026 for carrying out an architectural design job. It delivers the designs on 30-04-2026. By oversight, no invoice is issued at that time, and it is issued much later, after the expiry of prescribed period for issue of invoice. When is the time of supply of service?

Solution

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

- Date of provision of service
- Date of receipt of payment. The payment was received on 25-01-2026 and the service was provided on 30-04-2026. Therefore, the date of payment, i.e., 25-01-2026 is the time of supply of the service in this case.

Illustration 31

From the following information determine the time of supply of services. The supply is a continuous supply of service where contract provides for monthly payment upto 15th of the succeeding month.



Entry of provision of services in books	Invoice date	Due date of payment as per contract	Receipt of payment
30-11-2025	07-12-2025	15-12-2025	20-12-2025
31-12-2025	22-01-2026	15-01-2026	20-01-2026
31-01-2026	15-02-2026	15-02-2026	11-02-2026

Solution

Time of supply of services in each of the above cases has been given in following table

Entry of provision of Services in books	Invoice date	Due date of as per contract	Receipt of payment	Time of supply	reasons
30-11-2025	07-12-2025	15-12-2025	20-12-2025	07-12-2025	Since invoice is issued prior to due date and payment is received after the date of invoice
31-12-2025	22-01-2026	15-01-2026	20-01-2026	31-12-2025	Since invoice is issued after due date of payment and payment is also received after such date
31-01-2026	15-02-2026	15-02-2026	11-02-2026	11-02-2026	Since payment is received prior to due date of payment.

Illustration 32

Swacchta & Co. is engaged in supply of cleaning services in residential premises. Investigation shows that Swacchta & Co. carried out service of cleaning and repairs of tanks in Kamal Housing society, for which the Kamal Housing society showed a payment in cash on 25-12-2025 to them against work of this description. The dates of the work are not clear from the records of Swacchta & Co. Swacchta & Co. have not issued invoice or entered the payment in their books of account

Solution

The time of supply cannot be determined vide the provisions of Section 13(2)(a)/(b) 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 not available.

Therefore, the time of supply will be determined vide Section 13(2)(c) ie, the date on which the recipient of service shows receipt of the service in his books of account. Thus, time of supply will



be 25-12-2025, the date on which the Kamal Housing society records the receipt of service in its books of account

Illustration 33

On 4th September, 2025, 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 24th July, & 2025 raised the invoice on 20th Aug, 2025. What will be the time of supply as per CGST Act, 2017?

Note: Above Service is taxable under reverse charge basis.

(3 Marks, May 2018-Old)

Solution

Supply of services by music composer by way of transfer or permitting the use or enjoyment of a copyright covered under Section 13(1)(a) of the Copyright Act, 1957 relating to original musical works to music company is liable to be taxed on reverse charge basis. As per Section 13(3) of CGST Act, 2017, in case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates, namely:-

(a) (i) the date of payment as entered in the books of account of the recipient; or

(ii) the date on which the payment is debited in his bank account, whichever is earlier; or

(b) the date immediately following 60 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier Since the payment is made within 60 days from the date of invoice, the time of supply shall be 4-09-2025

Illustration 34

Apte & Apte Ltd. is located in India and holding 51% of shares of Wilson Ltd., a USA based company. Wilson Ltd. provides Business Auxiliary Services to Apte & Apte Ltd. From the following details, determine the time of supply of Apte & Apte Ltd.:

Agreed consideration	US \$ 1,00,000
Date on which services are provided by Wilson Ltd.	16-12-2026
Date on which invoice is sent by Wilson Ltd.	19-12-2026
Date of debit in the books of account of Apte & Apte Ltd.	30-12-2026
Date on which payment is made by Apte & Apte Ltd	23-03-2026

Solution

Apte & Apte Ltd. of India and Wilson Ltd. of US are "associated enterprises" as per Section 92A of Income Tax Act, 1961, since Indian Company holds 51% shareholding of US based company. As per Section 13(3) of CGST, Act, 2017, in case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be-

(a) the date of entry in the books of account of the recipient of supply; or

(b) the date of payment whichever is earlier. Therefore, the time of supply shall be 30-12-2026.

Illustration 35

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



Date of payment by recipient of services	Date of issue of invoice by supplier of services
10-10-2026	29-08-2026
10-10-2026	01-08-2026
Part payment made on 30-08-2026 and balance amount paid on 01-11-2026	29-08-2026
Payment is entered in the books of account on 28-08-2026 and debited in recipient's bank account on 30-08-2026	01-08-2026
Payment is entered in the books of account on 30-08-2026 and debited in recipient's bank account on 26-08-2026	29-08-2026

Solution

Date of issue of invoice by supplier of services	Date immediately Following 60days From invoice	Date of payment by recipient of services	Time of supply of services [Earlier Of (2) & (3)]
1	2	3	4
29-08-2026	29-10-2026	10-10-2026	10-10-2026
01-08-2026	01-10-2026	10-10-2026	01-10-2026
29-08-2026	29-10-2026	Part payment made on 30-08-2026 and balance amount paid on 01-11-2026	30-08-2026 for part payment and 29-10-2026 for balance
01-08-2026	01-10-2026	Payment is entered in the books of account on 28-08-2026 And debited in recipient's Bank account on 30-08-2026	28-08-2026 (ie. when payment is entered in the books of account of the recipient)
29-08-2026	29-10-2026	Payment is entered in the books of account on 30-08-2026 And debited in recipient's Bank account on 26-08-2026	26-08-2026 (ie. when payment Is debited in the recipient's Bank account)

Illustration 36

Know & Grow Publishers, a registered dealer in India, paid an advance ₹ 50,000 to Mr. Ganatra, an author, for the copyright covered under Section 13(1)(a) of the Copyright Act, 1957, of his original literary work on 5-9-2025. It made the balance payment 1,50,000 on 12-12-2025. You are required to determine the time of supply, if Mr. Ganatra raised the invoice on



- i) 06-10-2025, or
- ii) 17-12-2025

Solution

Supply of services by author by way of transfer or permitting the use or enjoyment of a copyright covered under Section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to publisher is liable to be taxed on reverse charge basis.

As per Section 13(3) of CGST Act, 2017, in case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates, namely:-

(a) (i) the date of payment as entered in the books of account of the recipient; or

(ii) the date on which the payment is debited in his bank account,

whichever is earlier; or

(b) the date immediately following 60 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier

When Invoice is raised on 06-10-2025 - For advance payment of 50,000, time of supply shall be the date of payment i.e. 05-09-2025. For balance payment of ₹ 1,50,000, since payment is not made within 60 days from the date of invoice, TOS shall be 61st days from the date of invoice. i.e. 06-12-2025.

When Invoice is raised on 17-12-2024 - For advance payment of ₹ 50,000, time of supply shall be the date of payment i.e. 05-09-2025 For balance payment of ₹ 1,50,000, since payment is made before the date of invoice, TOS shall be the date of payment i.e. 12-12-2025

Illustration 37

HM Industries Ltd. engaged the services of a transporter for road transport of a consignment on 20th May, 2025. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20 July 2025. Invoice was received from the transporter on 20 June 2025 and payment was made on 25th August 2025. What is the time of supply of the transporter's service?
(5 Marks, Dec. 2021)

Solution

The time of supply of goods (where movement of goods involve) (fabric) for the purpose of payment of tax is the date of issue of invoice or the last date when the invoice ought to have been issued. Further, a registered person is required to issue a tax invoice before or at the time of delivery of goods or making available thereof to the recipient.

Thus, in the given case, time of supply is 4 September, 2025.

Alternative 1: Assuming that services of transportation of goods by road have been provided by a GTA which is taxable under reverse charge mechanism.

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:

(a) date of making payment, or (b) 61st day from the date of issue of invoice by supplier Thus, in the given case, time of supply is earlier of- (a) 25th August or



(b) 20th August 2025 (61st day from 20th June).

Thus, in the given case, time of supply 20th August 2025.

Alternative 2: Assuming that services of transportation of goods by road have been provided by a GTA which has paid GST @ 12% or at 5% and GTA has exercised the option to pay tax under forward charge mechanism. Thus, GST is payable under forward charge.

The time of supply of services in case where the invoice is issued within 30 days of provision of service is the earlier of date of invoice or date of receipt of payment.

Thus, in the given case, time of supply is 20th June, 2025

Illustration 38

TOS of goods - Supply involves movement of goods: An order is placed to T & Co., Sholapur on 18th August, 2025 for supply of fabrics to make garments. Company delivered the fabrics on 4th September, 2025 and after completion of the order issued the invoice on 15th September, 2025. The payment against the same was received on 30th September, 2025. Determine the time of supply for the purpose of payment under CGST Act, 2017 with your explanations. (2.5 Marks, Dec. 2021)

Solution

The time of supply of goods (where movement of goods involve) (fabric) for the purpose of payment of tax is the date of issue of invoice or the last date when the invoice ought to have been issued. Further, a registered person is required to issue a tax invoice before or at the time of delivery of goods or making available thereof to the recipient. Thus, in the given case, time of supply is 4th September, 2025.

Illustration 39

TOS in case of supply of vouchers: Tasty food meal coupons are sold to a company on 25-08-2024 for being distributed to the employees of the said company. The coupons are valid for 6 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 6 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 the redemption in terms of Section 12(4).

Illustration 40

TOS in case of supply of vouchers: Ms. Reema purchased a gift voucher from Shoppers Stop (a departmental store) worth 1,500 on 30-10-2024 and gifted it to her friend on occasion of her birthday on 04-11-2024. Her friend encashed the same on 01-01-2025 for purchase of a handbag. Determine the time of supply.

Solution





In this case supply is not identified with the voucher. The holder of voucher can purchase anything from Shoppers Stop. Hence, time of supply is date of redemption of voucher i.e., the date of purchase of goods by the holder of voucher i.e., 01-01-2025.

Illustration 41

TOS of services - Vouchers: From the following information determine the time of supply of service

Particulars of voucher	First service/ delivery of Goods	Issue of voucher	Redemption of voucher	Last date for Acceptance of voucher
Voucher valid for one year is issued to a recipient after supply of a service, for any other services or goods across India.	01-01-2025	01-01-2025	14-12-2025	31-12-2025

Solution

Time of supply of services in each of the above cases has been given in following table-

Particulars of voucher	First service/ delivery of goods	Issue of voucher	Redempti on of voucher	Last date for Acceptan ce of voucher	Time of supply	Reason
Voucher valid for one year is issued to at recipient after supply of a service, for any other services or Goods across India.	01-01-2025	01-01-2025	14-12-2025	31-12-2025	14-12-2025	The time of supply will be date of redemption of voucher since supply is not identifiable at the time of issuance of voucher.

ILLUSTRATION 42

TOS in case of RCM - Services : Golden Industries Ltd. engaged the services of Sandhu transporter for road transport of a consignment on 25-12-2026 and made advance payment for the transport on the same date, i.e., 25-12-2026. However, the consignment could not be sent immediately on account





of a strike in the factory, and instead was sent on 20-01-2026. Invoice was received from the transporter on 22-01-2026. What is the time of supply of the transporter's service?

Note : Transporter's service is taxed on reverse charge basis.

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. 25-12-2026, will be treated as the time of supply of service.

ILLUSTRATION 43

TOS of Goods - Forward charge: M/s. Mansh & Vansh Trading Company, a registered supplier, is liable to pay GST under forward charge. Determine the time of supply from the following information furnished by it:

- (i) Goods were supplied on 03-10-2025
- (ii) Invoice was issued on 05-10-2025
- (iii) Payment received on 09-10-2025

(4 Marks, May 2018-NS)

SOLUTION

As per Section 12(2), the time of supply of goods shall be the earlier of the following dates, namely:

- (a) (i) the date of issue of invoice by the supplier; or
(ii) the last date on which he is required, u/s 31(1), to issue the invoice with respect to the supply; or
- (b) the date on which the supplier receives the payment with respect to the supply. As per Section 31(1) of the Act, a registered person supplying taxable goods shall issue invoice before or at the time of,
 - i) removal of goods for supply to the recipient, where the supply involves movement of goods; or
 - ii) delivery of goods or making available thereof to the recipient, in any other case.Thus, in this case the time of supply of goods shall be 03-10-2025 i.e. the last date on which he is required to issue the invoice with respect to the supply.

ILLUSTRATION 44

TOS of Goods - Reverse charge basis: Determine the Time of supply in each of following independent cases in accordance with provisions of Section 12 of the CTCST Act, 2017 in case recipient of goods is liable to pay tax under reverse charge mechanism

	Date of invoice	Date of receipt of goods	Date of payment in books	Date when payment debited in bank account
1.	01-10-2025	05-10-2025	10-10-2025	12-10-2025





2.	01-10-2025	15-10-2025	10-10-2025	12-10-2025
3.	01-10-2025	15-10-2025	12-10-2025	10-10-2025
4.	01-10-2025	15-11-2025	18-11-2025	20-11-2024

SOLUTION

Time of supply of goods in each of the above cases has been given in following table-

Date of invoice	Date of receipt of goods	Date of payment in books	Date when payment debited in bank account	Time of Supply	Reason
01-10-2025	05-10-2025	10-10-2025	12-10-2025	05-10-2025	TOS is date of receipt of goods
01-10-2025	15-10-2025	10-10-2025	12-10-2025	10-10-2025	TOS is date of payment in books.
01-10-2025	15-10-2025	12-10-2025	10-10-2025	10-10-2025	TOS is date when payment is debited in bank account.
01-10-2025	15-11-2025	18-11-2025	20-11-2025	01-11-2024	TOS is the date Immediately following 30 days from the date of issue of invoice by the supplier

ILLUSTRATION 45

TOS in case of supply of vouchers: XYZ Ltd. has purchased for its customers 100 vouchers dated 24-12-2024 worth 1,000 each from ABC Ltd., a footwear manufacturing company. The vouchers were issued by ABC Ltd. on 25-12-2024. The vouchers can be encashed at retail outlets of ABC Ltd. The employees of XYZ Ltd. encashed the same on 01-01-2025. Determine time of supply of vouchers.

SOLUTION

In case of supply of vouchers by a supplier, the time of supply shall be the date of issue of voucher, if the supply is identifiable at that point. In this case the supply of goods i.e. footwear is identifiable with the voucher, hence time of supply shall be the date of issue of such vouchers by ABC Ltd. i.e. 25-12-2024.

ILLUSTRATION 46

Special charges: Mr. X, a registered supplier supplied certain goods to Mr. Y on 6 months credit with a penalty clause in the agreement levying a penalty of 5% of the invoice value in case of delayed payment. The invoice was dated 01-11-2024. Mr. Y could not make the payment on the due date due to unavoidable reasons. He however made the payment of the invoice value on 05-05-2025. Mr. X raised a debit note for the penalty amount. There being dispute on this, the matter was in arbitration which was finally resolved with Mr. Y agreeing to pay half of the penalty amount. The amount was paid by Mr. Y on 12-12-2025. Determine the Time of Supply in light of the GST law.



SOLUTION

With respect to the goods supplied, the Time of Supply shall be the invoice date (assuming the delivery of goods on the date of invoice) i.e., 01-11-2024. With respect to the penalty amount the TOS shall be the date of payment by Mr. Y towards the penalty charge i.e., 12-12-2025 [as per Section 12(6)].

ILLUSTRATION 47

TOS of services: Determine the time of supply in each of following independent cases in accordance with provisions of CGST Act, 2017:

	Date of actual provision of service	Time [Date] of Invoice, Bill or Challan as the case may be	Date on which payment received
1	10-11-2025	30-11-2025	15-12-2025
2	10-11-2025	30-11-2025	15-11-2025
3	10-11-2025	30-11-2025	15-11-2025 (Part) and 10-12-2025 (remaining)
4	10-11-2025	30-11-2025	06-11-2025 (Part) and 09-11-2024 (remaining)
5	10-11-2025	30-11-2025	06-11-2025 (Part) and 16-11-2024 (remaining)
6	10-11-2025	12-12-2025	30-04-2025
7	10-11-2025	12-12-2025	05-11-2025 (Part) and 25-12-2024 (remaining)
8	10-11-2025	22-12-2025	12-12-2025

SOLUTION

Time of supply of services in each of the above cases has been given in following table-

Date of provision of service	Date of Invoice	Date of receipt of payment	Time of Supply	Remarks
10-11-2025	30-11-2025	15-12-2025	30-11-2025	Invoice issued within 30 days and before receipt of payment.
10-11-2025	30-11-2025	15-11-2025	15-11-2025	Invoice issued within 30 days but payment received before invoice.
10-11-2025	30-11-2025	15-11-2025 (Part) and 10-12-2025 remaining	15-11-2025 and 30-11-2025 for respective amounts	Invoice issued within 30 days. Part payment received before invoice and remaining payment after invoice. As per Explanation (i) The supply shall be deemed to have been



				made to the extent it is covered by the invoice or, as the case may be, the payment.
10-11-2025	30-11-2025	06-11-2025 (Part) and 09-11-2025 (remaining)	06-11-2025 and 09-11-2025 for the respective amounts	Invoice issued within 30 days. However, the advance has been received in two installments before the date of completion of service. Thus, date of receipt of each such advance shall be treated as TOS. As per Explanation (i) The supply shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment.
10-11-2025	30-11-2025	06-11-2025 (Part) and 16-11-2024 (remaining)	06-11-2025 and 16-11-2024 for the respective amounts	Invoice issued within 30 days. Part payment (in the form of advance) received before issue of invoice and remaining payment received after completion of service. As per Explanation (i) The supply shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment.
10-11-2025	12-12-2025	30-04-2025	10-11-2025	Invoice not issued within 30 days and payment received after completion of service.
10-11-2025	12-12-2025	05-11-2025 (Part) and 25-12-2025 (remaining)	05-11-2025 and 10-11-2025 for respective amounts	Part payment received as advance before completion of service and remaining payment received subsequently. As per Explanation (i) The supply shall be deemed to have been made to the extent it is covered by the invoice or, as the case may be, the payment.
10-11-2025	22-12-2025	12-11-2025	10-11-2025	Invoice not issued within 30 days and entire payment received after completion of service.

ILLUSTRATION 48





TOS in case of RCM Services: Rajesh of Assam received some taxable services from Loreal Enterprises of UK on 1-12-2026 for which an invoice was raised on 1-12-2023. Determine the time of supply of services if Rajesh makes the payment for the said services on:

Case I: 01-01-2026

Case II: 05-03-2026

SOLUTION

According to Section 13(3) of CGST Act, 2017, the time of supply in respect of persons who are required to pay tax as recipients of service under the Reverse Charge Mechanism shall be the date of payment or the date immediately following 60 days from the date of issue of invoice by the supplier, whichever is earlier.

Case I : Since the payment has been made within 60 days from the date of invoice, time of supply shall be the date of payment i.e. 01-01-2026

Case II: Since the payment is not made within a period of 60 days of the date of invoice, the time of supply shall be the date immediately following the said period of 60 days i.e. 31-01-2026

ILLUSTRATION 49

TOS of services - Vouchers: From the following information determine the time of supply of services where supply is by issue of voucher (for the same nature of service) valid for one year and are issued after supply of first service.

First service	Issue of voucher	Redemption of voucher	Last date for acceptance of voucher
01-01-2025	01-01-2025	31-10-2025	31-12-2025

SOLUTION

Time of supply of services in each of the above cases has been given in following table-

First service	Issue of Voucher	Redemption of voucher	Last date for Acceptance of voucher	Time of supply	Reason
01-01-2025	01-01-2025	31-10-2025	31-12-2025	01-01-2025	TOS is date of issue of voucher since supply is identifiable at the time of issuance of voucher

ILLUSTRATION 50

TOS of services in residuary cases: An income-tax search was carried out at residential premises of Mr. X, working in a multinational company. In course of search large volume of undisclosed assets were found, which he claims as service income. On this basis, the GST authorities investigate the GST liability. Dates of provision of service, whether in the first half or the second half of the



financial year being scrutinized by income-tax authorities, are not known. Mr. X voluntarily pays GST during the investigation. What is the time of supply of the services?

SOLUTION

As per provisions of Section 13(5)(b) of the CGST Act, 2017, where it is not possible to determine the time of supply in terms of date of invoice or date of provision of service or date of receipt of payment or date of receipt of services in the books of account of the recipient, and where periodical return is not to be filed (Mr. X, being an employee in a multinational company, is not a registered person), the date of payment of tax is taken as the time of supply. Therefore, the date when Mr. X pays the GST will be the time of supply.

ILLUSTRATION 51

CBIC has issued a recent clarification on Time of Supply in respect of supply of services of construction of road and maintenance thereof of National Highway Projects of National Highway Authority of India (NHAI) in Hybrid Annuity Mode (HAM) model. Briefly discuss the said clarification.

(5 Marks, Jan. 2025)

SOLUTION

Since in HAM model of NHAI, periodical payments are spread over the contract period in the form of installments, it is a 'continuous supply of services'.

It has been clarified by CBIC vide a circular that the time of supply of services under HAM contract, including construction and operation and maintenance portion, should be :

- (i) in case where the invoice is issued on or before the specified date (due date of payment) or the date of completion of the event specified in the contract, as applicable:
 - (a) date of issuance of invoice; or
 - (b) date of receipt of paymentwhichever is earlier.
- (ii) in case where invoices are not issued on or before the specified date (due date of payment) or the date of completion of the event specified in the contract:
 - (a) date of provision of the said service (i.e., the due date of payment as per the contract); or
 - (b) date of receipt of the paymentwhichever is earlier.





CHAPTER – 7

VALUE OF SUPPLY

STUDY MATERIAL

Illustration 1

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

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

Black and White Pvt. Ltd. received ₹ 2,000 as a subsidy from a 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

Particulars	Rs
Value of taxable supply	57000

Illustration 2

Samriddhi Advertisers conceptualized 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	₹
Value of taxable supply	5,32,712





TEST YOUR KNOWLEDGE

Illustration 3

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

Solution

No

Illustration 4

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.

Illustration 5

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

Therefore, the value of supply made by Sharp Minds during the month is ₹ 3,00,000.

Illustration 6

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 $[(50\text{km} - 20\text{ km}) \times ₹ 10]$ 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

Illustration 7

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

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

Illustration 9

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

Therefore, notional interest for 2 days shall not be included in the value of the supply

Illustration 10

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.

Illustration 11

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.





	Particulars	Amount
(i)	List price of taxable goods supplied inter-State (exclusive of taxes)	15,00,000
(ii)	Subsidy received from the Central Government for supply of taxable goods to Government School (exclusively related to supply of goods included at S. No. 1)	2,10,000
(iii)	Subsidy received from an NGO for supply of taxable goods to an old age home (exclusively related to supply of goods included at S. No. 1)	50,000
(iv)	Tax levied by Municipal Authority	20,000
(v)	Packing charges	15,000
(vi)	Late fee paid by the recipient of supply for delayed payment of consideration (Recipient has agreed to pay ₹ 6,000 in lump sum and no additional amount is payable by him 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	(₹)
Total value of taxable supplies	15,90,058

Illustration 12

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

Sr no.	PARTICULARS	AMOUNT RS
(i)	Price of the machine [excluding taxes and other charges mentioned at S. Nos. (ii) and (iii)]	25000
(ii)	Third party inspection charges [Such charges were payable by M/s Flow Pro but the same have been directly paid by BP Ltd. to the inspection agency. These charges were not recorded in the invoice issued by M/s Flo Pro.]	5000
(iii)	Freight charges for delivery of the machine [M/s Flow Pro has agreed to deliver the goods at BP Ltd.'s premises]	2000
(iv)	Subsidy received from the State Government on sale of machine under Skill Development Programme [Subsidy is directly linked to the price]	5000
(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. Flo Pro to BP Ltd.

Particulars	Amount Rs
Value of taxable supply	31500

Illustration 13

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

Sr no.	particulars	Amount ₹
(i)	Price of the goods [excluding taxes and other charges mentioned at S. Nos. (iii), (v) and (vi)]	100,000
(ii)	Municipal tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidy received from Shri Ram Trust [Subsidy is directly linked to 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]	1000
(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	₹
Value of taxable supply	1,69,000

Illustration 14

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

Sr. no	Particulars	₹
(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]	20,000



	to pay the said amount. The said amount has not been recorded in the invoice issued by Koli Ltd.]	
(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.	

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

Solution

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

Particulars	₹
Value of taxable supply	5,84,000

PREVIOUS YEAR QUESTIONS

Illustration 15

XYZ Pvt. Ltd. has provided the following particulars relating to goods sold by it to ABC Pvt. Ltd

Particulars	₹
List price of the goods (exclusive of taxes and discounts)	1,25,000
Tax levied by Municipal Authority on the sale of such goods	15,000
CGST and SGST chargeable on the goods	19,200
Packing charges (not included in price above)	15,500

XYZ Pvt. Ltd. received ₹ 9,500 as a subsidy from a Non-profit making organisation in respect of timely supply of such goods. The price of 1,25,000 of the goods is after considering such subsidy. XYZ Ltd. offers 4% 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 XYZ Pvt. Ltd.

Solution

Computation of value of taxable supply (amount in ₹)

Particulars	Amount ₹
List price of the goods (exclusive of taxes and discounts)	1,25,000
Add: Tax levied by Municipal Authority on the sale of such goods	15,000
CGST and SGST chargeable on the goods	-
Packing charges	15,500



Subsidy received from a non-Government body	9000
Total	165000
Less: Discount @ 4% on ₹ 1,25,000	5000
Value of taxable supply	1,60,000

Working Notes:

- (1) The value of supply shall include any taxes, duties, cess, fees and charges levied under any law for the time being in force other than the CGST Act, the SGST Act, the UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier. [Section 15(2)(a) of CGST Act, 2017]
- (2) 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 shall be included in the value of taxable supply. Hence, cost of packing shall form a part of the transaction value of the supply. [Section 15(2)(c) of CGST Act, 2017]
- (3) The value of supply shall not include any discount which is given before or at the time of supply. [Section 15(3)(a) of CGST Act, 2017]
- (4) The value of supply shall include subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments. Hence, subsidy received from non-profit making organisation for timely supply of goods will be included in the value of taxable supply. [Section 15(2)(e) of CGST Act, 2017]

Illustration 16

Floral Advertisers conceptualised and designed the advertising campaign for a new product launched by Jupiter Stampings Pvt. Ltd. for a consideration of 25,00,000. Floral Advertisers owed 4,50,000 to one of its vendors in relation to the advertising service provided by it to Jupiter Stampings Pvt. Ltd. Such liability of Floral Advertisers was discharged by Jupiter Stampings Pvt. Ltd. Jupiter Stampings Pvt. Ltd. delayed the payment of consideration and thus, paid 50,000 as interest. Assume the rate of GST to be 18%. Determine the value of taxable supply made by Floral Advertisers.

Solution

Computation of value of taxable supply (amount in ₹)

Particulars	Amount ₹
Service charges	25,00,000
Payment made by Jupiter Stampings Pvt. Ltd to vendor of Floral	4,50,000
Advertisers [Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15(2)(b)]	
Interest for delay in payment of consideration [Includible in the value in terms of section 15(2)(d)] [WN]	42,373
Value of taxable supply	29,92,373

Working Note:





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

Illustration 17

Supreme Foods Pvt. Ltd. gets an order for supply of processed food from Hotelia Ltd. Hotelia Ltd. wants the consignment tested for gluten or specified chemical residues. Supreme Foods Pvt. Ltd. does the testing and charges a testing fee of 15,000 from the Hotelia Ltd.. Supreme Foods Pvt. Ltd. argues that such testing fess should not form part of the consideration for the sale as it is a separate activity. Is its argument correct in the light of Section 15?

Solution

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

Since Supreme Foods Pvt. Ltd. does the testing before the delivery of goods, the charges therefore will be included in the taxable value. Therefore, Supreme Foods Pvt. Ltd.'s argument is not correct. The testing fee of 15,000 should be added to the price to arrive at taxable value of the consignment

Illustration 18

Vikash Charitable Institution makes a substantial donation each year to a reputed private management institution to subsidise the education of low income group students who have gained admission there. The fee for these individuals is reduced thereby, coming to 1 lakh a year compared to 4 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 charitable institution. Therefore, the subsidy is to be added back to the price to arrive at the taxable value, which comes to 4 lakh a year.

Illustration 19

Floral advertising, an advertising firm, gives an interest-free credit period of 30 days for payment by the customer. One of its customers paid for the supply 40 days after the supply of service. Floral advertising waived the interest payable for delay of ten days. The Department wants to add interest for ten days as per contract. Should notional interest be added to the taxable value?

Solution

This is a supply that is valued as per transaction value under Section 15(1) as the price is the sole consideration for the supply and the supply is made to unrelated person. The concept of transaction

value has been expanded to include certain elements like interest which are actually payable. Once waived, the interest is not payable and is therefore, not to be added to transaction value.

Illustration 20

Leather Products Ltd. sells shoes to its dealers, to whom it charges the list price minus standard discount and pays GST accordingly. When such shoes remain unsold with the dealers, it offers additional discounts on the stock as an incentive to push the sales. Can this additional discount be reduced from the price at which the goods were sold and concomitant tax adjustments made?

Solution

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

Illustration 21

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

Particulars	Amount ₹
(i) List price of goods supplied inter-state	12,40,000
Items already adjusted in the price given in (i) above:	
(1) Subsidy from Central Government 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)	
(1) Tax levied by Municipal Authority	24,000
(2) Packing Charges	12,000
(3) 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 (5 marks May 2018)

Solution

Computation of value of taxable supply (amount in ₹)

Particulars	Amount ₹
List price of goods supplied inter-state	12,40,000
Subsidy from Central Government for supply of Biscuits to Government School	Nil
Add: Subsidy from Trade Association for supply of quality Biscuits	30,000
Add:	
(1) Tax levied by Municipal Authority	24,000
(2) Packing Charges	12,000
(3) Late fee paid by the recipient of supply for delayed Payment of invoice	5,000
Value of taxable supply	13,11,000

Working Notes:



- (1) The value of supply shall include subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments. Hence, subsidy received from Central Government will not be included while subsidy from trade association for supply of quality Biscuits will be included in the value of taxable supply. [Section 15(2)(e) of CGST Act, 2017]
- (2) The value of supply shall include any taxes, duties, cess, fees and charges levied under any law for the time being in force other than the CGST Act, the SGST Act, the UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier. Thus, tax levied by Municipal Authority shall be included in the value of taxable supply. [Section 15(2)(a) of CGST Act, 2017]
- (3) 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 shall be included in the value of taxable supply. Hence, cost of packing shall form a part of the transaction value of the supply. [Section 15(2)(c) of CGST Act, 2017]
- (4) Interest or late fee or penalty for delayed payment of any consideration for any supply as per Section 15(2)(d) of the Act. Hence, late fee paid by the recipient of supply for delayed payment of invoice shall form part of value of taxable supply.

Illustration 22

Mr. Achintya a registered supplier in Kochi (Kerala State) has provided the following details in respect of her supplies made within Intra-State for the month of March

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

Compute the value of taxable supply and the gross GST liability of Ms. Achintya for the month of March assuming rate of CGST to be 9% and SGST to be 9%. All the amounts given above are exclusive of GST.

(5 Marks, Nov. 2018-NS)

Solution

Computation of value of taxable supply and GST liability (amount in ₹)

Particulars	₹
List price of the goods	3,30,000
Less: Subsidy from State Government for encouraging women entrepreneurs	-5,000
Add: Swachh Bharat cess levied on sale of the goods	12,500





Add: Packing expenses	10,800
TOTAL	3,48,300
Less: Discount @ 1% on ₹ 3,30,000	3,300
Value of taxable supply	3,45,000
CCST @9%	31,050
SCST @9	31,050
Total GST Liability	62,100

Working Notes:

- (1) The value of supply shall include subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments. Hence, subsidy received from State Government for encouraging women entrepreneurs will not be included in the value of taxable supply. [Section 15(2)(e) of CGST Act, 2017]
- (2) The value of supply shall include any taxes, duties, cess, fees and charges levied under any law for the time being in force other than the CGST Act, the SGST Act, the UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier. Thus, Swachh Bharat cess levied on sale of the goods shall be included in the value of taxable supply. [Section 15(2)(a) of CGST Act, 2017]
- (3) 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 shall be included in the value of taxable supply. Hence, packing expenses shall form a part of the transaction value of the supply. [Section 15(2)(c) of CGST Act, 2017]
- (4) The value of supply shall not include any discount which is given before or at the time of supply. [Section 15(3)(a) of CGST Act, 2017]

Illustration 23

Kamal Book Depot, a wholesaler of stationery items, registered in Mumbai, has received order for supply of stationery items worth 2,00,000/- on 12th November, 2025 from another local registered dealer, Mr. Mehta, Mumbai. Kamal Book Depot charged the following additional expenses from Mr. Mehta:-

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

The goods were delivered to Mr. Mehta on 14 November, 2025. Since Mr. Mehta was satisfied with the quality of the goods, he made the payment of goods the same day and simultaneously placed another order on Kamal Book Depot of stationery items amounting to 10,00,000 to be delivered in the month of December, 2025**. On receipt of second order, Kamal Book Depot allowed a discount of 20,000 on the first order placed by Mr. Mehta.



Compute the GST liability of Kamal Book Depot for the month of November, 2023 assuming the rates of GST on the goods supplied as under: CGST 9% & SGST 9%. Would your answer be different if expenses (i) to (v) given in above table are already included in the price of ₹ 2,00,000?

Note:

- (i) All the amounts given above are exclusive of GST.
 - (ii) Kamal Book Depot and Mr. Mehta are not related persons and price is the sole consideration of the supply. **Payment and invoice for the second order will also be made in the month of December, 2025 only.
- (RTP May, 2019)

Solution

: Computation of value of taxable supply and tax liability (amount in ₹)

Particular	amount
Price of the goods	2,00,000
i) Packing charges	5,000
ii) Freight & Cartage	2,000
iii) Transit insurance	1,500
iv) Extra designing charges	6,000
v) Taxes by Municipal Authority	500
Value of taxable supply	2,15,000
CGST @ 9%	19,350
SGST @ 9%	19,350

Working Notes:

- (1) As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e. the price actually paid or payable for the said supply.
- (2) All incidental expenses including packing charged by the supplier to the recipient are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
- (3) The given supply is a composite supply involving supply of goods (stationery items) and services (transit insurance and freight) where the principal supply is the supply of goods. As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.
- (4) Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; is includible in the value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.
- (5) The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
- (6) In the given case, Mr. Mehta is allowed a discount of 20,000 on the goods supplied to him in the month of November, 2025. Since the said goods have already been delivered by Kamal Book Depot, this discount will be a post-supply discount. Further, value of supply shall not include any discount which is given after the supply has been effected, if-
 - (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and

(ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017]. However, in the given case, post-supply discount given to Mr. Mehta will not be allowed as a deduction from the value of supply since the discount policy was not known before the time of such supply although the discount can be specifically linked to relevant invoice (invoice pertaining to stationery items supplied to Mr. Mehta in November, 2025)

In case the expenses (i) to (v) given in above table are already included in the price of 2,00,000: Since these expenses are includible in the value of supply by virtue of the reasons mentioned in explanatory notes above, no further addition will be required. Resultantly, the value of taxable supply will be 2,00,000 and CGST and SGST will be 18,000 and 18,000 respectively

Illustration 24

Kaashi Ltd. supplies machinery to Alisha Ltd. (Dealer in same State), provides following particulars regarding the same. Determine the value of taxable supply of machinery. (4 marks, MTP May 2020)

Particular	AMOUNT
1) Price of Machinery (exclusive of taxes and discounts)	5,50,000
2) One part is directly fitted in machinery at place of Alisha Ltd. (amount paid by Alisha Ltd. Directly to supplier, as per contract this amount should be paid by Kaashi Ltd. and not included in price)	20,000
3) Installation and testing charges for machinery, not included in price	25,000
4) Discount @ 2% on machinery price (recorded in the invoice)	
5) Kaashi Ltd. provides additional 1% discount at year end, based on additional purchase of other machinery (discount is not linked to the relevant invoice and proportionate ITC has not been reversed by Alisha Ltd.)	

Solution

Computation of taxable value of supply of machinery (amount in ₹)

Particular	AMOUNT
Price of Machinery (exclusive of taxes and discounts)	5,50,000
Add: Amount paid by Alisha Ltd. directly to the supplier for a part fitted in the machinery [WN -1]	20,000
Add: Installation and testing charges [WN -2]	25,000
Less: Discount 2% on machinery price [5,50,000 × 2%] [WN -3]	(11,000)
Less: Additional 1% discount at year end [WN -4]	Nil
Value of taxable supply	5,84,000

Working Notes: As per section 15 of CGST Act, 2017

- (1) 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 shall be included in the value of supply.
- (2) 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 shall be included in the value of supply.

- (3) Since discount is given at the time of supply of machinery and recorded in the invoice, the value of the supply shall not include such discount.
- (4) Though the additional discount is established before or at the time of supply, it shall not be excluded from the value of supply as the same is not linked to the relevant invoice and proportionate ITC has not been reversed by Alisha Ltd

Illustration 25

Following are the particulars, relating to one of the machine sold by SQM Ltd. to ACD Ltd. in the month of February 2026 at list price of ₹ 9,50,000. (exclusive of taxes and discount) Further, following additional amounts have been charged from ACD Ltd: (6 Marks, Nov 2021)

Particulars	Amount ₹
i) Municipal taxes chargeable on the machine	45,000
ii) Outward freight charges (Contract was to deliver machine at ACD Ltd.'s factory i.e. F.O.R. contract)	65,000

Additional information:

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

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

Solution

Computation of value of taxable supply:

Particulars	Amount ₹
List price (exclusive of taxes and discount)	9,50,000
i) Municipal taxes [WN-1]	45,000
ii) Outward freight charges [WN-1]	65,000
Value of taxable supply	10,60,000

Working 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

Illustration 26

XYZ Pvt. Ltd. provided the following particulars relating to goods sold by it to ABC Pvt. Ltd

Particulars	Amount ₹
List price of the goods (exclusive of taxes and discount)	50,000
Tax levied by the Municipal Authority on the sale of such goods	6000
Packing charges (not included in the list price above)	2500
Subsidy received from a NGO, directly linked to price (included in the list price above)	3,000
Paid to one of the vendors by ABC Pvt. in relation to the service provided by the vendor to XYZ Pvt Ltd. (not included in the list price above)	2,000

XYZ Pvt. Ltd. offers 2% turnover discount on the list price after reviewing the performance of ABC Pvt. Ltd. discount was not known at the time of supply. ABC Pvt. Ltd. delayed the payment and paid 5,000 (including GST of 18%) as interest to XYZ Pvt. Ltd. Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law. (6 Marks, May 2022)

Solution

Computation of value of taxable supply made by XYZ Pvt. Ltd.:

Particulars	₹
List price of the goods (exclusive of taxes and discount)	50,000
Tax levied by Municipal Authority on the sale of such goods [Taxes other than GST, if charged separately, are includible in the value of supply.]	6000
Packing charges [Being incidental expenses, same are includible in the value of supply.]	2500
Subsidy received from NGO [Since subsidy is received from a non-Government body and directly linked to the price, the same is includible in the value of supply.]	Nil
Payment made by ABC Pvt. Ltd. in relation to service provided by vendor to XYZ Pvt Ltd. [Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.]	2,000
Turnover discount [Since discount is not known at the time of supply, it is not deductible from the value of supply.]	-
Interest for delayed payment (rounded off) (Includible in the value of supply) [5,000 × 100/118]	4,237
Value of taxable supply	64,737



Illustration 27

Kaya Trade Links Pvt. Ltd. is a registered manufacturer of premium ceiling fans. It sells its fans exclusively through distributors appointed across the country. The maximum retail price (MRP) printed on the package of a fan is ₹ 10,000. The company sells the ceiling fans to distributors at ₹ 7,000 per fan (exclusive of applicable taxes). The applicable rate of GST on ceiling fans is 18%.

The stock is dispatched to the distributors on quarterly basis - stock for a quarter being dispatched in the second week of the month preceding the relevant quarter. However, additional stock is dispatched at any point of the year if the company receives a requisition of that effect from any of its distributors.

The company charges ₹ 1,000 per fan from distributors towards packing expenses. The company has a policy of offer a discount of 10% (per fan) on fans supplied to the distributors for a quarter, if the distributors sell 500 fans in the preceding quarter. The discounts is offered on the price at which the fans are sold to the distributors (excluding all charges and taxes).

The company appoints Prakash Sales as a distributor on 1st April and dispatches 750 fans on 8th April as stock for the quarter April-June. Prakash Sales places a purchase order of 1,000 fans with the company for the quarter July-September. The order is dispatched by the company on 10th June and the same is received by the distributor on 18th June. The distributor makes the payment for the fans on 26th June and avails applicable input tax credit. The distributor reports sales of 700 fans for the quarter April-June and 850 fans for the quarter July-September.

Examine the scenario with reference to Section 15 of the CGST Act, 2017 and compute the taxable value of fans supplied by Kaya Trade Links Pvt. Ltd. to Prakash Sales during the quarter July-September.

Note: Make suitable assumptions, wherever necessary.

(MTP May, 2018)

Solution

- 1) As per Section 15(3) of CGST Act, 2017, the value of the supply shall not include any discount which is given-
 - a) Before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and
 - b) After the supply has been affected, if—
 - (i) Such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply
- 2) **Nature of discount - Post supply discount:** In the given case, Prakash Sales is entitled for 10% discount on fans supplied by Kaya Trade Links Pvt. Ltd. for the quarter July-September as it has sold more than 500 fans in the preceding quarter April-June. However, since the entire stock for the quarter July-September has already been despatched by Kaya Trade Links Pvt. Ltd. in the month of June, the discounts on the fans supplied to Prakash Sales for the quarter July-September will be a post supply discount.
- 3) **Allowability of discount on assumption of reversal of ITC by Recipient :** Such post-supply discount will be allowed as a deduction from the value of supply since the discount policy was



known before the time of such supply and the discount can be specifically linked to relevant invoices (invoices pertaining to fans supplied to Prakash Sales for the quarter July-September) provided Prakash Sales reverses the input tax credit attributable to the discount on the basis of document issued by Kaya Trade Links Pvt. Ltd

4) The value of supply will thus, be computed as under

Particulars	₹
Price at which the fans are supplied to Prakash Sales [WN-1]	7000
Add: Packing expenses [WN-2]	1000
Less: Discount [WN-3]	700
Value of taxable supply of one unit of fan	7300
Value of taxable supply of fans for the quarter July-September [₹7,300 × 1,000]	73,00,000

Working Notes:

- 1) **Value of supply - Transaction value:** The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of Section 15(1) of the CGST Act presuming that the supplier and the recipient of supply are not related and price is the sole consideration for the supply.
- 2) **Packing charges:** The value of supply includes incidental expenses like packing charges in terms of Section 15(2)(c) of the CGST Act
- 3) **Post supply discount:** Since all the conditions specified in Section 15(3)(b) of the CGST Act have been fulfilled, the post-supply discount will be allowed as deduction from the value of supply presuming that Prakash Sales has reversed the input tax credit attributable to such discount on the basis of document issued by Kaya Trade Links Pvt. Ltd.

The amount of input tax credit to be reversed shall be arrived as under (amount in ₹)

Particulars	₹
No. of fans supplied	1000
Amount of discount per fan	700
Total Discount	700,000
Rate of GST	18%
Amount of ITC to be reversed	1,26,000

Illustration 28

M/s. ILP Ltd. is a manufacturer of sharbat. It sells sharbat in bottles to various retail shop-keepers and gives 25 bottles free along with purchase of every 100 bottles. The MRP indicated on each bottle is ₹200 per bottle. The transaction value is ₹160 per bottle. During a month, M/s. ILP Ltd. sold 1,00,000 bottles and gave away 25,000 bottles free to the retail shop-keepers. Compute the amount of GST payable by M/s. ILP Ltd. GST rate is 18%

Solution

Offering of extra quantity of the same product is to be treated in the nature of discount. This discount or value of free article/extra quantity of the same product which is known at the time of recognition of supply shall not be included in the transaction value of supply so as to compute GST



liability. Thus, no GST is required to be paid on the notional value of the extra units/quantity of the product being offered as promotional tool as is in the nature of discount.

It has been clarified vide Circular No. 92/11/2019-GST, dated 07-03-2019 that as per Section 7(1)(a) of the said Act, the goods or services which are supplied free of cost (without any consideration) shall not be treated as 'supply' under GST (except in case of activities mentioned in Schedule I of the said Act). 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. In fact, 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 as per the provisions of section 8 of the said Act.

In the present case, the sale is for the gross quantity (1,25,000) at the net price (₹160 per bottle on 1. Accordingly, the computation of GST payable is as shown below:

Particulars	₹
No. of bottles on which GST payable (A)	100,000
Transaction value per bottle (B)	160
Total transaction value on which GST is payable (C) = (A) × (B)	1,60,00,000
GST liability @ 18% (D = C × 18%)	28,80,000

Illustration 29

M/s. Dental Care Ltd. has introduced a new product 'CLOVE' toothpaste. Determine the GST payable if rate of tax is 18% on tooth paste and tooth brush:

- 1,000 pieces having retail sale price (RSP) ₹ 70 per piece are sold in retail packages to wholesale dealer at ₹ 50 per piece.
- 2,500 pieces having RSP ₹ 70 per piece are sold in retail packages, but buyer is charged for 2,400 pieces only at ₹ 50 per piece (100 pieces have been given free as quantity discount).
- 50 pieces were given away as free samples, without any RSP on the pack.
- 200 multi-packs were cleared at ₹ 90 per pack, each containing two toothpaste tubes and one tooth-brush free (without any RSP on it).

The amount charged from the dealers/buyers are exclusive of GST

Solution

The GST payable is as computed below

Particulars	₹
1,000 pieces at transaction value of ₹ 50 per piece (Retail sale price is not relevant as value for the purpose of calculating GST liability is the transaction value charged from the buyers)	50,000
2,400 pieces at transaction value of ₹ 50 per piece (Offering of extra quantity of the same product is to be treated in the nature of discount. This discount or value of free article/ extra quantity of the same product which is known at the time of	1,20,000

CHAPTER - 7

VALUE OF SUPPLY



CA VARDHAMAN DAGA

recognition of supply shall not be included in the transaction value of supply so as to compute GST liability.)	
Samples: 50 pieces are given free of cost [The goods or services or both which are supplied free of cost (without any consideration) shall not be treated as 'supply' under GST (except in case of activities mentioned in Schedule I of the said Act), hence no GST is payable] - Circular No. 92/11/2019-GST, dated 07-03-2019	-
Multi-packs: 200 packs at transaction value of ₹90 per pack (It has been clarified vide Circular No. 92/11/2019-GST, dated 07-03-2019, 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 as per the provisions of section 8 of the said Act. Since GST rate on tooth paste and tooth brush is 18%, hence 18% rate will be applicable.)	18,000
Total Transaction value	1,88,000
GST payable @ 18%	33,840

Illustration 30

Computation of value of taxable supply: From the following information determine the value of taxable supply as per provisions of Section 15 of the CGST Act, 2017?

Particulars	₹
Value of machine (including GST @ 12%)	15,00,000
The invoice value includes the following -	
(1) Taxes (other than CGST/SGST/IGST) charged separately by the Supplier	15,000
(2) Weighment and loading charges	25,000
(3) Consultancy Charges in relation to pre-installation planning	10,000
(4) Testing Charges	2,000
(5) Inspection Charges	4,500
Other information:	
i) Subsidy received from Central government for setting up factory in backward region	50,000
ii) Subsidy received from third party for timely supply of machine to recipient	51,000
iii) Trade discount actually allowed shown separately in invoice	24,000

Give reasons with suitable assumptions where necessary.

Solution

Computation of Value of taxable supply of goods (amount in ₹)

Particulars	₹	₹



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Value of machine		15,00,000
Less:		
(1) Taxes other than CGST/SGST/IGST charged separately by the supplier [WN-1]	-	
(2) Weighment and loading charges [WN-2]	-	
(3) Consultancy Charges in relation to preinstallation planning [WN-2]	-	
(4) Testing Charges [WN-2]	-	
(5) Inspection Charges charged before supply [WN-2]	-	
(6) Trade discount actually allowed shown separately in invoice [WN-2]	24,000	24,000
Add: Subsidy received from third party for Timely supply of machine to recipient [WN-4]		50,000
Cum tax value		15,26,000
Less: GST @ 12% [15,26,000 × 12/ 112] [WN-5]		1,63,500
Value of taxable supply		13,62,500

Working Notes: In the given question, for the purpose of determining the value of taxable supply of goods

- (1) As per Section 15(2)(a) of CGST Act, 2017, any duty, taxes, cesses, fees and other charges, charged separately by supplier are to be included in value of taxable supply. Since it is already included in the value, no treatment is required.
- (2) As per Section 15(2)(c) of CGST Act, 2017, 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 shall be included in the value of taxable supply. Hence, weighment and loading charges, consultancy charges, testing charges and inspection charges shall also be included in the value of taxable supply. Since it is already included in the value, no treatment is required.
- (3) As per Section 15(3)(a), the value of the supply shall not include any discount which is given before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply. Hence, the same is deductible to arrive at value of taxable supply.
- (4) As per Section 15(2)(e), the value of supply shall include subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments. Hence, subsidy received from third party for timely supply of machine to recipient will be included in the value of taxable supply whereas subsidy received from Central government for setting up factory in backward region shall not be included in value of taxable supply.
- (5) As per Section 15(2)(a) of the CGST Act, 2017, value of supply shall not include any taxes or cesses levied under CGST Act, SGST Act, UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier.

Illustration 31

Value of taxable supply - Section 15: Comfort footwear, a registered supplier of Agra, has a non-moving stock worth 8,00,000 of a particular variety of shoes that are out of fashion. It has not been able to find market in spite of huge discounts offered. Subsequently, it was able to sell this stock at



a very low price of 5,00,000 to a retailer in Madhya Pradesh with a condition that the retailer would display hoardings of Comfort Footwear in all their retail outlets in the Determine the value of supply.

Solution

In this case the supplier and recipient are not related persons. Although a condition is imposed on the recipient on effecting the sale, such a condition has no bearing on the contract price. This is a case of distress sale, and in such a case, it cannot be said that the supply is lacking 'sole consideration'. Therefore, the price of 5,00,000 will be accepted as value of supply.

Illustration 32

Computation of value of taxable supply and tax payable: Determine the value of taxable supply as per Section 15 of the CGST Act, 2017 and the Rules thereof:

Particulars	₹
Contracted sale price of goods (including CGST and SGST @ 5%)	10,56,000
The contracted sale price includes the following elements of cost:	
i) Cost of drawings and design	5,000
ii) Cost of primary packing	2,000
iii) Cost of packing at buyer's request	4,000
iv) Freight and insurance from 'place of removal' to buyer's premises	43,000

A discount of 6,000 was given by the supplier at the time of supply of goods. CGST and SGST is levied @5%.

Solution

Computation of Value of taxable supply (amount in

Particulars	₹
Contracted sale price of goods	10,56,000
Less: Discount [WN-2]	6,000
Cum tax value	10,50,000
Less: GST @5% [10,50,000 × 5/105] [WN-3]	50,000
Value of taxable supply	10,00,000

Working Notes:

- (1) As per Section 15(2)(c) of CGST Act, 2017, 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 shall be included in the value of taxable supply. Hence, drawing and design charges, cost of packing (even at buyer's request) and freight and insurance charges shall form a part of the transaction value of the supply. Since these are already included in the value of the goods, hence, separate treatment is not required.
- (2) The value of supply shall not include any discount which is given before or at the time of supply. [Section 15(3)(a) of CGST Act, 2017]



- (3) The value of supply shall include any taxes, duties, cess, fees and charges levied under any law for the time being in force other than the CGST Act, the SGST Act, the UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier. [Section 15(2)(a) of CGST Act, 2017]

Illustration 33

Describe the conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of Section 15(3) of the CGST Act, 2017. (5 Marks, May 2024)

Solution

Conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of section 15(3) of the CGST Act, 2017 are as follows:

- Discount is in terms of an agreement entered into
- at or before the time of supply.
- Discount can be specifically linked to relevant invoices.
- Input tax credit as is attributable to the discount on the basis of document issued by supplier is reversed by the recipient of the supply.

ILLUSTRATION 34

Computation of value of taxable supply: From the following information determine the value of taxable supply as per provisions of Section 15 of the CGST Act, 2017?

Particulars	₹
Contracted value of supply of goods (including GST @ 18%)	11,00,000
The contracted value of supply includes the following:	
(a) Cost of primary packing	25,000
(b) Cost of protective packing at recipient's request for safe Transportation	15,000
(c) Design and engineering charges	85,000
Other information:	
(i) Commission paid to agent by recipient on instruction of Supplier	5,000
(ii) Freight and insurance charges paid by recipient on behalf of supplier	75,000

Give reasons with suitable assumptions where necessary.

SOLUTION

Computation of value of taxable supply of goods (amount in ₹)

Particulars	₹	₹
Contracted value of supply of goods		11,00,000
(a) Cost of primary packing [WN - 1]	-	
(b) Cost of protective packing at recipient's request for safe transportation [WN - 1]	-	
(c) Design and engineering charges [WN - 2]	-	



Add: Commission paid to agent by recipient on instruction of supplier [WN - 3]	5,000	
Freight and insurance charges paid by recipient on behalf of supplier [WN - 3]	75,000	80,000
Cum tax value		11,80,000
Less: GST 18% [$11,80,000 \times 18/118$]		1,80,000
Value of taxable supply		10,00,000

Working Notes: For the purpose of determining the value of taxable supply, the following adjustments shall be made

- As per Section 15(2)(c) of CGST Act, 2017, cost of primary packing and protective packing at recipient's request for safe transportation charged by supplier from the recipient shall be included for determining the value of taxable supply. Since it is already included in the value, no treatment is required
- As per Section 15(2)(c) of CGST Act, 2017, 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 shall be included in the value of taxable supply. Hence, design and engineering charges shall also be included in the value of taxable supply. Since it is already included in the value, no treatment is Required.
- As per Section 15(2)(b) of the CGST Act, 2017, any amount that the supplier is liable to pay in relation to such 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 shall be included in the value of supply. Thus, commission paid to agent by recipient on instruction of supplier and freight and insurance charges incurred by recipient on behalf of supplier shall form part of value of taxable supply.
- As per Section 15(2)(a) of the CGST Act, 2017, value of supply shall not include any taxes or cesses levied under CGST Act, SGST Act, UTGST Act and the GST (Compensation to States) Act, if charged separately by the supplier.

ILLUSTRATION 35

Describe the conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of Section 15(3) of the CGST Act, 2017. (5 Marks, May 2025)

ANSWER

Conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per the provisions of section 15(3) of the CGST Act, 2017 are as follows:

- Discount is in terms of an agreement entered into
- at or before the time of supply.
- Discount can be specifically linked to relevant invoices.
- Input tax credit as is attributable to the discount on the basis of document issued by supplier is reversed by the recipient of the supply.

ILLUSTRATION 36

Computation of Value of Taxable supply: Ajay, a registered person, provided the following details about transactions entered into by him in the month of July, 2025:



- (i) He sold goods to Wellness Pharma in 3,000 units @ 400 each. Under Section 206C(1H) of Income-tax Act, 1961, he is required to collect tax (TCS) of 2,000 as TCS in tax invoice issued to the party.
- (ii) Under a contract with State Government, he sold goods to Economic Weaker Section families (identified by State Government) in 1,000 units (unit price is 400 per unit) @ 200 per unit. Balance 200 per unit will be paid to him by State Government as subsidy.
- (iii) Issued credit notes worth 1,50,000 net of GST as discount to its registered dealers who purchased 9190 more than 5,000 units between October, 2024 to December, 2024 under Festival Bonanza Scheme declared on 01-10-2024. The above discount provided invoice wise with a condition of reversal of ITC by registered dealer.
- (iv) Sold goods to Old Age Home for consideration of ₹ 1,00,000 (Normal Sale Value is 2,00,000). SAMVEDNA, an NGO registered under section 12AA of Income-tax Act, 1961 gave them a subsidy of 30,000 to acknowledge his services to elderly people living in old age home.
- (v) After analysis of sale report of first quarter he decided to give discount of 1% to shopkeepers whose total purchases exceeds 25,00,000 during the quarter ending June, 2025. Total discount given to such shopkeepers is ₹ 1,30,000.

Compute the taxable value of supply for the month of July, 2025 on which Mr. Ajay shall pay GST.
All the amounts stated above are exclusive of GST. (5 Marks, May 2025)

SOLUTION

Computation of taxable value of supply on which GST shall be paid by Mr. Ajay for July 2025:

Particulars	Amount (₹)
Goods sold to Wellness Pharma [3,000 units × 400] [TCS collected under the Income-tax Act, 1961 is not includible as it is an interim levy / not having the character of tax.]	12,00,000
Goods sold to Economic Weaker Section families [1,000 units × 200] [Subsidy given by the State Government is not includible in the value of supply.]	2,00,000
Credit note issued [Post supply discount is allowed as deduction from the value of supply if (i) it is agreed at the time of supply, (ii) proportionate ITC is reversed by the recipient, and (iii) it is specifically linked to relevant invoices.]	(1,50,000)
Sold goods to old age home [Transaction value is the value of supply. Subsidy received from a non-Governmental organisation is includible in the value only if it is directly linked to the price of the goods. Thus, subsidy received from the NGO-SAMVEDNA is not includible in the value since it is blanket subsidy and not directly linked to the price of the goods]	1,00,000
Discount given to shopkeepers [Post supply discount is not allowed as deduction from the value of supply since in the given case, the same is not agreed at the time of supply.]	-
Value of taxable supply on which GST is to be paid by Mr. Ajay	13,50,000



CHAPTER – 8

INPUT TAX CREDIT

STUDY MATERIAL

Illustration 1

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. 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 invoice (₹)	Amount of ITC that can be availed (₹)
80 invoices furnished in GSTR-1	6 lakh	6 lakh (note 1)
20 invoices not furnished in GSTR-1	4 lakh	Nil (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..

Illustration 2

ABC Co. 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

CHAPTER - 8

INPUT TAX CREDIT



CA VARDHAMAN DAGA

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	GST(₹)
	Total ITC	8,20,000

Illustration 3

XYZ Ltd., is engaged in manufacture of taxable goods. Compute the ITC available with XYZ Ltd. for the month of October from the following particulars:

S no.	Inward supplies	GST(₹)	Remarks
(i)	Inputs 'X'	1,00,000	One invoice on which GST payable was 10,000, is missing
(ii)	Inputs 'Y'	50,000	Inputs are to be received in two instalments. First instalment 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 20 th January on which GST payable was ₹50,000 has been received in October

Note:

- All the conditions necessary for availing the ITC have been fulfilled.
- XYZ Co. Ltd. is not eligible for any threshold exemption.
- The annual return for the previous financial year was filed on 15th September,

Solution

Computation of ITC available with XYZ Ltd. for the month of October:

S no.	Inward supplies	ITC (₹)
(i)	Inputs 'X' [WN-1]	90,000
(ii)	Inputs 'Y'	Nil
(iii)	Capital goods	Nil
(iv)	Input services	1,75,000
	Total	2,65,000

Working Notes:

- ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC - Section 16(2)(a).
- When inputs are received in instalments, ITC can be availed only on receipt of last instalment- First proviso to Section 16(2).
- Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component - Section 16(3).



(4) 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.

Since the annual return for the financial year has been filed on 15th September (prior to 30th November), ITC on the invoice pertaining to financial year cannot be availed after 15th September.

Illustration 4

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	(₹)
Intra-State supply of goods	8,00,000
Inter-State supply of good	3,00,000

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

Particulars	(₹)
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	(₹)
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 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 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.

TEST YOUR KNOWLEDGE

Illustration 5

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.

Illustration 6

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.

Illustration 7

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.

Illustration 8

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]".



Illustration 9

What is the ITC entitlement of a newly registered person?

Ans

- (i) A person who has applied for registration within 30 days 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.

Illustration 10

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, molds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

Illustration 11

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.

Illustration 12

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

Illustration 13

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?

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.

Illustration 14

A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ without payment of GST as these supplies are not taxable.

The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments.

Solution

ITC is disallowed only to the extent it pertains to supplies used for nonbusiness purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units are zero rated supplies in terms of section 16(1) of the IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ for authorized operations.

Illustration 15

AB, a registered person, was paying tax under composition scheme up to 30th July. 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.

Illustration 16

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.

Illustration 17

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 relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e. 30th September. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

Illustration 18

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 material (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 treatment of various items.

Solution

Computation of ITC that can be availed by Harshgeet Pvt. Ltd. for the month of July:

Particulars	ITC (₹)
Total ITC	1,10,000

Illustration 19

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	
	- Raw spices sold to customers	50,000
	- Raw spices used for personal use of directors	20,000
(2)	Electric machinery purchased for being used in the manufacturing process	25,000
(3)	Motor vehicle used for transportation of the employee	55,000
(4)	Payment made to contractor for construction of staff quarter	1,25,000

Determine the amount of ITC 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

Computation of ITC that can be availed by Jamku Ltd. for the month of October

Particulars	ITC (₹)
Total ITC	75,000

Illustration 20

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. [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

Computation of ITC that can be availed by Dina Ltd. for the month of March:

Particulars	ITC (₹)
Total ITC	2,87,000

Illustration 21

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 Info-tech (P) Ltd. for ₹ 11,00,000/- (excluding GST @ 18%) on 28th October. Invoice for service rendered was issued on 5th November.

Comfortable (P) Ltd. made part payment of 4,20,000/- on 30th November. Being unhappy with service provided by High-fi Info-tech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by High-Fi Info-tech (P) Ltd. by 15th April of next year. Comfortable (P) Ltd. made the balance payment on 6th July of next year.

Examine the availability of ITC with Comfortable (P) Ltd. in respect of IT engineering services received by it from High-Fi Info-tech (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 along with interest. However, once the recipient makes the payment of value of goods and/or services along with tax, he will be entitled to avail the credit again without any time limit. In case part-payment has been made, proportionate credit would be allowed.

In the given case, High-fi Info-tech (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 ($11,00,000 \times 18\%$) will be availed by Comfortable (P) Ltd. for the month of November when it receives the invoice issued by High-fi Info-tech (P) Ltd.

However, proportionate ITC amounting to $1,33,932 \Rightarrow [(12,98,000 - 4,20,000)/118] \times 18$ will be reversed in GSTR-3B of Comfortable (P) Ltd. for May month, along with interest thereon, as full payment has not been made within 180 days of issuance of the invoice, i.e. by 4th May of next year. ITC of 1,33,932 can, however, be availed again by Comfortable (P) Ltd. for the month of July next year when it makes the balance payment.

Illustration 22

M/s. Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ 50 per kg (exclusive of GST) on M/s. Karim & Bros. of Noida, U.P. M/s. Karim & Bros. has agreed to deliver the goods at the warehouse of M/s. Diwan & Sons at New Delhi.

While the order was getting packed at the factory of M/s. Karim & Bros., M/s. Diwan & Sons got an order from Shubhkamna Sales of Hapur, U.P., for 250 kg of plastic granules @ ₹ 60 per kg (exclusive of GST). In order to save on transportation cost, M/s. Diwan & Sons asks M/s. Karim & Bros. to directly deliver the plastic granules to Shubhkamna Sales at its godown located in Hapur. Accordingly, M/s. Karim & Bros. has delivered the plastic granules at the godown of Shubhkamna Sales at Hapur. Examine the availability of ITC with M/s. Diwan & Sons & M/s. Karim & Bros. 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.

Illustration 23

Paritosh & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

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

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

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

Note:

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- Both inward and outward supplies are exclusive of taxes, wherever applicable.
- All the conditions necessary for availing 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 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



CGST and SGST ITC utilized against CGST and SGST output Tax liability respectively	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	16,000	16,000	nil	32,000

PREVIOUS YEAR QUESTIONS

Illustration 24

Determine the amount of Input tax credit available to Posco Ltd. in respect of the following items procured by them in the month of February:

S no.	Inward supplies	GST ₹
1.	Input used for the manufacture of the final product	72,000
2.	Food and Beverages procured from Sweet Caterers for employees under statutory obligation	48,000
3.	Goods used for providing services during warranty period	12,000
4.	Goods used for setting up Telecommunication Towers being immovable property	90,000
5.	Inputs stolen from the factory store	13,200

Solution

Computation of Input Tax credit available with Posco Ltd.

Particulars	₹
Input used for the manufacture of the final product	72,000
Food and Beverages procured from Sweet Caterers for employees under statutory obligation [WN-1]	48,000
Goods used for providing services during warranty period (Since used in course of business hence, input tax credit shall be available)	12,000
Goods used for setting up Telecommunication Towers being immovable Property [WN-2]	Nil
Inputs stolen from the factory store [WN-3]	Nil
Total Input tax credit available	1,32,000

Working Notes:

- As per Section 17(5)(b), no Input tax credit is available in respect of food and beverages except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply or if provision of such goods or services is obligatory for an employer to provide to its employees under any law for the time being in force. Since in this case food and beverages are provided to employees under statutory obligation, Hence, input tax credit is available.



- 2) As per Section 17(5)(d), Goods received by taxable person for construction of an immovable property (other than Plant and Machinery) on his own account including when such goods used in course or furtherance of business shall be considered as ineligible input and no credit shall be allowed of tax paid on such goods. Since Telecommunication tower is an immovable property, hence, no input tax credit shall be allowed in respect of goods used for setting it up.
- 3) As per Section 17(5)(h), Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples are considered as ineligible input and credit of GST paid on such goods cannot be take

Illustration 25

Determine the amount of Input tax credit admissible to PQR Ltd. in respect of the following goods procured by it in the month of January:

S no.	Inward supplies	GST (₹)
1.	Goods used in constructing an additional floor of office building	28,800
2.	Packing Materials used in a factory	6,000
3.	Goods destroyed due to natural calamities	12,500
4.	Goods used for repairing the office building and cost of such repairs is 12,000 debited to profit and loss account	12,000
5.	Paper for photocopying machine used in Administrative Office	950
6.	Goods given as gifts	25,000
7.	Inputs used for tests or quality control check	15,600

Note: (i) All the conditions necessary for availing the ITC have been fulfilled. (ii) Registered Person is not eligible for any threshold exemption.

Solution

Computation of Input tax credit available with PQR Ltd.

Particulars	₹
Goods used in constructing an additional floor of office building	Nil
Packing Materials used in a factory	6,000
Goods destroyed due to natural calamities	Nil
Goods used for repairing the office building and cost of such repairs is 12,000 debited to profit and loss account	12,000
Paper for photocopying machine used in Administrative Office	950
Goods given as gifts	Nil
Inputs used for tests or quality control check	15,600
Total ITC available	34,550

Working Notes:

- 1) As per Section 17(5)(d), input tax credit shall not be available in respect of goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used

in the course or furtherance of business. Hence, input tax credit shall not be available in respect of goods used in construction of an additional floor of office building.

- 2) Section 17(5)(h), input tax credit shall not be available in respect of goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples. Hence, no ITC shall be available in respect of goods destroyed due to natural calamities.
- 3) As per the explanation, the expression "Construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the immovable property. Goods used for revenue repairs are considered as an eligible input and credit shall be allowed on the same.

Illustration 26

Determine the amount of Input tax credit admissible to P Ltd. in respect of the following items procured by them in the month of March:

S no.	Inward supplies	GST ₹
1.	Goods supplied for captive consumption in a factory	9,800
2.	Goods purchased for being used in repairing the factory shed and same has been capitalized in books	18,000
3.	Cement used for making foundation and structural support to Plant and Machinery	14,000
4.	Inputs used in trial runs	14,560
5.	Food and beverages purchased for the employees during office hours not under statutory obligation	8,400

Note:

- (i) All the conditions necessary for availing the ITC have been fulfilled.
- (ii) Registered person is not eligible for any threshold exemption.

Solution

Computation of Input tax credit available with P Ltd.

Particulars	₹
Goods supplied for captive consumption in a factory (Since, used in course of Business hence, ITC on same shall be admissible)	9,800
Goods purchased for being used in repairing the factory shed and same has been capitalized in books [WN-1]	Nil
Cement used for making foundation and structural support to Plant and Machinery [WN-2]	14,000
Inputs used in trial runs (Since used in course of business hence, input tax credit shall be available)	14,560
Food and beverages purchased for the employees during office hours not under statutory obligation [WN-3]	Nil
Total Input tax credit available	38,360

Working Notes:

- 1) As per Section 17(5)(d), input tax credit shall not be available in respect of goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used

in the course or furtherance of business. Construction includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property. Since the cost of repairs is capitalized in books, no credit of input tax paid on goods used shall be allowed.

- 2) As per Explanation to Section 17, "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 or services or both and includes such foundation and structural supports. Input tax credit is admissible in respect of goods or services or both received by a taxable person for construction of plant or machinery. Hence, tax paid on cement shall be available for input tax credit.
- 3) As per Section 17(5)(b), No input tax credit is available in respect of food and beverages except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply or where it is obligatory for an employer to provide the same to its employees under any law for the time being in force. Hence, no input tax credit is available on food and beverages for use of employees during office hours.

Illustration 27

A Ltd. procured the following goods in the month of December.

S no.	Inward Supplies	GST ₹
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.	Confectionary 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 Ltd. for the month of December by giving necessary explanations. Assume that all the other conditions necessary for availing ITC have been fulfilled. (6 Marks, July 2021)

Solution

Computation of amount of ITC available for the month of December 2023

S no.	Particulars	GST
1.	Goods used in constructing an additional floor of office building [ITC on goods received by a taxable person for construction of an immovable property on his own account is blocked even if the same is used in the course or furtherance of business. It has been assumed that cost of construction of additional floor has been capitalized.]	Nil
2.	Goods given as free sample to prospective customers [ITC on goods disposed of by way of free samples is blocked.]	Nil
3.	Trucks used for transportation of inputs in the factory [ITC on motor vehicles used for transportation of goods is not blocked.]	11,000



4.	Inputs used in trial runs [Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed.]	9,850
5.	Confectionary items for consumption of employees working in the factory [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.]	Nil
6.	Cement used for making foundation and structural support to plant and machinery [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.]	8,050
Total eligible ITC		28,900

Illustration 28

An Elite Training institute provides service of training pilot in flying commercial aircraft so that candidates become eligible for obtaining Aviation license. Determine whether the institute is eligible to take credit on aircraft purchased for imparting training.

Solution

As per Section 17(5) (aa), no credit of input tax shall be allowed on vessels and aircraft except when they are used

i) For making the following taxable supplies, namely:-

- a) Further supply of such vessels or aircraft; or
- b) Transportation of passengers; or
- c) Imparting training on navigating such vessels; or
- d) Imparting training on flying such aircraft;

ii) For transportation of goods. Since, Aircraft is used to impart training on flying, therefore credit of input tax paid on purchase of aircraft shall be available to Elite Institute.

Illustration 29

Krishna Motors is a car dealer selling cars of an international car company having seating capacity of 7 persons (excluding driver). 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 ITC in respect of the following expenses incurred by it during the course of its business operations: **(RTP May, 2018)**

- 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 washing 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)(a) specifically blocks ITC on motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver).

However, the same is allowed when the motor vehicles are used, inter alia, for further supply of such motor 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 washing 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.

Illustration 30

ABC Co. Ltd. is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.

S no.	Inward Supplies	GST ₹
i.	Electrical transformers to be used in the manufacturing process	3,60,000
ii.	Truck used for transportation of inputs in the factory	2,24,000
iii.	Raw material	2,00,000
iv.	Confectionery items for consumption of employees working in the factory under statutory obligation	25,000

Determine the amount of ITC available with ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items.

Note:

- (1) All the conditions necessary for availing the ITC have been fulfilled.
- (2) ABC Co. Ltd. is not eligible for any threshold exemption.

Solution

Computation of ITC available with ABC Co. Ltd. for the month of July (amount in ₹):

S no.	Particulars	GST ₹
i.	Electrical transformers to be used in the manufacturing process [WN-1]	3,60,000
ii.	Truck used for transportation of inputs in the factory [WN-2]	2,24,000
iii.	Raw material [WN-3]	2,00,000
iv.	Confectionery items for consumption of employees working in the factory under statutory obligation [WN-1]	25,000
	Total Input tax credit available	8,09,000

Working Notes:

- 1) As per Section 16(1), ITC is admissible in respect of any goods used in the course or furtherance of business. Hence, ITC is admissible in case of electrical transformers and raw materials used in course or furtherance of business.
- 2) Motor vehicles used for transportation of goods do not fall under the ambit of blocked credit. Hence, input tax credit shall be allowed on same.
- 3) Being goods used in the course or furtherance of business, ITC thereon is available in terms of Section 16(1).
- 4) As per Section 17(5)(b), 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 or where it is obligatory for an employer to provide the same to its employees under any law for the time being in force. Hence, input tax credit is available on Confectionery items for consumption of employees working in the factory, since the same is provided under statutory obligation.

Illustration 31

Compute the Input tax credit available with Ujjwal Motors Ltd., manufacturer of cars, in respect of the following services availed by it in the month of October:

S no.	Inward supplies	GST ₹
i)	Accounting and Auditing Services	7,200
ii)	Health insurance services for employees (Services are not provided under Government obligation)	16,200
iii)	Routine maintenance of the cars manufactured by Ujjwal Motors Ltd.	18,000
iv)	Repair services for office building (Cost of repairs is charged to Profit and loss Account)	14,400
v)	Travel benefits extended to employees on vacation under statutory obligation	3,360
vi)	Testing services availed for car engines	9,000

Note:

- (1) All the conditions necessary for availing the ITC have been fulfilled.
- (2) Registered Person is not eligible for any threshold exemption

Solution

Computation of Input tax credit available with Ujjwal Motors Ltd. (amount in ₹):

S no.	Inward supplies	GST ₹
i)	Accounting and Auditing Services	7,200
ii)	Health insurance services for employees (Services are not provided under Government obligation) [WN-1]	Nil
iii)	Routine maintenance of the cars manufactured by Ujjwal Motors Ltd.	18,000
iv)	Repair services for office building (Cost of repairs is charged to Profit and loss Account)	14,400
v)	Travel benefits extended to employees on vacation under statutory obligation [WN-2]	3,360
vi)	Testing services availed for car engines	9,000
	Total Input tax credit available	51,960

Working Notes:

- (1) As per Section 17(5)(b)(i), No ITC shall be available in respect of health insurance services availed for employees since the Government has not notified the said services as obligatory services to be provided to employees.
- (2) As per Section 17(5)(b)(iii), ITC shall be allowed on travel benefits extended to employees on vacation since it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

Illustration 32

XYZ Ltd. engaged in supplying taxable goods has availed following services in month of September, 2023. Compute the input tax credit admissible on such input services.

- (1) Sales promotion services = ₹ 16,200
- (2) Health and fitness services availed from Physique Club for upkeep of health of their employees. The said services are not availed under Government obligation = ₹ 10,800
- (3) Hiring of motor bus for transportation of employees. Seating capacity of motor bus is 40 Passengers = ₹ 4,500
- (4) Market research services = ₹ 10,080
- (5) Quality control services = ₹ 18,000
- (6) Work contract services for construction of office building = ₹ 45,000

Note:

- (i) All the conditions necessary for availing the ITC have been fulfilled.
- (ii) Registered Person is not eligible for any threshold exemption.

Solution

Computation of Input tax credit available with XYZ Ltd. (amount in ₹):

Particulars	GST ₹
Sales promotion services [WN-1]	16,200
Health and fitness services availed from Physique Club for upkeep of health of their employees, not under Government obligation [WN-2]	Nil
Hiring of motor bus on rent for transportation of employees. Seating capacity of motor bus is 40 passengers. [WN-3]	4,500
Market research services [WN-1]	10,080
Quality control services [WN-1]	18,000
Work contract services for construction of office building (Not considered as eligible input service)	Nil
Total Input tax credit available	48,780

Working Notes:

- 1) As per the Section 2(60), "Input service" means any service used or intended to be used by a supplier in the course or furtherance of business. So, services like (a) Sales promotion services; (b) Market research services; (c) Quality control services, are used by supplier in course or furtherance of business. Hence, the credit of the tax paid on the aforesaid supply of services is available.
- 2) As per Section 17(5)(b), No input tax credit is available in respect of health and fitness center services where it is obligatory for an employer to provide the same to its employees under any law for the time being in force. Thus, no input tax credit shall be admissible on health and fitness services provided to employees.
- 3) As per Section 17(5)(b)(i), Input tax credit is not allowed in respect of leasing, renting or hiring of motor vehicles referred to in clause (a) except when used for the purposes specified therein. Since bus having seating capacity of 40 passengers do not fall under the ambit of motor vehicles specified in Section 17(5)(a), hence input tax credit shall be admissible

Illustration 33

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:

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S no.	Particulars	₹
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 2024 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.

(4 Marks, May 2018-NS)

Solution

Computation of ITC available with Fun Pharma Private Limited for the month of September:

S no.	Particulars	GST ₹
i)	Purchase of cabs used for the transportation of its employees [WN-1]	-
ii)	Inputs consisting of three lots, out of which first lot was received during the month [WN-2]	-
iii)	Capital Goods (2,50,000 - 25,000) [WN-3]	2,25,000
iv)	Outdoor catering service availed on Women's day [WN-4]	-
	Total	2,25,000

Working Notes:

- As per Section 17(5)(a), no Input tax credit is available in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), unless they are used for making the following taxable supplies, namely:- (A) further supply of such motor vehicles; or (B) transportation of passengers; or (C) imparting training on driving such motor vehicles. Hence, no input tax credit is available on the said motor vehicles.
- When inputs are received in lots/installments, ITC can be availed only on receipt of last lot/installment - First proviso to Section 16(2).
- ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC-Section 16(2)(a).
- As per Section 17(5)(b), input tax credit cannot be availed in respect of supply of outdoor catering service.

Illustration 34

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:

S no.	Particulars	GST ₹
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



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iii)	Computers purchased (Depreciation was claimed on the said GST portion under the ITA, 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. (4 Marks, Nov. 2018-NS)

Solution

Determination of the amount of ITC available to M/s. CANWIN Ltd.:

S no.	Particulars	GST paid ₹
i)	Purchase of Machinery where debit note is issued [ITC can be availed on the basis of debit note issued by the supplier in accordance with Rule 36 of CGST Rules, 2017]	1,15,000
ii)	Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier [As per Explanation to Section 16(2), it shall be deemed that the registered person has received the goods 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. Thus, ITC can be availed in case the goods are directly delivered to job-worker on direction of CANWIN Ltd.]	80,000
iii)	Computers purchased (Depreciation was claimed on the said GST portion under the ITA, 1961) (Depreciation was claimed on the said GST portion - under the Income-tax Act, 1961) [As per Section 16(3), where the registered person has claimed depreciation 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 shall not be allowed.]	-
iv)	Works Contract services availed for construction of Staff quarters within the company premises [The same comes under the ambit of blocked credit u/s 17(5)(c), hence ITC shall not be admissible]	-
	Total Input tax credit available	1,95,000

Illustration 35

Cloud Seven Private Limited, a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of February, 2026:

S no.	Particulars	GST Paid ₹
i)	Trucks used for the transport of raw material	1,20,000



ii)	Food and beverages for consumption of employees working in the factory	40,000
iii)	Inputs are to be received in five lots, out of which third lot was received during the month	80,000
iv)	Membership of a club availed for employees working in the factory	1,50,000
v)	Capital goods (out of five items, invoice for one item was missing and GST paid on that item was 50,000)	4,00,000
vi)	Raw material (to be received in March, 2026)	1,50,000

Determine the amount of input tax credit available with Cloud Seven Private Limited for the month of February, 2026 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled. (RTP Nov 2018)

Solution

Computation of ITC available with Cloud Seven Private Limited (amt. in ₹)

S no.	Particulars	₹
i)	Trucks used for the transport of raw material [WN-1]	1,20,000
ii)	Food and beverages for consumption of employees working in the factory [WN-2]	Nil
iii)	Inputs are to be received in five lots, out of which third lot was received during the month [WN-3]	Nil
iv)	Membership of a club availed for employees working in the factory [WN-4]	Nil
v)	Capital goods (out of five items, invoice for one item was missing and GST paid on that item was 50,000) [WN-5]	3,50,000
vi)	Raw material (to be received in March, 2026) [WN-6]	Nil
	Total	4,70,000

Working Notes:

- 1) ITC on motor vehicles used for transport of goods is not blocked u/s 17(5) of the CGST Act, 2017.
- 2) As per Section 17(5)(b), 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 or where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.
- 3) When inputs are received in installments, ITC can be availed only on receipt of last installment [Section 16(2)].
- 4) Membership of a club is specifically disallowed under section 17(5) of the CGST Act, 2017.
- 5) ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2) of CGST Act, 2017].
- 6) Input tax credit is available only upon the receipt of goods in terms of section 16(2) of CGST Act, 2017.

Illustration 36

Le Marc Ltd. of Nashik, Maharashtra, a registered supplier, is engaged in manufacturing taxable goods. It provides the following details of items purchased and services availed by it from Gujarat, for the month of March, 2026:

S no.	Particulars	IGST ₹
i)	Motor vehicle seating capacity 5 persons (including driver) purchased for employees to be used for personal as well as business purposes	1,50,000
ii)	Motor vehicle purchased for transportation of goods within the factory	2,00,000
iii)	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
iv)	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) of the CGST Act, 2017	36,000

Calculate the amount of eligible input tax credit for the month of March, 2026. (RTP May 2019)

Solution

Computation of eligible input tax credit (amount in ₹):

S no.	Particulars	IGST ₹
i)	Motor vehicle seating capacity 5 persons (including driver) purchased for employees to be used for personal as well as business purposes [WN-1]	-
ii)	Motor vehicle purchased for transportation of goods within the factory [WN-4]	2,00,000
iii)	Food items for consumption of employees. [WN-2]	-
iv)	Rent-a-cab facility availed for employees [WN-3]	36,000
	Total eligible input tax credit	2,36,000

Working Notes:

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

- As per Section 17(5)(a), no Input tax credit is available in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), unless they are used for making the following taxable supplies, namely:- (A) further supply of such motor vehicles; or (B) transportation of passengers; or (C) imparting training on driving such motor vehicles. Hence, no input tax credit is available on the said motor vehicles.
- As per Section 17(5)(b), 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 or where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.
- ITC on supply of rent-a cab services is not blocked where the Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service.
- ITC on motor vehicles used for transport of goods is not blocked u/s 17(5) of the CGST Act, 2017.

Illustration 37

XYZ Ltd., a manufacturer, which is engaged in supply of taxable goods has purchased 10,000 kg of inputs for 10,00,000 (exclusive of CGST @ 6% and SGST @ 6%) on which input tax credit has been taken. Due to technical changes in manufacturing process, the said inputs became obsolete and their value has been written off in the books of accounts. Explain Input tax credit treatment in above case

Solution

As per Section 17(5)(h) of the CGST Act, 2017, if the value of any goods is written off in the books of account, then no input tax credit shall be allowed in respect of the said input. Where input tax credit has been taken in respect of the said goods, the same has to be paid by recipient of input goods. Since in the given case, XYZ Ltd. has availed input tax credit, thus it has to pay 60,000 (₹10,00,000 @6%) towards CGST and 60,000 towards SGST liability.

Illustration 38

XYZ Ltd. is engaged in supply of works contract services for construction of immovable property. It gives a part of the construction work to a sub-contractor. The sub-contractor charges GST in his invoice to XYZ Ltd. You are required to advise XYZ Ltd. If it can avail Input tax credit of the GST charged to it by the sub-contractor.

Solution

As per Section 17(5)(c), input tax credit shall not be available in respect of works contract services when supplied for construction of an immovable property. However, credit is allowed where it is an input service for further supply of works contract service. In the given case, the services supplied by the sub-contractor have been used by the XYZ Ltd. for supply of works contract service. Hence, XYZ Ltd. can avail the Input tax credit of the GST charged on the input service provided by the sub-contractor.

Illustration 39

XYZ Ltd. is engaged in supply of passenger transportation services. In the month of September, 2022, it has purchased 10 motor cabs for 36,00,000 plus GST @ 28%. You are required to advise XYZ Ltd. if it can avail Input tax credit of the GST paid by it on motor cabs.

Solution

As per Section 17(5) (a), input tax credit shall not be available in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver). However, credit will be available when they are used for making the taxable supplies of transportation of passengers. In this case XYZ Ltd. Is engaged in transportation of passengers it will be entitled to take credit of GST amounting 1008000 i.e. 36,00,000 × 28%]

Illustration 40

XYZ Ltd. conducted its 50th Annual General meeting at its head office in New Delhi and availed services of Delicious caterers on that occasion. Delicious caterers charged 15,00,000 plus GST @ 18% for the supply of outdoor catering services. You are required to advise XYZ Ltd. if it can avail Input tax credit of the GST paid on outdoor catering service.

Solution

As per Section 17(5)(b), input tax credit shall not be available in respect of supply of outdoor catering service unless inward supply of such services is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply or where it is obligatory for an employer to provide the same

to it employees under any law for the time being in force. Hence, XYZ Ltd. is not entitled to avail ITC of GST paid on outdoor catering services availed from Delicious caterers.

Illustration 41

M/s. Pradyuman Corporation Pvt. Ltd., a registered dealer of Mumbai furnishes you following information for the month of October, 2024.

S no.	Particulars	Amount ₹
i)	Intra-State sale of Taxable goods (Out of above 50,000 was received as advance in September, 2024)	2,00,000
ii)	Goods purchased from unregistered dealer (Purchase on 20 October, 2024) (10,000 in case of Inter State & Balance Intra-State)	50,000
iii)	Received for services by way of labor contracts for repairing a single residential unit otherwise than as a part of residential complex (It is Intra State transaction)	50,000
iv)	Professional fees paid to Ms. Udadhi located in a non-taxable territory (It amounts to Inter-State transaction)	50,000

Compute GST liability (CGST, SGST or IGST, as the case may be) of M/s. Pradyuman Corporation Pvt. Ltd. for the month of October, 2024. Assume the rates of GST as under: CGST @ 9%, SGST @ 9% and IGST @ 18%.

Note: Turnover of M/s. Pradyuman Corporation Pvt. Ltd. was 2 crore in the Previous F.Y.

(5 Marks, May 2018)

Solution

Computation of GST liability for the month of October 2024:

S no.	Particulars	Value	CGST	SGST	IGST	Total
i)	Intra-State sale of Taxable goods (Out of above 50,000 was received as advance in September, 2024) [WN-1]	2,00,000	18,000	18,000	-	36,000
ii)	Goods purchased from unregistered dealer [WN-2]	50,000	Exempt	Exempt	Exempt	-
iii)	Received for services by way of labor contracts for repairing a single residential unit otherwise than as a part of residential complex (It is Intra State transaction)	50,000	4,500	4,500	-	9,000
iv)	Professional fees paid to Ms. Udadhi located in a non-taxable territory (It amounts to Inter-State transaction)	50,000	-	-	9,000	9,000
	Total GST liability		22,500	22,500	9,000	54,000

Working Note:



- (1) As per Notification No. 66/2017-CT dated 15-11-2017, all taxpayers (except composition suppliers) are exempted from paying GST at the time of receipt of advance in relation to supply of goods. The entire GST shall be payable only when the invoice for the supply of such goods is issued or ought to have been issued. Thus, no GST is payable in respect of advance of ₹ 50,000 in the month of September, 2024 but the same will be payable in the month of October, 2024 when the supply of goods takes place.
- (2) Goods purchased from unregistered supplier is liable to GST on reverse charge basis. However, reverse charge is not applicable only on intra-State/inter-State supplies for specified goods and services received by notified registered supplier from unregistered person.
- (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 complexes are exempt vide Entry 11 of Notification No. 12/2017-CT (Rate). This exemption is not applicable for repair service. The same shall be liable to GST.
- (4) In case of service supplied by a person located in a non-taxable territory to a person other than non-taxable online recipient, GST is payable under reverse charge by such recipient

Illustration 42

Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February 2025:

S no.	Particulars	Amount in ₹
i)	Intra-state taxable supply of service	5,20,000
ii)	Legal fee paid to a Lawyer located within the state	20,000
iii)	Rent paid to the State Government for his office building	30,000
iv)	Received for services towards conduct of exams to Loveall University, Pune (recognized by law), being an inter-State transaction	16,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Thiraj for the month of February 2025. Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amounts given above are exclusive of taxes.

(6 Marks, Nov. 2018-NS)

Solution

Computation of the net GST liability of Mr. Thiraj (amount in ₹)

Particulars	CGST	SGST	IGST
Output tax liability:			
Inter-state supply of services to Love all University, Pune towards conduct of exam is exempt from tax vide Entry 66 of Notification No. 12/2017-CT (Rate)	-	-	-
Intra-State taxable supply of service: 5,20,000 [CGST @ 9% and SGST @9%]	46,800	46,800	-
Total output tax liability under Forward charge [A]	46,800	46,800	-
Tax to be paid under reverse charge as recipient of service through electronic cash ledger:			

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Legal services: 20,000 [CGST @ 9% and SGST @ 9%] [Chargeable to tax under reverse charge vide Entry 2 Notification No. 13/2017-CT (Rate)]	1,800	1,800	-
Rent paid to State Govt. for office building: 30,000 [CGST @ 9% and SGST @ 9%] [Chargeable to tax under reverse charge vide Entry 5A Notification No. 13/2017-CT (Rate)]	2,700	2,700	-
Total GST liability under reverse charge to be deposited through Electronic cash ledger [B]	4,500	4,500	-
Total GST Liability [A + B]	51,300	51,300	-
Less: Input tax credit [GST paid under reverse charge can be availed as credit to be used for payment of output tax liability under forward charge]	4,500	4,500	-
Net GST Liability	46,800	46,800	Nil

Illustration 43

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, 2024:

Particulars	₹
Value of inter-State outward supply to registered persons	30,00,000
Value of intra-State outward supply to registered persons	50,00,000
Value of intra-State outward supply to unregistered persons	15,00,000
Value of intra-State inward supply from registered persons	10,00,000
Value of inter-State inward supply from registered persons	5,00,000
Value of intra-State inward supply from unregistered persons	2,00,000

Following additional information is also provided by Mr. Ekaant:

Particulars	₹
IGST credit on capital goods purchased in the month of July	1,50,000
CGST/ SGST credit on other inward supplies [including credit of ₹ 5,000 (CGST and SGST each) on account of membership of a club]	50,000
Availed consultancy services from Mr. Sujit, advocate located in Delhi (Intra-State services]	1,00,000

CGST: 2,00,000

SGST: 2,00,000

IGST: 5,00,000

Calculate the net GST liability (CGST and SGST or IGST, as the case may be) to be paid in cash for the month of July, 2024 by assuming the rates of GST as under:

CGST: 9%

SGST: 9%

IGST: 18%

Note: (i) All the amounts given above are exclusive of taxes.

(ii) All the conditions necessary for availing the ITC have been fulfilled. (RTP May 2019)



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Solution

Computation of net GST liability of Mr. Ekaant

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
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) [WN-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) (50,00,000+ 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 [WN-2]	10,00,000	90,000	90,000	-
Value of inter-State inward supplies from registered person [WN-2]	5,00,000	-	-	90,000
Value of intra-State inward supplies from unregistered person [WN-3]	2,00,000	-	-	-
IGST credit of capital goods [WN-2]				1,50,000
Credit on other inward supplies purchased in the month of July less credit on membership of a club [WN-2 & 4]		45,000	45,000	-
Credit of legal consultancy services [WN-2]		9,000	9,000	-
Total (C)		3,44,000	3,44,000	7,40,000
Net liability (B) - (C)		2,41,000	2,41,000	-2,00,000
Less: Set off from IGST credit [WN-5]		2,00,000	-	-
Liability after set-off (D)		41,000	2,41,000	NIL
Net GST liability to be paid in cash (A) + (D)		50,000	2,50,000	NIL

Working Notes:



- (1) 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.
- (2) 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.
- (3) Notified intra-State supplies received by a notified registered person from any unregistered supplier, are liable to GST under RCM. Since such supplies have not been notified u/s 9(4) GST is not payable on same. Since no tax has been paid so no credit is available.
- (4) Input tax credit is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.
- (5) Input tax credit of IGST has been used to pay IGST and then for CGST.

Illustration 44

Charm Limited, registered under GST in the State of Jharkhand, manufactures cosmetic products and appointed Mr. Handsome of Mumbai, who is registered under GST in the State of Maharashtra, as their Del- credere agent (DCA) to sell their products. Being a DCA, he agrees to raise invoices in his own name and also guarantees for the realization of payments from customers to Charm Limited

In order to realize the payments from customers on time, he extends short term transaction based loans to them and charges interest for the same.

Mr. Handsome provides you the following details of transactions carried out during the month of March 2025

S no.	Particulars	₹
	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 LTD. In respect of DCA services provided (Interstate transaction)	30,000
	Inward supply :	
iv)	Inter-State supply of goods received from Charm Limited. Being a DCA, no consideration was paid. Value under section 15 - ₹ 2,00,000	Nil
v)	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost.	Nil

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Company charges ₹ 75,000 for such training when it provides the same to others

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amounts given above are exclusive of taxes wherever applicable. Subject to the information given above, necessary conditions are complied with for availment of input tax credit. You are required to calculate the gross GST liability and eligible input tax credit for the month of March 2025 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No. (i) to (v).
(6 Marks, Nov. 2022)

Solution

Computation of gross GST liability of Mr. Handsome for the month of March 2024:

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Goods sold by Mr. Handsome in his DCA capacity	2,80,000	27,000	27,000	-
Add: Interest earned for short term credit facility provided to above customers [CGST : ₹ 3,00,000 × 9%] [SGST : ₹ 3,00,000 × 9%]	20,000			
[Interest included in the value of supply of the goods sold since where DCA is an agent under Schedule - I of the CGST Act, short term credit facility provided by DCA to the buyer is subsumed in the supply of the goods by the DCA to the buyer.] Commission charged for DCA services [Being taxable supply of services.] [₹ 30,000 × 18%				5,400
Gross GST liability		27,000	27,000	5,400

Note: Since the invoice for goods sold is issued by the DCA - Mr. Handsome in his own name, he would fall under the ambit of an agent under Schedule-I of the CGST Act. Computation of eligible ITC for the month of March 2025:

Particulars	Value (₹)	CGST (₹)	SGST (₹)
Inward supply of goods from Charm Limited free of cost [Supply of goods by principal - Charm Limited to the agent - Mr. Handsome qualifies as supply even though it is made without consideration.] [₹ 2,00,000 × 18%] Training in marketing and distribution received from Charm Limited free of cost [Since no consideration is charged for the services provided, said services do not qualify as supply. As no GST is paid on the same, ITC is not available]			36,000



Total ITC available	Nil	Nil	36,000

Illustration 45

Eligibility of ITC - Goods received in lots or installment: S Ltd. a registered manufacturer of Jaipur entered in a contract with a supplier for supply of Input 'X' in October, 2023. As per contract it was agreed that 10,000 kgs of Input 'X' will be supplied for 7,28,000 (inclusive of CGST and SGST @ 6% each) in 4 lots. Invoice of 7,28,000 has been issued with supply of first lot of Input 'X'. Following further information has been provided regarding supply of Input received in subsequent lots.

Briefly explain whether S Ltd. eligible to take credit on proportionate basis

Input 'X' (in lots)	Quantity in Kgs	Date of Receipt of Supply
First Lot	2,500	19-10-2025
Second lot	3,000	21-10-2025
Third Lot	1,500	12-11-2025
Fourth Lot	3,000	01-12-2025

Solution

No, S Ltd. is not eligible to take credit on proportionate basis. As per first proviso to Section 16(2), where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment. Therefore, in the given case Input 'X' has been received in lots hence, the credit of tax of 78,000 i.e. (7,28,000 × 12 ÷ 112) paid on such input shall be taken by S Ltd. only after receipt of fourth lot i.e., 01-12-2024.

Illustration 46

Input tax credit- Determine the amount of Input tax credit available to Kalyan Ltd. in respect of the following goods and services procured by them in the month of April 2024:

	Inward supplies	GST ₹
1)	Motor vehicles for transportation of persons having approved seating capacity of 7 persons (including driver)	70,000
2)	Motor bus for transportation of persons having approved seating capacity of 14 persons (including driver)	1,40,000
3)	Motor lorries for transportation of goods	2,80,000
4)	Food and Beverages procured from Sweet Caterers for being used in dealer's meet	48,000
5)	Services of repair and maintenance of motor lorries used for transportation of goods	36,000
6)	Services of general insurance of motor vehicles for transportation of persons having approved seating capacity of 7 persons (including driver)	18,000
7)	services of servicing of motor vehicles for transportation of persons having approved seating capacity of 14 persons (including driver)	54,000

Solution

Computation of ITC available with Posco Ltd. (amount in ₹)

Particulars	₹
Motor vehicles for transportation of persons having approved seating capacity of 7 persons (including driver) [WN-1]	Nil
Motor bus for transportation of persons having approved seating capacity of 14 persons (including driver) [WN-2]	1,40,000
Motor lorries for transportation of goods [WN-3]	2,80,000
Food and Beverages procured from Sweet Caterers for being used in dealer's meet [WN-4]	Nil
Services of repair and maintenance of motor lorries used for transportation of goods [WN-5]	36,000
Services of general insurance of motor vehicles for transportation of persons having approved seating capacity of 7 persons (including driver) [WN-6]	Nil
Total Input tax credit available	5,10,000

Working Notes:

- 1) As per Section 17(5)(a), no Input tax credit is available in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), unless they are used for making the following taxable supplies, namely:- (A) further supply of such motor vehicles; or (B) transportation of passengers; or (C) imparting training on driving such motor vehicles. Hence, no input tax credit is available on the said motor vehicles.
- 2) As per Section 17(5)(a), no Input tax credit is available in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver). Thus, input tax credit shall be admissible on motor bus.
- 3) In respect of motor vehicle used for the purpose of transportation of goods, the same is not be covered under the ambit of blocked credit, hence input tax credit shall be admissible in respect of such motor vehicles.
- 4) As per Section 17(5)(b), no Input tax credit is available in respect of food and beverages except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply or if provision of such goods or services is obligatory for an employer to provide to its employees under any law for the time being in force. Hence, no input tax credit is available on food and beverages procured from Sweet Caterers for being used in dealer's meet.
- 5) Since motor lorries meant for transportation of goods is not covered under the ambit of blocked credit, hence services of repair and maintenance of motor lorries is also eligible for credit.
- 6) Services of general insurance of motor vehicles for transportation of persons having approved seating capacity of 7 persons (including driver) shall not be eligible for input tax credit since the same is covered under the ambit of blocked credit under Section 17(5) (ab) of the CGST Act, 2017.
- 7) Since input tax credit is eligible for motor vehicle for transportation of person having approved Seating capacity of 14 persons, hence services of servicing of such motor vehicles shall be eligible for input tax credit.

Illustration 47

Computation of Net GST payable: Mr. X, a supplier of goods, pays GST under regular scheme. The amount of input tax credit (ITC) available and output tax liability under different tax heads is as under:

Head	Output tax liability	ITC
IGST	2,000	4,000
CGST	800	2,000
SGST/UTGST	2,500	500

Compute the minimum GST payable in cash by Mr. X. Make suitable assumptions as required.

Solution

Mr. X can use the ITC to pay his output tax liability. The order of utilisation of ITC is as under:

- IGST credit should first be utilized towards payment of IGST.
- Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.
- Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST
- ITC of CGST should be utilized for payment of CGST and IGST in that order.
- ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.

CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.

Computation of minimum GST payable in cash :

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
GST payable	0	0	2,000
Less: ITC	-	(2,000)-IGST	(2,000)-IGST
	(0) - CGST	(2,000)-SGST	-
Net GST payable in cash	Nil	Nil	Nil

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, it is beneficial to use ITC of IGST to pay SGST (after paying IGST liability) to minimize cash outflow.

Illustration 48

Availability of ITC on opening stock of input in case of Voluntary Registration: B Ltd. is not required to register under CGST Act, 2017 but it wishes to obtain voluntary registration so, it applied for voluntary registration on 18th September, 2024 and registration certificate has been granted to it on 25th September, 2024. The CGST and SGST liability for the month of September, 2024 is ₹ 21,000 each. B Ltd. provides the following information of inputs held in stock on 24th September, 2024. It is not engaged in making Inter state outward taxable supplies.

Particulars	Amount ₹
Input procured on 02-09-2024 lying in stock:	

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CGST @ 6%	4,500
SGST @6%	4,500
Input Received on 21 -02-2024 contained in semi Finished goods held in stock:	
CGST @ 6%	7,500
SGST @6%	7,500
Value of inputs contained in finished goods held in stock 2,00,000 were procured on 19-09-2023:	
IGST @ 18%	36,000
Inputs valued 50,000 procured on 13-09-2024 lying in stock:	
IGST @ 18%	9,000
Capital Goods procured on 12-09-2024:	
CGST @ 6%	12,000
SGST @6%	12,000

You are required to determine the amount of tax to be paid in cash by B Ltd. for the month of September, 2024.

Solution

As per Section 18(1)(b), in case of a person obtaining voluntary registration he shall be entitled to take credit of input tax in respect of input held in stock, or contained in semi finished or finished goods in stock on date immediately preceding the date of grant of registration i.e., 24th September, 2024.

A registered person shall not be entitled to take input tax credit in respect of any supply of goods or services or both to him after the expiry of 1 year from the date of issue of tax invoice relating to such supply. [Section 18(2)] In view of the above provision eligible ITC available to B Ltd. will be computed as follows (amount in ₹)

Particulars	CGST @ 6%	SGST @ 6%	IGST@ 12%
Input procured on 02-09-2024 lying in stock on 24 th September, 2024	4,500	4,500	
Input Received on 21-02-2024 contained in semi Finished goods held in stock on 24th September, 2024	7,500	7,500	
Inputs valued 2,00,000 contained in finished goods held in stock on 24th September, 2024 [WN-1]			
Inputs valued 50,000 procured on 13-09-2024 lying in Stock Capital Goods procured on 12-09-2024 [WN-2]			9,000
Total amount of CGST/SGST/IGST credit eligible on inputs	12,000	12,000	9,000

Computation of Tax payable in cash by B Ltd. for the month of September, 2024 (amount in ₹)

Particulars	CGST	SGST



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Output tax liability for September, 2024	21,000	21,000
Less: Eligible input tax Credit available on inputs in respect of-		
IGST [WN-3]	9,000	
CGST	12,000	
SGST		12,000
CGST/SGST payable in Cash	Nil	9,000

Working Notes:

- 1) Since Inputs of value of 2,00,000 has been purchased on 19-09-2023 invoice for same has been issued on 19-09-2023 hence one year has been elapsed on 18th September, 2024 from date of issue of invoice so no input tax credit shall be admissible in respect of said input.
- 2) There is no provision under Section 18(1)(b) to take input tax credit of capital goods lying in stock by the person who obtains voluntary registration.
- 3) As per sections 49, 49A and 49B of CGST Act and Rule 88A of CGST Rules, Integrated tax shall first be utilised towards payment of integrated tax and the amount remaining, if any, may be utilised towards the payment of central tax and State tax/Union territory tax, in any order subject to the condition that the entire ITC on account of Integrated tax is completely exhausted first before the input tax credit on account of Central tax or State tax/ Union territory tax can be utilized. Since B Ltd. is not engaged in inter state outward supplies, therefore, the IGST credit is utilised towards payment of CGST first and when credit of IGST is fully utilised, then credit of CGST and SGST has been utilised.

Illustration 49

ITC available on opting out of Composition Scheme: ABC Traders paying tax under composition scheme crosses the threshold and becomes liable to pay tax under regular scheme on 01-04-2024. Can it avail Input tax credit and if so calculate the amount of ITC available?

Break-up of credit available with ABC Traders as on 31-03-2025:

Particulars	CGST	SGST
Inputs lying in stock (invoice dated 12-03-2025)	3,600	3,600
Capital goods procured on 25-09-2024 invoice dated 25-09-2024	7,200	7,200
Inputs lying in semi finished goods in stock (Invoice dated 12-12-2024)	2,400	2,400

Solution

As per Section 18(1)(c), where any registered person ceases to pay tax under Section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax u/s9 Therefore, in given case, ABC traders shall be entitled from 01-04-2025 to avail credit available as on 31-03-2025. As per Rule 40 of the CGST Rules, 2017, the capital goods credit is to be claimed after reducing the tax paid on such capital goods by 5% points per quarter of a year or part thereof from the date of invoice or such other documents on which the capital goods were received by the taxable person.

Input tax credit available to ABC Traders in respect of inputs (amount in ₹):

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INPUT TAX CREDIT



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Particulars	Input Tax (CGST+SGST)	Eligible Credit
Inputs lying in stock	7,200	7,200
Inputs lying in semi finished goods in stock (Invoice dated 12-12-2024)	4,800	4,800
Total Input tax credit available	12,000	12,000

Input tax credit available to ABC Traders in respect of capital goods (amount in ₹)

Date of invoice of capital goods	25-09-2024
Date from which ABC traders are liable to pay tax u/s 9	01-04-2025
No. of quarters from date of invoice	3
CGST and SGST paid on capital goods procured on 25-09-2022	14,400
ITC to be reduced by 14,400 × 5% × 3 quarters	2,160
Credit (CGST and SGST) available on capital goods	12,240

Note: As per Section 2(92), "quarter" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year.

Illustration 50

Computation of ITC when exempt supply become Taxable supply: M/s. XYZ a registered dealer engaged in supplying exempted goods to its customers. On 17-06-2024, exemption notification was rescinded and goods were liable for tax. M/s. XYZ has to make e-payment of tax on the due date i.e., on 20-07-2024. Determine the eligible credit for the month of June, 2024 if the following information is provided:

Particulars	Value (exclusive of CGST/SGST/ IGST)	CGST @ 6%	SGST @ 6%	IGST @12%
Value of Inputs lying in stock as on 16-06-2024. All inputs were procured after 01-03-2024	1,00,000			12,000
Value of inputs contained in semi-finished goods lying in stock as on 16-06-2024 but only inputs worth 85,000 in semi- finished goods were procured after 16-06-2023	1,35,000	8,100	8,100	
Inputs received on 31-01-2024 lying in finished goods in stock on 16-06-2024	1,55,000	9,300	9,300	
Capital goods procured in 10-12-2023 which is exclusively used in supplying exempted goods	8,00,000	-	-	96,000

Solution



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As per Section 18(1)(d), where an exempt supply of goods or services or both by a registered person becomes a taxable supply, such person shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable.

As per Rule 40(1)(a) of CGST Rules, 2017, the input tax credit on capital goods, shall be claimed after reducing the tax paid on such capital goods by 5% points per quarter of a year or part thereof from the date of invoice or such other documents on which the capital goods were received by the taxable person. Computation of Input tax credit relating to CGST/SGST/IGST available to M/s. XYZ in respect of inputs and capital goods will be as follows:

Particulars	CGST ₹	SGST ₹	IGST ₹	Total Eligible Credit (₹)
ITC on the value of inputs lying in stock [Since all inputs were acquired within 1 year prior to the effective date on which the goods became taxable, hence, entire ITC would be allowed.]			12,000	12,000
ITC on the value of inputs contained in semi-finished goods [WN-1]	5,100	5,100		10,200
Input tax credit on value of inputs lying in stock of finished goods stock [Inputs received on 31-01-2024 lying in finished goods in stock on 16-06-2024 as all inputs were acquired within 1 year prior to the effective date on which the goods become taxable, therefore, entire ITC would be allowed]	9,300	9,300	-	18,600
Credit (IGST) available on capital goods [WN-2]			81,600	81,600
Total Input tax credit available	14,400	14,400	93,600	1,22,400

Working Notes:

- ITC on the value of inputs contained in semi-finished goods - Out of the total stock of 1,35,000, inputs totaling to 50,000 are older than 1 year from the effective date on which the goods became taxable. Therefore, ITC to this extent stands disallowed. ITC on inputs contained in stock of 85,000 would be eligible. [Eligible credit = ₹ 8,100 × 85,000 ÷ 1,35,000 each in respect of CGST and SGST]
- Credit available in respect of capital goods (amount in ₹)

Date of invoice of capital goods	10-12-2023
Date from which the exempt goods become taxable	17-06-2024
No. of quarters or part thereof from date of invoice	3
Percentage points to be reduced (5% per quarter)	15%

IGST paid on the capital goods used exclusively in relation to goods exempted up to 16-06-2023	96,000
ITC to be reduced by 15%	14,400
Amount of Input tax credit available in respect of capital goods	81,600

Note: As per Section 2(92), "quarter" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year.

Illustration 51

Reversal of credit where taxable person opted for Composition levy: PQR Ltd. a registered person supplying taxable goods in Jaipur has opted to pay tax on composition scheme under Section 10 with effect from 28-02-2026. It provides following information relating to balance of input tax credit lying as on 27-02-2026:

- (1) Inputs lying in stock as such valued at 1,68,000 (inclusive of CGST & SGST @ 12%)
- (2) Inputs contained in finished goods where tax invoice is not available relating to such inputs but it is known that market price of such inputs (inclusive of CGST & SGST @ 12%) on 28-02-2026 is 89,600.
- (3) Input tax on capital goods purchased on 25-10-2025 is 72,000.
- (4) Balance in Electronic credit Ledger is 1,10,000.

Decide whether PQR Ltd. is eligible for input tax credit lying on 27-02-2026.

Solution

As per Section 18(4), where any registered taxable person who has availed of input tax credit opts to pay tax under Section 10 i.e. composition scheme, he 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 and on capital goods, taking useful life of capital goods 5 years, on the day immediately preceding the date of exercising such option. Therefore, in given case PQR Ltd. is required to pay following amounts (amount in ₹)

Particulars	₹
Inputs lying in stock (1,68,000 × 12 ÷ 112)	18,000
Inputs contained in finished goods lying in stock (89,600 ÷ 112 × 112) [WN]	9,600
Input tax on Capital goods used for 4 months and 2 days, taking residual life as 5 years (72,000 × 55 ÷ 60) (55 months being remaining residual life of capital goods)	66,000
Amount to be paid by PQR Ltd. (CGST + SGST)	93,600

Working Note: As per Rule 44(3) of CGST Rules, 2017, where the tax invoices related to the inputs lying in stock are not available, the registered person shall estimate the amount under Rule 44(1) based on the prevailing market price of goods on the date of opting for composition scheme. The aforesaid amount can be paid by utilizing the balance in Electronic credit Ledger. The balance credit in Electronic credit ledger = 1,10,000 - 93,600 = ₹ 16,400 shall lapse.

Illustration 52



ITC to be reversed when capital goods are removed as waste and scrap: What would be your answer if capital goods being Refractory Bricks are removed as scrap at a transaction value of ₹ 25,000 on 29-03-2026?

Solution

As per Section 18(6), where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, there shall be no requirement for reversal of Input tax credit, taxable person may pay tax on the transaction value of such goods determined under Section 15. In the given case, Refractory bricks are cleared as scrap, the manufacturer shall pay an amount equal to the tax leviable on transaction value i.e. $CGST ₹ 25,000 \times 9\% = ₹ 2,250$ and $SGST ₹ 25,000 \times 9\% = ₹ 2,250$.

Illustration 53

Transfer of ITC on account of Demerger: R Ltd. a registered manufacturer demerged its entity into RX Cement Ltd. and RY Steel Ltd. The total value of Assets of R Ltd. is 25,00,000 and unutilised credit on account of CGST, SGST and IGST amounted to ₹ 60,000, ₹ 45,000 and ₹ 84,600 respectively. The value of assets of RX Cement Ltd and RY Steel Ltd. is ₹ 12,00,000 and ₹ 13,00,000 respectively obtained as per the scheme. Discuss the eligibility of credit transfer to new units on Account of Demerger.

Solution

As per Section 18(3), where there is a change in the constitution of a registered person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provisions for transfer of liabilities, the said registered person shall be allowed to transfer the input tax credit which remains unutilised in his electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed. As per Rule 41 of CGST Rules, 2017, in case of Demerger, ITC shall be apportioned in the ratio of Value of assets of new unit as specified in Demerger scheme. In the given case, credit transferred to both the new units would be (amt in -

Particulars	R Ltd.	RX Cement Ltd.	RY Steel Ltd.
Value of Assets	25,00,000	12,00,000	13,00,000
Unutilised credit relating to: CGST 60,000, SGST - 45,000 & IGST 84,600 = ₹ 1,89,600 (to be apportioned in ratio of value of assets of RX Cement and RY Steel Ltd.)	1,89,600	91,008	98,592
Total apportioned Credit	1,89,600	91,008	98,592

ILLUSTRATION 54

Computation of minimum net GST to be paid in cash: As per CGST Act 2017, Vishnu Limited was not mandatorily required to get registered, however they opted for voluntary registration and applied for registration on 12th February 2025. Registration certificate has been granted by department on 24th February 2025. Vishnu Limited is not engaged in making interstate outward taxable supplies. The CGST and SGST liability for the month of February 2025 is ₹ 31,000 each. Vishnu Limited provides the following information of inputs held in stock on 23rd February 2025:

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Sr.No.	Particulars	(₹)
1.	Capital goods procured on 5th February 2025, (Rate of CGST and SGST @ 6% each) being intra-State supply.	2,00,000
2.	Inputs contained in finished goods stock held were procured on 13th February 2024 (Rate of IGST @ 18) being inter-State supply.	3,00,000
3.	Value of Inputs received on 10th October 2024 contained in semi-finished goods held in stock (Rate of CGST and SGST @ 6% each) being intra-State supply.	2,50,000
4.	Input procured on 1st February 2025 lying in stock of semi-finished goods (Rate of CGST and SGST @ 7.5% each) being intra-State supply.	1,50,000
5.	Inputs procured on 8th February 2025 lying in stock of finished goods. (Rate of IGST @ 18%) being inter-State supply.	60,000

You are required to determine the eligible ITC available and amount of net minimum GST to be paid in cash by Vishnu Limited for the month of February 2025. (5 Marks, May 2024)

Solution

Computation of minimum net GST to be paid in cash by Vishnu Limited for the month of February 2025:

Particulars	CGST (₹)	SGST (₹)
Output tax liability for the month	31,000	31,000
Less: Input tax credit (ITC) [Refer note below]	5,400 IGST	5,400 IGST
IGST credit is utilized first for payment of CGST and SGST liability in equal proportion. CGST credit is utilized for payment of CGST liability and SGST credit is utilized for payment of SGST liability.	25,600 CGST	25,600 CGST
Net GST payable (in cash)	Nil	Nil

Note: Person taking voluntary registration can avail ITC on inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration, i.e. on 23.02.2025, only within 1 year from date of issue of tax invoice by supplier.

Computation of eligible ITC available

Particulars	CGST (₹)	SGST (₹)	IGST(₹)
Capital goods [Person taking voluntary registration cannot avail ITC on capital goods held on the day immediately preceding the date of grant of registration.]	Nil	Nil	Nil
Inputs procured on 13th February 2024	Nil	Nil	Nil
Inputs procured on 10th October 2024	15,000	15,000	Nil
Inputs procured on 1st February 2025	11,250	11,250	Nil
Inputs procured on 8th February 2025	Nil	Nil	10,800
Total ITC	26,250	26,250	10,800

Note: In the above answer, minimum net GST to be paid in cash has been computed by setting off the IGST liability in equal proportion so as to minimize the amount of CGST and SGST payable in cash. Resultantly, Net GST payable (in cash) is Nil each under CGST and SGST.



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 other possible ways as well.

ILLUSTRATION 55

Computation of admissible ITC: From the following information determine the amount of Input tax credit admissible to ABC Ltd. in respect of various inputs purchased during the month of September.

	Inward supplies	(GST) ₹
1)	Goods purchased without invoice	25,000
2)	Goods purchased from PQR Ltd. (Full Payment is made by ABC Ltd to PQR Ltd. against such supply but tax has not been deposited by PQR Ltd.). The credit is restricted as per Section 38 of the CGST Act, 2017.	1,20,000
3)	Purchases of goods not to be used for business purposes	18,000
4)	Purchases of goods from TT Ltd. (Invoice of TT Ltd. is received in month of September but goods were received in month of October)	24,000
5)	Goods purchased against valid invoice from FF Ltd. Tax has been deposited by FF Ltd. ABC Ltd. has made payment to FF Ltd. for such purchases in the month of October	36,000

SOLUTION

Computation of admissible ITC to ABC Ltd. for the month of September (amount in ₹)

	Inward supplies	₹
1)	Goods purchased without invoice [WN-1]	-
2)	Goods purchased from PQR Ltd [WN-2]	-
3)	Purchases of goods not to be used for business purposes [WN-3]	-
4)	Purchases of goods from TT Ltd. (Invoice of TT Ltd. is received in month of September but goods were received in month of October [WN-4]	-
5)	Goods purchased against valid invoice from FF Ltd. tax has been deposited by FF Ltd. ABC Ltd has made payment to FF Ltd. for such purchases in the month of October [WN-5]	36,000
	Total admissible Input Tax credit for the month of September	36,000

Working Notes:

- 1) No Input tax credit will be available since ABC Ltd. is not in possession of valid tax paying document.
- 2) Since the credit is restricted as per the provisions of Section 38 of the CGST Act, 2017, hence the credit cannot be availed in respect of such purchases.
- 3) A registered person shall be entitled to take input tax credit on goods which are used or intended to be used in the course or furtherance of his business. Since ABC Ltd. has purchased the goods for non-business purpose, hence no credit will be admissible on such purchases.



- 4) Input tax credit is admissible only when registered person has received such goods. Since the goods are received in the month of October input tax credit cannot be taken in the month of September.
- 5) Input tax credit shall be admissible in month of September even if payment is made by ABC Ltd. in month of October.

ILLUSTRATION 56

Time limit for availment of ITC: XYZ Ltd. purchased goods valuing ₹ 6,00,000 (exclusive of CGST and SGST @ 9% each) under the cover of invoice dated 25-12-2026. The company made payment to the supplier on the same date. Since there was a doubt regarding admissibility of tax credit on such inputs, the company did not take the input tax credit at the time of receipt of input. The company obtained clarification from a legal consultant who opined that the goods were eligible as inputs under Input tax Credit Rules. The opinion was received on 05-05-2026. The company now wants to avail Input tax credit of the tax paid on such inputs. Can it do so? The company has filed its annual return for the year 2025-26 on 12-08-2026.

SOLUTION

As per Section 16(4), a registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after

- (a) 30th day of November following the end of financial year to which such invoice or debit note pertains, or
- (b) furnishing of the relevant annual return,

whichever is earlier.

In this case the inputs were purchased by invoice dated 25-12-2025, hence Input tax credit in respect of such inputs can be taken on earlier of following dates-

- ★ 30-11-2026; or
- ★ 12-08-2026 being the date of furnishing of annual return.

Since, XYZ Ltd. can avail credit of input tax paid on inputs till 12-08-2026. Therefore, it can avail credit of CGST ₹ 54,000 and SGST of ₹ 54,000 on 05-05-2026.

ILLUSTRATION 57

Eligibility of ITC - Where recipient fails to make payment to supplier: A registered supplier of taxable goods supplied goods valued at 2,24,000 (inclusive of CGST 12,000 and SGST 12,000) to Mohan Ltd. under the forward charge on 15-08-2025 for which tax invoice was also issued on the same date. The inputs were received by Mohan Ltd. on 15-08-2025. Mohan Ltd. availed credit of 24,000 on 18-08-2025. But Mohan Ltd. did not make any payment towards such supply along with tax thereon to the supplier. Is Mohan Ltd. eligible to avail input tax credit on such supply? What are the consequences of such non-payment by Mohan Ltd.?

Discuss input tax credit provisions if Mohan Ltd. makes the payment of 2,24,000 to the supplier on 18-03-2026.

SOLUTION

As per section 16 of the CGST Act, 2017, Mohan Ltd. is eligible to avail input tax credit (ITC) of the tax paid on inputs received by it on the basis of the invoice issued by the supplier provided other conditions for availing ITC are fulfilled. Payment of value of the goods along with the tax



to the supplier is not a pre-requisite at the time of availing credit, but Mohan Ltd. has to pay the said amount within 180 days from the date of issue of invoice.

If Mohan Ltd. does not make payment within 180 days from the date of invoice: A registered person, who has availed of input tax credit on any inward supply of goods or services or both, but fails to pay to the supplier thereof, the amount towards the value of such supply along with the tax payable thereon, within 180 days from the date of invoice, shall pay an amount equal to the input tax credit availed in respect of such supply along with interest payable @18% p.a., while furnishing the return in FORM GSTR-3B for the tax period immediately following the period of 180 days from the date of the issue of the invoice. Thus, Mohan Ltd. will be liable to pay ₹ 24,000 along with interest @ 18% p.a. while furnishing GSTR-3B for the month of Feb 2026.

Mohan Ltd liable to general penalty not exceeding ₹ 25,000: If Mohan Ltd. does not pay the supplier as mentioned above, subject to the provisions of section 126 of the CGST Act, 2017, a general penalty which may extend to ₹ 25,000 may also be levied for such contravention by Mohan Ltd. u/s 125 of the CGST Act, 2017].

Re-credit of input tax if payment made after 180 days: Where the said registered person subsequently makes the payment of the amount towards the value of such supply along with tax payable thereon to the supplier thereof, he shall be entitled to re-avail the input tax credit paid earlier. Thus he will be entitled to re-avail the Input tax credit of 24,000 in the month of 20th April, 2026.

ILLUSTRATION 58

Input tax credit - Capital goods: X Ltd. a registered manufacturer engaged in taxable supply of goods procured the following goods during the month of October. The same has been capitalized in the books of accounts of X Ltd. Determine the amount of Input tax credit available by giving necessary explanations for treatment of various items

	Inward supplies	GST (₹)
(1)	Electrical transformers used in the factory	2,16,000
(2)	Moulds and dies used in the factory	26,000
(3)	Pollution control equipment used in the factory	2,34,000
(4)	Capital goods purchased on which depreciation has been taken on full value including input tax thereon	1,35,000
(5)	Capital goods used as parts purchased from supplier who paid tax of 10,000 under composition scheme and the composite tax has not been collected from X Ltd.	

SOLUTION

Computation of Input tax credit available to X Ltd. (amount ₹):

Inward supplies	GST (₹)
Electrical transformers used in the factory[WN-1]	2,16,000



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Moulds and dies used in the factory[WN-1]	26,000
Pollution control equipment used in the factory[WN-1]	2,34,000
Capital goods purchased on which depreciation has been taken on full value including input tax thereon[WN-2]	Nil
Capital goods used as parts purchased from supplier who paid tax under composition scheme and the composite tax has not been collected from X Ltd. [WN-3]	Nil
Total Input tax credit available	4,76,000

Working Notes:

- (1) As per Section 2(19) "Capital goods" means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business. Hence
 - Electrical transformers
 - Moulds and dies,
 - Pollution control equipment
 which are used or intended to be used in the course or furtherance of business are eligible for ITC as capital goods.
- (2) As per Section 16(3), no input tax credit shall be admissible where registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961.
- (3) As per Section 17(5) (e), input tax credit shall not be available in respect of goods or services or both on which tax has been paid u/s 10. Thus, no ITC shall be allowed of tax paid under composition scheme by the supplier.

ILLUSTRATION 59

Computation of Net GST payable: From the following information, compute the Net GST payable for the month of March 2023:

Amount in (₹)		
	Output GST	Opening ITC as per credit ledger
CGST	2,000	Nil
SGST	15,000	1,000
IGST	24,000	37,000

(4 Marks, Nov. 2018-NS)

SOLUTION

Computation of Net GST payable (amount in ₹)

Particulars	CGST	SGST	IGST
Output tax liability	2,000	15,000	24,000
Less: Input tax credit [IGST credit to be used for payment of IGST and balance for CGST and SGST in any order]	-2,000	11,000	-24,000
Remaining Liability	Nil	4,000	Nil



Less: Extra credit of SGST can to be used for payment of SGST		-1,000	
Net amount of CGST/ SGST/ IGST payable	Nil	3,000	Nil

ILLUSTRATION 60

Computation of Net GST payable: Mr. X, a supplier of goods, pays GST under regular scheme. The amount of input tax credit (ITC) available and output tax liability under different tax heads is a under:

Head	Output tax liability	ITC
IGST	2,000	4,000
CGST	800	2,000
SGST/UTGST	2,500	500

Compute the minimum GST payable in cash by Mr. X. Make suitable assumptions as required.

SOLUTION

Mr. X can use the ITC to pay his output tax liability. The order of utilisation of ITC is as under:

- IGST credit should first be utilized towards payment of IGST.
- Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion.'
- Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST
- ITC of CGST should be utilized for payment of CGST and IGST in that order.
- ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.

CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.

Computation of minimum GST payable in cash :

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
GST payable	800	2,500	2,000
Less: ITC	-	(2,000)-IGST	(2,000)-IGST
	(800) - CGST	(500)-SGST	-
Net GST payable in cash	Nil	Nil	Nil

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, it is beneficial to use ITC of IGST to pay SGST (after paying IGST liability) to minimize cash outflow.

ILLUSTRATION 61

Restriction on utilisation of ITC: XYZ Ltd. has effected interstate taxable supplies of 2 crore in the month of April 2026, which are chargeable to 18% GST. His balance in electronic credit ledger as per Rule 36(4) is 38,00,000. Determine the amount to be deposited through Electronic cash ledger if restrictions of Rule 86B are applicable,



SOLUTION

The amount of GST liability to be discharged through Electronic cash ledger will be worked out as under-

Particular	₹
Output tax payable under forward charge [2 crore x 18%]	36,00,000
Less: ITC to be utilised to the extent of 99% of output tax liability [36,00,000 × 99%]	35,64,000
Amount of GST to be deposited through Electronic cash ledger	36,000
Balance in electronic credit ledger to be carried forward [38,00,0000 - 35,64,000]	2,36,000

ILLUSTRATION 62

Utilization of ITC on opening stock at the time of Registration: PQR (Pvt.) Ltd. is engaged in supplying taxable goods to its customers within the state and it is not liable for registration u/s 22 of CGST Act, 2017. From 15-02-2026 onwards, it started inter-state supply of taxable goods hence it applied for registration on 25-02-2026 and same has been granted to him. Its CGST, SGST and IGST liability for the month of February, 2025 is 19,500, 19,500 and 40,500 respectively and PQR (Pvt.) Ltd. has to make e-payment of tax on the due date i.e., on 20-03-2026. PQR (Pvt.) Ltd. has provided the following details of stock of input held on 14-02-2026 and tax paid thereon-

Particulars	CGST ₹	SGST ₹
Inputs received on 10-01-2026 (Invoice dated 11-01-2026) lying in stock	3,600	3,600
Inputs received on 25-10-2025 (Invoice dated 26-10-2025) lying in semi finished stock	7,500	7,500
Inputs received on 15-01-2026 (Invoice dated 15-01-2026) contained in Finished Goods	9,600	9,600

Briefly explain the tax payable by PQR (Pvt.) Ltd. in cash, if any.

Note: PQR (Pvt.) Ltd. has not opted for the Composition scheme.

SOLUTION

As per Section 18(1)(a), a person applying for registration within 30 days from date on which he becomes liable to registration under this Act and has been granted registration shall be entitled to take credit of input tax in respect of input held in stock, or contained in semi finished or finished goods in stock on date immediately preceding the date from which he becomes liable to registration i.e., 14th February, 2026.

As per section 18(2), a registered person shall not be entitled to take input tax credit in respect of any supply of goods or services or both to him after the expiry of 1 year from the date of issue of tax invoice relating to such supply.

In view of above provision ITC available to PQR (Pvt.) Ltd. will be computed as follows (amount in ₹)

Particulars	CGST @ 6%	SGST @ 6%
Inputs received on 10-01-2025 (Invoice dated 11-01-2026) lying in stock as on 14-02-2026	3,600	3,600
Inputs received on 25-10-2024 (Invoice dated 26-10-2025) lying in semi finished stock as on 14-02-2026	7,500	7,500
Inputs received on 15-01-2025 (Invoice dated 15-01-2026) contained in Finished Goods as on 14-02-2026	9,600	9,600
Total Eligible input tax credit	20,700	20,700

Computation of Tax payable in cash by PQR (Pvt.) Ltd. for month of February, 2026 (amount in ₹)

Particulars	CGST @ 6%	SGST @ 6%	IGST@ 12%
Output tax liability for February, 2026	19,500	19,500	40,500
Less: Eligible input tax Credit available on inputs in respect of-			
• CGST [See Note]	19,500	-	1,200
• SGST [See Note]	-	19,500	1,200
Output Tax payable in Cash	Nil	Nil	38,100

Note: As per Sections 49, 49A and 49B of CGST Act and Rule 88A of CGST Rules, the Central tax shall first be utilised towards payment of central tax and the amount remaining, if any, may be utilised towards the payment of integrated tax and the State tax shall first be utilised towards payment of State tax and the amount remaining, if any, may be utilised towards payment of integrated tax.

ILLUSTRATION 63

Availability of ITC on opening stock of input in case of Voluntary Registration: B Ltd. is not required to register under CGST Act, 2017 but it wishes to obtain voluntary registration so, it applied for voluntary registration on 18th September, 2025 and registration certificate has been granted to it on 25th September, 2025. The CGST and SGST liability for the month of September, 2024 is ₹ 21,000 each. B Ltd. provides the following information of inputs held in stock on 24th September, 2025. It is not engaged in making Inter state outward taxable supplies.

Particulars	Amount ₹
Input procured on 02-09-2025 lying in stock:	
CGST @ 6%	4,500
SGST @ 6%	4,500
Input Received on 21-02-2025 contained in semi Finished goods held in stock:	

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CGST @ 6%	7,500
SGST @6%	7,500
Value of inputs contained in finished goods held in stock 2,00,000 were procured on 19-09-2024 :	
IGST @ 18%	36,000
Inputs valued 50,000 procured on 13-09-2025 lying in stock:	
IGST @ 18%	9,000
Capital Goods procured on 12-09-2025:	
CGST @ 6%	12,000
SGST @6%	12,000

You are required to determine the amount of tax to be paid in cash by B Ltd. for the month of September, 2025.

SOLUTION

As per Section 18(1)(b), in case of a person obtaining voluntary registration he shall be entitled to take credit of input tax in respect of input held in stock, or contained in semi finished or finished goods in stock on date immediately preceding the date of grant of registration i.e., 24th September, 2025.

A registered person shall not be entitled to take input tax credit in respect of any supply of goods or services or both to him after the expiry of 1 year from the date of issue of tax invoice relating to such supply. [Section 18(2)] In view of the above provision eligible ITC available to B Ltd. will be computed as follows (amount in ₹)

Particulars	CGST @ 6%	SGST @ 6%	IGST@18%
Input procured on 02-09-2025 lying in stock on 24 th September, 2025	4,500	4,500	-
Input Received on 21-02-2025 contained in semi Finished goods held in stock on 24th September, 2025	7,500	7,500	-
Inputs valued 2,00,000 contained in finished goods held in stock on 24th September, 2025 [WN-1]	-	-	-
Inputs valued 50,000 procured on 13-09-2025 lying in stock	-	-	9,000
Capital Goods procured on 12-09-2025 [WN-2]	-	-	-
Total amount of CGST/SGST/IGST credit eligible on inputs	12,000	12,000	9,000

Computation of Tax payable in cash by B Ltd. for the month of September, 2025 (amount in ₹)

Particulars	CGST	SGST
Output tax liability for September, 2025	21,000	21,000
Less: Eligible input tax Credit available on inputs in respect of-		
IGST [WN-3]	9,000	

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CGST	12,000	
SGST		12,000
CGST/SGST payable in Cash	Nil	9,000

Working Notes:

- 1) Since Inputs of value of 2,00,000 has been purchased on 19-09-2024 invoice for same has been issued on 19-09-2025 hence one year has been elapsed on 18th September, 2025 from date of issue of invoice so no input tax credit shall be admissible in respect of said input.
- 2) There is no provision under Section 18(1)(b) to take input tax credit of capital goods lying in stock by the person who obtains voluntary registration.
- 3) As per sections 49, 49A and 49B of CGST Act and Rule 88A of CGST Rules, Integrated tax shall first be utilised towards payment of integrated tax and the amount remaining, if any, may be utilised towards the payment of central tax and State tax/Union territory tax, in any order subject to the condition that the entire ITC on account of Integrated tax is completely exhausted first before the input tax credit on account of Central tax or State tax/ Union territory tax can be utilized. Since B Ltd. is not engaged in inter state outward supplies, therefore, the IGST credit is utilised towards payment of CGST first and when credit of IGST is fully utilised, then credit of CGST and SGST has been utilised.

ILLUSTRATION 64

ITC available on opting out of Composition Scheme: ABC Traders paying tax under composition scheme crosses the threshold and becomes liable to pay tax under regular scheme on 01-04-2026. Can it avail Input tax credit and if so calculate the amount of ITC available?

Break-up of credit available with ABC Traders as on 31-03-2026:

Particulars	CGST	SGST
Inputs lying in stock (invoice dated 12-03-2026)	3,600	3,600
Capital goods procured on 25-09-2025 invoice dated 25-09-2025	7,200	7,200
Inputs lying in semi finished goods in stock (Invoice dated 12-12-2025)	2,400	2,400

SOLUTION

As per Section 18(1)(c), where any registered person ceases to pay tax under Section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax u/s9

Therefore, in given case, ABC traders shall be entitled from 01-04-2026 to avail credit available as on 31-03-2026.

As per Rule 40 of the CGST Rules, 2017, the capital goods credit is to be claimed after reducing the tax paid on such capital goods by 5% points per quarter of a year or part thereof from the date of invoice or such other documents on which the capital goods were received by the taxable person.

Input tax credit available to ABC Traders in respect of inputs (amount in ₹):

Particulars	Input Tax (CGST+SGST)	Eligible Credit



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Inputs lying in stock	7,200	7,200
Inputs lying in semi finished goods in stock (Invoice dated 12-12-2025)	4,800	4,800
Total Input tax credit available	12,000	12,000

Input tax credit available to ABC Traders in respect of capital goods (amount in ₹)

Date of invoice of capital goods	25-09-2025
Date from which ABC traders are liable to pay tax u/s 9	01-04-2026
No. of quarters from date of invoice	3
CGST and SGST paid on capital goods procured on 25-09-2025	14,400
ITC to be reduced by 14,400 × 5% × 3 quarters	2,160
Credit (CGST and SGST) available on capital goods	12,240

Note: As per Section 2(92), "quarter" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year.

ILLUSTRATION 65

Computation of ITC when exempt supply become Taxable supply: M/s. XYZ a registered dealer engaged in supplying exempted goods to its customers. On 17-06-2025, exemption notification was rescinded and goods were liable for tax. M/s. XYZ has to make e-payment of tax on the due date i.e., on 20-07-2025. Determine the eligible credit for the month of June, 2025 if the following information is provided:

Particulars	Value (exclusive of CGST/SGST / IGST)	CGST @ 6%	SGST @ 6%	IGST @ 12%
Value of Inputs lying in stock as on 16-06-2025. All inputs were procured after 01-03-2025	1,00,000	-	-	12,000
Value of inputs contained in semifinished goods lying in stock as on 16-06-2025 but only inputs worth 85,000 in semi- finished goods were procured after 16-06-2024	1,35,000	8,100	8,100	-
Inputs received on 31-01-2025 lying in finished goods in stock on 16-06-2025	1,55,000	9,300	9,300	-
Capital goods procured in 10-12-2024 which is exclusively used in supplying exempted goods	8,00,000	-	-	96,000

SOLUTION

As per Section 18(1)(d), where an exempt supply of goods or services or both by a registered person becomes a taxable supply, such person shall be entitled to take credit of input tax in



respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable. As per Rule 40(1)(a) of CGST Rules, 2017, the input tax credit on capital goods, shall be claimed after reducing the tax paid on such capital goods by 5% points per quarter of a year or part thereof from the date of invoice or such other documents on which the capital goods were received by the taxable person. Computation of Input tax credit relating to CGST/SGST/IGST available to M/s. XYZ in respect of inputs and capital goods will be as follows:

Particulars	CGST ₹	SGST ₹	IGST ₹	Total Eligible Credit (₹)
ITC on the value of inputs lying in stock [Since all inputs were acquired within 1 year prior to the effective date on which the goods became taxable, hence, entire ITC would be allowed.]			12,000	12,000
ITC on the value of inputs contained in semi-finished goods [WN-1]	5,100	5,100	-	10,200
Input tax credit on value of inputs lying in stock of finished goods stock [Inputs received on 31-01-2025 lying in finished goods in stock on 16-06-2025 as all inputs were acquired within 1 year prior to the effective date on which the goods become taxable, therefore, entire ITC would be allowed]	9,300	9,300	-	18,600
Credit (IGST) available on capital goods [WN-2]	-	-	81,600	81,600
Total Input tax credit available	14,400	14,400	93,600	1,22,400

Working Notes:

- 1) ITC on the value of inputs contained in semi-finished goods - Out of the total stock of 1,35,000, inputs totaling to 50,000 are older than 1 year from the effective date on which the goods became taxable. Therefore, ITC to this extent stands disallowed. ITC on inputs contained in stock of 85,000 would be eligible. [Eligible credit = ₹ 8,100 × 85,000 ÷ 1,35,000 each in respect of CGST and SGST]
- 2) Credit available in respect of capital goods (amount in ₹)

Date of invoice of capital goods	10-12-2024
Date from which the exempt goods become taxable	17-06-2025
No. of quarters or part thereof from date of invoice	3
Percentage points to be reduced (5% per quarter)	15%
IGST paid on the capital goods used exclusively in relation to goods exempted up to 16-06-2025	96,000
ITC to be reduced by 15%	14,400
Amount of Input tax credit available in respect of capital goods	81,600

Note: As per Section 2(92), "quarter" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year.

ILLUSTRATION 66

Reversal of ITC: The goods manufactured by Royal Ltd. have been exempted from GST with effect from 01-05-2025. Earlier these goods were liable to CGST and SGST @ 6% respectively. The inputs used in manufacturing were also liable to CGST & SGST @ 6% respectively. Following information is provided on 30-04-2025:

- 1) The inputs costing 1,12,000 (inclusive of CGST & SGST) are lying in stock.
 - 2) The inputs costing 80,640 (inclusive of CGST & SGST) are held in process.
 - 3) The finished goods valuing ₹ 5,60,000 are in stock, the input cost (inclusive of CGST and SGST) is 50% of the value.
 - 4) The input tax credit on capital goods lying in stock is 72,000. These goods were purchased on 1-8-2024
 - 5) The balance in Electronic credit Ledger is ₹ 1,52,000.
- The department has asked Royal Ltd. to reverse the credit taken on inputs referred above. However, Royal Ltd. contends that credit once validly taken is indefeasible and not required to be reversed. Decide. What would your answer be if the balance in Electronic credit Ledger account as on 30-04-2025 is 1,00,000?

SOLUTION

As per Section 18(4), where any registered person who has availed input tax credit and the goods or services or both supplied by him become wholly exempt, he 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 and on capital goods taking useful life of capital goods 5 years, on the day immediately preceding the date of such exemption.

The balance of input tax credit, if any, lying in his electronic credit ledger shall lapse. Accordingly, Royal Ltd. will have to pay an amount computed as follows (amount in ₹):

Inputs lying in stock (Credit = $1,12,000 \times 12 \div 112$) (Net purchase price, exclusive of tax)	12,000
Inputs in process ($80,640 \div 112 \times 112$)	8,640
Inputs contained in finished goods lying in stock ($5,60,000 \times 50\% \times 12 \div 112$)	30,000
Input tax on Capital goods used for 9 months taking residual life as 5 years ($72,000 \div 51 \div 60$) (51 months being remaining residual life of capital goods) (Rule 44 of CGST Rules, 2017)	61,200
Amount to be paid by Royal Ltd.	1,11,840

The aforesaid amount can be paid by utilizing the balance in Electronic credit Ledger. The balance credit = $1,52,000 - 1,11,840 = ₹40,160$ shall lapse.

If balance in Electronic credit Ledger is 1,00,000: If the balance Electronic credit Ledger as on 01-05-2025 is 1,00,000, then, Royal Ltd. will have to pay in cash an amount of $1,11,840 - 1,00,000 = ₹11,840$.



ILLUSTRATION 67

ITC implication when Capital goods are supplied after use: XYZ Ltd. a supplier of goods has purchased capital goods under cover of invoice dated 01-10-2025 for 4,13,000 (inclusive of CGST @ 9% and SGST @9%). After taking it for business use, the said capital goods were supplied for 2,85,000 on 26-04-2026. Explain Input tax credit treatment in this case.

SOLUTION

As per Section 18(6) of the CGST Act read with Rule 40(2) of CGST Rules, 2017, in case of supply of capital goods, on which input tax credit has been taken, the registered person shall pay an amount

- ✚ equal to the input tax credit taken on the said capital goods reduced by an amount calculated @ 5% for every quarter or part thereof from the date of issue of invoice for such goods; or
- ✚ the tax on the transaction value of such capital goods or plant and machinery determined under Section 15, whichever is higher.

Computation of amount of tax payable by XYZ Ltd. (amount in ₹)

Date of Invoice of purchase of capital goods	01-10-2025
Date of Supply of capital goods after taking into use	26-04-2026
No. of Quarters from the date of issue of invoice for such goods	3
CGST and SGST paid on purchase of Capital Goods [4,13,000 × 18 ÷ 118]	63,000
Reduced by 63,000 × 5% × 3 quarters	9,450
Amount of CGST and SGST [A]	53,550
Transaction Value on supply of Capital Goods u/s 15	2,85,000
CGST and SGST payable on supply of Capital Goods @ 18% [B]	51,300
Amount to be payable (higher of A or B)	53,550

ILLUSTRATION 68

Transfer of ITC in case of Lease, Merger, Transfer, Sale, etc.: R Ltd. a registered company engaged in supplying taxable goods is being sold to X Ltd., with specific provision for transfer of liabilities. The unutilised credit in respect of CGST and SGST is ₹ 48,000 and ₹ 48,000 respectively. Now X Ltd. wants to utilize such credit remaining unutilised. Discuss its eligibility

SOLUTION

As per Section 18(3), where there is a change in the constitution of a registered person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provisions for transfer of liabilities, the said registered person shall be allowed to transfer the ITC which remains unutilised in his electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed.

Therefore, X Ltd. is entitled to utilize the unutilised credit on input and capital goods lying in account of R Ltd., provided R Ltd. furnishes details of such transaction on sale of business in form GST ITC02 electronically in common portal with request to transfer unutilised tax credit in electronic credit ledger of transferee i.e., X Ltd. A certificate of CA/CMA is to be furnished and the transfer details to be accepted by the transferee.

ILLUSTRATION 69

Briefly explain the provisions relating to reversal of input tax credit in case of non-payment of tax by the supplier and re-availment thereof? (5 Marks, Nov. 2023)

SOLUTION

Where a registered person (recipient) avails ITC in GSTR-3B for a tax period in respect of an invoice/debit note details of which have been furnished by supplier in GSTR-1/using IFF, but supplier does not furnish his return till 30th September following the end of FY in which the ITC in respect of invoice/ debit note has been availed, then the amount of ITC shall be reversed by recipient, while furnishing a return in Form GSTR-3B on or before 30th November following the end of such FY during which such ITC has been availed.

However, where the said amount of ITC is not so reversed by recipient, such amount shall be payable by the said person along with interest.

Further, where the said supplier subsequently furnishes the return in Form GSTR-3B for the said tax period, the said registered person may re-avail the amount of such credit in the return in Form GSTR-3B for a tax period thereafter.

ILLUSTRATION 70

Computation of admissible ITC: M/s Poorvi Ltd., a registered supplier of various goods and services, provided the following information pertaining to GST paid on inward supplies for the month of August 2025.

	Particulars	GST paid (₹)
1.	Purchased goods which are used for activities related to his obligation under corporate social responsibility referred to in section 135 of the Companies Act, 2013.	3,00,000
2.	Purchased Raw material worth 5,90,000 including GST in 5 lost. 3 lost of raw material worth 3,00,000 excluding GST received in the current month and remaining lots will receive in the month of September 2025.	90,000
3.	Company paid for outdoor catering expenses for the lunch of its factory employees during the lunch hours as per the policy of the company. There is no legal obligation to provide such lunch facility to the employees.	50,000
4.	Purchased goods from M/s Om Traders all goods and invoices were received by the company in August 2025, but one invoice out of these invoices has not been furnished by the supplier in the statement of	2,00,000

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	outward supplies (using IFF). The GST paid on the invoice not furnished is ₹ 50,000.	
5.	Purchased raw material to manufacture finished goods. Such finished goods to be sold to potential customers under Scheme 'Buy one get one free'.	1,50,000

Compute the amount of net ITC available to M/s Poorvi Ltd. for the month of August 2025 with necessary explanations for the treatment of all the items in the table as per the provision of the CGST Act, 2017 or CGST Rules, 2017 wherever applicable. Subject to information given above, all other Conditions necessary for availing the ITC have been fulfilled. **(5 Marks, May 2025)**

SOLUTION

Computation of net ITC available to M/s Poorva Ltd. for August 2025:

	Particulars	₹
1.	Goods used for activities related to corporate social responsibility [ITC in respect of goods used for activities relating to obligations under corporate social responsibility (CSR) is blocked under Section 17(5)]	-
2.	Raw material purchased in lots [When goods are received in lots, ITC can be taken only upon receipt of the last lot].	-
3.	Outdoor catering expenses [ITC on outdoor catering services is blocked as ITC is not available under section 17 since such services are being provided by employer to employee without any statutory obligation.]	-
4.	Goods purchased from M/s Om Traders [2,00,000 - 50,000] [ITC can be availed only if the details of the invoice have been furnished by the supplier in Statement of outward supplies or GSTR-1 or using Invoice Furnishing Facility (IFF). Thus, ITC of GST amounting to ₹ 50,000 paid on supply in respect of which the details of invoice have not been furnished, is not available.]	1,50,000
5.	Raw material ["Buy one get one free" offer is not an individual supply of two goods, it is supply of two goods for the price of one. Thus, ITC is available on the inputs used in relation to supply of goods as part of said offer.]	1,50,000
	ITC	3,00,000

ILLUSTRATION - 71

Mascot Motors Private Limited (hereinafter referred as MMPL), a dealer of motor vehicles, registered in Udaipur, Rajasthan, has given an ex-works contract to M/s Ganesh Traders, registered in Ahmedabad, Gujarat for manufacturing 10 units of Pick-Up vans.

M/s Ganesh Traders manufactured the vans and handed them over to transporter on behalf of MMPL on 29th April and delivery on its part is complete at it's factory gate in Ahmedabad.





Further, it raised the invoice for all ten Pick-Up vans on same day. MMPL has recorded the invoice in it's books on the same day.

Price of the vans (ex-factory) was 10 lakh each (excluding GST @ 28%). However, the vans were physically received by MMPL at its showroom in Udaipur, Rajasthan on 2nd May and payment was also made on the same day. After the payment, two Vans got damaged completely in a fire in the showroom in first week of May and therefore, they were written off in the books in the month of receipt by MMPL

Discuss the availability of ITC on pick-up vans to MMPL with reference to the provisions under GST law. In which month, MMPL is eligible to avail ITC on the purchase of vans and how much ITC is available in respect of the vans? (RTP Sept. 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 $[10 \text{ lakh} \times 10 \text{ vans} \times 28\%]$ 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 to be reversed in the return of next month is = 5.6 lakh $[10 \text{ lakh} \times 2 \text{ vans} \times 28\%]$.





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STUDY MATERIAL

Illustration 1

Examine, with reason, whether registration is required, under CGST Act, in the following independent case:

- (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.

Illustration 2

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.

Illustration 3

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 1st August. Varun Industries manufactures LED TVs in Mumbai and sells them in Pune. It submits the application for registration on 20th August. Registration certificate was granted on 25th August.
- (ii) Shweta Info-tech Services is the provider of internet services in Pune. Its aggregate turnover exceeds ₹ 20 lakh on 25th September. It submits the application for registration on 27th October. Registration certificate is granted on 5th November. **(4 Marks, 2018)**

Solution

- (i) 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.

Since in the given case, the turnover of Varun Industries exceeded 20 lakh on 1st August, 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 of the Chapter III - Registration of CGST Rules, 2017]. Therefore, the effective date of registration is 1st August, 2025.

- (ii) Since in the given case, the turnover of Sweta InfoTech Services exceeds 20 lakh on 25th September, 2025, 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 November, 2025.

TEST YOUR KNOWLEDGE

Illustration 4

Determine the effective date of registration in following cases:

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

Illustration 5

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 exception to this is a non-resident taxable person. A nonresident 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)].

Illustration 6

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



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- (a) Agent 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 only engaged in supply of produce out of cultivation of land and its aggregate turnover exceeds the applicable threshold limit during the financial year.

Solution

- (a) Section 22 stipulates that every supplier becomes liable to registration if his turnover exceeds the applicable threshold limit in a financial year. However, as per section 24, a person making taxable supply of goods/services or both on behalf of other taxable persons whether as an agent or not is liable to be compulsorily registered even if its aggregate turnover does not exceed the applicable threshold limit during the financial year.
- (b) As per section 23, an agriculturist who is only engaged in supply of produce out of cultivation of land is not required to obtain registration even if his turnover exceeded the applicable threshold limit for registration.

Illustration 7

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.

S no.	Particulars	(₹)*
(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



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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 nontaxable supply. Thus, supply of high speed diesel in Delhi, being a nontaxable 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(₹)
(i)	Supply of machine oil in Delhi	15,00,000
(ii)	Add: Supply of high speed diesel in Delhi	10,00,000
(iii)	Add: Supply of machine oil made in Punjab 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.

Illustration 8

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., 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 is making taxable supply of goods on behalf of principal whereas in the given case, Pure Oils is supplying nontaxable goods on behalf of Mixed Oils Ltd.

Illustration 9

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

- 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.
- 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.
- 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



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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 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.

Illustration 10

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.

Illustration 11

What are the advantages of taking registration in GST?

Solution



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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.

Illustration 12

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.

Illustration 13

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.

Illustration 14.

Can a person having multiple places of business in a State obtain separate registrations for each place of business?

Solution

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

Illustration 15

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.

Illustration 16

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

Solution

Yes. In terms of sub-section (8) of section 25, where a person who is liable to be registered under GST law fails to obtain registration, the proper officer may, without prejudice to any action which



may be taken under CGST Act, or under any other law for the time being in force, proceed to register such person in the manner as is prescribed in the CGST Rules.

Illustration 17

Whether the registration granted to any person is permanent?

Solution

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

Illustration 18

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

Solution

In terms of section 25(9), all notified UN bodies, Consulate or Embassy of foreign countries and any other class of persons so notified would be required to obtain a unique identification number (UIN) from the GST portal. The structure of the said ID would be uniform across the States in conformity with GSTIN structure and the same will be common for the Centre and the States. This UIN will be needed for claiming refund of taxes paid on notified supplies of goods and services received by them, and for any other purpose as may be notified.

Illustration 19

What is the responsibility of the taxable person making supplies to UN bodies?

Solution

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

Illustration 20

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.

Illustration 21

What happens when the registration is obtained by means of willful misstatement, 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)].

Illustration 22

Is there an option to take centralized registration for services under GST Law?

Solution



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

Illustration 23

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)].

Illustration 24

At the time of registration, will the assessee have to declare all his places of business?

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

Illustration 25

Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled?

Solution

Yes, as per section 29(5), every registered 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.

PREVIOUS YEAR QUESTIONS

Illustration 26

P Ltd. a registered person provided following information for the month of October, 2025

Particulars	Amount ₹
Intrastate outward supply	8,00,000
Interstate 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 customs 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 CGST Act and compute the aggregate turnover of P Ltd. for the month of October, 2025. All amounts are exclusive of GST. (5 Marks, July 2021)



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Solution

The term aggregate turnover means the aggregate value of -

- All taxable supplies
- Exempt supplies
- Exports of goods or services or both, and
- Inter-State supplies of persons having the same PAN, to be computed on all India basis but excluding
 - Central tax, State tax, Union territory tax, integrated tax and cess.
 - The value of inward supplies on which tax is payable by a person on reverse charge basis

In terms of the definition of the aggregate turnover given above, the aggregate turnover of P Ltd. has been computed as follows:

Computation of aggregate turnover of P Ltd. for the month of October, 2025:

Particulars	Amount ₹
Intrastate outward supply	8,00,000
Interstate 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 for availing GTA services	Nil
Aggregate turnover	32,40,000

Illustration 27

Mr. A of Rajasthan has effected following supplies within the State of Rajasthan. You are required to determine whether he is required to obtain registration under GST law

	Particulars	Amount ₹
i.	Intra-State supply of goods agricultural produce grown out of cultivation of land by family members	5,50,000
ii.	Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017	6,00,000
iii.	Intra-State supply of goods chargeable with GST @5% from tax	8,50,000
iv.	Intra-State supply of services which are wholly exempt from tax	50,000

Solution

Computation of Aggregate value of taxable supplies (amount in ₹)

	Particulars	Amount ₹
i.	Intra-State supply of goods agricultural produce grown out of cultivation of land by family members [WN-1]	5,50,000
ii.	Intra-State supply of goods which are wholly exempt from GST u/s of CGST Act, 2017 [WN-2]	6,00,000
iii.	Intra-State supply of goods chargeable with GST @ 5% [WN-3]	8,50,000
iv.	Intra-State supply of services which are wholly exempt from tax [WN-4]	50,000



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Total Value of supplies	20,50,000

Working Notes:

- (1) An agriculturalist is not liable to obtain registration under the Act to the extent of supply of produce out of cultivation of land. Since Mr. A is engaged in supply of other goods and services also, he is not covered under section 23. In such a case the aggregate turnover will include all supplies made by him including supply of agricultural produce.
- (2) Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017 is to be included since the same is specifically included in the definition of aggregate turnover.
- (3) Intra-State supply of goods chargeable with GST @ 5% is specifically included for determination of aggregate turnover.
- (4) Intra-State supply of services though exempt from tax is specifically included in the definition of aggregate turnover.

Since he is engaged in intra state supply of both goods and services from Rajasthan, the applicable threshold limit for registration will be ₹ 20 lakh. Since the aggregate turnover exceeds ₹ 20,00,000, hence Mr. A is required to obtain registration under GST law.

Illustration 28

From the following information you are required to determine whether XYZ Ltd incorporated in Rajasthan is liable to be registered under GST Law if the company has effected following supplies within the state of Rajasthan

S no.	Particulars	₹
1.	Intra-State supply of goods chargeable to 5% GST	15,51,000
2.	Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017	5,00,000
3.	Interest received from fixed deposits made with Bank of Rajasthan	1,00,000
4.	Intra-State supply of goods chargeable to 18% GST	50,000
5.	Intra-State supply of goods chargeable with Nil rate	18,50,000

Solution

Section 22(1) of the CGST Act, 2017 read with Notification No. 10/2019-CT dated 07-03- 2019 inter alia provides that every supplier who is engaged in intra-State exclusive supply of goods is liable to be registered under GST in the State/ Union territory from where he makes the taxable supply of goods only when aggregate turnover in a financial year exceeds 40,00,000. Since XYZ Ltd. is exclusively engaged in making intra-state taxable supplies of goods from Rajasthan, the applicable threshold limit for obtaining registration is 40 lakh as specified in Notification No. 10/2019-CT dated 07-03-2019.

XYZ Ltd. shall be considered to be engaged exclusively in the supply of goods even if it is engaged in exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount. Hence, the threshold limit of registration shall not be reduced to 20 lakh.

According to Section 2(6) of CGST Act, 2017, "Aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess
Computation of Aggregate turnover (amount in ₹)

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S no.	Particulars	Amount ₹
1.	Intra-State supply of goods chargeable to 5% GST [WN-1]	15,51,000
2.	Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017 [WN-2]	5,00,000
3.	Interest received from fixed deposits made with Bank of Rajasthan [WN-3]	1,00,000
4.	Intra-State supply of goods chargeable to 18% GST [WN-4]	50,000
5.	Intra-State supply of goods chargeable with Nil rate [WN-5]	18,50,000
	Total Value of supplies	40,51,000

Thus, in this case since aggregate turnover of the company exceeds 40 lakhs, it is liable to get itself registered under GST Law

Working Note:

- Intra-State supply of goods chargeable with GST @ 5% is specifically included for determination of aggregate turnover.
- Intra-State supply of goods which are wholly exempt from GST under Section 11 of CGST Act, 2017 is to be included for determination of aggregate turnover.
- Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) is exempt vide Notification No. 12/2017- CT (R) dated 28-06-2017. Since aggregate turnover includes exempt supply, interest received from banks on the fixed deposits, being exempt supply, is included in the aggregate turnover.
- Intra-State supply of goods chargeable with GST @ 18% is specifically included for determination of aggregate turnover.
- Intra-State supply of goods chargeable with Nil rate of GST is covered under exempt supplies, hence it is to be included in computation of aggregate turnover.

Illustration 29

Rishabh Enterprises - a sole proprietorship firm - started an air-conditioned restaurant in Virar, Maharashtra in the month of February wherein the customers are served cooked food as well as cold drinks/non-alcoholic beverages. In March, the firm opened a liquor shop in Kohima, Nagaland for trading of alcoholic liquor for human consumption.

Determine whether Rishabh Enterprises is liable to be registered under GST law with the help of the Following information:

Particulars	February (₹)	March (₹)
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	5,50,000	6,50,000
Sale of alcoholic liquor for human consumption in Nagaland		5,00,000
Supply of wholly exempt services	1,00,000	1,00,000
Export of packed food items from restaurant in Maharashtra	1,50,000	2,00,000

* excluding GST

You are required to provide reasons for treatment of various items given above. (RTP May, 2018)

Solution

Registration provisions: As per Section 22 of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds ₹ 20 lakh. However, if such





taxable supplies are made from any of the specified special category States, namely, State of Manipur, Mizoram, Nagaland, and Tripura, he shall be liable to be registered if his aggregate turnover in a financial year exceeds 10 lakh. In the given question, since Rishabh Enterprises is engaged in making taxable supplies of goods and services from Maharashtra which is not a specified Special Category State, the threshold limit for obtaining registration is 20 lakh. It will not get the benefit of higher threshold limit of 40 lakhs since it is not engaged in exclusive supply of goods as it is also providing exempt services. The threshold limit is not reduced to ₹ 10 lakh in this case, as sale of alcoholic liquor for human consumption from Nagaland (one of the specified Special Category States) are non-taxable supplies in terms of Section 9(1) of CGST Act, 2017. As per Section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of

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

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

In the light of the aforementioned provisions, the aggregate turnover of Rishabh Enterprises is computed as under:

Computation of aggregate turnover of Rishabh Enterprises (amount in ₹)

Particulars	Turnover of February	Cumulative Turnover of February & March
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	5,50,000	12,00,000 [₹5,50,000 + ₹6,50,000]
Add: Sale of alcoholic liquor for human consumption in Nagaland[WN-1]		5,00,000
Add: Supply of wholly exempt services[WN-2]	1,00,000	2,00,000 [₹1,00,000+ ₹1,00,000]
Add: Export of packed food items from restaurant in Maharashtra[WN-3]	1,50,000	3,50,000 ₹1,50,000+ ₹2,00,000
Aggregate Turnover	8,00,000	22,50,000

Working Notes:

(1) As per Section 2(47) of the CGST Act, 2017, exempt supply includes non-taxable supply. Thus, supply of alcoholic liquor for human consumption in Nagaland, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.

(2) Supply of wholly exempt services is includible while computing the aggregate turnover.

Conclusion: Rishabh Enterprises was not liable to be registered in the month of February since its aggregate turnover did not exceed 20 lakh in that month. However, since its aggregate turnover exceeds ₹20 lakh in the month of March, it should apply for registration within 30 days from the date on which it becomes liable to registration

Illustration 30

LMN Pvt. Ltd., Coimbatore exclusively manufactures and sells product 'X' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'X' only within

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Tamil Nadu. The turnover of the company in the previous year was 45 lakh. The company expects the sales to grow by 30% in the current year. The company purchased additional machinery for manufacturing 'X' on 01-07- 2025. The purchase price of the capital goods was 30 lakh exclusive of GST @ 18%.

However, effective from 01-11-2025, exemption available on 'X' was withdrawn by the Central Government and GST @ 12% was imposed thereon. The turnover of the company for the half year ended on 30-09-2025 was 45 lakh.

- i) Examine the above scenario and advise LMN Pvt Ltd. Whether it needs to get registered under GST?
 - ii) If the answer to the above question is in affirmative, advise LMN Pvt. Ltd. whether it can avail input tax credit on the additional machinery purchased exclusively for manufacturing "X"?
- (RTP 2018 & 2019)**

Solution

- i) **Registration requirements:** Section 22(1) of the CGST Act, 2017 read with Notification No. 10/2019-CT dated 07-03-2019 inter alia provides that every supplier who is engaged in intra-State exclusive supply of goods is liable to be registered under GST in the State/Union territory from where he makes the taxable supply of goods only when aggregate turnover in a financial year exceeds 40,00,000. However, the above provisions are not applicable to few specified States, i.e. States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand. Further, 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 in terms of section 23(1)(a) of CGST Act, 2017.

In the given case, the turnover of the company for the half year ended on 30-09-2024 is 45 lakh which is more than the applicable threshold limit of 40 lakh. Therefore, as per above mentioned provisions, the company should be liable to registration. However, since LMN Pvt. Ltd. supplied exempted goods till 31-10-2025, it was not required to be registered till that day; though voluntary registration was allowed u/s 25(3) of the CGST Act, 2017.

However, the position will change from 01-11-2025 as the supply of goods become taxable from that day and the turnover of company is above 40 lakh. It is important to note here that in terms of section 2(6) of the CGST Act, 2017, the aggregate turnover limit of 40 lakh includes exempt turnover also.

Therefore, turnover of 'X' will be considered for determining the limit of 40 lakh even though the same was exempt from GST. Therefore, the company needs to register within 30 days from 01-11-2025 (the date on which it becomes liable to registration) in terms of section 25(1) of the CGST Act, 2017.

- ii) **Input tax credit eligibility:** Section 18(1)(a) of the CGST Act, 2017 provides that a person who has applied for registration within 30 days from the date on which he becomes liable to registration and has been granted such registration shall 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 he becomes liable to pay tax under the provisions of this Act.

Thus, LMN Pvt. Ltd. cannot avail credit for additional machinery purchased exclusively for manufacturing X as input tax credit of only inputs is allowed when a person gets registered for the first time

Illustration 31

Pure Oils, Delhi has started the supply of machine oils and high speed diesel in the month of April, 2024. The following details have been furnished by it for the said month:-



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S no.	Particulars	(₹ excluding GST)
i.	Supply of machine oils in Delhi	12,00,000
ii.	Supply of high speed diesel in Delhi	14,00,000
iii.	Supply made through Fortis Lubricants - an agent of Pure Oils in Delhi	3,75,000
iv.	Supply made by Pure Oils from its branch located in Punjab	1,80,000

Determine whether Pure Oils is liable for registration. Will your answer change, if Pure Oils supplies machine oils amounting to ₹ 2,50,000 from its branch located in Manipur in addition to the above mentioned supplies?

Solution

Section 22(1) of the CGST Act, 2017 read with Notification No. 10/2019-CT dated 07-03- 2019 inter alia provides that every supplier who is engaged in intra-State exclusive supply of goods is liable to be registered under GST in the State/Union territory from where he makes the taxable supply of goods only when aggregate turnover in a financial year exceeds ₹ 40,00,000. However, the above provisions are not applicable to few specified States, i.e. States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand. However, if such taxable supplies are made from any of the specified special category States, namely, Manipur, Meghalaya, Nagaland and Tripura he shall be liable to be registered if his aggregate turnover in a financial year exceeds 10 lakh. As per section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of:

- All taxable supplies,
- All exempt supplies,
- Exports of goods and/or services and
- All inter-State supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'. Further, the explanation to section 22 provides that the expression "aggregate turnover" shall include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals. Section 9 of the CGST Act, 2017 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) of the CGST Act, 2017, 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 for the month of April, 2024 is computed as under:

Particulars	Amount ₹
Supply of machine oils in Delhi	12,00,000
Add: Supply of high speed diesel in Delhi	14,00,000
Add: Supply made through Fortis Lubricants - an agent of Pure Oils in Delhi	-
Add: Supply made by Pure Oils from its branch located in Punjab	1,80,000
Aggregate Turnover	27,80,000

Since the aggregate turnover does not exceed ₹ 40 lakh, Pure Oils is not liable to be registered. If Pure Oils made supply of machine oils amounting to ₹ 2,50,000 from its branch in Manipur in



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addition to the above supply, then threshold limit of registration will be reduced to 10 lakh as Manipur is one of the specified Special Category States. Aggregate Turnover in that case would be ₹ 27,80,000 + ₹ 2,50,000 = ₹ 30,30,000. So, if Pure Oils supplies machine oils amounting to 2,50,000 from its branch in Manipur, then it is liable to be registered.

Illustration 32

Examine the following cases and explain with reasons whether the supplier of goods is liable to get registered in GST:

- Krishna of Himachal Pradesh is exclusively engaged in intra-state taxable supply of readymade suits. His turnover in the current financial year from Himachal Pradesh showroom is 25 lakh. He has two more showrooms one in Manipur & another in Sikkim with a turnover of 15 lakh and 18 lakh respectively in the current financial year
- Ankit to Telangana is exclusively engaged in intra-state taxable supply of footwears. His aggregate turnover in the current financial year is ₹ 25 lakh.
- Aakash of Uttar Pradesh is exclusively engaged in intra-state supply of pan masala. His aggregate turnover in the current financial year is ₹ 30 lakh.

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.

- The applicable threshold limit for registration gets reduced to ₹ 10 lakh in case a person is engaged in making taxable supply from a Special Category State. Since Krishna is making taxable supply from Manipur - a Special Category State, the applicable threshold limit will get reduced to 10 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- Since Ankit is exclusively engaged in intra-State supply of goods in Telangana, which is not a specified State for enhanced threshold limit, the applicable threshold limit for registration is 20 lakh. Thus, Ankit is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.
- Though the enhanced threshold limit for registration of 40 lakh is available to Uttar Pradesh, the same will not be applicable if the person is engaged in supply of pan masala. In view of the same, the applicable threshold limit for Aakash is 20 lakh. Thus, it is liable to be registered under GST as its aggregate turnover exceeds the said threshold limit.

Illustration 33

State with brief reason, whether following supplies of taxable goods are required to register under the GST Law:

- 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.
- 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 is of 12 lakhs on his own account and ₹ 9 lakhs on behalf of principal. Both turnovers are Intra-State supply.

(4 Marks, May 2019-NS)

Solution

- As per Section 24 of the CGST Act, 2017, Persons making any inter-State taxable supply of goods are mandatorily required to obtain registration and threshold exemption of ₹ 20 lakhs shall not be available to them. Since Mr. Raghav has made interstate supply of goods



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amounting ₹ 1,00,000, hence he is mandatorily required to obtain registration under GST laws.

- (b) 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.

Illustration 34

BBD Pvt. Ltd. of Gujarat exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'Z' only within Gujarat and is not registered under GST laws. The turnover of the company in the previous year 2024-25 was 50 lakh. The company expects the sales to grow by 10% in the current year 2025-26.

However, effective 01-01-2026, 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 31-12-2025 was ₹42 lakh. BBD Pvt. Ltd. is of the opinion that it is not required to get registered under GST for current financial year 2025-26.

Examine the above scenario and advise BBD Pvt. Ltd. whether it needs to get registered under GST or not.

(4 Marks, Nov. 2020)

Solution

For a supplier exclusively engaged in intra-State supply of goods, the threshold limit of turnover to obtain registration in the State of Gujarat is 40 lakh. However, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration.

Therefore, since BBD Pvt. Ltd. was engaged exclusively in supplying exempted goods till 31-12-2025, it was not required to be registered till that day; though voluntary registration was allowed. The position, however, will change from 01-01-2026 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 31-12-2025 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 01-01-2026.

Illustration 35

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 2025 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?

(4 Marks, Dec. 2021)

Solution



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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 goods from Tripura - a specified Special Category State, the applicable threshold limit will get reduced to ₹ 10 lakh. Thus, it is liable to be registered under GST as its aggregate turnover [31 lakh] exceeds the said threshold limit.
- (ii) In case Q Ltd. is making supply of non-taxable goods [petrol and diesel] from Tripura, the applicable threshold limit will not be reduced to ₹ 10 lakh; enhanced threshold limit of 40 lakh will be applicable. Thus, it is not liable to be registered under GST as its aggregate turnover [31 lakh] does not exceed the said threshold limit.

Illustration 36

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, 2025 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?
- (5 Marks, Dec. 2021)

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:
 - (a) Is making inter-State taxable supplies of notified handicraft goods and notified handmade goods,
 - (b) Is availing the benefit of exemption from registration available to inter-State supply of above- mentioned goods up to the aggregate turnover of 20 lakh (10 lakh in case of specified Special Category States), and
 - (c) Has obtained a PAN and
 - (d) Has generated an e-way bill. In the given case, since Mr. Q is engaged in supplying notified handicraft goods and its aggregate turnover does not exceed ₹ 20 lakh, he will not be liable to registration provided he fulfills other conditions specified herein.
- (ii) In case Mr. Q is engaged in trading of notified products which are predominantly made by machine, he will not be eligible for the exemption from registration under aforesaid provisions and needs to take compulsory (mandatory) registration.

Illustration 37

What is the difference between casual and non-resident taxable persons?

Solution

Casual and Non-resident taxable persons are separately defined in the CGST Act in Sections 2(20) and 2(77) respectively. Some of the differences are outlined below:

Casual Taxable Person	Non-resident Taxable Person



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"Casual taxable person" means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business. [Section 2(20)]	"Non-resident taxable person" means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India. [Section 2(77)]
He has a Permanent Account Number	He does not have a PAN. A non-resident person, if having PAN may take registration as a casual taxable person.
Application form for registration is same as for normal taxable persons viz GST REG-01 He has to undertake transactions in the course or furtherance of business	Different application form for registration by non-resident taxable person viz GST REG-09 There is no such requirement
He has to file normal GSTR-1 and GSTR-3B returns.	He has to file a separate simplified return in the format GSTR-5.
He can claim ITC of all inward supplies	He can get ITC only in respect of import of goods.

Illustration 38

Explain special provisions relating to registration in case of casual taxable person and non-resident taxable person. OR Mr. Allan, a non-resident person, wishes to provide taxable supply of goods. He has no fixed place of business or residence in India. He seeks your advise on the following aspects, relating to CGST Act, 2017:

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

(5 Marks, Nov. 2018-NS)

OR

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

- Who is a casual taxable person?
- Can a casual taxable person opt for the composition scheme?
- When is the casual taxable person liable to get registered?
- What is the validity period of the registration certificate issued to a casual taxable person?
- Can the validity of registration certificate issued to a casual taxable person be extended? If yes, what will be the period of extension?

(5 Marks, May 2019-NS)

Solution

Special provisions relating to casual taxable person and non-resident taxable person [Section 27 and Rule 13 of CGST Rules, 2017]:

- Casual/ NR taxable person - Application to be made at least 5 days prior to the Commencement of Business [Section 25]: A casual taxable person or a non-resident taxable person shall apply for registration at least 5 days prior to the commencement of business.



- (2) E-Application by non-resident taxable person at least 5 days prior to Commencement of Business [Rule 13(1)] : A non-resident taxable person shall electronically submit an application, along with a self-attested copy of his valid passport, for registration, duly signed or verified through electronic verification code, in FORM GSTREG-09, at least 5 days prior to the commencement of business at the common portal either directly or through a Facilitation Centre notified by the Commissioner.
- (3) Foreign Tax identification number to be given by business entity incorporated or established outside India : 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.
- (4) Application to be signed by Authorised Signatory [Rule 13(4)] : The application for registration made by a non- resident taxable person shall be duly signed or verified through electronic verification code by his authorised signatory who shall be a person resident in India having a valid Permanent Account Number.
- (5) Advance deposit to be made equivalent to the estimated tax liability [Section 27(2)] : A casual taxable person or a non-resident taxable person shall, at the time of submission of application for registration, 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.
Additional deposit in case of extension - Equal to additional tax: Where any extension of time is sought, such taxable person shall deposit an additional amount of tax equivalent to the estimated tax liability of such person for the period for which the extension is sought.
- (6) Amount deposited to be credited to Electronic cash ledger [Section 27(3)] : The amount of estimated tax deposited shall be credited to the electronic cash ledger of such person and shall be utilised in the manner provided under Section 49. [Section 49 provides for manner of payment of tax.]
- (7) Temporary reference number for making an advance deposit of tax [Rule 13(2)] : A person applying for registration as a non-resident taxable person shall be given a temporary reference number by the common portal for making an advance deposit of tax and the acknowledgement shall be issued electronically only after the said deposit in his electronic cash ledger.
- (8) Verification and grant of registration certificate [Rule 13(3)] : The provisions relating to verification and issue of registration certificate [as contained in Rules 9 and 10] shall, mutatis mutandis, apply to an application submitted under this rule.
- (9) Casual/ non-resident taxable person - Registration valid upto period specified or 90 days [Section 27(1)] : The certificate of registration issued to a casual taxable person or a non-resident taxable person shall be valid for -
 - The period specified in the application for the registration; or
 - 90 days from the effective date of registrationwhichever is earlier.

Extension for further period of 90 days: The proper officer may, on sufficient cause being shown by the said taxable person, extend the said period of 90 days by a further period not exceeding



90 days. Taxable supplies to be effected only after the issuance of RC: Such person shall make taxable supplies only after the issuance of the certificate of registration

Illustration 39

Explain the procedure for obtaining extension in period of operation by casual taxable person and non-resident taxable person.

Ans: Extension in period of operation by casual taxable person and non-resident taxable person [Rule 15 of CGST Rules, 2017]:

- (1) Application for extension before the end of the validity of Registration Period: Where a registered casual taxable person or a non-resident taxable person intends to extend the period of registration indicated in his application of registration, an application in FORM GST REG-11 shall be submitted electronically through the common portal, either directly or through a Facilitation Centre notified by the Commissioner, by such person before the end of the validity of registration granted to him.
- (2) Acknowledgement of application only on advance deposit of tax: The application shall be acknowledged only on payment of the amount specified in Section 27(2)

Illustration 40

Registration requirements: AB Pvt. Ltd., Pune provides house-keeping services. The company supplies its services exclusively through an e-commerce website owned and managed by HiTech Indya Pvt. Ltd., Pune. The turnover of AB Pvt. Ltd. in the current financial year is 18 lakh. Advise AB Pvt. Ltd. as to whether they are required to obtain GST registration. Will your advice be any different if AB Pvt. Ltd. sells readymade garments exclusively through the e-commerce website owned and managed by Hi-Tech Indya Pvt. Ltd.?

Solution

Compulsory Registration: Section 24 of the said Act enlists certain categories of persons who are mandatorily required to obtain registration, irrespective of their turnover. Persons who supply goods or services or both through such electronic commerce operator (ECO), who is required to collect tax at source u/s 52, is one such person specified u/s 24(ix). However, where the ECO is liable to pay tax on behalf of the suppliers of services under a notification issued u/s 9(5), the suppliers of such services are entitled for threshold exemption. Besides this vide Notification No. 65/2017-CT dated 15-11-2017, it has been provided that persons who are suppliers of service and supplying services through e-commerce operator are not required to register under GST if their aggregate turnover is less than 20 lakhs per annum (10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland)

E-commerce Operator: Section 2(45) of the CGST Act defines ECO as any person who owns, operates or manages digital or electronic facility or platform for electronic commerce. Electronic commerce is defined u/s 2(44) to mean the supply of goods or services or both, including digital products over digital or electronic network. Since Hi-Tech Indya Pvt. Ltd. owns and manages a website for e-commerce where both goods and services are supplied, it will be classified as an ECO under Section 2(45).

ECO liable for Registration: Notification No. 17/2017-CT (R) dated 28-06-2017 issued u/s 9(5) specifies services by way of house-keeping, except where the person supplying such service



through ECO is liable for registration under Section 22(1), as one such service where the ECO is liable to pay tax on behalf of the suppliers.

In the given case, AB Pvt. Ltd. provides house-keeping services through an ECO. It is presumed that Hi-Tech Indya is an ECO which is required to collect tax at source under Section 52. However, house-keeping services provided by AB Pvt. Ltd., which is not liable for registration under Section 22(1) as its turnover is less than 20 lakh, is a service notified under Section 9(5). Thus, AB Pvt. Ltd. will be entitled for threshold exemption for registration and will not be required to obtain registration even though it supplies services through ECO.

Supply of goods through ECO - Supplier liable for Compulsory Registration: In the second case, AB Pvt. Ltd. Sells readymade garments through ECO registration will not be required as per the latest circular of Eco and he fulfil the conditions.

Illustration 41

Registration requirements: Mahadev Enterprises, a sole proprietorship firm, opened a shopping complex dealing in supply of goods at multiple locations, i.e. in Himachal Pradesh, Uttarakhand and Tripura in the month of June. It has furnished the following details relating to the sale made at such multiple locations for the month of June:-

Particulars	Himachal Pradesh ₹	Uttarakhand ₹	Tripura ₹
Intra-State sale of taxable goods	22,50,000	-	7,00,000
Intra-State sale of exempted goods	-	-	6,00,000
Interest received from banks on the fixed Deposits	-	-	60,000
Intra-State sale of non-taxable goods	-	21,00,000	40,000

* excluding GST With the help of the above mentioned information, answer the following questions giving reasons:

- Determine whether Mahadev Enterprises is liable to be registered under GST law and what is the threshold limit of taking registration in this case.
- Explain with reasons whether your answer in (1) will change in the following independent cases:
 - If Mahadev Enterprises is dealing in taxable supply of goods only from Himachal Pradesh;
 - If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh;
 - If Mahadev Enterprises is dealing in taxable supply of goods only from Himachal Pradesh and has also effected inter-State supplies of taxable goods amounting to ₹ 4,00,000.

(RTP Nov 2019)

Solution

Registration requirements: 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:



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- (a) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (b) ₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (c) ₹ 40 lakh for rest of India.

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

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

Aggregate turnover: As per section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of:

- (a) all taxable supplies,
- (b) all exempt supplies,
- (c) exports of goods and/or services and
- (d) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis. In the light of the afore-mentioned provisions, the aggregate turnover of Mahadev Enterprises is computed as under:

Computation of State-wise aggregate turnover of Mahadev Enterprises

Particulars	Himachal Pradesh ₹	Uttarakhand ₹	Tripura ₹
Intra-State sale of taxable goods	22,50,000	-	7,00,000
Intra-State sale of exempted goods	-	-	6,00,000
Interest received from banks on the fixed Deposits	-	-	60,000
Intra-State sale of non-taxable goods	-	21,00,000	40,000
Aggregate Turnover	22,50,000	21,00,000	14,00,000

Working Notes:

- (i) Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) is exempt vide Notification No. 12/2017- CT (R) dated 28.06.2017. Since aggregate turnover includes exempt supply, interest received from banks on the fixed deposits, being exempt supply, is included in the aggregate turnover.
- (ii) As per section 2(47) of the CGST Act, 2017, exempt supply includes non-taxable supply. Thus, intra-State supply of non-taxable goods in Uttarakhand, being a non-taxable supply, is an exempt supply and is, therefore, included in the aggregate turnover.
In the given case, Mahadev Enterprises is engaged in exclusive intra-State supply of goods from Himachal Pradesh and Uttarakhand and in supply of both goods and exempted services from Tripura, the threshold limit for registration will be ₹ 40 lakh, ₹ 20 lakh and ₹ 10 lakh respectively.
Further, since Mahadev Enterprises also makes taxable supply of goods from one of the specified Special Category States (i.e. Tripura), the threshold limit for registration will be reduced to ₹ 10 lakh.





(ii) Thus, in view of the above-mentioned provisions, Mahadev Enterprises is liable to be registered under GST law with the aggregate turnover amounting to ₹ 57,50,000 (computed on all India basis). The applicable threshold limit of registration in this case is ₹ 10 lakh.

- (a) If Mahadev Enterprises is dealing in supply of goods only from Himachal Pradesh, the applicable threshold limit of registration would be ₹ 40 lakh. Thus, Mahadev Enterprises will not be liable for registration as its aggregate turnover would be ₹ 22,50,000.
- (b) If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh then higher threshold limit of 40 lakh will not be applicable as the same applies only in case of exclusive supply of goods. Therefore, in this case, the applicable threshold limit will be ₹ 20 lakh and hence, Mahadev Enterprises will be liable to registration.
- (c) In case of inter-State supplies of taxable goods, section 24 of the CGST Act, 2017 requires compulsory registration irrespective of the quantum of aggregate turnover. Thus, Mahadev Enterprises will be liable to registration.

ILLUSTRATION 42

Registration requirement: 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 24 lakhs.
- b) Mr. Lepcha of Mizoram is engaged in the supply of papers with an aggregate turnover of ₹ 13 lakhs.

Will your answer be different if Mr. Lepcha is located in Meghalaya? (5 Marks, Nov. 2019)

SOLUTION:

- (i) A person is eligible for enhanced threshold limit of 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 20 lakh will be applicable.
In view of said provisions, in the given case, Mr. Ahmad is liable to register since his aggregate turnover (24 lakh) exceeds the applicable threshold limit for registration of 20 lakh.
- (ii) The enhanced threshold limit of 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 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 (* 13 lakh) exceeds the applicable threshold limit for registration of 10 lakh.
The enhanced threshold limit of 40 lakh is also specifically not applicable in the State of Meghalaya. Instead, the normal threshold limit of 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 (13 lakh) does not exceed the applicable threshold limit for registration of 20 lakh.

ILLUSTRATION 43



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Registration provisions: ABC Ltd. of Jaipur, Rajasthan has effected intra-State supplies of taxable goods amounting 38,00,000 till 31-12-2025. On 01-01-2026 it has effected inter State supply of taxable goods amounting 1,00,000. ABC Ltd. is of the opinion that it is not required to get registered under GST law since its aggregate turnover is not likely to exceed ₹ 40,00,000 during financial year 2025-26. As a consultant of the company you are required to advise the company relating to registration requirements.

SOLUTION

The opinion of ABC Ltd is not correct. As per provisions of Section 24 of CGST Act, 2017, person making inter state taxable supply of goods are compulsorily required to obtain registration. Thus, Section 24 is an overriding Section that makes it mandatory to obtain registration by certain prescribed persons even though the conditions prescribed u/s 22 are not met. Hence, ABC Ltd. is mandatorily required to obtain registration.

As per provisions of Section 25 of CGST Act, 2017, every person who is liable to be registered under Section 22 or Section 24 shall apply for registration in every such State or Union territory in which he is so liable within 30 days from the date on which he becomes liable to registration, in such manner and subject to such conditions as may be prescribed. Thus, ABC Ltd. is required to obtain registration upto 31-01-2026.

ILLUSTRATION 44

LMN & Co, an unregistered supplier under GST wants to claim ITC and collect tax. Can it do so?

SOLUTION

No, LMN & Co. cannot claim input tax credit and collect tax. A person without GST registration can neither collect GST from his customers nor can claim any input tax credit of GST paid by him. However, if LMN & Co. nevertheless wants to claim input tax credit and collect tax, it can apply for voluntary registration u/s 25(3) of CGST Act, 2017.

ILLUSTRATION 45

Aggregate turnover & Registration requirement: Nesamani started his business activities in the month of February 2026 in the State of Orissa. He provided the following details:

Particulars	Amount in ₹
(i) Outward supply of petrol (Intra State)	4,00,000
(ii) Transfer of exempt goods to his branch in Rajasthan (Inter-State)	2,00,000
(iii) Outward supply of taxable goods by his branch in Uttar Pradesh (Intra State)	5,00,000
(iv) Outward supply of services on which tax is payable under RCM by the recipient of services (Intra-State)	6,00,000
(v) Inward supply of services on which tax is payable under RCM (Intra-State)	2,00,000

From the information given above, compute the aggregate turnover of Nesamani and also decide whether he is required to get registration under GST. Assume that the amounts given above are exclusive of taxes.
(5 Marks, Nov. 2022)





SOLUTION

Computation of aggregate turnover of Nesamani:

Particulars	Amount in ₹
Outward supply of petrol [Supply of petrol being a non-taxable supply is an exempt supply. Value of exempt supply is includible in aggregate turnover.]	4,00,000
Inter-State stock transfer of exempt goods [Supply of taxable/exempt goods between distinct persons is includible.]	2,00,000
Outward supply of taxable goods from Uttar Pradesh branch [Value of outward supplies under same PAN are includible.]	5,00,000
Outward supply of services taxable under reverse charge [Includible in aggregate turnover.]	6,00,000
Inward supply of services taxable under reverse charge [Excludible from the aggregate turnover.]	-
Aggregate turnover	17,00,000

For a supplier engaged in supply of goods and services from the States of Orissa and Uttar Pradesh, the threshold limit of aggregate turnover to obtain registration is ₹ 20 lakh. However, a person required to pay tax under reverse charge has to obtain registration compulsorily irrespective of the quantum of turnover.

Since in the given case, Nesamani is required to pay tax under reverse charge, it is liable to obtain registration compulsorily irrespective of his quantum of turnover.

ILLUSTRATION 46

Registration requirement: Answer the following, after reading the below given two paragraphs:

- Briefly discuss the relevant provision
- decide the correct conclusion and
- determine the validity of the given advice (Correct/Incorrect)

(I) Raju is engaged in the manufacture of 'Fly ash Bricks' in the State of Kerala. He started his activity in the month of April 2024 and deals only in intra-State. His tax consultant advised him to register under composition levy under GST as Raju's turnover is expected to be below 1 crore for the said financial year.

(II) Dharun provides service as a business facilitator to Zio Bank Limited by facilitating in opening of bank accounts to villagers in its rural branches in Punjab and earned a commission of 22 lakh in the month of April, 2024. So far he is not registered under GST. Dharun's tax consultant advised him that he is liable for registration under GST as his gross receipts exceeded 20 lakh. Dharun has no other receipt/business activity other than the above.

(4 Marks, Nov. 2022)

SOLUTION

- A registered person whose aggregate turnover in the preceding financial year did not exceed 1.5 crore in a State/UT may opt for composition scheme subject to fulfilment of specified conditions.

One of these conditions is that he must not be engaged in the manufacture of notified goods including fly ash bricks.



Therefore, in the given case, since Raju is engaged in manufacture of fly ash bricks, he cannot opt for composition levy even though his aggregate turnover in the preceding financial year is nil.

Thus, the advice given by his tax consultant is not correct.

- (ii) Services by a business facilitator to a banking company with respect to accounts in its rural area branch is exempt from GST.

Since in the given case, Dharun is engaged exclusively in providing the exempt services, it is not liable to obtain registration even though his aggregate turnover exceeds 20 lakh.

Thus, the advice given by his tax consultant is not correct.

ILLUSTRATION 47

State with reason whether following statements are true or false :

- (i) "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. (2 Marks, May 2018)
- (ii) Registration under the CGST Act, 2017 can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within three months from the date of Registration. (1.5 Marks, Nov. 2018)

SOLUTION

- (i) **False.** Where a change in the constitution of any business results in the change of the Permanent Account Number of a registered person, the said person shall apply for fresh registration in FORM GST REG-01. Thus, he cannot apply for amendment in registration certificate.
- (ii) **False:** As per Section 29(2) of the CGST Act, the proper officer may cancel the registration of a person, if such person has taken voluntary registration under Section 25(3) has not commenced business within 6 months from the date of registration.

ILLUSTRATION 48

Explain the procedure for revocation of cancellation of registration where the registration of a person is cancelled suo-motu by the proper officer as per the provisions of CGST Act, 2017.

(5 Marks, Nov. 2023)

SOLUTION

Where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation of registration to such proper officer, within 30 days (or within extended time period) from the date of service of the order of cancellation of registration.

If the proper officer is satisfied that there are sufficient grounds for revocation of cancellation, he may revoke the cancellation of registration, by an order within 30 days of receipt of application and communicate the same to applicant.

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Otherwise, he may reject the revocation application. However, before rejecting the application, he has to first issue SCN to the applicant who shall furnish the clarification within 7 working days of service of SCN.

The proper officer shall dispose the application (accept/reject the same) within 30 days of receipt of clarification.



**CHAPTER – 10****TAX INVOICE : CREDIT & DEBIT NOTES****STUDY MATERIAL****ILLUSTRATION 1**

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	1 st August
2.	Turnover exceeds ₹ 10,00,000 on	15 th August
3.	Turnover exceeds ₹ 20,00,000 on	5 th September
4.	Application for registration made on	28 th September
5.	Registration certificate granted on	6 th 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.

ILLUSTRATION 2

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 entity)	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.

ILLUSTRATION 3

Kartik & Co., a registered supplier under GST, provides the following information regarding various tax invoices issued by it during the month of March:

- Value of supply charged in invoice no. 1 was ₹ 2,50,000 against the actual taxable value of ₹ 2,30,000.
- 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.
- 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:

- Who shall issue a debit/credit note under CGST Act?
- Whether debit note or credit note has to be issued in each of the above circumstances?
- What is the maximum time-limit available for declaring the credit note in the GST Return?

SOLUTION

- The debit/credit note shall be issued by the registered person who has supplied the goods and/or services, i.e. Kartik & Co.
- Yes debit/credit note need to be issued in each of the circumstances as under:
 - 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.

TEST YOUR KNOWLEDGE

ILLUSTRATION 4

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.

ILLUSTRATION 5

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.

ILLUSTRATION 6

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 advise Sangri Services Ltd. as to what is the effective date of



registration in its case. It has also sought your advice regarding period for issuance of Revised Tax Invoices.

SOLUTION

As per section 25 read with CGST Rules, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Sangri Services Ltd.'s turnover exceeded ₹20 lakh on 12th August, it became liable to registration on same day. Further, it applied for registration within 30 days of so becoming liable to registration, the effective date of registration is the date on which he becomes liable to registration, i.e. 12th August.

As per section 31 read with CGST Rules, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices. Revised Tax Invoices shall be issued within 1 month from the date of issuance of certificate of registration. Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies affected 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.

ILLUSTRATION 7

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 CGST Rules, 2017].

ILLUSTRATION 8

Royal Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organized 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 lump sum 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 of the CGST Act, 2017 read with the CGST Rules, 2017, 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 03rd February. However, the invoice has been issued on 10th February.

- (ii) Section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, inter alia, provides that tax invoice shall contain the following particulars-

- Total value of supply of goods or services or both;
- Rate of tax (Central tax, State tax, Integrated tax, Union territory tax or cess);
- Amount of tax charged in respect of taxable goods or services (Central tax, State tax, Integrated tax, Union territory tax or cess);

The objection raised by the tax consultant of Royal Fashions 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., is valid in law. In the present case, the tax amount has not been shown separately in the invoice.

ILLUSTRATION 9

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.

ILLUSTRATION 10

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

- (d) The taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or
- (e) Where the goods supplied are returned by the recipient, or
- (f) 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.

ILLUSTRATION 11

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.

ILLUSTRATION 12

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.

ILLUSTRATION 13

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

ILLUSTRATION 14

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).

ILLUSTRATION 15

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.

ILLUSTRATION 16

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.

ILLUSTRATION 17

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.

Further, the time limit for issuing tax invoice in case of reverse charge mechanism supplies has been prescribed in rule 47A.

Rule 47A provides that where an invoice referred to in 46 is required to be issued under clause (f) of section 3(3) by a registered person, who is liable to pay tax under section 9(3)/9(4), he shall issue the said invoice within a period of 30 days from the date of receipt of the said supply of goods and/or services, as the case may be.

Thus, invoice is to be issued by Bhoj Raj within a period of 30 days from the date of receipt of GTA services.

E-WAY BILL

TEST YOUR KNOWLEDGE

ILLUSTRATION 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.

ILLUSTRATION 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.

ILLUSTRATION 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.

ILLUSTRATION 21

Talli Lal, a registered person, has transported alcoholic liquor for human consumption of consignment value of ₹150,000 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.

ILLUSTRATION 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.

ILLUSTRATION 23

Revised Tax invoice: Chidanand Products Pvt. Ltd. started its business of supply of goods on 1st August, 2025. Its turnover exceeds ₹ 40,00,000 on 5th September, 2025. It applied for registration on 28th September, 2025 & granted registration certificate on 6th October, 2025. Guide the company regarding invoices to be issued between 5th September, 2025 to 6th October, 2025 to registered dealers. Further it had also made supplies to unregistered dealers in that period. How it can raise invoices? **(4 Marks, May 2018)**

SOLUTION

As per Section 31 read with CGST Rules, 2017, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices.



Revised Tax Invoices shall be issued within 1 month from the date of issuance of registration in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration.

Therefore, in the given case, Chidanand Products Pvt. has to issue the Revised Tax Invoices in respect of taxable supplies effected during the period starting from the effective date of registration (5th September, 2025) till the date of issuance of certificate of registration (6th October, 2025) within 1 month from the date of issuance of certificate of registration, i.e. on or before 6th November, 2025.

A registered person may issue a Consolidated Revised Tax Invoice in respect of all taxable supplies made to an unregistered recipient during such period. However, in case of inter-State supplies, a consolidated Revised Tax Invoice cannot be issued in respect of all unregistered recipients if the value of a supply exceeds ₹ 2,50,000.

ILLUSTRATION 24

Consignment value for E-way bill : M/s. Gyaan Publishing House, registered under GST in Delhi, is engaged in printing and selling of books as well as trading of stationery items. He has provided following information of a consignment which is to be supplied to Mumbai:

- Taxable value of supplies indicated on tax invoice: ₹ 35,000/-
- Value of exempted supplies: ₹ 8,000/-
- Value of goods to be sent to job worker on delivery challan: ₹ 15,000/-

Calculate the consignment value for the purpose of generating e-way bill for inter-State supply of goods. Assume rate of tax on taxable goods to be 18%.

SOLUTION

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 50,000. Further, explanation 2 to rule 138(1) stipulates that the 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 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:

	Particulars	Consignment Value ₹	
i	Taxable value of supplies indicated on tax invoice:	35,000	
	Add: GST @ 18%	6,300	41,300
	Value of exempt supplies [The same shall not be included]		-
	Value of goods to be sent to job worker on delivery challan		15,000
	Consignment value for the purpose of generating E-way bill		56,300

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 in the given case.

ILLUSTRATION 25

Requirement to generate E-way bill: Sindhi Toys Manufacturers, registered in Punjab, sold electronic toys to a retail seller in Gujarat, at a value of ₹ 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:

- Whether e-way bill is mandatorily required to be generated in respect of such movement of goods?



- ii) What will be the consequences for non-issuance of e-way bill?

SOLUTION

- i) **E-way bill to be mandatorily generated if value of consignment (including taxes) exceeds 50,000:** 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 50,000. Further, explanation 2 to rule 138(1) stipulates that the 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 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:

$$= ₹ 48,000 \times 118\% = 56,640.$$

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 in the given case.

- ii) **Penalty - 10,000/- or tax sought to be evaded whichever is greater:** It is mandatory to generate e-way bill in all cases where the value of consignment of goods being transported is more than 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. As per section 122(1)(xiv) of CGST Act, 2017, a taxable person who transports any taxable goods without the cover of specified documents (e-way bill is one of the specified documents) shall be liable to a penalty of 10,000/- or tax sought to be evaded (wherever applicable) whichever is greater. Moreover, as per section 129(1) of CGST Act, 2017, where any person transports any goods or stores any goods while they are in transit in contravention of the provisions of this Act or the Rules made there under, 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.

ILLUSTRATION 26

Goods transported in single conveyance under multiple invoices - Separate E-way Bill to be generated : Beauty Cosmetics Ltd. has multiple wholesale outlets of cosmetic products in Mumbai, Maharashtra. It receives an order for cosmetics worth 1,20,000 (inclusive of GST leviable @ 18%) from Prasanna, owner of a retail cosmetic store in Delhi. While checking the stock, it is found that order worth 55,000 can be fulfilled from the company's Dadar (Mumbai) store and remaining goods worth 65,000 can be sent from its Malad (Mumbai) store. Both the stores are instructed to issue separate invoices for the goods sent to Prasanna. The goods are transported 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

Separate E-way bill for separate invoices - subsequently consolidated e-way bill can be prepared if goods transported in one conveyance: Beauty Cosmetics Ltd. would be required to prepare two separate e-way bills since each invoice value exceeds 50,000 and each invoice is considered as one consignment for the purpose of generating e-way bills. CBIC has clarified 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.

ILLUSTRATION 27

E-way bill: Mr. Shah, a consignor is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Mehta Transporter for 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.

(5 Marks, Nov. 2019)

SOLUTION

As per Rule 138(5A) of the CGST rules, 2017, the consignor or the recipient, who has furnished the information in Part A of FORM GST EWB-01, or the transporter, may assign the e-way bill number to another registered or enrolled transporter for updating the information in Part B of FORM GST EWB-01 for further movement of the consignment. However, after the details of the conveyance have been updated by the transporter in Part B of FORM GST EWB-01, the consignor or recipient, as the case may be, who has furnished the information in Part A of FORM GST EWB-01 shall not be allowed to assign the e-way bill number to another transporter.

In this case Mr. Shah (consignor) is required to move goods from Ahmedabad (Gujarat) to Nadiad (Gujarat). He appoints Transporter Mehta for movement of his goods. Transporter Mehta moves the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). For completing the movement of goods i.e., from Kheda (Gujarat) to Nadiad (Gujarat), Transporter Mehta now hands over the goods to Transporter Parikh. Thereafter, the goods are moved to the destination i.e. from Kheda (Gujarat) to Nadiad (Gujarat) by Transporter Parikh. In such a scenario, only one e-way bill would be required. Part A can be filled by the consignor and then the e-way bill will be assigned by the consignor to Transporter Mehta. Transporter Mehta will fill the vehicle details, etc. in Part B and will move the goods from Ahmedabad (Gujarat) to Kheda (Gujarat). On reaching Kheda (Gujarat). Transporter Mehta will assign the said e-way bill to the Transporter Parikh. Thereafter, Transporter Parikh will be able to update the details of Part B. Transporter Parikh will fill the details of his vehicle and move the goods from Kheda (Gujarat) to Nadiad (Gujarat).

ILLUSTRATION 28

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.

(2 Marks, May 2023)

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

ILLUSTRATION 29

Mohan Enterprise is a registered person having principal place of business in Gandhinagar, Gujarat. They received services of Advocate Sameer a registered person from Ahmedabad, Gujarat. Shekhar, an unregistered person provided services of labour to Mohan Enterprise. Explain the provisions relating to issue of invoice by recipient Mohan Enterprise if he is liable to pay tax under reverse charge under Section 9(3) or 9(4) of the CGST Act, 2017.

(5 Marks, May 2024)

SOLUTION





A registered person shall issue an invoice in respect of goods and/or services received by him provided:

- (i) he is liable to pay tax under reverse charge [under section 9(3) or 9(4) of the CGST Act, 2017] on such supplies, and
- (ii) supplies are received from the supplier who is not registered on the date of receipt of goods and/or services.

In the given case, tax on services received from advocate Sameer by Mohan Enterprise is payable under reverse charge.

However, Mohan Enterprises is not required to issue an invoice with respect to said supply as supplier Sameer is registered.

Further, tax on labour services received from unregistered person-Shekhar is not payable under reverse charge.

Therefore, Mohan Enterprises is not required to issue an invoice with respect to said supply.

ILLUSTRATION 30

Registration under GST and issuance of revised tax invoice : The aggregate turnover of Kamlesh Enterprises Ltd. exceeded ₹40 lakh on 10th October, 2025. It applied for registration on 27th October, 2025 and was granted the registration certificate on 1st November, 2025. You are required to advise Kamlesh Enterprises 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. (Similar MTP May, 2018)

SOLUTION

As per Section 25 read with CGST Rules, 2017, where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration. Since, Kamlesh Enterprises Ltd.'s turnover exceeded ₹40 lakh on 10th October, 2025, 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 it becomes liable to registration, i.e. 10th October, 2025.

Time period for issuance of revised tax invoice: As per Section 31 read with CGST Rules, 2017, every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices.

Revised Tax Invoices shall be issued **within 1 month** from the date of issuance of registration certificate 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, Kamlesh Enterprises Ltd. has to issue the Revised Tax Invoices in respect of taxable supplies effected during the period starting from the effective date of registration (10th October, 2025) till the date of issuance of certificate of registration (1st November, 2025) within 1 month from the date of issuance of certificate of registration, i.e. on or before 1st December, 2025.

ILLUSTRATION 31

Requirement to generate E-way bill: 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 ₹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.

SOLUTION

E-way bill to be generated even if movement of goods is by reasons other than supply: 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 ₹ 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 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 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.

ILLUSTRATION 32

E-way Bill - Consignment value: M/s. Sakura Enterprises made an inter-State supply of taxable goods valued at ₹ 47,500 and exempt goods valued at ₹ 2,000. Rate of IGST for taxable supply was 6%. Determine, with brief reasons, whether e-way bill generation is mandatory for the above supply made by M/s. Sakura Enterprises. (2 Marks, Nov. 2022)

SOLUTION

In the given case, consignment value of goods (including GST and excluding value of exempt supply) is ₹ 50,350 (47,500 + 106%).

Since there is a movement of goods of consignment value exceeding ₹ 50,000, M/s. Sakura Enterprises is mandatorily required to issue e-way bill

ILLUSTRATION 33

Time limit for issuance of invoice: Mr. Lakhan provides Continuous Supply of Services (CSS) to M/s. TNB Limited. He furnishes the following further information: va

- (i) Date of commencement of Providing CSS-01-10-2025
- (ii) Date of completion of Providing CSS-31-01-2026
- (iii) Date of receipt of payment by Mr. Lakhan- 30-03-2026

Determine the time of issue of invoice as per provisions of CGST Act, 2017, in the following circumstances:

- (i) If no due date for payment is agreed upon by both under the contract of CSS.
- (ii) If payment is linked to the completion of service.
- (iii) If M/s. TNB Limited has to make payment on 25-03-2026 as per the contract between them.



SOLUTION

As per Section 31(5) of CGST Act, 2017, in case of continuous supply of services the time limit for issuance of invoice is as under -

	Particulars	Time limit
(a)	where the due date of payment is ascertainable from the contract	the invoice shall be issued on or before the due date of payment .
(b)	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 .
(c)	where the payment is linked to the completion of an event	the invoice shall be issued on or before the date of completion of that event .

Thus,-

- If no due date for payment is agreed upon by both under the contract of CSS, the invoice shall be issued on or before 30-03-2026.
- If payment is linked to the completion of service, the invoice is to be issued on or before 31-01-2026.
- If M/s. TNB Limited has to make payment on 25-03-2026 as per the contract between them, the invoice is to be issued on or before the due date of payment as per the contract 25-03-2026.

ILLUSTRATION 34

Time limit for issuance of Invoice: M/s. Xing Trans of Kolkata is engaged in the trading of transmitters. On 20-05-2025, M/s. Xing Trans has sent 500 units of transmitters for exhibition at Chennai on sale or return basis. Out of the said 500 units, 300 units have been sold on 28-07-2024 at the exhibition. Out of remaining 200 units, 150 units have been brought back to Kolkata on 25-11-2025 and balance 50 units have neither been sold nor brought back.

Explain the provisions under GST law relating to issue of invoices with exact dates on which tax invoices need to be issued by M/s. Xing Trans. **(4 Marks, May 2022)**

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. upto 28-07-2025.

Remaining 200 (150 + 50) units have neither been sold nor brought back till the expiry of 6 months from the date of removal goods, ie. 20-11-2025. Thus, tax invoice for said 200 units needs to be issued upto 20-11-2025.

ILLUSTRATION 35

List out category of persons who are exempted from the E-invoicing provisions. **(2 Marks, Sept. 2024)**



SOLUTION

Following entities are exempt from the mandatory requirement of e-invoicing even if their turnover exceeds 5 crore in any preceding financial year from 2017-18 onwards:

- ❖ Special Economic Zone units
- ❖ Insurer
- ❖ 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
- ❖ A Government Department
- ❖ A local authority

Note: Any two points may be mentioned.

ILLUSTRATION 36

Registration timeline and revised tax invoice: Rameshwar Industries is engaged in the manufacturing semi-conductors in the State of Assam. It makes only intra-State outward supplies.

Following details have been made available by Rameshwar Industries:

Date of commencement of business	March 14, 2026
Date when turnover exceeded 10 lakh	March 29, 2026
Date when turnover exceeded 20 lakh	April 15, 2026
Date when turnover exceeded 40 lakh	April 28, 2026
Date, of application for registration as per the provisions of Section 22- of the CGST Act, 2017	May 15, 2026
Date of issuance of certificate of registration	May 29, 2026

Based on the above information, You are required to determine the following by briefly stating the relevant provision,

- (i) Effective date of registration of Rameshwar Industries
- (ii) Period for which revised tax invoice can be issued
- (iii) Timeline within which such revised tax invoice is to be issued. **(5 Marks, Jan. 2025)**

SOLUTION

- i) 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. Rameshwar Industries became liable to registration on 28th April, 2026 when its turnover exceeded the applicable threshold limit of 40 lakh (since it is engaged exclusively in supply of goods). Since it applied for registration within 30 days, the effective date of registration is 28th April, 2026.
- ii) Revised tax invoices can be issued against the invoices already issued during the period starting with the effective date of registration till the date of issuance of certificate of



registration. Therefore, in the given case, Rameshwar Industries can issue the revised tax invoices against the invoices already issued during the period beginning with 28th April, 2026 till 29th May, 2026.

- iii) Revised tax invoices are to be issued within 1 month from the date of issuance of certificate of registration i.e. within 1 month from 29th May, 2026 ie. upto 29th June, 2026.

ILLUSTRATION 37

Dream World Pvt. Ltd is registered under GST in the State of Haryana. During the Financial Year 2025-26, its annual aggregate turnover was 12 crore. In the month of April 2026, it supplied goods worth 12 lakh to Nightmare Ltd (a registered taxable person).

(i) You are required to ascertain whether issue of e-invoice is mandatory in respect of this transaction?

(ii) What would be your answer if Nightmare Ltd is a SEZ (Special Economic Zone) unit?

(4 Marks, Nov. 2023)

ANSWER

- i) All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than 10 crore are required to issue e-invoices. Thus, issuance of e-invoice is mandatory in respect of the given transaction as the aggregate turnover of Dream World Pvt. Ltd. in the preceding financial year exceeded ₹ 10 crore.
- ii) Issue of e-invoice is exempt in respect of supply BY the SEZ (Special Economic Zone) unit. Here SEZ unit is receiver of supply. Thus, the issuance of e-invoice is mandatory in respect of given transaction even in case where Nightmare Ltd. is a SEZ (Special Economic Zone) unit.

ILLUSTRATION 38

Sunita Industries, registered in the State of Gujarat, receives machinery for repair in its workshop located in Surat, Gujarat on 4th April, 2026 from Titen Ltd., an automobile manufacturing company based in China. Titen Ltd. is not registered in India. The repair work was carried out by Sunita Industries for which it was paid in convertible foreign exchange. The aggregate turnover of Sunita Industries was 450 crore in the preceding financial year 2025-2026 but for the financial year 2024-25 turnover was 562 crore.

While raising the invoice for the said consideration, the accountant of Sunita Industries approaches you as to whether the Dynamic Quick Response (QR) code is mandatorily required on said invoice?

ANSWER

All B2C invoices issued by a registered person whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds 500 crores will have a Dynamic QR code.

In the given case, although the aggregate turnover of Sunita Industries exceeds 500 crore in preceding financial year 2024-25, it is still not mandatorily required to have a Dynamic QR code requirement on the invoice for said services as Dynamic QR code requirement is not applicable to exports.

**ILLUSTRATION 39**

Briefly discuss the provisions related to inspection and verification of goods in transit as laid in Rule 138C of CGST Rules, 2017. **(5 Marks, May 2025)**

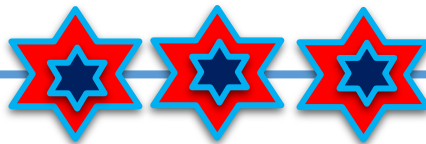
ANSWER

A summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of a prescribed form within 24 hours of inspection and the final report in Part B of said form shall be recorded within 3 days of such inspection.

However, where the circumstances so warrant, the Commissioner, or any other officer authorised by him, may, on sufficient cause being shown, extend the time for recording of the final report in Part B of said form, for a further period not exceeding 3 days.

The period of 24 hours or, as the case may be, 3 days shall be counted from the midnight of the date on which the vehicle was intercepted.

Where the physical verification of goods being transported on any conveyance has been done during transit at one place within the State/Union territory or in any other State/Union territory, no further physical verification of the said conveyance shall be carried out again in the State/Union territory, unless a specific information relating to evasion of tax is made available subsequently.





CHAPTER – 11

ACCOUNTS AND RECORDS

STUDY MATERIAL

ILLUSTRATION 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.

ILLUSTRATION 2

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.

ILLUSTRATION 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 Manjula, 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.

ILLUSTRATION 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.

ILLUSTRATION 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.

ILLUSTRATION 6

Go To Dress 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.

(2 Marks, May 2022)

SOLUTION

Section 35 of the CGST Act, 2017 mandates that every registered person shall maintain the accounts and records at his 'principal place of business', as defined under section 2(89). "Principal place of business means the place of business specified as the principal place of business in the certificate of registration". Therefore, the address mentioned under the GST registration certificate as the principal place of business, shall be the location where the accounts and records are required to be maintained.



The First Proviso to section 35(1) of the CGST Act, 2017 states that, in case a registered person has other place of business (es) in addition to the principal place of business, say, for instance, multiple stores, manufacturing facility, godowns, branches, etc., under a common GSTIN and as mentioned in the GST registration certificate, then the records relating to such addition allocation(s) shall also be maintained at the respective location(s).

Thus, GoToDress has to maintain records relating to 5 showrooms at respective Showrooms. Moreover, there is no restriction in maintaining the records of additional place of business at the principal place as well.

ILLUSTRATION 7

Maintenance Services Ltd. is a supplier of maintenance and repair services. It has approached you to ascertain the period for which the books of accounts or other records need to be maintained?

SOLUTION

According to Section 36 of CGST Act, 2017, every registered person required to 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. Besides this, a registered person, who is a party to 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
- The period specified above i.e. until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records, **Whichever is later.**

ILLUSTRATION 8

Bikanerwala Restaurant has opted for composition scheme in the current financial year. Discuss the records which are not to be maintained by a supplier opting for composition levy as enumerated in Rule 56 of the CGST Rules, 2017

SOLUTION

Following records are not required to be maintained by a supplier who has opted for composition scheme as per Rule 56(2) & (4) of the CGST Rules, 2017:

Stock Account: Composition supplier shall not be required to maintain the accounts of stock in respect of goods received and supplied by him, containing 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.

Tax details: Composite Supplier paying tax under section 10, shall not be required to keep and maintain an account, containing the details of tax payable (including tax payable in accordance with the provisions of Section 9(3) and (4) i.e. on reverse charge basis), 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

ILLUSTRATION 9

KGK Manufacturers Ltd. engages JPJ & Sons as an agent to sell goods on its behalf. For the purpose, KGK Manufacturers Ltd. has supplied the goods to JPJ & Sons located in Haryana.



Enumerate the accounts required to be maintained by JPJ & Sons as per rule 56(11) of the CGST Rules, 2017.

SOLUTION

As per provisions of Rule 56 (11) of CGST Rules, 2017, every agent shall maintain accounts depicting, —

- a) particulars of authorisation received by him from each principal to 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.

ILLUSTRATION 10

Kalyani Enterprises has started making taxable supplies. You are required to advise it about the accounts and records required to be maintained by it as required under section 35(1) of the CGST Act, 2017.

SOLUTION

As per provisions of Section 35 (1) of CGST Act, 2017, every registered person shall keep and maintain, at his **principal place of business**, as mentioned in the certificate of registration, a true and correct account of —

- a) Production or manufacture of goods
- b) Inward supply of goods or services or both;
- c) Outward supply of goods or services or both;
- d) Stock of goods;
- e) Input tax credit availed;
- f) Output tax payable and paid; and
- g) Such other particulars as may be prescribed.

ILLUSTRATION 11

Every registered person executing works contract shall keep separate accounts for works contract under CGST Rules, 2017. List the details to be maintained. **(5 Marks, Sept. 2024)**

ANSWER

Every registered person 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
- (e) the names and addresses of suppliers from whom he received goods or services.



ILLUSTRATION 12

Commissioner has notified some specified persons to maintain additional accounts or documents as mentioned in rule 56 of the CGST Rules 2017, Agent as defined u/s 2(5) of the CGST Act, 2017 is one of them.

List the additional accounts or documents to be kept by agent.

(5 Marks, Sept. 2024)

ANSWER

Additional accounts/documents to be kept by agent are as follows:

- (a) particulars of authorisation received by him from each principal to receive/supply goods/services on behalf of such principal separately;
- (b) particulars including description, value and quantity (wherever applicable) of goods/services received on behalf of every principal;
- (c) particulars including description, value and quantity (wherever applicable) of goods/services supplied on behalf of every principal;
- (d) details of accounts furnished to every principal; and
- (e) tax paid on receipts/ supply of goods/services effected on behalf of every principal.





CHAPTER - 12

PAYMENT OF TAX

STUDY MATERIAL

ILLUSTRATION 1

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 utilize 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 utilized 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'.

ILLUSTRATION 2

Mr. Alok, 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. 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, 2023 to 15th April, 2023 = 54 days

Hence, amount of interest = ₹ 36,500 × 18% × 54/365 = ₹ 972.

ILLUSTRATION 3

ABC Ltd., have filed their GSTR3B 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:

- ★ There exist 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 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% × 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% × 61/365 = ₹ 902.

TEST YOUR KNOWLEDGE

ILLUSTRATION 4

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.

ILLUSTRATION 5

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) Real time data for tax collection in electronic format;
- (e) Faster remittance of tax revenue to the Government Account;
- (f) Paperless transactions;
- (g) Speedy Accounting and reporting;
- (h) Electronic reconciliation of all receipts;
- (i) Simplified procedure for banks;
- (j) Warehousing of Digital Challan.

ILLUSTRATION 6

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.

ILLUSTRATION 7

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.

ILLUSTRATION 8

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.

ILLUSTRATION 9

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.

ILLUSTRATION 10

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?
- (RTP 2019)

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 authorized 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 authorized bank;
- (v) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- (vi) Over the Counter payment through authorized 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.

ILLUSTRATION 11





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, 2025. 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?

(3 Marks, Nov. 2023)

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.

ILLUSTRATION 12

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.

PREVIOUS YEAR QUESTIONS

ILLUSTRATION 13

M Ltd, a registered manufacturer in state of Gujarat provides the following particulars.

- (1) Inputs purchased within state ₹ 1,05,000 (includes GST @ 5%)
- (2) Machinery purchased for ₹ 1,00,000 (excluding 18% GST) from a local dealer in Gujarat, eligible for input tax credit. Depreciation at rate 15% p.a.





- (3) Manufacturing expenses and profits ₹ 55,000
- (4) Goods produced were sold outside Gujarat with IGST @ 18% on sales. Calculate the amount of CGST and SGST payable after utilizing input tax credit assuming no opening balance of input tax credit available.

SOLUTION

Computation of Taxable value of supply and Tax liability (amount in ₹)

Particulars	₹
Inputs purchased from local dealer [WN-1]	1,00,000
Depreciation expense	15,000
Manufacturing Expense and	55,000
Taxable value of supply	1,70,000
Output tax Liability (IGST @ 18%)	30,600
Less: Input tax credit available on: [WN-2]	
Inputs-	
• CGST	2,500
• SGST	2,500
Capital goods-	
• CGST	9,000
• SGST	9,000
IGST to be deposited in cash	7,600

Working Notes:

- a) Credit will be available for CGST and SGST charged by local suppliers, hence same is not to be included in the cost
- b) The credit of CGST and SGST is to be utilized for payment of CGST and SCST output tax liability respectively and any amount remaining thereafter shall be utilized towards IGST liability,

ILLUSTRATION 14

Mr. K of Kolkata purchased goods from Mr. A of Assam amounting to ₹ 1,18,000 (including 18% IGST). He also purchased raw material worth ₹ 1,25,000 from local dealer who has opted for composition scheme. He incurred ₹ 50,000 as direct and indirect expenses and added profit margin @ 12% of cost.

Mr. K sold 70% of finished goods to Mr. M of Mumbai with IGST 12% payable thereon, and 30% of finished goods to Mr. N of Kolkata with CGST and SCST @ 12% payable thereon. Compute the net CGST, SGST and IGST liability and input tax credit if any.

SOLUTION

Computation of taxable value of supply (amount in ₹)

Particulars	Amount ₹
Purchases of raw material from Mr. A of Assam [WN-1]	1,00,000
Purchases of raw material from dealer opted for composition scheme [WN-2]	1,25,000
Other direct and indirect expenses	50,000
Total Cost of goods manufactured	2,75,000
Add: Profit margin 12% of cost	33,000

CHAPTER - 12

PAYMENT OF TAX



CA VARDHAMAN DAGA

Taxable value of supply	3,08,000
Goods sold to Mr. M of Mumbai (70% of goods produced)	2,15,600
Goods sold to Mr. N of Kolkata (30% of goods produced)	92,400

Computation of GST liability (amount ₹)

Particulars	CGST @ 6%	SGST @ 6%	IGST @ 12%
Goods sold to Mr. M of Mumbai	-	-	25,872
Goods sold to Mr. N of Kolkata	5,544	5,544	-
Less: Eligible input tax credit in respect of purchases of Raw material (from Assam)			(18,000)
CGST/SGST/IGST to be paid in cash	5,544	5,544	7,872

Working Notes:

- Credit will be available for IGST charged by outside state suppliers, hence same shall not be included in the cost
- No input tax credit shall be admissible on purchases made from dealer who has opted for the
- The credit of IGST is to be utilized for payment of IGST output tax liability first and if any amount remains thereafter then such amount is to be utilized towards payment of CGST and SGST liability in any order

ILLUSTRATION 15

Mr. Ajay, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 2025

S.No.	Particulars	Amount ₹
i.	Inter-State taxable supply of goods	10,00,000
ii.	Intra-State taxable supply of goods	2,00,000
iii.	Intra-State purchase of taxable goods	5,00,000

He has the following Input tax credit at the beginning of August 2025

Nature	ITC Amount in (₹)
CGST	20,000
SGST	30,000
IGST	25,000

Rate of COST, SGST and IGST are 9%, 9% and 18% respectively.

Both inward and outward supplies are exclusive of taxes wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled.

Compute the net GST payable by Mr. Ajay for the month of August 2025

(6 Marks, May 2018-NS)

SOLUTION

Computation of net GST payable (amount in ₹)

Particulars	CGST	SGST	IGST
Output tax liability			
Inter-State Sale: ₹ 10,00,000 [IGST leviable @18%]			1,80,000
Intro State Sale: ₹ 2,00,000 [CGST @ 9% and SGST @9%]	18,000	18,000	
Total output tax liability	18,000	18,000	1,80,000



CHAPTER - 12

PAYMENT OF TAX



CA VARDHAMAN DAGA

Less: Input to credit			
Opening balance	20,000	30,000	25,000
Purchases during the month			
Intra-State purchases - ₹ 5,00,000 [CGST @9% and SGST @9%]	45,000	45,000	-
Total Input tax credit	65,000	75,000	25,000
Less: Extra credit of CGST and SGST can be used for payment of IGST	47,000	57,000	1,04,000
Net amount of CGST/ SGST/ IGST payable	Nil	Nil	51,000

ILLUSTRATION 16

Vivitha & Co., a registered dealer in Ludhiana, furnishes the following details of purchases and sales pertaining to the month of July:

Particulars	₹
Goods 'A' purchased from local market (including GST @ 12%)	50,400
Goods 'B' purchased from Jaipur (including IGST @ 18%)	82,600
Sales made during the month to dealer of Kolkata of product:	
Goods 'A'	80,000
Goods 'B'	45,000
Sales made within the state of Goods 'B'	35,000

Above sales amount given is exclusive of tax. Compute the net CGST, SGST and IGST liability and input tax credit, if any for the month of July

SOLUTION

Computation of GST liability (amount in ₹)

Particulars	CGST	SGST	IGST
Inter-State Sale:			
Goods 'A' sold to Kolkata (IGST @ 12%)	-	-	9,600
Goods 'B' sold to Kolkata (IGST @ 18%)	-	-	8,100
Intra-State Sale:			
Goods 'B' sold within state (CGST/SGST @ 9% each)	3,150	3,150	-
Less: Eligible ITC [(₹ 50,400 × 100/112) × 12%] [(₹ 82,600 × 100/118) × 18%]	2,700	2,700	12,600
Net amount of CGST/SGST/IGST payable	450	450	5,100

ILLUSTRATION 17

Royal Sweet Co., Delhi, a registered supplier, has furnished the details of the following few transactions which took place in November, 2024

S. No.	Date	Particulars	Date of invoice	Amount ₹
1.	11-11-2025	Payment made to an advocate in Delhi	07-07-2025	1,25,000
2.	20-11-2025	Paid sitting fee to Director from Haryana for meeting held in Delhi on 15-10-2025 [Inter-State supply]	15-10-2025	75,000





Particulars	CGST	SGST	IGST
Rate	9%	9%	18%

You are required to compute GST [CGST & SGST/IGST, as the case may be] payable for the month of November, 2025 along with time of supply of the aforementioned activities.
(RTP May 2018)

SOLUTION

Computation of GST payable for the month of November, 2025 (amount in ₹)

S. No.	Particulars	Time of supply of services	CGST	SGST	IGST	Interest
1.	Services from an advocate in Delhi	06-09-2025 [WN-1 & 3]	11,250	11,250	-	244 [WN-4]
2.	Director's Sitting fee	20-11-2025 [WN-2 & 3]	-	-	13,500	

Working Notes:

- (1) Services supplied by an individual advocate to any business entity located in the taxable territory is a notified service on which tax is payable on reverse charge basis by the recipient of services.
- (2) Services supplied by a director of a company to the said company is a notified service on which tax is payable on reverse charge basis by the recipient of services.
- (3) As per section 13 of the CGST Act, 2017, the time of supply of services in case of reverse charge is earliest of the following:-
 - a) Date of payment as entered in the books of account of the recipient or the date on which the payment is debited to his bank account, whichever is earlier, or
 - b) Date immediately following 60 days since the date of issue of invoice. Provisions of time of supply as provided under section 13 of the CGST Act are also applicable for inter-State supply vide section 20 of the IGST Act. In view of the aforesaid provisions, the time of supply and due date for payment of tax in the given cases would be determined as under:
 - i) Time of supply of the services is the date immediately following 60 days since the date of issue of invoice, i.e. 06-09-2025. The due date for payment of tax is 20-10-2025 with return of September, 2025.
 - ii) Time of supply of service is 20-11-2025 and due date for payment of tax is 20-12-2025 with return of December, 2025.
- (4) The due date for payment of tax in case (i) is 20-10-2025 with return of September, 2025. However, the payment of tax is actually made on 11-11-2025. Thus, payment of tax is delayed by 22 days.

In case of delayed payment of tax, interest @ 18% per annum is payable for the period for which the tax remains unpaid starting from the day succeeding the day on which such tax was due to be paid [Section 50 of the CGST Act, 2017 read with Notification No. 13/2017-CT dated 28-06-2017]. In view of the same, in the given case, interest payable would be as follows: Amount of interest payable = ₹22,500 × 18% × 22/365 = ₹244.11 (rounded off)

ILLUSTRATION 18

Shipra Traders is a registered supplier of goods in Assam. It purchased goods valued at 10,000 from Kartik Suppliers located within the same State. Kartik Suppliers charged CGST & SGST separately in its invoice. Subsequently, Shipra Traders sold goods valuing ₹ 9,500 to Rabina Manufacturers located in Assam. 20% of the inputs purchased are still lying in stock and there

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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. (RTP May 2018)

SOLUTION

Computation of net GST payable by Shipra Traders:

Particulars	CGST @9% ₹	SGST @9% ₹
GST payable on intra-State supply of Goods [Being an intra-State supply, CGST and SGST is payable on the same]	855 (₹ 9,500 × 9%)	855 (₹ 9,500 × 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

ILLUSTRATION 19

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, 2026

S.No.	Particulars	Amount ₹
1.	Intra-State sale of taxable goods including ₹ 1,00,000 received as advance in January, 2026, the invoice for the entire sale value is issued on 15th February, 2026	4,00,000
2.	Goods purchased from unregistered dealer on 20 February, 2026 (Inter-State purchases are worth 30,000 and balance purchases are intra-State)	1,00,000
3.	Services provided by way of labor contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
4.	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, 2026.

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 2.5 crore in the previous financial Year

(ii) All the amounts given above are exclusive of taxes.

(RTP Nov. 2018)

SOLUTION

Computation of GST liability of M/s. Shri Durga Corporation Pvt. Ltd. for the month of February, 2026

Particulars	Value of Supply	CGST ₹	SGST ₹	IGST ₹
Intra-State sale of taxable goods [WN-1]	4,00,000	36,000	36,000	-



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Goods purchased from unregistered dealer on 20th February, 2026 [WN-2]	Nil	Nil	Nil	
Services rendered by way of labor contracts for repairing a single residential unit otherwise than as a part of residential complex [WN-3]	1,00,000	9,000	9,000	
Goods transport services received from GTA [WN 4]	2,00,000			Nil
Total GST liability for the month of February, 2026		45,000	45,000	Nil
Less: Input tax credit available (2,00,000 × 12%) [WN-5]		24,000		
Net GST liability for the month of February, 2026		21,000	45,000	Nil

Working 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, 2026 will also arise in the month of February, when the invoice for the supply is issued.
- (2) All intra-State and inter-State notified supplies made by notified a registered person from unregistered person are liable to GST. Since M/s. Duaga Corporation Pvt. Ltd. is not notified registered supplier and supplies made to than have are not notified supplies, hence, GST liability will not arise.
- (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% or GTA has not exercised option to pay tax under forward charge mechanism. Since in the given case, services have been received from a GTA who has paid GST @ 12%, reverse charge provisions will not be applicable.
- (5) Input tax credit is available for the services received from GTA. The input tax credit of IGST can be used against IGST and then CGST and SGST in any order as per Section 49B read with Rule 88A of CGST Rules, 201

ILLUSTRATION 20

Mr. Himanshu, a registered supplier of chemicals, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies for the month of September 2025:

Intra-State supply of goods = ₹ 25,00,000.

Inter-State supply of goods = ₹ 5,00,000

He has also made the following inward supply:

Intra-State purchase of goods from Registered Dealer = ₹ 14,00,000

Intra-State purchase of goods from Unregistered Dealer = ₹ 2,00,000

Inter-State purchase of goods from Registered Dealer = ₹ 4,00,000

Balance of ITC at the beginning of September 2025:



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CGST = ₹ 95,000

SGST = ₹ 60,000

IGST = ₹ 50,000

Additional Information:

a) He purchased a car (Intra-State supply) used for business purpose at a price of ₹ 6,72,000/- (including CGST of 36,000 & SGST of 36,000) on September 15, 2025. He capitalized the full value including GST in the books on the same date to claim depreciation.

b) Out of Inter-State purchase from registered dealer, goods worth 1,00,000 were received on October 3, 2025 due to road traffic jams.

Note:

i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.

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

iii) All the conditions necessary for availing the ITC have been fulfilled except when mentioned above. Compute the net CGST, SGST and IGST payable in cash by Mr. Himanshu for the month of September 2025.

(8 Marks, May 2019-NS)

SOLUTION

Computation of net GST payable (amount in ₹)

Particulars	CGST	SGST	IGST
Output tax liability			
Inter-State Sale: 5,00,000 [IGST leviable @ 18%]			90,000
Intra-State Sale: 25,00,000 [CGST @ 9% and SGST @ 9%]	2,25,000	2,25,000	
Total output tax liability	2,25,000	2,25,000	90,000
Less: Input tax credit			
Opening balance	95,000	60,000	50,000
Purchases during the month			
Intra-State purchases from registered dealer ₹ 14,00,000 [CGST @ 9% and SGST @ 9%]	1,26,000	1,26,000	-
Intra-State purchase of goods from Unregistered Dealer [No Input tax credit is available, since the same are not liable to GST]	-	-	-
Inter-State purchases from Registered Dealer [4,00,000- 1,00,000] [WN-2]	-	-	54,000
Total Input tax credit	2,21,000	1,86,000	1,04,000
Less: Extra credit of IGST to be used for payment of CGST and SGST in any order	4,000	10,000	-14,000
Net amount of CGST/ SGST/IGST payable	NIL	29,000	NIL

Working Notes:

- (1) As per Section 17(5) (a), no Input tax credit is available in respect of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver), unless they are used for making the following taxable supplies, namely:- (A) further supply of such motor vehicles; or (B) transportation of passengers; or (C) imparting training on driving such motor vehicles. Hence, no input tax credit is available on the said motor vehicles. Besides this Input tax paid on motor car cannot be availed as ITC, if depreciation has been claimed on such tax component - Section 16(3).



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- (2) No input tax credit can be availed on inputs which are not received by the registered supplier. Since goods worth ₹1,00,000 were received on October 3, 2025, input tax credit in respect of the same cannot be availed in the month of September, 2025.

ILLUSTRATION 21

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, 2026:

S. No.	Particulars	Amount ₹
1.	Inter-State supply of goods	1,00,000
2.	Intra-State supply of 500 packets of detergent @ 400 each along with a plastic bucket worth 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 28%)	
3.	Supply of online educational journals to M/s. Pinnacle, a private coaching center providing tuition's to students of Class X-XII, being intra-state supply	50,000
	M/s. Grey has also received the following inward supplies:	
4.	Inter-state supply of goods (out of which invoice for goods worth 20,000 is missing and no other tax paying document is available)	70,000
5.	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 01-04-2026 are as follows:

CGST = ₹ 5,000

SGST = ₹ 5,000

IGST = ₹ 40,000

Following additional information is provided:

- Rate of GST in respect of all inward and outward supplies except item 2.above is 18%, i.e. CGST and SGST @9% and IGST @ 18%.
- All figures mentioned above are exclusive of taxes
- All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption. Compute the minimum net GST payable in cash by M/s. Grey for the month of April 2026. (8 Marks, Nov. 2019)

SOLUTION

Computation of GST payable in cash M/s. Grey (amount ₹):

Particulars	Taxable turnover	CGST ₹	SGST ₹	IGST ₹
Tax on outward supply				
Inter-State supply of goods	1,00,000	-	-	18,000
Intra-State supply of 500 packets of detergent @ 400 each along with a plastic bucket. [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	2,00,000	28,000	28,000	-



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composite supply or a mixed supply and the rate of tax shall be determined accordingly - Circular 92/11/2019- GST dated 7-3-2019 As per section 8, a mixed supply comprising of two or more supplies shall be treated as supply of that particular supply that attracts highest rate of tax. Hence, GST rate of 28% will be applicable.]				
Supply of online educational journals to M/s. Pinnacle, a private coaching center providing tuitions to students of Class X-XII, being intra-state supply. [Liable to GST	50,000	4,500	4,500	-
Total output tax liability [A]		32,500	32,500	18,000
Input tax credit:				
Opening Balance		5,000	5,000	40,000
Add: Purchases Inter-state purchase of goods [Credit is not available if invoice for goods is missing and no other tax paying document is available.] ₹ 70,000- ₹20,000]	50,000			9,000
Repairing of bus used to transport its employees from their residence, being intra-state supply. [Since, seating capacity of Bus exceeds 14 passengers it is eligible motor vehicle hence, input service of repair and maintenance will also be eligible for ITC.]	50,000	4,500	4,500	
Total ITC tax credit [B]		9,500	9,500	49,000
Balance tax payable [A] - [B]		23,000	23,000	Nil
Less: Extra credit of IGST can be used for payment of CGST & SGST (in any order)		23,000	8,000	-31,000
Net GST payable through electronic cash ledger		Nil	15,000	Nil

ILLUSTRATION 22

'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 stationary	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



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The following additional information is provided by 'XY' in relation to the above receipts and payments:

- 10% of the inter-State supply of office stationery was made to unregistered persons.
- 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.
- 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.
- All the figures mentioned above are exclusive of taxes, wherever applicable.
- 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.
- Subject to the information given above, all the necessary conditions for availing input tax credit have been fulfilled. Details of opening balances of input tax credit as on 1st July is given hereunder:

Tax	Amount ₹
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. 2020)

SOLUTION

Particulars	Value	CGST ₹	SGST ₹	IGST ₹
Total tax liability:				
Inter-State supply of stationery [WN-1]	2,00,000			36,000
Intra-State supply of 500 combi packs of calculators and diaries [WN-2]	4,00,000 (500 × 800)	56,000 (4,00,000 × 14%)	56,000 (4,00,000 × 14%)	
Intra-State supply of services of business Correspondent to a Shubhvidhi Bank with respect to accounts in its urban area branch [WN-3]	1,00,000	9,000 (1,00,000 × 9%)	9,000 (1,00,000 × 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 [WN-4]	1,00,000	-	-	18,000
Intra-State repairing of lorry used for transportation of goods [WN-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

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Less: IGST credit being set off against IGST liability		-	-	36,000
Less: IGST credit being used to pay CGST and SGST liability in any order and in any proportion		11,000	51,000	-
Less: CGST and SGST credit being used to pay CGST and SGST liability respectively		14,000	14,000	-
Minimum net GST payable in cash		40,000	Nil	Nil

Working Notes:

- 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.
- Supply of calculator and diary as a combi pack with a single price of 800 is a mixed supply. Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply which attracts highest rate of tax.
- 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.
- 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.
- 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 utilized 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.

ILLUSTRATION 23

KNK Ltd., a registered supplier of Mumbai is a manufacturer of heavy machines. Its outward supplies (exclusive of GST) for the month of January, 2026 are as follows:

S.No.	Particulars	Amount ₹
1.	Inter-State	85,00,000
2.	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, 2026 are as follows:

S. No.	Particulars	CGST paid	SGST paid
1.	Raw material A (of which 70% of inputs procured were used and 30% were in stock at the end of the January, 2026)	60,000	60,000
2.	Raw material B (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.)	50,000	50,000
3.	Construction of pipelines laid outside the factory premises	30,000	30,000



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4.	Insurance charges paid for trucks used for transportation of goods.	55,000	55,000

Additional Information:

- 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.
- 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 2026, hence corresponding input tax credit (ITC) is not reflecting in GSTR-2B of KNK Ltd. in January, 2024.

Compute the following:

- Amount of eligible input tax credit (ITC) available for the month of January, 2026.
- Minimum net GST payable in cash, for the month of January, 2026 after using available input tax credit working notes should form part of your answer. (8 Marks, Nov. 2021)

SOLUTION

(i) Computation of amount of eligible ITC available for the month of January, 2024:

S.No.	Particulars	CGST	SGST
i.	Raw materials B (90%) [WN-1]	45,000	45,000
ii.	Construction of pipelines laid outside the factory Premises [WN-2]	Nil	Nil
iii.	Insurance charges paid for trucks used for transportation of goods [WN-3]	55,000	55,000
iv.	Raw materials A [WN-4]	Nil	Nil
v.	Eligible ITC on invoices the details of which are available in GSTR-2B [CGST- ₹45,000+ ₹55,000 & SGST ₹45,000 + ₹55,000]	1,00,000	1,00,000
	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 [WN-4]	Nil	Nil
	Total eligible ITC	1,00,000	1,00,000

Working Notes:

- ITC on goods destroyed is blocked under section 17 of the CGST Act, 2017.
- 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 and machinery and hence, ITC thereon is blocked.
- ITC on motor vehicles used for transportation of goods is allowed. Further, ITC is also allowed on insurance services relating to motor vehicles, ITC on which is allowed.
- Where invoice has not been uploaded by the supplier in its GSTR-1, the same will not be reflected in auto- drafted ITC statement in GSTR-2B, hence ITC in respect of the said invoices shall not be available.

ii) Computation of minimum net GST payable in cash for the month of January, 2026 (amount in ₹)

Particulars	Value	CGST @9%	SGST @9%	IGST @9%
Inter-State outward supplies	85,00,000	-	-	15,30,000
Intra-State outward supplies	15,00,000	1,35,000	1,35,000	-



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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 liability respectively		1,00,000	1,00,000	-
Minimum net GST payable in cash		35,000	35,000	15,30,000

ILLUSTRATION 24

Star Ltd., a registered supplier in Karnataka has provided the following details for supply of one machine:

S. No.	Particulars	Amount in (₹)
i.	List price of machine supplied [exclusive of items given below from (2) to (4)]	80,000
ii.	Tax levied by Local Authority on sale of such machine	6,000
iii.	Discount of 2% on the list price of machine was provided (recorded in the invoice of machine)	
iv.	Packing expenses for safe transportation charged separately in the invoice	4,000

Star Ltd. received 5,000 as subsidy from a NGO on sale of each such machines, The Price of ₹ 80,000 of the machine is after considering such subsidy.

During the month of February, 2026, Star Ltd. supplied three machines to Intra-State customers and one machine to Inter-State customer. Star Ltd. purchased inputs (intra-State) for 1,20,000 exclusive of GST for supplying the above four machines during the month. The Balance of ITC at the beginning of February, 2026 was:

CGST	SGST	IGST
₹ 18,000	₹ 4,000	₹ 26,000

Note:

i) Rate of CCST, SGST and IGST to be 9%, 9% and 18% respectively for both inward and outward supplies.

ii) All the amounts given above are exclusive of GST.

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

Compute the minimum net GST payable in cash by Star Ltd. for the month of February, 2025.
(8 Marks, Jan. 2021)

SOLUTION

Computation of value of taxable supply:

Particulars	Amount ₹
List price of the machine	80,000
Add: Tax levied by Local Authority on the sale of machine [Tax other than GST, if charged separately, are includible in the value in terms of section 15 of the CGST Act, 2017.]	6,000
Add: Packing expenses for safe transportation [Includible in the value as per sec. 15 of the CGST Act, 2017]	4,000
Add: Subsidy received from a NGO on sale of each machine [Subsidy received from a non-Government body and which is directly linked to the price, the same is included in the value in terms of sec. 15 of the CGST Act, 2017]	5,000



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Total	95,000
Less: Discount @ 2% on 80,000 [Since discount is known at the time of supply and recorded in invoice, it is deductible from the value in terms of section 15 of the CGST Act, 2017.]	1,600
Value of taxable supply	93,400

Computation of minimum net GST payable in cash by Star Ltd

Particulars	Value	CGST @9% ₹	SGST @9% ₹	IGST @9% ₹
Outward Supply				
Intra-State sale of machinery [93,400 x 3 machines]	2,80,200	25,218	25,218	-
Inter-State sale of machine [93,400 x 1machine]	93,400	-	-	16,812
Total output tax		25,218	25,218	16,812
Less: Set off of IGST against IGST and SGST [IGST credit first be utilized towards payment of IGST, remaining amount can be utilized towards CGST and SGST in any order and in any proportion]			(9,188)	(16,812)
Less: Set-off of CGST against CGST and SGST against SGST [CGST credit cannot be utilized towards payment of SGST and vice versa.]		-25,218	-14,800	
Minimum net GST payable in cash		Nil	1230	

Working Note: Computation of total ITC available:

Particulars	CGST ₹	SGST ₹	IGST ₹
Opening balance of ITC	18,000	4,000	26,000
Add: Intra-State purchases [CGST 1,20,000 @ 9%, SGST =1,20,000 @ 9%	10,800	10,800	-
Total ITC available	28,800	14,800	26,000

ILLUSTRATION 25

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, 2025 of quantity of more than 50 units will entitle them for 10% discount. Interstate supply @ 18% made during the month of October 2024 is ₹ 50,00,000 Details of Intrastate 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

Intrastate inward supplies are:

Particulars	Amount ₹



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Raw material	20,00,000
Paid Gym membership for employees	50,000
Truck purchased for transaction 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:

- Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies except where specifically provided.
- Both inward and outward supplies are exclusive of taxes.
- All the conditions for availing the ITC have been fulfilled.

Compute the Net GST payable in cash by X Electronics for the month of October, 2025.

(8 Marks, July 2020)

SOLUTION

Computation of net GST payable in cash by X Electronics for October 2025:

Particulars	Value	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.]	45,00,000 [50,00,000 X 90%]	4,05,000	4,05,000	-
Inter-State supply @ 18%	5,00,000	-	-	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

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 2025 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 2025 itself.

Working Note: Computation of ITC available with X Electronics -

Particulars	Value	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 center 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 blocked]	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 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.

ILLUSTRATION 26

ABC Ltd. a registered supplier in Surat, Gujarat has calculated output net GST liability after adjusting ITC in the books for the month of February 2026:

CGST: 3,00,000

SGST: 2,50,000

IGST: 3,00,000

During the above month, the following additional information is provided by ABC Ltd.:

S. No.	Particulars	Amt (Excl. GST)
i.	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. The hiring charges for the trucks were 7,500 per truck per day	3,75,000
ii.	The company sold goods to X & Co. of Delhi on 6th January 2025 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6th January 2026. X & Co. paid the consideration for the goods on 20th February along with applicable interest.	5,00,000
iii.	The company sought legal consultancy services for its business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat	1,50,000

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iv.	The company ordered 3,000 packets of tools which are to be delivered by the supplier of Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full quantity in February 2024 and the last lot would be delivered in April 2026.	5,00,000
v.	The company supplied 10,000 packets of tools to one of its customer at ₹ 10/- per packet in Gujarat in January 2026. Afterwards, the company re-values it at ₹ 9 per packet in February 2026 and the company issued credit note to the customer for ₹ 1 per packet	

The rate of GST is 9% CGST, 9% SGST and 18% IGST.

You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February 2026. (8 Marks, Dec. 2021)

SOLUTION

Computation of net GST liability of ABC Ltd. to be paid in cash for February 2024:

Particulars	Value	CGST ₹	SGST ₹	IGST ₹
Net output GST liability as given		3,00,000	2,50,000	3,00,000
Add: Trucks given on hire to GTA [Services by way of giving a means of transportation of goods on hire to a goods transport agency are exempt.]	3,75,000	-	-	-
Add: Interest on delayed payment of 15 days (6th February, 2026 to 20th February, 2026) [Includible in value in terms of section 15 of the CGST Act, 2017.] [Interest on delayed payment collected is assumed to be inclusive of GST. Further, the invoice value has been taken as inclusive of GST for computing said penal interest. However, it is also possible to assume the interest to be exclusive of GST and to compute the same by taking the values as exclusive of GST (i.e. ₹5,00,000)]	5,900 [5,90,000 × 2% × 15/30]			900
Total output tax liability		3,00,000	2,50,000	3,00,900
Less: ITC in respect of legal services paid as reverse charge is available	1,50,000	13,500	13,500	-
Net output tax liability (A)		2,86,500	2,36,500	3,00,900
Legal consultancy services received (B) [Tax is payable under reverse charge on legal services received by a business entity from a partnership firm of advocates. Further, tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.] [It has been assumed	1,50,000	13,500	13,500	-

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that the aggregate turnover of ABC Ltd. in the preceding FY was above the threshold limit for registration under GST law.]				
Total GST payable in cash [(A) + (B)]		3,00,000	2,50,000	3,00,900

Notes

- ITC on goods received in lots is available on receipt of last lot. Hence, ITC on tools received will not be available in February 2026.
- Since discount given by ABC Ltd. on the packets of tools was not known at the time of supply, it shall not be excluded from its value of supply

ILLUSTRATION 27

Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand, is engaged in the manufacturing of washing machines & mixer grinders. It provides you the details of various activities undertaken during the month of September, 2026 as follows:

S No.	Particulars	Amount ₹
i.	Outward supplies made during the month (a) Within Jharkhand = ₹ 24,00,000 (b) Outside Jharkhand = ₹ 5,00,000	29,00,000
ii.	Purchase of raw materials from registered dealers within Jharkhand which includes materials worth 2,00,000 purchased from Mr. Krishna, a registered person who is paying tax under composition scheme.	7,00,000
iii.	Bus purchased from a registered dealer in Tata nagar, Jharkhand. Bus used to ferry its 25 workers to and from factory.	12,00,000

Assume the rates of GST applicable on various supplies as follows:

Nature of supply	CGST	SGST	IGST
Composition supplies	0.5%	0.5%	-
Bus	14%	14%	28%
Raw material	6%	6%	12%
Washing machines & mixer grinders	9%	9%	18%

Opening balances of input tax credit as on 01/09/2025 were as follows:

CGST	SGST	IGST
20,000	5,000	95,000

Note:

- All the figures mentioned above are exclusive of taxes.
- Both inward & outward supplies within the State of Jharkhand are to be considered intra-State supplies and outside the State of Jharkhand are inter-State supplies.
- Subject to information given above, all the other conditions necessary for availing ITC have been fulfilled

Calculate the amount of net minimum GST payable in cash by Zeon Ltd. for the month of September, 2025. Brief and suitable notes should form part of your answer.

(8 Marks, May 2022)

SOLUTION



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Computation of minimum net GST payable in cash by Zeon Ltd. for the month of September 2025

Particulars	CGST ₹	SGST ₹	IGST ₹
Outward supplies made within Jharkhand	2,16,000 [24,00,000 × 9%]	2,16,000 [24,00,000 × 9%]	-
Outward supplies made outside Jharkhand			90,000 [5,00,000 × 18%]
Total output tax	2,16,000	2,16,000	90,000
Less: Input Tax Credit [Refer Working Note below] [IGST credit be first utilized for payment of IGST liability. Remaining IGST credit has been utilized for payment of SGST liability since the SGST liability is to be kept at minimum. After exhausting IGST credit, CGST and SGST credit to be utilized. CGST credit to be utilized for payment of CGST and SGST credit to be utilized for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	- 2,16,000	5,000 (IGST) 2,03,000	(90,000) (IGST)
Minimum net GST payable in cash	-	8,000	-
ITC to be carried forward next month	2,000	-	-

Working Note: Computation of ITC available

Particulars	CGST ₹	SGST ₹	IGST ₹
Opening balance	20,000	5,000	95,000
Purchase of raw materials from registered dealers within Jharkhand [7,00,000 - 2,00,000] [ITC on purchases of goods worth 2,00,000 on which tax has been paid under composition scheme is blocked. ITC on remaining purchases worth 5,00,000 is available, being supply of goods used/ intended to be used in the course/ furtherance of business.]	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]	-
Bus purchased from dealer from Jharkhand used to ferry 25 workers to and from factory [ITC on motor vehicles for [transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,68,000 [12,00,000 × 14%]	1,68,000 [12,00,000 × 14%]	-
Total ITC available	2,18,000	2,03,000	95,000

ILLUSTRATION 28

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? (3 Marks, Nov. 2022)

SOLUTION



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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 under minor head 'penalty' of major head 'IGST' can be transferred to minor head 'fee' of major head 'SGST' using specified form.

ILLUSTRATION 29

Mr. Manik provides the following information regarding his tax & other liabilities under GST law as per Electronic Liability Register:

S.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 under section 73	48,000

Mr. Manik wants to clear his liability of demand notice under section 73 first. Discuss the provision of order of discharge of GST liability under section 49 (8) of the CGST Act & advice to Mr. Manik.
(5 Marks, May 2023)

SOLUTION

The order of discharge of GST liability under section 49 (8) of the CGST Act is as under:

- self-assessed tax, interest, penalty, fee or any other amount related to returns of the previous tax periods.
- Self-assessed tax, interest, penalty, fee or any other amount related to returns of the current tax period.
- Any other amount payable including demand determined under section 73 or section 74,

In view of the above provisions, Mr. Manik cannot clear his liability of demand notice under section 73 first. The order of discharge of liability of Mr. Manik will be as under:

- Tax, interest and penalty for the month of May, ₹30,000
- Tax due for the month of June, ₹35,000
- Liability arising out of demand notice u/s 73, ₹ 48,000

ILLUSTRATION 30

Ajay Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. The company provided the following details for the month of January 2026

S.No.	Particulars			Amount ₹
1.	Outward supply of goods made during the month to various non-related persons:			As given In particulars column
	Particulars	Market value (₹)	Transaction Value (₹)	
	(a) in the State of Bihar (Intra-State)	3,00,000	4,00,000	
	(b) to other States (Inter-State)	2,00,000	1,00,000	

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2.	Services provided to the State Government of Karnataka for conducting a computer training program for its employees. Total expenditure incurred for the said program was ₹ 90,000, of which ₹ 63,000 was borne by the State Government (Inter- State transaction)	5,00,000
3.	Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTN for convenience of accounting and billing. Value under section 15 - ₹ 20,000 (Intra -State)	Nil
4.	Intra - State inward supply of various services for use in the course or furtherance of business (30 invoices)	6,50,000

Additional Information:

- All the amounts given above are exclusive of taxes.
- During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 02-12-2025 was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January 2026. This invoice was issued by Mr. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice includes cost of fuel also (Intra-state transaction).
- Rate of GST applicable on various supplies is as follows

Nature of supply	CGST	SGST	IGST
Car rental service All other inward and outward supplies	2.5%	2.5%	5%
All other inward and outward supplies	9%	9%	18%

- No opening balance of input tax credit exists in the beginning of the month.
- Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to ₹ 1,50,000 were e-invoices in which Invoice Reference Number (IRN) was not mentioned. However, all the invoices were duly reflected in GSTR 2B for the month of January 2025, since the suppliers had filed their GSTR-1.
- Subject to the information given above, conditions necessary for claiming ITC were complied with.

You are required to calculate the amount of net GST liability payable in cash by Ajay Limited for the month of January 2026. Brief notes for treatment given for each item should form part of your answer.

(8 Marks, Nov. 2022)

SOLUTION

Computation of net GST payable in cash by Ajay Ltd. for the month of January 2025:

Particulars	CGST ₹	SGST ₹	IGST ₹
Outward intra-State supply of goods made in the State of Bihar [Value of supply is the transaction value of the goods.] [CGST ₹ 4,00,000 × 9%] [SGST : ₹ 4,00,000 × 9%]	36,000	36,000	
Outward supply of goods made to other States [Value of supply is the transaction value of the goods.] [₹ 1,00,000 × 18%]			18,000
Inter-State services provided to State Government of Karnataka for conducting a computer training program [Not exempt since the State Government has borne less than 75% of total expenditure of the training program.] [₹ 5,00,000 × 18%]			90,000

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Intra-State stock transfer to Gaya Branch with separate registration [Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.]	1,800	1,800	
[CGST : 20,000 × 9%] [SGST : 20,000 × 9%]			
Total output tax	37,800	37,800	1,08,000
Less: Input tax credit [Refer Working Note below] [CGST credit should be utilized for payment of CGST and IGST in that order. Similarly, SGST credit should be utilized for payment of SGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST and vice versa.]	37,800 (CGST)	37,800 (SGST)	-7,200 (CGST) -7,200 (SGST)
Net GST payable in cash	Nil	Nil	93,600

Working Note: Computation of ITC available -

Particulars	CGST ₹	SGST ₹	IGST ₹
Intra-State inward supply of services [₹ 6,50,000 - ₹ 1,50,000]	45,000	45,000	-
[ITC cannot be claimed on the e-invoices without IRN since an e-invoice without IRN is not treated as valid document for claiming ITC.] [CGST : ₹ 5,00,000 × 9%] [SGST : ₹ 5,00,000 × 9%]			
Cars taken on rental basis from Mr. Mukesh [Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a non-body corporate to a body corporate and invoice is issued charging CGST/SGST @ 2.5% is payable under reverse charge]	-	-	-
Time of supply of such services is 1st February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, tax liability on the same does not arise in said month.			
Further, ITC on renting of motor car services received is blocked since the recipient - Ajay Ltd. is not in the same line of business.]			
Total output tax	45,000	45,000	-

ILLUSTRATION 31

A Jino Enterprises, a partnership firm is a regular taxable person registered in Guwahati, Assam and is engaged in supply of Air conditioners and its accessories as well as air conditioned repairing services. Details of their various activities for the month of October 2026 are as follows:

- (i) Intra-State supply of Air conditioner to customers from Assam. Freight is separately charged in invoices for delivery of goods at customer's doorstep.

Particulars	₹



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Value of goods	4,00,000
Value of freight charges charged separately in above invoices.	1,00,000

- (ii) Intra State supply of repairing services wherein apart from charging service charges, cost of parts/ spares provided to customers is also charged and consideration for the same is separately mentioned in the invoices

Particulars	₹
Value of services component of invoices	3,00,000
Value of parts/spares component in invoices	50,000

- (iii) In order to enhance their sales and to clear the stock of old models of air- conditioner, Jino Enterprises made combo offers to customers wherein, if a customer purchases an Air-conditioner along with a stabilizer, the same is offered at a combo price of ₹ 20,000 as against the original price of ₹30,000 (Air-conditioner ₹ 22,000 & stabilizer ₹ 8,000) if these are purchased separately. During October, 2025, Jino Enterprises had made inter-State supply of 10 numbers of such combo products.

- (iv) Purchased business class air tickets for intra State travel from Guwahati Airport, Assam to Dibrugarh Airport, Assam for its executive employees relating to business of the concern. Basic air fare was ₹ 40,000 and airlines charges GST @ 2.5% CGST, SGST each on basic freight, in case the same is applicable

Additional Information:

- All the figures mentioned above are exclusive of taxes.
- In respect of few of the invoices relating to F.Y. 2025-26, involving ITC of CGST ₹ 20,000, SGST of ₹ 20,000, IGST ₹ 80,000 was not taken earlier. Jino Enterprises now want to avail credit in respect of such invoices in the current month.
- The rates of GST applicable on various supplies are as follows:

Nature of supply	CGST	SGST	IGST
Air-Conditioner, Parts and accessories (Except Stabilizers)	6%	6%	12%
Services	9%	9%	18%
Stabilizers	9%	9%	18%
Freight	6%	6%	12%

Calculate the amount of minimum CGST, SGST & IGST tax payable in cash by Jino Enterprises for the month of October, 2026.

Note: Working Notes (legal provisions) should form part of your answer. (8 Marks, May 2023)

SOLUTION

Computation of minimum CGST, SGST and IGST payable in cash by Jino Enterprises for the month of October, 2026

Particulars	Value	CGST ₹	SGST ₹	IGST ₹
Intra-State supply of air-conditioners [Since goods are agreed to be delivered at customer's doorsteps, supply of air conditioners along with transportation thereof is a composite supply which is treated as the supply of the principal supply (viz. air conditioners). Accordingly, rate of principal supply, i.e. air-conditioners will be charged.]	5,00,000 [4,00,000 + 1,00,000]	30,000 [5,00,000 × 6%]	30,000 [5,00,000 × 6%]	-



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Intra-State supply of repairing services	3,00,000	27,000 [3,00,000 × 9%]	27,000 [3,00,000 × 9%]	
Intra-State supply of parts / spare [Since parts/ spares and repair services are not naturally bundled, they are taxable separately at the applicable rates.]	50,000	3,000 [50,000 × 6%]	3,000 [50,000 × 6%]	
Inter-State supply of 10 combos of air-conditioners and stabilizers [Since supplies are not naturally bundled and a single price is being charged, it is a mixed supply. It is treated as supply of that particular supply which attracts highest tax rate (i.e., stabilizers).]	2,00,000 [20,000 × 10]			36,000 [2,00,000 × 18%]
Total output tax		60,000	60,000	36,000
Less: Input Tax Credit [Refer Working Note below] [IGST credit is first utilized for payment of IGST liability. Remaining IGST credit has been utilized for payment of CGST and SGST in such proportion to keep the liability at its minimum. After exhausting IGST credit, CGST and SGST credits have been utilized. CGST credit is utilized for payment of CGST and SGST credit is utilized for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and vice versa.]		(22,000) (IGST) (21,000) (CGST)	(22,000) (IGST) (21,000) (CGST)	(36,000)
Minimum net GST payable in cash		17,000	17,000	Nil

Working Note: Computation of ITC available:

Particulars	CGST ₹	SGST ₹	IGST ₹
Purchase of business class air tickets for travel from Assam	1,000	1,000	
[Not exempt, since air travel embarking from Assam is not being undertaken in economy class. Further, ITC is available since service is used in the course/furtherance of business.]	[40,000 × 2.5%]	[40,000 × 2.5%]	
Invoices relating to FY 2025-26	20,000	20,000	80,000
[ITC in respect of any invoice can be taken up to 30th November following the end of FY to which such invoice relates or furnishing of the relevant annual return, whichever is earlier.]			
Total ITC available	21,000	21,000	80,000

ILLUSTRATION 32



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Computation of Net GST liability: Evershine Pvt. Ltd., a GST registered supplier located in Jaipur, Rajasthan is engaged in supply of taxable packaging goods and consultancy services. It provides following details of various activities undertaken during the month of September 2025:

i. Details of Outward Supplies:

1. Supply of goods of ₹ 18,00,000 to Vaidehi Enterprises, a registered person of Udaipur, Rajasthan. Further, received ₹ 50,000 from Vaidehi Enterprises towards freight charges (as agreed to deliver the goods at Vaidehi Enterprises' premises) which was not included in above value of supply.
2. Supply of goods worth ₹ 35,00,000 to Calc, Exim, a registered person of Prayagraj, Uttar Pradesh. Further, the amount of ₹ 60,000 charged separately (not included above) from Calc. Exim on account of municipal taxes levied in relation to such outward supply.
3. Supply of services to Sunshine Ltd., a registered person in Jodhpur, Rajasthan before discount worth ₹ 6,00,000. Further, discount of ₹ 30,000 which has been given at the time of supply of service and duly recorded in the invoice.
4. It delivered the goods worth ₹ 2,00,000 to Jeevan Solutions, a registered person located at Bikaner, Rajasthan on the direction of Raghu Enterprise, a registered person of Mumbai, Maharashtra and tax invoice was issued by Evershine Pvt. Ltd. to Raghu Enterprise of Mumbai, Maharashtra.

ii. Details of Inward Supplies:

5. Purchased raw material goods worth ₹ 20,00,000 from PQR Ltd., a GST registered dealer, located at Kanpur, Uttar Pradesh. Goods worth ₹ 1,00,000 out of total purchases were not received during the month.
6. Purchased machinery for manufacturing process worth ₹ 2,00,000 from MPQ Pvt. Ltd., a GST registered dealer, located at Bengaluru, Karnataka. Company has claimed depreciation under Income-tax Act, 1961 on full value of the machine, including the GST component.
7. Purchased truck worth ₹ 15,00,000 from GST registered dealer, located at Ajmer, Rajasthan for transportation of its goods. GST rate on truck is : CGST 14%, SGST 14%, IGST 28%.
8. Purchased car (having seating capacity of 7 persons) costing to ₹ 10,00,000 excluding GST from Mihir Automobiles Pvt. Ltd., a GST registered dealer, located at Ajmer, Rajasthan for use of its director for official purpose. GST rate on car: CGST 14%, SGST 14%, IGST 28%.
9. Purchased goods worth ₹ 5,00,000 from DEF Buildwell Pvt. Ltd., a registered person of Jaipur,

Rajasthan for construction of an additional floor of factory building, of Evershine Pvt. Ltd. Opening balance of Input tax credit as on the beginning of September 2024 - CGST ₹ 20,000, SGST ₹ 50,000 and IGST ₹ 75,000.

Rate of GST applicable on both inward and outward supply of goods and services : CGST @ 9%, SGST @ 9% and IGST @ 18%, except where otherwise provided.

Note:

- (i) All the figures mentioned above are exclusive of taxes.
- (ii) Subject to the information given above, conditions necessary for claiming ITC were complied with.
- (iii) All inward supplies are used for taxable goods only.
- (iv) Brief and suitable notes should form part of your answer.

Calculate the amount of net minimum GST payable in cash by Evershine Pvt. Ltd. for the month of September 2025.

(10 Marks, May 2024)

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SOLUTION

Computation of minimum net GST payable in cash by Evershine Pvt. Ltd. for the month of September 2025

Particulars		Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax payable					
Intra-State supply of goods to Vaidehi Enterprises [Since arranging freight is the liability of supplier, it is a composite supply and thus, freight charges are added to the value of principal supply.]	Place of supply is where	18,50,000	1,66,500	1,66,500	Nil
Inter-State supply to Calc. Exim [Municipal tax is includible in value since it is a tax levied under a law other than GST law and is charged separately.]	movement of goods terminates	35,60,000	Nil	Nil	6,40,800
Intra-State supply to Sunshine Ltd. [Place of supply is location of recipient. Discount given at the time of supply is deductible from the value since duly recorded in the invoice.]		5,70,000	51,300	51,300	Nil
Inter-State supply to Raghu Enterprise		2,00,000	Nil	Nil	36,000

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[Place of supply in case of bill to ship model is principal place of business of a third person at whose instructions the goods are delivered by supplier to recipient. Thus, it is considered as Inter State supply.]				
Total output tax		2,17,800	2,17,800	6,76,800
Less: ITC available [Refer note below] [IGST credit to be utilized first towards payment of IGST.]		Nil	Nil	-4,17,000
CGST credit utilized for payment of CGST and IGST in that order		-2,17,800	Nil	-12,200
SGST credit utilized for payment of SGST and IGST in that order		Nil	-2,17,800	-42,200
Minimum net GST payable in cash		Nil	Nil	2,05,400

Working Note:

Computation of ITC available —

Particulars		Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening balance			20,000	50,000	75,000
Inter-State purchase of raw material [ITC is not available on goods worth ₹ 1,00,000 since not received during the month.]	Place of supply is location where movement of goods terminates.	19,00,000	Nil	Nil	3,42,000 (19,00,000 × 18)
Purchase of machinery [ITC is not available since depreciation has been claimed on		2,00,000	Nil	Nil	Nil

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the GST component.]					
Intra-State purchase of truck [ITC on motor vehicles used for transportation of goods is available.]	15,00,000	2,10,000 (15,00,000 × 14)	2,10,000 (15,00,000 × 14)	Nil	
Purchase of car [ITC on motor vehicles for transportation of persons with seating capacity up to 13 persons (including driver), is blocked, except when used for specified purposes.]	10,00,000	Nil	Nil	Nil	
Purchase of goods for construction of an additional floor [ITC on goods used in construction of immovable property (other than plant or machinery) on one's own account is blocked if capitalized in the books.]	5,00,000	Nil	Nil	Nil	
Total		2,30,000	2,60,000	4,17,000	
Note - In above answer, where location of supplier and place of supply are in two different States, it is an inter-State supply and where location of supplier and place of supply are in same State, it is an intra-State supply.					

ILLUSTRATION 33

Computation of Interest Liability: M/s. Salty & Spicy Limited has furnished the return for the month of January 2025 on 20 February 2026. It has utilized the entire amount of Input tax credit amounting 1,85,000 out of which 85,000 was blocked. It has subsequently reversed the amount of 85,000 from the input tax credit availed on 20-04-2026. Calculate Interest liability

SOLUTION

In case, where interest is payable on the amount of input tax credit wrongly availed and utilised in accordance with Section 50(3), the interest shall be calculated on the amount of input tax credit wrongly availed and utilised, for the period starting from the date of utilisation of such wrongly availed input tax credit till the date of reversal of such credit or payment of tax in respect of such amount, @ 18% p.a. Input tax credit wrongly availed shall be construed to have been utilized, when the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, and the extent of such utilisation of input tax credit shall be the amount by which the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed. In this case Since entire amount of ITC has been utilized, hence the amount of wrongly availed and utilized ITC is ₹ 85,000.



The date of utilization of such input tax credit shall be taken to be the date, on which the return is due to be furnished under section 39 or the actual date of filing of the said return, whichever is earlier, if the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, on account of payment of tax through the said return. Hence date of utilization of ITC shall be 20-02-2025. Hence, the interest liability shall be calculated as under:

Date of wrongly availed and utilized ITC	20-02-2026
Actual date of payment of tax (reversal of wrongly utilized ITC)	20-04-2026
Period of delay in days	59 days
Amount of wrongly availed and utilized ITC	85,000
Rate of Interest	18% pa.
Interest payable $[85,000 \times 18\% \times 59/365]$ (Rounded off)	2,473

ILLUSTRATION 34

Computation of interest liability - to be calculated on net GST Payable: Mr. Aman, a registered supplier of

taxable goods, filed GSTR 3B for the month of January, 2026 on 15th April, 2026. The prescribed due date to file the said GSTR 3B was 20th February, 2026. The amount of GST payable on supplies made by him for the said month worked out to be ₹50,000. The balance in electronic cash ledger on 20th February 2026 was 8,500 and same was maintained till the date of filing GSTR-3B on 15th April 2026. The input tax credit available for the said month was 13,500. The tax was paid on the same date of filing of return. Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Aman.

SOLUTION

According to Section 50 of the CGST Act, 2017, 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. Interest on delayed payment of tax is to be levied on the net tax liability i.e. after allowing the credit of input tax. Where any amount has been credited in the Electronic Cash Ledger as per provisions of Section 49(1) on or before the due date of filing the said return, but is debited from the said ledger for payment of tax while filing the said return after the due date, the said amount shall not be taken into consideration while calculating such interest if the said amount is lying in the said ledger from the due date till the date of its debit at the time of filing return. Hence, interest will be calculated of 28,000 i.e. $[50,000 - 13,500 - 8,500]$.

Thus, interest liability shall be calculated as under-

Particulars	₹
Due date of payment of tax	20-02-2026
Actual date of payment of tax	15-04-2026
Period of delay in days	54 days
GST Payable	28,000
Rate of Interest	18% p.a.
Interest payable $[28,000 \times 18\% \times 54/365]$ (Rounded off)	746

ILLUSTRATION 35

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Computation of GST liability & Input tax credit: DEF Pvt. Ltd., a registered supplier of goods and services in Pune, Maharashtra, has furnished the following details for the month of January 2026. The turnover of DEF Pvt. Ltd., was 3.2 crores in last financial year.

	Particulars	Amount (₹)
1.	Intra-State supply of taxable goods	5,00,000
2.	F Ltd. Of Mumbai (unregistered) had promised to DEF Pvt. Ltd. In October 2024 to complete contract within 3 months but they can't 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 Bagdora (West Bengal) to Pune Maharashtra.	20,000
4.	DEF Pvt. Ltd. had purchase goods worth 5,00,000 from R Ltd. (Registered in Gujarat) on 15-03-2025. Now R Ltd. issued debit note on 15-01-2026 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.	DEL Pvt. Ltd. had provided service to Mr. Y (Registered in Punjab) to organise business exhibition in Dubai).	5,00,000
7.	Interested 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 credit at the beginning of January 2026.

CGST-25,000

SGST 25,000

IGST ₹30,000

Additional Information:

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

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

(4) 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. Ltd., for the month of January 2026. Make suitable assumptions wherever required.

SOLUTION

(i) Computation of output tax liability of DEF Pvt. Ltd. for January, 2026:

Particulars	Value (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax payable				
Intra-State supply of taxable goods	5,00,000	45,000	45,000	
Consideration for non-performance of contract [Being 'liquidated damages' they are not the consideration for tolerating the non-	5,00,000	-	-	



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performance of the contract. Hence, not a supply]				
Service of booking of flight tickets	20,000			3,600
[Taxable since service of booking of air tickets is being provided here. 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	10,00,000	-	-	1,80,000
Total output tax liability		45,000	1,83,600	1,83,600

(ii) Computation of input tax credit available to DEF Pvt. for January, 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	6,50,000			1,17,000
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.]				
Receipt of intra-State services	6,00,000	54,000	54,000	
[ITC on services used in the course or furtherance of business is allowed.]				
Purchase of confectionery items	1,00,000	-	-	-
[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.]				
Total		79,000	79,000	1,47,000

ILLUSTRATION 36

Computation of GST liability & Input tax credit: Miss Nitya, proprietor of M/s. Honest Enterprise, a registered supplier of taxable goods and services in the state of West Bengal, pays



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GST under regular scheme. It is not eligible for any threshold exemption. It provided the following information for the month of December 2025:

	Particulars	Amount (₹)
	OUTWARD SUPPLY:	
(i)	Intra-State supply of goods to M/s. Natural & Sons	7,00,000
(ii)	Intra-State transfer of goods to its branch office in the state of West Bengal. Both places are under the same GSTIN.	1,00,000
(iii)	Provided inter-state supply of sponsorship services to XYZ Ltd of Chennai	80,000
(iv)	Advance received for future supply of management consultancy service to Mr. Sharad (Intra-state supply)	40,000
	INWARD SUPPLY: (Intra-state)	
(i)	Purchase of taxable goods from registered suppliers.	8,00,000
(ii)	Availed Works Contract service for repair of office building. Amount of repair was debited in the profit & loss account.	30,000
(iii)	Availed legal service form an advocate to represent the matter in the Court relating to collection of disputed proceed from customers.	50,000

Notes:

(i) Rate of CGST, SGST and IGST on all supplies are as below:

Particulars	CGST	SGST	IGST
Goods	2.5%	2.5%	5%
Supply of services	9%	9%	18%

- (ii) Both inward and outward supplies given above are exclusive of taxes.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) Working note should form part of the answer.

Compute the net minimum GST payable in cash by M/s. Honest Enterprise for the month of December 2025. (8 Marks, Nov. 2023)

SOLUTION

Computation of minimum net GST payable in cash by M/s. Honest Enterprise for the month of December 2025:

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST(₹)
GST payable under forward charge		25,000	25,000	30,000
Intra-State supply of goods to M/s. Natural & Sons	7,00,000	17,500	17,500	
Intra-State branch transfer	1,00,000	-	-	
[Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]				



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Inter-State supply of sponsorship service to XYZ Ltd. of Chennai	80,000			-
[Since sponsorship service is provided to a body corporate, tax on the same is payable by recipient -XYZ Ltd. under reverse charge.]				
Advance received for future intra-State supply of management consultancy service	40,000	3,600	3,600	
(In case of supply of service, tax is payable at the time of receipt of advance amount too)		[40,000 × 9%]	[40,000 × 9%]	
Total output tax		21,100	21,100	
Less: ITC utilized		27,200	27,200	
Net GST payable [A]		Nil	Nil	
Legal services availed [B]	50,000	4,500	4,500	
[Tax on legal services availed by a business entity from an advocate is payable under reverse charge. Further, tax payable under reverse charge cannot be set off against ITC and thus, reverse charge has to be paid in cash since the tax payable under reverse charge is not an output tax.]		[50,000 × 9%]	[50,000 × 9%]	
Minimum net GST payable in cash [A] + [B]		4,500	4,500	

Working Note:

Computation of ITC available:

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST(₹)
Intra-State purchase of taxable goods	8,00,000	20,000	20,000	
[ITC of goods used in the course/ furtherance of business is available.]		[8,00,000 × 2.5%]	[8,00,000 × 2.5%]	
Works contract service for repair of office	30,000	2,700	2,700	
[ITC is available since the repair amount is debited in the profit & loss account and not capitalized in the books of account.]		[30,000 × 9%]	[30,000 × 9%]	
Legal services availed	50,000	4,500	4,500	
[ITC of services used in the course/ furtherance of business is available]		[50,000 × 9%]	[50,000 × 9%]	
Total		27,200	27,200	

ILLUSTRATION 37

Computation of interest liability on wrongly availed ITC : Mr. Ranjan availed ITC of 1,00,000 in GSTR-3B for the month of June 2025. The Output liability for June 2025 was Nil. His intra-State output supply for the month of July 2025 was 5,00,000 (excluding GST). He utilized the availed ITC against the output liability for the month of July 2025 while filing GSTR-3B. Mr. Ranjan found on 22 September, 2025 that he wrongly availed ITC of ₹ 1,00,000 in the month of June 2025. He reversed the unutilized amount of wrongly availed ITC standing in credit ledger on



30 September, 2025 and paid the utilized amount of ITC by cash. The GST rate is 18%. Calculate the interest payable under the applicable GST law, if Mr. Ranjan filed:

(i) Form GSTR-3B for the month of June 2025 on 19 July, 2025.

(ii) Form GSTR-3B for the month of July 2025 was filed on 25 August, 2025.

(Note: The due date of filing of GSTR-3B is 20th day of the following month. But the due date of filing of GSTR-3B was extended to 22nd August, 2025 for the month of July 2025) **(5 Marks, May 2025)**

SOLUTION

Output tax liability for the month of July, 2025 = $5,00,000 \times 18\% = 90,000$.

Mr. Ranjan has utilized wrongly availed ITC amounting to 90,000 for discharging this tax liability while filing GSTR-3B for the month of July 2025.

In case of wrongful availment and utilization of ITC, the interest shall be calculated on the amount of ITC wrongly availed and utilised, for the period starting from the date of utilisation of such wrongly availed ITC till the date of reversal of such credit or payment of tax in respect of such amount at the specified rate.

No interest is payable for 10,000 since it was not utilized even though wrongly availed.

The date of utilisation of such ITC shall be taken to be earlier of the following:-

(d) Due date of filing of return [22nd August, 2025]; or

(e) Actual date of filing of return [25th August, 2025].

i.e. 22nd August, 2025

Computation of Interest will be as under:

Particulars	₹
Date of wrongly availed and utilized ITC	22-08-2025
Actual date of payment of tax	30-09-2025
Period of delay in days	39 days
Amount of wrongly availed and utilized ITC	90,000
Rate of Interest	18% p.a.
Interest payable $[90,000 \times 18\% \times 39/365]$ (Rounded off)	1,731
Interest payable under CGST and SGST Each	865

ILLUSTRATION 38

Computation of GST liability: Galaxy Cube Private Ltd., a registered person in Bharuch, Gujarat, engaged in various lines of business, provided the following details regarding its transactions made during the month of May 2026:

	Outward / Inward Transactions:	Amount (₹)
1.	Supplied a latest technology laptop with touch screen option to Managing Director's friend (Open market value as well as sale to unknown customers was at ₹90,000)	60,000
2.	Supplied printed letter cards to M K Industries, a registered person in Gandhinagar, Gujarat. Logo design was supplied by M K Industries. Out of ₹ 5,00,000, Materials cost was 4,00,000 and balance was Printing cost.	5,00,000
3.	Provided services of transportation of passengers by an Omnibus through an Electronic Commerce Operator (ECO).	12,00,000
4.	Provided catering services to Excel University of Patna, Bihar, which is recognized by UGC for granting recognised qualification	12,58,000

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5.	Made supply of goods in the territorial waters to Blue Waters Inc., registered in the State of Maharashtra. Such place of territorial water was at a distance of 5 nautical miles to the baseline of coastal State of Gujarat and 7 nautical miles to the baseline of coastal State of Maharashtra.	4,50,000
6.	Purchased goods from DK & Co., a registered composition dealer.	3,35,000

Additional Information:

- During the course of filing invoices, accountant identified an invoice dated 31-03-2026, issued by Mr. Mahajan, whose residential house was taken on rent for MD of the company for his residential use. Invoice was for ₹ 50,000 (excluding tax). No payment has been made for this invoice.
- All the figures given above are exclusive of GST.
- All inward and outward supplies are intra-state except where details of place of recipient are given.
- Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.
- GST Rates are as follows:

Particulars	CGST	SGST	IGST
Supply of Goods	6%	6%	12%
Supply of Services	9%	9%	9%

Compute the net minimum GST payable in cash by Galaxy Cube Private Ltd. for the month of May 2026.
(10 Marks, Jan. 2025)

SOLUTION

Computation of output tax liability of Galaxy Cube Pvt. Ltd. for May, 2026:

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge : Supply of laptop to Managing Director's Friend [Since supply is made to an unrelated person (Managing Director's friend not being a related person) and price is the sole consideration, value of supply is the transaction value i.e. the price actually paid or payable for the said supply.] CGST @6% and SGST @ 6% shall be levied	60,000	3,600	3,600	-
Supplied printed letter cards to M K Industries [Since letter cards are supplied by the printer using its own physical inputs to print the logo supplied by the recipient, it is a composite supply wherein the predominant/principal supply is supply of goods. It is an intra- State supply since the place of supply is Gujarat being the location where movement of goods terminates.] CGST @6% and SGST @ 6% shall be levied	5,00,000	30,000	30,000	-



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Transportation of passenger services by an omnibus provided through electronic commerce operator (ECO) [Tax on transportation of passengers services by an omnibus provided through ECO by a company is not a notified service under section 9(5) of the CGST Act, 2017 and hence tax is payable by Galaxy Cube Private Ltd. and not by the ECO since the person supplying such service through ECO is a company.] CGST @9% and SGST @ 9% shall be levied	12,58,000	1,13,220	1,13,220	-
Catering services to Excel University [Taxable, since catering services are exempt only when such services are provided to an educational institution providing services by way of pre-school education & education up to higher secondary school or equivalent. In this case, catering services are provided to an educational institution providing education as a part of a curriculum for obtaining a qualification recognized by any law. Thus, same are taxable. Further, it is an inter-State supply since place of supply is Patna being the place of performance of services, hence IGST shall be levied @18%.	2,12,000	-	-	38,160
Supply of goods in territorial waters [Where supply is in the territorial waters, the place of supply is deemed to be in the coastal State where the nearest point of the appropriate baseline is located, viz. Gujarat in the given case. Hence, supply will be intra-State supply of goods and CGST @6% and SGST @ 6% shall be levied.	4,50,000	27,000	27,000	-
Total GST payable under forward charge		1,73,820	1,73,820	38,160
Less: Eligible ITC				
Goods purchased from composition dealer [ITC is not available since input tax does not include the tax paid under the composition levy and a composition supplier does not collect tax from the recipients. Also, ITC on inward supplies received from a composition supplier is blocked.]		-	-	-
Residential house taken on rent for MD [ITC is available as said services are used in course or furtherance of business.] CSGT [50000 * 9%] and SGST [750000 * 9%]		-	-	-
Net GST		1,73,820	1,73,820	38,160

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Add: GST payable under reverse charge [Tax on renting of residential dwelling to a registered person is payable by such registered person under reverse charge, IN CASH since ITC can only be utilized for paying the output tax. Further, GST liability on said services arises in the month of May since time of supply is 31.05.2026, being earliest of (i) date of payment or (ii) 61(st) day from the date of issue of invoice by supplier.] [CGST ₹ 50000 * 9%] and SGST [₹ 50000 * 9%]		4,500	4,500	
Minimum net GST payable in cash		1,78,320	1,78,320	38,160

ILLUSTRATION 39

Computation of GST liability & Input tax credit: MLM Private Limited, a registered person in Udaipur, Rajasthan engaged in various lines of business, provided the following details regarding the transactions undertook in the month of March 2026:

Outward Transactions			Amount (₹)
Advance received from Mr. Gokul for Business support services to be supplied in the month of April 2026.			2,00,000
Provided commissioning services under Pure labour contract to M/s Raj Builders of Jaipur, Rajasthan for Multi-storey residential complex.			5,00,000
Stock transferred without consideration to its branch in Jodhpur, Rajasthan. Branch have same GSTIN.			1,25,000
Outward sale of goods to various unrelated persons:			As provided in the column
Particulars	Market Value (₹)	Transaction Value (₹)	
Intra-State	5,00,000	5,75,000	
Provided warehousing services for Kidey beans (Rajma), Red lentils and other pulses.			50,000

Inward Transactions		Amount (₹)
Received Car rental services from Carman Private Limited, an unregistered company in a Udaipur engaged in car renting services. MLM Private Limited paid rent on monthly basis (Cost of fuel also included in the monthly rent). [Rate of CGST and SGST is 6% each]		1,20,000
Intra-State inward supply of various goods and services for use in the course of furtherance of business.		7,50,000 [Goods] 2,50,000 [Services]

Additional Information:

- The Company paid 50,000 to Mr. Ajay, an independent director, as sitting fees.
- The Company made donation of ₹ 4,50,000 to a local old age home (a trust not registered under GST) for setting a Water Cooler at old age home with the name of company embedded on the water cooler to express their support for the good cause.



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- (iii) All the figures are exclusive of GST.
- (iv) All inward and outward supplies are intra-state except where otherwise stated.
- (v) Subject to information given above, all the conditions necessary for availing the ITC have been fulfilled.
- (vi) Rates of GST are given below except where otherwise stated:

Particulars	CGST	SGST	IGST
Supply of goods	6%	6%	12%
Supply of services	9%	9%	18%

Calculate the Net GST Payable in cash by MLM Private Limited for the month of March 2026. Support your calculations with relevant reasons. (10 Marks, May 2025)

SOLUTION

Computation of net GST payable in cash by MLM Private Limited for the month of March 2026:

Particulars	Value (₹)	CGST (₹)	SGST (₹)
GST payable under forward charge			
Advance received from Mr. Gokul for business support services [Tax is payable at the time of receipt of advance for supply of services.]	2,00,000	18,000 (2,00,000 * 9%)	18,000 (2,00,000 * 9%)
Commissioning services under pure labour contract for multi-storied residential complex [Taxable, since pure labour contract services pertain to a residential complex.]	5,00,000	45,000 (5,00,000 * 9%)	45,000 (5,00,000 * 9%)
Intra-State branch transfer [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]	-	-	-
Intra-State supply of goods to unrelated persons [Transaction value is the value of supply]	5,75,000	34,500 (5,75,000 * 9%)	34,500 (5,75,000 * 9%)
Warehousing services for pulses [Exempt, since warehousing of pulses is exempt from GST]	-	-	-
Total output tax		97,500	97,500
Less: ITC available		72,000	72,000
Net GST payable [A]		25,500	25,500
GST payable under reverse charge			
Services of an independent director availed [B] [Tax on services provided by a director to a company is payable under reverse charge. Further, tax payable under reverse charge cannot be set off against ITC and thus, has to be paid in cash since the tax payable under reverse charge is not an output tax.]	50,000	4,500 (50,000 * 9%)	4,500 (50,000 * 9%)
Net GST payable in cash [A] + [B]		30,000	30,000



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Working Note: Computation of ITC available

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Car rental services [Tax is not payable under reverse charge mechanism since supplier is a body corporate. Further, no tax is payable under forward charge also since supplier is unregistered and thus, no ITC is available.]	-			
Intra-State inward supply of goods [ITC of goods used in the course/furtherance of business is available.]	7,50,000	45,000 [7,50,000 × 6%]	45,000 [7,50,000 × 6%]	
Intra-State inward supply of services [ITC of services used in the course/furtherance of business is available.]	2,50,000	22,500 [2,50,000 × 9%]	22,500 [2,50,000 × 9%]	
Services of an independent director availed [ITC of services used in the course/ furtherance of business is available.]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	
Donation made to local old age home there's no quid pro quo and thus, it is not a supply [Since the name of donor the company - is displayed in such a manner: which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy which is not aimed at giving publicity/ advertisement/promotion to the donor's business Hence, no ITC is available.]	-			
		72,000	72,000	

ILLUSTRATION 40

Computation of Net GST liability: Charm Limited, registered under GST in the State of Jharkhand, manufactures cosmetic products and appointed Mr. Handsome of Mumbai, who is registered under GST in the State of Maharashtra, as their Del-credere agent (DCA) to sell their products. Being a DCA, he agrees to raise invoices in his own name and also guarantees for the realization of payments from customers to Charm Limited.

In order to realize the payments from customers on time, he extends short term transaction based loans to them and charges interest for the same.

Mr. Handsome provides you the following details of transactions carried out during the month of March 2026:

Sl.No.	Particulars	Amount in ₹
(i)	Outward supply:	2,80,000



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CHAPTER - 12

PAYMENT OF TAX



CA VARDHAMAN DAGA

	Goods sold by Mr. Handsome in his DCA capacity (intra-State transaction)	
(ii)	Interest earned from the above customers for short term credit facility provided for timely payment of dues. (intra-State transaction)	20,000
(iii)	Commission bill raised on Charm Limited (inter-State transaction) in respect of DCA services provided.	30,000
	Inward supply:	
(iv)	Inter-State supply of goods received from Charm Limited. Being a DCA, no consideration was paid. Value under section 15 - ₹2,00,000	Nil
(v)	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost. Company charges 75,000 for such training when it provides the same to others.	Nil

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amounts given above are exclusive of taxes wherever applicable. Subject to the information given above, necessary conditions are complied with for availment of input tax credit. You are required to calculate the gross GST liability and eligible input tax credit for the month of March 2026 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No. (i) to (v).
(6 Marks, Nov. 2022)

SOLUTION

Computation of gross GST liability of Mr. Handsome for the month of March 2026:

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Goods sold by Mr. Handsome in his DCA capacity Add: Interest earned for short term credit facility provided to above customers [Interest included in the value of supply of the goods sold since where DCA is an agent under Schedule-I of the CGST Act, short term credit facility provided by DCA to the buyer is subsumed in the supply of the goods by the DCA to the buyer.] Hence Value = 3,00,000 and [CGST: 3,00,000 × 9%] [SGST: 3,00,000 × 9%]	2,80,000 20,000	2,700	2,700	-
Commission charged for DCA services [Being taxable supply of services.] [* 30,000 × 18%]		-	-	5,400
Gross GST Liability		27,000	27,000	5,400

Note: Since the invoice for goods sold is issued by the DCA - Mr. Handsome in his own name, he would fall under the ambit of an agent under Schedule-I of the CGST Act.

Computation of eligible ITC for the month of March 2026:

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Inward supply of goods from Charm Limited free of cost [Supply of goods by principal - Charm Limited to the]			36,000

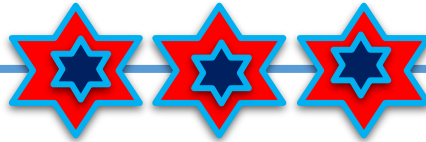
CHAPTER - 12

PAYMENT OF TAX



CA VARDHAMAN DAGA

agent Mr. Handsome qualifies as supply even though it is made without consideration.] [* 2,00,000 @ 18%]			
Training in marketing and distribution received from Charm Limited free of cost [Since no consideration is charged for the services provided, said services do not qualify as supply. As no GST is paid on the same, ITC is not available]	-	-	-
Total ITC Available	Nil	Nil	36,000





CHAPTER – 13

TAX DEDUCTION AT SOURCE AND COLLECTION OF TAX AT SOURCE

STUDY MATERIAL

ILLUSTRATION 1

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.

ILLUSTRATION 2.

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.

TEST YOUR KNOWLEDGE

ILLUSTRATION 3

Whether the rate of tax of 1% 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 1%.

ILLUSTRATION 4

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

ILLUSTRATION 5

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.

ILLUSTRATION 6

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 affected 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.

ILLUSTRATION 7

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 Royl 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.

ILLUSTRATION 8

TDS Applicability: 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 of the CGST Act, 2017. 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, 2025 as under:

S. No.	Particulars	Total contract value (inclusive of GST) (₹)	Payment due in October, 2025 (₹)
(i)	Supply of stationery to Fisheries Department, Kolkata	2,60,000	15,000
(ii)	Supply of car rental services to Municipal Corporation of Delhi	2,95,000	20,000
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand	5,90,000	25,000
(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	6,49,000	50,000
(v)	Interior decoration of Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh.	12,39,000	12,39,000
(vi)	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
(vii)	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 of the CGST Act, 2017 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 department or establishment of the Central Government or State Government; or
- local authority; or
- Governmental agencies; or
- an authority or a board or any other body,
 - set up by an Act of Parliament or a State Legislature, or
 - established by any Government, with 51% or more participation by way of equity or control, to carry out any function; or
- Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or
- 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 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 (₹)	Payment due (₹)	Tax to be deducted		
				CGST (₹)	SGST (₹)	IGST (₹)
(i)	Supply of stationery to Fisheries Department, Kolkata [WN-1]	2,60,000	15,000	-	-	-
(ii)	Supply of car rental services to Municipal Corporation of Delhi [WN-2]	2,95,000	20,000	-	-	-
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand [WN-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 [WN-4]	6,49,000	50,000	500	500	-
(v)	Interior decoration of Andhra Bhawan located in Delhi [WN-5]	12,39,000	12,39,000	-	-	-



(vi)	Supply of printed books and printed post cards to a West Delhi Post Office [WN-6]	9,72,000		-	-	-
(vii)	Maintenance of street lights in Municipal area of East Delhi [WN-7]	3,50,000	3,50,000	-	-	-

Working Notes:

- (1) **No TDS where total value of supply under the contract does not exceed ₹ 2,50,000:**

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:

$$= ₹ 2,60,000 \times 100/118$$

$$= ₹ 2,20,339 \text{ (rounded off)}$$

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:

$$= ₹ 2,95,000 \times 100/118$$

$$= ₹ 2,50,000$$

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:

$$= ₹ 5,90,000 \times 100/118$$

$$= ₹ 5,00,000$$

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, Less ₹ 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:

$$= ₹ 6,49,000 \times 100/118$$

$$= ₹ 5,50,000 \text{ (rounded off)}$$

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) **No TDS if the location of the supplier and the POS is in a State/UT which is different from the State/UT of registration of the recipient:** 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 Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.



- (6) **TDS only if total value of taxable supply in the contract exceeds ₹ 2,50,000, exempt supply not to be considered:** 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:

= ₹ 2,30,509 (rounded off)

= ₹ 2,72,000 × 100/118

Since the total value of taxable supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.

- (7) **No TDS in case of exempt supply:** 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

ILLUSTRATION 9

Computation of amount of tax collection at source: M/s. Manmohak Apparels, is registered under GST in Madhya Pradesh. It sells leather handbags across India through e-commerce operator Pingpong. Pingpong, is also registered with Madhya Pradesh GST Authority as TCS collector. M/s. Manmohak Apparels made sales of ₹ 3,45,000/- and received sales returns of ₹ 67,700/- in the month of October, 2025.

Sales are inclusive of tax. Leather handbags are taxable @ 18% GST. Determine the amount of Tax to be collected at source.

SOLUTION

As per Section 52 of CGST Act, every electronic commerce operator not being an agent, shall collect an amount calculated @ 0.5% CGST and @ 0.5% SGST, 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. "

Net value of taxable supplies" shall mean the aggregate value of taxable supplies of goods or services or both, other than services notified under Section 9(5), made during any month by all registered persons through the operator **reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.**

The amount of tax to be collected at source shall be determined as under

Particulars	₹
Value of taxable supplies of goods made by Manmohak Apparels.	3,45,000
Less: Value of taxable supplies of goods returned to Manmohak Apparels.	67,700
Net Value of taxable supplies inclusive of 18% GST	2,77,300



Less: GST [$\text{₹ } 2,77,300 \times 18 \div 118$]	42,300
Net Value of taxable supplies on which tax is to be collected at source	2,35,000
Rate of TCS [0.25% CGST and 0.25% SGST]	0.5%
Amount of TCS	1,175

ILLUSTRATION 10

TDS & TCS applicability: From the following information of independent cases, your expert advice, with appropriate reasoning, is sought on the applicability of TDS/TCS provisions of CGST Act, 2017. You shall also quantify the amount of TDS/TCS, as the case be, if the same is applicable.

- Top Fashions, a designer cloth dealer and registered in the state of West Bengal, effected supply through 'QUICK DEAL', an Electronic Commerce Operator, Net Value of taxable intra-State supplies effected for the month of October was ₹1,50,000
- M/s. Super Builders, a registered supplier in Tamil Nadu, was awarded a works contract by Government of Tamil Nadu amounting to ₹ 4,30,000 of this, value of exempt supply was ₹ 1,00,000.
- Tasty Caterers, a registered supplier of Kerala, provided Catering services in Kochi, Kerala to Government of Andhra Pradesh for its annual training camp held for its Staff. Value of said services was ₹ 4,50,000.

SOLUTION

- An electronic commerce operator (ECO) is required to collect TCS - an amount @ 1% (CGST 0.5% and SGST @ 0.5%) of the net value of taxable supplies made through it by other suppliers. Hence, the amount of tax to be collected at source = ₹ 1,50,000 × 0.5% = ₹ 750 (CGST) and ₹ 750 (SGST).
- As per section 51 of the CGST Act, 2017 read with section 20 of the IGST Act, 2017, State Government department is 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. 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. Since the location of the supplier and place of supply is in the same state, hence the supply being intra-State supply, tax is to be deducted as follows = ₹ (4,30,000 - 1,00,000) × 1% = ₹ 3,300 (CGST) and ₹ 3,300 (SGST).
- 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. Since, in the given case, the location of supplier and place of supply are in the same State, i.e., Kerala and location of recipient is in Andhra Pradesh, Andhra Pradesh Government is not required to deduct TDS although the total value of supply under the contract is more than ₹2,50,000.

ILLUSTRATION 11

Who is liable to deduct 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 CGST Act, 2017 and Rule 12 of CGST Rules, 2017.

(5 Marks, May 2024)





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.

ILLUSTRATION 12

Computation of TDS: XYZ Ltd. has supplied goods to local authority for ₹ 11,80,000 (inclusive of GST @18%). Determine the amount of tax to be deducted at source. Also determine the interest liability if the tax deducted at source on 25-12-2025 is deposited 28-03-2026.

SOLUTION

As per provisions Section 50(1) of the Act, the local authority has to deduct tax @ 2% from the payment made or credited to the supplier of taxable goods or services or both, where the total value of such supply. under a contract, exceeds ₹ 2,50,000. Such tax has to be paid to the Government by the deductor within 10 days after the end of the month in which such deduction is made, in such manner as may be prescribed otherwise interest shall be levied @ 18% pa. for the period for which the tax or any part thereof remains unpaid

Hence, the amount of tax to be deducted at source shall be 2% of ₹ 10,00,000 = ₹ 20,000

Computation of Interest on delay in deposit of TDS:

Particulars	₹
Due date for deposit of TDS [A]	10-01-2026
Actual date of deposit of TDS [B]	28-03-2026
Period of delay (in days)[Since leap year] [C=B-A]	77
Amount of TDS [D]	20,000
Interest payable @ 18% p.a. for delay in payment of days [D × 18% × C ÷ 365 days]	759

ILLUSTRATION 13

Computation of TCS: XYZ Ltd. a registered supplier of goods is effecting supplies through E-Comm Ltd. (an Electronic Commerce operator). It has made taxable supplies of goods amounting 25,00,000 in month of December 2025 through E-Comm Ltd. E-Comm Ltd. has returned goods



amounting 2,50,000 to XYZ Ltd. during the month of December 2025. Determine the amount of tax to be collected at source by E-Comm Ltd.

SOLUTION

As per provisions of Section 52 of CGST Act, 2017, every electronic commerce operator, not being an agent, shall collect an amount calculated @ 1% 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.

Thus, the amount of tax to be collected at source by E-Comm Ltd. is as under -

Particulars	₹
Value of taxable supplies of goods made by XYZ Ltd.	25,00,000
Less: Value of taxable supplies of goods returned to XYZ Ltd.	2,50,000
Amount on which tax is to be collected at source	22,50,000
Rate of TCS	1%
Amount of TCS	11,250

ILLUSTRATION 14

Computation of tax deduction at source: Yash Shoppe a registered 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 u/s 51 of the CGST Act, 2017 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 31-10-2025. The rates of CGST, SGST and IGST may be assumed at 6%, 6% and 12% respectively.

- (1) Supply of Computer stationery to Public Sector Undertaking (PSU) located in Mumbai. Total contract value is 2,72,000 (inclusive of GST)
- (2) Supply of Air conditioner to GST Department located in Delhi. Total contract value is 2,55,000 (exclusive of GST)
- (3) Supply of Generator renting service to Municipal Corporation of Jaipur. Total contract value is 3,50,000 (inclusive of GST)

SOLUTION

As per section 51 of the CGST Act, 2017 read with section 20 of the IGST Act, 2017, 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) a department or establishment of the Central Government or State Government;
- (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
 - (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 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.

Since in the given case, Yash Shoppe is supplying goods and services exclusively to Government departments, agencies etc. and persons notified u/s 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 (₹)	Contract Value Exclusive GST	Tax to be deducted		
				CGST (₹)	SGST (₹)	IGST (₹)
(i)	Supply of Computer stationery to Public Sector Undertaking (PSU) located in Mumbai	2,72,000	2,42,857	-	-	-
(ii)	Supply of Air conditioner to GST Department located in Delhi [WN-2]	2,55,000	2,55,000	-	-	5,100
(iii)	Supply of Generator renting service to Municipal Corporation of Jaipur [WN-3]	3,50,000	3,12,500	3,125	3,125	-
				3,125	3,125	3,125

Working Notes:

(1) No TDS where total value of supply under the contract does not exceed 2,50,000:

Being an inter-State supply of goods, supply of stationery to Public Sector Undertaking (PSU) located in Mumbai is subject to IGST @ 12%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:

$$= 2,72,000 \div 100/112$$

$$= 242,857 \text{ (rounded off)}$$

Since the total value of supply under the contract does not exceed 2,50,000, tax is not required to be deducted.

(2) TDS to be deducted where total value of supply under the contract exceed 2,50,000:

Being an inter-State supply of goods, supply of air-conditioner to GST Department in Delhi is subject to IGST @12%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:

$$= 2,55,000$$

Since the total value of supply under the contract exceed 2,50,000, tax is required to be deducted.

(3) TDS to be deducted where total value of supply under the contract exceed 2,50,000:

Being an intra-State supply of services, supply of Generator renting service to Municipal Corporation of Jaipur is subject to CGST and SGST @ 6% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

$$= 3,50,000 \div 100/112$$

$$= 312500$$

Since the total value of supply under the contract exceed 2,50,000, tax is required to be deducted.



ILLUSTRATION 15

TDS applicability: 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? (5 Marks, Sept. 2024)

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 $\div$ 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.

ILLUSTRATION 16

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, 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.

ILLUSTRATION 17

If we purchase goods from different vendors and are selling them on our website under our 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 it by other suppliers where the consideration is to be collected by the ECO. In this case, there are two transactions - where we purchase the goods from the vendors, and where we sell it through our website. For the first transaction, GST is leviable, and will need to be paid to our vendor, on which credit is available for us. The second



transaction is a supply on our own account, and not by other suppliers and there is no requirement to collect tax at source. The transaction will attract GST at the prevailing rates.

ILLUSTRATION 18

Computation of TCS: XYZ Ltd. a registered supplier of goods is effecting supplies through E-Comm Ltd. (an Electronic Commerce operator). It has made taxable supplies of goods amounting ₹ 25,00,000 in month of December 2024 through E-Comm Ltd. E-Comm Ltd. has returned goods amounting ₹ 2,50,000 to XYZ Ltd. during the month of December 2024. Determine the amount of tax to be collected at source by E-Comm Ltd.

SOLUTION

As per provisions of Section 52 of CGST Act, 2017, every electronic commerce operator, not being an agent, shall collect an amount calculated @ 1% 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. Thus, the amount of tax to be collected at source by E-Comm Ltd. is as under-

Particulars	₹
Value of taxable supplies of goods made by XYZ Ltd.	25,00,000
Less: Value of taxable supplies of goods returned to XYZ Ltd.	2,50,000
Amount on which tax is to be collected at source	22,50,000
Rate of TCS	1%
Amount of TCS	22,500

ILLUSTRATION 19

Computation of tax deduction at source : Yash Shoppe a registered 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 of the CGST Act, 2017 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 31-10-2024. The rates of CGST, SGST and IGST may be assumed at 6%, 6% and 12% respectively.

- 1) Supply of Computer stationery to Public Sector Undertaking (PSU) located in Mumbai. Total contract value is ₹ 2,72,000 (inclusive of GST)
- 2) Supply of Air conditioner to GST Department located in Delhi. Total contract value is ₹ 2,55,000 (exclusive of GST)
- 3) Supply of Generator renting service to Municipal Corporation of Jaipur. Total contract value is ₹ 3,50,000 (inclusive of GST)

SOLUTION

As per section 51 of the CGST Act, 2017 read with section 20 of the IGST Act, 2017, 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 department or establishment of the Central Government or State Government; or
- local authority; or
- Governmental agencies; or
- an authority or a board or any other body,
 - set up by an Act of Parliament or a State Legislature; or
 - established by any Government, with 51% or more participation by way of equity or control, to carry out any function; or
- Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or
- 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. Since in the given case, Yash Shoppe is supplying goods and services exclusively to Government departments, agencies etc. 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 (₹)	Contract Value Exclusive GST	Tax to be deducted		
				CGST (₹)	SGST (₹)	IGST (₹)
(i)	Supply of Computer stationery to Public Sector Undertaking (PSU) located in Mumbai [WN-1]	2,72,000	2,42,857	-	-	-
(ii)	Supply of Air conditioner to GST Department located in Delhi [WN-2]	2,55,000	2,55,000	-	-	5,100
(iii)	Supply of Generator renting service to Municipal Corporation of Jaipur [WN-3]	3,50,000	3,12,500	3,125	3,125	-
				3,125	3,125	5,100

Working Notes:

- (i) No TDS where total value of supply under the contract does not exceed ₹2,50,000 :
Being an inter-State supply of goods, supply of stationery to Public Sector Undertaking (PSU)



located in Mumbai is subject to IGST @ 12%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:

$$= ₹ 2,72,000 \times 100/112$$

$$= ₹ 242,857 \text{ (rounded off)}$$

Since the total value of supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.

(ii) TDS to be deducted where total value of supply under the contract exceed ₹ 2,50,000

: Being an inter-State supply of goods, supply of air-conditioner to GST Department in Delhi is subject to IGST @ 12%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:

$$= ₹ 2,55,000$$

Since the total value of supply under the contract exceed ₹ 2,50,000, tax is required to be deducted.

(iii) TDS to be deducted where total value of supply under the contract exceed ₹ 2,50,000

: Being an intra-State supply of services, supply of Generator renting service to Municipal Corporation of Jaipur is subject to CGST and SGST @ 6% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

$$= ₹ 3,50,000 \times 100/112$$

$$= ₹ 312500$$

Since the total value of supply under the contract exceed ₹ 2,50,000, tax is required to be deducted.





CHAPTER – 14

RETURNS

STUDY MATERIAL

ILLUSTRATION 1

Mr. X, a registered taxpayer under regular scheme, did not make any taxable supply during the month of July. Is he required to file a GSTR-3B if he is monthly filer?

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 affected 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.

ILLUSTRATION 3

"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:

- Casual taxpayers, after the closure of their business
- 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

ILLUSTRATION 4

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. Is he correct if he is a monthly filer? Explain.

SOLUTION

No, Mr. Kohli is not correct. GSTR-1 needs to be filed even if there is no business activity in the tax period. Therefore, in the given case, even though Mr. Kohli was out of India and thus, could not do any business transaction during the month of February, he is still required to file GSTR-1 for that month.

ILLUSTRATION 6

Mrs. Zarina, a registered dealer in Rajasthan, did not file GSTR-3B for the month of June but she wants to file GSTR-3B for the month of July. Is it possible? Answer with reference to section 39.



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.

ILLUSTRATION 7

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.

ILLUSTRATION 8

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.

ILLUSTRATION 9

Quick tax, a GST return filing service provider, has asked its clients to provide the scanned copies of the tax invoices issued to B2B customers for uploading on the GST portal and filing the return. Whether the process followed by Quick tax is correct?

SOLUTION

No, the process followed by Quick tax is not correct.

The registered persons supplying goods or services to B2B customers are required to upload the invoice wise details of supplies made during the tax period. However, there is no requirement to upload the scanned copies of the invoices issued to the customers on the GST portal at the time of filing returns. Only information required as per 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.

ILLUSTRATION 10

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.

ILLUSTRATION 11

Time limit for rectification of mistakes: XYZ Ltd. furnished the annual return for the year 2025-26 on August 25, 2026. An error is discovered in respect of a transaction pertaining to outward supplies of November 2025. Determine the time limit to rectify the mistake. Would your answer be different if annual return for F.Y. 2025-26 is furnished on 25-12-2026.

SOLUTION

As per provisions of Section 37(3) of the CGST Act, 2017, no rectification of error or omission in respect of the details furnished of outward supplies shall be allowed after-

- 30th November following the end of the financial year to which such details pertain; or
- furnishing of the relevant annual return,

whichever is earlier.

Thus, in this case the annual return for financial year 2025-26 has been furnished by XYZ Ltd. On August 25, 2026, the rectification of the error pertaining to a transaction in November 2025 cannot be made beyond August 25th, 2026 i.e. earlier of 25th August 2026 or 30 November 2026. In other words, once annual return for financial year 2025-26 is filed before 30th November following the end of the financial year to which such details pertain, no amendments relating to financial year 2025-26 will be permitted thereafter and in such case, mismatch will become permanent and liability to that extent will be fastened on the receiver. If annual return for financial year 2025-26 is furnished on 25 December, 2026, the rectification of the error pertaining to a transaction in November 2025 cannot be made beyond 30th November, 2026.

ILLUSTRATION 12

Manner of furnishing details of outward supply in GSTR-1: Mr. Gauri Shiva, a registered person in Punjab, supplies goods taxable @ 12% [CGST @ 6%, SGST @ 6% & IGST @ 12%] in the States of Punjab and Haryana. He has furnished the following details in relation to independent supplies made by him in the month ending September, 2025:

	Recipient	Nature of supply	Value ₹
1	Mr. A, a registered person	Inter-State	80,000
2	Mr. B, a registered person	Inter-State	1,20,000
3	Mr. C, an unregistered person	Intra-State	80,000
4	Mr. D, an unregistered person	Intra-State	1,60,000
5	Mr. M, an unregistered person	Inter-State	1,50,000
6	Mr. N, an unregistered person	Inter-State	50,000
7	Mr. O, an unregistered person	Inter-State	2,50,000
8	Mr. P, an unregistered person	Inter-State	2,80,000

CHAPTER - 14

RETURN UNDER GST



CA VARDHAMAN DAGA

9	Mr. Q, a registered person	Intra-State	1,00,000
10	Mr. R, a registered person	Intra-State	4,10,000

The aggregate annual turnover of Mr. Gauri Shiva in the preceding financial year was 5.20 crore. With reference to rule 59 of the CGST Rules, 2017, discuss the manner in which the details of above supplies are required to be furnished in GSTR-1.

SOLUTION

Rule 59 of the CGST Rules, 2017, inter alia, stipulates that the details of outward supplies of goods and/or services furnished in form GSTR-1 shall include the-

- (i) invoice wise details of all
 - a) inter-State and intra-State supplies made to the registered persons; and
 - b) inter-State supplies with invoice value more than 1,00,000 made to the unregistered persons;
- (ii) consolidated details of all
 - a) intra-State supplies made to unregistered persons for each rate of tax; and
 - b) State wise inter-State supplies with invoice value upto 1,00,000 made to unregistered persons for each rate of tax;

Thus, in view of the above-mentioned provisions, Mr. Gauri Shiva should furnish the details of outward supplies of goods made by him during the quarter ending June 2024 in the following manner:

	Recipient	Nature of supply	Value ₹	Manner of furnishing details
1	Mr. A, a registered person	Inter-State	80,000	Invoice-wise details
2	Mr. B, a registered person	Inter-State	1,20,000	Invoice-wise details
3	Mr. C, an unregistered person	Intra-State	80,000	Consolidated details of supplies 3 and 4
4	Mr. D, an unregistered person	Intra-State	1,60,000	
5	Mr. M, an unregistered person	Inter-State	1,50,000	Invoice-wise details
6	Mr. N, an unregistered person	Inter-State	50,000	Consolidated details of supplies 6 and 7
7	Mr. O, an unregistered person	Inter-State	1,00,000	
8	Mr. P, an unregistered person	Inter-State	1,80,000	Invoice-wise details
9	Mr. Q, a registered person	Intra-State	80,000	Invoice-wise details
10	Mr. R, a registered person	Intra-State	4,10,000	Invoice-wise details





ILLUSTRATION 13

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.

(3 Marks, May 2023)

SOLUTION

(A) Conditions and restrictions of QRMP scheme :

Mr. Sumit has to fulfil the following conditions and restrictions for opting for QRMP scheme:

- (i) His aggregate annual turnover (PAN based) is up to 5 crore in the preceding financial year.
- (ii) He has furnished the return for the preceding month, as due on the date of exercising such option.
- (iii) He is not required to exercise the option every quarter.

(B) Manner of exercising option of QRMP scheme :

Registered person - Mr. Sumit - intending to opt for QRMP scheme for any quarter should indicate his preference for furnishing of return on a quarterly basis from 1 day of the 2nd month of the preceding quarter till the last day of the 1st month of the quarter for which the option is being exercised.

ILLUSTRATION 14

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.

(5 Marks, Nov. 2023)

SOLUTION

In the given case, Mr. Sameer would be intimated on the portal and his email address of such difference and be directed to either -

- (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 12

Write a short notes on:

- (i) Rectification of errors/ omissions in respect of returns filed u/s 39 of the CGST Act, 2017.
- (ii) Exception to the rectification
- (iii) Time-limit for making such rectification.

(5 Marks, Jan. 2025)

ANSWER

- (i) Rectification of errors/omissions: Omission or incorrect particulars discovered in the returns filed under section 39 can be rectified in the return to be filed for the tax period 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.
- (ii) Exception to the rectification: Rectification of error or omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities is not permitted.
- (iii) Time limit for making such rectification: The maximum time limit within which the rectification of errors/omissions is permissible is earlier of the following dates:
 - (a) 30th day of November following the end of the financial year to which such details pertain; or
 - (b) Actual date of filing of the relevant annual return.



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